

21st General Assembly Commemorating the 40th Anniversary of CACCI
Plenary Session Topic 2: Innovation for Competitiveness
the Speech by Chairman Murata

Thank you very much for your kind introduction.

It is my great honor and pleasure to have this opportunity to make a speech at the general assembly of CACCI.

In Japan there exist 520 chambers of commerce and industry at the moment, with about 15 millions members. Japan Chamber of Commerce and Industry is the federation of these 520 chambers, and is the biggest economic association in Japan.

Chambers of commerce and industry in Japan have four characteristics. Firstly, they are based in their respective regions. Secondly, they are composed of all sorts and manners of commercial and industrial businesses. Thirdly, they have a public nature as special organizations approved by the Japanese government which are based on the Law of the Chamber of Commerce and Industry. Lastly, they are economic associations which are common in many countries of the world.

The activities of chambers of commerce and industry cover a very wide range. They include support of member companies, especially small and medium sized firms, in successfully running or starting their business, and making policy proposals to local and central government on boosting the economy and reforming economy-related regulations. Working to activate local economies by building communities and creating local brands, support the overseas business of member companies, and expand economic relations with foreign countries are also among the important activities of the chambers.

As I regard it, Japan's economy is currently on its way to steady recovery, assuring that this country is leaving deflation behind.

However, the fact remains that not a few regions and small and medium sized companies in Japan complain that their economy is still stagnant. Additionally, with the price hikes of crude oil and raw materials, importing and shipping costs have risen. This, coupled with the slowing tendency of the US economy, makes many of us feel uneasy about the future.

From the long and mid-term perspective, if we aim to realize an affluent, comfortable society despite the aging population and decreasing birthrate, we must maximize our economic development while restructuring our financial environment.

Last month the Abe administration inaugurated. We look forward to strong leadership from Prime Minister Abe in order to realize a steady economic development.

Kyoto, where I serve as chairman of Kyoto Chamber of Commerce and Industry, is a city with a history of twelve hundreds years and was long the capital of Japan. With a population nearing 1.5 million, it is a big and vibrant city, and yet in the river that flows through the center of the city the trout fish can be seen, which lives only in clean waters. Kyoto is dotted with shrines and temples designated as World Cultural Heritage Sites. A variety of traditional performing arts and artistic craft objects persist in the daily lives of the citizens.

In its long history as the capital of this country, Kyoto has developed a climate in which things authentic are pursued and refined, such as artisan crafts like Nishijin textiles and Kiyomizu-yaki porcelains.

This environment has nurtured cutting edge enterprises representative of Japan such as NINTENDO, KYOCERA, NIDEC (Nihon-Densan), Murata Manufacturing, Shimadzu Corporation, ROHM, OMRON, HORIBA, and others.

Kyoto is also an academic city with 25 universities and colleges. Supporting the creation of new technologies and industries, Kyoto Chamber of Commerce and Industry, along with local government, promotes university-business-government collaboration to identify and publicize promising early stage research in universities and to effectively carry out leading projects and exchange programs.

Kyoto is also an important convention city. COP3, the 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, was held here in 1997, ratifying the Kyoto Protocol. Next May, the general assembly of Asian Development Bank is to be held here to commemorate its 40th anniversary.

In 2008 the G8 Summit is going to be held in Japan. So far the G8 (or G7) Summit has been held three times in Tokyo and once in Okinawa. Kyoto is now making utmost effort so that it can host Japan's fifth Summit.

Kyoto Chamber of Commerce and Industry seeks to make the most of the tangible and intangible heritage of the city's long history. The Chamber has also been working very hard to increase Kyoto's prestige and status and to make the Kyoto brand more attractive and vigorous.

I run my company as Chairman, Murata Machinery, an industrial machinery maker that manufactures textile machines, machine tools, fax equipment and automated material handling equipment to be used in various environment including semi-conductor and liquid crystal plant. I am very grateful that our textile machinery is favorably accepted by the textile industry in Taiwan and contracted in numerous volumes here. In recent years we have had the privilege of supplying electronics makers in Taiwan with large numbers of automated material handling system used in clean rooms in semi-conductor and liquid crystal foundries.

My firm, textile machine manufacturer, used to be so-called “a low-tech manufacturer” as were many others in Japan. About hundred fifty years ago, since the Meiji era, especially after the end of World War II, Japan aggressively adopted American and European know-how, adapted and improved it, then developed effective manufacturing technologies and quality-enhancing methods of management. The cooperation between labor and management has fostered Japanese industries and made it possible to export high quality products all over the world. However, the drastic appreciation of the yen from 1993 through 1995 hiked labor costs, forcing manufacturing operations offshore to China, and resulting in the hollowing-out of domestic industries.

In the post-war years, the Japan’s social system was protected with a variety of regulations made by central government. This brought about inefficiency and high social costs, in many sectors. Prime Minister Junichiro Koizumi, who took office in 2001, aggressively promoted deregulation and structural reform, in which businesses innovated while the exchange rate was stabilized at one dollar to 115 yen. During this hard years, Japanese industries has developed new products and technologies such as digital electric appliances, network systems, energy-saving technologies and the like.

In the New Economic Development Strategy made public this past June, the Japanese government expresses its blueprint for creating an upward spiral that will lead to Japanese development by upgrading the roles played by Asian countries, and collaborating with them for the development of Asia.

Domestically, the Japanese government has emphasized importance to the following four fields: life sciences, information and communications technology (ICT), environmental technology, and nanotechnology, particularly practical nanoscale machines. The government has begun making further efforts to help develop

high-quality products and create new industries that can lead the world economy.

Great expectations have been placed on the development of automotive fuel-cell technologies that can contribute to energy savings and prevent global warming, high-tech medical instruments that enable more refined internal examinations and therapies, next-generation intelligent robots, and next-generation environment-friendly aircraft.

I would like to introduce to you an Asian example in which global inter-corporate alliance is found to be indispensable to the development and innovation of new industries.

The example is the flat panel display (FPD) with thin film transistor (TFT) liquid crystal. Today they are used as monitors for personal computers and TVs as a result of collaboration among Japanese, Taiwanese and Korean corporations.

The flat panel display (FPD) with thin film transistor (TFT) liquid crystal industry began in Japan around 1990. In the beginning of the 90s Japan accounted for about 95 percent of market share, but in the second half of the 90s Korean and Taiwan corporations began producing them. In 2001 Taiwanese firms began playing the leading role in this industry. Since 2004 it is Taiwanese and Korean corporations that have accounted for a very large portion of this world market.

The background of this development was a very close collaboration as well as the building of human networks among engineers in Taiwanese, Korean and Japanese corporations. Here we can see a typical example of success which brought about mutually beneficial development as a result of the formation of high-level, strategic alliances, which I think shows a high potential for global cooperation in the future.

For corporate entities to elevate productivity and competitiveness for their further

development, adaptability to change, as well as greater efficiency, is a must.

Innovation to produce what the times need, and innovation based on high-quality technologies and knowledge, will lead to the realization of a more comfortable, and affluent society.

Lastly, I sincerely hope for the deepening of cooperation with other Asian countries and for our mutual prosperity so that we can realize a sustainable affluent society.