

# Abenomics and JETRO's activities

Hiroyuki Ishige

Distinguished guests, ladies and gentlemen, I am Hiroyuki Ishige, Chairman and CEO of the Japan External Trade Organization, JETRO.

I would like to express my deep appreciation to The Honorable Michael Kuenzle, Mayor of Winterthur, our host city, and other partner organizations for providing me an opportunity to speak today.

Almost a quarter century ago, I actually used to live in Geneva. I was sent to the Japanese mission there to participate in the UR negotiations. During my three years there, I had many good memories and one bad one.

The bad memory was that I broke my leg while skiing at Zermatt and was hospitalized at Geneva University. I had to use crutches for almost three months.

One of the good memories was that I, as a member of the Japanese mission, was always treated as a very important member in the GATT meetings. At that time the Japanese economy was at its peak.

However, since the bubble burst in 1990, Japan has fallen off the international trade radar. Since then we have been stuck in what has been called the two lost decades.

Fortunately, the Japanese economy seems to be regaining its lost vitality thanks to Abenomics.

Today I would like to talk about “Japan’s new growth strategy and JETRO’s activities”.

My speech is composed of two parts.

First, how is the so-called “Abenomics” progressing?

Second, what is the key to Abenomics? Is it sustainable?

It's already 13 months since PM Abe took office in December 2012. During this period Japanese stocks have risen more than 60%. Japan has achieved the highest economic growth among G8 countries during the last year.

I think Abenomics was crucial in making this happen.

The policy consists of what is called "three arrows" which represent bold monetary policy, flexible fiscal policy and a growth strategy. Among these three arrows, the bold monetary and flexible fiscal policies were particularly effective in bringing about this restoration. They have changed the expectations of business people as well as the minds of consumers.

The next question is whether this economic growth is sustainable or not. This is dependent on the third arrow of Abenomics, the growth strategy.

Before the Abe government almost all prior PMs had proposed growth strategies. PM Abe's growth strategy is the 7th in the last 7 years.

Is this deja-vu all over again?

No, this time is different.

Sustainability of growth will depend on structural reform. And the growth strategy equals structural reform.

The Abe administration's determination here is shown through three commitments. Acceleration of FTAs, agricultural reform and promotion of investment in Japan.

With regard to the first commitment, the acceleration of FTAs, this administration is seeking simultaneous negotiations on three mega-FTAs, namely the TPP, RCEP and Japan-EU FTA.

While previous cabinets addressed the Trans Pacific Partnership, or TPP, PM Abe made the actual decision to enter negotiations last March.

Of course this has been a great challenge for the Abe Cabinet. Participation in the TPP means pursuing politically risky agricultural reform. He made the call knowing this.

How was Japan able to make such a decision?

I can offer two reasons.

The first is I believe we have entered an age of competition among

mega-FTAs. And as they compete, they also stimulate one other. Negotiations on the EU-Japan FTA were accelerated by Japan's participation in TPP negotiations.

ASEAN+6, currently called the Regional Comprehensive Economic Partnership, or RCEP, was likewise suddenly promoted by China after Japan's decision on the TPP.

The mega-FTAs are competing to provide the best business environment to attract companies.

The second reason is Japan's experience with negotiations on the Japan-Switzerland FTA. Implemented in September 2009, this is Japan's first FTA with a developed country. If Japan hadn't made the decision to pursue this accord with Switzerland, it would not have been possible for it to start simultaneous negotiations on the current three mega-FTAs.

The second commitment of the Abe Administration I would like to bring up is agricultural reform.

How was it possible for Japan which seems to have been adamant that agriculture should be protected at any cost?

In this regard I would like to touch upon a similarity between Japan and Switzerland. Neither country's agricultural industry is considered to have much experience competing in the world market. We have worked together to protect agriculture in previous trade negotiations.

At the same time, however, both governments wish to strengthen the competitiveness of these industries and increase their value.

This is indispensable for Japan's growth strategy.

From this perspective the Abe government made the goal of doubling the income of the agricultural industry and export of its products by 2020.

In this context, JETRO plays a critical role in exporting agricultural products from Japan to the rest of the world.

With regard to the third commitment of the Abe Administration, I would like to talk about the role of inward foreign direct investment in realizing economic growth in Japan.

The Abe government has attached great importance to the role of inward foreign direct investment, or FDI, in its growth strategy.

I believe FDI is a driver for economic growth.

FDI brings with it different ideas, different management skills and different technologies.

These are elements necessary for a developed economy like Japan to continue to grow.

This is why Japan decided to provide the best business environment for foreign companies in the world.

To this end again we will utilize FTAs.

The business and investment environment of Switzerland was improved substantially due to the FTA with Japan.

The amount of investment by Japanese companies in Switzerland has increased four times between 2008 and 2012 to 4.5 billion US dollars.

As you know, Takeda, a world famous Japanese pharmaceutical company has purchased Nycomed at about 10 billion US dollars.

Toshiba has acquired Landis+Gyr, a world-leading smart meter company of Switzerland.

I expect that many more M&As are currently in the pipeline. The amount of investment will likely be tripled and perhaps even quadrupled in a few years.

The FTA has also enabled Swiss companies to double their investment into Japan over this period. Switzerland now ranks 7th in terms of the amount invested in Japan.

With this age of competition for attracting foreign companies, how can an attractive investment environment be provided? FTAs are one important tool.

At the same time, investment promotion organizations, such as JETRO, have to step up efforts to attract FDI.

JETRO has recently established cooperative frameworks with counterparts in countries such as France, Italy, Spain, Ireland, Slovenia, Slovakia,

Poland and Hungary to facilitate mutual trade and investment.

JETRO is ready to establish a similar framework agreement with its Swiss counterpart. This is one of the most important jobs to be achieved soon by Mr. Nakamura, newly appointed Director General of JETRO Geneva.

I believe Japan is one of the best destinations for Swiss investors. Not only large companies like Nestle or UBS, but competitive Swiss SMEs have invested in Japan.

For example, Oetiker Group, a high-quality clamp parts manufacturer established a subsidiary in Yokohama in 2008.

The parts are used for various products like automotive and home electric appliances.

JETRO provided temporary office space and consultation services to help them set up operations.

JETRO fully supports international companies in investing into Japan.

“Talk to JETRO first.”

Now is the time for Swiss companies to take advantage of the Japanese market.

In summary, I would like to say that Abenomics has been successful due to bold monetary policy and flexible fiscal policy.

But its sustainability is highly dependent on the growth strategy, in other words, on structural reform.

I believe the three commitments to be pursued under the growth strategy, namely acceleration of FTAs, agricultural reform and promotion of investment in Japan will be driving forces for this sustainable economic growth.

This time is different.

Before concluding my remarks, I would like to remind you of the days when our countries began trade almost 150 years ago. At that time Switzerland exported watches to Japan and Japan exported silk-products to Switzerland.

Both were world famous because of their advanced technologies and fine skills. Both valued the technical ability of the workers on the ground.

150 years ago there was no such thing as an FTA. However, since that time

we have been partners in sharing common values.

Based on this long and marvelous relationship, we were able to establish our FTA in 2009. Under this accord we are able to enhance our relationship further.

To this end JETRO will not spare any effort. We will continue to work for this purpose.

This is all I have to say at this moment.

I hope for today's symposium to be a most beneficial and meaningful experience for all of us.

Thank you very much for your attention.