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## **Lilly's Taurel Calls for Japan-U.S. Economic Integration Agreement**

### **Pharmaceutical leader says eliminating barriers is crucial to increasing competitive potential of both nations; could spur regional and global trade liberalization**

TOKYO, Aug 31, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Eli Lilly and Company (NYSE: LLY) chairman and chief executive officer, Sidney Taurel, today made the case for a Japan-U.S. Economic Integration Agreement, and urged private groups to help lay the groundwork for such a free-trade deal.

In a speech here today before the American Chamber of Commerce in Japan, Taurel argued that a comprehensive bilateral agreement could boost the \$200 billion annual trading relationship between Japan and the United States, while strengthening the two countries' overall economic competitiveness.

"Simply put, economic integration would increase the competitive potential of Japanese and U.S. business because integration encourages innovation -- our greatest comparative advantage," he said.

Taurel also noted that, together, the Japanese and U.S. economies account for fully one-third of the global gross domestic product, giving them an extraordinary ability to model economic relations.

Far from hindering the growth of Japanese and U.S. trade with emerging industrial economies such as China and India -- or complicating the achievement of trade liberalization on a regional or global scale -- a bilateral pact would be broadly beneficial, according to Taurel.

"Japan-U.S. integration could be expected to accelerate the pursuit of partnerships with third countries that make our individual companies and industries more competitive," he said. Further, Taurel argued that the Japan- U.S. pact could help spur free trade among Pacific Rim countries and other World Trade Organization (WTO) members by serving as "a clear demonstration of the sort that others cannot ignore."

The Doha round of the WTO's multilateral trade negotiations collapsed in July, about five years after they began. Taurel urged a resumption in the negotiations. "I believe that Japan and the United States have a special responsibility to help revive the troubled Doha round of multilateral trade negotiations," he said.

Taurel predicts that bilateral trade negotiations could improve performance of industries in Japan, such as the pharmaceutical industry. He said the Japanese market is less attractive to U.S. companies and less supportive of Japan's own pharmaceutical industry because of Japanese clinical requirements and policies of the National Health Insurance system that fail to assure price premiums when new products come to market. He noted that while Japanese pharmaceutical companies are some of the most innovative in the world, not a single Japanese firm makes the list of Top Ten global pharmaceutical companies and Japan's global market share in pharmaceuticals is less than 10 percent -- compared with about 50 percent for U.S. companies.

"One goal of bilateral trade negotiations should be to reduce artificial constraints on pricing and market access for biopharmaceuticals in Japan," said Taurel. "As a result, one would expect to see greater investment in life sciences R&D in Japan; better integration of Japanese research with academic, medical, and industry networks around the world; significant increases in employment in Japan; faster access to medicines for Japanese patients; and, of course, increased exports of Japanese biopharmaceutical products to markets worldwide."

Taurel expressed optimism regarding a favorable conclusion of ongoing U.S. and South Korean negotiations over a free-trade agreement, arguing that "both sides understand the symbolic as well as the practical benefits of what they are trying to accomplish."

Recognizing that the Japanese and U.S. governments may not be ready to proceed with bilateral trade negotiations, however, Taurel urged private groups -- such as think tanks, industry associations, and universities -- "to explore and to prepare" for a future pact. "By moving to the next stage in our economic relationship -- true integration -- Japan and the U.S. can help to secure their own prosperity for decades to come, and inspire many other nations to follow our example," Taurel concluded.

To see the full text of Taurel's speech, please go to [www.lilly.com](http://www.lilly.com).

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