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THE EC INTEGRATION-PROCESS: A JAPANESE VIEW*

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I INTRODUCTION

It is my greatest pleasure and honour to have an opportunity to talk with you here at Erasmus University in Rotterdam, especially for the following two reasons.

The first reason is that the Netherlands has been a special country for Japan for a long time. During 250 years of Japanese isolation before the Meiji Restoration, the Netherlands was the only Western power admitted to Japan for trade. The so-called "Letters from Jakarta", brought by Dutch captains, were only information Japan was receiving on what was happening in rest of the world.

The second reason is that Dutch was the first foreign language ever taught in my university, Keio University in Tokyo. Keio is the oldest university in Japan, founded in 1858 by Yukichi Fukuzawa. Fukuzawa learned Dutch to become an interpreter, but then commenced teaching Dutch in his residence in Edo, the old name for

Tokyo. That was the origin of Keio University. However, one day he visited Yokohama and found himself unable to communicate with foreigners, because everybody was speaking in English. So, unfortunately for Dutch, he began to learn English, and English became our major foreign language taught in my university.

Anyway, Fukuzawa was the first Japanese to introduce Western civilization to Japan and a pioneer in the so-called Bunmei Kaika, civilization and enlightenment movement. Fukuzawa visited the USA and Europe and came back with the recognition that Asia including Japan was still semi-civilized in comparison with the West, and therefore needed enlightenment.

The reason why I have began with Fukuzawa is that ever since his days, Japanese modernization had been westernization, taking the West as a model. The Japanese government hoisted the slogan "build rich and militarily strong nation" and tried to catch up Western powers. This policy had been successful, but went too extreme and led to the destruction in the Second World War. But after the Second World War, owes greatly to the United States, Japan has been able to keep herself away from the most of the major issues in international politics and concentrate her efforts to the recovery of her economy and especially to the promotion of her exports. However, Japan has been forced to be involved in harsh webs of international economy and politics in 1970's, and suddenly found herself in the forefront in international economy and ask to share her responsibilities with other developed nations. This is an area we Japanese can learn many from Europeans even now, although some people unjustly insist that Europe is now a museum.

Europeans are genius in making and finding new ideas. When many parts of the world were still struggling to achieve independence and to build nation-states, Europeans, who invented nation-states and nation-states' system and spread those to the every corner of the globe, were trying to build a supranational organization. In 1951, the Paris Treaty to establish the European Coal and Steel

Community had been signed, and two Rome Treaties were signed in 1957 to establish the European Economic Community and the European Atomic Energy Community. I know that you are celebrating the thirtieth anniversary this year.

This European integration has attracted attention of many Japanese. I know a Japanese professor whose maiden academic article was on the Spaak Report in 1956 and has been following the developments of European integration ever since. It may not be the rare case in Europe or even in the United States, but I would like to emphasize that it was in the Far East and was in the late 1950's. If I may add, interest on European integration among Japanese academics are still high today, and we have more than 200 members in Nihon EC Gakkai (the Japan Association of EC Studies), which was established in 1980.

The other day, I found a book, published in July 1959, which contained provisional translations of the first memorandum issued by the EEC Commission on the problems concerning the creation of European Economic Union, the British Command Paper on the negotiation for European Free Trade Area and so on. And in the final part, it analysed the effects of European economic integration on Japanese exports. It concluded that "European integration will work disadvantageously to Japanese economy, but the degree of disadvantages will not be so great. As for the external rate of customs duties, increase in one member state will countervailed in the other. The establishment of free trade area within the Six will work discriminatory against Japan. Moreover, Japanese exports to Africa may be greatly affected, but Africa was not important market for Japan so far. If European integration would bring remarkable economic progress, it will not be wrong to expect for Europeans to have more liberalized trade policy in general."¹⁾

I have taken up this book as an example to prove that Japanese have been following the developments of the European integration from its early days with great concern and these attitudes

continue even now.

II INTERNAL MARKET

Concerning Single European Act, one of the main question to be answered is what is the Japanese attitude towards the European strive for the internal market by 1992, which seems to be the most important objective at least for the EC Commission.

You may be surprised to find that Japan fully support European integration in general and further unification of the market. The reasons for the Japanese support are as follows.

Firstly, a strong and unified Europe is essential for the security and stability of the free and democratic world at large. This is the fundamental reason which Japan shares with the USA on Western Europe. Moreover, Japan wants to strengthen the Japan-EC relations which is the weakest side of the triangle formed by the USA, Western Europe and Japan.

Secondly, completion of internal market will be beneficial for Japanese companies exporting to Europe and/or operating within Europe as same as European companies. I regard the present situation of the European Communities as 12 national markets. When I am told that Japanese market is so closed, I always tell them that Japanese market may be harder to get in but once you succeed, you will find an unified market of 120 million people. But even the Communities have 320 million people, they are still divided in 12 national markets.

I personally see European integration process so slow and disappointing so far. I have been following the developments of the European Communities including the recent institutional reforms. But when I first heard the arguments on the internal market by 1992, I had an impression that what was so new about. It reminded me of the arguments on the four freedoms which I read long time

ago, for example in Professors Kapteyn and Van Themaat's book, *Introduction to the Law of the European Communities after the Accession of the New Member States*, originally written in Dutch and English version published in 1973.²⁾ Needless to say, the target year, new voting procedures in the Council to promote faster decisions, new cooperation procedure with European Parliament to strengthen democratic control on EC policies and so on are of considerable importance, but the content of the internal market seems to me as old wine in new bottles.

Anyway, I sincerely hope to see a single European market by 1992, although it seems very difficult to keep the target year. I often hear complaints from Japanese companies that how troublesome it is to observe laws and rules made both by the Communities and National Parliaments and often different by the member states. They usually try to clear the highest or most severe national standards, but it is still complicated, costly and labouring work.

The other day, I had an opportunity to talk with legal experts of Japanese companies stationed in Europe. The topic was Single European Act and the internal market. This example shows that Japanese companies are also constantly keeping their eyes on the moves in the Communities and always try to adapt themselves to new situation or new standards they have to face. If I may extend this argument to European companies in Japan, I am sure that those European companies succeeded in the Japanese market have been making similar efforts, but I don't know how others, who failed to make access and always complain.

Coming back to the internal market, there are also problems for Japan. Main concern is that Japan do not want unification of protectionist measures in line with the most unfavourable existing conditions for Japan.³⁾

Let me take the residual quantitative restrictions against Japan as the first example. At February 1985, ten member states of the European Communities still maintained quantitative restrictions

on 48 Japanese products (7 agricultural products and 41 industrial products). By states, Italy 36, France 17, the Benelux 7, West Germany, Greece, Ireland 2 respectively, and the United Kingdom nil. But, since Spain and Portugal entered the European Communities in January 1986, the list has greatly expanded. Spain had 143 items on the list and planned to reduce to 37 items (steel, heavy machinery, motorcycles etc.) in six years. Portugal had 69 items on the list and planned to reduce to 29 items (steel, textile, etc.) in seven years. So, by December 1986, 108 items are still remaining as the quantitative restrictions against Japanese products by twelve members states of the European Communities. The Japanese government and industries want these to be abolished as soon as possible, but at least not coincide with the pace of the two late-comers.

The second example is the safeguard clause. France and the Benelux countries maintain safeguard clauses against Japanese products. Japan regards these as discrimination which traced back to the 1955 GATT entry conditions, and has been demanding these to be abolished. But, when the European Communities tried to conclude the trade agreement with Japan, the Commission demanded these clauses to be extended to Community-wide on certain products. The sharp division of opinions on these issues was the basic reason for the breakdown of the trade agreement negotiation in 1971.⁴⁾ Since then, bilateral trade agreements between Japan and the member states still exist, and I cannot see the prospect for an all-embracing Community trade agreement with Japan in near future. But, when this problem reappears, Japan surely welcomes these to be abolished all together, but will resist strongly for the unified measures which may affect disadvantageously to Japanese interests.

The third example is the most recent and most likely to happen in other areas as well. On January 23 1987, the European Parliament adopted the report on the European automobile industry, prepared by Mr. Peter Beazley (Eur. Dem. UK). In the report, there are the following passages. "Considers that quantitative limits on

the imports coming into the Community should ultimately lifted. Recognizes, however, that import controls on Japanese vehicles are still needed in the present time of difficult structural adjustment... asks that negotiations on the opening up of the Japanese market should be initiated soon and there should be substantial progress before any modifications in import controls are made; Believes that only after Japan has fulfilled its trade obligations can individual national controls be removed and replaced by a common European-wide limitation on Japanese imports, so that the burden and benefits of adjustments are borne equally by all member states".⁵⁾

As you may know, Japanese automobile exports are limited to 3,300 a year in Italy, 3% of new registrations in France, and 10-11% in the UK and so on. Moreover, there is some voice to introduce such limit recently even in West Germany, whom we usually regard as one of the champions of free trade. Therefore, we have grave concern if the European Communities will introduce a common European limitation on Japanese automobiles.

If I may say frankly, the basic weakness in European industries is that your people have forgotten competitions. I believe that the founding fathers of the Rome Treaty had envisaged a single European market would bring more competitions and, as a result, European industries would acquire international competitiveness. But, many of national measures, supposed to be transitional in nature, have remained in order to protect own industries in the member states. These have weakened European industries in general and eventually led to the calls for breathing space against export drive by Japanese companies in certain sectors in the late 1970's and early 1980's. But, Europeans finally realized that somethings have to be done, and the result is Single European Act. I personally welcome Single European Act as a step forward towards European integration, and would like to see what kind of structures to be built on the new legal framework. And these developments will be far more important than Single European Act itself.

III INDUSTRIAL, RESEARCH AND SCIENTIFIC COOPERATION

The another important question related to Single European Act and a series of recent European research and development programmes, is what do I think of the policies of the Communities towards originally non-European multinationals. In another words, what is the reaction of Japanese companies since they are not fully allowed to participate in the research and development programmes, such as ESPRIT and EUREKA.

As Mr. Karl-Heinz Narjes, Commissioner responsible for research and development, answered, the direct involvement of organizations established outside the Communities is not possible and only in exceptional cases for very good technical reasons there may be the possibility of involving such partners indirectly in the work.⁶⁾ Therefore, it is true that these programmes exclude non-European companies and none of Japanese companies is participating in these programmes up till now. However, I also know the fact that some of American subsidiaries in Europe are taking part. For example, the subsidiaries of IBM, ATT, ITT, DEC, are already participating in ESPRIT. The difference occurs from the fact that these American companies have research facilities inside the Communities and Japanese companies usually do not.

Although Japanese companies have been following the development of the European programmes with keen interests, wait and see is their basic stance.

The first reason for these attitudes is that they are not invited to the programmes from the beginning. You may think this is unimportant, but history shows how important these psychological factors played as in the case of the British initial reaction towards the Schuman Plan in 1950.⁷⁾

The second reason is that they believe they have advanced

technology than European companies in many fields. Therefore, there are fears that they may not gain benefits of cooperation, but on the contrary they may risk their advantages by participating in projects. Simple arithmetic will help to explain; If one plus one is two, it may worth trying. And if one plus one produce three, it should be tried. But, if one plus one bring only one or less, it will be disastrous and never be tried.

The third reason is that there are strong scepticism on the effect of European programmes. The amount of the budget on research and development as a whole is not enough and it occupies only 3% of the EC budget. And even that small is distributed to many projects with national and regional concerns. Therefore, small and medium size enterprises may enjoy benefits, but not so attractive to larger companies.

The fourth reason is that there are fear and complaints for too much interventions from the EC Commission. The ideal situation for private companies is "support but no control".

The fifth reason is that if there is need for cooperation, it will be solved by bilateral arrangements with European counterparts. These measures have been very convenient and effective at least till now.

On the other hand, there are brighter side of the cooperation and many merits are expected. The first reason is not missing the bus. Secondly, they would raise the level of technology in general. Thirdly, participation means more opportunities for companies to exchange their views and technologies among themselves and will bring more results in industrial cooperation. Fourthly, the programmes may bring favourable conditions for standardization. Standardization only among Europeans may work as non-tariff barriers, and on this point cooperation between the United States, the European Communities and Japan are really needed if we want faster technological development in future. The talks on cooperation are already started in the field of telecommunications.⁸⁾

Moreover, Japan and the European Communities have expressed the mutual intents for reserch and scientific cooperation in the exchange of letters between Foreign Minister Sintaro Abe and Vice President Etienne Davignon on December 1984. By the third Japan-EC Ministerial Conference, held in December 1986 in Brussels, the following results have been achieved.

Firstly, basic agreement for cooperation on nuclear fusion research has been reached and the both sides will begin formal negotiation in near future. Secondly, on exchange of young researchers, proposed by the Communities, Japan decided to send 6 researchers, including 4 in the field of nuclear fusion, to the research institutes in the Communities for the fiscal year 1986. The EC side expressed willingness to send researchers on environment, biotechnology, bioceramics and so on. Thirdly, exchanges of views on science and technology policy has been agreed. The first meeting was held in March 1986 in Brussels and the second is to be held in March 1987 in Tokyo. Fourthly, the Japanese government has launched the idea of the human frontier science programme and asked the European Communities to cooperate. The programme consists of very fundamental researchs mainly on the elucidation of various biological functions and will formally be presented to the Summit of the Seven in June 1987 at Venice. The EC Commission has shown interests for the participation.

In addition, the Japanese government has established Japan-EEC Industrial Cooperation Centre in Tokyo in April 1987. Its aim is to provide introductory courses lasting six or twelve months for European trainees in Japanese management techniques and quality control methods and to train leaders of joint venture projects, and to supply data and service needed by investors from both sides.⁹⁾

IV CONCLUSION

Japan has been criticized by Europeans that we look the United States first and then to Europe later, and that we make more concessions to the United States and less to European demand. It is true in certain points and so I will not deny that. However, same can be said to Europeans, and you also look the other side of the Atlantic first, although you may not concede easily. I think it is natural if you consider security, volume of trades, technology transfers, money flows and so on between the two oceans.

Even so, Japan and the European Communities have to strengthen their ties and cooperate in many fields as possible to build similar kind of relations as the EC-the US and Japan-the US relations.¹⁰⁾ For that, I would like to see a united Europe. Although the recent institutional reforms of the European Communities, which resulted in Single European Act, are far from my satisfaction, I really believe in this great experiment that man kind never tried before.

NOTES

* This paper is a revised version of a conference paper delivered to "The European Conference on Industrial Integration Strategies: Pandora's Box?", February 9-11, 1987, Erasmus Universiteit Rotterdam, the Netherlands.

1) Keizai Gaiko Kenkyu-kai ed., *Oshukeizaitogo no ugoki* (A move towards European Economic Integration), Tokyo, Keizaigaiko Kenkyu-kai, 1959, pp. 134-135.

2) P. J. G. Kapteyn and Verloren Van Theemaat, *Introduction to the Law of the European Communities after the Accession of the New Member States*, London, Sweet and Maxwell, 1973.

3) As for the protectionist measures of the European Communities against Japan, see Marco C. E. J. Bronckers, A Legal Analysis of Protectionist Measures Affecting Japanese Imports into the European Communities, in E. L. M. Völcker ed., *Protectionism and the European Community*, Deventer, Kluwer and Taxation Publishers, 1983, second edition, 1987.

4) For details, see Albrecht Rothacher, *Economic Diplomacy between the European Community and Japan 1959-1981*, Aldershot, Hants., Gower, 1983, chapter 5.

5) *Agence Europe*, No. 4466, January 14, 1987; *Agence Europe Documents*, No. 1440,

February 4, 1987.

- 6) Answer to the written question No. 1756/84, *Official Journal of the European Communities*, No. C. 145, 13. 6. 1985, p. 21.
- 7) Dean Acheson, *Present at the Creation: My Years in the State Department*, New York, W. W. Norton and Company, Inc., 1973, p. 385.
- 8) For example, Nippon Telegraph and Telephone (NTT) held a seminar in Brussels on 19 and 20 November, 1986 in collaboration with the EC Commission to explain its procurement policy and strategy for technological cooperation with European companies (*Agence Europe*, No. 4435, November 22, 1986).
- 9) *Agence Europe*, No. 4353, July 4, 1986; Answer to the written question No. 1335/86, *Official Journal of the European Communities*, No. C. 291, 17. 11. 1986, p. 54.
- 10) For example, see Toshiro Tanaka, Euro-Japanese Political Cooperation: In Search for New Roles in International Politics, *Keio Journal of Politics*, No. 5, 1984; Wolf Mendel, *Western Europe and Japan between the Super Powers*, London, Croom Helm, 1984; Mick McLean ed., *Astro-electronics: Japan and Europe in Space*, London, Frances Pinter Publishers, 1986; Vincent J. McBrierty ed., *Europe-Japan: Futures in Science, Technology and Democracy*, London, Butterworths, 1986.