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GOVERNMENT RELATIONS ROUNDTABLE

How the ACCJ takes advocacy to the table.

45 years of reporting
business in Japan

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ACCJ Mission

Further the development of commerce between the United States of America and Japan, promote the interests of U.S. companies and members, and improve the international business environment in Japan.

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ACCJ Government Relations Roundtable

Moderated by Geoff Botting Photos by Tony McNicol

There was a time in Japan when government relations by U.S. companies were more about being an adversary than an advocate. The outside world saw Japan's bureaucracy as a brick wall that shut off foreign businesses through a raft of trade barriers. The only way to get inside the system, many people believed, was to break down that wall.

Fast forward to 10 or 15 years later, and now those days are well over. People working in government relations on behalf of U.S. companies have since learned to work quietly within the Japanese system as well as outside of it, where a burgeoning civil society has quickly taken shape.

But one thing hasn't changed—decisions by senior key Japanese Diet members or ministry officials can still determine whether businesses succeed or fail.

The *ACCJ Journal* spoke with four experts in the field of government relations.

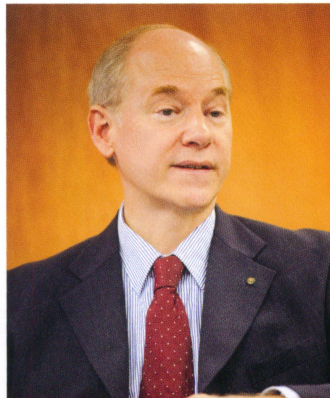
Participants:



E. Keith Henry
Principal Officer of Asia Strategy, a
business strategy and government
policy consultancy



Ira Wolf
ACCJ Government Relations
Committee Chair
Japan Representative,
Pharmaceutical Research and
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William Bishop
Director of Government and Public
Affairs, Nippon Becton Dickinson
Company, Ltd.



Vivian Tokai
Director of Government Relations,
GE Japan Corporation

Geoff Botting: Many of your efforts are focused on advocacy, trying to effect changes in regulation or helping shape policy, etc. But in the hypothetical “perfect world”—a world of no trade barriers and of totally sympathetic governments—would businesses still need to spend time and money on government relations?

Keith Henry: Sure. From a corporate standpoint, government relations deal with the intersection of public policy and corporate strategy. Effective government relations assist business leaders to better understand how public policy defines the competitive environment, creates new business opportunities, and presents new challenges or obstacles to expanding their business in Japan. Senior business executives know when their government-relations program is running on all cylinders when they’re in a position to understand why public-policy changes occur so that they can anticipate policy developments and adjust corporate strategies before their competition has a chance to do the same. Of course, government-relations nirvana occurs when the firm can combine a

deep understanding of the “how” and “why” of public policy with an ability to shift the debate on public-policy outcomes to those that favor the specific interests.

Ira Wolf: Even in a totally unregulated industry, say, in consumer products, where there are no restrictions or barriers, there still will be rules and regulations, such as safety regulations, labor rules and tax laws. Things can develop quite suddenly with such regulations. So you need to have a core program to deal with this.

If you do have a trade issue, your biggest problem will be going into a government office cold. So you need some infrastructure within your company to deal with this.

Vivian Tokai: There are basically three types of government relations. One is crisis management. So if something unexpected happens in the government, you have someone who can handle the government relations to minimize any impact on the company. Another is to deal with regulation as a kind of countermeasure activity. This is important for

highly regulated industries, such as the airlines or transportation, to deal with short-term, day-to-day activities. The third function is applicable to all industries: to frame policy or shape policies for the mid- or long-terms through dialogue with government policymakers.

William Bishop: Having a government-relations function allows you to interface with the people who are formulating policy, as opposed to those simply executing regulatory mandates. Many foreign companies come to Japan, establish a presence but then find they don’t have a robust government-relations function, although they do have a regulatory function. My field, healthcare, is a public issue often high on the political agenda; it is in this arena that the government and political dimension comes into play.

IW: Even in the perfect world, you will always be affected by government actions.

For instance, if you’re an American exporter, then the terms of, say, a free trade agreement (FTA) between Japan and another country are critical for you. The rules that get established can determine your success or failure.



How can bilateral agreements that exclude the U.S. be critical to U.S. companies?

IW: If you're exporting products that are manufactured in Japan or providing services from Japan through a subsidiary here, then you're involved. If you export to Japan from a third country that has an FTA with Japan, you need to understand that FTA.

In addition, the content of one FTA that Japan signs can influence any subsequent FTAs that, say, the target country has with the U.S. So it gives you an advantage to know about the items in the original FTA.

VT: Bilateral agreements involving Japan and other countries can have quite a large influence on the business of U.S. companies. Take the nuclear-power business, for example, which GE is involved in. One or two key components of power plants must be procured from Japanese

manufacturers. In other words, GE and Westinghouse cannot make their power plants without these Japanese exports. So even though the U.S. has nuclear-power bilateral agreements with, say, India or the United Arab Emirates, unless Japan also has bilateral agreements with these countries, then the U.S. companies would have a difficult time doing business with them. So you can see how important government relations are in this whole process.

Right now, on both sides of the Pacific, Tokyo and Washington are handing out plenty of fiscal-stimulus money to be spent on infrastructure and other projects. How does this affect your job?

KH: This raises a key, though frequently underappreciated, aspect of government relations. That is, the leverage it can provide to business-development activities that normally

have fairly long fuses before actual sales can be registered. I call this "B2G," or how government relations can assist business to take advantage of government-created business opportunities. For instance, the significant line items in the latest economic stimulus packages have been under discussion for at least 12 months. Participating in these discussions, or at least monitoring the debate, a firm would have been well positioned to shift marketing strategies to more fully take advantage of the hundreds of billions of dollars the government of Japan will be using to expand use of computers in public schools, solar panels in the commercial and residential sectors, digital medical records in the healthcare sector, or technology to drive the creation of a "smart grid" in Japan. These are concrete examples where the government is playing a key role in what

I'd call the "market development" of key business sectors.

In Japan, where the boundaries between public and private sectors are especially blurred, market development initiatives of the government are frequent and pronounced. This makes the role of government relations in assisting the firm to take advantage of these opportunities even more important, especially since a typical businessperson involved in market or business development doesn't have the time or the bandwidth to pay attention.

As representatives of foreign companies or industries in Japan, you are outsiders. How do you work the system when you're outside of it?

IW: One of our challenges is availability of resources. A lot of government-related activities in Japan are done by industry associations. And it's these groups that have most of the direct interface with the government. The Japanese corporations will dispatch their employees to serve on the association fulltime on loan for a year or two years. Most foreign companies just don't have the resources to do this. Meanwhile, those dispatched employees are bringing home lots and lots of information.

KH: So that's the challenge of government relations. It's not simply a matter of going down to the "government," such as the Diet or the ministries, and saying hello. As I said earlier, the boundaries between the public and private sectors are very blurred, with these industry associations as a case in point. These organizations are neither from the private nor public sector. But since these associations serve as the neutral arena where firms and government gather to debate and determine policy that impacts the competitive position of a firm, it is important that an effective government-relations program monitors and participates in these discussions. Of course, in the current economic environment, it is sometimes difficult to pry

loose the resources to invest in these activities. But, then again, with no investment there's no return.

So what sort of an approach should one take?

WB: Well, that's why companies come together to form associations like the ACCJ. Companies can pursue sector-specific activities while leveraging the clout of the organization as a whole to provide that extra voice and added amplification, which you hope will start to resonate within the system.

Do you ever feel that your efforts are too often not paying off? That "the system" here is working against you?

IW: A vacuum salesman doesn't mind having the door slammed in his face 99 times, as long as he makes the sale the 100th time. You learn from your failures.

WB: In the recent supplementary budget, for example, there was an item that almost seemed to have been cut and pasted from an ACCJ Viewpoint on the value of Preventive Healthcare. We had advocated this during a Diet Doorknock; and in the Viewpoint we pointed out that cancer screening rates in Japan were low, and we offered basic data and a recommendation on breast and cervical cancer screening. As it turned out, the supplementary budget allocated money for a national program for breast and cervical cancer screening.

Though similar program recommendations have had strong advocates in the Diet, there is no way to know for sure what additional voices may have helped to drive this policy-decision forward. The key thing in advocacy is to ensure your voice is heard. In this case, it turned out to be a win-win for policymakers and patients alike. Shifting to a system of early screening, early detection, early diagnosis and early aggressive treatment yields both better patient outcomes and long-term cost savings.

IW: Maybe no specific measure was key to that success, but it was all part of an

environment that was developing. And so the approach is to try to influence this environment. In this case, we could feel that our efforts contributed to this success. It can't be measured, which is always the internal problem. Unfortunately, head office will want to know: "What's the metric? How do you justify all the money we're spending on this?"

WB: So the measurement you use is "Did it happen or not?" The key point is that we knew where we wanted to go and what items would be useful, and it turned out favorably. But that's what advocacy is all about. It's about taking a multi-pronged approach; it's about multiple points resonating toward a single goal.

KH: We're involved in a competition over ideas. But this is not simply an esoteric debate on politics. Outcomes do impact the bottom line of U.S. businesses in Japan. However, it is impossible to control the debate and, therefore, the outcomes. But as with baseball, you don't need a .500 batting average to consider your government relations program a success.

VT: It is difficult for a foreign company to operate as an outsider. That's why we take this multi-pronged approach, as a way of keeping up with the Japanese companies.

I often see ourselves as second-class citizens, which means we need to be both careful and creative. The Japanese government makes policies for Japanese people using Japanese taxpayers' money for the benefit of Japanese society.

Back in the 1960s and '70s, foreign companies were always complaining, saying the system here was discriminatory. Well, it was discriminatory, yet attacking the government wasn't going to cause it to change. More recently, however, American companies have realized that they needed to change their approach, to become creative in using this multi-pronged approach.

Is that why the slew of bilateral trade disputes between the U.S. and Japan of the 1980s to mid-'90s, which were marked by antagonism and hard feelings, are now a thing of the past? Is it because U.S. businesses and negotiators have evolved?

WB: There was a time when foreign and U.S. companies came to Japan and said, "This works everywhere else in the world. How come it doesn't work here?" There was a belief that Japan wasn't playing ball. But, at the same time, those companies didn't want to learn the local rules of how ball was played when Japan had home field advantage.

Meanwhile, companies' head offices were willing to make adjustments for Germany or France, or markets in Europe (before the creation of the European Union's single market), which they weren't so ready to do for Japan. Companies tended to be Eurocentric.

But now, perhaps due to the effects of globalization, U.S. companies are much more willing to accommodate the idiosyncrasies of the Japanese market, as long as market access can continue to be assured. I think that explains a lot about the success of our advocacy efforts.

IW: There has been enormous change in my field. In the 1980s, Japan's bureaucracy was quite closed to foreign pharmaceutical companies. But a decade and a half of discussions and negotiations have led to a dramatic change in the way the pharmaceutical industry is managed and regulated by the Japanese government. We've now reached a point where the Japanese and foreign industries are in total agreement, completely joined together. Much of what we would try to do in other countries vis-à-vis the government we don't need to do because the Japanese industry is doing it already. So we offer support and look for ways by which we can add value to their efforts. Of course, sometimes we have our own distinct approach. But we've become part of the process.

VT: The situation is evolving. Back in the 1970s/1980s, there were hardly any foreign companies engaged in foreign relations. Keith was one of the pioneers. And until recently, all such people in their field were Americans. But now, more Japanese people, such as myself, are working for U.S. companies.

KH: But, at the same time, the Japanese public sector has also evolved. At the end of the day, people and governments act in their own self-interest. This means that, over the years, the government of Japan has come to seek out new ideas delivered by firms not based in Japan. The result is that firms that were once outsiders in the policymaking process of Japan are being encouraged by government policymakers to become more actively engaged in the policymaking process.

In that sense, American-based companies have a source of competitive advantage over domestic firms in that they have broad global experience that provides them with unique insights and knowledge that are being sought out by the government and politicians.

It is essential to learn to speak Japanese and learn the intricacies of Japanese social etiquette, but it's pointless to try to actually be like Hitachi or Mitsubishi; you just can't match their government-relations resources. It's not only futile, but dangerous because you risk losing your competitive advantage—which is that you ARE foreign.

WB: Japan's civil society has made great strides. The Kobe earthquake (in 1995) was the genesis. At that time there was only a handful of NPOs here. People said there is no volunteerism here. But the law was changed to allow NPOs, and now there are nearly 40,000 of them. Now we have a civil society that's trying to gain its voice, and multiple points of advocacy leverage within the system, as opposed to just a small number of powerful groups in control of each industry sector.

IW: In the medical field, patient groups didn't exist 10 years ago. But now they



clearly have influence on decision-making in Japan.

WB: The media is playing a huge role in development of this civil society. There seems to be more angles and different tenors out there within the media than before, when much of the reporting was cut and paste. Now we can use the media to get reach on our message. When that's done, you can inform and educate from a variety of angles. The cornerstone of effective advocacy is education.

IW: There are more professionals in the press corps in Japan than 10 or 20 years ago. There are journalists who have been writing about healthcare for 20 years and so the reporting seems a lot more thoughtful. Over time, this has had an impact on policy.

KH: This is all part of the growing pluralism taking place in Japanese society, more people having a voice. For government relations, this means there are more opportunities to participate. As the bureaucrats give greater value to ideas, rather than just on relationships, that creates opportunities for outsiders to play the game. ■



Geoff Botting is a freelance journalist based in Tokyo.