



## **Network of European Researchers in Japan (ERA-Link/Japan)**

### **“Perspective of the Business Community”**

**Speech by Alison Murray, Executive Director, European Business Council in Japan**

**November 29, 2007**

**Hotel New Otani, Tokyo**

Ladies and Gentlemen,

This meeting is of great significance to the European scientific community as well as the business community here in Japan. My name is Alison Murray and I am the Executive Director of the European Business Council in Japan. Some of you may be familiar with our organisation, but many of you may not, so I would like to say a few words on the perspective of the business community vis-à-vis research and innovation activities, and how the European Business Council supports your activities as foreign researchers in Japan.

#### **About the EBC**

Established in 1972, the European Business Council is the policy lobbying organization for the 18 European National Chambers of Commerce and other business organisations present here in Japan. Our mission is to improve the trade and investment environment for European companies in Japan. We have around 350 company members organized into 29 expert committees. Each committee works together to identify the regulatory obstacles to doing business in Japan, develop recommendations for policy change and, present their recommendations and concerns to the relevant Japanese government authorities.

We work closely with the European governmental institutions, including the Delegation of the European Commission to Japan, National embassies, and European national chambers of commerce, and maintain a close dialogue with politicians, especially ministers and vice-ministers, the Cabinet Office and the various ministries and agencies of the Japanese government. We, of course, also work alongside business organizations in other countries and align our strategies for improving conditions for businesses with organisations such as EUCOMED, Eurochambres, and BUSINESEUROPE among others.

Our leading annual publication, the EBC White Paper on the business environment in Japan - the latest edition entitled “*Economic Integration: A New Approach to Reform*”, was released last week - provides a yearly assessment of regulatory developments and progress achieved in each sector of the industry. Each chapter of the report consists of concrete recommendations from each committee for further regulatory reform.

For example, this year the Committees in the Health Sciences sector (Medical Equipment,



EUROPEAN BUSINESS COUNCIL  
JAPAN

Medical Diagnostics, Animal Health, Cosmetics, Pharmaceuticals) highlight the fact that regulations are often outdated and not based on sound science and that certain drug and equipment pricing systems need to be revised so that innovation is rewarded and intellectual property is safeguarded. Another example is the Food committee, whose members are deeply concerned with the lack of progress in granting approval of food additives and how critically necessary it is to simplify and speed up product approval process. The Financial Services Committee, has its own challenges and issues to deal with. This year they are actively recommending that laws limiting business integration in the financial services sector be abolished so that foreign firms can be permitted to operate in Japan on a group basis, and that the law on M&A be revised to allow for cross-border mergers.

Each year, our policy report also identifies the leading challenges for businesses, those obstacles that reach across many sectors of the industry, and impact the many actors in the market and industry, from large multinational corporations to SMEs. These leading barriers to business development are to a large extent, obstacles that also may place limits on the industry's capacity to perform cutting-edge research and innovative product exploration. (Let me be clear), although some progress has been achieved over the years with liberalization and economic reforms, European firms in Japan regularly report that procurement practices are a persistent problem, public procurement policies lack transparency and limit free and fair competition. Of further concern is that more rigorous intellectual property protection is needed especially with regards to enforcement of trademark violations; and lastly, that many of the current regulations and rules imposed on the private sector remain complex, burdensome, time-consuming and incur unreasonably high costs.

### **About the Economic Integration Agreement**

This year, the EBC proposes a new and fresh approach to economic reform, and is actively calling on both the Government of Japan and the EU to negotiate an Economic Integration Agreement, with provisions for free competition, fair investment, transparent government procurement practices and most importantly, coactive policies on intellectual property rights, climate change and innovation in science and technology.

We believe that an EIA could potentially grant free movement of goods, people, services, capital and knowledge between the EU and Japan, and most importantly establish mutual recognition of product standards and certification. EBC member companies have clearly expressed that an agreement that abolishes all double taxation, relaxes visa requirements and enables mutual acceptance of professional qualifications and certificates offers the best prospect for increasing trade and securing their positions as dominant global economic players in today's competitive marketplace.

### **Cross- border R&D: Strengthening the competitiveness of European industry**

European firms are under increasing pressure to remain at the forefront of developing high-quality products and services, clearly demonstrating that R&D is a fundamental factor, if not the key driving force to business competitiveness. Two thirds of researchers



worldwide are employed in the business sector: two out of three in Japan, and one out of two in the European Union. In Japan alone, (according to a recent JETRO survey) an estimated 45% of the 287 foreign companies operating R&D here in Japan are European. This implies that from the perspective of the business community, we need to actively seek a level playing field for European companies to contribute to the economic competitiveness of Japan and the EU through R&D.

Seeking a level playing field and removing restrictions on foreign direct investment is beneficial not only as a means to increase the presence of foreign firms on the market, but also because as recent economic surveys indicate (OECD 2005) foreign investment improves cross-border knowledge transfers and foreign research and development, both of which contribute to higher productivity growth and both of which are necessary to keep Japan and the EU at the forefront of economic output.

We have seen that businesses that develop global leading products and innovative services have done so successfully under government policies that act as drivers of innovation, research and scientific advances. It is especially important that regulations and policies offer a generous and competitive tax environment for businesses investing in R&D, and that an adequate leading-edge infrastructure is put in place to support business operations.

As the OECD has correctly highlighted “investment for innovation is especially important, as business is the main driver of innovation”. The EBC strongly believes that further liberalisation fosters stronger innovation. “More innovation-friendly regulation, combined with lower barriers to trade and foreign direct investment would enhance competition and boost the flow of technology and knowledge across borders.” European companies and their Japanese partners must be able to maintain their competitive edge and provide innovative products.

### **In Closing**

The EBC is currently considering the formation of a Science and Technology Taskforce focused on issues impacting on research and development activities. As the lobbying organization for European business here in Japan, we are keen to listen and discuss your concerns as researchers in Japan and look forward to receiving your input on creating an environment conducive to expanding opportunities and capacities for research and collaboration between the public and private sector.

Thank you for your attention.