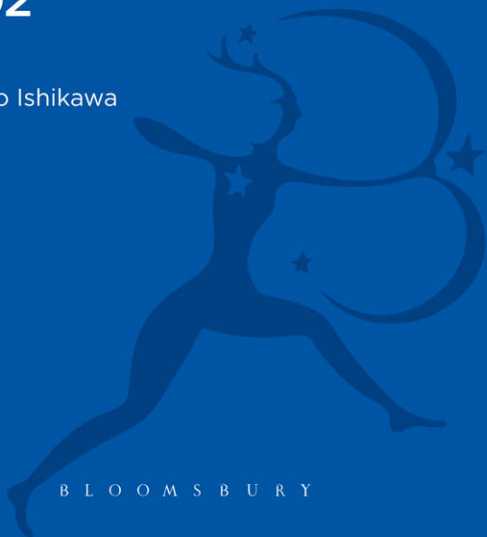


BLOOMSBURY
ACADEMIC COLLECTIONS
JAPANESE ECONOMICS
AND INDUSTRY

JAPAN AND THE CHALLENGE OF EUROPE 1992

Kenjiro Ishikawa



B L O O M S B U R Y

**JAPAN AND
THE CHALLENGE
OF EUROPE
1992**

This page intentionally left blank

JAPAN AND THE CHALLENGE OF EUROPE 1992

Kenjiro Ishikawa

BLOOMSBURY ACADEMIC COLLECTIONS
Japanese Economics and Industry

B L O O M S B U R Y
LONDON • NEW DELHI • NEW YORK • SYDNEY

Bloomsbury Academic

An imprint of Bloomsbury Publishing Plc

50 Bedford Square
London
WC1B 3DP
UK

1385 Broadway
New York
10018
USA

www.bloomsbury.com

First published in 1990

This edition published in 2012 by Bloomsbury Publishing plc

© Tatsujiro Ishikawa, 2012

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or any information storage or retrieval system, without prior permission in writing from the publishers.

Tatsujiro Ishikawa has asserted his right under the Copyright, Designs and Patents Act, 1988, to be identified as Author of this work.

No responsibility for loss caused to any individual or organization acting on or refraining from action as a result of the material in this publication can be accepted by Bloomsbury Academic or the author.

Bloomsbury Academic Collections

ISSN 2051-0012

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

ISBN: 9781780939483 (cloth)

ISBN: 9781780933252 (Bloomsbury Academic Collections:
Japanese Economics and Industry)

ENTIRE COLLECTION ISBN: 9781780933184 (Bloomsbury Academic Collections:
Economics, Politics and History of Japan)

Library of Congress Cataloging-in-Publication Data

A catalog record for this book is available from the Library of Congress.

Printed and Bound in Great Britain

Contents

List of Tables	vii
Abbreviations	ix
Foreword	xi
Preface	xiii
1 Introduction: A 'Single European Market' and Japan	1
2 Post-war Trade Relations between the Community and Japan	12
Mutual misunderstandings	12
The widening trade gap	18
Japan's low import propensity	32
3 European Dilemmas	40
Declining European competitiveness	40
Defensive European responses	48
4 Agenda for Adjustment	55
Structural reforms in Japan	55
Quantitative restrictions – discrimination	64
Automobiles – a sensitive sector	68
The Nissan case – local content requirement	76
The 'screwdriver' regulation	82
5 Towards 1992	95
Japanese investment in the Community	95
Reciprocity	108
6 Conclusion: The Tasks Ahead	118
Notes	127
Index	145

This page intentionally left blank

List of Tables

1 The macroeconomic consequence of market integration for the Community in the medium term	4
2 EC trade with EFTA, the US and Japan	5
3 Japanese foreign exchange reserves, 1951-7013	13
4 Japanese exports to the Community: some of the major items	17
5 Japan-Community automobile trade, 1977-80	25
6 Importers' share of the West German car market, January-May 1979 and 1980	27
7 Japanese car access to the Community market, June 1981	27
8 The development of trade between the Community and Japan	31
9 Japan's manufactured imports	32
10 Household saving ratio	39
11 The structure of Japan's export trade	43
12 Wage costs and productivity: annual growth rates	46
13 Changes in shares of OECD exports	47
14 Index of changes in comparative advantages in exports of high-technology products	47
15 Investment in manufacturing (1975 process and exchange rates)	48
16a. Tariff burden of selected industrialized countries and the Community, 1987	56
16b. Examples of tariff reduction or elimination	56
17 The process of import liberalization in Japan, 1960-86	57
18 QRs eliminated by the Japanese government in 1988	59
19 Comparison of residual QRs	60
20 Japan's imports of manufactured goods	62
21 Trade between Japan and the Community	62
22 Discriminatory QRs on imports from Japan, December 1988	64
23 Japanese car makers' market share	70
24 Registered vehicles imported into Japan, 1983-8	72
25 Abolition of national quotas without any Community measures	75

viii List of Tables

26	World car sales and production forecasts	77
27	Community and anti-dumping duties against Japan	93
28	Japanese direct investment in the Community (1)	98
29	Japanese direct investment in the Community (2)	100
30	Japanese direct investment in the Community (3)	102
31	JETRO's survey 1988 (1)	105
32	JETRO's survey 1988 (2)	107
33	JETRO's survey 1988 (3)	107

Abbreviations

Note: Where a translation is given instead of titles or names, lower-case initial letters have been used.

ACP	African, Caribbean and Pacific Associates of the EEC
ANFIA	National association of motor vehicle manufacturers (Italian)
BDI	Confederation of West German industry
CBI	Confederation of British Industry
CCMC	Committee of Common Market automobile constructors
CECIMO	European committee for cooperation between machine-tool industries
CJPrint	Committee of Japanese Printers
CLCA	Liaison committee of the EC car manufacturers
CMEA	Council for Mutual Economic Assistance
DG	Directorate-General (Commission of the European Communities)
DRAM	dynamic random access memory
EC	European Community
ECU	European Currency Unit
EEC	European Economic Community
EES	European Economic Space
EFTA	European Free Trade Association
EMS	European Monetary System
EUROPRINT	Committee of European printer manufacturers
FIRA	Foreign Investment Review Act (Canada)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalized Schemes of Preferences
JETRO	Japan External Trade Organization
LTA	Long Term Arrangement on cotton textiles
MFA	Multi-Fibre Arrangement
MFN	Most-Favoured Nation

x Abbreviations

MTN	multilateral trade negotiations
MITI	Ministry of International Trade and Industry (Japan)
NTB	non-tariff barriers
OECD	Organization for Economic Cooperation and Development
QR	quantitative restrictions
REI	Ricoh Electronics Inc.
SITC	Standard International Trade Classification
SIDM	serial impact dot matrix computer
TRIM	Trade-Related Investment Measure
UNICE	Union of industrial and employers confederations of Europe
VAT	value added tax
VCR	video cassette recorder
VER	voluntary export restraints
VTR	video tape recorder

Foreword

Over the past five years the Royal Institute of International Affairs has seen a steady expansion of its research activities on both Western Europe and East Asia. One welcome result has been the current emphasis of the Institute on exploring the new relationships that are developing between a European Community intent on further economic integration and its major trading partners, including Japan. Kenjiro Ishikawa completed this study as a Visiting Fellow in the Institute in 1988–9. His account of the history of Euro-Japanese trade relations in the context of 1992 provides both a carefully documented analysis of events and a stimulating Japanese response to a European venture that will undoubtedly extend well beyond its original economic goals. His interpretation, however, is his own, and the views expressed in the study are not to be taken as being those of the Institute. The Institute intends to follow this volume with other studies which will add to the range of interpretations of the way in which an increasingly unified Western Europe handles its relations with other countries.

*Royal Institute of
International Affairs,
London*

Sir James Eberle
Director

This page intentionally left blank

Preface

The envisaged completion of a single European market by the end of 1992 will increase the economic and political weight of the European Community; it has already had a considerable impact on its international economic and political role. In the light of its status as one of the strongest economic powers in the world, the Community can and should exert a constructive influence on the world trade system.

Once internal border controls and national trade restrictions have disappeared, a common external economic policy is indispensable for the Community. However, it is necessary to consider the extent to which an open single market will affect economic relations with third countries. At present, many EC member states still have in operation protective mechanisms of their own, including against Japan. When the single market is completed, these will have to be either abolished or put on a common basis.

The declaration by the European Council in Rhodes of December 1988 to the effect that 'the internal market will not close in on itself' is an important step in the direction of a liberal approach. This is the Community's first attempt at defining its external economic position in the context of completing the single market.

Concrete solutions, however, are needed for translating such declarations of intent into practice. Since June 1985 when the EC Commission launched its White Paper for completing the internal market, the assessment of the single market by third countries has ranged from concern or scepticism to positive expectation. Many third countries are concerned because they fear that what they see as the protectionist tendencies of some member states may be transferred to the Community as a whole. These fears are understandable.

As for Japan, in the thirty odd years since the signing of the Treaty of Rome, the Community has had difficulty in finding a coherent approach to solving trade problems with Japan and has consistently resorted to discriminatory measures. In the background, there have been several factors, such as a mutual lack of interest during the post-war period; lingering

xiv Preface

resentment against Japan as a result of the war; memories of aggressive Japanese trade practices in the pre-war era, and of shoddy goods, low wages, patent piracy and dumping practices. Even though the 'shoddy goods' image had long since become a thing of the past, the Community's discriminatory treatment of Japan continued.

Over the past year or two, however, there have been some positive developments in trade and economic relations between the Community and Japan. Japan has moved towards less export-dependent economic growth, reflecting precisely the kind of structural adjustments that outsiders desire, and its tariff and non-tariff barriers (NTBs) are now among the lowest of those of the major industrialized countries. These positive trends are reflected in its external trade, including trade with the Community. Its investment in the Community has also increased substantially over the past few years. As for the Community, there has also been some movement: its attitude towards Japan has become unmistakably more friendly and constructive. However, what remains to be seen is whether it will sustain a more liberal approach towards Japan beyond 1992, since its discriminatory attitude seems to be very deep-seated.

This study, which is based on Community and Japanese government documents, has two main aims: it seeks to analyse the origins of the Community's attitude towards Japan and, in particular, of its discriminatory treatment of Japan, by providing readers with the background to trade relations between the EC and Japan since the establishment of the Community; and it attempts to suggest possible future directions in which the two parties could go in the light of the 1992 programme.

The book is the product of research which I undertook as a Visiting Research Fellow at the Royal Institute of International Affairs (Chatham House) in London during 1988-9; it should be noted, however, that the views expressed in it are entirely my own and are in no way to be interpreted as being those of the Institute.

I am deeply indebted to the Institute, and to a number of its staff, for enabling me to undertake this project. My thanks are due in particular to the Deputy Director, Dr William Wallace; to the Head of the West European Programme, Dr Helen Wallace, for constant encouragement and many helpful suggestions; and to the former head of the East Asia Programme, Dr Brian Bridges, whose generous support and friendship were an incalculable asset throughout my work. I also feel greatly indebted to the members of the Chatham House study group, as well as to colleagues at the Institute, for commenting on the typescript; to the staff of the Institute's Library and Press Library for collections of materials and data; and to many friends elsewhere, including Giorgio Boggio, Guy Crauser, Dr Brian Hindley, Dr Jean-Pierre Lehmann, Christian Masset, Simon Nuttall, Danièle Smadja, Juichi Takahara, John Wilson and Professor John Zysman for valuable comments and suggestions. My special thanks go to Head of

Publications at the Institute, Pauline Wickham, for looking after the publishing arrangements so efficiently, and to Rosamund Howe for editing the text with such skill. A last acknowledgement must be made to my wife, Teiko, who consented to come to live in London again and gave me unceasing support and encouragement.

London
July 1989

Kenjiro Ishikawa

This page intentionally left blank