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Toyota in Europe—A Monkey on a String

By
James Y. Bourlet

Abstract

Some European nations and the EU Commission plan to introduce a common currency—the 'Euro' in 1999. The debate in Britain about joining in is intense and important. Toyota Motor Corporation has advocated British membership. The arguments for and against the common or single currency are described and the possible gains/losses for Toyota examined. Rather than genuine concern over the single currency and British membership it transpires that Toyota is simply interested in securing financial aid for a new factory.

Key Words

European Union, Exchange Rate Mechanism, European Monetary Union, Euro or Single Currency, propaganda, micro and macro economic issues, micro and macro political issues, parliamentary sovereignty, responsive democracy, corporatism, the European Vision or super-state, competitive subsidies

Toyota in Europe—A Monkey on a String

Backed by the EU Commission in Brussels, political leaders in Germany, France and a few minor countries such as Luxembourg and Italy, have staked their future on the introduction of a single EU currency. Instead of the D mark, Franc or lira, there is to be the 'Euro'. The process involves setting up a single central bank and having a single set of monetary and taxation policies for all the countries which abandon their own currency in exchange for this 'Euro'. Gold and foreign currency reserves will need to be pooled and such things as state funded pensions and industrial grants eventually paid for from a common tax base.

Mostly, on the continent, debate on this issue is simply marginalised as unfashionable, un-European and in some way unpatriotic. It is really only in Britain, of all the member states, that a vigorous open debate on membership is taking place. And the more people learn of the effects, the less they like it. Many are aware that the current economic recovery only began when Britain left the ERM, a prototype common currency in 1993. Public opinion polls in Britain show a huge majority currently opposed or at least sceptical towards British EMU (European Monetary Union or 'single currency') membership.

But London is Europe's financial capital, the £ sterling by far the most internation-
ally used European currency and British tax money will be useful if not downright essential for paying the administrative, subsidy and pension expenses that EMU will engender. For long run success, the promoters of EMU desperately need British participation. But to achieve this, they must first contrive to change public opinion in Britain. All the arts of propaganda and every bit of "pro" publicity that money can buy are being used in this battle. It is now British open debate, British sense, British intellect and British public opinion, that is under attack and on the defensive. The newspapers are an interesting guide at this stage with some, such as The Financial Times and The Independent, already captured by the "pro" EMU side whilst others, such as The Times, The Telegraph and The Express, remain open-minded and editorialise against British EMU membership.¹

There is an old saying that "fools rush in where angels fear to tread". A seething cauldron of activity is in its early stages. Delicate and complex issues need to be understood. For many, it seems that political muscle is ranged against sound argument. The issues are not at all straightforward, as this article shows. But it is into this maelstrom where the British alone should decide the issue, that Toyota Motor Corporation has consented to play a leading part.

**Toyota's "Gift"**

At a press gathering in Tokyo on January 29th, 1997 Mr Hiroshi Okuda, president of Toyota Motor Corporation, stated, in reference to his company's investment in Britain that "a unified currency (in Europe, including Britain) would be a significant advantage" and that "all Toyota Motor Company new investment decisions will be determined by considering overall basic business factors. The EMU is one aspect of these factors."²

With these words, Mr Okuda had stepped out of business and into politics. A Reuter's correspondent, Mr Shimogori Miki reported the statement and in London The Financial Times trumpeted Mr Okuda's words on its front page under the heading "TOYOTA CHIEF WARNS OVER U.K.'s POSITION ON EMU". The article stated that "the Japanese car maker warned yesterday that the company's European investment strategy might change if the UK stayed out of European Monetary Union" and (in that case) "if Toyota were to make fresh investments, it would prefer to make them in continental Europe rather than in Britain".³

The pro-EMU back bench MP Mrs Edwina Currie was then called in to elaborate the message. Newspapers reported her as saying that "Thousands of jobs could be hanging in the balance ... amid fears Toyota could scrap any plans for a new factory the Government's indecision over a single European currency is putting up to 10,000 future jobs at risk". Finally she added "The issue is a clear warning to the Government of the importance of joining the EMU".⁴

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²Officially released statement released in English by Mr Hiroshi Okuda, President, Toyota Motor Corporation, 30th January 1997.

³**Toyota Chief Warns over U.K.'s Position on EMU**, The Financial Times, 30/1/97.

⁴**"Edwina's Plea to Major"**, The Burton Mail, (the area newspaper where Toyota's factory is located) 31/1/97.
Within hours radio and TV, and by the next day, all the newspapers ran the headline—mostly as the first news item—that "TOYOTA SAYS BRITAIN MUST JOIN EMU". Within 24 hours the one point that had reached everyone in Britain was that in some way Toyota would punish Britain if it dared to retain its own money, its own economic policies and its political independence.

The Toyota "bombshell" was then skilfully followed up by a series of arranged statements by pro-EMU British leaders and on each occasion the Toyota message was repeated and reinforced.\(^5\)

Both Nissan and Honda, who have large factories in Britain, felt embarrassed by these moves and issued clear statements saying that they were quite used to dealing efficiently in different currencies and were used to coping with exchange rate changes. They both said that they were not prepared to give an opinion on the proposed EMU.

One can only speculate on the value of Toyota's intervention to the "pro" EMU forces. Certainly, if an advertising agency were to buy the amount of publicity generated it would cost many millions and to achieve this on the basis of an apparently impartial outside opinion was a coup worth yet more. More important still is the fact that for British people, Japan is a far-off exotic and mysterious land of success and wealth. An opinion wrapped in such allure is particularly difficult to counteract. Such then, was the scale of Toyota's "gift" to one side in the EMU debate.

Many, in Britain felt angry and indignant but how could they match such forceful propaganda? A few went so far as to write to Toyota directly in Tokyo and some contacted Toyota's Derbyshire factory management. After a month or so Toyota seemed to be given permission to balance the position a little and Mr Tatsuo Takahashi, managing director of Toyota Motor Europe issued a statement saying that he "believes British industry might gain from staying out of the single currency". This was reported in the business pages of some newspapers but the publicity impact was trivial compared to the original "message".\(^6\)

It is odd at least that Toyota allowed the gross exaggeration of their position to stand as populist propaganda. After all, on at least three occasions the Company failed to effectively counter the use of their name. Mr Okuda could have retracted his views as simply "misinterpreted" in the first place. Or, when he issued his written version of his statement saying "(a single currency) would be a significant advantage" he could have qualified this by adding "for Britain, if the implied exchange rate between Britain and the EU is equal to or lower than if it would be if Britain were outside of the EMU whilst remaining within the single market". Or, instead of allowing his British staff to issue a partial retraction, he could have done it himself, which would have carried far greater impact.

Now, there is no doubting that the damage has been done and the single currency advocates will be laughing all the way to the opinion polls.

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\(^5\)Emotion is all that matters on Europe. Robert Harris. The Sunday Times, 16/2/97

\(^6\)On the record: with the managing director of Toyota Motor Europe. Economist Intelligence Unit, Motor Business Europe, 1st quarter 1997.

and

Toyota U-turn on single currency. Andrew Lorenz and David Smith. The Sunday Times, Business Section, 9/3/97
The Single Currency Debate

In discussing Toyota’s extraordinary intervention it is a good idea to sketch in the arguments ‘for’ and ‘against’ the proposal that Britain should join in EMU. If, in principle, the idea is a good one then Britain should join, help sort out any difficulties and share in the benefits. On the other hand, if, in principle, one can see that long term damage would result, it would be better for Britain to stand aside, watch the others in their problems and remain prosperous and independent, in a position to help in times of crisis.7

The arguments are best understood if they are sorted into four categories:

i) Micro-economic
ii) Macro-economic
iii) Micro-political
iv) Macro-political

The Economics

First then, the ‘micro-economic’ arguments. Micro-economics is all about companies, markets and costs of transactions. Clearly a single currency would lead to greater efficiency. There would be reduced costs of transactions, greater convenience and easier banking. For firms operating solely within the EU there would be a reduced risk in terms of currency variation—though firms with outside connections might suffer increased risks. But on balance it is easy to argue that in “everyday business” terms, there would be real advantages in having a single currency rather than different currencies for each EU member state. But, given time, competition between companies should ensure that these gains are passed on in the form of lower prices to the consumer rather than retained as higher profits. At the end of the day therefore, there would be some jobs lost in the banking sector, a neutral impact on other companies (such as Toyota) and a general gain through lower prices for everyone.

The second, ‘macro-economic’ arguments require more explanation. Macro-economics is about unemployment, inflation, economic growth and balance of various kinds within an economy. Most people are now familiar with the notion of a ‘circular flow of income’ within an economy. Referring to the first diagram this simply points out that money passes from companies to individuals in the form of wages, salaries, rents, dividends etc, and then flows back to companies when purchases are made. Individuals however do not only buy things with their incomes. They save some, they pay taxes and they buy things from foreigners. In these ways money is ‘lost’ from the system and this has to be made up with ‘inputs’ in the form of business investments (to use up the savings), government expenditure (to spend the taxes) and exports (to get the money back from foreigners). If the total flow around the system is just enough to give everybody a job then there is no unemployment and no tendency towards inflation. But if the system is expanded or contracted there will be a move towards inflation in

Diagram 1

payment of wages, dividends, interest, salaries etc.

INDIVIDUALS

purchases from domestic companies

Leakages

savings..........................investments
taxes..............................government expenditure
imports............................exports

COMPAINES

Inputs

Diagram 2

A HYPOTHETICAL COUNTRY

region “B”

There is a net flow of money out of region “B” and into region “A” as savings are invested mostly in “A”, as taxation money is spent disproportionately in “A” and as exports from “A” to “B” are higher than those from “B” to “A”.

the first case or unemployment in the second.

But let us now complicate matters by postulating a hypothetical country, as in the second diagram, which, with a convenient mountain range in the middle, can be regarded as having two ‘regions’—called “A” and “B”. There are no barriers between “A” and “B” because they are the same country and the laws and taxes are the same in both regions.

But there is one difference between “A” and “B” which is vitally important. “A” happens to contain the major port, the capital city and the areas of higher density population. In principle this is a little like describing the north and south of Italy or the northern and central parts of Honshu or the relationship of Ireland to England a century ago. Now if we combine this geographical concept with our understanding of the ‘circular flow of income’ we find that region “A” is likely to over-expand and tend towards inflation whilst region “B” will tend to contract and tend towards unemployment.

To understand this, first look at savings which are used to finance investment.
Everyone in both regions saves for various purposes—retirement, a ‘rainy day’, or whatever. They put their money into banks, into retirement pension schemes etc. and the managers of these institutions need to lend this money to businessmen for investment. These days, the best investments will be in city flats and offices, in factories near to the biggest markets and largest pool of labour and in modern hi-tech industries. Overall these will tend to be in region “A” and so savings will be drained from region “B” into region “A”. Then look at taxes which are used to fund government expenditure. Everyone pays taxes of course in both regions but the government has its ministries in region “A”, foreign embassies are concentrated there, as are government funded research institutes and subsidised artistic and cultural activities. So again money tends to flow from region “B” to region “A”. And now look at imports and exports between the two regions. As standards of living improve we tend to spend our extra income on the latest technology, the newest services and ever higher accommodation costs—items supplied more by region “A” than by region “B”. Exports from “A” to “B” are buoyant whilst those from “B” to “A” stagnate so that again money is flowing from “B” to “A”.

So the result is over-expansion in “A” and contraction in “B”. The problem for policy makers is to find a ‘solution’ which works and which is acceptable. In fact there are precisely 3 possible ‘solutions’. One is for region “A” to send cash over to region “B” to be given away to consumers and/or subsidise industrial production. It will have to be a great deal of money (to which the taxpayers of “A” may well object!) and it would have to continue indefinitely. The second is for all the unemployed in region “B” to journey over to region “A” and live there instead. This would leave mostly “old folk” back home, involve many husbands living away from their families and result in congested motorways at week-ends. But it could work. The third is for the country to divide into two separate currency areas and allow the money of region “B” to be lower than that of region “A”. This would stimulate the exports of region “B” to region “A” and discourage imports so that a trade surplus could emerge to balance any tax and investment drain. Since region “A” would no longer suffer inflation and region “B” would be making use of all its workers, both regions would be better off.

Clearly solution 3 is the best—but would be extremely hard to implement except after some sort of political upheaval (quite possibly involving military conflict) and the secession of region “B” from our hypothetical country. For further perspective, imagine if the USA and Japan had been locked into a single American-Japanese currency (instead of Dollars and Yens, perhaps “Dol-Yens”) for the past 30 years at an equivalent exchange rate of that prevailing 30 years ago—¥300=$1. By now there would be practically no industry at all left in America and trade friction would have long ago turned into something far worse. It is the very existence of separate currencies in the USA and Japan that has allowed changes to occur in prices thus enabling the USA and Japan to maintain sound political and security arrangements.

Thus the most valuable inheritance that the EU possesses is its variety of currencies, each working to move the disparate economies of member states into acceptable levels of economic activity. It is no exaggeration to say that this IS the mechanism which enables Europe to maintain reasonable harmony between its different countries. To give up this priceless automatic policy instrument would seem to be the most foolish act of wanton destruction—and indeed aggression, that one could imagine outside of the military sphere. And if anyone imagines that migration or subsidies (solutions 1 &
2) could work, just think of the sums of tax money involved or the difficulties of moving the unemployed (most usually the less able and thus less adept language learners) across states with very different languages.

A Times newspaper editorial (April 1st 1997) referring to the Labour party position made this comment: “Sometimes, in an attempt to gain the pro-integration vote, Mr Blair seems to be saying that he thinks a single currency is desirable, necessary and inevitable; and that, if it goes ahead, Britain must be part of it. At other times, he rehearse the economic arguments that make a single currency an impossibility without huge transfers of money across borders—until, that is, the economies of Europe have converged so neatly that the Continent resembles a country in all but name.

“If Mr Blair is right about the economic absurdity of imposing a single currency on disparate member states (which he is), then he ought to be deliberating about how to stop this disastrous plan even if Britain remains outside it. For, according to his impeccable argument, the weaker states that join EMU are going to end up with immovably high levels of unemployment unless the richer states are prepared to subsidise them to a far greater extent than they do or are ever likely to do.

Not only, therefore, is a single currency on the Continent likely to lead to slow growth and poor export markets for Britain. It could also create dangerous social dislocation in the weaker countries and taxpayer revolts in the stronger ones. A more effective recipe for the rise of nationalism and the break-up of the EU could hardly be designed."

These macro-economic arguments are central and vital to the debate. They are not easy to put over in ‘sound bites’ and cheap propaganda. Maybe only 10% or 20% of people would ever be bothered to understand them. Clearly the analysis stands against the single currency idea and anyone in a position of responsibility who ignores it is either uninformed—or dangerously mischievous.

But is it possible that these macro-economic effects of a single currency might benefit an individual company—such as Toyota? What if we look at it from a purely self-centred viewpoint? Looking back at our hypothetical country with regions “A” and “B” we can note that if Toyota were to locate in region “A”, wages would be high and workers in short supply, whilst if it located in region “B” it would be remote from its markets and component suppliers. Something of a balance then—neither a net gain nor net loss on this score. But there is something far more important. At the end of the day Toyota is interested in selling as many cars as possible—as profitably as possible. What use therefore is a market where many regions suffer huge unemployment and depressed incomes? How can Toyota benefit if many eager buyers of cars simply cannot afford them?

The Politics

The ‘micro-political’ arguments are about the politics and democracy of each country within the EU. In Britain’s case they are about how far her responsive

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*Silence over Europe: Time to tell the electorate about the greatest issue of all. The Times. Editorial. 1/4/97*
democracy would be diminished by handing over important economic powers to EU executive bodies, constraining her liberal traditions within corporatist structures. A single currency implies a single central bank, a single monetary policy and harmonised fiscal policies in line with the so-called “Maastricht criteria”. Over a long period of history dating back to the “Magna Carta” in 1215 Britain has, through the power of Parliament to control taxes, developed control by the legislature over the executive. This means that ministers (as the government or ‘executive’ in full control of the bureaucrats) answer questions in Parliament—and can be forced to resign if things are not done in accordance with the will of the voters as expressed through MPs. Only Parliament can initiate laws (in contrast to both the EU and Japan, where the bureaucracy can and does initiate laws). The constitutional term for this is “Parliamentary Sovereignty”. Furthermore, Britain has, for at least the past 300 years had a two-party system which means that there is always a strong credible opposition party able to oust the incumbent governing party if there is even a small change in the balance of votes at an election. In constitutional terms this means that Britain enjoys a ‘Responsive Democracy’. Given these and other factors, the British people recognise the legitimacy of government decisions so that when a section of the public disagrees with a decision there is no need to riot, create civil war or vote for extremist candidates. Such a situation is enviable. Many in centuries past have died for the principles involved and the system is respected world-wide.

A single currency would create a single EU-wide government whose decisions would be enforceable in Britain and there is no possibility of extending the British political system to cover the whole EU. Continental traditions are quite different and it is simply impractical. Britain’s loss would be a loss to the world and the consequences, given time, could well be traumatic. It would even be possible, for example, to imagine Britain becoming a new centre for Fascism, allying itself with France’s “Front Nationale” and leading a bemused Germany into renewed aggression.

Clearly the balance of argument with regard to ‘micro-political’ aspects stands against a single currency and one must ask whether Toyota’s Hiroshi Okuda had the slightest understanding of these issues in pronouncing so grandly his advice to Britain. Perhaps Toyota one day hopes to sell tanks and guns as well as cars! But for the moment it is simply not good enough for Toyota to think that since very few people have written to them expressing constitutional concern and British people don’t seem to care enough to stop buying Toyota cars because their sales are still rising all is well.

So what, finally, of the ‘macro-political’ arguments? This is about the ‘European Vision’, the desire to build an entity that can face any superstate on an equal or superior basis. Many in Germany know that the ambitions of the Kaiser or of Hitler failed for lack of size in the modern world. Germany was created out of the many small German speaking states that existed before Bismark’s 19th century unification and created first by establishing the ‘Zollverein’ (a customs union with a common market), then a central German bank and then the non-democratic centralised German state. The ‘European Vision’ seems to be following a similar path and for some the thought is thrilling and inspiring whilst for others it is a cause for resignation in the face of tremendous power. Paradoxically, many Germans who fear a resurgence of German nationalism also support this ‘European Vision’ precisely because they imagine it leading towards peace and security by locking Germany into a super-state as merely a constituent province. Such people seem to imagine that Britons, Frenchmen, Span-
iards and others will, in defending their liberties, resist any movement by Germany
towards authoritarianism. But one does not cure a bad apple by placing good ones in
the same basket. On the contrary, the good ones will also deteriorate and the super-
state basket offers no solution at all for their fears. Sadly, there are some people in
every country who, in extreme circumstances, will resort to destructive methods.\(^9\)

Clearly, the overall balance on the macro-political or ‘European Vision’ issue is
difficult to draw. But why impose the process? And why do it in such a hurry?

The world, and especially the European world, is very different now compared to a
century ago because of individual actions rather than because of political structures.
Knowledge of foreign languages, the operation of multi-national firms, tourism, tele-
phone use, the near universal use of one language (English), international marriages,
the freedom of movement of people, information and money, all mean that real
integration is taking place anyway and this would be especially true in Europe even if
the Treaty of Rome (establishing the EU) in 1956 had never existed. Thus the ‘Eu-
ropean Vision’ as a political construct is an imposition riding on ‘natural’ develop-
ments.

**Toyota’s Concern**

So what is Toyota’s concern with regard to this fourth area of debate? We must note
here the position Toyota is in. The chart below shows the output of major car
manufacturers in Britain and the proportion of their output exported. In 1996 Toyota
produced 116,973 vehicles and exported over 90,000 of them—mostly to other European
countries. This makes Toyota Britain’s 5th largest car producer and the one with the
highest proportion exported.

![Bar Chart 1](image)

In terms of capital investment and jobs Toyota is one of the largest inward inves-
tors—joint 1st for inward capital investment and 98th in terms of inward investment
based on jobs.

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\(^9\) Optimists have claimed that this is too cautious a view of Germany given the impressive record of progress,
democracy, peace and tolerance that Germany has displayed since 1945. See *The Fourth Reich*, Brian Reading,
1995.
Table 1. By Capital Investent

<table>
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<th>Year</th>
<th>Company</th>
<th>Country of origin</th>
<th>Amount of investment £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Toyota</td>
<td>Japan</td>
<td>450</td>
</tr>
<tr>
<td>2</td>
<td>Samsung</td>
<td>Korea</td>
<td>450</td>
</tr>
<tr>
<td>3</td>
<td>Fujitsu</td>
<td>Japan</td>
<td>400</td>
</tr>
<tr>
<td>4</td>
<td>Fujitsu</td>
<td>Japan</td>
<td>400</td>
</tr>
<tr>
<td>5</td>
<td>Jaguar</td>
<td>USA</td>
<td>400</td>
</tr>
<tr>
<td>6</td>
<td>Honda</td>
<td>Japan</td>
<td>330</td>
</tr>
<tr>
<td>7</td>
<td>Motorola</td>
<td>USA</td>
<td>250</td>
</tr>
<tr>
<td>8</td>
<td>SCA</td>
<td>Sweden</td>
<td>250</td>
</tr>
<tr>
<td>9</td>
<td>Nissan</td>
<td>Japan</td>
<td>250</td>
</tr>
<tr>
<td>10</td>
<td>Toyota</td>
<td>Japan</td>
<td>200</td>
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Source: DTI

Table 2. By Jobs

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Country of origin</th>
<th>Number of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jaguar</td>
<td>USA</td>
<td>6,000</td>
</tr>
<tr>
<td>2</td>
<td>Nissan</td>
<td>Japan</td>
<td>4,200</td>
</tr>
<tr>
<td>3</td>
<td>Samsung</td>
<td>Korea</td>
<td>3,200</td>
</tr>
<tr>
<td>4</td>
<td>Honda</td>
<td>Japan</td>
<td>2,000</td>
</tr>
<tr>
<td>5</td>
<td>NEC</td>
<td>Japan</td>
<td>2,000</td>
</tr>
<tr>
<td>6</td>
<td>Siemens</td>
<td>Germany</td>
<td>1,800</td>
</tr>
<tr>
<td>7</td>
<td>Fujitsu</td>
<td>Japan</td>
<td>1,600</td>
</tr>
<tr>
<td>8</td>
<td>Sony</td>
<td>Japan</td>
<td>1,400</td>
</tr>
<tr>
<td>9</td>
<td>Toyota</td>
<td>Japan</td>
<td>1,000</td>
</tr>
<tr>
<td>10</td>
<td>N Telecom</td>
<td>USA</td>
<td>900</td>
</tr>
</tbody>
</table>

Source: DTI

The reasons Toyota and other firms have chosen Britain as their EU production base should also be recalled. These reasons were mainly to do with language, the cost and availability of labour and an interest in keeping up with Nissan—already established with a large factory near Newcastle and enjoying a nearly 5% share of the British car market. A House of Commons survey in 1994 interestingly enough, concluded with some eleven reasons why foreign firms choose Britain as their EU base—and in that report, coming after the Maastricht Treaty, the question of a single currency was not found to be significant enough to be included in the list!

One reason Toyota may be concerned if Britain does not join in the single currency, is that it might be discriminated against in sales on the continent. But discrimination

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18British Government White Paper, Attractions to Britain for Foreign Investors. May 1994
against Toyota located in Britain could only take place in the context of discrimina-
tion against British-based manufacturers as a whole. The fear is therefore a larger one, 
shared by all those companies, both domestic and foreign, which produce goods in 
Britain for export to the rest of the EU. Of course, the answer to this question has been 
very much discussed in Britain and the shrewdest possible assessment is required. The 
general view that has emerged is that given existing commitments, the progress of the 
single market and the huge imbalance in trade between Britain and the rest of the EU 
(the EU sells far more in Britain than Britain sells in the EU) the aspirant super-state 
builders would find it next to impossible and certainly against their own economic 
interests to impose such restrictions in a fit of bad temper. In fact, the only circum-
stance in which such a thing looks remotely possible is if the single currency turns out 
to be such a total disaster for those taking part that it leads to an irrational unravelling 
of the consensus in favour of liberal economic policies across the entire single currency 
area, including even such traditionally free-trade countries as Germany and The 
Netherlands. Such a disaster would throw up barriers all over Europe on goods, 
investments, and the repatriation of profits. Everyone would lose, wherever their 
factories. Toyota need have no more nor less fears on this point than companies 
located anywhere in the EU and the wiser council would be for it to maintain an open 
mind on the issue.  

The Emerging Truth

Thus the question remains. Why did Toyota make their high profile move?
I went along to see Toyota's Public Relations Project Manager for Europe, Mr 
Hiroshi Ito, in his Tokyo offices. In the course of discussion I repeated on several 
occasions the word “mistake” with reference to Mr Okuda's support for the single 
currency. Over and over again, Mr Ito's response indicated that it was “not a 
mistake”—but he didn't explain why not.
The truth emerged some days later when the newspapers announced that Toyota are 
hoping to set up a factory in Lens, northern France  
—a spot within easy distance of 
component suppliers in England and UK based Toyota managers. It would also be 
within convenient distance for out-of-work Renault workers from the Volvoorde 
factory near Brussels which is about to be closed down.
Toyota reacted to these reports with the coy statement that it had not yet reached 
the decision on this proposal. On what could that decision therefore depend?
The only unknown factor is the amount of local assistance Toyota might get from 
local or regional authorities in France. Such things can take the form of cooperation, 
infrastructure provision, site provision (a hidden subsidy) or outright cash subsidies. 
Such subsidies, coupled with the supply of skilled labour and a central location plus the 
opportunity to diversify locations within Europe at little transport inconvenience, 
would then provide Toyota with an irresistible opportunity. So it is “just” that question 
of a regional subsidy and, as writer Thomas Bourke  
has shown, this is a subject of

11Businesses need not fear if Britain rejects EMU. Anatole Kaletsky. The Times, 31/1/97.
12Toyota may build car plant in France. The Japan Times 18/3/97. Reproduction of a Financial Times report 
from London.
both muddle and dispute between the EU Commission and member states.

Commenting on Toyota’s previous experience of the Commission’s powers Bourke notes,

‘One sphere in which the EC Commission does have a direct and somewhat adversarial relationship with sub-state regions in EC-Japan affairs is that of the investigative role of the Commission regarding subsidies to investing firms. This power has been used neither frequently nor with force. However, firms are aware of Commission monitoring of land and infrastructure deals involving regional authorities. The prospect of having to alter location, suffer adverse publicity or face penalties is not relished by any firm. Such an investigation concerned one of the biggest Japanese investments in Europe—Toyota Motor Corporation’s plant in Burnaston, Derbyshire. In 1990, the EC Competition Directorate General calculated that Toyota had acquired a site for less than market value (£9.9m as distinct from an independent valuation of £12.6m). Since the land in question (an old airstrip) was local authority property, the investigation directly concerned Derbyshire local Councils. In July of 1991 the Commission ruled that Toyota had received an illegal subsidy from Derbyshire and told the U.K. government ‘to ensure that Toyota repays £4.2 million to Derbyshire’.

Thus, the remaining hurdle for Toyota is that the Brussels EU Commission, seeking to avoid ‘competitive subsidies’ for foreign firms within Europe and knowing the need to diversify factory locations to areas of particularly high general unemployment (such as Spain or Eastern Germany) would almost certainly feel inclined to use all its powers to block any substantial subsidy from a government agency in northern France to Toyota. Thus Toyota was tempted to please the Commission—and the Commission needs desperately to manipulate British public opinion on the EMU. One wonders just who suggested the deal!

The position was quickly spotted by Lord Tebbit. Speaking in a debate in the House of Lords, in response to a claim by Lord Taverne that Mr Hiroshi Okuda of Toyota supported Britain’s membership of the single currency he said:

“I would say to the noble Lord, Lord Taverne, that he should not make too much of the issue of Toyota. All of us who have been in this business for many years, particularly those of us who have spent much time in Brussels, know what is going on. The Toyota motor car company has a large factory in this country. Quite reasonably it expects to build its next one in Spain, France or Germany. But it could not do so without an enormous subsidy because the costs of production are so high in those countries. It is now engaged in buttering up the Commission to get the clearance for the subsidy which it would need to be able to establish this factory.”’

So Mr Okuda’s remarks were by no means a mistake, but a deliberate move to further his company’s chances of receiving a subsidy, even if this means that, as a by-product, incalculable damage to the political and economic interests of others had to be inflicted.

In London, I happen to teach a number of Japanese students and I asked them what they made of Mr Okuda’s threat to jobs in Britain, as portrayed by the newspapers,

14Hansard. The European Communities Bill. House of Lords. 31/1/97. para 1374.
radio and television. They puzzled over it for a while and then, perhaps drawing on some old Japanese proverb unknown to me said that they felt he was "a monkey on a string", not really in control of the events he had precipitated. What a kind interpretation!

Perhaps, in Japan, it is quite normal for business leaders to pronounce self-interestedly on public affairs and feel no political consequences of such actions. But Britain is different and public debate there soon recognises the "honne" behind such businessmen's claims.