

EURObizZ JAPAN

Karel De Gucht
EU Trade Commissioner



Keidanren's view -
Q&A with Keidanren
International Affairs Bureau director
Kazuyuki Kinbara

Capturing carbon -
First, snare the funding

To the rescue -
Gender equality is vital to Japan's
economic recovery

Milestone

EU, Japan launch historic
free trade talks

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The European (EU) Chamber of Commerce in Japan

The EBC is the trade policy arm of the seventeen European national chambers of commerce and business associations in Japan

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EUROBiZ Japan welcomes story ideas from readers and proposals from writers and photographers. Letters to the editor may be edited for length and style.

Contributors

Alena Eckelmann
studies the realities of carbon sequestration, page 18



Alena underwent business training in Tokyo on the EU Executive Training Programme (ETP) and then began writing about business and people in Japan. A business and

market researcher by profession, she enjoys observation and investigation. Her articles appear in magazines and websites in Japan and in Europe.

"There is a great need for roadmaps for saving the planet from an overdose of CO₂ emissions. Carbon capture and storage technologies seem to be a practical future solution. If only governments, corporations and academia could work together to implement policies and support mechanisms, large-scale projects would be feasible."

Lucy is a long-time Tokyo-based journalist, scriptwriter and editor. She writes regularly for *Time Magazine* and Time.com, and her articles have appeared in many other major publications. She has worked at NHK, Japan's public broadcaster, since 2000, on numerous programs ranging from news to fashion. She has also published several books.

"Women's issues have gained the spotlight in Asia. In Japan, with depopulation, an ageing society and economic challenges, diversity and inclusion (D&I) is a key to

Lucy Birmingham
explains how women can save Japan, page 26



stability and growth. Japanese women are ready to play a leading role in this. It is time to give them a real chance, before the deadline passes."

Gavin Blair visits sustainable solutions specialist ERM Japan, page 28



Gavin has been writing about Japan for about a decade and currently contributes articles to magazines, websites and newspapers in Asia, Europe and the United States

on a wide range of topics, from business and politics to culture and entertainment.

"It was good to learn that through a combination of pressure from NGOs and local communities, and better corporate governance, many companies, both Japanese and European multi-nationals, are taking environmental and social issues seriously enough to have third parties carry out proper risk assessment and due diligence in these areas."

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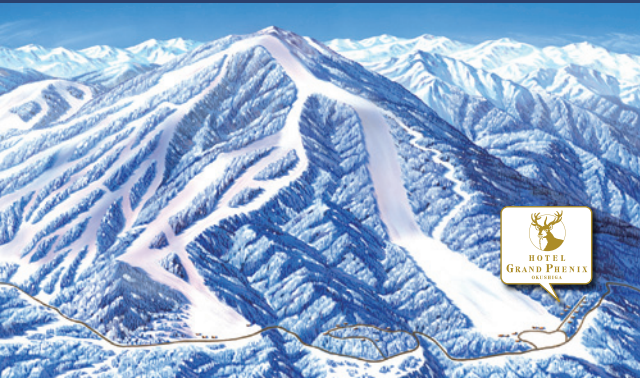
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The talks of spring

There was a ripple of laughter as Japanese State Minister of Economy, Trade and Industry, Isshu Sugawara, suggested that the cherry trees of Tokyo timed their spectacular spring blossoming to welcome EU Trade Commissioner Karel De Gucht. Sugawara may well have been serious. De Gucht was in Japan for the 25 May announcement that formal negotiations towards an EU-Japan Economic Partnership Agreement/Free Trade Agreement (FTA) begin this month. An FTA is expected to give a substantial boost to the Japanese economy, make Japanese business more globally competitive and give Japanese citizens greater access to the best of European goods and services. That's worth a welcome.

EURObiz Japan not only covers the announcement of the talks (page 8) and their importance, but also looks at

the many years of extraordinary effort that brought the EU and Japan to this point in history. We have insights from former EBC chairmen Richard Collasse and Tommy Kullberg as well as current chairman Duco Delgorge. For the Japanese perspective, see our Q&A with Keidanren International Affairs Bureau director Kazuyuki Kinbara, who has been involved throughout the preparatory process. He gives some compelling reasons why Japan badly wants the FTA talks to succeed. Not least of these is the fact that Japan must not be left behind as parallel negotiations involving all the world's major trading blocs and trade partners go charging ahead.

While negotiators wrangle, prosperity for Japan will also depend on social change. Lucy Birmingham (page 26) looks at the necessity of including the energy and imagination of women in

the management of corporate Japan.

Meanwhile, today's political and business leaders seldom use the word "development" without the modifier "sustainable". Alena Eckelmann reports (page 18) that about \$40 billion has been spent worldwide on carbon sequestration technologies and projects. Industry has made great strides in capturing CO₂. We have millions of tonnes of the stuff. Now, where to put it?

As for cherry blossoms, it was a very cold winter before they appeared this year, but they put on one of the best displays ever. Let's hope it was a harbinger for FTA talks.

David C Hulme
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Milestone

EU, Japan launch historic free trade talks

Text DAVID C HULME



Keidanren Chairman Hiromasa Yonekura

There was good news and bad news.

The bad news was that the EU-Japan Summit Meeting of 25 March had been postponed because European Council President Herman Van Rompuy and European Commission President José Manuel Barroso had to stay in Brussels to solve the Cyprus banking crisis. They were unable to attend a luncheon co-hosted that day by Keidanren and the EBC at Keidanren Kaikan in Tokyo, at which both the EU and Japanese leaders had been expected to announce the commencement in April of formal negotiations towards an EU-Japan Economic Partnership Agreement (EPA) / Free Trade Agreement (FTA).

The good news was that the top

leaders of the EU and Japan would officially reach agreement later that day by teleconference.

After years of preparation, it seems that nothing will stand in the way of FTA talks.

Keidanren Chairman Hiromasa Yonekura, addressing a capacity audience, expressed delight at the imminent negotiations, but not complacency.

“Speed is of the essence,” he said. “We must use the FTA to the maximum to increase trade and investment.”

EBC Chairman Duco Delgorte proposed the toast, and called the beginning of negotiations “long overdue”, with a car-racing analogy to describe the stagnation of EU-Japan trade.

“We have been waiting in the pits while others have been speeding by,” he said.

EU Trade Commissioner Karel De Gucht

expressed optimism, noting that the EU and Japan together account for fully one-third of worldwide economic activity, but he was blunt in his assessment of expectations.

“Negotiating a free trade agreement will not be easy, have no illusions,” he said. “Dismantling persistent non-tariff barriers [NTBs] will be the key to the success of the negotiations.”

De Gucht said he disagreed with those who are sceptical about Japan’s ability to deliver with regard to NTBs, but he emphasised that negotiators are on notice that if insufficient progress is made in one year, talks will be suspended.

“This review clause has to be taken seriously,” he stated.

Japanese State Minister of Economy, Trade and Industry, Isshu Sugawara, also



“ I ARGUED THAT OUR SHARED VALUES WILL BE CHALLENGED BY EMERGING ECONOMIES, AND THAT WE SHOULD JOIN TOGETHER ”

Richard Collasse

called for speedy progress in the talks.

“We need the vitality of the EU to be brought into Japan,” he said.

EBC committees have at least a year of intense activity ahead.

“The EBC considers the FTA to be vitally important for the EU and Japan alike,” says Delgorge. “The EU and Japan face similar challenges related to mature markets, ageing populations, overwhelming public deficits, and growing competition from emerging economies.”

Tommy Kullberg, Delgorge’s immediate predecessor as EBC chairman, notes that an FTA should remedy the fact that European companies, and foreign companies in general, “are trading far below their international market shares on one of the biggest markets in the world”.

What can be expected of the talks and an eventual FTA, says Delgorge, comes from the EU-Japan Summit in May 2011, where it was agreed to start the process for parallel negotiations for a comprehensive EPA/FTA, addressing all issues of shared interest, including tariffs, NTBs, services, investment, intellectual property rights, competition and public procurement.

“We are expecting the removal of tariffs and non-tariff barriers to create equal opportunities to trade and access to our respective markets,” says Kullberg. “We also expect dramatic changes in the transparency of public procurements.”

The EBC in Japan, established in 1972 with the purpose of advancing the trade and investment interests of European business in Japan, has consistently called for a more fair and open market in Japan. Following decades of discussions and requests, with little or no progress, the EBC called for an EIA (economic integration agreement) in June 2007. In September the following year, EIA case studies for timber and medical devices were submitted to the European Commission. On 28 May 2011, the EU and Japan announced the launch of a scoping exercise.

“The EBC immediately engaged the support of its committees to prepare a detailed digital compendium covering, in as much detail as possible, all the tariff and non-tariff barriers that we would want removed,” says Delgorge. “This was prepared not only for the scoping exercise, but also with subsequent FTA negotiations in mind.”

People who spent many years pushing for an EU-Japan EPA/FTA are now especially excited, explains Nikolaos Zaimis, Minister-Counsellor heading the Trade Section of the Delegation of the European Union to Japan, because they have been through the disappointment of seeing it pushed right off the agenda.

“A few years ago the subject was taboo, because it was felt that an FTA between two of the world’s largest

economies would undermine the Doha Development Agenda multilateral talks [under the World Trade Organization],” he says. With multilateral talks showing little progress, that concern has subsided. “In fact, now we are hoping that the proliferation of free trade agreements will improve the appetite for multilateral talks.”

There has also been a significant change of attitude within Japan.

“The surprisingly positive cooperation with Keidanren in recent years proves that they are looking for structural change on their own stagnating home turf,” says Kullberg, adding that competition from abroad will bring about such change.

Richard Collasse, who chaired the EBC for seven years, beginning in January 2002, is known to many as the father of the notion of an EU-Japan FTA. Japan’s prime minister at the time, Junichiro Koizumi, initiated the Japanese government’s first high-level contact with the EBC, which prompted Collasse to register the organisation as a chamber.

“We had to pre-empt any attempt to form another European chamber of commerce,” he explains.

Collasse, president of Chanel Japan, also went beyond sectoral issues by introducing the idea of an EIA. The reasoning, he explains, was that Japan and the EU share similar styles of capitalism, ➔



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“NEGOTIATING A **FREE TRADE AGREEMENT** WILL NOT BE EASY, HAVE NO ILLUSIONS”

Karel De Gucht



© DAVID C HULME

“WE HAVE **LITTLE EXPERIENCE** OF DEALING WITH REGULATORY ISSUES WITHIN THE CONTEXT OF AN FTA”

Nikolaos Zaimis

with a corporate stakeholder base less skewed towards shareholders.

“I argued that our shared values will be challenged by emerging economies, and that we should join together before these newcomers impose another system on us,” he says.

“In a way, it was a bit farfetched,” he admits, “but I thought that adding this philosophical dimension would encourage the Japanese to join the discussion.”

As to the fear that bilateral agreements would interfere with Doha talks, Collasse says: “We could not kill Doha. We knew we were already dancing over a dead body.”

The broadest aim of an FTA is simply to foster competition.

“Competition drives growth, investments and employment. Protection creates stagnation,” states Kullberg.

Still, negotiations will not be easy or simple.

“This is going to be the biggest agreement ever for us, on par with a potential agreement with the United States,” says Zaimis, who is optimistic

that negotiations can produce sufficient compensation for the automobile industry.

“We are trying to facilitate exports of European cars to Japan,” he says. “The negotiations are a good opportunity for quid pro quo. We can gain something for the sector that we could not get otherwise.”

Negotiators will be feeling their way to some extent,” says Zaimis, because the prime focus is on NTBs rather than tariffs.

“This FTA is going to be different,” he explains. “It will not be easy, because we have little experience of dealing with regulatory issues within the context of an FTA.”

Success will depend to a large extent on getting various Japanese ministries to be more outward looking, but in Japan there is a broad and consistent consensus across government and industry in support of an FTA. This has not been the case on the EU side.

“The three years or more of preparatory work was really designed to

convince sceptical member states in Europe that Japan can deliver on non-tariff barriers,” says Zaimis. The sceptics did not want to get into negotiations that would bear no results.”

The Japanese side not only gave definite assurances, but also delivered progress on some longstanding issues, such as reopening the market to European beef and approving certain food additives.

EU Trade Commissioner De Gucht eventually swayed the stragglers with his one-year review clause.

“It is the first time that such a promise has been made to the member states,” says Zaimis. “It makes for a very interesting first year of negotiations.”

“The FTA represents an epochal opportunity to make Japan more accessible to European people, culture, and ingenuity,” concludes Delgorge. “And more open to European business, including small and medium enterprises that may have, until now, considered Japan to be a bit too far away and a bit too difficult to care about.” [e](#)



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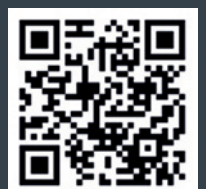
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*David C Hulme talks to Keidanren bureau director **Kazuyuki Kinbara**.*

Photo **BENJAMIN PARKS**

Kazuyuki Kinbara is director of the International Affairs Bureau at the Japan Business Federation (Keidanren). With three decades of experience with Keidanren, he has been involved in defining, articulating and promoting Keidanren's position on a free trade agreement (FTA) between Japan and the EU since the idea was mooted a decade ago. The contention, he says, was never between Japan and the EU, but between opponents and supporters of free trade.

What is Keidanren's position regarding an FTA with the EU?

Our stance, in general, is that Japan should conclude FTAs with all important trading partners. Obviously, we should have an FTA with the EU, as one of the most important trading partners. We are very proud that Keidanren

has served as a major engine to make a Japan-EU FTA a reality. In 2007 we launched a campaign for an FTA with the EU. At that time, the EU trade officials told me: "Mr Kinbara, it is not on our agenda".

We have been a strong supporter of the FTA for several years, so we are

very pleased that the EU Council finally decided to give a mandate to the European Commission last year.

What did the campaign consist of?

As a policy-oriented organisation, we put forward policy proposals, three times. We also issued joint statements



with the EBC, and we worked closely with BusinessEurope, which is our counterpart in Europe.

Every time we welcomed political leaders from EU countries at Keidanren, we would refer to the idea of an FTA. When we organised missions to Europe, meeting prime ministers, chancellors and economic ministers, we would emphasise the importance of an FTA.

How will Keidanren be involved when negotiations begin?

We will definitely have regular consultations with the government ministries concerned, such as the Ministry of Economy, Trade and Industry [METI] and the Ministry of Foreign Affairs [MOFA]. We are ready to provide input for the negotiation process, explaining what we want to achieve.

How did Keidanren reach its current stance on FTA talks?

From the 1960s to the early 1990s could be called a period of conflict and friction. The EU suffered from so-called laser-beam exports from Japan.

In the early 1990s, that friction subsided. Basically the Japanese economic bubble burst. From the EU perspective, the threat from Japanese industry disappeared. We entered what the Japanese government calls a period of collaboration and concert in the late 1990s.

That was good, on one hand, but on the other hand we worried about mutual indifference. Japan was focused on Asian markets and preoccupied with our own problems, such as economic stagnation. We were getting more and more inward looking, and the EU was already a mature market.

The EU was also focused on its own problems, such as integration.

The wake-up call came from South Korea. In May 2007, Korea and the EU started negotiations for an FTA.

Without an FTA with the EU we would be pushed into a position of disadvantage in the EU vis-à-vis Korean industry. That's why we took action.

What are the priorities?

The immediate concern was high tariffs in the EU market, 10% for cars and up to 14% for consumer electronics. Because of the FTA, Korean industry does not have to pay EU tariffs.

So, we pushed the Japanese government very hard to negotiate an FTA

with the EU. The abolition of tariffs is a priority for us.

Regardless of an FTA with Japan, it is unreasonable for the EU, as such a highly developed economy, to maintain such tariffs for such high-tech industries. In Japan, the tariff in these areas is zero.

I have to stress that this is not the only priority. We must tackle what the EU calls non-tariff barriers. We prefer to call them non-tariff issues. Both sides have non-tariff issues.

For ourselves, we do need to coordinate our non-tariff regulations with international standards. It does not mean we should unilaterally accept European standards.

Keidanren Chairman Hiromasa Yonekura pointed out that what Europeans call NTBs in Japan are not, in most cases, intended to be protectionist. Most of them are behind-the-border issues. They have their own *raison d'être*, such as for health, safety and the environment, and so forth.

The ministries concerned have no intention of protecting Japanese industry. The officials simply believe that their regulations are best.

Having said that, we need to have regulatory coherence. So, in some cases we need to change our regulations.

What do you say to people who worry that the talks will be very prolonged?

It is rational to say that negotiations will be completed under the current EU leadership, and we understand that the term of the current EU Commission leader expires in autumn the year after next.

More important, if you look at the international community from a trade point of view, there are several gigantic negotiations going on. There is the Trans-Pacific Partnership [TPP] led by the US; the EU and the US recently decided to discuss a Transatlantic Trade and Investment Partnership [TTIP]; and in Asia there is the Regional Comprehensive Economic Partnership [RCEP].

These negotiations are intertwined, so regulatory coherence is very important. We cannot waste time. With all these negotiations going in parallel, we hope Japan-EU FTA negotiations will be completed in 18 months.

After that, of course, there is a further process on both sides. On the EU side

this involves approval by each member country and the European Parliament. That could take some years longer, but at least the negotiation should be concluded, because other negotiations will be progressing. The TPP will be the fastest. US President Obama has officially announced that those negotiations should be completed by the end of this year.

Are you confident that Japan can deliver enough to keep the talks going?

Frankly, the EU has not been as eager as Japan regarding an FTA. But once we agree to negotiate, whether we can complete the negotiations soon depends on effort and mutual trust. I know some Europeans are still not confident about Japan's commitment, but it is fair to say that METI and MOFA already showed that we are serious.


Over the past three years or so, we had de-facto negotiations, including a year of the scoping exercise, as a litmus test. That was very unusual. I don't think it is too optimistic to believe that negotiations can be completed in 18 months.

How do you see the benefits of an FTA?

Of course there will be increases in trade and a boost to gross domestic product on both sides. We should remember that all forecasts in the past have underestimated the effects of free trade agreements.

Earlier, I mentioned mutual indifference. An FTA negotiation will attract the attention of European businesses to Japan. My personal impression is that many European companies simply believe that the Japanese market is difficult and complicated, without trying.

There are hundreds of thousands of Japanese businesses, large and small, in Europe. They had many difficulties entering the market, but finally they succeeded. How about European companies? Even discussion will help them to pay more attention to the Japanese market.

The Japanese market has great potential. The personal assets of the Japanese people amount to three times the size of Japan's GDP. It could be a golden opportunity, especially in service-related areas such as health, medicine, tourism, culture and education. I am sure that European industries are competitive in those areas. 

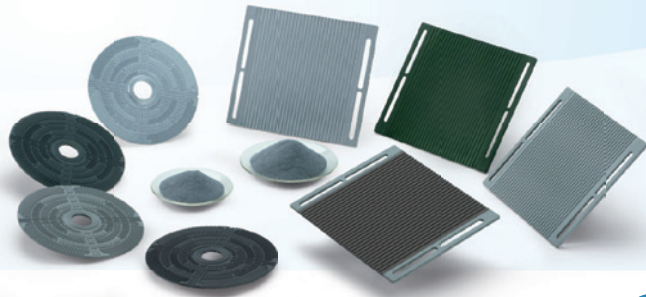


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COMMITTEE SCHEDULE

Upcoming meetings

→ Animal Health

30 May, Thursday, from 15:00, off-site

→ Asset Management

24 May, Friday, from 12:00, EBC

→ Automotive Components

13 May, Monday, from 16:00, EBC

→ Energy

13 June, Thursday, from 14:00, EBC

→ Food

5 June, Wednesday, from 09:00, EBC

→ Human Resources

8 May, Wednesday, from 19:00, EBC

→ Legal Services

16 May, Thursday, from 18:30, off-site

→ Logistics and Freight

21 May, Tuesday, from 17:00, EBC

→ Materials

10 June, Monday, from 17:30, EBC

→ Medical Equipment

19 April, Friday, from 13:30, off-site

→ Railways

3 June, Monday, 09:00, EBC

→ Telecommunications Carriers and Equipment

13 June, Thursday, from 10:00, EBC

Committee meeting dates are subject to change. Please contact the EBC secretariat for confirmation.
Tel: 03-3263-6222. E-mail: ebc@gol.com

A place in the energy mix

Solid oxide fuel cells

Text and photo **DAVID C HULME**

“We are happy when there are challenging conditions for our materials, such as in a high-temperature fuel cell,” says Dr Andreas Venskutonis, manager of solid oxide fuel cell (SOFC) business for Austrian powder metallurgy (PM) specialist Plansee. Indeed, Plansee is a leading producer of components made of metals such as molybdenum and tungsten, which hold up in temperatures that turn iron and steel into dribble.

The basic unit of a planar SOFC consists of a thin ceramic sheet that acts as an oxygen-membrane, sandwiched between two electrodes. Oxygen is fed to the cathode side. Gaseous fuel, such as methane or hydrogen, is fed to the anode side. At 800°C, the ceramic membrane conducts oxygen ions, producing an electric voltage of 0.7-0.8 volts. The circuit between cathode and anode is closed by a metallic interconnector. Cells are stacked to achieve a useable level of power output, typically with 40 layers comprising a one-kilowatt module.

Plansee has been developing metallic components, such as the interconnector, for SOFC stacks for 20 years.

“Fuel flexibility, energy efficiency, and distributed power generation are the main advantages of the SOFC technology,” says Venskutonis. Direct conversion of gas to electricity via SOFCs has an electrical efficiency of more than 50%. On-site generation means no transmission losses. Besides, SOFCs are ultra-clean, scalable, reliable, and relatively compact.

The technology has surged ahead recently, says Venskutonis, on a visit to Tokyo for the Ninth International Hydrogen and Fuel Cell Expo.

“The SOFC business is no longer a niche,” he points out. “Globally, R&D

spending on SOFCs added up to \$22 billion from 1995 to 2012, and the field now includes 175 companies and research institutions.” According to the 2012 Fuel Cell Patent Review, the number of fuel cell-related patent applications worldwide is growing fast, with a 58% increase in 2011 over 2010.

The technology can be used as clean backup power or for baseload supply. Recently, the city of Seoul, South Korea, decided to install fuel cell power of 230 megawatts (MW), enough to replace one nuclear power station, by the end of 2014. The plans call for 29 fuel cell parks generating 190 MW in total and installations at 102 commercial buildings creating 40 MW altogether. For places prone to earthquakes and severe weather conditions, decentralised energy production is an attraction, says Venskutonis.

“THE SOFC BUSINESS IS NO LONGER A NICHE”

“Central processing used to be the standard for a lot of technical systems such as telecommunications or computers, but now the trend is to decentralisation. We will see the same trend for energy production,” he says.

The Plansee Group began pilot production of metallic interconnector plates in Europe in 2006. In 2010, an industrial-scale production line for interconnectors using a PM process was established at its US plant in Pennsylvania. A second line is being installed as demand grows rapidly in the United States for large on-site power-generation capability.

One problem that has vexed SOFC development, says Venskutonis, is




Dr Andreas Venskutonis

that “ceramics and metals don’t really like each other when they are in close contact under harsh conditions”. That is, somewhere on the journey to SOFC operating temperatures, the expanding metal tends to fracture the attached ceramic fuel cell. Plansee’s solution is a PM alloy of 95% chromium whose thermophysical properties perfectly match the expansion and thermal characteristics of the ceramic cell, in addition to being very tough and corrosion-resistant.

PM technologies, long used in the car industry, allow production of complex shapes with high precision and uniformity.

“We have to produce millions of items that are fully identical. You need perfect process and quality control,” says Venskutonis, adding that Plansee is still hard at work on even tougher problems. “It would be boring if we did not look for further challenges. So we began investigating whether we could apply our PM technologies to a new kind of fuel cell. We ended up with the idea of a metal-supported fuel cell. It just might work.”

It might. Industry sources expect automotive fuel cell technology to achieve commercial feasibility during the coming two or three years. 

This is Lean: Resolving the Efficiency Paradox

26 February, The Alfred Nobel Auditorium, Embassy of Sweden

Text and photo **DAVID C HULME**

If a simple change of approach could reduce the length of a process from six weeks to two hours, everyone would sit up and take notice. Just such a change has been applied in Sweden, said professor and author Pär Åhlström, introducing *This is Lean: Resolving the Efficiency Paradox* in a seminar at the European Institute of Japanese Studies Academy in the Embassy of Sweden, Tokyo. The book was co-authored with Stockholm School of Economics researcher Niklas Modig.

Opening his presentation, Åhlström described the case of a woman who, upon detecting a suspicious lump in her breast, consults a doctor, who refers her to the local hospital breast clinic, where a mammogram is taken. Inconclusive results mean a visit to another location for a biopsy. Finally, 42 days after discovery of the lump, a diagnosis is delivered.

"If a woman is fortunate enough to live in an area of Sweden where there is a one-stop breast clinic, she can have a diagnosis in two hours," said Åhlström, a professor of Business Administration at the Stockholm School of Economics.

In the first scenario, he explained, the woman has visited a series of facilities that, in themselves, are efficiently run.

"That is, they utilise their resources effectively," he said. "The paradox is that a greater focus on utilising resources efficiently tends to increase the amount of work there is to do." A chapter of the book gives readily understandable examples of why this happens.

"The key to resolving the paradox is a focus on flow efficiency," said Åhlström.

This is a focus that puts primary needs (such as a patient's desire for

timely diagnosis and treatment) first. This requires holistic thinking, and Sweden is giving it a serious try.

Dan Eliasson, director-general of the Swedish Social Insurance Agency, is on record stating that the Modig/Åhlström book is helping the organisation go lean. Parts of the agency, which administers nearly half of Sweden's annual budget, are in the introductory phases, while others are well advanced.

"It is exciting for me to come to Japan to talk about lean organisation, because Western scholars coined the term after observing highly efficient Japanese manufacturers," Åhlström said.

Modig, in fact, was a visiting researcher at the University of Tokyo from 2006 to 2008, during which time he closely studied Toyota Motor's after-sales service infrastructure, with a view to understanding how the carmaker's philosophy could be applied in non-manufacturing situations.

"In organisations that are far from car manufacturing, we need a higher level of abstraction," said Åhlström. "It is no longer just about tools and processes, because an accident in the emergency ward of a hospital is not the same as a flawed industrial production line.

"Organisations should aim high on both resource and flow efficiency. We would call that the perfect state," he said, even though there are good reasons for the two to become mutually limiting at high levels. The book contains diagrams to define and clarify this "efficiency frontier".

Resource efficiency makes good sense economically, but it leads to an organisation becoming a series of "islands of efficiency" that does not



Professor Pär Åhlström

always meet the customer's real needs. Each island functions well in isolation, but less so as part of the whole process. Resource efficiency also involves greater specialisation, whereas flow efficiency entails more generalisation. Resource efficiency works best in the industrial context, as a result, particularly when there is little or no variation in the end product.

"In services, there is often a great deal of variation," the author pointed out. He used the example of the Swedish justice system, within which the police, lawyers, attorneys and the remand system form efficient islands.

"But it can take a long time for the client to move all the way across the system."

Learning how to be lean in the service sector requires, first of all, a shift in mindset. Even in Sweden, this has only just begun.

"Ten years ago, in Sweden, you could not mention 'lean' in the context of healthcare," said Åhlström.



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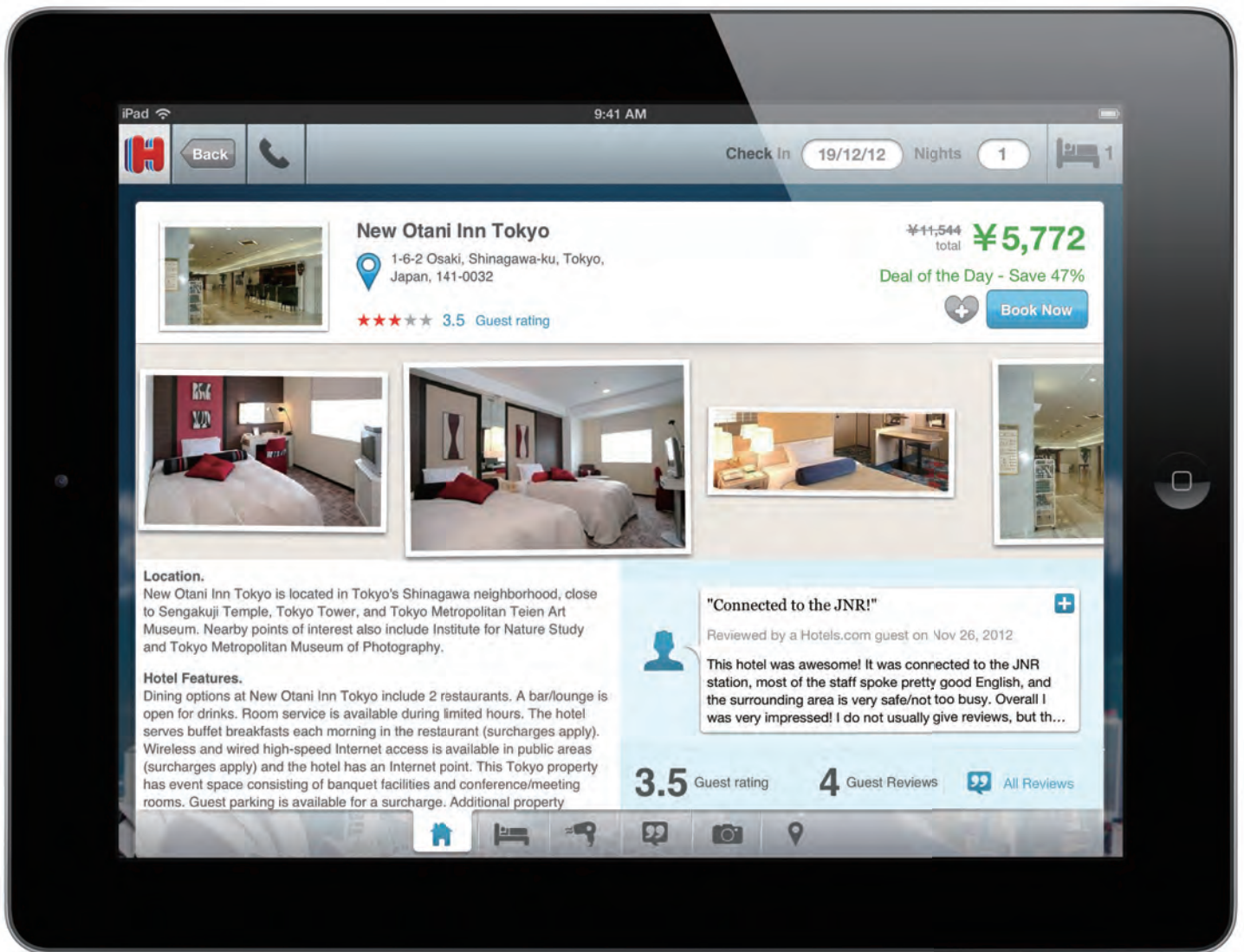
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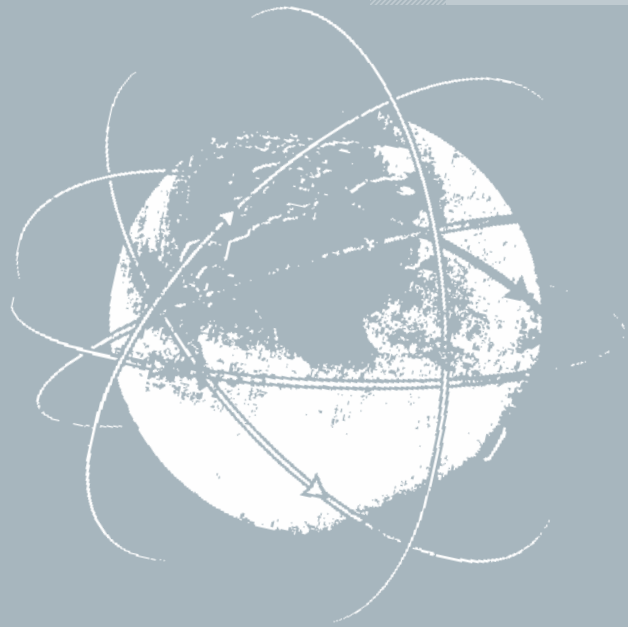


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Global mindset

Too many Japanese firms just don't get it



“Mindset” is a word that often comes up when senior executives of foreign firms in Japan discuss their local staff, particularly in the context of securing talent for global operations as third-country nationals. Specifically, I hear that while Japanese managers may be committed, loyal, hardworking, intellectually adept and all the rest of it, some lack the global mindset that is required in today's business environment. This is offered as an explanation of why there is a relative dearth of Japanese executives working for foreign firms outside Japan.

Coming from an American or European business leader, this would perhaps be an unsurprising observation. Recently, though, it has also become an issue for Japanese firms that are seeking growth through overseas investments or acquisitions. Thus, both foreign and Japanese firms seek talented Japanese who can thrive in overseas locations.

What, exactly, is a global mindset, and how does one acquire it? Are Japanese managers less likely to possess or develop one than their Western counterparts? And is this something that firms can, and should, foster among their employees?

A global mindset has been described as an “ability to scan the world from a broad perspective, always looking for unexpected trends and opportunities that may constitute a threat or an opportunity to achieve personal, and professional or organizational objectives”.

If a global mindset boils down to a set of abilities, then why should Japanese

managers be disadvantaged? Language clearly plays its part and the poor level of English-language acquisition in Japan is well known. Yet, Japanese schools do provide a solid foundation for language acquisition once the learner is immersed in an English-speaking environment. I constantly come across Japanese executives at all levels with excellent English-language skills, suggesting that competence in English is not necessarily linked with an ability to develop a global mindset.

If not language, then perhaps Japanese managers lack exposure to the great, wide world through international travel? The stereotypical Japanese tour group traversing the globe in a linguistic and cultural bubble is still much in evidence, but there has also been a rise in independent travel, particularly among the young who now rub shoulders with fellow backpackers in hostels from Argentina to Zaire.

So, if language and international exposure are not great barriers, perhaps firms need to be looking closer to home. In the same way that an innovative mindset needs to be nurtured, a global mindset requires fostering in a globally orientated environment. Foreign firms in Japan clearly have a competitive advantage in this regard, and should be exploiting it through their executive training and development programmes. Japanese firms could be their own worst enemies if they maintain management styles from the 1970s.

The corporate induction ceremonies (*nyuushashiki*) – where graduates don their “recruit suits” and sing the

“**JAPANESE FIRMS COULD BE THEIR OWN WORST ENEMIES IF THEY MAINTAIN MANAGEMENT STYLES FROM THE 1970S**”

company song – are generally regarded as happy times, but in terms of fostering a global mindset I find it disappointing. It all shouts conformity, conservatism, hierarchy and all the other clichés of Japanese society and management which is, in fact, calling out for a splash of colour, a dash of creativity, and a shot of dissension.

I look forward to the day when one of the more traditional Japanese firms “gets it” as far as a global mindset is concerned, and communicates this to its workforce in an imaginative way. How about a flash mob *nyuushashiki* in Yoyogi Park, or an online event hosted through social media for new recruits scattered around the world on a corporate-funded gap year? We live in hope. ☺

ANDREW STAPLES

Incoming director of the Economist Corporate Network, Japan



Capturing carbon

First, snare the funding

Text **ALENA ECKELMANN**

Can we afford to ignore carbon capture and storage (CCS) in our fight against global warming? Most definitely not, according to the European Technology Platform for Zero Emission Fossil Fuel Power Plants (ZEP) and the Global CCS Institute. These two advocacy entities urge policymakers to firmly integrate CCS in their low-carbon energy strategies, alongside renewable energies and energy efficiency.

CCS is a technology that captures large quantities of CO₂ generated by fossil fuel use at significant point sources, such as power plants, refineries and heavy-industry facilities. The gas is liquefied for transportation by pipeline (and possibly in the future by ship) to a deposit site, pumping it deep below the earth's surface and injecting it into geological formations to be stored indefinitely.

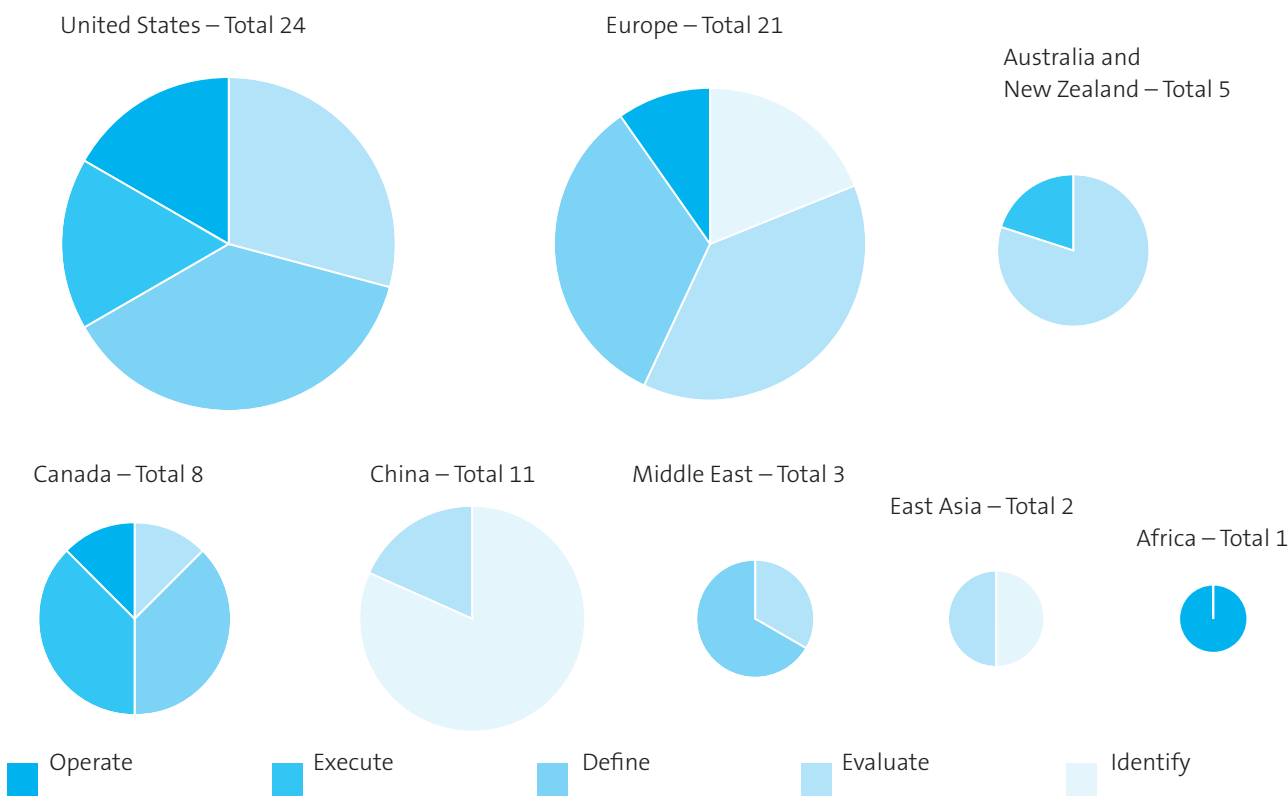
"The world's leading technology companies have the equipment for CO₂ capture and transportation, and there are

suitable sites for injection and storage, but the burning question is: Who pays for it?" says Dr Per Christer Lund, science and technology counsellor at the Norwegian Environmental Technology Center, Royal Norwegian Embassy in Tokyo.

"Supportive policy frameworks and appropriate funding instruments are vital for CCS to become a cornerstone of global energy policy," Lund adds.

The *Global Status of CCS: 2012* report, by the Global CCS Institute, lists 75 large-scale integrated projects (LSIPs) around

Figure 1 - Large-scale Integrated Projects 2012



SOURCE: GLOBAL CCS INSTITUTE

the world. Fifty-nine of these, including 21 in EU countries, are still in the definition, evaluation or identification stage. The strongest push for developing CCS capacity comes from China, where 11 projects are on the horizon. LSIPs remove CO₂ from the environment at a rate of no less than 800,000 tonnes per annum for coal-based power plants. The minimum captured among each of the other facilities is 400,000 tonnes.

About \$40 billion of investment in CCS projects has been committed by governments around the world, with the United States and Europe leading the way, followed by China, Canada, Australia and New Zealand, (see figure 1).

Only eight projects are currently in operation, however, including two in Norway and five in the US – nations that are CCS pioneers. These projects are storing approximately 23 million tonnes per annum of CO₂ emissions. Another eight projects are in the process of execution, and are expected to increase the annual total to over 36 million tonnes by 2015.

A majority of the current projects are pre-combustion capture, at gas

processing facilities with an average capacity of 1-7 million tonnes per annum. Storage is either through applying enhanced oil recovery (EOR) that produces value-added by-products, or in deep saline formations.

In Europe, legal provisions and a framework for funding were agreed in 2008, with the goal to set up a CCS value chain across Europe. Ten LSIPs, each to cost about €1 billion (\$1.3 billion), were proposed. Due to the current financial Eurozone crisis, all but one project in Mongstad, Norway, are on hold.

In Japan, a number of pilot projects for carbon capture have been operated under the management of the New Energy and Industrial Technology Development Organization (NEDO) and financed by the Ministry of Economy, Trade and Industry (METI). Last year, Japan's first LSIP, 100% publicly funded, was started in the port city of Tomakomai, Hokkaido.

The dilemma is that Japan is sitting on its captured CO₂ because there is nowhere to store it, and, under international law, it is illegal to ship it to another country.

However, research carried out by the

Central Research Institute of Electric Power Industry (CRIEPI) suggests the future possibility of transporting CO₂ out to sea by shuttle ship and storing it in existing methane-hydrate layers in the ocean floor.

CCS projects in Japan being limited, domestic companies like Mitsubishi Heavy Industries, Toshiba, IHI and Hitachi Heavy Industries – world leaders in carbon capture technologies – are drawn to Europe and other parts of the world, where they compete for projects against the likes of Siemens, ABB, Alstom and Aker Solutions.

In April 2012, the UK government published the *CCS Roadmap*, detailing actions and funding to support the development of a CCS industry in the UK. It includes £1 billion in capital funding for a CCS commercialisation programme and £125 million for a four-year, coordinated R&D and innovation programme. The plan involves the incentive of feed-in tariffs to encourage low-carbon electricity production by CCS-equipped fossil-fuel power stations.

Also last year, Australia introduced a carbon dioxide tax of A\$23 per tonne. The tax revenue is to partly offset the



costs of CO₂ recovery, transportation and storage, with the long-term aim of helping to make CCS commercially viable. Australia is also taking a lead in international collaboration, resulting in Japan's government and industry funding and exporting technology.

"There are a number of CCS collaboration projects between Japan and Australia, especially on coal-fired power plants," notes Lund. "Australia is a major supplier of coal to Japan, one of the world's biggest coal importers. Cooperation to make cleaner coal benefits both sides."

One way of simplifying carbon capture is to burn fossil fuels in pure oxygen. A joint project to test new oxyfuel technology was launched last December at a coal-fired thermal power station in Biloela, Australia. J-Power and IHI in Japan developed the technology, while funding came from the Australian and Japanese governments, as well as private investors.

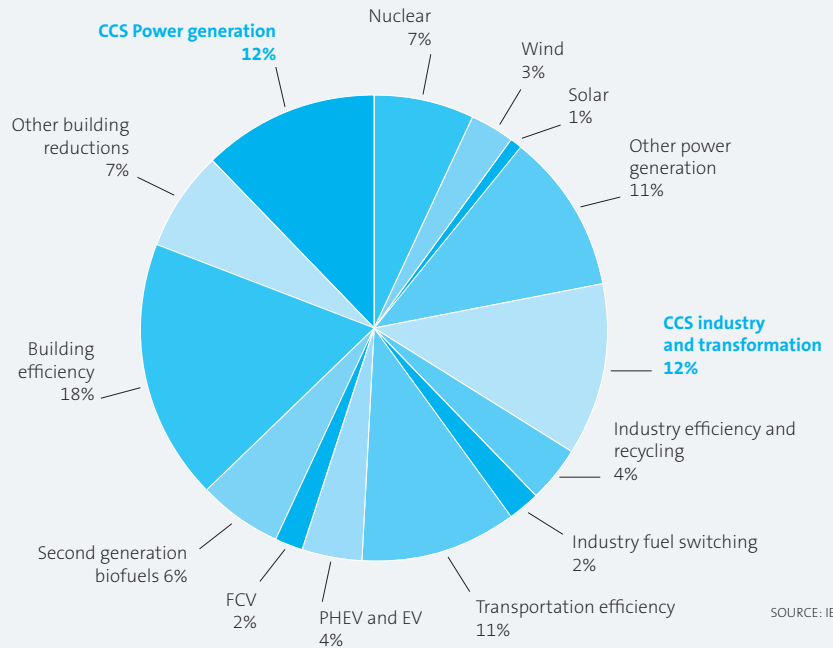
Estimated potentials by 2050 regarding CCS deployment in Europe have been published by the International Energy Agency, (see figure 2).

"Technically, in 10 to 20 years, all nuclear power plants in Japan could be switched to coal-fired power plants with CCS," argues Takashi Ohsumi, a former employee and now a guest research fellow at CRIEPI. "What's more, the installation of gas-fired power plants, plus CCS, would be time- and cost-effective. It takes three to four years to build a new coal-fired plant, but only one year to build a gas-fired plant. And Japan could acquire low-priced gas from Siberia or Sakhalin."

Value comparisons involve differences in the levelised energy cost (LEC) – the price at which electricity must be generated for a project to break even over its lifetime. The LEC of a coal- or gas-fired power plant using CCS is higher than that of a nuclear plant, but lower than for solar power and offshore wind farms, (see figure 3).

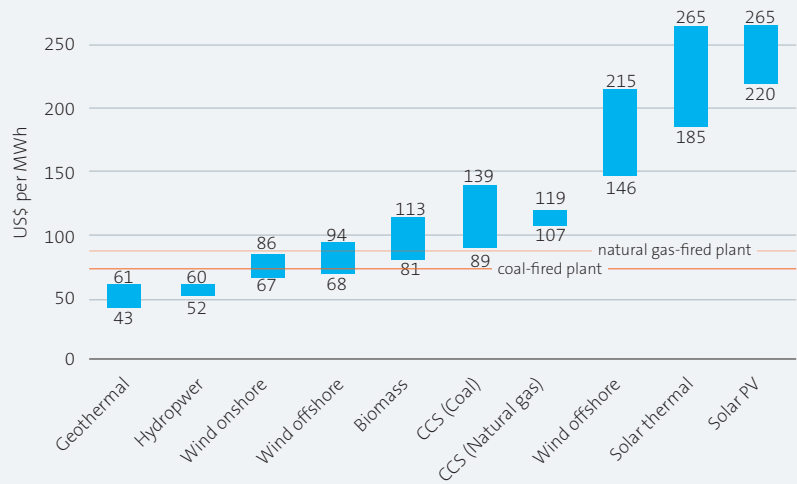
CCS proponents in Japan are waiting

Figure 2 - How CCS will account for 24% of Europe's energy solution by 2050



SOURCE: IEA

Figure 3 - Levelised cost of electricity for low-carbon technologies



SOURCE: GLOBAL CCS INSTITUTE

for a signal from the government of Prime Minister Shinzo Abe to accelerate CCS deployment in Japan.

"Japan's big corporations are technology leaders, but [their] investments in CCS projects have to be recovered," says Hiroshi Nambo, acting general manager of the Japan Global CCS Institute. "Government funding, a feed-in-tariff or

[revenue from] a CO₂ tax would be suitable instruments."

"We expect strong government leadership for new CCS policies and incentives," he adds.

The sooner, the better. The IEA estimates that without CCS deployment, the cost of reducing CO₂ emissions to 2005 levels by 2050 will be 70% greater.



Germany



Population: 81 million

Labour force: 44 million

By occupation: Services (73.8%); industry (24.6%); agriculture (1.6%)

Median age: 45.3

Fast facts

According to Europa.eu, the official website of the European Union, among the EU27 member states, Germany (€17.1 billion, or 31% of EU exports) was by far the largest exporter to Japan in 2012. Germany (€16.4 billion, or 26% of EU imports) was also the largest importer.

The GE Global Innovation Barometer (2013), conducted by StrategyOne, polled 3,100 senior business executives in 25 countries. Germany was second (15%) and Japan was fourth (11%).

The GGCI's German Innovation Award is granted by a group of 12 major German companies to young Japanese researchers.



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Otto F Benz

President, German Chamber of Commerce and Industry in Japan

www.japan.ahk.de

Text **DAVID C HULME**

The German Chamber of Commerce and Industry in Japan (GCCIJ) is a large organisation, and most of its 30 employees work on promotional activities and for non-members.

“We have quite a different setup from the other chambers,” says chamber president Otto F Benz. “I would call it an integrated model.”

He explains that the chamber represents and works on behalf of government institutes, taking on many of the trade promotion activities normally handled by an embassy.

“Our embassy is more limited to a political role,” says GCCIJ managing director Manfred Hoffmann, who also represents DEinternational, which is the service unit of the German Chamber Network.

The GCCIJ celebrated its 50th anniversary last year, with an event in November at the Grand Hyatt Tokyo attended by Ilse Aigner, Germany’s federal minister of food, agriculture and consumer protection.

“Japanese guests were able to understand what the chamber has established here,” says Benz.

Another highlight of 2012 for the GCCIJ was the inaugural German-Japanese Enterprise Summit, held in Frankfurt in September, with support from the Keizai Doyukai (Japan Association of Corporate Executives) and the Nikkei media organisation.

“That was to make sure that Germany got the picture about the outlook for Japan,” says Benz.

Together with the German Research and Innovation Forum Tokyo, the GCCIJ also organises the annual German Innovation Award.

When it comes to promotion of trade fairs, Hoffmann mentions two that were “really remarkable”. The first is the Internationale Funkausstellung Berlin, or IFA, one of the world’s leading trade shows for consumer electronics and home appliances.



Otto F Benz



Manfred Hoffmann

“Whatever happens, we are there to support the EBC”

For this year, Hoffmann ticks off three main topics. The first is the energy sector, including renewable energy. The second is cooperation between companies and scientific organisations with regard to innovation and R&D.

“We try to connect Japanese researchers with German companies, and German researchers with Japanese companies,” he explains.

The third topic has to do with a new wave of Japanese businesses going global.

“We have to take this not just as growing competition, but also to find out where we can cooperate with them in third countries,” he says. Benz adds that German companies can also learn strategy from Japanese businesses.

“Japanese companies behave differently overseas than they do in Japan,” he says. “They are sometimes better organised and faster at developing markets outside their own country. They are very efficient, in our opinion.”

Globalisation, Hoffmann says, means an increasingly diverse set of stakeholders for the GCCIJ.

“One change we can see is that a global German company is not automatically managed by Germans,” he says. “Among our members in Japan there are CEOs who cannot speak German. This makes it interesting for the chamber. We have to adjust. For example, we had to change the language for many of our activities.”

Hoffman insists that the backbone of the German-Japanese economic relationship is the potential to learn from each other.

“We are finding ways to cooperate in innovation, not just here, but also in countries all over the world.” One obvious area, he adds, is urban mining, such as recovering valuable metals from discarded items such as cellphones. “Both Japan and Germany are poor in raw materials, but rich in waste.”

With EU-Japan free trade negotiations now firmly on the agenda, Benz notes that the GCCIJ also has the task of coordinating member activities within the EBC.

“Whatever happens, we are there to support the EBC,” he says. “All chambers will have to play a role to make sure that European interests are well presented.”

The work of member companies during the preparatory stage of FTA negotiations – defining and describing their issues – will intensify.

“Our role is to keep the membership informed and encourage them to do more work in the committees, and to support the EBC,” says Benz.

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To the rescue

Gender equality vital to Japan's economic recovery

Text **LUCY BIRMINGHAM**

Photos courtesy of Ernst & Young

Can women save Japan? “Yes!” was the unanimous answer at the recent Ernst & Young Japan WindS symposium focusing on diversity and inclusion (D&I). After two decades of entrenched deflation and anaemic growth eroding Japan’s economy, the country needs new ideas and innovation nurtured by a diverse workforce. The nation’s advantage: Women.

“In Japan, you have an incredibly well-educated female population. Therein, to me, lies the opportunity,” said Beth Brooke, head of D&I efforts at Ernst & Young, and one of three panelists at the event. “Most countries aren’t in Japan’s situation, where there’s a highly educated female component.”

Brooke cites the four dimensions considered in the World Economic Forum gender gap index: Education, health, politics, and economic participation.

“It’s just on the economic slice of those four that Japan is far behind. If you can close the economic gap by having more women in the workplace, having more women leaders, and more women entrepreneurs, that’s how you can increase the GDP,” she said. “The opportunity to do that is there, because there’s no gap on the education front. This is not an issue about women’s rights. This is an absolute bottom-line, hard-dollar, competitive issue for Japan. Actually, I don’t see it as an issue. I see it as a great opportunity.”

One of the world’s “Big Four” international accounting and professional service firms, with 167,000 employees, Ernst & Young has been a leader in promoting D&I in the workplace. WindS – Women’s

Interactive Network for Dreams and Success – was established in 2008 as a networking and support platform for the 1,700 women professionals at Ernst & Young Japan. For this year’s fifth anniversary event, WindS focused on diversity as a growth strategy and competitive advantage.

Panelist Masahiko Kato, head of human resources for the Bank of Tokyo-Mitsubishi UFJ, shared his experience in promoting diversity.

“I used to be a very old-fashioned type of person, but came to realise that the bank was greatly enhanced by utilising more women more effectively,” he explained. “In 2008 we established a variety of initiatives to promote women’s advancement, such as reduced working hours and flextime. We now have a D&I division.”

At the domestic retail branches of the Bank of Tokyo-Mitsubishi UFJ, more than half the employees are women.

“If women can feel a sense of fulfilment and pride in their work, then this makes the bank more competitive,” he said. “It takes about six to seven years for our staff to become full professionals. If they retire early, then this is a real loss for the bank. Retaining our female employees is critical. For us to grow, we have to attract and retain women.”

Panelist Yukako Uchinaga, now head of Berlitz worldwide, detailed her experience of establishing diversity initiatives during her 30 years at IBM Japan. “In the early 1990s, when we were facing bankruptcy, IBM Japan was at the bottom of the company’s diversity ranking. We had been working on women’s advancement as part of our equal opportunity

programme, but it wasn’t part of company strategy. When Lou Gerstner took over as CEO at that time, diversity became a pillar of IBM’s strategy.”

As IBM Japan’s only female board member, Uchinaga was tasked with overseeing the push towards diversity. A survey revealed three major problems facing female employees: 1) No role models. Women could not envision their opportunities; 2) Managing life-work balance, especially childcare; and 3) Battling the old boy’s network, an invisible but highly influential male-dominated corporate culture.

“We set a target of five years,” said Uchinaga. “The media said we were crazy, but we achieved everything we set out to accomplish within that period.” Her team established a flextime system; evaluations based on performance and



“FOR US TO GROW,
WE HAVE TO **ATTRACT AND
RETAIN WOMEN**”
Masahiko Kato

not work hours; transparency on decision-making; a mentoring programme; and measures set with specific numerical targets. “We found that commitment from top management wasn’t enough,” explained Uchinaga. “You need a KPI (key performance indicator). To achieve your figures, the initiative needs to be measured.”

Quotas, the panelists agreed, were unrealistic when set broadly across all companies. “A quota is a last resort sledgehammer if the culture won’t change,” said Brooke of Ernst & Young. “But I like the results they achieve.” She cited the UK and Australia as examples where the threat of quotas rallied CEOs and business leaders to commit to change.

Brooke weighed in on team leadership.

“The leader of a diverse team is critical. If you have a leader who doesn’t understand how to manage the friction that comes with diverse perspectives, which means a lot of dissent, the diverse team will perform very poorly,” she explained. “Inclusive leadership is an important business imperative that [Ernst & Young] focuses on.” Brooke also spotlighted evaluations.

“At the mid-level career point, what becomes very evident is that men tend to get evaluated based on potential, and women tend to get evaluated based on performance,” she explained. “Most of the evaluators are men. It’s human nature to promote people who think, look and act like you. But you have to

be aware of that and overcome it when you’re evaluating women, particularly at that mid-career mark.”

Uchinaga highlighted her efforts with J-Win (Japan Women’s Innovative Network), a non-profit, corporate membership organisation she established in 2007. After years of being the rare female executive at IBM Japan, she learned the importance of women’s networking and support.

“I established J-Win to help encourage women to feel confident about their skills and take on challenges,” she said.

The many personal challenges facing Japanese women in the work place can be overwhelming, said Suzanne Price, who trains and coaches individuals and corporations on D&I as president of her company, Price Global. With a background in psychotherapy, she counsels clients on specific techniques to handle those challenges. It is professional counseling, often missing in Japan’s corporate environment, that deals with the emotional aspect of inclusion and can facilitate a change in mindset.

“People in Japan, both women and men, often don’t feel empowered, and feel they cannot change their circumstances. But anybody can,” she explained. “We can influence the environment as the environment influences us. People often don’t realise they’re doing things that make them look submissive.” Being consciously aware of how you present yourself is key,

she said, for both women and men.

“Women are an underutilised resource in Japan. Hiring women is a complete arbitrage opportunity,” said William Saito, venture capitalist, entrepreneur, educator and public policy consultant. Japanese men make excellent managers, he said, but they can’t think out of the box. “They’re not going to be creative or innovative. Women, on the other hand, tend to have a much more flexible way of thinking.” When foreign companies ask Saito to advise them on setting up operations in Japan, “I tend to find Japanese women to help run their business, and they get the job done a lot faster, more effectively, and more efficiently than men”.

Recent statistics reveal missed opportunities for growth. A Goldman Sachs report in 2010 estimated that if female participation in Japan’s workforce (currently 60%) were to match that of men (80%), the country’s GDP could increase by as much as 15%. Kathy Matsui, Goldman Sachs chief strategist for Japan, said: “Closing Japan’s employment gender gap could expand the country’s workforce by 8.2 million.”

Japan’s 2012 ranking in the World Economic Forum’s annual Global Gender Gap Report was a serious wake-up call: 101st out of 135 countries. This was down three places from 2011. China placed 69th.

Matsui, who in 1999 coined the term “womenomics”, said that getting more women into the workforce is just half the battle. Keeping them there is an equal challenge, as seven out of 10 women leave after their first child. Earnings are also an issue. According to a 2012 report by the Organisation for Economic Co-operation and Development (OECD), young Japanese women earn an average 15% less than young men in similar full-time jobs, while women over 40 years old earn 40% less than their male counterparts. The OECD report also states that less than 5% of board members for listed companies in Japan are women. Matsui’s report states that only 65% of Japanese women with a college education work.

Can women save Japan? Many believe so, but it is clear that rebooting Japan’s economy and competitiveness long term requires women and men to be equal partners in the journey. [E](#)



“WE FOUND THAT COMMITMENT FROM TOP MANAGEMENT WASN’T ENOUGH. YOU NEED KPI”
Yukako Uchinaga



“A QUOTA IS A LAST RESORT SLEDGEHAMMER IF THE CULTURE WON’T CHANGE”
Beth Brooke

Assessing the risk

Environmental Resources Management (ERM) Japan

Text **GAVIN BLAIR** Photo **BENJAMIN PARKS**





“One of the most difficult parts of our job is delivering reports to companies that can be deal-breakers, but that is our duty, to let them know what the environmental and social risks are if they go ahead with a transaction or investment,” says Tatsuya Noma, head of Environmental Resources Management (ERM) Japan.

Describing ERM as a “sustainability consultancy”, Noma explains that the company carries out due diligence and risk assessments for clients on environmental, social, health and safety issues. Other environmental service offerings include energy and climate change consulting, contaminated site management, and demolition and decontamination services.

“The entire project life cycle, from investment and planning through operations to divestiture, needs to be sustainable. We provide sustainability solutions for our clients,” he says.

While ERM does sometimes have to advise against an acquisition or investment due to excessive social or environmental risk, most of the work involves more everyday issues, such as missing environmental permits or minor health and safety concerns, Noma explains.

In the early years of ERM Japan, most of its work was servicing foreign companies that were operating plants or investing here, with few domestic clients. However, recent years have seen a reversal. Raised awareness of environmental and sustainability risk management among Japanese companies and more domestic firms increasing overseas operations, investments and acquisitions are the reasons. All of Japan’s major trading houses, which are very active abroad, have used ERM Japan’s services in recent years.

“When I would speak to Japanese companies 10 years ago about these kinds of assessment, they weren’t really interested. Increased understanding of compliance issues and the risk of fines and damage to corporate reputation, as well as the development of environmental guidelines for lending, have changed their perception,” Noma says.

Environmental accidents and crises over the past decade – including the

2010 BP oil spill in the Gulf of Mexico, Japan’s 3/11 triple disaster and the 2011 flooding in Thailand – have all helped to focus corporate minds on potential risks. Growth in the number of local NGOs in many developing countries, as well as in the scope of their activities, has also been a major factor in increasing the pressure on multinational companies operating in those territories, he adds.

“In recent years, environmental and social due diligence for mergers and acquisitions has become one of our largest service offerings,” says Noma. “Nowadays, in regions such as Africa or South-East Asia, social due diligence can be even bigger than environmental issues.”

Social due diligence, he explains, covers issues such as ensuring adequate consultation with local communities by companies working on projects abroad. Failure to carry out such processes thoroughly can result in grievances being taken to relevant authorities, which can lead to permits being withdrawn and extremely costly project delays.

“One of our strengths is our global network. If a trading house is investing in a major oil-and-gas or mining project in Africa, for example, we have 200 engineers and scientists based in South Africa. They understand local regulations and practices, and they have connections with the local governments and NGOs. This is one of our greatest value-adds,” explains Noma. “It’s the same for foreign multinationals who are investing or operating in Japan. We have experienced local staff who understand the sometimes complex Japanese practices and environmental regulations, and can speak to the local regulators.

“Many European companies have very strict corporate governance structures, so the headquarters’ auditor comes in on a regular basis to assess compliance with corporate standards and local practices alike. On many occasions, however, they don’t understand all the local practises here,” adds Noma, “so ERM staff become an integral part of the audit team, offering valuable insight on national and local environmental standards.”


“ENVIRONMENTAL AND SOCIAL DUE DILIGENCE FOR MERGERS AND ACQUISITIONS HAS BECOME **ONE OF OUR LARGEST SERVICE OFFERINGS**”
Tatsuya Noma

Founded in 1971, and headquartered in London, ERM came to Asia during the 1990s. Its fast-growing Asia-Pacific operations now match the size of its European network, with approximately 900 staff across 25 offices in 12 countries in the region. Worldwide, the company now has 4,700 staff and 140 offices in 39 countries, making ERM the largest independent environmental consultancy firm.

Internally, ERM cooperates very closely across its global network, with the goal of being a truly borderless business, according to Noma, who studied environmental science in Philadelphia and spent three years working at the German Technical Inspection Association before joining ERM.

The Japanese operations started in 1998, with ERM Japan formally established shortly afterwards. The team has grown from three, including Noma, to the current 50 and counting. Noma recalls how the limited personnel resources of the early days saw him working in all of ERM’s core service areas, experience that has stood him in good stead since becoming head of the company’s Japan operations in 2008.

Taking the reins in Japan as the country was heading into the worst recession in a generation - following the 2008 Lehman shock - was extremely challenging, he says.

However, with ERM Japan expanding again in recent years, one of the biggest challenges now is to find enough qualified bilingual staff with strong technical backgrounds, says Noma. 

Defence and Security//

Entering a level battlefield

Text **GEOFF BOTTING**

Robin Wilson, chairman of the EBC Defence and Security Committee, views 2013 as a big year for European defence suppliers in Japan.

“This is the year to see if things will happen in a positive way, and I’m getting increased confidence, in talking to Japanese government departments, that things are moving in the right direction,” he says.

The game-changer has been the relaxation in late 2011 of Japan’s long-standing ban on exports of weapons and other military hardware. The move is expected to induce Japanese manufacturers and suppliers – which by law have been restricted to operating within their domestic market – to seek tie-ups with foreign partners, including ones from Europe.

Clearly, it would be a win-win situation: European companies expand their business opportunities, while Japanese companies acquire guidance, expertise and contacts as they venture into the

Defence and Security Key advocacy points

→ **Procurement** – Japan should make its defence procurement more transparent, by such means as giving greater emphasis to Life Cycle Costs (LCCs) and making Statements of Requirements (SORs) more widely available.

→ **Industrial partnerships** – Japan should form partnerships and exchanges with EU countries, which could lead to cost reductions in its defence procurement.

→ **Defence exports** – Japan should develop a clear export policy, which would make it easier for European and Japanese companies to collaborate to improve the export potential of products.

unknown realm of overseas markets.
“Foreign companies that have been

supplying defence equipment for a long time already have an international defence market, international support infrastructure and international defence relationships,” explains Richard Thornley, a Defence and Security Committee member and president of Rolls-Royce Japan. “Japanese suppliers have none of those because they haven’t been able to sell abroad.”

Wilson says his optimism is based on changes in the attitudes and activities of Japanese government and industry officials in the past few months. In January and February, in meetings with key officials at the Ministry of Defense and the Ministry of Economy, Trade and Industry, he says he detected “extremely encouraging signs of progress”.

Another positive development came last November, in the form of a joint EBC/EU Delegation to a Japan defence and security conference, which Wilson describes as valuable because it brought European and Japanese defence companies together for the first time. “I think that by December, we’ll be sitting here

saying, ‘Yes, things have happened. We have concrete evidence of progress.’”

Another dimension of the win-win scenario extends to Japan’s taxpayers. Until now, the government has sourced about 90% of its hardware domestically, from manufacturers with no experience competing outside of Japan.

“When you only have one customer, you get pretty limited competition. There’s a lot of pie sharing. So the government doesn’t get a very good deal,” says Wilson, who is director of defence strategy and business development at Thales Japan. Now that those companies have the chance – for the first time – to export, they will need to become leaner and meaner.

The deals between European and Japanese manufacturers could encompass a vast range of technologies and systems, from unmanned aerial vehicles to sonar and radar systems and propulsion systems for ships, to name just a few. Japanese manufacturers may well supply components for European systems.

More good news for the committee came last spring, when Britain’s prime minister, David Cameron, visited Japan and signed a defence cooperation agreement that made Britain the second defence-technology partner after the United States. France is expected to follow suit and forge its own bilateral agreement next year.

All of the positive trends come after decades of disappointment for European defence contractors. The 10% of Japan’s defence needs not covered domestically is being met mainly by US suppliers.

“So, you’re basically looking at Europe with around one percent,” Wilson says.

Japan’s loyalty to US defence contractors is rooted in the close security arrangement between the two countries. Yet, the committee points out that European hardware tends to fit Japan’s needs better, since it was developed in EU nations that have budgetary restrictions, as has Japan. The US, by contrast, is the world’s ultimate military superpower with a massive defence budget that can absorb large costs.

“THERE’S A LOT OF PIE SHARING. SO THE [JAPANESE] GOVERNMENT DOESN’T GET A VERY GOOD DEAL”

Robin Wilson

Meanwhile, Japanese authorities – as well as the Japanese public – are scrutinising defence and security more seriously than ever before in the country’s postwar history. This interest is being spurred by ongoing territorial disputes with other countries and North Korea’s continuing escalation of its nuclear weapon and ballistic missile programmes.

“We want to play a bigger part in the defence of Japan,” Wilson says. “I sincerely think this is the year where there are some real changes. If not, I’ll be disappointed. But I am positive, and the messages I’m getting from the government do give me positive feelings.”



Colours and chords

Text and photo **DAVID C HULME**

Morgan Fisher was there, at the birth of British rock and roll. He describes the stunning impact of The Beatles on his life and how, still in high school a couple of years later, he was already part of a band, The Love

Affair, with a chart-topping hit.

“I was an overnight star. There were fans outside the house all day. My parents were angry because we had to change the phone number several times,” says Fisher, now a mellow, Tokyo-based “light painter”, musician and composer. “But, what an experience for a young lad!”

He was a quick-thinking lad, too.

Playing grand piano at a Mott the Hoople (David Bowie wrote their 1972 smash-hit “All the Young Dudes”) concert in West London’s Hammersmith Odeon, he noticed an argument brewing in the wings between the band’s manager and theatre management. The inspired performance had gone

“ JAPAN PUSHED ME BACK INTO THE VISUAL SIDE OF THINGS ”

far over schedule. As encore followed encore, desperate theatre staff decided to lower the boom – literally.

“All of a sudden, the stage fire curtain began to descend,” recalls Fisher. Determined to thwart such a lugubrious finale, he shoved the valuable theatre piano forward beneath the descending steel curtain.

“That made them stop it,” he states. “Otherwise the piano would have been cut in half.”

Success obligated the band to extensive, gruelling tours of North America (for a firsthand account that bares the bleak reality, see *Diary of a Rock'n'Roll Star*, by Mott the Hoople singer/songwriter Ian Hunter), the toll of which eventually caused disintegration, according to Fisher. Next stop for the Londoner: Hollywood.

“I had some friends there, and I thought I would try getting into scoring music for films,” he says. It didn't work out. Fisher scoured an atlas map of the US and discovered that he had already seen every major city in the country and did not really like any of them.

“So I turned the page and there was Japan,” he recalls. Childhood interests in Japanese films and Zen Buddhism resurfaced. He arrived in Tokyo in 1985, taught English, explored the culture and revived a longstanding interest in photography. He also found that new friends here were aware of his music.

“I was invited to do solo keyboard gigs. This led to scoring music for animation films, and a recording contract,” he recalls. Then came the steadiest of steady gigs at the 1990 International Garden and Greenery Exposition in Osaka. He played almost daily for a six-month stretch, in a verdant setting where visitors were able to sit and relax. Compared to

the rock scene Fisher had left behind, where the music was obliterated by the screams of manic fans and performers were often at severe risk merely getting from the stage to their cars after a show, the expo was a sharp contrast.

“It was almost like playing for people at a bus stop, but the money was good,” he recalls. It was a year of creative highlights as well.

“I watched the film *Imagine: John Lennon* [1988], and it occurred to me that we could do an album of John Lennon's love songs. The studio loved the idea,” Fisher says.

During production of *Echoes of Lennon*, a chance remark by Fisher that “It would be nice to have Yoko Ono involved” led to a remarkable collaboration on the track “Love”, for which Ono recited her late husband's lyrics to Fisher's adagio keyboard rendition.

Fisher also provided the cover photograph for that album, and he credits his move to Japan for the fact that his love for art and photography no longer takes a back seat to music.

“Japan pushed me back into the visual side of things,” he says. “I started photographing temples and other lovely Japanese things. Then I moved in closer and closer, until I was taking pictures of cracks in a wall or flakes of rust.”

As an art lover, Fisher prefers pictorial art books to galleries.

“I love art books. They inspire me,” he says. “Sitting comfy at home with an art book is such a pleasure.” He is not tempted to take brush to canvas.

“I tried that. Didn't get it at all.”

Painting with light, however, is a passion. The abstract photography (www.morganfisherart.com) that started as a mistakenly shaky exposure

of Christmas lights has been refined and developed by Fisher as what he calls “a kind of visual music”.

Audience members at his improvised keyboard performances sometimes ask whether the music is synchronised with accompanying projected light displays.

“No. I'm not even looking at the screen when I play,” he explains. Besides, he has dozens of keyboards, including rare relics of previous ages as well as slick modern machines, and during a show he will switch among the three or four that he has brought along for that performance. This can be slightly hazardous, as fingers can find their way to unfamiliar buttons.

“Sometimes there is a surprise,” Fisher says, “but I can use it to change key or start a new theme. It's called honouring your mistakes.”

Accepting and exploiting the potential for innovation in an error is exactly how his light painting began.

“At first I was cursing because I had this blurred image, but five minutes later I was thinking maybe I could do more with it,” he says.

Fisher often refers to this capacity for seeing things in a new light, or from a different angle. An example some years ago was the stress he suffered from having to compose advertising music on very short notice. He smoked heavily in an effort to calm the nerves.

“They always want something yesterday,” he says. “But I made a mental switch. I learned to appreciate tight deadlines. It means you spend less time for the same money. It was such a relief that I actually stopped smoking.”

These days, Fisher's art and music seem to genuinely reflect the soul of his personality. ☺

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St. Mary's International School

Spring Celebration

St. Mary's International School welcomes the warm weather each spring with the Carnival, held this year on Saturday, 11 May. Tokyo is at its most pleasant during this season, and the zelkova trees surrounding the campus put on their best show with bright green, young leaves.

Preparations start early as volunteer parents arrive to string gaily coloured decorations and flags among the numerous country booths, and then set to work preparing the regional delicacies that are the main draw of this annual event, which is open to the public. St. Mary's students help in the set-up and operation of the game booths, which are always a huge hit with the children. Soon the pumps begin working to inflate the bouncy castle that will be filled all day with youngsters squealing in delight.

By the official opening at 10 o'clock, the grounds are already filled with students, parents, friends and curiosity-seekers from Tokyo and beyond. In addition to the food and games, the St. Mary's choirs and bands provide entertainment in the gymnasium, where they are joined by professional bands, a Japanese taiko drum club, dancers and other performers.



Lunchtime arrives as the throng of guests bustles among the vendors, enveloped in the mouth-watering aromas of barbecues, curries, popcorn and other culinary delights, as well as a full range of beverages. Parents and students alike become instant barkers, shouting out their goods to attract passers-by. Older students join in to help keep the supplies moving, venturing into the crowd with buckets of ice or trays laden with snacks and beverages.

To cap off the sunshine, succulent food and exciting games, the Raffle begins in the afternoon. As the fabulous

prizes — many of them donations from our generous school parents — are announced one by one, the contented guests begin to make their way home with full tummies and lingering smiles.

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Home centres: consolidation at the top

Total sales of the top 15

	Company	HQ	Sales ¥bn	Y-on-Y %	Stores	Operating Profit ¥bn
1	DCM Holdings	Tokyo	437.14	4.7	510	19.75
2	Cainz	Gunma	342.50	1.8	180	–
3	Nitori Holdings	Hokkaido	331.02	5.3	258	57.95
4	Komeri	Niigata	302.03	4.4	1,089	20.23
5	Kohnan Shoji	Osaka	281.90	2.2	249	18.68
6	Nafco	Fukuoka	220.35	1.4	298	11.76
7	Keiyo	Chiba	190.29	4.4	183	5.11
8	Joyful Honda	Ibaragi	171.20	7.3	15	–
9	Lixil VIVA	Saitama	159.54	12.6	84	–
10	Shimachu	Saitama	158.98	11.4	54	14.69
11	Tokyu Hands	Tokyo	85.34	9.4	42	–
12	Arcland Sakamoto	Niigata	67.26	7.2	31	8.41
13	IKEA Japan	Chiba	67.50	–	6	–
14	Royal Home Centre	Osaka	64.46	3.4	50	–
15	Aeon Super Centre	Iwate	58.00	–	18	–


Home centres (HCs) are a small, niche market, but one with a lot of potential for overseas suppliers.

Primarily selling household and interior products, they stretch all the way from IKEA Japan and Nitori in furniture, through general merchandise stores that seemingly sell everything except food, and down to highly specialised interior shops. Tokyu Hands fits into this format, although it is the most upmarket. Muji, which carries a lot of merchandise that fits the HC sector, is omitted because of its larger proportion of sales from fashion and food.

In fiscal year 2007, HC retailing consisted of 4,060 stores with combined sales of ¥3.65 trillion. The market declined until 2009, falling to ¥3.59 trillion, but in fiscal year 2011 sales jumped 4.8% for the top 100 companies, which have a market share of 93%, lifting market value to ¥3.80 trillion, the highest on record.

Within the top 100 HC companies, the top 10 chains alone command 62.1% of total sales. The largest company, DCM Holdings, is a group of three chains split by geographical region, and a company in which Aeon has a significant share. Cainz, a privately owned chain that is part of the Beisia Group, is now nationally represented, including franchise operations in most regions, and has a growing and highly successful own brand programme.

Nitori, Japan's largest single furniture chain, ranks third, while Komeri, the fourth largest HC, is unusual in its focus on agricultural markets.

IKEA Japan recently confirmed sales of ¥67.5 billion for 2012, making it the 13th largest home-related chain in the country after just six years of operation. Having added a store in Fukuoka last year, IKEA has since confirmed new stores in Sendai, Nagoya and Tokyo's Tachikawa, and may launch an online store in the not-too-distant future. By 2014 IKEA will have eight stores, with a target of 12 by 2021. Sales by then are forecast at around ¥135 billion, but there's every likelihood that ¥100 billion could be breached by 2016 under current store plans. 



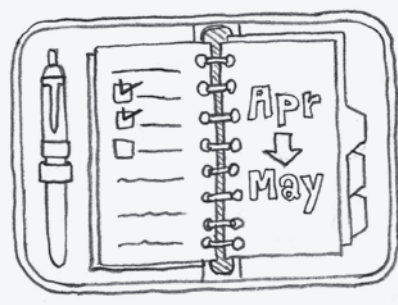
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For more information, please see www.japanconsuming.com or contact Sally Beddown at subs@japanconsuming.com

Upcoming events



► **Belgian-Luxembourg Chamber of Commerce in Japan**
www.blccj.or.jp

Monthly Belgian Beer Gathering
 20 May, Monday, 19:00-23:00

Venue: Antwerp Six, Ginza
Fee: Pay for what you drink
Contact: info@blccj.or.jp

► **Finnish Chamber of Commerce in Japan**
www.fcc.or.jp

Stora Enso Cup Sweden-Finland Golf Challenge
 19 April, Friday

Venue: GC, Narita Hitree, Chiba prefecture
Fee: ¥16,000
Contact: fccj@gol.com

FCCJ Luncheon Meeting
 16 May, Thursday, 12:00-14:00

Speaker: Timo Varhama, UPM-Kymmene Japan KK
Venue: Grand Hyatt Tokyo, Drawing Room
Fee: ¥6,000 (members), ¥8,000 (non-members)
Contact: fccj@gol.com

► **Ireland Japan Chamber of Commerce**
www.ijcc.jp

Third Thursday Networking
 18 April, Thursday, 19:00-21:00

Venue: Slainte, Ebisu
Fee: No entrance fee
Contact: secretariat@ijcc.jp

Joint Networking Event: IJCC and Australian and New Zealand Chamber of Commerce in Japan
 16 May, Thursday, 19:00-21:30

Venue: Irish Ambassador's Residence, Moto-Azabu
Contact: secretariat@ijcc.jp

Spring 2013 Ireland Japan Golf Challenge
 25 May, Saturday

Contact: secretariat@ijcc.jp

► **Swiss Chamber of Commerce and Industry in Japan**
www.sccij.jp

SCCIJ May Luncheon
 9 May, Thursday, 12:00-14:00

Speaker: Shuuji Kobayakawa, Bank of Japan
Venue: Grand Hyatt Tokyo, Anise Room
Fee: ¥8,000 (members and non-members)
Contact: info@sccij.jp

APRIL

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Joint Networking in Japan: Belgian-Luxembourg Chamber of Commerce, Italian Chamber of Commerce and Swiss Chamber of Commerce
 15 April, Monday, 18:30-21:00

Venue: Oakwood Premier Tokyo Midtown, Lounge
Fee: ¥1,000 (1st glass of wine and finger food; next beverages at ¥500 per beer, wine, soft drink)
Contact: info@blccj.or.jp, iccj@iccj.or.jp, info@sccij.jp

Compiled by **DAVID UMEDA**



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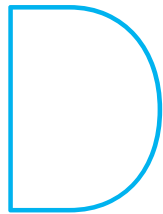




Still on a mission

CEO makes time to wear many hats

Text and photo **DAVID C HULME**



ouglas L Hymas was never going to be stuck in Idaho Falls, Idaho, where he was born.

"Things I saw on television made

me interested in the big wide world," says the president and CEO of ING Mutual Funds Management in Japan, watching through the glass wall of his 21st-floor conference room as the sun sinks over clearly visible Mt Fuji.

Not that there was much wrong with growing up in Idaho Falls, surrounded by farms and forests, and just an hour from Yellowstone National Park. Hymas says he had a "terrific childhood", with a very close-knit family, plenty of friends, horse-riding, camping and even logging excursions for winter firewood. Some of the firewood was sold to raise money for his local Mormon church, and some was provided to the needy. Sport also figured largely in the lives of young Hymas and his four siblings, with their father providing coaching in football, basketball and baseball.

"I also picked up a music habit. I was a fairly good singer," he states. At the age of 16, he toured Europe for three weeks with a top-class choir. Besides whetting an appetite for travel, the tour greatly enhanced his musical appreciation.

"Singing spiritual music in Europe's cathedrals, with echoes from previous chords coming back and blending in, taught me the wonder of music that I had been singing for years," he says, obviously relishing the memory. "I thought, 'I get it now!' It was a moving experience."

After a year of college, it was time for Hymas to part with his wisdom teeth and serve 18 months as a Mormon missionary.

"I happened to be sent to Japan, and I was very glad," he says, noting he was aware that Japanese was a language that might be useful later on in his career.

Before coming to Japan, Hymas had considered becoming a dentist or doctor, but another overseas experience

only intensified his preference for an international career. Upon returning to university in the United States (after a mission that he describes as thoroughly enjoyable) he dropped medicine, majored in Japanese and minored in business, then went to law school.

Having passed the California bar exam, he had the tripod of an international career set up: Japanese, business and law, with law being the doorway to business. He began legal work in Los Angeles in 1990, specialising in Japan-related business. "That work soon dried up," he says, due to a slowdown in the US economy. Bent on working with the Japanese, he took a clerkship with a law firm in Tokyo.

"That was just for one year. Twenty-two years later, I'm still here," he says.

After clerking for a year, Hymas ran a consulting practice, and did reasonably well. He also married, and that made having "a real job" a priority. He took a job with Minebea, a major global manufacturer of special bearings and small computer components. He had a good deal of discretion in defining his role, which involved a lot of travel, much of it to destinations of his own choosing.

"It was the most interesting job I have ever had," he states. "It paid peanuts, but it was fascinating."

It could not last. A friend dangled an expat package in front of Hymas and he joined a team of lawyers at Lehman Brothers in 1995.

"My family's life improved, but mine did not," he quips, without rancour. As a career step, he adds, "That was my introduction to financial services."

The next move, three years later, was into investment management. He honed his skills with Barclays Global Investors and later with Citigroup Asset Management, which led to a stint as president of Legg Mason Securities (Japan). Now a full-fledged business manager, he was recruited to set up Wachovia Securities (Japan). He has been in his current post at ING since 2009.

For over a decade, Hymas has been vigorously involved in advocacy efforts to

i Do you like natto?

Title: President/CEO, ING Mutual Funds Management Company (Japan)

Time in Japan: "22 years"

Career highlight: "Hitting my numbers for the first time as a CEO"

Career regret: "There is nothing I would not do over again"

Favourite saying: "Treat our clients the way you would want to be treated"

Favourite book: "The most recent that I read, *On China*, by Henry Kissinger"

Cannot live without: "My wife"

Secret of success in business: "Competence and integrity"

Lesson learned in Japan: "In good times or bad, never stop giving good service"

Do you like natto? "No"


internationalise and reform Japan's financial regulatory framework. He chairs the EBC Asset Management Committee and co-chairs the Investment Management Committee of the American Chamber of Commerce in Japan. He says he enjoys the interaction with Diet members and participating in high-level discussions, even in formal Japanese. His language skill is less suited to relaxed occasions.

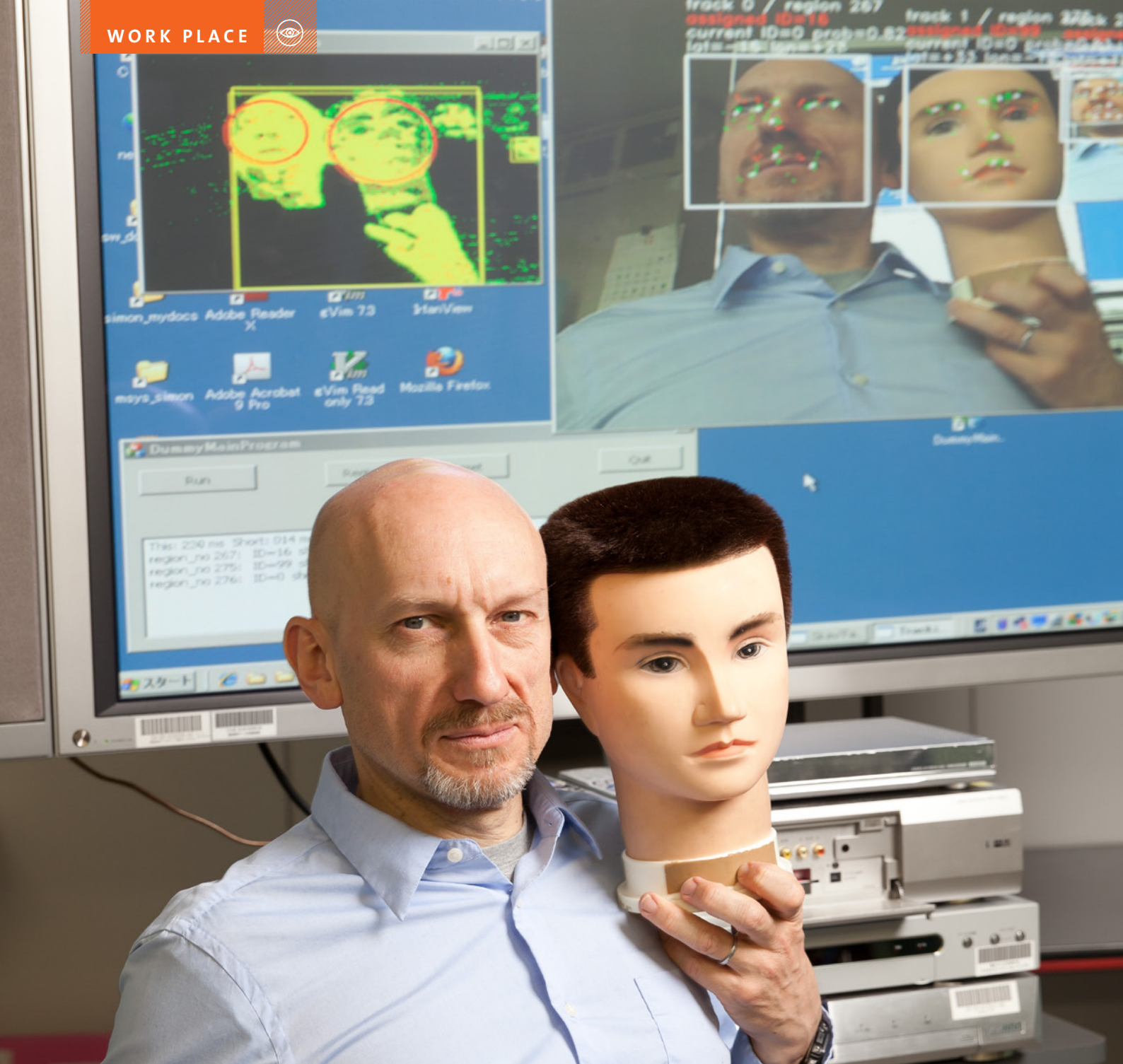
"Oddly enough, I don't do very well at casual Japanese," he says.

At dinners and social meetings, he adds, being a teetotaler is no handicap.

"I am surprised at how often Japanese appreciate it when I say I am not drinking. I looked into it and found that many of them find it difficult to drink all the time."

To keep fit, Hymas pedals a brisk 13.5km to work and back, runs 15-20km most weekends and indulges in some weight training at the fitness club.

Surprisingly enough, he can still apportion time for scouting, as chairman of the Japan District of the Boy Scouts of America - Far East Council. And he finds time for singing and the rehearsing this entails. Putting aside all his other hats and donning a handsome Stetson, Hymas recently put in a fine performance with the country/western Rodeo Goats band at the church hoedown. 



Dr Simon Clippingdale

Senior Research Engineer, NHK

Programme producers would love to be able to automatically search and tag the content – people, objects, places, actions and speech – of vast video databases. Simon Clippingdale, from London, UK, works on this at NHK, Japan’s public broadcaster. Sometimes a plastic research assistant, affectionately known around the Image Recognition Group laboratory as Koide-kun, helps out.

“Our methods are in their infancy, and only work reliably under favourable conditions. My goal is to make them work under more realistic conditions, with huge variability depending on camera angle, motion, lighting, shadows, weather – you name it. It’s a huge technical problem, but it’s like the joke about how you eat an elephant: ‘One bite at a time.’”

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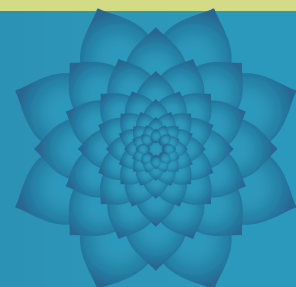
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