

Japan-U.K. Industrial Relations

Reflections from the Anglo-Japanese High Technology Industry Forum by Louis Turner, British Convener

In a turbulent economic world, the Japan-U.K. relationship has been an area of relative calm. British diplomats have occasionally become worked up over issues such as the treatment of whiskey and biscuits, or the difficulties British companies have had in gaining access to Japanese financial markets. However, these questions are rarely pursued with the stridency adopted by competitors such as the Americans.

Conversely, there have been few Japanese complaints. From the late 1970s, the British have provided a relatively friendly base for Japanese investment in Europe. In the mid-1980s they conducted tough negotiations with potential major investors, such as Nissan Motor Co., Ltd., about the terms on which the latter would be allowed in. However, the rhetoric of these negotiations was generally calm as there wasn't even a hint of Japan-bashing.

This means that British and Japanese companies have been able to concentrate on doing business in each other's countries without having to worry very much about the political environment in which they work.

This past July, the eighth annual meeting of the Anglo-Japanese High Technology Industry Forum took place in Gotemba, about a 100 kilometers west of Tokyo. As the British convener throughout the Forum's history, I have been in a good position to watch the growing maturity of the Japan-U.K. relationship on industrial matters.

The early days

The Japan Economic Foundation and the Royal Institute of International Affairs (Chatham House) jointly created this nongovernmental Forum. Its creation was greatly helped by the strong personal relationships that had devel-

oped between Chatham House staff and a succession of Ministry of International Trade and Industry officials who had studied in the Institute from the early 1980s. Each country's delegation was led this year by executives (Dr. Newbould of Zeneca, formerly part of ICI, and Dr. Nakahara of Sumitomo Electric) who took part in the first Forum eight years ago in London. We were also joined by MITI's Taniguchi Tomihiro, who initiated the first Forum.

In the early days the delegations were relatively inexperienced and knowledge of each other's countries was uneven. These were the years when collaborations such as Honda-Rover and Fujitsu-ICL were still in their infancy. A series of case-presentations helped participants identify the issues, and it took sometime for the British to realize that the stronger Japanese partners were not seeking to emasculate the British players. At this stage, it was the British side which was doing most of the learning.

If the British were initially somewhat overawed by the sheer dynamism of their Japanese competitors, it has been fascinating (in the post-bubble economy era) to watch the latter coming to terms with the financial constraints British companies have long been accustomed to taking in stride. In the mid-1980s, it was very rare for a Japanese executive to admit there was nothing his company could not do. In fact, it was not until 1991 that I first heard a Japanese executive (from NTT) admit that his company was unable to make a major investment (in a nationwide ISDN project) because of the impact over-investment would have on his company's equity value.

At the 1993 Forum in Gotemba this question of how to set priorities in a



Mastering new technologies for the benefit of mankind is a central theme of the Anglo-Japanese High Technology Industry Forum.

financially constrained world came even more to the fore. Executives from Hitachi, Sony, Northern Telecom and British Aerospace delved deep into the mechanisms whereby their companies linked research priorities with the real needs of operational divisions. To the British, the most interesting observation was that Sony had been tightening up its priority-setting quite considerably over the last couple of years. This despite the fact that Hitachi's Dr. Takeda was describing in the same session how he is trying to inject some "North Star" research ("Blue Sky" to the British) into the Hitachi research system.

Another central theme for the Forum emerged during the 1988 Forum which was held in Tokyo. This was triggered by an intervention from Don Braben of Venture Research when he contrasted the British and Japanese research traditions. He suggested that the British were strong on "Serendipity" (the ability to make fundamental scientific breakthroughs from the observation of apparently unconnected events) while the Japanese were strong on what he called "Japanity"—the ability to make broad ranging, incremental scientific improvements through dedication to detail and the ability to work in groups. In subsequent years, this discussion expanded to look at each country's industrial-academic relationships.

In a related development, we have seen the growing interest of the British-based research arms of Japanese companies such as Canon, Sharp and Kobe Steel. From the Tokyo side, it was gratifying to find the emergence of a multinational group of researchers based in both Japanese and British companies in Japan. This year the Forum worked closely with the Science and Technology Action Group (STAG) of the British Chamber of Commerce in Japan, building one session around this group's work on techno-globalism. Of particular note was the presentation by Dr. Steve Baker, who is a British researcher now working his way up the Sony hierarchy.

During the late 1980s, interest in the Forum was beginning to wane. The level of the participants remained high, but the initial excitement of the mutual learning process faded. We did develop a comprehensive set of visits and other activities around the annual conference which is the heart of the Forum. The British side particularly remembers meetings with Sony's Mr. Morita and NEC's Mr. Sekimoto. The delegates also remember a particularly lively session with a group of Diet members concerned with science and technology issues. That year we were focussing on intellectual property rights. There was a robust debate about the extent to which the Japanese authorities really were making the intellectual output of officially-supported research available to the international community.

A year later, the Japanese delegation visited the Houses of Parliament for an equally lively off-the-record session with an assortment of peers on what the U.K. had to learn from Japanese industrial policy. The subsequent involvement of Lord Kearton as a senior delegate in the 1991 visit to Tokyo was a reminder that it is not only Japan which can produce octogenarians rich in political and industrial wisdom.

What came over strongly during these years was how some mainstream British companies were getting down to the long-haul business of placing themselves in the Japanese economy. In 1991 we were able to visit ICI's technical center in Tsukuba City, headed by a

Japanese researcher. This was a good example to show that it is not just Japanese companies which practice techno-globalism.

Current state of play

From the start, the organizers have placed great emphasis on getting the personal chemistry of the Forum right. We build a reasonable amount of time into our conferences for discussion and we try to hold the conferences in a residential accommodation. Over the years this has paid off, because the quality of the debate is now about as good as one can get. For instance, in this year's Forum, we took as a key theme the issue of coming to terms with a sluggish economy.

A discussion of research priorities led naturally to a further exchange on the comparative strengths of British and Japanese research. As a sign of the times, we included for the first time a discussion about software developments. This was in response to the fact that an increasing proportion of electronic work is now software driven, as intelligence is driven ever further toward terminals and other end-products. There were no firm conclusions about whether Japanese companies will find it as easy to dominate a software-dominated economy as they managed to do with the hardware-driven electronic and automotive industries during the 1980s and early 1990s.

This discussion of hardware-software strengths then led to a concluding section on whether Japan will improve in basic research. On the one hand, *Far Eastern Economic Review's*, Bob Johnstone drew on his 10 years of experience as a science journalist in Japan. He concluded that the secret behind most of Japan's best scientists was that they somehow escaped the worst effect of the authoritarianism found within many Japanese universities. In case that sounds like bias from a *gaijin*, I would report that, in eight years of experience in this Fora, I cannot once remember a Japanese executive spontaneously commending the contribution of Japanese universities.

On the other hand, Johnstone was fol-

lowed by Sumitomo Electric's Dr. Nakahara who made the point that a great deal of current research was moving either to the "ultra-micro" (in electronics and the life sciences the most interesting work is being done at the sub-molecular level) or the "ultra-micro" (space and nuclear research). Almost as a matter of routine, much of the intellectually exciting work can only be done by scientists with routine access to the latest scientific equipment. At this point, Don Braben's Japanity is starting to increase the likelihood that Japan will increasingly produce world-renown fundamental research. This is a point that Professor Ronald Dore made four years ago when he pointed out that Nobel Prizes to Americans only started to flow once the U.S. economy had established itself. Radical scientific creativity may actually be a function of economic success, and not an initial cause.

The Forum is not designed to lead to direct commercial contracts so it is difficult to demonstrate its commercial importance. Certainly, it is a good way of opening doors into blue-chip commercial companies, and I do know of participants who have come away from one of the associated plant visits talking of orders in the millions of pound sterling.

Ultimately though, the Forum is about deepening understanding between industrialists and officials of each of the two countries. It is significant that the delegations do not need to talk about the dangers of techno-nationalism and Japan-bashing. They no longer need to spend much time talking about the mechanics of industrial collaboration between British and Japanese companies. Instead they can focus on mutual technological problems, such as the mastering of technologies in the ultra-micro and ultra-macro worlds—a world where raw computing power is no longer a problem, but channeling this power into user-friendly innovations is.

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