

Prime Minister Abe: Welcoming New Friends and Further Solidarity to the G7

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In the one year since I chaired the Ise-Shima Summit, we have witnessed the emergence of new leaders on the heels of presidential elections in the U.S. and France, and referendums in the U.K. and Italy. With these processes laying bare doubts over free trade and divisions in society, the world closely watched the choices made by the people in each country.

Security threats and determined response

Meanwhile, security threats that endanger growth and prosperity are growing day by day. Despite stern warnings from the international community, North Korea continues to develop nuclear weapons and missiles, and has launched more than 30 ballistic missiles since last year. On May 14, North Korea launched a missile reaching an altitude of over 2,000 kilometers. It was launched on an extremely high trajectory. If launched on an ordinary trajectory, tentative estimates suggest that it could have flown to the mid-Pacific in the East, to central Eurasia in the West, or to any part of the South China Sea in the South. The threat now extends beyond Northeast Asia. Another concern posed by North Korea is advances in its intercontinental ballistic missile technologies.

To solve these problems, we must strengthen our international solidarity with the U.S. and the Republic of Korea, as well as build unity with China and Russia.

Coupled with these issues, terrorism is spreading around the world, and ISIL's maneuverings continue. Cyberterrorism is also inflicting greater harm across borders. We must not allow any delay in forming international solidarity against such threats.

The importance of free trade and three factors for making its importance understood

We are approaching the 10-year mark since the start of the global financial crisis, the Lehman collapse. Many countries and regions have made tenacious efforts to

ride out the crisis and ensure a growth path. Looking at things globally, however, much remains to be done on issues such as youth unemployment, wage levels and productivity.

The key to overcoming these challenges is free trade. While growth in trade used to exceed economic growth, this has not been the case in the last several years. Free trade allows people to fully demonstrate their creativity and ingenuity, and to extend the fruits of their efforts beyond borders to enrich societies around the world.

Facing free trade, however, is strong criticism in many corners of the world. I believe there are three factors that are crucial to gaining people's understanding on free trade.

1) To take a coordinated approach, covering policies that spread the fruits of free trade within one's country.

Since taking office at the end of 2012, I have kept results as a motto. In Japan, we have realized GDP growth, more jobs, and increased tax revenues which we have invested into areas such as social security and education. Positive GDP growth was posted for five straight quarters. The annualized growth rate of GDP for the first quarter of this year broke 2%. There are 1.85 million more jobs, over 80% of which have gone to women. Having an unemployment rate of 2.8%, we are nearly at full employment. Our achievements continue. The Gini coefficient after income redistribution is also turning downward. We also began providing scholarships to young people that require no repayment.

Company revenues increased by JPY 22 trillion (USD 196 billion) over the past four years. All-out efforts are being made to circulate the fruits of growth nationwide by urging companies to increase wages, and encouraging large companies to make fairer dealings with small-to medium-sized enterprises (SMEs).

Furthermore, reforms are promoted with appropriate

transition periods in place, so that industries affected by liberalized trade can adapt to the changes. Additionally, I spare no effort to create an environment where SMEs and Japan's food industry can expand their businesses overseas.

Placing importance on investing in human resources and empowering women, I will continue to make the realization of "a society in which all citizens are dynamically engaged," i.e., inclusive society *à la japonaise*, the core of my policy.

2) To ensure not only free but also "fair" trade, and to improve rules from that perspective.

Since the beginning of this century, many emerging and developing countries joined the World Trade Organization (WTO). The world welcomed them with the hope that "this will help spread common rules worldwide and trade will be conducted in a free and fair manner." With time, we found that some countries enforce rules inadequately. For example, they force technology transfers to receiving states, fail to discipline state-owned enterprises, or make rules but do not comply with them. The steel trade is a prime example. Without ensuring fairness, trust in free trade will be eroded and support for it will peter out.

Ensuring fairness in taxes and finances, and fighting flows of illicit funds, are essential to gaining people's trust in international frameworks, and the G7 should take the lead on this.

When we ask ourselves "what is fair?" we should think of trade in the context of a win-win situation, not as a zero-sum game where "if one side gains, the other side loses."

Confronting a variety of difficult issues, such as global warming and the impending aging of populations, the key to finding solutions to these global challenges is cross-border sharing of people's diverse knowledge and experience. Governments should continue to lower the barriers that stifle people's activities. At the same time, they must improve and strengthen the rules that duly protect the outputs of innovation, including through the protection of intellectual property rights.

The Trans-Pacific Partnership Agreement (TPP) can address these concerns. That is why I firmly believe that the Asia-Pacific region, which is the growth center of the world, needs the TPP. In addition to the TPP, Japan is building a global network of rules through economic dialogue with the U.S., negotiation of the Japan-EU Economic Partnership Agreement (EPA), and the Regional Comprehensive Economic Partnership (RCEP).

3) To contribute to inclusive development across the globe.

Japan's contribution to nation-building in Asian countries started more than half a century ago, and now in this century, Japan has stepped up support for the development of Africa with the joint efforts of the public and private sectors. Last summer, we held the Sixth Tokyo International Conference on African Development (TICAD VI) on the African continent for the first time. Nearly 200 Japanese companies accompanied me. The pillar provided by Japan's cooperation is fostering human resources and industry in Africa. Along with industry, we will further enhance our cooperation in agriculture and food production capacity.

Drawing on Japan's technological prowess and sophisticated finishing methods, we will also contribute further to developing quality infrastructure in Asia and elsewhere, including developed countries. Our financial cooperation of USD 200 billion (JPY 22.4 trillion) will be at full-throttle by the end of this year as well.

Many people in Asia and Africa will acquire new skills, improve their local infrastructure, deepen their connectivity and strengthen their self-reliance. No other country besides Japan, I believe, can make this contribution.

The global economy is beginning to show signs of a positive turnaround. However, unresolved issues remain in many countries, regions and the world, while we are pressed by new challenges such as global warming and the impending aging of our populations. This is compounded by North Korea and ISIL which are explicitly challenging global security and prosperity.

Without peace and security, there is no growth or prosperity. The leaders of the G7, who share fundamental values, must unite and lead the world in standing up to these difficult problems. Welcoming new friends and fresh ideas, we, the G7, must display solidarity more than ever.

