

The 40th Anniversary Conference Speech for

The Confederation of Asia-Pacific Chambers of Commerce and Industry

“Expecting Sustainable Development in the Asia Pacific”

1. Introduction

Hello everyone. Greetings from Okuda from Toyota Motor Corporation. I am very honored and grateful to be invited here today.

First of all, I would like to sincerely congratulate on the grand 40th anniversary conference of the CACCI on its very prosperous stage.

In this ever-changing international society, smooth communication and mutual understanding between regions and countries have been made possible by the efforts of all CACCI members, and a successful operation of CACCI throughout the years has to be greatly attributed to Dr. Jeffery L.S. Koo, the Honorary President of CACCI, and subsequent generations of its officers, the Taiwanese government, and all those in the industrial world for their endeavors.

Also, I would like to take this chance to express an enormous gratitude to Taiwan and all other countries in the Asia Pacific region represented here today on behalf of Toyota Motor Corporation, the Toyota Group and its affiliates, for your kindness and generosity toward our various business activities in the region throughout the years.

2. Understanding the current situation

On the important and precious occasion of today’s conference, I would like to make some comments and reflections regarding the current environment, Toyota Motor Corporation’s endeavors, and finally the role of Japan in the Asia Pacific region.

(The New Stage of Globalization)

Ever after the collapse of the cold war mechanism, the instant transferability of human resources, goods, money, and information across national boundaries has become possible due to globalization and progress in information technology; at the same time, *BRICs* countries (Brazil, Russia, India, China) with vast territory, substantial population, abundant natural resources including oil, and tremendous growth potential, have demonstrated incredible progress in industrialization and turned the world economy to a new page with an unprecedented growth.

On the other hand, the emerging economies, including those with huge population scales exceeding 1 billion, have also brought forth some problems in their process of becoming important players in the world’s market economy: skyrocketing prices for energy and a spreading anxiety for an imminent energy exhaustion; increasing severity of environmental problems and those involving water and food, etc. All these issues indicate that we have already faced various limits to the sustainability of humankind’s

development. After briefly learning about the new stage of globalization, I think that there are 3 important issues for us to face.

(Three Issues)

The first issue is to contemplate the ways to resolve current problems from a brand new global perspective.

As I have mentioned just now, in the new stage of globalization, we have to consider how much of a population our existing natural resources, including all those substitution energy, can afford to maintain.

What's the most appropriate amount of population for our planet of the Earth? Also, what exactly should we do to overcome the current stage with all these problems?

All of these issues cannot be resolved by a narrow viewpoint for the prosperity of any single country.

For our own future and our next generation, we have to start leveraging our knowledge and wisdom to contemplate these urgent problems from now.

The second issue is the pursuit of milestone technology innovations.

The history of civilization has been accomplished through incessantly challenging the limit of humankind's wisdom and ability. The progress of know-how economy, as *Alvin Toffler* called "*The Third Wave*", has been demonstrated in the following change: the economic development had once depended on limited resources, whereas that in the contemporary has come to depend on the technology innovations supported by unlimited resources of talents and know-how. All various fields ranging from energy, environment, materials, medicine, nanotechnology, universe, to ocean and so forth, have been undergoing tremendous innovations worldwide. We, being on the turning point of the civilization of the Earth, have to be the frontier of creation, securing the process of technology innovation, and thrive to accomplish new breakthroughs.

The third issue is how we should establish our "attitudes".

In my opinion, the smooth progress of globalization can be attributed to the coexistence of diversity and heterogeneity in the world. All nations and nationals should appreciate each others' heterogeneous backgrounds, respect and compromise with different ideas, through the process of which we can fully utilize the power of diversity and together work towards further advancement.

Of course, the recent global emphasis on *CSR* (Corporate Social Responsibility) has symbolized the commencement of an era in which instead of only focusing on capitalism, competition, and shortsighted benefits, firms have to be exposed to the social scrutiny over whether they are abiding with the transparent and unbiased market mechanism, what their objectives are, what values they aim to achieve, how they contribute to the international and regional societies, and how their corporate attitudes and actions actually are. For all of the above, we can say that the 21st century is a century in which attitudes matter.

3. Toyota Motor Corporation's Approaches

With a thorough understanding of the issues discussed above, The Toyota Motor Corporation is taking the following approaches.

The first approach is the challenge of technology innovation and manufacturing for achieving a society of “sustainable mobility.”

During the progress of globalization, the number of existing automobiles has increased from 570,000,000 in 1990 to 880,000,000 in 2004, an increase of more than 300,000,000 within 14 years, one third of which has occurred in our Asia Pacific region.

The motorization process is predicted to occur in the emerging economies including the BRICs. However, it is important to realize that this is an era in which automobile makers can hardly survive without thriving to reduce the negative influences such as energy and environmental problems, traffic congestions and accidents, along with other related costs to the society down to zero.

With careful consideration of energy policies, Toyota Motor Corporation has challenged all imaginable possibilities of energy, including alternative energy automobiles such as ethanol, natural gas automobiles, electrical automobiles, fuel cell powered automobiles, etc, not to mention those of gasoline and diesel. Toyota has adopted the “*right time, right place, right car*” way of thinking for realizing the supremacy of “eco-cars” from a multifaceted mix of approaches.

In particular, our hybrid technology that is most represented by “*Hybrid Car Prius*”, the world’s first hybrid model into mass-production, has positioned Toyota with the key technology of eco-cars which enables application of various power sources and has challenged to realize a simultaneous innovation of both technology and cost.

As for the safety aspect, there has been advancement in vehicle intelligence of both the functions and physicality to facilitate prevention of traffic accidents. For example, the supreme “*Grade Lexus*” (LS) newly launched in September is a revolutionary automobile that is able to synthetically detect the vehicles’ movement and the drivers’ operation, and is equipped with the “Driver Support System” to automatically control the system to support drivers according to respective situations. Henceforth, with advancement in road infrastructures, it is possible to prevent accidents even more effectively with the cooperation of ITS (Intensive Transportation System).

Toyota Motor Corporation has since its establishment stood by its mission of “being the frontier manufacturer that leads the trend”, committing itself as the front-runner in developing “sustainable mobility” and firmly taking its route into the future.

The second approach is to strengthen localization.

Through the globalization process, we have made much progress in localization based on the principle of “making the world’s optimal supply at the nearest to the markets” and have come to establish 52 production bases in 27 countries, making a local production amount of 3,600,000 vehicles in 2005, two-third of which were sold overseas.

It is believed that we have been able to smoothly propel our global operations by contributing to the local societies and industries, as well as harmonizing development between regions.

We can take ASEAN and Taiwan as examples to examine the endeavors made in the Asia Pacific region. Regional cooperation such as the AFTA scheme and FTA, etc, has advanced to strengthen the region's competitiveness through mutual complement of components and finished products within the region, compared to the period before late 90s in which each country was considered a separate unit for production.

How should one country effectively promote its industries in the liberalization trend of trade? It's a crucial issue for all countries, I believe. As for us, Toyota, we have committed endeavors not just for advancing our own competitiveness but that of the entire automobile industry, as well as for the overall industrial promotion in response to this issue.

Moreover, the major ASEAN countries have become our supply and production centers in recent years, through a global division of labor linking to India, South Africa, Argentina, etc. These small-size trucks and multi-purpose automobiles produced out of this new production mechanism without being base in Japan at all are aimed to export to 140 countries worldwide and within the regions of course.

Our overseas operations have steadily gained its ground through the various approaches mentioned above. Also, we have already established R&D centers followed by global production centers in various regions in Europe, Americas, and Asia, the independent operations of which are supported by localized talent training.

The relationship between Taiwan and Toyota was first established when Hotai Company, the predecessor of the current Hotai Motors, became one of Toyota's first overseas dealers in 1949. Thereafter, local production was officially started from 1986 with Kuo Zui Motors and the accumulated production scale has reached 1 million by 2003.

As the Kuo Zui R&D center was established in 2002, technology development has also started in Taiwan while talent training also steadily headed off. All of these endeavors have worked hand-in-hand to ultimately make Toyota the top seller in the Taiwanese market.

This achievement has to be attributed to the great supports and cooperation our business has received from President Chen Shui Bian, the Taiwanese government, and all those in the industrial world in Taiwan. I would like to take this chance to express our utmost gratitude and please continue supporting us.

4. Japan's role in the Asia Pacific region

After introducing Toyota's endeavors as well as that of the Asia Pacific region, please allow me to discuss Japan's role in the region from now.

(Issues in the Asia Pacific region)

Asia Pacific is considered an extremely competitive region paralleled to Europe and America, leading the world economy in the 21st century.

The interdependence within the region is steadily increasing while Asia Pacific has become a vital region with high growth potential, attracting substantial investments from worldwide.

However, the demand side of resources, energy, and food in this region remains fragile structured, while aggravating environmental problems make it impossible for any single country to solely deal with. With rising interdependence, if any country falls in a deadlock, the entire region will be instantly affected.

Now we know that the region shares many common risks, it's easy to come to the conclusion that a deepened regional collaboration throughout all aspects starting from economy to energy and environment is critical for the sustainability of growth in the Asia Pacific region.

(Japan's Role)

Japan, the region's strongest economy and the technology giant, is expected to make good contributions.

To our delight, the Japanese economy has stood through the recession that has lasted 10~15 years and is now moving into an economic revival under the reform efforts of our private businesses and the Koizumi government. The boom to take place in the coming November is expected to realize the best economic prosperity ever since that will surpass the post-war "Izanagi Boom" that lasted 57 months.

However, Japan also shares the region's common risks that mainly lie in skyrocketing prices, insufficiency, and imminent exhaustion of energy. Another big problem we have come to face is a decreased economic vitality due to recent year's sharp decline in population. It has become crucial for us to think of solutions to these emerging risks and problems.

Thus, Japan will never cease devoting efforts into reforms, taking all of the above problems to hearts. The following are two crucial roles for Japan to play in the Asia Pacific region.

The first role is to be the innovation center of the Asia Pacific region.

As many have already known, Japan has long committed to the talent training and educational reform for being a country of science and technology creativity. It is not just for Japan's prosperity, but also for establishing the innovation center of the Asia Pacific, for eliminating all the aforementioned risks that are commonly shared by countries in the region, for smoothly transferring the technology to strengthen the region's growth potential, and for together growing towards prosperity.

For example, Japan shall lead the world's energy and environmental technology innovations at the top-level, to discover the alternatives of rare metals that are under

severe scarcity, to lead the “material revolution”, and to combine Japan’s strength in manufacturing to invent normal-life applications as soon as possible.

The second role is to apply diversity dynamism to Japan’s vitality.

It’s crucial for Japan to maintain its vitality in order to play the roles mentioned above. Therefore, Japan should take an international perspective to earnestly plan its population policies and the endeavors to maintain an economic society system under a reasonable population level.

As I have mentioned in the very beginning, the key to harmonize globalization should be the coexistence of diversity. Japan also needs to effectively advance its structural reforms for an economic vitality to breed diversity. Unfortunately, despite many domestic debates over whether to incorporate foreign inputs, Japan in the current stage still needs to proactively take references from exceptional examples in the West as well as Taiwan to improve its infrastructure that facilitates foreign adoption of both talents and facilities.

If able to play the above two roles well, Japan can gradually earn respects from the region and ultimately from worldwide. I am expecting this to be realized under the new Japanese government.

5. At last

At last, I would like to sincerely pray for the prosperous development of CACCI and active participation of its members. Please continue giving Toyota Motor Corporation, Toyota Groups, all its affiliates, your valuable suggestions and warm supports and us. I would like to end my speech here. Thank you very much for your attention. (End)