

# Keynote Address by H.E. Mr. Shinzo Abe, Prime Minister of Japan, at the APEC CEO Summit Indonesia

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Mr. Chair Wishnu Wardhana, Mr. Richard Adkerson, thank you very much.

I have been eagerly awaiting this opportunity to speak to this distinguished gathering of such a large number of CEOs who are supporting APEC.

### **This past year and priorities for the future**

Ever since I became prime minister at the end of last year, I have been working intently on the revival of the Japanese economy as my first, second, and third most urgent priority.

I have fired successively what I call my "three arrows" of economic revival, namely bold monetary policy, flexible fiscal policy, and a growth strategy that encourages private sector investment. Just recently, we finally succeeded in breaking through the mentality of economic stagnation that had been permeating Japan.

We have now embarked on the revival of the economy.

What is more, today is the sixth day since I made what was a very weighty decision for me. The Japanese economy was at a crossroads yielding very poor visibility about what lies ahead. I now feel very intensely that we have emerged from this crossroads onto a path that runs straight out before us.

On October 1, I took the decision to raise Japan's consumption tax rate from 5 per cent to 8 per cent as of this upcoming April 1. It is my belief that it is possible to revive the economy and restore the soundness of public finances in a compatible way. There is no other path forward. This is the conclusion that I reached.

As Japan presses forward with its economic recovery, putting public finances on a sound footing and maintaining public trust will be absolutely essential. Fiscal reconstruction can and must go in tandem with my economic growth strategy.

Now with the tax rate higher, we will have to make even more certain that deflation is swept away. We will concurrently implement a large-scale package of economic countermeasures. This package will be at a scale of five trillion yen. It will not be a series of transient measures. This package is an investment towards the future.

We must undertake intensive efforts so that corporations can replace old business models, business domains, and facilities with new. We will utilize the tax system as the lever to facilitate this, boldly using taxes as incentives in order to encourage innovation in Japanese companies. We will reinforce our growth potential by replacing old industries with new. That is what I aim to achieve.

I will fire off shots of this “third arrow” called the Growth Strategy one after another. Reform is a matter of the utmost urgency. In order to break through the regulatory regime that has already become solidified like bedrock, both a powerful drill and a sturdy drill bit will be needed. I have said that I myself intend to serve as that drill bit. We will forge ahead with regulatory reform in the fields of electric power, agriculture, and medicine to create new services and new industries, and from these we will derive the vitality of the Japanese economy.

I will move swiftly into implementation, since the credibility of my economic policies will hinge entirely upon my government's ability to execute these plans.

### **Freedom, openness, and voluntary initiatives**

It is already the third day of your gathering, the APEC CEO Summit. I have just arrived, and most regrettably been unable to see much here. You have, I am sure, enjoyed the beauty of the island.

It is well known that decades ago quite a few Westerners would deem Bali and other places in the Pacific to be the closest thing to Shangri-La. They have in the end turned out to be correct. That is what occurs to me when I look back at APEC's development across its history of more than twenty years.

APEC is not a framework that merely sets its sights only on the liberalization of trade and investment. Ever since its launch it has been a free and open forum. Rather than taking binding decisions, APEC values voluntary initiatives highly, and most importantly, it places importance on cooperation with you, leaders in the business community.

I consider the spirit of APEC to be nothing other than a spirit of freedom that places high regard on taking on challenges.

### **The APEC spirit in its future form**

A series of unique accomplishments have come to take shape as a consequence. Take, for instance, the APEC Business Travel Card. Perhaps many of you participating today already have it with you.

Not all APEC member economies participate fully in the scheme, and it

is not compulsory. This is telling of the spirit of APEC.

Proposals from the business community or other initiatives that are worth doing are first put into practice by the member economies willing and able to do so. If the benefits are sufficiently extensive, the circle of economies implementing them expands accordingly.

The Asia-Pacific region has developed vigorously by adhering to this “APEC spirit.” In the 20 plus years from 1990 to 2010, the gross total of the member economies’ GDPs has more than tripled in nominal terms, while intraregional trade has grown to six times its initial amount.

In the expansive Asia-Pacific region that is home to over 40 per cent of the world’s population and a diversity of development levels, I believe that exactly this kind of “APEC spirit” was in fact a fast track towards a better world.

Last year, this same APEC once again led the world in bringing a new challenge to fruition.

APEC agreed to lower tariffs by the end of 2015 on “environmental goods” such as devices used in renewable energies, water treatment, and recycling applications.

We will aim to achieve environmentally friendly “green growth” here in the Asia-Pacific region. Having agreed to that concept, each member economy will now move forward towards the goal at its own pace. I consider this to be a challenge that only APEC would take on.

In forecasts by the IMF, APEC’s gross regional product is expected to expand by a further US\$20 trillion by 2017 compared to 2010.

In the year 2000, APEC was just about a US\$20 trillion economy. This means that over the next seven years, the equivalent of an entire additional APEC of that era will come into being. At its core standing are the ASEAN nations.

### **Cutting-edge infrastructure through leapfrogging**

However, rapid economic growth requires the improvement of roads and the enhancement of transportation infrastructure. The building of cities that are resilient against disasters and measures to deal with waste are also essential. Water supply and electricity are also necessary.

It is expected that the Asian region will require some US\$8 trillion in infrastructure investment by 2020.

Given this, I would like to make a proposal. Shall we not take this opportunity to work to create, in Asia and the Pacific, infrastructure in the areas of transportation and energy that will leapfrog past the rest of the world?

It is precisely because such infrastructure is used for a long time that we need highly reliable structures and facilities that take into account costs over the entirety of the lifecycle. This will be infrastructure with superior environmental performance that contributes to green growth. More than anything, it

must also be infrastructure that ensures safety.

Let us next connect that infrastructure across wider areas, from east to west and north to south. A network emerging this way should ensure the sturdiness of the Asia-Pacific economy.

It is of course true that “lower is better” when discussing costs. But it is not the case that anything is acceptable so long as it is cheap. Bad technology driving out good... it does not fit with our APEC, which is free and dynamic.

We would like good technologies to lift other technologies still higher. We must integrate a full spectrum of technologies and know-how, aiming to lead the world. I believe that the pursuit of such an ideal is befitting for Asia and the Pacific.

If I may pat my own country on the back only here and just a little bit, Japan has the experience of achieving rapid economic growth even while overcoming energy shortages, pollution, and other such limitations -- an experience that has endowed my country with the kind of technologies better able to tackle those problems. And we are a people who will not be stingy in sharing any of those experiences and technologies. I do hope that you will put our experiences, technologies and our intent to share them to good use in order to usher in a better future for APEC.

**Indonesia’s cutting-edge coal-fired thermal power**

Allow me to cite just one example.

Here in Indonesia, electricity demand has been forecast to roughly double over the next decade, in line with rapid economic growth.

To respond to this need, a project is now underway in Central Java province to build literally the world’s best thermal power plants, using Indonesian coal.

Coal-fired thermal power accounts for 40 per cent of global electric generating capacity. Japan has something to offer to you. By using a technology known as Ultra Super Critical Generation, which burns coal at high temperatures, Japan’s power plants have achieved a combustion efficiency of 43 per cent, surpassing the world average by almost 10 per cent. What’s more, a distinctive characteristic of Japan’s technology is that this efficiency hardly declines at all even after operations over extended periods of time.

Incidentally, if we were able to replace the world’s coal-fired thermal power plants with this technology, we could greatly progress on our fight against climate change.

We will be bringing exactly that technology to Indonesia. We will construct two 1 million kW-capacity coal-fired thermal power plants -- the highest level capacity in the world -- with a total project cost of US\$4 billion, and we have concluded a long-term contract to sell electric power over 25 years. This is something that we are able to achieve specifically because we have such highly reliable technologies.

Here, we will also draw upon the capabilities of Adaro Energy, Indonesia’s largest comprehensive energy company. Adaro, which owns

Indonesia's largest domestic coalmine, will take responsibility for ensuring the stable procurement of coal at the plant site.

Japan's technologies will join together with the knowledge of the local area that Indonesia's Adaro Energy possesses and capital from abroad. This world-leading project will come to fruition through orchestrating all those efforts.

So my message to you is the following. When considering the mounting need for infrastructure build-up and urban development in your countries, always remember that you have Japan, a country always intent to contribute to your endeavours, with its technologies and experiences, in partnership with people whose in-depth knowledge of the local markets is indispensable -- I mean, people like you. Let us aim big and high. And it goes without saying that for investors, tremendous investment opportunities will also emerge in such areas.

### **The 3Ps: Progress, Prosperity and Peace**

Through the "APEC spirit," we will mobilize the region's technologies, knowledge, and capital in order to push forward in creating the world's most advanced infrastructure. There can be no doubt that by doing so, we will boost the living standards of the people of the region, thereby contributing to "progress" while bringing "prosperity" to the entire APEC region.

What lies beyond that is a deepening of our economic mutual interdependence, by which our inseparable relations will become

fortified even more. I believe that the foundation for "peace" will also manifest itself.

The three "P"s of progress, prosperity, and peace represent an extension of the APEC spirit. I believe that APEC has the potential to achieve "the last paradise" that some Western observers saw in Bali in days gone by.

I consider the Trans-Pacific Partnership Agreement, or TPP Agreement, and the Regional Comprehensive Economic Partnership, also known as "RCEP," to be setting the stage for us to make progress together and prosper together. The Free Trade Area of the Asia-Pacific, the goal that lies still beyond these initiatives, is no longer merely a fairy tale. We are encouraged by the history and the successes that APEC has built up over the years.

I regard the seascape from Asia and the Pacific stretching to the Indian Ocean as this century's highway to abundance.

In this region, people and goods flow freely and fuse together with each other to yield new values. Markets of abundance brimming with creativity are appearing in Asia and the Pacific day after day. Japan is determined to become deeply interlaced with the economies of APEC while sparing no effort to move the surge of our activities forward still further.

### **Unity with my diplomatic and security policies**

I would like to close my address by stating that the diplomatic and security policy issues that I am

pushing ahead are exactly the same as these.

Let me introduce to you that now and from now on we are aspiring to becoming a proactive contributor to the peace and stability of the world. We are doing so as a member of the international community that values the norms-based international rules and shares among each other such basic values that are the achievements of human kind. We base our aspiration on good coordination with the international community.

Japan is working to build a prosperous and expansive economy that stretches out from Asia and the Pacific to the Indian Ocean. In both diplomacy and security, we are striving to make this region a place based on rules that is endowed with both freedom and transparency. Japan is poised to proceed down both these paths, which are nothing more than two different names for the very same motivation.

Japan wishes to walk those paths together with you.

Thank you very much.