

Monday, April 21

1. EU Commissioner Mandelson, ladies and gentlemen, I would like to begin by saying that it is a great honor for me to have this opportunity to speak to you today. Our theme today—"World Economic Trends: the Role of Japan and the EU"—is a grand subject that is perfectly addressed by Mr. Mandelson, the EU Commissioner for Trade. Based on this theme, I would like to speak today about the roles that Japan and the EU should play in the ever-globalizing world economy. While echoing what Commissioner Mandelson has just said in his address, I shall attempt to clarify the significance of and directions for Japan-EU cooperation.
2. I would like to touch on three points. The first is the importance of collaboration between Japan and the EU in the world economy. The second involves the content of concrete collaboration and the direction it should take. And for the third point, I would like to place particular focus on mutual investment.
3. Looking at the first point—the importance of collaboration between Japan and the EU—both Japan and the EU have developed economies that share basic values. These values include democracy, the rule of law, market economy, and respect for human rights. And, based on long experience, we have come to share the idea that economic growth is realized through fierce competition in the market economy, and that all aspects of society and public welfare should be improved by correcting defects in the market economy and maintaining social fairness and unity through government roles complementarily. Because we share these social values, Japan and the EU are important partners in work to lay the foundation for order in the world economy amid progressing globalization as well as in collaboration toward making such order reality.
4. The second point is the direction of concrete collaboration. Here, there are four items to bear in mind. To begin, we should remember that Japan and the EU have a 40%-share of the world's GDP and trade, and this makes us important economic partners on the international stage. Therefore, we must work to maximize the potential for trade investment between us by further opening our economies. Moreover, as developed economies, it is our duty to tie the impact of expanded trade investment to sustainable growth in the world economy. Thus, the first item I wish to mention is the need for both sides to make every effort to remove obstacles to mutual trade investment wherever possible.
5. Moving on to other three items, there are three fields connected to institutional harmonization and joint approaches to issues in emerging economies that Japan and the EU must address as developed economies. Specifically, these fields are a) the environment, b) safety and security, and c) innovation. As for the environment, Japan and the EU have the world's highest levels of energy efficiency and are

working to build a platform through which we can learn of each other's approaches and communicate our best practices to other countries. Other fields in which we can expand cooperation include traditional anti-pollution measures, recycling policy, and countermeasures against global warming.

6. In the field of safety and security, consumers in Japan and the EU are among the world's most aware when it comes to safety and security, and they constantly demand high-level government policies in this area. In today's global economy, where a single product can be supplied to the entire world in the blink of an eye, full implementation of product safety measures in each region and quick sharing of safety information among nations are important. For Japan and the EU, in particular, swift administrative response that is based on exchange of information on the safety of third-country products is vital. We must therefore work to systemically implement such an approach.
7. And then there is innovation. Here, as well, there are many issues that require institutional collaboration. For example, in the area of intellectual property protection, Japan and the UK—and similarly Japan and Germany—are promoting mutual utilization of patent examination results through an approach called the Patent Prosecution Highway. The highway is a scheme that can be used between our developed economies to obtain mutually trusted patent examination results. Use of the highway can dramatically shorten the time needed for examinations from approximately two years to some two months, make it possible to quickly protect the results of research and development, and encourage further innovation by enterprises. Another area where collaboration is needed is the fight against counterfeits and pirated copies in third countries. For Japanese and EU companies, which turn high brand recognition into sources of value, response to distribution of counterfeits and pirated copies in other countries is a shared concern, and these companies are demanding that their governments take swift action here. With this in mind, Japan and the EU are joining with the United States and other countries that share policy objectives in this area to build an international framework for control of counterfeits and pirated copies. Moreover, Japanese and EU embassies in emerging economies and other countries as well as specialized organizations such as JETRO are building a network to combat these items. They are also establishing systems for joint tackling of the problem through on-site sharing of the issues faced by each side and response strategies.
8. In this way, Japan and the EU have limitless potential to promote worldwide approaches through collaboration as developed economies with shared social values. Today, industrial circles in Japan and the EU are studying the building of bilateral frameworks—in the forms of FTA plus and EPA plus—that will become international models in these fields, and we understand that they will present their recommendations to the Japanese and EU governments in the summer of this year.

Our governments intend to take bold steps to support this kind of highly ambitious discussion in the private sector.

9. As I have described, Japan and the EU can play a highly significant role in the world economy through collaboration. So now I would like to talk about the roles that Japan and the EU should play amid world investment trends. In recent years, global movement of capital is accelerating against a backdrop of increasingly globalized corporate activity. Looking at trends in international external investment as a share of nominal GDP, as of 2005, direct investment and securities investment combined has a 7.8% share. This is approximately three times the share these forms of investment had ten years ago. And if we look at individual regions, we find that, for both external investment and inward investment, the largest world GDP share belongs to the EU-15, which has an external investment share of 5.4% and inward investment share of 5.3%. This shows that the EU is simultaneously the world's largest supplier and receiver of capital. Consequently, the EU can be described as the most globalized region in terms of investment.
10. Japan is also vigorously promoting the application of investment. First of all, Japan is actively providing direct investment to overseas locations, primarily regions showing dramatic growth. In fact, in 2006, the overseas subsidiaries of Japanese companies accounted for 16.3% of all sales by these companies. This was the highest level ever recorded. In order to support this kind of smooth international activity by Japanese companies, Japan is concluding high-quality economic partnership agreements that include investment rules as well as investment agreements in order to help maintain investment environments in overseas markets. I should note, however, that to date approximately 2,600 investment agreements have been signed worldwide, and that, of these, the four countries of the UK, Germany, France, and Italy have signed over 400, or 17% of the total. On the other hand, Japan has signed only 21 such agreements, including EPAs. Thus, Japan has a lot it can learn from Europe's experience in this area.
11. Moreover, looking at direct investment into Japan from overseas, the balance of direct investment into Japan in 2007 was 15.4 trillion yen (approximately 3% of the GDP), which is an increase of approximately 2.6 trillion yen compared to the previous year. This represented growth in excess of 20% compared to the previous year and the highest rate of growth in the past five years. The Japanese government is working to expand direct investment into Japan. This is because it sees such investment as being linked to stimulation of both the national and regional economies through the introduction of new technologies and management know-how and, by extension, to greater employment opportunities. Specifically, the government has set a goal of "increasing the balance of direct investment into Japan to roughly 5% of the GDP by 2010" as part of its stance of welcoming a broad range of investment. In this way, the government is promoting approaches toward

realization of a “country built on investment” that can maximize the benefits of investment. What Japan must pay attention to here is investment into the service sector. If we look at international trends, in 2004 the service sector accounted for 70% of the international balance of external direct investment, while the industrial sector accounted for 30%. This is in contrast to 1990, when the two sectors had roughly equal shares. However, in Japan, investment into the service sector still accounted for approximately 40% in 2004. Consequently, there are those who say that such investment is too low. Thus, as we work to promote investment into Japan, we wish to learn from EU’s experience and wisdom in expanding investment to the service sector.

12. Commissioner Mandelson; Minister of Economy, Trade and Industry Akira Amari; and other concerned parties are currently striving to conclude the WTO Doha Round within the year. As “nations built on trade,” Japan and the EU members are determined to continue leading the Doha Round. Adding investment to the picture, Japan and the EU must contribute to investment that is not sufficiently covered by the WTO Doha Round and to the establishment of international rules in fields that include climate change and trade and protection of intellectual property so that they can lead the world as “nations built on trade investment.” As I mentioned earlier, Japan and the EU have developed economies that share social values. As such, both sides intend to join forces to lead international discussion on the future economic order that will be needed amid continuing globalization.
13. Finally, I would like to conclude by stating my firm belief that Japan-EU collaboration is linked to the economic development of both sides and, further, of the world. I also believe that the holding of the 17th Japan-EU summit as well as Commissioner Mandelson’s visit to Japan will prove to be catalysts toward these ends. Thank you very much for your kind attention.