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Speech to JETRO

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Good afternoon and thank you so much for inviting me here to talk about the business relationship between Japan and the UK.

It's a great privilege, particularly as we're commemorating the 400th anniversary of starting commercial relations between our two great nations.

The spirit of endeavour that brought together the East and West together all those years ago has inspired many very successful UK-Japanese associations, and of course one of the world's longest-standing friendships between island nations – I'm sure it has to be something to do with being surrounded by water!

Even though it was the British who first took to the seas in 1613, journeying for two years across 3,500 miles to Japan, the traffic is now very much in both directions – and a little quicker too!

The purpose of that initial trip was business, and that's what's been at the heart of our relationship ever since.

Think of the up and coming London-based Japanese architect Sou Fujimoto who designed the breath-taking summer pavilion at the Serpentine Gallery last year, or any number of the multinational Japanese manufacturers based in the UK: like Nomura or Toyota.

Think of British designer Paul Smith who has over 200 stores across Japan, or that in 2012 Ted Baker opened its flagship store in Tokyo, or, in fact, any of our biggest names in manufacturing like BT, Rolls Royce or BAe Systems who are long-term investors in Japan.

Enterprise is helping to deepen our relationship year after year...And so it's great that we're here to foster a much better understanding of UK-Japanese relations.

....And that is exactly what I want to talk about this afternoon – the future of our countries' mutual cooperation, and how they might be developed over the next few years.

But before we get to that, I'd like to look at where we are at the moment.

Our sense of confidence in the economy here in the UK is improving a lot, and particularly about how business as wealth creators and innovators can drive growth.

Right now of course, the outlook is a lot brighter than it has been over the last couple of years, and we were carried into 2014 on a fair wind.

The latest CBI surveys show that services, finance, manufacturing and construction sectors all ended last year strongly with overall increases in production, orders and employment.

Yet despite the much more positive general picture, underlying conditions are subdued. We're still only part way through the slowest economic recovery on

record, so there's a lot we've got to do to get the UK back on the road to sustainable growth.

Our long-term competitiveness depends on us setting the right national priorities - making sure we stand a fighting chance in the global marketplace.

This means boosting business' capacity to grow, as well as providing the conditions for them to create jobs and help hard-pressed families feel more benefit in their living standards.

Critically, it also means increasing our exports and attracting investment from overseas; from countries like Japan.

The UK is currently exporting around £9.6 billion a year to Japan. And we can boast around 450 British companies currently succeeding there across a wide range of manufacturing, consumer goods, high-tech and services sectors.

So there's clearly a big appetite for the goods and services we produce.

The value of fresh and smoked Scottish salmon exports to Japan for example increased from £2 million in 2009 to £4.8 million in 2011. Rolls Royce's relationships in the country span more than 100 years, and British Airways this year celebrates the 65th anniversary of flights to Tokyo.

Likewise, we are very open to what Japan has to offer us.

There are 1300 Japanese companies currently investing in the UK which collectively employing 140,000 people – and tens of thousands more through supply chains.

Sony was the first Japanese company to open a factory here in 1974 – it now employs 4,500 people. We're also incredibly proud of Nissan: a manufacturer so synonymous with the UK that most people would think it was actually a British brand!

In the late 1980s and early 90s, Mrs Thatcher's enterprise secretary, Lord Young, championed the strategy of attracting inward investment - mainly from Japan - to revive Britain's car industry. At the time, his prediction of an eventual return to a trade surplus in cars was laughed at.

Nissan and Honda helped realise Lord Young's vision - two years ago the UK recorded a surplus in car manufacturing for the first time in 40 years.

They continue to cast a vote of confidence in favour of UK manufacturing: following David Cameron's visit to Japan in 2012, Nissan announced an investment package for the UK worth £250 million.

According to UKTI figures for 2012/13, Japan was the second highest foreign direct investor in the UK with 114 projects centred on infrastructure, especially offshore wind, water and rail.

Hitachi's recent acquisition of Horizon's nuclear project is one of the most recent examples.

In November last year, I visited Tokyo and was incredibly impressed – particularly with the help and support offered to UK firms by KEIDANREN,

UKTI, and JETRO; the combination of their efforts has had an incredibly positive impact on how British business is done there.

AMEC, a British multinational consultancy, engineering and project management company, also a CBI member, told me how JETRO and UKTI had helped them set up in Japan: getting help via our embassy to make their transition as easy as possible on the ground as well as offering free office space for 10 weeks in an excellent business location in Tokyo.

It was music to my ears!

So it's fair to say that the business relationship between our two countries is long established and broader now than it ever has been.

Yet there is always room for improvement, and I'd now like to talk about three areas of opportunity and challenge ahead.

Firstly, and arguably most importantly, the on-going EU-Japan FTA negotiations - or EPA negotiations as they're sometimes known.

The talks, which began in March last year, could increase EU GDP by £42 billion per year, with a significant proportion of that coming to the UK.

In my view, the aim has to be to complete the negotiations as soon as possible so that we can increase our goods and services exports to Japan, as well as support Japanese long-term investment here in the UK.

The CBI is fully behind the FTA talks.

But in order to reach a successful agreement, it'll be necessary to tackle a series of long-standing regulatory barriers to trade – especially in sectors such as automotive, pharmaceuticals and food and drink.

2014 has to be the year in which negotiators make proper progress.

This is a great opportunity to deepen our business links and support growth and jobs in both our economies – and clearly any benefits from a trade deal are dependent on the UK remaining in the EU.

Which brings me to my second point – the UK's place in Europe.

Of all European countries, I know the Japanese Government has highlighted the UK as its preferred destination for investments - and being part of the EU has been specifically cited as a major reason for why Japanese companies choose to invest here.

The possible referendum on our membership can sometimes cause uncertainty - but for British firms, large and small, we are absolutely certain that the EU Single Market remains fundamental to our economic future.

We want to be IN a reformed EU, not be out of it with no influence.

And we have to focus on a positive vision of reform - so Europe does fewer of the things we don't want, and more of the things we do: boosting competitiveness and resisting bad policies that work against growth and stability.

Europe is absolutely essential to helping us compete in new global markets, as well as maintaining and deepening relations with our more-established trading partners.

Simply put, the EU is the bedrock of the UK's global trading ambitions.

And as a champion of free trade, the UK is a reliable partner for Japan.

We also have several strong domestic benefits that have enabled us to maintain our investment attractiveness: our world-class universities, our respect for the rule of law, our flexible labour market and the ease of doing business.

Building on these strengths AND being part of the EU's Single Market has helped increase the UK's stock of FDI – both from European firms and non-EU global companies.

Fujitsu, for example, believes our influence in Europe has been a vital tool in helping shape pan-European public and private-sector demand for the business services it provides.

These, and other services like them, are what the UK does well: we lead the field, and they're an important tool for us to access global markets.

And our place in the world and how we can support Japan's success is my final point.

The economic plan implemented by Prime Minister Abe holds a number of significant challenges and opportunities for business.

The strategy for rejuvenating the Japanese economy has gained international attention.

Its focus on monetary, fiscal, and longer-run consolidation and pro-growth policies is beginning to get the economy and business confidence back on track.

Ultimately, that's great news for Japan and it means more opportunity for British business – and by far the biggest, for mutual benefit, will be the 2020 Tokyo Olympic and Paralympic Games.

As was the case in London in 2012, a successful bid leads to a great boost in confidence. The Games will undoubtedly have an electrifying effect on consumer and business sentiment in Japan, and you must make the most of it.

Many UK firms now have vast experience and a well-deserved reputation for the project planning and execution – we're now synonymous with the expertise and innovation it takes to do Olympic-size projects.

British businesses, many of them small and medium-sized, should harness the huge opportunities the Tokyo Games will provide and trade their skills and expertise over the next seven years: in areas like security and safety, broadcasting, IT, sustainability and low carbon, and *especially* design and construction.

British architect Zaha Hadid has already won the contract to design Tokyo's new National Stadium for the Games.

The CBI will be doing our best to provide as much support for negotiations on contracts to begin as soon as possible.

So, to conclude, business needs to continue to bang the drum for trade and investment as a route to growth.

It's a top priority for the CBI, and we will remain closely engaged to ensure that all efforts are centred on delivering high quality, ambitious agreements for UK business.

400 years ago, in October 1613, Japan's all-powerful former Shogun sent a letter to King James I. It was conveyed via the newly-formed East India Company, and included these famous lines:

"Send your subjects to any part or port of my dominions. They shall be most welcome. Though separated by ten thousand leagues of clouds and waves, our territories are, as it were, close to each other"

The feeling today, as then, is very mutual.

Thank you: I wish you all a successful day.