For Immediate Release

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“Challenges of the New Age
and the Japan-Singapore Free Trade Agreement”

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Introduction

Minister Lim Swee Say,
Distinguished Guests, Ladies and Gentlemen,

Good afternoon. Thank you, Professor Tommy Koh, for your kind introduction. It is an honor to have the opportunity to speak before such a distinguished audience, who have demonstrated such a deep understanding of Japan-Singapore relations and contributed to strengthening them.

This is my first visit to Singapore in a long while, and observing your well-ordered streets on my way from the airport into the city, and having just visited your sophisticated port facilities, I am reminded that I have arrived in Asia’s most efficient city. This visit has also given me the chance to discuss Singapore’s development strategies with locally-based Japanese companies, and I have been left, as always, with an enormous respect for Singapore’s national development efforts—your clear goals, firm resolution, and sense of urgency.

Today I would like to focus my remarks on a topic that is not only a central issue in our bilateral relations, but also to be a milestone in Japan’s international trade policy. I refer, of course, to the proposed Japan-Singapore Free Trade Agreement. In this context, I will look at the challenges posed by the “new age”, which was something of a key word in exploring possible elements of the agreement, and also address the role of government in meeting these challenges.

Challenges of the New Age

The world economy is changing at a speed never before experienced by the human race. Businesses are undergoing transformation through M&A and alliances that go beyond industrial sectors and national borders. World financial markets, connected by information networks, stay awake around the clock. Mobile phones used as data terminals have spread more rapidly than any other durable consumer goods, drawing 12 million users in Japan in only 19 months and have familiarized people with internet use. A model house created by a home appliance manufacturer for the market in 2003 is essentially a total information center for family life with all kinds of household appliances hooked into an information network.
The driving forces of these changes are the relentless advance of globalization and the IT revolution. Information technology has opened the way for a fundamental change in the combination of management resources. In a globalized world, management resources go beyond national borders in pursuit of an environment where they can maximize their value. These phenomena, I think, characterize the new age.

In the new age, the key to wealth will lie in boosting intellectual added value by devising a unique combination of management resources rather than in holding particular resources. This intellectual added value will be created by people, and by innovative ideas. It will also require efficient and flexible markets conducive to turning such ideas into business. To facilitate economic activities that go beyond national borders, we need not only to lower border barriers, but also to harmonize domestic systems on an international basis.

In the new age, differences in the ability to adapt may expand economic disparities. Both the United States, where the economy continues to boom, and Asia, which has recovered on the strength of its exports, have been supported by sectors benefiting from globalization and the IT revolution. While, on the other hand, there are people that are not fully enjoying these benefits. Will the speed of change in the new age outstrip the ability of society to adapt? Can the environment and labor standards as well as traditional culture and values, be guarded amidst the overwhelming momentum of globalization? Such expressions of unease are increasingly common, and deserve to be treated with respect. The Okinawa Charter on Global Information Society adopted in July this year strongly calls for bridging the digital divide in and among countries. All countries need to make an effort of its own as well as to cooperate with each other in promoting global participation.

**Role of Regional Systems in the Global System**

Countries around the world are exploring new ways of regional cooperation adapted to the world economy that is becoming more integrated and rapidly changing due to globalization and the spread of information networks.

In this new age of rapid changes, companies are producing and developing locally in the world’s major markets to cut the lead-time from product development to shipment in response to the shorter lifecycle of manufacturing technology. These companies obviously wish to see a quick resolution to the new issues they face in various parts of the world. It seems, however, that we have reached a point where the speed of change in the business environment is too rapid for the WTO to keep pace in creating new rules. Regional efforts to complement such multilateral negotiations are becoming a critical sub-system in terms of enhancing the stability of the global system.

As the world becomes increasingly globalized, regional economic integration in the form of the exclusionary blocs of the pre-WWII era has ceased to be an option. Historically too, those countries which have most keenly pursued world trade liberalization have also worked to strengthen their bilateral and regional FTA networks in an effort to adapt to the changing times ahead of multilateral frameworks. Their achievements have later been gradually incorporated into multilateral frameworks, and thereby have made a substantial contribution to the development of world trade.
Given the enormous diversity in culture, politics and levels of economic development, Asian countries are not yet in a position to step immediately into the same kind of regional integration as North America and Europe. The dramatic development of IT industries is, however, rapidly consolidating production networks across the region, and we all share a common interest in the environment, energy and other areas which form the basis for stable economic development. I hope the Asian nations with their enormous potential can push the world to a new level of economic growth, developing to the point where they can demonstrate an autonomous problem-solving capacity and effectively contribute to the global system.

The New Age Free Trade Agreement

Japan and Singapore, to meet the challenges of this new age, have explored a new free trade agreement without precedent. Singapore, with its world-class business infrastructure which has attracted a number of leading global companies, has inspired our people throughout the process of the joint study. I believe that Singapore is ideal as Japan’s first partner in jointly conceptualizing and concluding a new age free trade agreement.

Unfortunately, however, I found just one drawback between our two countries. Connecting, via information networks, distant places with an adequate time difference is the way to realize 24-hour production of intellectual output. At the end of your business day, you can simply pass on your job to your colleagues in a distant location who have just arrived in their office in the morning. Between Japan and Singapore, however, there is only a minimal time difference, which turned out to be quite unlucky for those who were actually doing the work. They had to keep working day and night, with real-time communication, even forgetting to eat or sleep. It is owing to the fruit of their hard work that the two countries have come up with a new model transcending the conventional concept of a free trade agreement. I would like to pay tribute to them and congratulate them on their accomplishments.

The new age free trade agreement conceived by our two countries should promote economic activities not just in terms of transactions of goods, but also in the wider sense of the movement of people, capital and information. It should also create a flexible, attractive and borderless business environment. The same goal holds for the structural reforms currently being undertaken around the world to stimulate domestic economies.

It will not be limited to conventional measures such as tariff elimination. Investment rules, liberalization of trade in services and competition policy coordination will open the way for participation in each other’s markets, with national treatment applied in principle and anti-competitive business practices kept firmly in check. Mutual recognition agreements regarding standards and conformance will avoid inspection duplications and reduce transaction costs. We will also establish dispute settlement mechanisms to ensure the smooth operation of the agreement.

Most of these measures can be found in existing FTAs. In addition, however, we are also exploring a number of entirely new elements.

Firstly, electronic commerce. We will harmonize the various related systems, bringing Japan
and Singapore into the same cyberspace. Our starting point will be mutual recognition of each other's certification authorities for electronic signatures. Further progress in the consideration of our respective domestic legal frameworks will bring our cyberspace integration efforts even closer to reality, developing a foundation that other Asian countries will find as a useful reference. Further, the FTA should add momentum to efforts by private-sector institutions to introduce mutual recognition of “privacy marks”, granted to organizations meeting approved privacy policy standards.

Secondly, we will speed up trade procedures through the use of information technology. Our ultimate goal will be to develop cross-border, one-stop services whereby all the export and import data requested by the various relevant authorities in both countries can be submitted at the touch of a key. By FY2002, we plan to link JETRAS, a MITI-operated system for import and export approval to the Ministry of Finance's customs clearance information processing system. Singapore has a number of extremely advanced systems in this area, and Japan will draw upon them in improving its own systems to the point where a seamless bilateral network can be developed.

Thirdly, we also attach importance to facilitating the movement of business people through the further rationalization of immigration procedures.

The fourth element will be cooperation in promoting business relations, which could include, for example, cooperation between JETRO and the Singapore Trade Development Board in holding business seminars, arranging trade and investment missions, or database-sharing. We also plan to establish a SME business support center in Singapore as a concrete step in pushing forward with cooperation between small and medium enterprises in Japan and Southeast Asia.

The Japan-Singapore FTA will therefore go beyond the scope of conventional FTA to enhance linkages across the entire range of economic activities, to the extent that it could be more appropriately described as an economic partnership agreement.

Cooperation toward Stable Oil Markets

Ladies and Gentlemen,

I have talked about the dynamism of the new age which will shape the world in the 21st century. There are, however, major challenges that we are compelled to carry over from this century to the next, namely, how to balance economic growth, stable supply of energy and environmental conservation.

In particular, the current focus is on soaring oil prices. We are equipped today with policy coordination with the U.S. and Europe within IEA as well as in frameworks for regional cooperation such as APEC, making us much more capable of appropriately addressing this problem compared to the time of the oil shock about thirty years ago. Last week, in response to my proposal, the IEA held an ad-hoc Governing Board meeting and successfully delivered an effective message aimed at oil market stabilization. It encouraged oil companies and refiners, in particular, to make more heating oil available to the global market, in view of the fact that its stocks are at a low level and with regional imbalances. Japan is ready to expand exports of
gas oil of which we have some surplus here.

Furthermore, for the Asian countries, with increased oil consumption accompanying their rapid economic development, the energy problem has become even more important leading to an increasing need to take joint action. Therefore, I would like to work with the ASEAN economic ministers in taking the following steps toward oil market stabilization.

Firstly, a joint appeal by Japanese and ASEAN economic ministers to the oil-producing nations to take action toward oil market stabilization. The International Energy Forum will be held next month in Saudi Arabia, and we need to seize such high-level opportunities to build a common awareness among oil producers and consumers. (I would like to participate if the Diet schedule permits.)

Secondly, to improve energy security, I would suggest that Japan send experts and also extend other forms of technical cooperation in response to requests for assistance from ASEAN countries in their efforts to strengthen their oil stockpiling mechanisms.

Thirdly, cooperation for the promotion of energy conservation and the diversification of energy sources in the ASEAN countries. This could include technical cooperation in energy-saving management of buildings, and research cooperation in biomass generation.

It would also be a good time to strengthen coordination with other Asian countries in various fora, in addition to the Japan-ASEAN context.

**Domestic Economic Structural Reform**

Ladies and Gentlemen,

Before concluding, let me talk about my own country. Some argue that the 90’s was a “lost decade” for Japan, and that the necessary reforms are not making progress in Japan. But I am optimistic about the future of Japan. Senior Minister Lee Kuan Yew also wrote in his recently published memoir that, within five to ten years, the Japanese will come fighting back. I share his view. And I intend to do everything I can so that Japan won’t fall short of his expectations.

The Japanese social and economic system that supported its post-war economic development seems to have lost its strength amidst the IT revolution and globalization. In the competition among systems that intensified in the 90’s, Japan fell behind especially in promoting the use of IT. The underlying current in our country, however, is steadily changing. Japan’s regulatory reform efforts began to take solid form in the mid-1990s. As the private sector looked increasingly to direct capital markets as a source of finance, corporate strategies shifted to a greater emphasis on profitability. Foreign direct inward investment increased and the Japanese-style management characterized by the main bank system, the keiretsu chain and seniority-based compensation systems is undergoing a major change. I believe that Japan is capable of creating a system responsive to the new age.
Promotion of economic structural reform of course falls within my purview as MITI Minister, and I intend to review the current system especially with three points in mind. First, to give greater freedom to corporate management and more options for how people work and develop their skills. Second, to promote IT use in every sector of our economy. Third, to overcome the declining birth rate and aging population as well as the environmental issue, to lead the way to a new dynamism.

While a number of the issues that require resolution in the years ahead appear intractable to say the least, I will do all I can at any given point, with the belief that the change thus made will open the door for further change, opening up new prospects. Yet I am also strongly aware that reform is a race against time. The heavy responsibility I bear as a politician is to create a vision for the people of Japan, a promise that if they persist in their struggles, while they may experience some temporary pain, a bright future does in fact await them.

Conclusion

Countries around the world, faced with the challenges of the new age, are exploring new approaches to regional cooperation and working intensively on domestic structural reform. These efforts share in common the goal of creating a flexible, attractive and borderless environment. To pave the way for domestic reform, it is necessary to have dialogue with people who are concerned about their future, to share the benefits of reform and make them confident in future reform. At the same time, it is necessary to narrow the gap among countries and make them more receptive to reform, in order to integrate, into the multilateral framework, the fruits of free trade agreements which are essentially advanced arrangements among those that are ready and chosen by each other. It is the responsibility of all nations to the world economy to cooperate with each other to tackle this challenge.

Thank you for your attention.