

Globalization, Growth and Equity

Remarks by Senior Vice Minister Hideaki Omura

Thank you Mr. Chairman. We all know that, in theory, globalization has great potential for benefits. The challenge that we leaders and ministers face is how to realize these benefits with minimum adjustment costs.

Japan is pursuing a two-pillar approach to globalization. One is "reforms addressing globalization", that is, structural reform to get the full benefits of globalization. The other is "a strategy for enhancing basic capacity" of human resources and small- and medium-sized enterprises that tend to be left behind, which will minimize the pain that accompanies globalization. I am sure this two-pillar approach will strengthen our economy in response to globalization and enhance overall growth potential. I would like to say a few words about these reforms and strategy.

Reforms addressing globalization

I believe Japan must take maximum advantage of the benefits of globalization to overcome limits on growth, stemming from the decline in population. We are pursuing reforms addressing globalization from this perspective. Our goal is to incorporate dynamism and energetic economic activities in Asian

countries, that form part of the world's greatest growth center, to help drive our economic growth, which in turn will contribute to growth in the world economy.

To this end, we seek to make a positive contribution toward the early agreement on the WTO Doha Round negotiations as well as to strengthen our efforts for economic partnership agreements (EPA). Last week, we revised our EPA timetable, and we are now aiming at, increasing the number of our EPA partners at least threefold, to 12 countries or more, over the next two years. In order to enjoy the full benefits of globalization, we will also strive towards establishing strong agriculture that does not depend excessively on border measures.

Regarding financial and capital markets, Japan has made significant progress in "big bang" reforms for achieving free, fair, and global markets since the late 1990s. Global competition has become more intense in recent years among markets in the world, therefore, we have decided to reform further our financial and capital markets to make Tokyo a truly competitive international financial center to rank with the London and New York markets.

Growth potential enhancing program

We also formulated a "Growth potential enhancing program" in April. This program includes various measures to

address the growing disparities that have accompanied globalization by enhancing labor skills, employment opportunities, and productivity of small and medium-sized enterprises, that underpin economic growth. This strategy is expected to raise workers' income and living standards while preventing disparities from becoming entrenched. It differs from measures that aim at a simple "equality of results." Instead, this strategy maximizes the opportunities for motivated people and firms to improve themselves.

Japan must address the issue of labor shortage, caused by its declining birthrate and aging population, by making effective use of young people, women, and the elderly. Various measures are being formulated to this end. For example, we have created a new job card system similar to the National Vocational Qualification system in the United Kingdom. Through this new scheme, people who complete vocational training programs are issued cards that contain their certification. I believe these kinds of measures will encourage participation in the labor market, and enhance the productivity of human resources and economic growth.

Concluding remarks

The "Growth potential enhancing program", which I just

mentioned, is intended to increase labor productivity growth by 50 percent. We aim to raise it from an average of 1.6%, over the past decade, to about 2.4% over the next five years. I believe implementing these reforms should enhance Japan's growth potential, and possibly raise the real GDP growth rate to around 2% or more in five years.

In addition, we will promote globalization further by contributing to the international community. I strongly believe the world economy as well as the Japanese economy will successfully reap the benefits of globalization at the end of the day.

Japan does not fear globalization. Our approach is rather to actively embrace it and utilize it as leverage for reform.

Thank you.