

**Speech by Hiroaki Ishii, Executive Vice-president,  
Japan External Trade Organization (JETRO)  
at the seminar for quake restoration  
in Canada from June 20 to 24, 2011**

Good morning, *Bonjour*, ladies and gentlemen. I am Hiroaki Ishii of the Japan External Trade Organization, or JETRO.

Thank you for taking the time in your busy schedule to join this seminar co-hosted by the government of Canada, the provincial government of British Columbia, the government of Japan and JETRO.

First of all, I would like to extend our deepest appreciation to the government and the people of Canada for your generous consideration and support for us in these trying times.

I would also like to express my gratitude to all the people and organization to make this seminar possible. Particularly I would appreciate His Excellency Ambassador Jonathan Fried and Minister Paul Thoppil of the Canadian Embassy in Japan for taking a strong initiative to realize this. The Canadian Government is the first and only foreign government to host this seminar series after the earthquake. In addition to the material support, this opportunity is invaluable to our restoration effort to share the updated and accurate information about Japan.

Today, I would like to talk about two themes. First, I would like to introduce the state of Japan focusing on business following the earthquake. Secondly, I would like to address expectations for an enhanced economic relationship between Canada and Japan.

## **1. Japanese Situation after the Earthquake**

I would like to introduce the state of Japan after the earthquake by starting briefly since Consul General Ito and Minister Thoppil described it in depth.

I believe that everyone in the world was astonished and concerned to have seen repeated images of towns devastated by the tsunami and the explosion of the nuclear reactor building aired on CNN or CBC, or to have heard speculations and accentuated reporting.

In the very beginning, there was criticism against Japan for the lack of information about the disaster and nuclear accident, in spite of the Japanese Government's best efforts to disclose what was going on. It was perhaps because a full picture of the unprecedented-scale disaster was hardly apparent at the initial stage and particularly English information was scarce then.

(PPT2)

But, in fact, the Japanese government has been providing prompt and accurate information on Japan's state of affairs. For example, it

has been holding briefings for foreign diplomatic missions in Japan and releasing information such as daily readings of radiation on the website in English. JETRO also posts all the links of such government releases on our homepage. JETRO and Japanese foreign missions are holding this kind of seminar in various cities around the world.

The impact of the earthquake was unprecedented, but, the areas hit by the tsunami and affected by nuclear radiation, have been limited. In most of Japan, life and business have been as usual. Even in the affected region, most of the inland areas escaped from the devastation.

Tokyo was also hit by the earthquake at a magnitude greater than 5. It was the biggest earthquake I have experienced in my life. However, there was almost no damage to the structures because they were protected by stringent building codes. On the following day, in fact, I dined with my foreign friends who were visiting Japan in downtown Tokyo as usual using the subway. Daily life in Tokyo returned to normal soon after the quake. Now life and economic activities in Japan are regaining stability.

The only remaining effect on daily life, mainly in the supply area of the Tokyo Electric Power Corporation (TEPCO), basically around Tokyo, is the needs for power saving efforts, as the power demand peaks during the summer season. For example, temperatures set for

air conditioners are to be set higher and government officials are allowed not to wear ties from May 1 to the end of October(which is called "Super Cool Biz" In my case, I installed a solar power system in my house two weeks ago by taking advantage of both a feed-in-tariff program and a government subsidy in Japan by which I have been able to save more than 70% of power purchase from TEPCO even during the rainy season.*(TEPCO sell 20yen per Kwh and buy 42yen per Kwh. Theoretically, with this sufficiency rate, I will get a refund by solar power generation. I will check the first bill next month.)*

(PPT3)

Let me touch on the latest atmospheric radiation readings in Japan again. The level in Fukushima-city, which is located 61 km from the damaged plant, has significantly decreased after the accident. The level in Tokyo, which is 230 km down south from the plant, remains at quite a low level: 0.063  $\mu$  Sv per hour. The levels in other cities in Japan also remain at normal levels.

(PPT4)

As this slide shows, looking abroad, the detected radiation in some major cities overseas is even higher than in Tokyo. For example, the data in New York was marked as 0.094  $\mu$  Sv, while between 0.07 and 0.14  $\mu$  Sv was marked in Hong Kong. Many financial professionals escaped from Tokyo to Hong Kong right after the quake. But in fact, the radiation level is less in Tokyo than in Hong Kong now.

*(At a seminar like this in Dusseldorf in Germany, when I introduced that the level in Berlin was higher than Tokyo, German People were very surprised.)*

The Japanese government evaluates the level of the nuclear accident this time as level 7 based on the International Nuclear Event Scale. It is the highest level of severity and was also applied to the Chernobyl accident because there are no other categories between Three Mile Island which is categorized as 6 and Chernobyl. Please note that the total amount of radiation emitted from the accident this time is estimated about 10% of that from Chernobyl.

As previously introduced, the Japanese government and TEPCO have been doing their best to stabilize the damaged nuclear plants step by step, based on a roadmap towards restoration with international cooperation.

On the nuclear issues, I would like to add only three points to the previous explanation.

First, when it comes to food and water safety, Japan sees the issue as our “own task”, which should be resolved under our own responsibility. As we are the country with perhaps the most safety-conscious consumers in the world, the Japanese government is taking strict control over food and water.

In this regard, we are touched by the announcement by the Canadian government to lift the extra procedures for imported Japanese foods effective on June 13, which were introduced after the nuclear accident. Canada is the first country in the world to normalize the food control against Japan after the earthquake, as they have faith in Japan's self-monitoring and control system based on their own testing results and assessment. I hope the rest of the world will follow Canada's sensible decision.

Second, on the safety of industrial products in Japan, they are manufactured inside factory buildings under strict quality control. During the initial turmoil, some countries tried to control import of Japanese industrial products. But there are no such countries now. We have never heard of a case where radiation beyond the safety standards was detected in the distribution or sale of such products.

Third, please feel safe to visit Japan including for sightseeing. The number of foreign visitors and tourists in Japan has been reduced. Visiting Japan will also encourage the Japanese people. Observation and sightseeing tours organized by travel agencies in Asian countries have been resumed. In fact, many of the airlines, rail ways and accommodations are offering discount rates for traveling in Japan now.

While things are calming down, what worries Japanese people and the government the most, are unfounded rumors, which potentially

hinder the recovery of the Japanese economy. I hope you will refrain from keeping a distance from Japanese products or the market due to such groundless sentiments.

## **2. Business Operation**

Next, I would like to address my second point, the current status of industry in Japan, focusing on the recovery of industrial production in the affected area and foreign business activities.

Damages to the manufacturing bases of automotive and electronic parts in northeastern Japan have affected the production of Japanese and foreign manufacturers overseas as well as those in Japan.

(PPT5)

However, as this slide indicates, industrial production of the affected regions accounts for only 2.5% of the total national production. In reality, its impact is estimated as lower than that of the Great Hanshin-Awaji earthquake in 1995. In addition, in central and west Japan, where major industrial bases are located, has been undamaged at all in this disaster..

According to a survey conducted by the Ministry of Economy, Trade and Industry in early April, asked when the supply shortage of feedstock and parts will be completely resolved, 29% of the

respondent companies in the processing industry answered it would be “by July” and 71% “by October”.

But recently, the leading Japanese newspaper, “The Nikkei” reported that automotive manufacturers have successfully moved up their schedule and major producers will recover their production to almost normal levels by July. This was made possible by intensive support across factories and companies.

For instance, Renesas Electronics Corporation is a major manufacturer of micro computers used in automobiles. It has been forced to suspend their production when their main factory was afflicted by the disaster. In this crisis, their associated companies sent 2,500 or more support staff a day to the company to assist its reconstruction. With this assistance, the company has regained its pre-earthquake production level one month earlier than originally scheduled.

When we turn our eyes to the foreign business operations in Japan, it is apparent things are settling down. Some embassies and foreign companies in Tokyo, unlike the Canadian Embassy, had temporarily relocated operations from Tokyo to other cities in west-Japan. But they have already returned to Tokyo and resumed their regular activities.

(PPT6)



The following slides introduce you to some cases of foreign companies that have been continuing to expand business activities even in the aftermath of the earthquake.

(PPT7)

Let me introduce you to the case of a Bergium company called Umicore. It produces materials for lithium ion batteries. The CEO of the company visited Japan on April 19 and held its global group board meeting in Japan as scheduled. Even in the period of turmoil, he clearly announced that he would leave their business functions in Tokyo based on the results of scientific data, without being swayed by emotional factors following the disaster.

An American company called Prologis celebrated the completion of a new logistics park in the severely affected Miyagi Prefecture on June 2, even though its facilities were partly damaged by the quake and tsunami. In spite of the quake, the company continues operation, because they see the site as an important logistical hub in northeastern Japan.

(PPT8)

Canadian companies are also very active in Japan.

A Canadian company, MAGNA, the most diversified automotive supplier in the world, announced on May 18 that they launched production of a soft-top roof system for Nissan "Murano". The

company has acquired a roof system supplier in Japan, produces its textile roof cover in Mexico, and conducts final assembly in Tochigi prefecture to the north of Tokyo.

(PPT9)

Another Canadian company, Canadian Solar is one of the world's largest solar module producers. Since the establishment of its Japanese arm in 2009, domestic demand for solar panels has substantially increased. Therefore, on April 8, the company concluded a sponsorship contract with a famous Japanese professional baseball team, the "Saitama Seibu Lions". Currently, all players of the team wear a helmet on which the company name is printed.

### **3. Prospect s for Reconstruction**

Next, I would like to talk about the current reconstruction plans being discussed.

(PPT10)

According to the economic outlook in Japan reported by the Cabinet Office on March 24, Japanese growth will be positive following the quake. There will be some negative impacts in the first half of the fiscal year starting April 1. But the demand for reconstruction in private and public sectors in the latter half year will push the real GDP rate to 0.75% to 1.5%. The Cabinet Office estimated that the

loss of the national stock will be between 16 and 25 trillion yen (about 200 -310 billion US dollars.)

(PPT11)

The Japanese government adopted the first supplementary budget plan for the current fiscal year totaling about 4 trillion yen (about 50 billion US dollars) on April 22 to finance the reconstruction operations.

(PPT12)

The Japanese government is also planning to compile additional supplementary budgets totaling over 10 trillion yen (about 125 US billion dollars). Their size and timing are currently under discussion.

The Reconstruction Design Council is discussing vision for restoration as well as the budget requirement and financial to realize it now. It will lay out the basic plan and its road map soon.

Through the reconstruction process, the demand for natural gas will increase. The role of renewable energy and energy saving will be emphasized. Prime Minister Kan mentioned that the government will increase the share of natural energy in the total domestic electric power supply to over 20 percent minimum by the earliest possible in the 2020s through such means as installing solar panels on the roofs of 10 million houses.

#### **4. Enhancing Economic Relations between Canada and Japan**

Next, I would like to proceed to expectations for the enhancement of economic relations between Canada and Japan.

(PPT13)

Our economic relationship has been bolstered by active bilateral trade and investment over the years. The trade in 2010, totaled 22 billion Canadian dollars, increased by 22% from the previous year.

(PPT14)

This was mainly due to traditionally strong trade relationship in the areas of agriculture, natural resources and automobiles.

In addition to deepening the relationship in these sectors, I believe that we can diversify the scope of our economic relationship even further.

Canadian products have been popular in the Japanese consumer market. "BlackBerry" is a part of our business life. "M.A.C." originally founded in Canada and "Club Monaco" from Canada are popular among Japanese women.

(PPT15)

"ARK'TERIX", an outdoor clothing brand from Canada is also getting

popular in Japan. In Japan, hiking and mountaineering are making a comeback. We call those who love outdoor activities in cute and stylish outfits “Yama Girl”, literally meaning “mountain girls. Functional and colorful “Arkterix” seem to catch the heart of the Yama girl. *(I am not a girl, but I bought an orange Arkterix shirts this time in Canada.)*

(PPT16)

Canada is the largest exporter of high-quality housing, which has about 40% market share in Japan. Canada is also the third largest timber exporter to Japan accounting for about 10% of Japan’s total timber imports.

*(When I talked with a timber exporter in Montreal and a housing exporter in Toronto, I heard that the demand for their products for reconstruction in Japan is getting stronger.)*

Furthermore, I believe that economic cooperation between Canada and Japan will expand to such areas as environment, aerospace and bio-related industries.

Japanese companies are actively involved in the energy sectors in Canada. Recently, Mitsubishi joined a shale gas development project in British Columbia and Marubeni invested in a wind energy company in Ontario .

Hitachi and Sojitz Corporation have already joined “Carbon Capture

and Storage” projects to reduce the green house gas emission during the development of oil sands.

(PPT17)

As another example, in March last year, JETRO assisted Japanese small & medium sized enterprizes to participate in a trade show called “GLOBE 2010” held in Vancouver to facilitate business matching in Canada. During the event, we at JETRO organized some 900 business meetings with Canadian and other clients at our Japan Pavilion. I expect these kinds of business matching opportunities will enhance our business alliance.

Lastly, I would like to reiterate advantages of doing business in Japan, following the insightful explanation made by Minister Thoppil.

(PPT18)

As this slide summarizes, Japan is unique in having three windows open to the world: 1) as a major “innovation hub”, 2) as a “business platform” to bridge growing Asia and the rest of the world and 3) as a “trendsetter” in Asia.

(PPT19)

In addition to those advantages, at the beginning of this year, the Japanese government announced its new policy to promote trade liberalization, to attract foreign investments and to facilitate personnel exchanges.

(PPT20)

Based on this policy, the Japanese government launched its first effort to provide subsidies exclusively for foreign companies that aim to set up their Asian regional headquarters or key research and development centers in Japan. After the earthquake, five enterprises were selected for this program. This extraordinary policy to favor only foreign companies demonstrates how the Japanese government is committed to welcoming foreign investments.

Over eight years, we at JETRO have been successful in attracting 900 foreign companies to Japan, including 21 from Canada. The Japanese government and JETRO are always welcoming Canadian companies to Japan.

To make a leap forward in our economic relationship, it is important to study the possibility of a Japan-Canada Economic Partnership Agreement. In this process, we can identify areas to improve business environments and then jointly explore effective and constructive solutions. In this regard, we appreciate the decision made by both governments to start the study of an EPA last February.

(PPT21)

Ladies and gentlemen, through this seminar, I hope you will have a greater understanding of Japan after the quake and a sense of the

huge potential of doing business with us. If you need any business information about Japan, or if you have any ideas or issues doing business with Japan, please feel free to contact us.

Thank you very much for your kind attention.

Merci Beaucoup.