



Key Moment for Reform:
The EBC Report on the Japanese Business Environment 2007
Speech by Mr. Richard Collasse, Chairman of the EBC
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Westin Hotel, Tokyo

Ambassador Richardson, Your Excellencies, Honorable Members of Parliament, Friends, Colleagues, Ladies and Gentlemen, welcome to the Launch of the EBC's 2007 Report on the Japanese Business Environment.

I am very pleased to see so many familiar faces in the audience today, including many friends from the Japanese Government. I truly appreciate that so many of you have taken your time to come to this event. I am especially pleased to see that we also this year have the pleasure to have distinguished Members of Parliament present alongside a great number of other government representatives. We really appreciate that you have taken the time to come here although we know that you do not always like to hear what we say.

I am also very pleased to welcome our guests from the Delegation of the European Commission to Japan and representatives from the Member States of the European Union and other EBC stakeholder countries. We very much appreciate the diplomatic support we receive from you, I am confident that there are not many, if any, other organisations that get the attention of so many Ambassadors – we have 23 here today. Thank you very much for your unfailing support!

I would also like to extend a special welcome to H.E. Mr. Yoichi Otabe, Director General of the Economic Affairs Bureau, Ministry of Foreign Affairs, who has kindly agreed to speak to us today.



Before you hear from some of our EBC committee chairmen for their views on the business environment in their respective area of expertise, I would like to say a couple of words as the chairman of the EBC

First and foremost, I would like to draw your attention to the title of this year's report – Economic Integration – A New Approach to Reform. Though similar in format to previous years, this year is very special in that one topic, the prospects for an EU – Japan Economic Integration Agreement, is discussed in each chapter of the report. The EBC has been working on this concept over the past year and each committee has identified specific topics that they would like to have included in such an agreement, topics I am sure our chairmen will share with you in a couple of minutes. Given the global position and economic development of the EU and Japan, the EBC does not think that a traditional FTA or EPA is either an efficient or appropriate a tool to serve our common interests.

You may ask why we need to negotiate a bilateral trade agreement at all.

Europe and Japan share many of the same concerns and challenges at the global trade level. Both have a co-operative, inclusive and sensitive approach to solving socio-economic issues. We both adhere to principles of free and fair competition, fair investment rules and respect for intellectual property rights.

Globalisation, however, no longer means that the global economy is driven mainly by the US, Europe and Japan. Increasingly, a number of emerging countries are taking the stage as economic powers, and we need to find ways of turning their newfound competitiveness to mutual advantage. We can better promote our own respective economic interests by working together to actively pursue the further opening of markets worldwide and ensuring that international rules are applied fairly and transparently.



The WTO should be the forum where principles for trade are enshrined and enforced, but it is not currently in a position to take on the role. In this climate, economies like the EU and Japan need to stand together, to defend their interests. The sheer size of our combined economies - EU and Japan account for 40% of Global GDP - means not only huge potential for trade but also means that together, we can influence the future rules of global trade.

Given this background, it is frustrating to see how little we have achieved this far.

As chairman of the EBC, I have witnessed certain progress in our relationship during the past six years, but also painfully realised its limitations. Current dialogues that, at best, yield understandings, goodwill and piecemeal improvement, are of little help to companies still battling structural barriers, constant red tape and competitive pressures.

After asking the Government of Japan to improve the business climate here for many years, the EBC now calls upon **BOTH** Governments to work for a sea change in the relationship. And we are not shy in what we are asking for.

The Economic Integration Agreement envisaged by the EBC would entail Japan and the European Union working together towards the abolition of all obstacles to mutual trade. I fully understand the magnitude of the challenge, but am equally confident that, in the long run, it is a feasible goal- we have an historical example to follow. The existence of the European Union itself proves that barriers to trade can be removed between sovereign states.

Member States of the European Union have invested hugely in the establishment of a Single Market, characterised by the free movement of goods, people, services and capital and their achievement is indisputable. Benefits for consumers include a wider choice of quality goods and services, in many cases at lower prices, and the opportunity to move across borders for work without foregoing welfare protection. Benefits for business of having a single set of rules and unified certification schemes are obvious.



We describe in our report this year how we believe that an EIA could grant free movement of goods, people, services and capital also between the EU and Japan. In short, we need to mutually recognise a number of product standards and certification, establish joint standards in other fields, work on common rules for competition and service. We need also to abolish all double taxation, relax visa requirements and mutually accept professional qualifications and certificate. The goal should be the creation of single EU – Japan market and I will leave to my colleagues to explain in more detail (within two minutes each!) what this means in respective sector.

Let me be very clear here. We are talking about an agreement that would be extremely beneficial for both the EU **and** Japan. The Japanese Industry would get immediate access for its products to the enormous and growing European market while Japanese consumers would be able to enjoy a larger selection of top class products, including life saving products currently not available, and services with better prices.

Equally important would be the strengthened position of Japan in all international trade. Asking China or India to adapt to Japanese standards is an increasingly difficult task, asking these countries to follow joint European – Japanese rules would be much more persuasive.

Finally, I believe that negotiating an EIA with the EU would also provide much needed energy and direction to the regulatory reform process in Japan. To put things very bluntly, Japan seems to be suffering from reform-fatigue and needs a new approach.

To be fair, much has been achieved by the Koizumi and Abe cabinets. This year's report recognises important improvements over the past years in long-standing issues such as the M&A infrastructure, pricing for airlines, recognition of the importance of abolishing firewall regulations between banks and security firms as well as a positive discussion on reforming the re-entry permit system. Despite these and many other improvements over



the past years, there is a strong feeling among European companies that the reforms undertaken thus far under the leadership of Prime Ministers Koizumi and Abe have been largely corrective measures, tailored to help the domestic industry and government to overcome previous shortcomings. Missing is any clear vision of what the final goal should be and the long-term strategy to get there.

Working together with the EU, Japan could take an active part in creating de-facto global standards, standards that other partners would eventually have to follow. Doing so would constitute a much more positive and forward looking approach for than the defensive approach to globalisation Japan has taken this far.

Ladies and gentlemen, we cannot neglect the realities by putting our heads in the sand any longer. The landscape of global trade is changing. As advanced democracies seeking open trade and fair competition in balance with a sound social and environmental development, the EU and Japan have to act now or we will see our influence diminish.

Brokering the first of its kind trade agreement will not be easy. The EIA is an ambitious, creative, and courageous approach to reach competitiveness and prosperity. We are ready to take on the challenge and hope that our governments are too.

Thank you very much.