

## Progress Report Update on Feasibility Study for Creating an Economic Sharing Sphere with Asia

In 1993, a committee called "Social Capital and Investment Study Group" was set up to discuss on a master plan "Grand Design of Social Capital and Investments." This Study Group was an advisory body to the government on the use of public investment funds amounting 630 trillion yen to be allocated for the decade between 1995 and 2005. The Study Group was funded by the Ministry of Construction, and comprised the Economic Planning Agency, Ministry of International Trade and Industry, Selected Local Governments, and individuals from the private sector.

Suzuki Koji proposed to organize this Study Group, and acted as secretary general. The Study Group is unique as it is one of a few bodies that is inter-departmental in which individuals from the private sector are also participating.

In the master plan, the Study Group proposed that a city sector which would serve as an "Economic Sharing Sphere with Asia" in some location/s with access to an international airport and seaport be constructed in Japan. In order to create such "Japanese-style Special Economic Zones," the Study Group also proposed wider deregulation and tax incentives as means to promote foreign investment to Japan.

In February 1995, as part of efforts to promote the above proposal and in response to the world trend before the establishment of the WTO, the Social Capital and Investment Study Group proposed that "infrastructure investment by foreign investors" be included in the list of the items to be liberated to be submitted at the APEC meeting. The same proposal was placed before the table of the SOM meeting (by Koda MITI councilor).

In September 1995, the summary of the Study Group's proposal was in English was incorporated in the Japan's position paper for an APEC meeting.

The Study Group selected three municipalities in Japan to develop "Japanese-style Special Economic Zones" inviting foreign investors. Kobe was one of them, and the Group started approaching the mayor of Kobe and other officers, and private sector people.

On January 17, 1995, a great earthquake hit the Hanshin district and Awaji island at which time Kobe was disastrously damaged.

Suzuki, as Secretary General of the Study Group, upon request by deputy ministers and councilor class officers of some ministries concerned, visited Kobe city on the very day to meet Mayor Sasayama and other director-class officers, and vice-governor of the prefecture and others to coordinate the reconstruction plans.

Suzuki proposed the construction of a "Japanese-style Special Economic Zone" in Kobe, as part of the proposal of the Social Capital and Investment Study Group. Governor Sasayama of Hyogo prefecture announced this idea in the name of "Enterprise Zone" to the press (The Mainichi, February 1995).

The reconstruction/rehabilitation plan was discussed for several months between the Cabinet and the affected municipalities, however, no concrete proposal was adopted. In the meantime, Suzuki was requested by Chairman Shimokobe of the Cabinet Rehabilitation Committee to draft proposals for rehabilitation, and he started working on it (from February 1995).

In June 1995, the Kobe Municipality held "Enterprise Zone Study Meeting" to request the central government to abolish regulations and to provide tax incentives. Prof. KARATSU Hajime of Tokai University and Suzuki were invited as guest speakers at this meeting to give them suggestions for future direction.

At the meeting, Suzuki asked for authorization of the Hyogo prefecture and concerned municipalities to receive support

from a proposed consortium of foreign investors to Japan.

Suzuki visited Singapore several times to form such a consortium. The Japan Development Bank, which manages Earthquake Rehabilitation Funds, accompanied Suzuki to Singapore in March 1996 and explained their position in the project to the PSA, Suntec City, etc.

Prior to this, in December 1995, Suzuki was requested by Mr. G. C. Magnus and Mr. J. E. Meredith of the Cheung Kong Holdings & Hutchison Group, the greatest conglomerate in Hong Kong, to find most effective means of dispersing the group's assets to Japan. In March 1996, Suzuki proposed their investment in Kobe port and its hinterland businesses, to which they agreed.

Upon discussion with Mr. Magnus and Mr. Meredith, Suzuki started negotiating with the Kobe municipality regarding a feasibility study on the reform of Kobe port making use of the Cheung Kong Holdings/Hutchison Group's expertise of forming a joint venture with the Shanghai municipality.

This will be the first attempt to reduce high distribution cost. and to reform the port and harbor administration in Japan which has the greatest number of regulations and restrictions. The negotiations involved executive officials of both the government and private sectors.

Suzuki spent several months preparing for the feasibility study through discussing the matter with the officers of concerned parties in Kobe city (Mayor, deputy mayor and port and harbor division director) and Hyogo prefecture (Vice-governor, former deputy executive director, Earthquake Reconstruction Hq.). He also negotiated with the concerned government offices; Port and Harbor Bureau, Ministry of Transport, Economic Planning Agency, Japan Development Bank, Politicians in favor of Kobe reform, and opinion leaders. Thus, by May 1996, the feasibility study (on Kobe port reform) was authorized by concerned parties.

In May, 1996, when U.S. President Clinton visited Japan, the focus of the Cabinet meeting was deregulation to promote foreign investment, as a priority means to stimulate the economy. Suzuki met Mr. TANAKA Shusei, Director General of the Economic Planning Agency on the day when an official dinner was held, to explain the progress made by then, and asked him for his support. Mr. Tanaka announced his support to promote foreign investment targeted to Kobe port.

On the government level, the "China-Japan Kobe-Shanghai Trade Project" was initiated in October 1995 under the directorship of Dr. Shimokobe. This idea was borrowed from Suzuki's proposal to Dr. Shimokobe made earlier in February 1995 to create an "Economic Sharing Sphere" linking Kobe with the Cheung Kong Basin Area embracing Shanghai, Suzhou, Wuxi, etc. The project, however, was prevented by the rigidity of the governments of both countries.

Mr. Meredith of the Cheung Kong/Hutchison Group disapproved the idea of government-to-government project.

Similar rigidity grew within the Kobe municipality. As the time of reversion of Hong Kong is approaching, there is a gap in the sense of urgency between the Cheung Kong/Hutchison Group and the local government.

For about two months from March 1996, Suzuki, involving the Port and Harbor Bureau and Economic Planning Agency, pushed the Kobe municipality to set up a counterpart study group to promote the feasibility study for Kobe port reform project.

In May 1996, Chairman Toyota of KEIDANREN, upon listening to Suzuki's progress report, handed a letter of appeal to Prime Minister Hashimoto asking his approval to designate an area of Kobe port as a model port reform project site. This appeal was not agreed upon by the Prime Minister due to the lack of initiative on the part of the Kobe port authority.

After this occasion, our expectations toward Kobe city declined. In May 1996, Suzuki and a loose team consisting of

government and private sector members took notice of "port network," and expanded the targets of their feasibility study to Yokohama, Kawasaki and Kitakyushu. However, none of them proved viable for immediate networking due to the small scale of operations, budgetary restrictions, the lack of initiative and so on.

In June 1996, in order to sound the interest in our project of Pusan port, Kobe's competitor in Northeast Asia, Suzuki visited Korea to meet the parliamentary vice-minister of the Ministry of Transport and officers of the Pusan port authority.

In July 1996, worried about the slow action by the Kobe municipality, Suzuki and the team started looking for a means to promote the project, and took a note of a land lot owned by a private company on Rokko Island, namely, the 14-ha lot owned by the Seiyō Co. Ltd, formerly an amusement center until the great earthquake destroyed equipment. Suzuki won an order from Chairman Morioka of Seiyō to sell this land lot.

With Chairman Morioka's agreement, Suzuki started negotiating with concerned parties to redevelop this land lot, with the help of foreign investors, to be a hinterland for Kobe port.

The Seiyō's land is located at the node of Kobe port and Kansai International Airport. It is right next to the air-cargo facility of the airport.

Kansai Airport became two years old in August 1996. Mr. MIKANAGI Kiyoyasu, former Director of the Port and Harbor Bureau, Ministry of Transport, became president of the airport in July 1996. He has been supporting our proposal for the introduction of foreign investment in Japan. With his appointment as president, the significance of the Seiyō's land was enhanced as a site for Japan's hub service area, which is urgently needed in Japan.

The reply to the Cheung Kong/Hutchison Group is pending. We entrusted Suntec City with coordination among other possible investors in Hong Kong.

We (Suzuki and the loose team) requested the PSA, Singapore, with excellent expertise in hub network business for their cooperation.

With PSA's cooperation, we are now taking concrete steps to make a hub plan for Kobe together with Mr. Mikanagi, Ministry of Transport/Port and Harbor Bureau Director, Economic Planning Agency Councilor and others.

We are now thinking that we first proceed the development of the Hub Service Area for Kobe port and Kansai airport using a private land. While promoting the implementation of this project, we will push forward the process of Kobe port reform including privatization of its operations.

In order to promote smooth entry of foreign investors to Japan, we can have support from the Japan Foreign Investment Council, a government body, in taking actions for deregulation and tax incentives required for the sake of investors' security and risk reduction.

So far, only a Korean member was invited from Asia to speak at one of the meetings of the Japan Foreign Investment Council. Upon our strong recommendation to the Economic Planning Agency and its present Director General Tanaka, the Agency started its procedure to invite members from Singapore.

We are trying to persuade the Agency to invite representatives from the PSA and SUNCITEC CITY to speak at subcommittee meetings by the end of this year or the beginning of 1997.