

Provisional translation

Japan and ASEAN, Always in Tandem:
Towards a More Advantageous Win-Win Relationship through My “Three Arrows”
Address by H.E. Mr. Shinzo Abe, Prime Minister of Japan
33rd Singapore Lecture
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Introduction

Deputy Prime Minister,

Deputy Chairman Wong Ah Long,

Excellencies,

Ladies and gentlemen,

I am very grateful to have been invited to deliver this Singapore Lecture. I would also like to express my sincere appreciation to everyone at the Institute of Southeast Asian Studies for affording me this opportunity.

I consider myself to have been presented with a very timely opportunity today, in two or three senses.

Five days ago on Sunday, Japan held an election to select half of the members of our House of Councillors. Today is my first opportunity since the election to deliver a structured talk on Japanese economy and various other issues.

Most importantly of all, the will to change has returned to Japan, and so has strength. The “revolving door” politics with its high turnover for which Japan is now known has disappeared and is now a thing of the past.

The second sense in which today’s address is timely is that three days ago, Japan made its debut in the Trans Pacific Partnership Agreement process, joining the negotiations underway in Malaysia, your neighbour.

I am intent on Japan expanding the potential of the economy of the Asia-Pacific region further, together with the United States and the other member countries in the negotiations.

The third reason is that this year marks exactly the 40th year of ASEAN-Japan relations. To commemorate this, Japan has invited the ASEAN heads of state and government to Japan in December, when we will hold a special summit.

Today is therefore a truly ideal opportunity to consider the future of ASEAN-Japan relations.

The Significance of Our Victory in the House of Councillors Election

In the House of Councillors election five days ago, our party was granted a strong mandate from the Japanese people, a rare occurrence in recent years. The ruling coalition has now successfully attained a majority in both the House of Representatives and the House of Councillors.

Over the past few years an anaemic economy in Japan has engendered feeble politics, which in turn weakens the economy further.

We have been experiencing a negative chain of weakening that extends to our diplomacy and national security.

Ongoing deflation has made people gloomy in their outlook and inward-focused right to their core.

In order to overturn this situation, we needed immediately and simultaneously to strengthen the economy while working towards greater stability and robustness politically.

I believe that through the recent election, at a minimum we were able to achieve stability in politics.

That said, we have still done nothing more than head to our starting point.

In the third quarter of 2012, far from expanding, the Japanese economy instead contracted at an annualized rate of minus 3.6 percent.

Yet the Japanese economy grew at an annualized rate of 4.1 percent in the first quarter of this year under my economic policy. If the Japanese economy were to continue to grow at this pace for a year, it would be equivalent to the new emergence of an economy the size of Israel's.

Japan has lost as much as 500 billion U.S. dollars in gross national income during the deflationary period of the last few years. This is the same as a country the size of Norway simply disappearing from the face of the earth.

Needless to say, our tax base has shrunk accordingly, and we have become unable to maintain our public finances without relying on government bonds.

Now you can see the picture. Without growth, there can be no fiscal reconstruction. Without growth, we can neither maintain nor enhance our social security system.

And without growth, a strengthening of our diplomacy or national security will also be simply impossible. I trust that from this, the situation has become clear to you. All of these are predicated on economic growth.

Borrowing a phrase from the late Margaret Thatcher, I have said that these are cases of "TINA" -- "There Is No Alternative."

Moreover, a technology- and knowledge-intensive economy like Japan's cannot enhance its productivity unless it takes advantage of innovation.

What we need is the bold reform of our regulatory regime. This will serve as an external catalyst, much like the TPP negotiations. It will

create new added value through dynamic competition and cooperation, which will extend beyond national borders to straddle the entire economic area.

Achieving this will require robust political power that takes on vested interests.

I feel that through this recent election, we now at long last hold in our hands the trigger for pointing both politics and the economy towards a better and then still better direction. All that remains for us is the execution of these plans.

We have now reached a state of TINA. Truly, there is no alternative.

Aiming to Catch Up to and Then Overtake Singapore

Since I achieved my comeback as Prime Minister at the end of last year, I have been promoting policies known as my "three arrows" to put the Japanese economy on a growth track once more. These "three arrows" are, specifically, monetary policy, fiscal policy, and a strategy for growth.

From now on, we will be engaged in firing off the "third arrow" in particular.

Implementing reforms will be the first and foremost political issue for us to tackle starting this autumn. We need to fortify the Japanese economy in substantial ways and increase real income.

At the same time we must put public finances on a sustainable course.

We must not lose our momentum. We will take a decision immediately this autumn on investment tax credits that will strongly incentivize companies.

I will convene an extraordinary session of the Diet, aiming to enact in rapid-fire succession laws necessary for regulatory reform, laws to facilitate corporate restructuring, and more.

In the months and years to come, Japan will transform into a more open economy.

We will become an economy that applauds and assists those entrepreneurs that rise to their feet over and over again using their business failures as nourishment strengthening them for future endeavours. It will be an economy in which those who actively take on challenges will be rewarded.

We will become an economy that stimulates innovation in order to cultivate Japan's technologies still further, from basic science to medical care and agricultural technologies.

"Openness" -- openness to other countries -- "challenges" - actively taking on challenges -- and "innovation" are the key concepts that will guide our reforms at all times.

In order to break through the regulatory regime that has already petrified solid, much like bedrock, we need both a powerful drill and a sturdy drill bit. In a speech I delivered in London recently, I said that I myself intend to become that sturdy drill bit.

I will restate here the same point I made then.

We will advance regulatory reforms in the fields of electricity, agriculture, and medical services while promoting new services and new industries. From there, we will elicit the vitality of the Japanese economy.

I will also push forward with special zones that will serve as showcases for regulatory reforms, capitalizing on indomitable political power to establish National Strategic Special Zones whose progress I myself will supervise as Prime Minister.

This summer, Japan's tourist sites are bustling with visitors from around Asia. We expect the number of visitors to increase to a degree never seen before. Going forward, we will also work together with non-Japanese entities to improve our infrastructure to enable foreign visitors to enjoy Japan's tourist sites.

We have been saying for some time that we want to be the most business friendly country in

the world. I wholeheartedly hope for Japan to catch up to Singapore in this regard and, if possible, even overtake Singapore.

To those in the audience today, let me say that Japan avidly welcomes your investment.

I call this "Invest in Japan," or "double-I J." Feel free to repeat it, -- it rolls off the tongue. Invest in Japan: "double-I J."

The Power of Dreams

Some say that Shinzo Abe will ultimately be defeated if he takes on the vested interests surrounding agriculture and medical services.

However they are wrong in presupposing that there will be little growth in those sectors and as a result the distribution of income should remain zero-sum.

But my view is that we could always seek "positive-sum" paths for industries such as agriculture or medical services. We should bring forth new markets and services through innovation and provide growth opportunities.

The "Yumekikara" type of wheat flour is just one recent example in which innovation has emerged in agriculture.

Although we in Japan consume a considerable amount of bread, until now we were unable to produce flour suited for making bread from domestically grown wheat. But recently, we succeeded in making a variety that yields suitable flour, using wheat grown in Hokkaido, at the northern tip of the Japanese archipelago.

The direct translation of the "Yumekikara" brand name is "The power of dreams." This is the same phrase used by Honda Motor in its advertisements worldwide, but this is just a coincidence.

This wheat flour will make it possible for us to compete evenly matched with high-quality imported goods.

Moreover, by stimulating innovation and seeking markets outside Japan, even agriculture will become an industry that can go forward successfully under this “positive sum” approach, as already happens with our fruit and with wagyu, i.e., Japanese beef.

A similar statement can be made about medical services. We will sell our knowhow in hospital operation and management and in medical insurance to emerging countries in package form.

The government and the private sector will act in cooperation with each other to achieve this. We aim to start this type of endeavour in the immediate future, with an eye on the countries of Southeast Asia.

I have visited 13 countries in the half a year since I assumed office as Prime Minister. Wherever I went, I learned that there is a great deal of demand for Japan’s agricultural products and Japan’s medical treatment services. I discovered this in Moscow and found the same thing to be true in Abu Dhabi as well.

All of this is untapped demand. I myself am spearheading the efforts we recently launched to uncover this limitless latent demand.

The task assigned to me and to my administration is to implement these things step by step and point by point.

ASEAN and Japan Are Twin Engines

ASEAN will play an enormously important role for the Japanese economy within that context.

Over the past decade, the value of Japanese exports to ASEAN has jumped 2.3 times, while the value of imports from ASEAN into Japan has risen to 2.5 times the previous amount.

A look at trends over the past decade shows us that we have run a balanced trade with each other. If you plot our trade figures on a graph, you will find that they track each other almost exactly, in superb fashion.

An expanding Japan is in the best interest of ASEAN. A growing ASEAN is in the best interest of Japan.

Between Japan and ASEAN, we find a state of affairs that affords us the ability to say such things with certainty.

I believe that the effects of the “three arrows” that I have fired will -- and, indeed, --must -- extend not only to Japan but also to ASEAN.

ASEAN will be the 21st century’s champion in fostering the vast middle class consumer market.

The land, sea, and air infrastructure now being extensively constructed, including through cooperation with Japan, and the connectivity that will intensify as a result, will cause ASEAN’s “economies of scale” to come into full bloom.

Asia has an enormous demand for infrastructure to connect east and west, with ASEAN at the very heart. I would like for Japan’s system technology to be used extensively towards improving the Asian region’s infrastructure, which will require an investment of some eight trillion U.S. dollars by 2020.

Singapore boasts an impressive infrastructure industry and the project creativity and management technology of Temasek and Ascendas. If we can bring these together with the system technology of Japan’s corporations, it would become the strongest “tag team” in the world for building “dream cities,” would it not? Let’s do it. Let’s embark on making that a reality.

Japan, which has a long history of direct investment, is a “resident” in ASEAN from way back.

Take, if you will, the enormous economic area that is about to come into being through the “confluence of the two seas,” stretching from the Pacific Ocean to the Indian Ocean. If we were to liken that economic area to an airplane, Japan and ASEAN would be like two engines attached to the right and left wings.

There is no question that we will be able to fly high into the sky.

Forty Years of Japan and ASEAN

Forty years ago, in many countries of the region, the building of a state was viewed as an endless string of thorny challenges.

We in Japan have observed closely as ASEAN countries made progress from that era until the present day, including the changes that have taken place in Myanmar in recent years.

Tomorrow in Manila I will offer flowers at the memorial to Jose Rizal, the hero of Philippine modernization.

Jose Rizal left us the following words: "Without education and liberty, which are the soil and the sun of man, no reform is possible."

The Asia manifested in ASEAN is the Asia that tirelessly moved forward, taking Rizal's words as its motto. It was precisely by placing value on education and freedom that you have come so far down this long path. Am I correct here?

We Japanese are proud to have always proceeded together with that kind of ASEAN, even during the era of the currency crisis that was so severely trying.

I think that you yourselves will testify eloquently to what kind of country Japan was during this time.

You who have been involved with Japan for such a long time are fully aware of the national character of Japan, which embraces the importance of freedom and peace and, never shooting even a single bullet, has never wavered from democracy or the rule of law.

In recent years, Singapore and Japan have incorporated India, a great democratic power, into the grand tapestry of the East Asia Summit, and together have attained the tremendous achievement of bringing about a confluence of the Pacific and Indian Oceans.

I am delighted that ASEAN and Japan have gone beyond their economic relations to forge a relationship that takes on responsibility for the security of the region, particularly freedom of navigation on the seas.

Japan and ASEAN hold in common a highly-developed civil society and an urban culture. We should commend the fact that our relations have progressed to the point where each of us inspires the other in cultural aspects.

My administration is currently working out a plan to be announced in concert with the Commemorative Summit at year's end to enhance the richness of Asian culture even more. I hope you will look forward to this.

Now, ASEAN and Japan are unfailingly "in tandem," not only in economic but also in cultural terms. Ours is a relationship in which we stride forward together.

In times both past and present and also into the future, what has guided Asia is not coercion through force.

What has linked Asia together is the winds sweeping across the seas. It has been maritime trade, transported by the wind. It has been the blessings of the seas.

What has been cultivated is a spirit in which we hold the forces of nature in awe. And yet at the same time we are optimistic to the core, believing that the fierce forces of nature will at some point transform into benign gusts of wind.

What guides this kind of Asia is not coercive force. Rather, it is the interchange that takes place in a spirit of mutual respect and of learning from one another. It is the interchange that transpires in the spirit of being lively, warm-hearted, and at ease, in which we want to enjoy light-hearted moments with each other and even sing songs together.

I am not saying that because Japan is the country that gave the world the magnificent invention of karaoke.

And, I am looking forward to the day when I can have amicable discussions with the leaders

of China, an important neighbouring country for Japan, in exactly this spirit of being at ease with each other.

As we consider where we have been and where we are going in terms of our relations with the Republic of Korea, we have a relationship in which both Japan and the ROK are allies with the United States and form a foundation for regional security. In light of this, we are reconfirming our view that here too we are “in tandem” with the ROK both economically and culturally.

Given this, I sincerely hope for us to hold candid discussions at the leaders level, or, at the Foreign Ministers’ level.

The Japan I Wish to Create

I hold in mind a certain image of how I would like Japan to be.

More than anything, I want Japan to be a country in which our young generation, and the generation after that, and the one still after that, are able to nurture a dream for the future and make their way forward, their eyes earnestly fixed straight ahead.

I also wish to make Japan a country that offers and promotes peace and stability.

Growth and turbulence are inherent in countries and regions, just as they are unavoidable in the case of human beings.

In particular, rapid growth sometimes exposes us to risks that we did not face before.

There is the possibility that there will come a time when the “public goods” of the sky and the sea, space, and cyberspace, which are by nature to benefit all people equally, come to be seen as the stage for a “zero sum” game.

Economic peaks and valleys, changes in political systems, environmental degradation, and the aging of society -- these are all great challenges now poised to visit the countries of

Asia, which Japan has been working to tackle for some time.

These are never-ending issues pertaining to the building of democracy, or the rule of law or the legitimacy of the procedures forming the basis for that democracy. But Japan continues to work to tackle these challenges.

In the future, by grappling with these challenges together with the countries of ASEAN, Japan and ASEAN will together be able to carve out their future.

Japan must regain an economy that is more powerful. Japan will foster in Asia a dynamic society in which all people, regardless of race, gender, differences in age, or disabilities, can pursue their potential.

I pledge that by doing so, Japan will carry out its responsibilities to enable ASEAN to attain greater abundance and Asia to become a place where hope shines for the future of its children.

ASEAN, Japan, in tandem.

Let us stride forward together, aiming at still greater heights!

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