

Macroscopic Concept
"Asia Pacific Security Area"

- It aims to create an free zone (in finance, human resources, merchandise, and services) as advocated by the World Trade Organization to which businesses are invited. It is also meant to be a pilot development area that will help to direct the discussions of the APEC.
- Invitation of investments from Singapore and other Asian countries/economies.
- Incentives to international division of business operations should be studied.

Stage One: Types of industry to be developed in the area to be operated in international division of work.
Re-development project including foreign investments

Stage Two: Incentives to invite foreign investments.
Proposals on rehabilitation/reconstruction, institutions, taxes, etc. to the project localities, and to the Japanese government

- Introduction of ESZ development expertise and operations know-how through a feasibility study with the Singapore government and businesses that would lead to future development investments.

Facilities to be incorporated

Production Facilities:

- Value-added Production Facilities for International Division of Work

Production facilities and the system of international division of work within the facilities to manufacture private brand (PB) products that can be developed to be new industries. Such industries will be developed based on a joint planning by distributors and manufacturers.

Service Facilities:

- Sales outlets for the products manufactured in the production facilities, and
- Support facilities for the manufacturers.

Proposal for
Singapore's Participation in the Japan Investment Council
and Redevelopment Projects in Japan

June 5, 1995

We have been working to have Singapore representatives in the future discussions of the Japan Investment Council while approaching leading figures in Singapore in relation to the proposed foreign investment projects in Kobe cities. We are confident that Singapore's participation in the Council will be beneficial to Singapore.

In Japan, there are several locations including Kobe which are considered to be beneficial for foreign investors. They have good mobility with an international airport and major expressways nearby. More importantly, they have strong economic activities which are open to Asian countries in line with the principles advocated by the APEC and WTO.

We were impressed by the Singaporean style of urban development whereby hotels, shopping centers and restaurants/amusement facilities centering on a Hawker's food court are packed and in which nature and amenity and liveliness are incorporated. Another important element is that you are inviting investors from Asia and other regions of the world. We know many business people in Singapore are proud of their originality in such urban development.

We considered that the Singaporean style of urban development might give a breakthrough impetus to cities in Japan which are undergoing stalemate for their future development.

In fact, your expertise in Singapore's original urban development package of "hotels, Hawkers' and shopping centers" can become a good investment in Japan. The proposed

Kobe projects will serve as good samples when you give suggestions and make proposals with regards to incentives and other elements to promote foreign investment in Japan at the

consultation in the Japan Investment Council.

We have already what is called Free Access Zones which is meant for promoting import from Asian countries as part of the government efforts to facilitate foreign investment in Japan centering on import. However, our approach of inviting foreign investors is much different from FAZ, in that we intend to invite businesses themselves.

There are still more cities in Japan that failed in their redevelopment projects in accordance to the law by the MITI to encourage to integrate commercial establishments, and to the local town improvement initiatives by the Ministry of Construction using not-operating factories, and former railway sites. If we succeed in the Kobe projects, that will give encouraging stimuli to these cities to take a step to open their doors to Asian investors.

These cities are looking toward establishing an internationalized district within their localities. In so doing, they are hoping to introduce your expertise in creating an "Excellent City" as put forth in the "Living the Next lap."

We strongly urge that the URA, EDB and other government-sponsored corporations which had been involved in the formation of such expertise will take part in the Japan Investment Council.

Proposed by:

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Supported by:

Coordination Bureau, Economic Planning Agency
APEC Senior Officer Meeting, Japan Representative (MITI)
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Proposal of the Development of an International Economic (Social & Environmental) Special Zone in Japan

December 5, 1994

Social Capital & Public Investment Research Group

Background:

The Social Capital & Public Investment Research Group was set up in October 1993 with an unprecedented composition including members from the central government offices, private sectors and local governments. The purpose of the Group was to propose a grand design for social capital improvements and public investments as a step for drawing a new master plan for Japan's future.

The Group has reviewed all the existing capital investments, and focused on mid-term and long-term economic planning and land use planning in the future. After one year of research period, the Group presented a report.

The Group considered that in the light of growing borderless economies, it is necessary for Japan to make an action plan to designate localities as special zones in which competition and co-existence can be both possible so Japan may survive and to grow further in the world, particularly as a country in Asia. Therefore, the Group included the proposal of developing International Economic (Social & Environmental) Special Zones with the highest priority.

In the course of planning, we must watch the development to be made by the APEC and gather information from Asian countries. As the first step to plan the Economic Special Zone, I visited Singapore and met responsible officials including Minister-class officials. The reason we selected Singapore as our model is that the country has achieved rapid and marvelous progress as a core country of the free economy in Asia.

Result:

While in Singapore, I met with the Minister of the Communication and Environment Board and senior officials and discussed the

matter. They were positive to cooperate with this initiative.

In the meanwhile, the Economic Planning Agency in Japan decided at the beginning of December to take this matter as a high priority agenda item in their "Foreign Investment Promotion Conference."

We hope that we will study the possibility of materializing this initiative as a joint project between Singapore and the local government which is positive to adopt the Economic Special Zone initiative.

Memorandum

Talk with Shimokobe, Chairman of the Rehabilitation Committee,
Prof. Karatsu and Suzuki
on: Rehabilitation of Kobe and other earthquake stricken cities

Date: March 6, 1995

Shimokobe:

On the local government level (Kobe municipality), they need an immediate problem solution and implementation.

The proposed feasibility study with Singapore is necessary. However, the study should be business-oriented to make it realistic, rather than making a desk plan. If some companies from Singapore could be specified, they would serve as a breakthrough. (Like Chrysler in the past), I wish some companies may come here to invest at their risk.

Although the Hyogo prefecture and Kobe municipality announced their "Economic Special Zone" initiative, they do not know what incentives they should propose.

If they specify special districts for the projects, there would be faced with troubles with local people. But the establishment of a Foreign Access Zone would be meaningless unless potential business participants are known beforehand.

In the case of Kobe, it may be a better idea that we support one excellent company.

To promote something on a grand scale, we need the advent of a business manager who looks like having received a divine revelation.

For the reconstruction of Kobe, we don't care if names of particular corporations are talked about, and we don't care if non-Japanese business people become the driving force.

Karatsu:

Important thing is how we utilize resources in Asia mutually in order to establish the ESZ to be participated by Asian countries.

Kobe is gifted with technology and human resources, and has the best conditions for manufacturing.

In Singapore, some companies enjoy technological niche, but the roots of most technologies there are in Japan. Therefore, with some incentives, I guess, there will be some companies that are willing to invest in Japan from Asia.

In particular, Kobe is the birthplace for Kobe Steel, and the local industries cover a wide range of technological expertise from material manufacturers to high-tech industries.

Suzuki:

In order to introduce the expertise of ESZ, we are going to start a feasibility study with cooperation of Singapore.

In practice, we would like to create a zone that is envisaged by the World Trade Organization, and induce businesses into the zone. And we would like to make it as a pilot zone to direct the discussion at the APEC. For this purpose, we would like to invite top-rank government officials, business circles and business clans in Singapore to participate in the feasibility study, in order to incorporate their experiences and expertise in establishing and operating ESZs.

The image concept will be "Asia Pacific Security Center/Area"

While at the feasibility study, we would like to formulate incentives to invite foreign investments from Singapore and other Asian countries, and to participate in manufacturing business on a basis of international division of work.

April 11, 1995 Suzuki Handed letters by Mr. Albert Hong and Dr. Lee Kum Tatt to Dr. Shimokobe.

Shimokobe:

It is a practical approach. We will start discussing it in the Rehabilitation Committee.

April 17, 1995

Talk with Prof. Karatsu, Mr. Kajiwara, managing director of Kobelco as proxy for President Kawetaka, and Suzuki

Karatsu:

The Social Capital Research Group for which I serve as chairman (since October 1993), has proposed the development of ESZs in Japan as a means for Japan's survival and future growth. Suzuki as Secretary General of the group has promoted its realization in Kasagai city and Kobe city and so on.

And then, that earthquake occurred in Kobe. There, the pushing this project seems to be one and only solution.

We had discussed the issue with Chairman Shimokobe several times. Under the present circumstances when many Japanese manufacturers are relocating their factories outside Japan, he is worried about if any companies would come to Kobe if infrastructure is to be made ready with public funds. I share his worry.

Suzuki:

I went to Kobe on the very day of the earthquake. On January 20, I proposed the concept of developing an Economic Special Zone in Kobe to Mayor Sasayama. Hyogo Governor Kaibara announced this idea to the press. It appears that his announcement was too early, because the detailed planning had not been proposed.

On the other hand, Mr. Koda of the MITI who is an influential member of the Social Capital Study Group supported our proposal.

He is also one of the Japan's representatives to the APEC. During the senior officers' meeting of the APEC held on February

17, he proposed to include "the improvement of infrastructure" among the items to be liberalized (as part of Japan's open-door policy), thus, helping to ensure the success of our project.

Kametaka (Kajiwara):

In Wakahama, Kobe Steel has a land lot of 86-hectare, and Kawasaki Steel has another land of 26 hectares. The Kobe city and Hyogo prefecture are now planning to develop this Wakahama area to be the East Kobe Waterfront Center.

Kobe Steel has four building in the north of this Wakahama site, but they are deadly damaged, and demolished in June. Thus, a land of 76 hectares will be made available for redevelopment.

Already, WHO Kobe Center is decided to be built on the Wakahama site, as a core facility. This will be jointly developed by the municipality, prefecture and the private sector. Kobe Steel will provide the land of one hectare wide, and the building.

Other projected facilities are public houses to accommodate 10,000 households, disaster prevention parks, and an international exchange zone.

Suzuki:

Dr. Shimokobe said as his personal opinion. "We should not first decide to create a FAZ (Foreign Access Zone). We should decide first of all, what companies will come to Kobe to invest, and then consider terms and conditions to accommodate them. For the redevelopment project in Kobe, we would not limit to Japanese investors. It should be promoted by the private sector, and I think if there was some highly motivated company like Chrysler in the past, we can fully support the company." For our side, we have been approaching government officials and business managers in Singapore in order to find potential collaborators. The letters addressed to Dr. Shimokobe and President Kametaka are results of such approaches.

Kametaka (Kajiwara):

Kobe Steel has about 100,000 workers under its umbrella including subcontract factory workers.

While Kawasaki Heavy Industry and Mitsubishi Heavy Industry left Kobe, Kobe Steel resumed the operations of its furnaces in the company's birthplace Kobe.

Both the prefecture and municipality are planning to draw a redevelopment plan of the Wakihamma project site by the end of June. They are waiting for Kobe Steel to make a proposal.

Karatsu:

I contributed an article to Voice magazine. I intended to encourage private investments in Kobe.

I am certain that there are vigorous companies in Singapore that are willing to invest in Japan if there were good place. Kobe is an attractive city for manufacturings. The most serious problem is how and what kinds of incentives are to be devised in order for expensive land prices and personnel costs to be overcome.

We are at the stage when we should decide who takes leadership to push this project forward.

I enjoy close personal contact with MITI Minister Hashimoto. I will get in touch with him and ask him to take initiative.

Background Information for the Agenda
during Suzuki's visit to Singapore for April 25-28, 1995

re:Economic Special Zones in Japan

Since my visit to Singapore in March, there has been a great progress in Japan, including the ministry, private sector, and local government levels, with regard to inviting interested people of Singapore to cooperate with the ESZ initiative with their expertise in ESZ-type urban development.

KOBE PROJECT:

ESZ Development as part of re-construction of the earthquake-stricken area.

Location:

Former Kobe Steel Head Office Building Premise (see attached), the total area being 67 hectares

Present Plan:

A land of 14 to 15 hectares will be allocated for the development of a tripartite development project by the private sector, municipality and prefecture. Kobe Steel will sell the rest of the land to the national government, Hyogo prefecture and Kobe municipality.

In the project site, there will be the WBO Kobe Center, a public housing estates to accommodate 10,000 households and also private housing estates. There will also be administrative service facilities, commercial facilities, museums or other cultural facilities.

However, other than those mentioned above, there is no concrete plan yet. (see attached map)

Study Target:

Development of the 14-15 hectare wide three-party joint project site.

Developments so far and immediate future actions:

We talked with the representatives of Kobe Steel, Dai-ichi, Cabinet Kobe Rehabilitation Committee Chairman. They all agreed to have the representatives of both government and private sectors of Singapore, with their permission, as members of the study committee to be formed.

Proposals for the Kobe Rehabilitation Plan are due to be closed by the end of June this year. Therefore, if we can get cooperation from Singapore, we would like to organize a feasibility study team promptly and start discussing for proposals.

On May 10, Prof. Karatsu and myself are invited to speak on the project at a study meeting organized by Mr. Keizo Obuchi, vice chairman of the Liberal Democratic Party.