

# The European Voice

Interview with Michael A. Jervis,  
former vice-president of Shell Kosan K.K.  
and former president of the British Chamber of Commerce in Japan  
by Shozo Hochi

The severe trade environment surrounding Japan makes the presence of an international voice more valuable than ever. Michael A. Jervis is such a voice.

During his many years in Japan as vice-president in charge of finance for Shell Kosan K.K. (the Japanese subsidiary of Shell Petroleum Co.) and as president of the British Chamber of Commerce in Japan, Mr. Jervis has dedicated himself to introducing the Japanese market to European business people.

In June of this year, Mr. Jervis' outstanding contribution to the internationalization of Japan was recognized formally by Prime Minister Nakasone. The following interview was conducted just before his departure to New York, where he begins a new job.

**Hochi:** First of all, I must say congratulations on having received the Prime Minister's award for your contributions toward mutual understanding between Japan and Western countries, particularly EC countries.

**Jervis:** That's very kind of you. It was an honor to have received the award from Prime Minister Yasuhiro Nakasone himself. There are so many people who have done much more than I have in this direction, and therefore I feel that in receiving this award I am a representative of sorts.

Western business people who have lived in Japan for a long time really have the duty and the possibility of communicating their experiences in the hope that the conditions for trade and investment in Japan can be improved. Like most foreigners working in Japan for a long time, I think that we have something to offer by increasing international awareness both by and of Japan which, I think, is one of the problems foreigners coming into this market often face. From our experiences we can point out to European and American business people at home that contrary to some of the myths, it is possible to do business in this country. Our role should be to give our views based on our own experiences in Japan, in a factual and objective way.

**Q:** What kind of picture of Japan might



Michael A. Jervis

you have? What do you say to your colleagues at home?

**A:** Usually we find that the picture we are presenting is quite different from the one our audience has in mind, which tends to be a monolithic, oversimplified picture. I think that the actual working conditions of Japanese workers, for instance, differ from what the average business person has heard. A large portion of the Japanese workforce is not hired on a lifetime employment basis. Those hired as lifetime employees assume only 30% of the total and the remaining 70% have only varying degrees of security or insecurity in their work; it is not as monolithic as generally believed.

There is a lot of flexibility in labor, ranging from *arbeit* (part-time workers) to contract workers for short periods of time. The flexibility in labor employment in Japan is greater than in West European countries. I give this as just one example of a myth about Japan that does not accord with the reality.

**Q:** Do you find any other fields in which the reality of Japan is different from the picture Westerners have received?

**A:** The distribution system is another such area. A lot is said about the distribution system. The distribution system here operates equally for both Japanese companies and foreign companies; it is non-discriminatory. It is not a major obstacle in my view.

There are, however, areas where I think improvements could be made. One of the most important pieces of work that has been done in Japan by West European business people recently is the publication of a document called "Doing Business in Japan" under the aegis of the European Business Council (EBC), which is composed of the heads of the EC countries' chambers of commerce in Japan. I highly recommend this publication.

**Q:** What are the major reasons that you recommend it?

**A:** The report summarizes in a constructive way the areas in which improvements could be made to facilitate better commercial exchange, and stimulate investments and foreign exchange. When published the report was introduced at the Japan National Press Club as well as the Foreign Correspondents' Club in Tokyo. As a result, the Ministry of International Trade & Industry (MITI) responded in subsequent meetings by suggesting the formation of four working groups to discuss four headline subjects from this document.

This, I think, is an encouraging development and it is really the way we should approach these things—by getting together and analyzing the problems. It is completely sterile to indulge in blind allegations; nothing will be gained from the Europeans and Americans saying, "The market is closed," and the Japanese saying, in return, "You don't try." That is why I think "Doing Business in Japan" is worthwhile—because it is constructive, particular and detailed.

**Q:** Could you explain the European Business Council?

**A:** The EBC was established in 1983. It consists of the heads of the EC chambers of commerce or business associations in Japan, who meet at regular intervals to coordinate their views on matters of common interest. The EBC represents more than 1,100 European companies actually operating in Japan and, through chambers of commerce abroad and other organizations, a much larger number of companies doing business with Japan.



**Q:** *What suggestions did the EBC members make in this report?*

**A:** The report gives particular examples of areas for improvement, such as the testing of pharmaceutical products, import of motorcars, standards and certification systems, and passing-off problems, etc. What we need now is determined follow-up from both sides.

In the preface of the report, the purpose of compiling it is explained as follows: "It is our purpose to be practical rather than plaintive. Indeed, we wish to get away from a dialogue where allegations of a closed market are countered by claims about lack of effort. But we seek action rather than further debate. Our aim is then to point to ways and means whereby conditions for European business in Japan can be improved. It is our belief that this improvement will in turn contribute substantially to Japan's effort to cope with the continuous friction resulting from the trade imbalance." We are always ready to discuss practical methods for resolving the problems which have been pointed out in this report with ministries and other concerned official bodies. We even said, "The EBC and the European business

community invite all interested parties to support their efforts to bring about a more fruitful relationship between the European Community and Japan."

**Q:** *Have you ever conducted any comprehensive survey of EC investment in Japan?*

**A:** The first comprehensive survey of EC investment in Japan was undertaken in 1982 and since then has been updated. European companies are active in almost every field of trade and services in this country, the strongest sectors including chemicals, pharmaceuticals, oil products, general machinery, banking, transport and other service fields. The number of European companies established here totals 1,100, compared with only some 400 in 1973.

"This market needs  
commitment and it needs  
a long-term view."

**Q:** *Will European companies continue to come to Japan?*

**A:** There has been a marked increase in European investment here in recent years, but I think we should remember that European business people often act

as advisers in support of other companies not yet established here. In particular, European trading companies, banks and consultants play a very active role in promoting new operations in Japan. Such established companies are trying to create new ventures for companies in their group not yet in Japan.

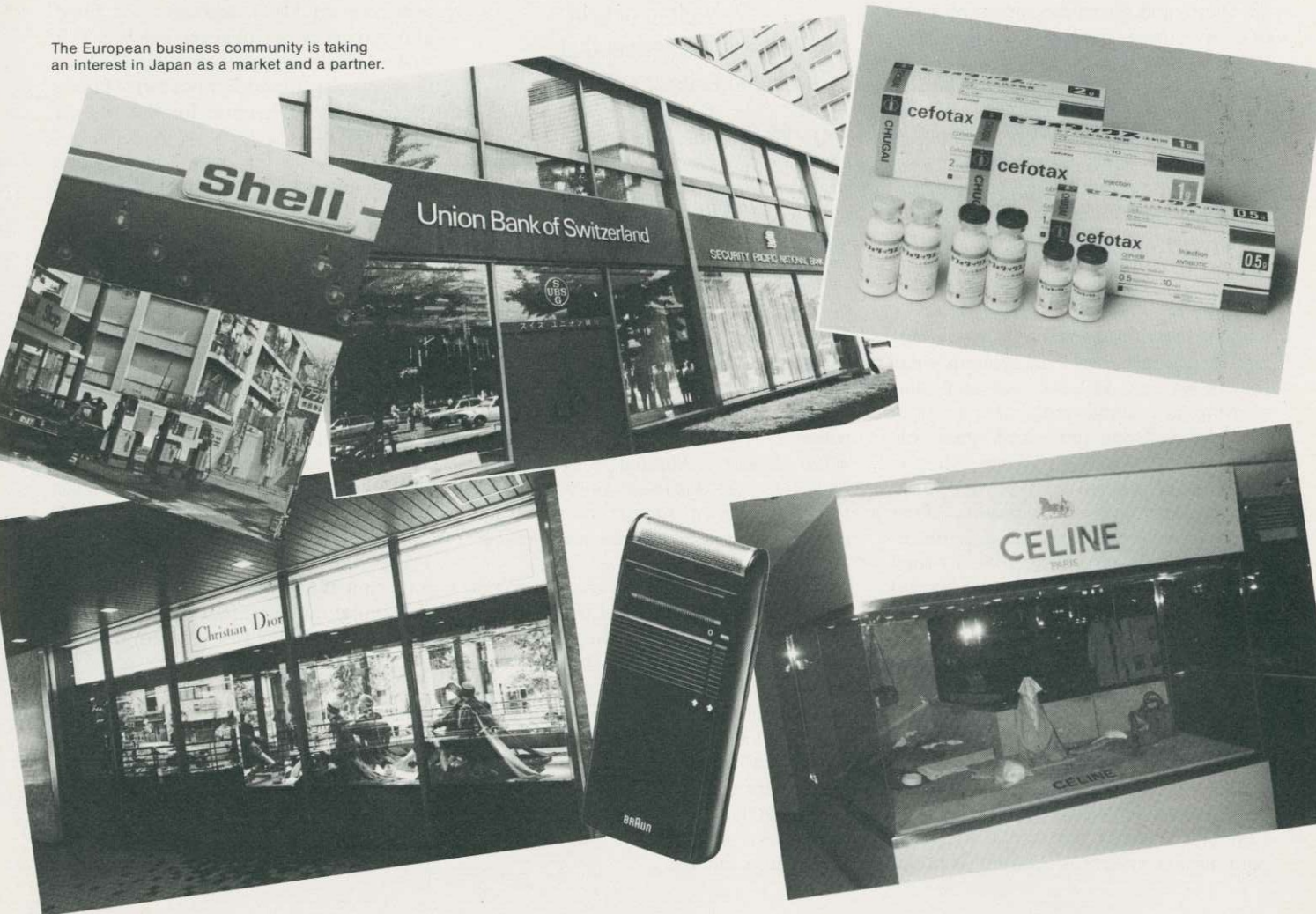
**Q:** *What about difficulties European companies new to this market face?*

**A:** Many of the problems they face here are the problems they face anywhere but finding good quality staff is one area that is more difficult than in most other countries. It takes time to get established in any market, but it seems to me it takes even more time in Japan, partly because takeovers and mergers are not yet generally accepted here, as in European countries.

**Q:** *You must have had many difficulties in your own business and probably have observed many European and American business people struggling to overcome these same difficulties here in Japan, a country foreign to them.*

**A:** Well, every market has its own difficulties. I don't wish to be critical, but I sometimes think that there is a tendency here to portray the Japanese,

The European business community is taking an interest in Japan as a market and a partner.





and therefore the Japanese market, as being unique. Well, in one sense, the Japanese market is unique, but then so are other markets unique. Each market has its own characteristics. The Japanese market is perhaps no more different from the Nigerian market, than is, say, the Italian market.

**Q:** *Do you have any kind of advice to newcomers from other countries who are trying to make inroads into this market?*

**"Technological progress dictates change."**

**A:** I would say that this market needs commitment and it needs a long-term view. You cannot run this market from somewhere else. You must be here. You have to see what is really happening. Japan works on the basis of long-term relationships; you must not overlook the importance of long-term relationships in Japan.

But don't let this put you off. This is the second largest market in the world. The market is huge and growing. The economic record and prospects for Japan are probably better than for any major developed nation. Therefore the opportunities are there, and given the spread of Japanese investment overseas and the size of the economy, it is inevitable that Japan will become more international. So the trend is there, it is only a question of how quickly internationalization takes place. That's all very much on the positive side but I must say, "You've got to be here." It's simply not enough to come to Japan for a couple of weeks, meet the people and go away, thinking, "Well, they're marvelous," or "This is an awful place."

In my opinion, Japanese people don't want to do business with anyone unless they know their background, what they're like, etc. But once personal relationships are established, that link is likely to be a strong link. And again this underlines that only long-term commitment and long-term relationships work.

**Q:** *What are your comments about Japanese trade practices and government procedures? Japan is said to be a closed market. If you could speak frankly, I would appreciate your insights here.*

**A:** I think, on the financial side, that we are going to see major changes—financial liberalization and so forth. Technological progress makes it impossible to keep a wall around any particular financial market. We've seen that in Europe where shares of major British corporations can now be traded in New York as easily as in London. This has meant that the fixed commission system in London is about

to be abandoned otherwise much of the business will go to New York. Technological progress dictates change, otherwise you might lose all of your business.

**Q:** *And what about other areas?*

**A:** I think, on the banking and securities side, that a great deal of progress is being made and that the market is opening up, but I still hear it is extremely difficult for foreign insurance companies to enter this market. It seems to me that the Ministry of Finance has a set of rules and regulations which make it very difficult in practical terms for foreigners to enter this market. As a consequence, the variety of products and policies offered to consumers is limited. New products and policies are not welcomed and what you have is a rather unsophisticated insurance market with consumers paying the price. I understand that the Ministry of Finance has a desire to make sure existing companies are financially secure and naturally they don't want insurance companies to go bankrupt, but I'm not sure that the balance isn't weighted too much in favor of this at the consumer's cost. Consumers have a very limited range of policies to choose from.

**"Very often people on our side feel that Japan is taking its time."**

**Q:** *The Japanese government recently (June 25) filled in the details of the tariff changes it had promised in its April 9 package of market access initiatives. According to the new announcement, there are approximately 1,800 products on the list of agricultural and industrial products slated for tariff cuts of at least 20% or duty-free treatment. This coverage makes the pending round of unilateral tariff reductions the most sweeping in 14 years. In addition, the government is expected to announce its comprehensive action program late July. What is your evaluation of these recent moves by the Japanese government intended to reduce trade friction with advanced industrial countries and developing countries?*

**A:** I am convinced that there is a very genuine will on the part of the Japanese government from the highest level, and here I mean Prime Minister Nakasone, to improve the trade balance and facilitate imports. Through my contact with MITI officials, it is clear that there is a genuine intention to facilitate imports and foreign investment in this market. I think nobody questions the sincerity but we have made suggestions as to things that could be done more rapidly.

For instance, this last statement of tariff reductions. Some of these are operative from April 1, 1987. I am a rather simple man, and if you say, "From tomorrow morning the rate will be X," then OK, but if you say from April 1, 1987, then you run the risk of people saying, "This is only delaying, delaying, delaying!" I think that is perhaps not very wise. The Japanese government has been doing everything slowly. Very often people on our side feel that Japan is taking its time. This is particularly true in the United States where the level of emotion and anger in Congress is very worrying. Business people worldwide are concerned about this, because it is not productive and instead of being helpful, an announcement like that may make things worse.

**"We can make contributions in both directions."**

**Q:** *Can we hope for any improvement?*

**A:** Speaking as part of this group, I am very pleased to say that there are definite signs that the recommendations we have made to MITI officials have received attention. We are beginning to have an influence on MITI decisions. We hope and obviously we believe that this will make MITI's actions even more effective in promoting imports and so forth. I have the greatest admiration for the way in which MITI officials have made themselves available for direct, face-to-face contact and have been willing to listen to our story. There is access and we are beginning to see the results of these frequent contacts, which are often informal meetings, such as cocktail parties, as well as more formal presentations such as this document.

In conclusion, I might say once and for all that we have to make progress on both sides. It is not a one-sided issue. It never is. There is progress to be made on both sides. We sometimes feel that we are in the middle, and that maybe we can make contributions in both directions.

I was very honored to receive the Prime Minister's award. If I have made any contribution, it is in the field of deepening mutual understanding, which is one of the phrases mentioned in the citation.

**Q:** *You met Mr. Nakasone yesterday. What were your impressions of him?*

**A:** I like his personality very much. In fact I met him once before and I must say he looks extremely well. Even though he is 67 years old, he has the energy and appearance of a man of 53 or so. I found his personality very warm. ●