

May 20th, 2005

Mutual Prosperity in Asia Through Innovation

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Thank you Chairperson,
Distinguished participants, ladies and gentleman,
It is great honor for me to have an opportunity for expressing sincere gratitude and appreciation for all participants from Europe, USA and Japan and for making a short introduction to the contents of this conference.

Innovation through Research and Development shall be the most important engine for accelerating the economic growth of developed countries in the age of innovation driven. Nowadays, Research and Development has been dominantly achieved in developed countries. Through the period from 1996 to 2002, about 96% of the annual world R&D investment flow was implemented in the developed countries, according to UNCTAD.

However, it is noteworthy that some Asian countries seem to have developed prominently their capability of Research and Development and Innovation in recent years, especially, India, China, Taiwan and Korea. Above all, China has tripled R&D expenditure in the period of 1996 to 2002 although the scale of R&D investment is still one tenth of that in Japan in 2002.

On the other hand, some major developed countries, including Japan, which is the second largest R&D investing country following the USA, have experienced relatively deteriorated R&D performance in comparison with that of USA, especially, in the field of ICT industry. Now, Japan is facing with a formidable dilemma. The dilemma means that Japanese firms have still preserved strong international competitiveness or firm specific advantages in automobile industry and sophisticated home electronics industry with still vigorous support of socially

and institutionally complementary system of Japan but that they have experienced deteriorated competitiveness in majority of ICT industries with the prominent development of ICT revolution and Modularity in the 1990s, which may have a contradictory nature against Japan's conventional economic, social and institutional system. The dynamic global economy, especially in Asia, gives us much opportunities and difficulties.

Nishogakusha University, which is in a considerably long history of 130 years, has an academic tradition of East Asian studies, including culture, literature, history and philosophy. Nowadays, comprehensive and careful Research of dynamic development of East Asian economy and business, including Japan, is the newest and the most enthusiastic field for us. Graduate school of International politics and economics of the university is in charge with this issue and we are concentrated on this most vigorous field in the recent world.

Reflecting this recent trend of global economy and Asia, our opening this international conference of "Pathway to Innovation" jointly with German Institute for Japanese Studies with strong support by the Embassy of the Federal Republic of Germany and Japan Institute for Overseas Investment is truly innovative for our graduate school and no doubt this conference is the most insightful one for all academic people, researchers, policy makers and businessmen, who participate in the conference.

It is said frequently in Japan that Germany and Japan has much similarity in nature of people, culture and even economy. Germany is one of the most familiar countries for many Japanese. Both countries have very close communication in the wide variety of various fields. Furthermore, this year is the "German Year in Japan." I hope the linkage of German and Japan shall be strengthened through this opportunity.

Current difficulties in Japan, which I have mentioned before, may also be common for Germany because two countries have some common advantages in the same industries, which are automobile and electric/electronics industries. Comparative analysis of advantages and disadvantages of German and

Japanese industries with those of the USA might be so insightful for us.

On the other hand, it is noteworthy that dynamic neighboring Asian Countries shall be one of the most important opportunities for Germany and Japan, which can give us the prominent inducement for new innovation, while some Asian firms have already grown up to be formidable rivals in some specified fields. Price and cost competitiveness of Chinese firms shall be another prominent result of the ICT revolution and Modularity. In other words, US firms have strengthened their advantages in R&D, leaving production function to Chinese firms. In the next stage, naturally, Chinese firms try to extend their advantages into more higher value added field in R&D and brand making in the international dimension. Japanese firms' carefully responding strategy to the challenge by American and Asian firms may be one important solution for them to solve the above-mentioned dilemma if they can utilize well the resources in host countries. Japanese firms try to have more flexible and open innovation system through accessing Asian resources and markets. Asian firms try to shift to higher value added works. Both interests shall be harmonized in the mutually beneficial ways.

Through the conference of today and tomorrow, I am certain that we have much insight and information for overcoming the current difficulties of Japanese firms and for our finding the pathway toward more vigorous national innovation system for us.

Thank you so much for your generous listening.