

Chairman of European business group eyes cooperation via economic reforms

By RICHARD COLLASSE
Chairman, European Business Community

On behalf of the European Business Community in Japan, I would like to express my gratitude to The Japan Times for the opportunity to address its readers on Europe Day.

The EBC is the trade policy arm of the European national chambers of commerce in Japan, which combined, represent more than 3,000 European firms doing business in this country. These firms are committed to Japan. This commitment has not wavered, despite the numerous challenges all companies currently face doing business in the Japanese market.

In many sectors, such as telecommunications, health science, and consumer goods retailing, the European commitment to the Japanese economy has in fact strengthened, as firms pursue opportunities that have appeared as a result of deep-seated changes occurring throughout the Japanese economy.

For their part, European firms contribute new capital, technology, managerial knowhow and job opportunities to the Japanese economy. This contribution is not insignificant.

Even in Japan, where the level of foreign investment is extremely low compared with other developed economies, it is estimated that foreign-affiliated firms employ more than 1 million full-time workers in their Japanese operations.

We are pleased to see that

the Japanese government is starting to place more emphasis on the value of increasing foreign investment in Japan. In his speech opening the spring session of the Diet, Prime Minister Junichiro Koizumi indicated his government's intention to double the amount of foreign investment in Japan within five years.

The EBC fully supports this initiative. Experience from Europe and elsewhere has shown that foreign investment can have an extremely positive effect on economic development.

I would like to stress, however, that significant new investment from Europe will not happen unless Japan moves fast to improve the business environment in this country. Japan has to show the world that it is serious about attracting foreign investment and is willing to move quickly to implement the micro and macro reforms necessary to attract foreign investors from what are perceived as more "dynamic" countries in the Asian region, including China.

Reform in areas such as telecommunications, insurance and retailing, for example, has resulted in new investment from Europe, as firms respond to new business opportunities in these and other fields.

But persistent frustration with the Japanese business environment continues to discourage European firms from making new investments or expanding their current oper-



tions in Japan.

These frustrations include decade-long economic stagnation and increasing deflationary pressure, concerns with the stability of the Japanese financial system, regulatory burdens and high costs associated with introducing new products and services into the Japanese market, along with legal and tax impediments to cross-border mergers and acquisitions.

Despite these challenges, the EBC remains positive about the prospects for the Japanese economy. If anything, there has been a very definite shift in attitude toward the role of foreign trade and investment in Japan.

Japanese customers are seeking out innovative European products, Japanese cities and towns are actively promoting European investment, and Japanese companies are adopting new atti-

tudes toward doing business. The EBC very much welcomes these developments and will continue to promote further European involvement in the Japanese economy.

The EBC is using this opportunity to bolster its ties with the Japanese government and other business organizations in Japan through informal dialogue designed to promote information exchange. It is also using more formal mechanisms, such as the two-day EU Japan Business Dialogue Roundtable that will begin in Brussels on May 27.

The EBC values these ties and will continue to contribute actively to the current debate concerning the future of the Japanese economy.

European firms are continually working to build trust in the Japanese market and pursue business opportunities that have appeared as a result of the many changes that have taken place in Japan over the past few years.

The Japanese government can help by further strengthening its commitment to meaningful reform of the nation's economy. This would improve the trade and investment environment and increase the incentive for European firms to do business in Japan.

The EBC looks forward to working with the Japanese government, businesses and public in making this goal a reality.