Anglo-Japanese High-Tech Forum

By Toshio Iwasaki, editor of the *Journal of Japanese Trade & Industry*

Industrialized countries are now battling for the initiative in high-technology industries. With the progress in sophistication of industry, industrialized countries are gradually transferring less technology-intensive manufacturing industries to less industrially developed countries. This is part and parcel of the process of multinationalization of manufacturing industries of industrialized countries, which are now concentrating on industrial fields which require sophisticated technologies.

The intensive competition in the field of sophisticated technologies is causing frictions. The friction between Japan and the United States over semiconductors is a typical example. High technologies are incorporated deeply into each country's defense structure in various forms, and so frictions in high-tech fields affect national security, thus stirring up technonationalism and making the problem all the more complicated.

No instant solution exists that can remove such frictions overnight. People involved in high-technology industries have come to realize that the most effective way to ease friction in high-tech fields is to get to know each other well, deepen understanding of each other's circumstances and repeat this simple but time-consuming process.

The Anglo-Japanese High-Technology Industry Forum, which has been held annually since 1986 under the joint sponsorship of the Japan Economic Foundation and the Royal Institute of International Affairs (known as Chatham House) of London, is the product of such awareness of the two countries. Keynote speakers at the fourth forum, held in Gotemba, a resort at the foot of Mt. Fuji, in May, verified the basic direction of this bilateral body.

In an opening address, Naohiro Amaya, president of the Japan Economic Foundation, proposed that industrialized countries should enhance the merits and rectify the shortcomings of technology through heart-to-heart personal communications. In response, Chatham House Director Sir James Eberle observed that it is unavoidable that problems of one kind or another should arise in bilateral trade of high-tech products, but that one effective way to minimize such problems is to create a good atmosphere through interchange of people involved in high technologies, as in the Anglo-Japanese forum.

Among other participants in the latest session were: (from Britain) Brian Murray, undersecretary at the Department of Trade and Industry; Sir Hugh Cortazzi, former ambassador to Japan; Ronald Dore, professor at Imperial College of the University of London; and executives of 13 high technology-related companies; and (from Japan) Shinji Fukukawa, adviser to the Ministry of International Trade and Industry; Kozo Iizuka, director general of the Agency of Industrial Science and Technology; and executives of 12 high-tech companies.

Different approach

In discussing the high-technology industry, it is necessary to take into account each country's policy on science and technology. With this in mind, the participants in the forum first received briefings from Japanese and British officials on their respective science and technology policy. Ensuing discussions brought to light the differences between Japanese and British approaches.

Participants from both countries likewise stressed the need to promote research and development in science and technology in an internationally open manner. But the Japanese side seemed to place the emphasis on unrestrained international exchanges, with most attention paid to arrangements involved and acceptance of foreign researchers' participation in Japanese R&D projects. On the other hand, the British participants attached prime importance to the promotion of free, open competition and wanted to promote cooperation with proper compensation, instead of free exchanges.

There was also a big difference in the two sides' approaches to future research. The Japanese participants said Japan is shifting its emphasis from research on application technology to basic research. In contrast, the British felt that they had placed too much emphasis on basic research in the past. They said that in the future they would attach more importance to more industry-related research, e.g. in universities.

Another difference was that whereas R&D expenditures shouldered by the private sector account for only 50% to 60% of the total R&D outlays in the United States and European countries including Britain, the private sector's R&D share is a high 80% in Japan and its enthusiasm for R&D remains unabated.

A British government official pointed out that while R&D cooperation between British universities and Japanese companies is quite prevalent, such cooperation between Japanese universities and British companies is very limited due mainly to the lack of proficiency in the Japanese language on the part of British researchers. The British official emphasized the need for British scholars to learn the Japanese language to promote exchanges between Japanese and British researchers.

"Competitive Environment of High-Technology Industry in the 1990s" was the main theme of the fourth forum. As a matter of course, much discussion took place on the European Community's market integration scheduled for 1992 and on the question of how foreign companies can succeed in the Japanese market.

British officials explained that despite differences between Britain and Continental countries regarding political unification, they are at one in the desire to form a single market. In this connection, a British corporate executive said that the EC market integration was motivated

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above all by the limited flows of goods resulting from the absence of unified standards among EC members. He regarded the move toward market integration as urgent and irreversible. His remark helped Japanese participants understand the circumstances necessitating the market integration.

Referring to the Japanese fear of the EC becoming a fortress as a result of the market integration, British officials dismissed the possibility of a unified EC developing into an internationally closed entity. They pointed out that the EC unification would turn out to be beneficial to Japan because laws and regulations will be unified within the region and thus procedures for price setting and registration of patents will be speeded up.

Commitment needed

With respect to British companies' advance into the Japanese market, a British businessman, who is the president of the successful Japanese subsidiary of a British company, cited a number of factors contributing to his company's success. He said that products to be brought into Japan must be unique and highly competitive and that even products selling well in Britain need fine-tuning to satisfy the needs of Japanese consumers. He also saw the necessity of "aggressive" participation in the Japanese market, including the manufacturing of products in Japan.

Another suggestion was that top executives of parent companies in Britain must be committed to the Japanese market. Head office executives must fully understand the nature of the Japanese market, a task which requires perseverance, he said. When a British company establishes a joint venture in Japan, it must state clearly at the very beginning what it expects of its Japanese partners, he also said. His speech, based on his experience, was quite convincing to Japanese participants and enlightening to his British colleagues.

High-technology industries first of all must clear the hurdle of global standardization of technologies in orienting themselves to international cooperation, instead of adhering to techno-nationalism. The forum heard reports on efforts for standardization being made in the fields of telecommunications, new materials and ceramics, and problems attendant on such efforts.

During discussions on standardization, participants pointed to the necessity of 1) cooperation in the pre-standardization stages as in measurement and testing, 2) maturing of technology before it is standardized, 3) limiting of international standardization to the basics of technology, 4) specification of technology assessment, and 5) frequent review of standards in view of the short lives of high technologies.

In summing up the discussions, JEF President Amaya aptly likened the harmonization of technical standards to the standardization of driving regulations should a tunnel be built connecting Britain with the Continent.

The British are used to driving on the left-hand side of the road and the rest of Europe on the right. Neither system is inherently better than the other, but the two are obviously incompatible and would have to be harmonized. Both Britain and the Continental countries would want to retain their own systems, since it would be a jarring and expensive break with tradition to change, and this is thus more a political than a scientific judgment. It may, in fact, be that they would look at the costs and choose not to join their traffic systems. That way lies nationalism. Or, he said, they could recognize that the benefits outweigh the costs, restrain their nationalist impulses, and choose the path of globalism.

At the three forum subcommittee sessions on electronics, new materials and life science, executives and engineers from Japanese and British companies in identical industries discussed international cooperation in R&D.

The forum participants seemed to have struck up a friendship both inside and outside the conference hall. One participant remarked that nothing was more effective in promoting international exchanges than face-to-face communications.

I believe that the information network being developed by the Japanese and British participants in the forum is likely to contribute to further cooperation between the high-technology industries of the two countries.