

Bridging Europe-Japan Perception Gap

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

Japanese and European opinion leaders, meeting for the second time in two years, remained wide apart in their perceptions although closer to each other than before. From the outset, the European side expressed apprehension about Japan's expansion into European high technology industries, which dominate the current relationship between Japan and Europe.

They reminded their Japanese counterparts of the fact that even the market shares of leading European semiconductor makers in their respective countries are surpassed by the combined share of Japanese and American makers, which has raised the possibility of European semiconductor makers disappearing by the mid-1990s, a situation intolerable for the Europeans. They asked the Japanese to understand the circumstances of the European makers and take reasonable action.

The forum, the Second "Europe-Japan" Aspen Conference, was held in Les Baux de Provence from June 7 to 9 under the joint sponsorship of the Japan Economic Foundation, the Foundation of Advanced Information and Research (Japan) and the Institut Aspen France.

As at the first meeting held in Normandy, France in 1989, some 30 participants representing both governments and the private sector from the two sides held discussions in their private capacity on a wide range of issues facing them. The Europe-Japan conference was conceived to promote mutual understanding between Europe and Japan, whose bonds are rather weak compared with Japan-U.S. and U.S.-Europe relations, two of the three pillars supporting the world economy.

Among those attending the three-day gathering were Masaru Hayami, chairman of Nissho Iwai Corporation and chairman of Keizai Doyukai (the Japan Association of Corporate Executives); Shoichi Saba, adviser to Toshiba Corporation and vice chairman of the Federation of Economic Organizations; Yusuke

Kashiwagi, chairman of the Bank of Tokyo; Toyoo Gyohten, visiting professor at Princeton University and former vice minister of finance for international affairs; Nobuo Matsunaga, adviser to the Ministry of Foreign Affairs and former ambassador to the United States; Naomichi Suzuki, vice minister for international affairs at the Ministry of International Trade and Industry; Hisashi Owada, deputy minister for foreign affairs; and Shoichi Akazawa, president of the Japan Economic Foundation, from the Japanese side, and Sir Geoffrey Howe, former foreign secretary of Britain; Jean-Louis Beffa, chairman of Compagnie de Saint-Gobain of France; Christian Sautter, governor of Paris and l'Île de France; Gerhard Cromme, chairman of the Krupp Group of Germany; and Umberto Agnelli, vice president of Fiat of Italy, from the European side.

There were altogether four sessions, the first session dealing with the world situation after the recent changes in the Soviet Union and Eastern Europe and the Persian Gulf war, the second session a wide range of issues concerning free trade, the third session European economic problems and Japanese companies' expansion into the EC region, and the fourth session Japanese economic problems and European companies' expansion into Japan.

Political role

The first session, which covered political issues, drew remarks from both sides on Japan's political responsibility and role in the world. The Persian Gulf war triggered argument both within and outside of Japan over the way Japan can contribute to global security. In this regard, many European participants wondered whether Japan's political role in the world corresponds with its economic role and what Japan's global vision is. Some showed their understanding of Japan's renunciation of the use of force to resolve

international disputes based on Article 9 of its Constitution, but expressed the view that while Japan needed its global vision to protect the peace of the world, the Japanese people were rather unconcerned about world peace. Some others urged Japan to break away from passive pacifism in favor of positive pacifism.

In what amounted to a departure from their past position, some Japanese participants said the Japanese people must make clear to the world their view on whether it would be possible for Japan to maintain both pacifism and economic superiority, which is a serious question for the Japanese people. They admitted that a view is gaining ground in Japan that it must assume greater responsibilities in the world and that a serious debate is under way on what Japan can do within the framework of the Constitution.

Many on the two sides agreed that Japan should cultivate a new political frontier and that areas it should tackle are assistance to developing countries, a challenge to environmental problems, measures to combat AIDS, and initiatives for arms reductions.

The second session, on free trade problems, centered primarily on the trade and investment imbalances between Japan and Europe, particularly in the fields of electronics and automobiles, as well as the impact of regional integration like that of the European Community on free trade.

The European side pointed out that Europe and the United States are headed toward a balance, whereas the imbalance between Japan and Europe is widening, a trend Europe as a whole is unwilling to accept. In this connection, Europeans sought Japan's prompt response, while admitting to Europe's own shortcomings and pledging to make efforts to improve the situation. Some recognized that the imbalance has resulted partly from a delay in restructuring its industries and in the recognition of the importance of research and development.



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While some were confident that Europe can settle its problems and saw the success of regional integration as the key to a solution, others were anxious to emulate Britain, which has boosted its exports to Japan by as much as 80% over the past three years through the adoption of Japanese-style management, acceptance of Japanese investment in research and development, and export promotion efforts.

Japanese participants attributed the rapid progress in Japan's high technology to successful cultivation of a capable work force, expansion of domestic demand led by the private sector, positive cooperation between makers and consumers in technological development, and severe competition. They pointed out in this connection that Japanese industries pushed for the development of technology and products to meet the needs of novelty-conscious Japanese consumers always seeking better quality, better value, and safer and more efficient merchandise. In comparison, they said, consumers in Europe are rather conservative, which makes manufacturers less quality conscious.

As to the difference in quality between Japanese and European products, the Japanese side expressed the view that while there is no difference in the technological level between Japan and Europe, a difference does exist in the quality of products in Japan's favor, due mainly to differences in the training of factory workers. Yet, they predicted, such differences will disappear as the lifestyle of Japanese people is rapidly becoming closer to that in Western industrialized countries.

The Europeans were well aware of the background of Japan's industrial success and were in no mood to listen to the Japanese explanation of the reasons for their success. Instead, they reminded their

Japanese counterparts of the importance of Japan making concrete proposals for settling the imbalance, saying that the imbalance should be settled in a political forum, which is now available. Both sides were in general agreement that the promotion of joint ventures between Japan and Europe in the field of high technology will help settle the problem.

Anxiety vs. optimism

During discussions on Japanese and European markets in the third and fourth sessions, the Japanese side expressed anxiety over the future of the European Community, in sharp contrast with European optimism. The Japanese said that German unification, which will increase the financial burdens on Germany, could dampen European integration. They feared that as a result of the unification, European companies will turn inward rather than engaging in global activities. They wondered if European business executives would be ready to shoulder the burden of investment from a long-range viewpoint in making direct investment in Japan, just as their Japanese counterparts do in their direct investment in Europe.

Both sides acknowledged that when a Japanese company starts operations in a country in Europe, most of its employees being sent to the country learn its language, whereas few European businesspeople learn Japanese before they are sent to Japan.

The European participants were overwhelmingly of the view that Europe must make its overseas markets as big as the markets held by Japan and the U.S. in order to compete with them and that for this purpose Europe must push integration on which to build a basis for expansion.

Some European delegates pointed to

structural, if not regulatory, obstacles to their investment in Japan, saying that Japanese hurdles to European investment are higher than European hurdles to Japanese investment. Land prices are extremely high in Japan, suitable Japanese employees are hard to find, competition is very keen in high technology, and corporate acquisitions cannot be easily carried out.

Some others suggested that if European businesses are to expand into Japan, they must do it the way Japanese companies do and must persevere even if they encounter difficulties.

The wrapup session, which followed the four specific sessions, drew identical comments from both sides that while the European participants spoke with one voice, their Japanese counterparts were divergent in their views. This may underscore the European enthusiasm toward the 1992 economic integration and the broad consensus among Japanese businesses about pursuing international coordination amid their global economic supremacy.

Taken as a whole, as one Japanese delegate put it, the perception gap between Japan and Europe remained unfilled at the three-day meeting, but both sides understood each other much better than at the first meeting two years ago, due to enormous changes taking place globally and increasing interdependence.

The new atmosphere was evident when both sides showed sympathy toward the remark of one European who suggested that Japan and Europe overcome the problem of trade friction, which has the potential to dominate bilateral relations, and instead take initiatives in grappling with development assistance, environmental issues and drug control.

Yet both sides recognized that it will still take a long time to deepen mutual understanding, which in the words of one prominent European figure is a task comparable to putting together a jigsaw puzzle. They agreed that only repeated meetings would expedite deeper mutual understanding. In this regard, they expect the next meeting, to be held in Tokyo in 1993, to help give a further impetus to that process.