

View on Year 2001 at the Beginning of the Year



Iwao Okamoto

Director-General, Manufacturing Industries Bureau,
Ministry of Economy, Trade and Industry

I wish to offer my wholehearted New Year's greeting to each and everyone of you at the beginning of the 21st century.

The economy of Japan has still not extricated itself from a difficult situation due to the delay in improving on its financial and consumption sectors but a continuous movement towards autonomous recovery centering on corporations does exist and, overall, the tendency is a slow but steady improvement in the right direction. To ensure that the economy is on the right track to self-recovery, the government is resolved to continue reforming the structure of the economy in a form appropriate to the new century whilst endeavoring to achieve economic recovery.

I am of the firm belief that the domestic manufacturing industry will continue to develop energetically in the new century and to support the economy of this country, but also I believe there are many outstanding issues that will need to be addressed. Many such issues will depend to a large extent on the endeavors of you in the industrial sector, but the administration will certainly attempt to come to grips with the essential matters which I will refer to hereunder in order to provide support and promote your efforts in this connection.

I. Strengthening Competitive Potential/Reorganization of the Business World

Improving the productivity of Japan's industries and strengthening their competitive potential are two extremely vital strategic themes, the realization of which will enable our economy to secure sustainable growth in the first half of the 21st century as the decline in the number of children and population aging become ever more conspicuous. Again, based on the philosophy of the "Option and Concentration" of management resources, restructuring is being promoted in individual enterprises even in the manufacturing industry, entailing affiliations and mergers as developments take place. However, with foreign competitors accelerating cross-border, large-scale affiliations and mergers and amidst an environment where reforms and intensification are taking place in demand circles worldwide in step with rapid increases in global procurements, what the manufacturing industry of this country needs is a drastic strengthening of its ability to compete. Towards such realization and to come to the point, improving efficiency on a wider scale by way of the consolidation of business and mergers, achieving the optimum scale of production and risk investment to include research and development (R&D), are anticipated. In continuation of the enactment of the Industry Vitality Regeneration Special Law in 1998, the government has been giving full support to corporate business restructuring and to the reinforcement of legislation in connection with corroborative splits and taxation. Every effort will continue to be made to resolve outstanding problems, such as the introduction of a consolidated taxation system, and reform of corporate pension schemes, etc.

II. Strengthening Industrial Technology Skills

In order for Japan to be able to maintain its economic sta-

tus in the new century, it is recognized that further improvements to its industrial technology skills are essential and, to be specific, we plan to focus on tackling the points which I will now refer to.

In the field of biotechnology, with the announcement of a summary of the entire configuration of human genes in June 2000, we entered a new stage and competition at the international level is intensifying for both R&D and industrialization. Aiming at swift industrialization, the Japanese government has been promoting a millennium project in cooperation with industrial, academic and governmental circles since 1999 concerning genome analysis, analysis of the functions of protein, etc. In addition, we plan to appropriate a development budget for technology to replace existing industrial processing with bio-processing that has a lower environmental load from 2001 and will strive to expand activities in this field. Furthermore, since 2000, this Ministry, in cooperation with other governmental offices, in the process of improving the environment for R&D by preparing ethical guidelines has been relative to research and analysis of genes, etc. Inclusive of such measures, we intend to continually pursue measures to ensure the rapid development of the biotechnology industry.

Material nanotechnology including information technology (IT), biotechnology, etc. will lead to the future development of the social economy in the extensive industrial sector and is fundamental vanguard technology for technological reform, a technological field in which Japan has commanded a leading role to date. The Japanese government has positioned material technology as one of the most vital sectors along with IT, bio and environmental technology in its next Scientific Technology Basic Plan and, by concentrating industrial, academic and governmental efforts, intends to actively push R&D in this field.

Furthermore, in addition to the promotion of a Digital Meister Project targeting developments and improving on the strength of the manufacturing industry to create things, and to develop high-level processing technology required for next-generation semiconductors, we also intend to strive for globalization of standardized parts/ machine systems. In addition, to deal with the rapid approach of an aging society and the evolution of an information driven society, a millennium project for the elderly and an IT barrier-free project will be pursued in order to improve on the international competitiveness of a wide range of products and, simultaneously, improve the environment to contribute towards creating things from the viewpoint of citizens.

As regards aeronautics and space industry sectors, in order to promote relevant advanced technologies and in an attempt to take the lead in fuselage development at an early stage on the initiative of the Japanese government, technological ability in high-tech sectors including engines for supersonic aircraft, composite materials, etc. will be strengthened with the target being to establish technical standards domestically, which can be applied worldwide. In the industrial sectors, which involve the development of large-scale systems such

as the rocket industry, etc., system design and R&D for high-tech integration will be pursued to enable trustworthy, low-cost and short-term development.

III. Environmental Measures

Global environment problems and the global warming issue in particular, are important issues which may exert a major influence on the economic activities of the manufacturing industry. At the COP6 scheduled to be resumed this year, we hope to proceed with negotiations so as to enable ratification of the Kyoto Protocol based on the development of the November 2000 negotiations. We shall also undertake to study the practicability and nature of highly efficient measures so as to be able to resolve the global warming issue domestically without imposing undue restrictions on either the economy or the population.

Again, it is recognized that hastening measures to recycle houses/building materials, paper, PET (polyethylene terephthalate) bottles, fiber, petroleum gas equipment, etc. is also important. In particular, regarding the recycling of automobiles and based on the reacquisition of scrapped vehicles, investigations are in progress, including the possible enactment of legislation, with the aim of improving the standard of recycling and securing appropriate disposal and, a draft of such fundamental framework system and basic way of thinking including the necessity to come up with a system is scheduled to be formulated by the end of the current fiscal year.

Concerning measures to protect the ozone layer, together with the promotion of measures for the smooth and total abolition of hydrochlorofluorocarbons (HCFC), etc., a chlorofluorocarbon (CFC) control strategy of comprehensive measures to cope with CFCs will be finalized by the end of the current fiscal year on the basis of the Montreal Protocol. Furthermore, in addition to enforcing the collection of Freon from electrical appliances in accordance with the Electrical Appliances Recycle Law, the Freon contained in air conditioning units installed in automobiles resulting from vehicle disposal, will be collected as a link in the recycling of cars, and Freon collection from discarded air conditioning and freezer units used in business installations will be promoted. Again, fiscal 2001 will see the introduction of a new system to control chemical substances. Based on the Chemical Substances Control Promotion Law, the MSDS (chemical substances, etc. safety data sheet) system will be put into effect from January this year, the PRTR (measures relative to grasping emission volumes, etc. of specific chemical substances to the environment) from April this year and, efforts will be made to improve on the voluntary control of chemical substances by businesses. To date the industrial world has been taking a positive attitude towards environmental conservation measures, but with the recent increase in concerns over environmental pollution by chemical substances, it is expected that further corporate efforts will be exerted with the enforcement of relevant legislation.

IV. Measures Concerning Regional Industry

Promotion of industries, which support employment and local economies, is another vital issue. The situation confronting the textile industry in particular is extremely grave as a result of the sudden increase in imports from China and other countries. To cope with such circumstances, efforts will be exerted to revitalize textile producing areas by comprehensively promoting measures for imports coupled with domestic measures aimed at energizing domestic production centers.

On the other hand, influenced by the changes in the life styles of the domestic population in recent years, etc., demand for products turned out by traditional arts and crafts has declined and problems such as securing such successors, etc. have

come to the fore as a result. To overcome such problems and promote independent development of production areas, a review of existing systems (legislation, etc. relative to promoting traditional arts and crafts industry) will take place to correspond with changes in the times and the status quo while fulfilling and providing indirect support to various efforts made at relevant producing areas.

V. Trade Issues

Anti-dumping measures are on the increase in the U.S. and other nations on a whole range of iron and steel products imported from Japan in recent years. To address these problems, measures such as filing suits, etc. to settle disputes on the measures that are not consistent with the rules of the WTO are being implemented in conjunction with concerted efforts to resolve the issue at various levels including multilateral and bilateral consultations. The Japanese government will continue to powerfully promote such efforts hereafter, strive to maintain and develop a fair and free trade environment concerning issues involving bilateral or regional issues and the Fair Trade Agreement (FTA) by taking up matters in multiple stages.

As regards the automobile issue that has arisen between Japan and the U.S., since the measures drawn up in 1995 are due to expire consultations have taken place regarding the nature of the relationship between the two countries and how it should be developed in the years after 2001. In consequence, the Japanese government made a new proposal at a conference which took place in San Francisco in December 2000 regarding a dialogue between the two countries. Although the U.S. government did not respond to this proposal, we hope to deal with the matter in a proper manner whilst taking note of the possibility of reorganization in the automobile industry on an international scale so as to arrive at a mutually satisfactory conclusion.

VI. Conclusion

As of January 6, 2001, the Ministry of International Trade and Industry became the Ministry of Economy, Trade and Industry. The former Basic Industries Bureau together with a section of the Machinery and Information Industries Bureau and Consumer Goods Industries Bureau joined forces to form the Manufacturing Industries Bureau.

In the past we endeavored to make governmental policies reflect requirements of various industries as the point of contact between various industries and the administration. The stance of the Manufacturing Industries Bureau will remain consistent with this. We intend to expand the point of contact with industries and continue to energetically promote measures based on the realities of the manufacturing sector from a much broader perspective. All of you in the manufacturing sector are requested and expected to be aware of the fact that the manufacturing sector is the origin of the economic power of Japan at a time when pessimistic elements are conspicuous regarding Japan's economic prospects and to continue working to come to grips with technological developments, redistribution of management resources and the furtherance of alliances, etc. in order to maintain and strengthen the power of the manufacturing sector. Again, I would like to request that the consequences and details of such efforts be made known positively to the people of Japan. By doing so and in line with the progress in the series of reforms, the confidence of the people in the economy of this country is sure to be recovered and I believe we shall be able to share a bright outlook towards economic revival.

Lastly, I wish all of you happiness and further prosperity in the New Year.