

PROVISIONAL

Towards the enactment of

“The Basic Law to Strengthen Hubs in Japan”

(modeling after the case of enacting the Basic Space Law)

Hub Development Aiming for Obtaining Trading Conditions
which will be Beneficial to Lower Logistic and Living Costs,
to Ensure Resources and Materials, and to Strengthen Localities.

April 2009

**The Parliamentary League
for Strengthening and Developing Hubs in Japan**

This document is prepared for the legislation of the “Basic Hub Development Promotion Law” in order to build new Japan after the current financial crisis.

The goal is to create a “new 100 trillion market and employment opportunities for 3 million people within five years.”

The document has been prepared focusing on the international standards including the WTO rules, and with the cooperation by foreign government, GLCs, and private sector operators.

It also specifies “structural problems inside the policy administration in Japan.”

Therefore, the text in English was prepared first, and the Japanese summary is attached.

本法制準備図書は、金融危機後の新しい日本の創生を実践的に行うための、「日本のハブ推進基本法」準備書として作製しました。

本図書は、日本で“5年以内に100兆円の新しい市場と、300万人の雇用創出”を目標としております。

「日本国内の政策運営上の構造の内側の問題点を指摘し」、
「WTOルールを含む国際標準を焦点としながら」、かつ
「ハブ推進に必要な、海外政府、政府系企業、民間オペレーターからの協力を得て」
作製したものです。

そのため、英文のテキストづくりを優先させました。

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1. Summary for the enactment of “the Basic Law to Strengthen Hubs in Japan (provisional)”

1. ■ The Parliamentary League for the Promotion of Developing Hubs in Japan aims to “ensure energy resources and materials,” “to lower logistic and living costs,” and “to create domestic demand and employment opportunities by inviting excellent investors from outside Japan,” after the current global financial crisis originated in the United States.

2. ■ In the process of rapid globalization, environmental and financial problems affect the whole world instantly. In such circumstances, taking in hub dynamism in Japan and ensuring best trading conditions by intensively mobilizing energy resources and investments will enable Japan to strengthen its industrial competitiveness and to upgrade people’s living standards.

3. ■ Investment mobilization for obtaining good trading conditions is considered as a growth resource for countries. It has become a matter of course for developed countries to mobilize investors by introducing casinos and to direct investments into new industries and services such as medical and biotechnical industries, environmental business, new energy development, tourism, education, and financial centers.

4. ■ Japan’s rapid economic growth has been supported by external demand for its manufactured products. However, Japan today is not able to obtain “foreign investments” and “active intelligent resources, services, and other value-added resources” that may help stimulate domestic demand. It is because, as shown in the table below, Japan fails in taking part in growing hub dynamism.
(Table: Japan unable to tap activity resources going around the world)

5. ■ In order for Japan to take part in this “hub dynamism,” and to “enhance industrial competitiveness in the world and the living standard of the nation,” it is imperative to:

- change conventional practices in all sectors that prevent growth, and review the existing systems,
- provide opportunities to create new industries from all industrial sectors, and
- provide incentives to propel growth.

In the past, no government was able to put forward policies to realize the above.

6. ■ Instead of struggling to grab a larger portion in the shrinking pie, we need to create an environment where every individual, regardless of age and gender, can choose one's employment freely from among a wider range of professions and occupations in all types of industries in an enlarged pie.

7. ■ In order to promote Japan's hub development effectively and successfully, we must look squarely at reasons for preventing the development of hubs in Japan, and eliminate these factors and develop hubs with strong political will and producing competence.

8. ■ One major focal point to address is the delay and non-proactive attitude of Japan to catch up with the application of international standards of free economic activities in the process of globalization and hub development.

The themes of the 1st WTO ministerial conference were the "liberalization of ports, airports and communications," and the "liberalization of foreign direct investments." However, Japan did not respond to these recommendations. The US government took harbor sanctions against Japan according to the WTO regulations as a symbol to press Japan to rectify its exclusive practices.

The root of the problem lies in the stance that the Japanese government has taken to date as mentioned above.

9. ■ The themes of the 1st WTO ministerial conference serve as important objectives for Japan to develop hubs for the nation to survive after the current global recession. It is considered that the international standards which have become the WTO rules and regulations should be the main points in the proposed Basic Hub Development Act.

Table: Japan unable to tap activity resources going around the world

- Foreign investments/GDP in 2007 (2000)

Japan	2.5% (1.2%)
UK	47.3% (34%)
France	35.0% (17%)
USA	13.5% (30%)
Germany	17.4% (12%)
Australia	32.6% (31%)
Singapore	159%

Annual GDP Growth after the global financial crisis

Oct.-Dec. 2008

Japan	-12.7%
USA	- 3.8%
Europe	- 5.7%
France	- 4.6%
UK	- 5.9%

Container Transship Rates in Asia (2003)

Japan	3.8%
Singapore	80.%
Hong Kong	70.%
Kaohsiung	50.75%
Pusan	41.3%

Transit Rates at Airports in Asia (1999, MoLIT)

Narita	19.0%
Changi	323.7%
Hong Kong	154.1%
Bangkok	78.4%
Seoul	53.1%
Kuala Lumpur	35.6%

2. The contents of the policy and project proposals which were approved by the Parliamentary League and begun to be implemented.

The Parliamentary League was established on December 11, 2008 in order to achieve the following goals and put them into practice.

“A drastic plan must be implemented to cope with the once-in-a-century economic crisis. The theme of the proposals is appropriate.”
(The Parliamentary League)

Japan has urgent needs for “lowering distribution and living costs, to maintain resources and resource materials, strengthening local economy, and developing ports and airports as hubs to secure trading conditions to maintain national interests. To meet these needs, there is a need for enacting the Basic Law for developing hubs (for example, the Basic Space Law).

1) Proposition:

Affected by the global financial crisis originated in the United States, economic activities in Japan are getting worse. What strategies should be taken to maintain the best trading conditions and to expand domestic consumption in order to protect people's life?

2) Goal:

Goal 1: Participation in hub dynamism in Asia

= Immediate implementation of “hub business” projects

- Stabilize people's living and industrial growth by lowering distribution and living costs
- Strengthen local as well as national capabilities

Visions to overcome urgent issues and to increase domestic consumption:

Prioritize securing the best trading conditions by developing ports and airports as hubs to “maintain energy resources and materials,” and to “lower distribution and living costs.”

Goal 2: Creation of new industries to expand consumption and employment opportunities

= Immediate implementation of “hub service business” projects mainly with public funding of Japan and by inviting excellent foreign investors.

- Hinterland development including hub-related facilities, new energy development, casino complexes, etc.
- New industries and employment opportunities from among Japanese

manufacturers, retailers, service industries and small and medium size corporations

Details:

- ① Develop “hub service business” (new energy development, and development of new industries or industrial facilities desired by localities) along with the strengthening the port or airports, by introducing excellent investors mainly from overseas (government-linked corporations and private corporations).
- ② Examine the possibility of joint development of new industries and employment opportunities by inviting excellent investors from abroad (government-linked funds interested in hub development) into manufacturing, retailing and service industries in Japan, leading to greater domestic consumption.

“Hub Business” and “Hub Service Business” along with the development of hubs

A) Hub Business

Port and airport operations and telecommunication services will be strengthened leading to the strengthening of local and national capabilities, to the security of favorable trading conditions, and to the lowering of living and distributing costs. This will help strengthen Japan’s international industrial competitiveness and enhance people’s living standards.

B) Hub Service Business

By inviting excellent investors to develop industries desired by the localities of the hinterland (coastal areas and urban sectors) of ports or airports to be strengthened as hubs. It will enable the development of business facilities and the acquisition of management opportunities, providing favorable influence on the local economy and stimulating domestic consumption.

3) The concept of activities:

To enact relevant laws to stimulate consumption, to increase domestic demand and to create employment opportunities driven by upgrading airports and ports as hubs (hub business and hub service business), as well as to make every effort to gain products and effects from the laws.

4) Hub Development in Japan means:

1. The first goal is to increase the pie for economic growth (all kinds of potentiality for growth) by taking in various resources going around the world (people, commodities and materials, services, intellectual resources and energy resources) into the country in the forms of containers and cargos by providing favorable trading conditions.
2. The second goal is to review the existing systems as well as ways how capital and resources have been used to lead to the development of new industries.

【Hub Business】

By developing hubs of surface and air transportation, communications, logistics, intelligent resources etc., manpower, materials, investments, intelligent resources, and energy resources will be concentrated.
Developing industries in the hinterlands of hubs.

【First World Hub (quality-first hub)】

Along with obtaining trade conditions (and diplomatic strength) and hub development, following industries that lead the world will be developed:

Strengthening technological and service industries driven by the development of hubs

- 1) Medical and biological business
- 2) Environmental business
- 3) New energy development
- 4) Tourist business
- 5) Education
- 6) Financial center
- 7) Contents business (animation, character license, film art, etc.)
- 8) Casinos

【New Business Development: Hub Service Business】

1. Creation of New Industries
 - 1) Investment to and joint development of manufactures, retailers, services, small-and medium enterprises.
 - 2) Inviting large and small foreign entrepreneurs, and supporting the growth of Japanese entrepreneurs
 - 3) Introducing and supporting the growth of the “enterprise system” into core cities in Japan
2. Local Development ----Developing hinterlands of hubs
 - 1) Investments into hinterland development
 - 2) Introduction of casinos as a part of hub service businesses, mobilization of excellent foreign investments (policy of the Singapore government)

3. Participating members for the Parliamentary League for Strengthening and Developing Hubs in Japan

(As of April 2009, Mainly MP members of DPJ)

■ The 1st meeting on December 11, 2008

Participating members

Noda, Yoshihiko; Nagashima, Akihisa; Koga, Issei; Matsubara, Jin;
Ryu, Hirofumi, Haraguchi, Kazuhiro
Karatsu, Hajime (adviser) Suzuki, Koji (organizer)

Members to whom materials were given together with explanations

Maehara, Seiji; Matsuno, Yoriyoshi; Genba, Koichiro; Edano, Yukio;

■ The 2nd meeting on February 5, 2009

Participating members

Sueyoshi, Koichi (guest); former mayor of Kita Kyushu city,
and at present, aide to Prime Minister Aso
Suzuki, Koji (organizer, speaker)

Nagashima, Akihisa; Koga, Issei; Ryu, Hirofumi,
Kira Shuji; Tamura Kenji;

Members to whom materials were given together with explanations

Noda, Yoshihiko; Maehara, Seiji; Haraguchi, Kazuhiro; Matsubara, Jin;
Matsuno, Yoriyoshi; Genba Koichiro; Edano, Yukio;

■ The 3rd meeting Planned

(12月15日 本稿完成)

The concept of activities:

- To enact relevant laws to stimulate consumption, to increase domestic demand and to create employment opportunities driven by upgrading airports and ports as hubs (hub business and hub service business), as well as to make every effort to gain products and effects from the laws.

■ Goal: - Ensuring better trading conditions = Reduction of Logistics and Living Costs, Ensuring Resources and Materials
- To participate in the hub dynamism in Asia in real terms.

Urgent Development of Hub Business
⇒ Implementing inter-ministry policies with strong political and production capabilities.

Collaboration with governmental and government-linked corporations, and the private sector in Asia which are essential in hubs.
ex. Global port operators, airport operators (PSA, Hutchison Port, Changi Airport, etc.)

Under the "industrial development project by introducing a new system," the Japanese government and local government will support corporations which intend to make proposals and take part in the hub service business development project.

- Proposal for the enactment of "the Basic Law to Strengthen Hubs in Japan (provisional)"
- Proposal for the establishment of a "high level Japan-Singapore organization"

Requests for promotion have been made to governmental and essential corporations which are comprising the core of hubs in Asia.

Attach importance on mutual influence

Required Actions

- ① Strengthen hubs, mobilize all related policies by the national and local governments and provide incentives to participating corporations.
- ② Immediately develop favorable environments for developers of hinterland business.

Urgent Development of Hub Service Business
⇒ Inviting investments from excellent overseas companies which we hope to have along with the development of hubs

■ Goal: Development of new businesses to stimulate domestic demand and to create employment opportunities in Japan

Hinterland development, regional development around hubs.
ex. Singapore's government linked funds /GLCs (CapitaLand, Keppel Land, etc.)
Private capitals in Hong Kong etc.

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Stimulation of Domestic Demand and Creation of Employment Opportunities

- Inviting excellent investments from abroad to hub-related facilities, hinterland cities and regions of hubs to be strengthened.
New energy development, financial center, casino complexes, etc.,
* Singapore introduced casinos as part of hub services with the goal to redirect its economy led by advanced medical care, biotechnology, and new energy development.
- Creating new industries on the national and local levels along with the strengthening of hubs, inviting foreign investors to jointly develop manufacturers, retailers, services and small and medium corporations and to expand employment opportunities
- Studying the development of "security incentives" to accept excellent investors and entrepreneurs from abroad, and to liberalize and facilitate investments to newly developed businesses in the hinterlands.

Strategy as a national policy directed toward the development of new businesses from hubs (ports, airports, telecommunication, hinterland development, etc.)

<Preparation of the System Security to Strengthen Localities and the country>

- a) Standards and Authorization
- b) Custom procedures
- c) Relaxed regulations
- d) Human resource development
- e) Technical security
- f) Free access to information
- g) Free access to the market and financial procurement
- h) Dispute arbitration others

Memo on the Discussions of the Parliamentary League for Strengthening and Developing Hubs in Japan (mainly of the 1st meeting, partially of the 2nd meeting and plans for the 3rd meeting)

- 1 ■ The meeting on December 11, 2008 confirmed the initiation of activities in the name of the Parliamentary League in order to promote hub development in Japan.
- 2 ■ Members of the 1st meeting on December 11, 2008
(Mainly MP members of DPJ)
Participating members
Noda, Yoshihiko; Nagashima, Akihisa; Koga, Issei; Matsubara, Jin;
Ryu, Hirofumi; Haraguchi, Kazuhiro
Karatsu, Hajime (adviser) Suzuki, Koji (organizer)
Members to whom materials were given together with explanations
Maehara, Seiji; Matsuno, Yori-hisa; Genba, Koichiro; Edano, Yukio;
- 3 ■ Japan has urgent needs for “lowering distribution and living costs, to maintain resources and resource materials, strengthening local economy, and developing ports and airports as hubs to secure trading conditions to maintain national interests. To meet these needs, there is a need for enacting the Basic Law for developing hubs. (The process of enacting the Basic Space Act by non-partisan House members will be followed.)
- 4 ■ League members are considering a draft plan to create a 100-trillion yen market and 3 million employment opportunities. (Prof. Karatsu and Suzuki put forward to the League.)
- 5 ■ “A drastic plan must be implemented to cope with the once-in-a-century economic crisis. The theme of the proposals is appropriate.” (MP Noda, Parliamentary League, 1st meeting)
- 6 ■ “It is a means to revolutionary activate Japan’s economy through developing hubs.” (MP Nagashima, 2nd meeting.)
- 7 ■ Mr. Nobuo Ishihara, former deputy cabinet secretary and collaborator to the Parliamentary League: “I have served as deputy cabinet secretary to seven Prime Ministers, and only one thing that could not have been realized is the development of hubs. I hope that the coming government will realize this with strong political power mobilizing all ministries and with producing competence.”

8 ■ The concept of activities:

To enact relevant laws to stimulate consumption, to increase domestic demand and to create employment opportunities driven by upgrading airports and ports as hubs (hub business and hub service business), as well as to make every effort to gain products and effects from the laws.

9 ■ Hub Development in Japan means:

1. The first goal is to increase the pie for economic growth (all kinds of potentiality for growth) by taking in various resources going around the world (people, commodities and materials, services, intellectual resources and energy resources) into the country in the forms of containers and cargos by providing favorable trading conditions.
2. The second goal is to review the existing systems as well as ways how capital and resources have been used to lead to the development of new industries.

10 ■ Goal 1: Participation in hub dynamism in Asia

= Immediate implementation of "hub business" projects

- Stabilize people's living and industrial growth by lowering distribution and living costs
- Strengthen local as well as national capabilities

11 ■ Goal 2: Creation of new industries to expand consumption and employment opportunities

= Immediate implementation of "hub service business" projects mainly with public funding of Japan and by inviting excellent foreign investors.

- Hinterland development including hub-related facilities, new energy development, casino complexes, etc.
- New industries and employment opportunities from among Japanese manufacturers, retailers, service industries and small and medium size corporations

12 ■ The Democratic Party members will first identify the points to be examined, contents and difficulties, and will place the result for discussion in the whole Parliamentary League.

Then the activities for legislation and the implementation of necessary advocacy activities will be carried out in the name of the Parliamentary League. (Confirmed at the 1st meeting.) It was decided that the next meeting would be held in January 2009.

13■ At the 2nd meeting, the topic “what prevented the development of hubs in Japan” was discussed.

Speakers: Koji Suzuki and Koichi Sueyoshi, aide to Prime Minister Aso, former Mayor of Kita-Kyushu city.

From his experience of having established a joint venture with PSA, Mr. Sueyoshi clearly stated that it was the political problem that prevented the development of hubs in Japan.

14■ MP Yoshimi Watanabe, House of Representatives, former Minister for Financial Services will be invited as a guest for the 3rd meeting.

MP Watanabe, “Japan that we should build is a country led by politicians. The development of hubs means to do this.”

15■ It was affirmed that the Japan-Singapore High Level Organization (provisional) would be established with the cooperation of Singapore in developing hubs and the legislation of the Basic Hub Development Law (provisional) were essential. (1st meeting)

16■ In particular, in order to stimulate domestic consumption and to create employment opportunities, the League confirmed the importance of creating new businesses in cooperation with manufacturers, retailers and hub service operators of different scales in Japan with public investments and by inviting excellent investors from overseas. (1st meeting)

17■ At the 3rd meeting, it is planned that the Parliamentary League will confirm the implementation of promoting hub development in Japan upon obtaining advice for it from representative government and private sector operators in Singapore and Hong Kong which are ahead of Japan in the development of hubs.

Economic Policy through the Promotion of Hub Development in Japan (Draft)

A plan to create a 100-trillion market and 3 million employment opportunities in five years with an initial 10 trillion investment.

Japanese government - economic policies and social capital investment / The use of government-sponsored funds is planned for the initial investment.

PROVISIONAL

Koji Suzuki Independent-Producer
Prof. Hajime Karatsu Adviser
Jan. 2009

	Investment Targets and Contents	Investors, Operators	Initial Investment (under consideration)	Consideration of ripple effects on the economy and employment (under consideration)	Areas to enjoy ripple effects by hub development	Remarks
<p>Hub Business</p> <p>* Lowering logistic and living costs, Ensuring energy resources and resource materials</p> <p>* Aiming for "ensuring trade conditions (including diplomatic strength)"</p>	<p>By developing hubs of surface and air transportation, communications, logistics, intelligent resources etc., manpower, materials, investments, intelligent resources, and energy resources will be concentrated.</p> <p>Developing industries in the hinterlands of hubs.</p>	<p>Japanese government - economic policies and social capital investment</p> <p>PSA + Singapore government Hong Kong Hutchison Port</p>	<p>[]</p> <p>[]</p>	<p>Creation of a 40-trillion market Creation of 1 million employment opportunities</p> <p>Ripple effects on transportation/logistics, communications, tourism, services/retailing, financing, real estates, construction, etc.</p>	<p>Transportation services</p> <p>Information & Communications</p> <p>Retailing and Wholesales Services</p> <p>Tourism</p> <p>Living-related business and Entertainment</p> <p>Medical & Welfare Services</p> <p>Education</p> <p>Academic Research</p> <p>Financing & Insurance</p> <p>Real Estate</p> <p>Manufacturing</p> <p>Construction</p> <p>Electricity & Gas Piped Water Supply</p> <p>Energy Mining</p>	<p>Separation of the Regulations and Operations of ports and airports is essential to strengthen them as hubs.</p> <p>Ratios of foreign investment to GDP are 34% in Britain and 30% in the U.S. Japan's ratio at 1.2 % ranks 132nd in the world (2000)</p> <p>A precedent example of First (Primary) World Hub is London.</p> <p>British and Singapore governments created and strengthened new industries (medical and biological services, pharmaceutical industry, education, etc.).</p> <p><u>In hub development in Japan, excellent investors will be mobilized.</u> <u>Industrial development will be supported by introducing new systems.</u></p>
<p>First World Hub (quality-first hub)</p> <p>Along with obtaining trade conditions (and diplomatic strength) and hub development, following industries that lead the world will be developed:</p> <p>1) Medical and biological business 2) Environmental business 3) New energy development 4) Tourist business 5) Education 6) Financial center</p>	<p>● By participating in hub dynamism in Asia, and by strengthening the existing ports and airports across Japan as hubs, strengthen industrial competitiveness in the international market, and enhance people's living standards.</p> <p>Have Japan's unique hub strategy as "First (Primary) World Hub" which is different from "Emergent Economy Hubs" (Shanghai, Dubai, etc.)</p> <p><u>Strengthening technological and service industries driven by the development of hubs</u></p>	<p>(GIC, Temasek, and other government-linked funds)</p> <p>Japanese government - economic policies and social capital investment</p>	<p>[]</p>	<p>Creation of a 20-trillion market Creation of 500,000 employment opportunities</p> <p>Ripple effects on medical and biological industry, environmental business, new energy development, tourism, education, financing, etc.</p>		
<p>New Business Development: Hub Service Business</p> <p>* Expanding domestic consumption, Creating employment opportunities</p> <p>* 1. Creation of new businesses</p> <p>•2. Local development, Hinterland development of hubs</p>	<p>1. Creation of New Industries</p> <p>① Investment to and joint development of manufactures, retailers, services, small-and medium enterprises</p> <p>② Inviting large and small foreign entrepreneurs, and supporting the growth of Japanese entrepreneurs</p> <p>③ Introducing and supporting the growth of the "enterprise system" into core cities in Japan</p> <p>2. Local Development Developing hinterlands of hubs</p> <p>① Investments into hinterland development</p> <p>② Introduction of casinos as a part of hub service businesses, mobilization of excellent foreign investments (policy of the Singapore government)</p>	<p>Foreign government-linked funds</p> <p>Japanese government - economic policies and social capital investment</p> <p>Japanese government</p> <p>Foreign government-linked funds (GLCs under the GIC, Temasek)</p>	<p>[]</p> <p>[]</p> <p>[]</p> <p>[]</p>	<p>As a result of the development of new industries, Creation of a 30-trillion market Creation of 1 million employment opportunities</p> <p>Creation of a 10-trillion market Creation of 500,000 employment opportunities</p> <p>Creation of a 500 billion market and Creation of 20,000 employment opportunities including economic effects on consumption in the private sector (tourists, business people, etc.)</p>	<p>Financing & Insurance</p> <p>Real Estate</p> <p>Manufacturing</p> <p>Construction</p> <p>Electricity & Gas Piped Water Supply</p> <p>Energy Mining</p>	<p><u>All possible policies will be mobilized from national and local governments, and incentives will be prepared for participating operators.</u> <u>Preferential treatment and relaxation of various regulations</u></p>

CONFIDENTIAL

The preparations for the Enactment of
the Basic Law to Promote Hub Development

The following items are to be reformed and promoted,
and prescribed in ordinances.

The Parliamentary League for Strengthening and Developing Hubs in Japan

KOJI SUZUKI Project Producer and **HAJIME KARATSU** Adviser

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Under the global financial crisis originated from the United States, Japan's economy is worsening. What strategies should be taken to ensure the best trading conditions and to expand domestic demand in order to protect people's living?

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Points for discussion

Goal 1: Ensuring the best trading conditions to lower logistic and living costs

Goal 2: Obtaining and making use of excellent investments to hub-related facilities, hinterland cities and districts along with hub development

Goal 3: Developing new industries in Japan, inviting and using excellent investments and jointly developing manufacturing, retailing and service industries, small and medium size corporations, and creating employment opportunities
What are hub business and hub service business?

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Negotiations with foreign governments and major hub operators whose cooperation is required for concrete hub development projects

Inter-ministry examination for drafting the Basic Law required for the realization of hub development

- Basic International Hub Strategy Law (tentative) modeling after the case of enacting the Basic Space Law.

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Present status and problems in obtaining trading conditions to lower logistic and living costs, and enhance local and national strength -- Ports and Harbors

- Why have ports and harbors not been upgraded as hubs and why have their activities not been activated even after the revision of the Harbor Law in 2005?

5

Problems identified so far in the strengthening ports and airports

Past efforts to promote the strengthening of ports and airports as hubs

Progress after the revision of the Harbor Law

Why were hubs not developed, and were ports and harbors not activated?

Organizational and structural problems of port and harbor authorities

Bringing the issue to the Office of Trade and Investment Ombudsman (OTO) of Japan

6

The proposal to the 1st WTO ministerial conference (Singapore, 1996) when liberalizing ports, airports and telecommunications was first advocated.

Proposers: Hajime Karatsu and Koji Suzuki

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Letter from the U.S. Presidential Office (USTR Charlene Barshefsky) to Suzuki regarding our negotiations with the Ministry of Transportation, Local Governments and hub operators in Asia to avoid sanctions on Japanese ports and harbors

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May 2005 Bill to partially revise the Harbor Law and so on to activate ports and harbors .

April 2006 Proposal to partially revise the Enforcement Order of the Port Transportation Business Act (Order No. 215, 1951)

Past Activities to Promote Hub Development in Japan

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Problems found upon the feasibility study on ports conducted between the Ministry of Transportation and relevant local governments and foreign governments

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Activities and Structure 1995-1997

Ministry of Transportation Economic Planning Agency

Hyogo Prefecture Kobe City

Collaborators: Japan Development Bank

Nobuo Ishihara

Keiichi Konaga

Saburo Kawai

Kiyoyasu Mikanagi

Hajime Karatsu others

Promoter / Secretariat: Koji Suzuki Office

Overseas: Singapore Government and major hub operators
in Singapore and Hong Kong

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Strategy for Japan to take part in hub dynamism in Asia

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Investment offers made by major hub operators in Asia to transfer their hub resources (transit containers) to Japan, in 1996.

Both are world's top port operators.

- Hutchison Port Holdings (subsidiary of Cheung Kong Ltd. / Hutchison Whampoa Group)

- PSA International (subsidiary of Temasek Holdings, Singaporean GLC)

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Problems identified so far in the strengthening of ports and airports into hubs

❑ Past efforts to promote the strengthening of ports as hubs

Core hub operators in Asia expressed their intentions to invest in ports in Japan to strengthen them as hubs. However, the Ministry of Transportation and relevant local governments refused their offers. As a result, the US government took port sanctions against Japan.

Reference Materials:

- 1) Documents on negotiations between US Trade Representative Barshefsky and Suzuki (1997).
- 2) Documents on the process of negotiations with core hub operators to strengthen Japanese ports as hubs (1996)
- 3) "Appeal to invest on ports, airports and telecommunications in Japan" submitted at the 1st WTO ministerial conference (1996) by Suzuki as a delegate from Japan, and the statement in association of the Appeal by Advisor Prof. Karatsu in Washington D.C. (Japanese and English)
- 4) US Trade Representatives' National Trade Estimate on Foreign Trade Barriers (NTE) report 1998
 - Recommendations on Marine Transportation and Japanese Harbor Management
- 5) Comments by the Japanese governments on the above by the Ministry of Transportation, 1998

❑ Progress after the revision of the Harbor Law etc.
Why were hubs not developed, and were ports and harbors not activated?

❑ Organizational and structural problems of port and harbor authorities

Reference Materials

List of Harbor-related Public Corporations
Japan Port and Harbor Association Officers and Trustees etc.

❑ Reference Materials and Memo on Ports and Harbors

- Reduced frequency of port calls by major regular service ships at Japan's ports.
Most recently, Nippon Yusen Kabushiki Kaisha and Mitsui O.S.K. Lines announced to reduce their regular services between Asia and the east coast of North America beginning in December this year.
- Transportation cost will become higher by 1.6 times and more by using feeder ships.
- This will cause the lowering of "the living standards and industrial competitiveness."
(Super Core Ports and Harbors Selection Committee, 2002)
- Ranking of major ports in the world
Kobe 6th in 1994 → lower than 30th
Both Tokyo and Yokohama are about to fall below the 30th line.

❑ Bringing the issue to the Office of Trade and Investment Ombudsman (OTO) of Japan
"Introducing the market principle to port and harbor operations" and "Promotion of 24-hour Stevedoring" (submitted by the Tokyo Chamber of Commerce, 2000)

❑ Continued Worsening of Trading Conditions

- Rise in import prices → Increase in payments to other countries → Income drain
- Trading condition ratio (export deflator+import deflator) was around 100 from 2000 to 2003, but fell nearly to 70 from 2004 to date

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Important points for obtaining trading conditions and expanding domestic demand by strengthening ports and airports as hubs from the report of the Social Capital Study Group (Chairperson Hajime Karatsu, Secretary General Koji Suzuki)

1■ Concept of developing hubs

To enact relevant laws to stimulate consumption, to increase domestic demand and to create employment opportunities driven by upgrading airports and ports as hubs ("hub business" and "hub service business"), as well as to make every effort to gain products and effects from the laws.

Developing new industries and business complexes in the hinterland of ports, airports and other hubs

2■ System security to encourage ports and airports to become hubs

1) Legalizing security incentives offered to foreign investors and entrepreneurs which will operate hub businesses (at ports, airports and other hubs) to be created along with the development of hubs.

2) Accepting investments in hub businesses in the hinterlands of ports and airports to be strengthened as hubs, and liberalizing and facilitating investments to emerging businesses in the hinterlands.

Legalizing security incentives for these investors.

----- Legalizing system security and preparing the appropriate organization in order to ensure good results from these investments.

- a) Standards and Authorization
- b) Custom procedures
- c) Relaxed regulations
- d) Human resource development
- e) Technical security
- f) Free access to information
- g) Free access to the market and financial procurement
- h) Dispute arbitration others

3■ What are conditions to succeed in stimulating consumption and expanding domestic demand through developing hubs?

[Contents omitted]

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Regulations required for hub development and hub service business, and security incentives for overseas investors, entrepreneurs and employees.

<Preparation of the System Security to Strengthen Localities and the country>

- ① Establishment of currency / financing system
- ② Employment Security
- ③ Securing Houses
- ④ Support and Promotion of business activities with preferential treatment
- ⑤ Security against disasters and establishment of disaster security systems
- ⑥ Security Public Peace and establishing the security guard systems
- ⑦ Securing access to financing and the market
- ⑧ Improvement of human resources development and vocational training systems
- ⑨ Review of the existing standards in improving infrastructure
- ⑩ Securing stable energy resource supply, and efficient use of energy
- ⑫ Protection of technological propriety and promotion of new technologies
- ⑬ Securing information / communication among different national investors, between the foreign investors and Japanese companies or public authorities. Providing information and support to help the investors and their families to comfortably live in Japan.
- ⑮ Securing self-autonomy, rights to participation, and human rights.
- ⑯ Promoting and supporting cultural exchange

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Preferential treatment and deregulation in order to obtain foreign governmental funds and other excellent investments

1. ■ Relaxation of various regulations

- Relaxing or repealing the restrictions on the entry of foreign investors
(Simplification of examination procedures under the Foreign Exchange and Foreign Trade Control Law for maritime transportation, telecommunication and broadcasting business, etc.)
- Relaxing restrictions on the land use, the Building Standard Law, Urban Redevelopment Law, etc.
- Simplifying and expediting immigration procedures
Simplifying the procedures for those who have technical specialty and skills, etc.
- Relaxing the requirements to obtain cook license, and other qualifications

others

2. ■ Relaxing requirements to authorize investors to Japan, and expanding preferential treatment

(List of encouraging investments to Japan and an excerpt from the Japanese government's views, 1997)

[Contents omitted]

3. ■ An excerpt from the discussions of the Advisory Committee on Investments to Japan (Chairperson, Haruo Shimada)

- "Institutional improvement to facilitate corporate M&A"
- "Study in package on restricting foreign investments"
- "Formulation of sector-wise priority strategies"
- "Reduction of business cost and the enhancement of transparency of the system"
- "Local activation by drawing foreign investments and stronger appeal for welcoming foreign investors"

- "Specifying the range and grounds for restricting foreign investments in case it is necessary"
- "Lowering corporate tax rates (39.75% in actual terms) which are higher than those of other countries"
- "Solving lags in Japan to authorize new medical technologies, etc."
- "Improving the convenience of the confirmation procedures taken prior to the application of laws (no-action letter system)"
- "Reviewing the examination procedures for the Antimonopoly Law"

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Incentives to develop Japan's first "Enterprise Zone" in Kobe (1995) including Kobe Port and its hinterland (Committee Members : Hajime Karatsu, Koji Suzuki)

< Trading Area >

1. Tax incentives for business operators
 - 1-1 Special depreciation for assets and/or equipment
 - 1-2 Special treatments for replacing assets for operations
 - 1-3 Exemption from real estate property acquisition tax, fixed asset tax, special land possession tax, and enterprise tax, business operations tax.
2. De-regulation, etc.
 - 2-1 Exemption from custom administration fees
 - 2-2 Lowered tariffs, relaxed import quota systems
3. Extension of supporting measures
 - 3-1 Extending the support measure to "purely private sector" ventures
 - 3-2 Greater rates of government subsidy
 - 3-3 No-interest financing, grater finances from the public funds
4. Extension of support to import promoting investors
 - 4-1 Greater financing and lower interest rates offered by Development Bank of Japan Inc.
 - 4-2 Special depreciation applied to building and attached facilities
 - 4-3 Exemption from special land possession tax, and enterprise tax
 - 4-4 Lowered corporate tax applied to offshore business operators
(on the 20-30% level as Singapore)

< Business Area >

1. De-regulation, etc.
 - 1-1 Relaxed qualifications for foreign technicians to stay in Japan, and the period of their stay within the country.
 - 1-2 Relaxed criteria for entry to Japan applied to foreign technicians and business people.
 - 1-3 Abolition of the existing restrictions on factories, and others.

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Case Study on Enterprise Zones in the world

❑ Britain: Enterprise Zone

- Preferential taxes for the corporations located in designated zones
- Simplified and faster application procedures for urban planning within designated zones

❑ U.S.A.: Enterprise Zone

- Some deregulation including faster approval of an application for building structures
- Incentives to develop infrastructure
- Strengthening measures to improve people's living (prevention of crimes and drugs, reforming houses, vocational training. etc.)

❑ Ireland: International Financial Service Center

- Preferential corporate and other taxes
- Incentives for infrastructure development, etc.

❑ China: Special Economic Zone

- Reduced income tax for corporations
- Preferential measures including the exemption of tariffs

❑ Korea: Special Economic Zones:

Vicinities of international airports and port such as Incheon and Pusan

- Permitting foreign corporations to employ temporary dispatched workers for all kinds of jobs for indefinite time periods
- Reducing or exempting corporate and income taxes of newly operating foreign manufacturers whose scales are larger than designated scales
- Liberalizing the establishment of foreign hospitals and pharmacies for foreigners
- Permitting documents to government offices to be written in English
- Allowing the circulation of the US dollars, Yen and Euro, in addition to the Won
- Inviting foreign postgraduate schools to be established

❑ Taiwan: Free Trade Port Zones Vicinities of international airports and ports

- Reducing and exempting taxes
- Issuing three-day visa by simple procedures

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Recent Revisions of the Harbor Law, Port Transportation Business Act etc.

1. ■ Bill to partially revise the Harbor Law and so on to activate ports and harbors was approved. (enacted on May 20, 2005)

1. Functional Enhancement of Specified International Container Wharfs Designating Super Core Ports and Harbors

- 1) Keihin Harbors in Tokyo Bay (Tokyo and Yokohama harbors)
- 2) Ise Bay (Nagoya, Yokkaichi)
- 3) Hanshin Harbors in Osaka Bay (Osaka and Kobe)

※ At the same time, the designation of the nine major ports was abolished.
Keihin ports (Tokyo, Yokohama, Kawasaki) / Chiba port / Shimizu port /
Nagoya port / Yokkaichi port / Osaka port / Kobe port /
Kanmon ports (Shimonoseki and Kitakyushu ports) / Hakata port

2. Simplification of Various Procedures by Unifying the Forms of the Bill of Entry and Clearance Papers

Currently, these forms are issued by the port authorities (local governments) in accordance to their ordinances. These forms will be unified.

Simplification in accordance to the Convention on Facilitation for International Maritime Traffic

* International standards laid by the International Maritime Organization in 1965 on the procedures of entry and clearance of ships to and from a port:

- 1) Port and Harbor Management, 2) Safety in Navigation,
- 3) Export and Import Procedures, 4) Entry and Clearance Management,
- 5) Quarantine Regulations of Animals, Plants and Food Stuff, etc.

3. Relaxing Rules and Regulations on Port Transport operations at all ports and harbors in Japan following the relaxing rules and regulations for the nine main ports (Abolition of the Restriction for Demand-Supply Adjustment)

- 1) Relaxing the requirement to obtain License to obtain Permission to start a business
- 2) Relaxing the requirement to obtain Permission for transportation fares and other fees to Registration

Taking the past labor issue of port workers into consideration, the safety-net clauses were added including one to increase the employers' minimum worker retention by 1.5 times, and one to introduce the system whereby the Minister of Land, Infrastructure and Transport can issue an order to change transportation charges and fees.

4. Reducing Restrictions on Entry to and Clearance from Ports and Repealing the Restrictions on Entry into Ports at Night

①Restrictions of entry at night: Port Regulations Act 1928 →

②Permission of night entry at specified ports in 2000 →

③Abolition of all the restrictions of night entry in 2005

2. ■ Proposal to partially revise the Enforcement Order of the Port Transportation Business Act (Order No. 215, 1951) (enacted on April, 2006)

Relaxing the Restrictions on Port Transportation Business by the national government

- 1) Repealing the designation of specific ports and harbors (9 major ports)
- 2) Repealing the registration fees of tallymen, etc.
- 3) Authorizing powers – Powers regarding general port transportation business operators will be transferred to the Director of the District Transport Bureau.
- 4) Reviewing the target ports and harbors

3. ■ The 164th Diet and Cabinet No.42

Bill to partially revise the Port and Harbor Law in order to strengthen the foundation for maritime transportation (enacted on May 17, 2006)

In order to strengthen the foundation for maritime transportation, following actions should be taken:

- 1) Develop logistic facilities at ports and harbors to facilitate distribution.
- 2) Construct ports and harbors and optimize their management.
- 3) Strengthen the functions of ports and harbors by applying nationwide the special measures taken for special restructuring zones.
- 4) Enhance efficiency of specified wharfs for foreign trade by privatizing the operating bodies.
- 5) Improve and strengthen the pilotage system.
- 6) Support high-tech for ships to put into practice to facilitate the efficiency of maritime transportation.

4. ■ The 169th Diet and Cabinet No.35

Bill to partially revise the Port and Harbor Law (enacted on June 6, 2008)

In order to ensure people's safety and security by adequate management of ports and harbors, the following actions must be taken:

- 1) In case of emergency, the Minister of Land, Infrastructure and Transport will have the power to control the port and harbor facilities which will serve as the bases of emergency transportation.
- 2) The Minister of Land, Infrastructure and Transport will set up and manage an organization which will process electronic information on major foreign trade wharfs. The organization will control accurately and smoothly the movement of people into and from off-limit areas.
- 3) Introduce the registration system for port fees, etc., in order to enhance self-management of the port and harbor managing organization.

- Questions by the Democratic Party of Japan at the Land and Transport Committee in 2006

1. The effectiveness and impact of relaxing restrictions on ports and harbors
2. Ensuring the international competitiveness of ports and harbors, and cost reduction
3. Privatization of Port Public Corporations
4. Extending the time limit for application for the unused reclaimed lands
5. Recruiting and training of Japanese crew

Towards the enactment of

“The Basic Law to Strengthen Hubs in Japan”

Feasibility Study conducted by us with Japanese policy makers, and government and private sector operators before the 1st WTO ministerial conference with the theme on “ports & harbors, airports, and direct foreign investment.” *the globalization of* *telecommunications.*

The Parliamentary League for Strengthening and Developing Hubs in Japan

KOJI SUZUKI Project Producer and **HAJIME KARATSU** Adviser

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Towards the enactment of
“The Basic Law to Strengthen Hubs in Japan”

The following items are to be reformed and promoted, and prescribed in ordinances.

Feasibility Study conducted by us with Japanese policy makers, and government and private sector operators before the 1st WTO ministerial conference with the theme on “ports & harbors, airports, and direct foreign investment.”

the globalization of *telecommunications,*

----- From the feasibility study in 1997 according to the WTO rules, with Councilor Yoshikawa of the Economic Planning Agency and Assistant Vice-Minister Kimoto of the Ministry of Transport and Suzuki (Japanese Delegate of WTO)

Focal Points for the national Policy

■ Matters relating to Foreign Investments to Japan

- Study of national interests

To serve to “rectify high logistic and distribution costs, and reactivate the economy” stated within the “Socio-Economic Plan for the Structural Reform” (Cabinet Resolution)

As a proposal to promote at the Foreign Investment Conference and other places as a national policy to introduce foreign investments to Japan’s infrastructure

- Treatment of the issue at the Office of Trade and Investment Ombudsman (OTO)

- Treatment of the issue at the Relaxing Regulation Plan (to be reported every March)

- Specifying restrictions and obstacles on the national level

Customs Act, Quarantine Act, Urban Planning Act, Public Water Body Reclamation Act

- Exceptions on the national level

above mentioned laws and other laws

Relations with the Foreign Investment Promotion Act and expanded support to investors

Immigration management, telecommunications, commercial activities (hinterland)

Focal Points for Business developments in hinterlands

■ Local Government Level (Prefectures and Municipalities)

- Study of Local Interests-

- Expand port improvements by introducing foreign investors to hinterland development projects to activate local economy

ports ↔ urban development investments in hinterlands

(convention halls, shopping centers, amusement complexes, etc.)

- Specifying restrictions and obstacles on the local level

Ordinances

- Favorable Treatment and Preferential Treatment

Preferential taxes, Support of preferential treatment under municipal ordinances

Support of foreign investment under the civil systems

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Focal Points for the national Policy

■ Ministry of Transport (Ports and Harbors) level

- Study as national interests
 - Position in the policy of introducing foreign private investments to ports
 - Strengthening the international competitiveness of container handling function of core international ports
 - Study on the contribution to enhanced port services, upgraded management efficiency, higher responsiveness to user needs, etc.

- Study on port and harbor reform (by local port authorities)
 - Identification of problems in comparison with international corporations to heighten international competitiveness
 - higher costs, operation efficiency, user services, disclosure of information on port use
 - Technical interface on ports
 - international standards, languages, port information system
 - various formalities including custom services
 - Port improvements and management systems by introducing foreign investors

Problems to be cleared:

- 1) Ensuring the profitability of investments including the construction expenses at the time of privatization
- 2) Coordinating with the existing port operation community on port management
- 3) Problems of governmental management of water's edge lines
- 4) Possibility of guiding ships by port operators
 - = ensuring open use

- Specifying restrictions and obstacles on the national level
 - Port and Harbor Law, Special Measures Act for Specified Port and Harbor Improvements, Harbor Improvement Promotion Act, Foreign Trade Port Public Corporation Act, Act on Port Regulations, Port Transportation Business Act, Port Labor Act, Warehousing Business Act, etc.
- Exceptions on the national level
 - above mentioned laws and other laws

Focal Points for Business developments

■ Local Port Authorities level

- Interests of the local port authorities
 - Study of foreign investments leading to port activation, dispersion of expenses, expansion of employment opportunities, job security for the existing port workers

 - Possibility of network operation linking ports in Hong Kong, Shanghai and Singapore (Supporting sales of port use, and recommending users)
- Specifying restrictions and obstacles in port operations on the prefectural and municipal level
 - (able to coordinate at OTO of the Economic Planning Agency)
 - above mentioned laws plus regulations and obstacles determined by the local port authorities and unwritten restrictions and obstacles

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- Coordinating with the existing operators
 - Relevant professional associations, labor unions, maritime transportation/warehouse companies

- Specifying preferential treatment in port operations on the prefectural and municipal level (able to coordinate at OTO of the Economic Planning Agency)
 - above mentioned laws plus preferential treatment determined by the local port authorities

 - ex. Difference from the existing Port Public Corporations
 - Sharing the ports
 - Unwritten preferential treatment

- Study on Port Reform (with the support of the government)
- Management planning for new business
 - Conditions:
 - target areas, composition of business operators, capital money, term periods of joint ventures, present state of port structures, and required infrastructure and investments on facilities, manpower and employment, user attraction, higher business efficiency

当該準備図書へ協力を下さる方々。

9. Negotiation lists with foreign government and government-linked private sector operators cooperation of whom will be required to draft the practical Basic Law aimed at developing hubs and bringing about concrete results.

- Minister Mah Bow Tan Minister for National Development
Former Minister for Communications
Republic of Singapore
- Dr. Yaacob Ibrahim Minister for the Environment and Water Resources
Former parliamentary secretary
Ministry of Communications and information technologies
Republic of Singapore
- Hutchison Port Holdings Mr. Raymond Law CEO Australasia & North Asia
Mr. John Meredith Group Managing Director
- PSA International Mr. Vincent Lim PSA North-East Asia CEO
Mr. Eddie Teh Group MD
- Mr. Lim Chin Beng, CapitaLand Pte Ltd Director
Chairman of The Ascott Group / member of CapitaLand
Chairman of CHANGI Airport
- Mr. NG Kiat Chong former PSA CEO
- Mr. Goon Kok Loon Chairman Global Maritime & Port Services Pte Ltd
former PSA Deputy CEO
- Cheung Kong Holdings Ltd. Mr Edmond Ip, Deputy Managing Director
Mr. George Colin Magnus former Deputy Chairman
- Keppel Land International Ltd Mr. Kevin Wong Group CEO
Mr. Tan Swee Yiow CEO, Singapore Commercial,
- CapitaLand ILEC Pte Ltd Mr Wong Heang Fine CEO
intergrated leisure, entertainment & conventions.
- Suntec Investment Pte Ltd Mr. Ricky Sim Managing Director, COO
& MD of Chesterton International
- Mr. Goh Phai Cheng Former Judicial Commissioner of the Supreme Court of Singapore
- SCCCI (Singapore Chinese Chamber of Commerce & Industry)
Mr. Lim Sah Soon, Secretary-General
Mr. Mak Yuen Chong,
Director of Industry & Enterprise Development
- Singapore Business Federation Mr. V K Rajan Vice Chairman