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の講演抜粋



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# SEMINAR

## 欧州統合と日欧関係の展望

財団法人 本田財団  
イタリー アニェリ財団  
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# **A Proposal for Better Cooperation between Europe and Japan**

*by Umberto AGNELLI*

1992 is turning into a big year for the world economy.

Not for mythical or esoteric reasons. It's not the millennium or the year 2000. Nor is it Orwell's 1984. Far from it: it's a big year for very concrete reasons. It sees the start of the single European market, it is the year that marks the conclusion of the Japanese Economic Council's 88-92 plan and it is the year in which the Uruguay Round should agree upon a "new GATT".

By then we should also have a much clearer idea about the "new men": in the Kremlin in the East, in the post-Reagan administration in the U.S.A. and Premier Takeshita in Japan.

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Of course any constructive contribution to relations between Europe and Japan must look towards the mid-term. To 1992 but also to 1993, 1994 and 1995, the early years of the single European market.

If we fail to look towards the mid-long term it will be hard to escape from the polemical spiral that is damaging our relations with Japan.

What is more, if we insist upon focusing on particularly critical market sectors, such as cars and textiles, differences are bound to emerge and may even degenerate into diplomatic-commercial squabbles. No, we must embrace the whole universe of trade. We have to look into all the new opportunities that are arising by way of financial agreements, research, and

technological and cultural partnerships.

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I often have the impression nowadays that we are getting too irritable, too jittery.

Instead of grasping the development potential the globalisation process offers for everybody, we seem to take masochistic pleasure in playing the same old tunes. In rubbing salt into the same old wounds.

This doesn't only apply to relations between Europe and Japan but also to those between Europe and America, between America and Japan.

And, in this way, we are losing sight of the fact that we are going through a fairly exceptional phase of economic growth. A period comparable to the 60's, a period to be exploited as efficiently as possible. And yet, we keep erecting barriers to prevent this positive phase from continuing at length.

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The objection might be made: that is all very well but the reality is a conflict of interests worth millions of dollars.

Although no one denies this, we must be careful on this point. Over the last few years, our Japanese counterparts have taught the West — and Western industry in particular — a fundamental lesson: namely “it is wrong to measure economic success in terms of short-term profit; success should be based on long-term corporate development”. It is up to us to take this lesson to heart, even in our economic relations with Japan.

Let me make myself clear on this point.

Much has been said about the cost of “non-Europe”. A few months ago an E.E.C. Commission report — “The Cost of Non-Europe” — came out and has since become a bestseller, an all-time success for a Common Market document.

I should add, for the benefit of our Japanese friends who perhaps have not had the chance to read it, that the report quantifies, in millions of dollars and millions of jobs, the growth that will become possible when we move from a system of twelve separate states to an economically integrated Europe.

This isn't the time or place to go into the report or to discuss the reliability of its figures. I have simply mentioned it so as to point out the existence of widespread debate on the so-called costs of a "Europe that is not", of a "non-Europe".

Nothing is ever heard, on the other hand, of the reverse side of the coin: of "the costs involved in achieving a more integrated Europe, of setting up the single market in '92".

Yet these costs exist too. And they will be by no means negligible. Just think of all the reorganisation work that industry and — even more so — banks will have to carry out as a result of the tidal wave of joint ventures the prospect of 1992 demands or, at least, encourages.

Just imagine the extent to which dealers will be forced to overhaul markets in view of 1992. And think too of the social costs — for there will be social costs — in relation to all this reorganisation.

We only hope that the integrated European market will pay back some of the costs of Europe '92.

Anyway, all those benefiting from the single market of the future must pay their part of such costs. If Japanese industry wants to benefit from the single European market, fair enough. But I do feel it must get used to the idea of making some short term cost contribution, mainly to those critical sectors I mentioned before. It should not try to force Europe's hand. The only effect such pressure will have will be to provoke short term rigidity (you only have to think of the recent French stand over cars and television) and long-term protectionism.

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Europe is not protectionist. Agriculture apart, it has been the most open of the three big OECD areas for the last thirty years, ever since the E.E.C. came into being. Even now, there's nothing in Europe to compare with the U.S.A. Trade Bill. It's only natural, seeing that the E.E.C. Twelve live by exporting and importing, and countries such as Germany, Holland and Britain have a firmly entrenched free-trade philosophy. So let's not make Europe out to be protectionist when its true vocation is quite the opposite.

Of course it would be wrong to think that Europeans are striving to

set up the single market solely to help others and penalise themselves.

They are doing it to help their own industry and their own citizens while allowing the Americans and the Japanese to benefit from a market that can boast over 320 million prosperous consumers.

The gate money Japan has to pay is simply this: she must leave us to handle transition as we see fit.

We want transition to come to an end by 1995. And we want to get there with European industry more consolidated and Europe wide-open to “non-Europeans”. What we don’t want — and this is the biggest risk — is to get there in a crescendo of economic tension: for in this way rather we may end up with the doors barred and the transition incomplete.

So is it a question of “waiting for Godot” right to the end of transition? No: there is room for reducing tension, incomprehension and misunderstanding even during the transition period itself.

An example: the crescendo of anti-dumping procedures pending against Japanese firms at the E.E.C. Commission — and precisely in the sectors in which the balance of trade weighs most heavily against E.E.C. firms. The accused firms claim that they are being persecuted. Without going into the matter in depth, I will say this: it may be plausible for the court to be wrong in 5—6% of the alleged cases of dumping (cases in which procedures have established the existence of dumping to the detriment of European competitors) but for it to be wrong in 30% of cases is out of the question. A certain form of behaviour needs correcting.

Another example: we can argue ad infinitum about whether certain EEC based factories are really “screwdriver plants”. The fact is that they provide jobs for just 75,000 people, less than those provided by IBM Europe alone. There’s something wrong here too.

There are two types of attitude that have to be countered as of today. Of rather, that we have to combat head-on if we want to walk together along the road to globalisation.

The first is a conviction of superiority based simply on the fact that



favourable conditions at the outset (a lap start if you like) are conducive to cheaper production. A sort of authorisation to conquer the world!

This type of logic may have been feasible in the past but it is now old-hat, short-sighted and, above all, doomed to fail in a world that is becoming more and more complex and organised to beat off of colonisation.

The second attitude is just as out of date, although it continues to be passed off as modern. Namely that “I’m boss in my own home and I’m not letting anyone else in”.

When I insist that Japanese firms in Europe need to assume a truly multinational outlook in terms of employment, the development of local supplier industries, technology and research in the host country, I feel I’m stating a principle of modernity of absolute validity. Any dynamic firm in any country must adopt it if it wants to play its role in the economics of globalisation.

I believe that Europe, or rather European firms are entitled to a period of respite from external competitive pressure to allow them to handle transition. Such transition, however, must be effective and brief, not an alibi for hiding reduced competitive efficiency behind protectionism. The principle I’m stating here is — mutual access to respective markets apart — that European firms must be quick to prepare themselves to compete in the mid-term in conditions of equal opportunity without being specially protected. If they aren’t, they may as well throw in the towel.

This is a point I’ve already spelt out clearly to the European car industry: first and foremost, to the company of which I am chairman.

Modernisation means being involved in globalisation, competing in terms of costs, productivity and quality. And if you don’t respect the rules of the game, you may not find a seat at the table.

I think that by now my message then is clear. We both have to realise, Japanese and Europeans alike, that “Europe ’92” won’t be a “fortress” as some would have it (Financial Times 14/7/88). The objective of the single market, however, now enjoys widespread credibility. The weak side of

the O.E.C.D. triangle, Europe, is getting stronger. If you want to benefit from this strength you must try to lend a hand, not be hostile or positively murderous.

Never before has there been such scope for writing a new chapter in Euro-Japanese relations. Japan's economic surplus is starting to drop, a sign that the Tokyo government is looking to redress certain imbalances. Why shouldn't this policy be applied to relations with Europe too?

If this doesn't happen, more credit will be given to those of us, here in Europe, who claim that the balance with the U.S.A. is being redressed because of the threats made by the U.S.A. themselves. That Europe must start making threats of its own.

Another encouraging pointer is the claim of many Japanese businessmen that they want to be more "European" in Europe. One has stated that they want to become "insiders": not, of course, in the Wall Street meaning of the term!

Thirdly, two main objectives of Japan's 88—92 plan (besides reduction of the country's surplus) are quality of life and more balanced social development. Just think of the scope for collaboration that these two common issues open up!

And I'm not referring here merely to a mutual opening-up of markets in sectors such as that of infrastructures. I'm thinking also in terms of the feasibility of setting up large scale research projects together: projects which the combination of science, technology and social development would make unique worldwide.

Some words of Senator Dukakis come to mind, spoken at the Democratic Convention in Atlanta in July. He said that the world has to be addressed through real facts, real problems, possible solutions, and competence".

This could become our common "leitmotiv".

# For Better Mutual Understanding

*by Hideo SUGIURA*

As a businessman and one engaged in automobile manufacturing, which is one of the most internationalized industries, I would like to bring up some opinions and suggestions.

I understand that, under the big theme of the “Integration of European Markets by 1992,” problems are being analyzed today in various fields and their solutions are being sought. Nobody knows yet how these solutions will be formulated at the final stage.

However, many comments on how the integration should take place are being made, including restraints, from other regions in the world.

The integration of EC markets originally started in the 1950's. Today, it is at the turning point after the longterm action carried out over 30 years. In other words, I understand that it has been actively formed by the European countries under the influence of different political, military, and economic factors, and their transformation. In this sense, the integration can be said to have a kind of historical inevitability. Therefore, this is for the EC people and of the EC people, and has been formed out of many internal contradictions and conflicts.

On the other hand, it is also a fact that due to the innovations in the infrastructural development including information telecommunications and mass transportation systems, the driving force of the present world is a solid relationship of interdependence in every field. It is self-evident that the in-

tegrated European market, which will be newly in place, will have to have the capacity to further develop the borderless world economy for EC people's own good. As frequently mentioned by the leaders of the EC Commission, this will only become possible after all the EC countries form a unified market by removing all the internal borders and barriers, develop the competitiveness of their industries, and activate all their nations under the conditions of competition and cooperation.

If these actions were to function to simply protect particular regions or countries, particular industries or corporations, not for a short term, but in a permanent manner, this would not lead to comprehensive satisfaction of the EC people nor enhance the competitive edge of those protected industries or corporations. This is because, under the free economy system, only a hard competitive relationship in the market motivates the innovation and structural renovation of corporations and industries, and that is the only way to obtain a strong industrial structure and competitive edge. This can be illustrated easily and concretely by the movement of the world economy for the past 10 to 20 years.

The key for realizing such a basic goal is in the hands of the people who are taking the leadership in forming this integrated market, and I have a strong hope as to how it should be realized. That is "fairness." The concrete definition of the abstract word "fairness" depends on the views and values of the people who decide the rules, and I do not think that it is suitable for me, an outsider, to point them out. However, I think that it is an important requirement that the leaders of the EC are always aware of "fairness" and use this as an important measurement so as to enable the debate which is essential in forming a broad mutual understanding and agreement. In other words, this clarifies the rules of the game, and I believe that this should greatly contribute to preventing the "inclination towards regionalism" or "the rise of narrow-minded economic nationalism," and to "establishing a fruitful system of mutual cooperation."

On this occasion, I as a member of the Honda Foundation, would like to make a suggestion to our counterpart of this seminar, the Agnelli Foundation.

Fortunately, we have a forum of the Japanese-Italian Technology Society, which is backed up by our two foundations. This forum has been

held once or twice every year. How about adding the following themes to the subjects to be discussed at this forum?

One theme is to make a straight analysis of the competitiveness of the industries in Italy and Japan, to concretely find out the points on which we can supplement each other, to explore the possibility of cooperation on the business basis and to create the opportunities for implementing them.

Often, both Japan and the EC countries criticize each other on the grounds that their markets for various commodities are exclusive. In my opinion, this fact is, in most cases, due to ignorance or misunderstanding about the other side's market mechanism, and so, not being able to find out the way to penetrate into the other's market. So, I would like to suggest that we take as another theme involving the clarification of misunderstandings in many fields and finding ways to solve our differences, thereby effecting an alternative to the official meetings between the two governments.

If we publicize the results of such study meetings of our forum through the means available to the respective parties, I believe that it will be very beneficial for establishing a new economic relationship between Japan and Italy.

Thank you very much for your attention.



# What Does a Single Market Mean?

*by Hideo YAMAMURO*

Ladies and Gentlemen

Let me begin by speaking about my own experiences.

I came to Europe for the first time twenty-six years ago in 1962. At that time, the Japanese Prime Minister was Mr. Hayato Ikeda. And the Italian Prime Minister was Mr. Amintore Fanfani.

I was a political reporter with NHK and was covering Cabinet affairs. So, when Prime Minister Ikeda made a trip to Europe in that year, I came with him as one of the attending reporters. Mr. Ikeda spent more than twenty days visiting six countries.

I remember that in France, Mr. Ikeda became frustrated, when President De Gaulle called him a salesman of transistor radios from a faraway country of Japan.

By that time, the European Economic Community had been in existence for four years. The Treaty of Rome was signed in 1957, and the EEC was launched in the following year. We visited the six nations, West Germany, France, Italy, Britain, Belgium, and the Netherlands.

In Brussels, we had an opportunity to talk with the first president of the EC, Mr. Jean Rey. He said on that occasion, "Our work may seem to be going at a very slow pace, but it takes time for Europeans to agree on going in one direction." "Because," he said, "Europeans are individualists." Mr. Rey also said that after four years, the EEC seemed to have passed the

point of no return.

Having nurtured the fledgling EEC towards becoming a coherent entity, Mr. Rey appeared to be breathing of relief.

That was the time when the EEC had agreed, in principle, on the Common Agricultural Policy.

At present, the European Community is preparing for yet another great step forward. It is working to establish a unified market in 1992. I would say that some Japanese are sceptical of this move. Some say that it may take much longer to achieve such a goal : others say that even if the goal is achieved, it may be of little help in vitalizing the economy of Europe. They may be right; but I don't think so. I believe that the whole idea should be viewed against the background of European history as a whole. I think it is a great challenge for Europe, and quite a logical one at that, when you look at what Europe has been striving for in the past years. I myself am optimistic about a unified market.

Three years ago on May 8th 1985, West German President Richard von Weizsacker gave a speech in the Bundesrat in Bonn. It was called "Forty Years in the Wilderness" in an apparent reference to the Old Testament.

It was a speech to mark the 40th anniversary of the surrender of Germany to the Allied Forces.

In the speech, President Weizsacker said that those who are blind to the history of the past are blind to the present. His speech drew various reactions. Some may have thought that he was only reflecting upon nazism. But I think that beneath the speech lay a truly European tradition, - - - a profound respect for history, and a willingness to look the past for clues for the future.

I think that people in Europe are now asking themselves if they are capable of transforming themselves for a unification in 1992.

It seems to me that you have studied that past, and found some laws working in your history, and that you now have set out to make a conscious effort to apply those laws to your future. This may be at the root of your efforts toward 1992.

Whether this is the case or not, I should say that it is not a major concern of many Japanese. They are more worried about what effects it could have upon Japan's trade relations with the European Community. They think that the European Community is only trying to make its market bigger in order to beat the United States and Japan.

I think that even after 1992, trade friction will continue between the new EC and the United States, or between the EC and Japan. We will have to admit this as a fact.

But to deal with this situation, we can draw on a guiding philosophy of the Club of Rome. It says that we human beings are riding on a single small boat called the earth. We have no choice but to make mutual concessions for our survival.

The Japanese have also learned a lesson from more than forty years of experience following World War Two. We now believe that protests presuppose compromises.

Before concluding my speech, I would like to ask your opinions on the following two points.

The first is what concepts of history in Europe have led to the idea of setting up a unified market.

I am particularly interested in knowing whether or not it was born out of economism alone.

In this connection, I would also like to know how the philosophy of statism is related to the idea of a unified market. This interests me because statism is said to have been born in Europe. How could this idea of separate entities divided national boundaries have led up to a virtual elimination of barriers, at least in economic terms.

The second point is that I would like to seek your views on what is "fairness" in commerce and trade. I believe that in order to have smooth trade relations, we had better devise a common yardstick of what is fair and what is unfair in trade.

Thank you.

# **Requests on the Technological Aspects of European Community Integration**

*by Takao HARATA*

As an automobile production engineer, I would like to comment briefly on what I have noticed concerning the integration of the European Community.

Today, the EC and Japan are standing at almost the same level in terms of technology. I think that a majority of their technology is similar to ours, though in some areas it is unique.

Japanese technology is said to be first in the world today in such areas as materials, processing and electronics.

The fundamental technological area for the manufacturing of products is machine tools. The production volume of such state-of-the-art machines as numerically-controlled machines in Japan has remained top in the world since 1982. Japan is also the world's No. 1 country in the production of semiconductors. Moreover, it has replaced West Germany as the world's leader in the production volume of metal molds which are essential for mass production. I further believe that many Japanese technologies in materials production rank first in the world.

The Japanese originally learned the basics of these modern technologies from European countries and introduced them into this country. We cultivated and developed these technologies here in Japan so that they conformed to the Japanese climate.

Speaking from my own experience, I visited Europe in 1961 and gained the knowhow for manufacturing automobile bodies at various factories there and brought it back to Japan. We developed these original technologies into their present form in our manufacturing method for the bodies of four-wheel Honda vehicles.

In production technology, the European countries and Japan have made similar progress in terms of hardware. However, the Japanese features lie in the labor management system, which has made it possible to improve both quality and productivity in mass production. This system emphasizes respect for each worker and tries to promote improvement in both quality and productivity, based on a “motivation for work” among individual workers. The “kaizen” or improvement system that is beginning to be widely known throughout the world also utilizes this method. In particular, the maintenance technology and management system which grew out of this system emphasizing esteem for each worker have become significant factors in the kaizen system.

This system also originally came from overseas. And it seems to have developed in a climate where different cultural backgrounds of various countries and their national characteristics have been complicatedly interwoven, with emphasis being placed on individual consciousness.

What I think the Japanese are particularly interested in and want to learn from Europe is the “many varieties in small amounts” production technology, the basis of which can be traced back to the traditional craftsmanship that developed into a technology within the climate of the European Continent.

Technological development is based on the development of individual consciousness. I think that technology will become further sophisticated when people come in contact with different cultures and both sides stimulate each other towards integration at higher levels.

I would like to suggest here that the EC and Japan have intensive discussions at the working level to analyze how they are different from each other, and what should be done, before taking further steps. In doing so, I believe we will be able to find another opportunity for the development of future production technology.



There are growing expectations for technological development in Europe through integration of the EC. Here, I would like to suggest that this “integration” encompass more different foreign cultures as well.

We should also consider how the intellectual properties of technologies can be exchanged.

Finally, I would like to add that regulations in various fields will be unified as a result of the European Community’s integration. Talking about technological aspects, I hope that safety regulations, in particular, will be standardized on a global basis, not limiting their sphere only to the European Community.

I would assume that the EC officials are considering relevant measures that would contribute to the world economy as well as the development of the EC. I hope that the EC authorities will adopt various policies in view of the historical development of technology.

Thank you very much for your attention.

# **Cooperation between Europe and Japan in Electronics Industries**

*by Reijiro ANDO*

Let me give my viewpoint on the industrial cooperation and development of possible joint projects which make the most of the individual features of technology and its complementarity between Japan and Europe in Electric and Electronic industries.

First of all, let me tell you the characteristics of Electric and Electronic industries.

In general, they are the industries who produce their products by combining plural elements. And its activity consists of "How to procure" and "How to assemble or integrate" elements.

Therefore, in order to develop such Electric and Electronic industries, it need to establish an organic system which make possible each process of a different characteristics to coexist by gathering these functions with almost the same weight within the one body of business or as a joint enterprise where some number of companies can cooperate in work.

Also, between "How to assemble elements most effectively" and "Requirement to procure elements", we are required to examine the total efficiency, cost and performance, and then to decide our policy in elements and combining process, considering trades-off between efficiency of assemble and requirements for elements and integration of new technology.

Here, I give the important characteristics or requirements of each activity which we must take into account.

Regarding “How to assemble or integrate elements”, its priority had been given to lower cost so far. In order to decrease cost, each country had exerted all possible efforts that went into not only investigating the place and the way for low labor expenses but also making process to eliminate man power.

Secondary, we are required to place our business points where are close to the markets, that is, where products are used, geographically, socially and historically, and make it easy to reflect and examine customers or users requirements and necessities.

At the same time for us it's need to promptly respond to the changes of those conditions.

Thirdly, for the development and design of function and structure, we must consider what kind of situation and system are most effective to introduce new technology, to improve quality of products by combining them with other new products and technology or to supply newly developed products for the market.

Next, I would like to mention ‘How procure elements’.

Firstly, after giving the consideration to the speed, flexibility and replaceability concerning the submitting method of such informations as assembling, markets, technology and physical distribution, we must form a judgement whether we whole-heartedly depend on other companies, or we correlate this “To procure element” with “To assemble” organically, that means, we ourselves participate in production.

Secondary, regarding the requirements for the manufacturing of elements, we shall understand separately such steps as research, development, design, production engineering, development and procurement of equipments, production and quality assurance.

We need to decide on our policy whether we put all those functions together in one organization, or allot them to a kind of consortium. Also we need to frame our plan of which function should be shared with what ratio.

If they are carried out consistently, it is profitable to our business, because technology transfer is easy and it is also easy to introduce new technology. However, on the other hand, especially at the stage of research and development, it is difficult to obtain technical experts on a high level and keep up them with such expert skills.

If those functions are allotted too strictly, it is apprehended that we might have some possibilities to lose the chance of introducing the fruits of the development of substitutive technology.

Thirdly, we shall pay the attention to the marked trend that development of technological elements and industries manufacturing elements is made rapidly by the integration of technology, and moreover, by the mutual influences of different kind of technology.

Generally speaking, we can say that Japan had been, if anything, tending to have the policy of "Consistency" and on the contrary, in Europe, there had been a tendency to share work, in which area many countries on a high industrial level had been collaborating with each other.

As we can see the example of semiconductor industry, that is, not only technological elements but also multifarious kinds of technology were integrated, thus new effects and excellent results were obtained, and furthermore, made to a rapid progress as a results of specialization of industrial elements and pursuit of never ending target in technological level.

Also, we shall recognize that there is a possibility that some technology which is developing as creeping often shows a jumping changes caused by impact of other technology or sudden changes of business circumstances.

We must establish a system in order not to let such opportunities and possibilities slip.

However, we must notice that the business environment and the industries themselves have been changing remarkably in their qualities in some decades.

Firstly, let me given the changes of market and demand.

With the advance of market maturization and the raising of individual income, market differentiation which needs supply of products with many kinds and a small quantity, is more and more required, thus market segmentation or diversifying has been expanding in response to the tendency of remarkable changes of market conditions.

At the same time, because we can get either formal or informal informations, especially realtime exchanging of informations including video informations corss national boundaries and distances, even if it seems as though each market is independent and well segmentated, in fact, there are many common ground among those countries and areas, and they are interacting with each other.

Therefore, it seems very difficult to divide them into domestic business and international business in a word.

Then, we turn a look on technology and production. Because of the improvement of technique of networking and diversification of exchanging method of information such as personal computer communication network,

technical informations can make spread promptly to the whole world.

That made possible for the research people to make a wider and deeper study by spurred or cooperating mutually as if they are in just the next doors.

Furthermore, not only by the progress of informations, according to the progress of data base technology and acceleration of information transmitting speed, datas and drawings for design and development are sent or received without restrain among countries and companies no matter how distant the destinations are.

Also, in accordance with the rapid progress of technology semiconductor and computer, even in the process from design to production, the prospect is becoming clear that they get over distance and establish a system with which they can work as if operated in same building.

Therefore, we are under heavy pressure to change our thought fundamentally, or see from a new standpoint, when we think of the locations of industries.

In response to such changes as markets, industrial technology and management, the reasons have been changed a great deal to make decision on where to select as logistic points to deploy business space.

If we think it most effective to select only one place for our large-scale logistic point (Headquarters), such simple idea is already unwarrantable today.

As a matter of course, we must take production cost into account, but also we must consider transportation cost as well as international trade cost.

After taking such deep considerations, we must select most profitable place where we can decentralize our work on the standpoint of long and wide viewpoint of business.

What I mentioned here as “Business” includes all functions from research, development, production and procurement of machinery and equipments to opening-up of new markets.

We must give careful consideration to the changes and costs and then, select most suitable and profitable place for each of them.

In other words, it is becoming disadvantage both in time and cost, if we instruct from one headquarters and have factories only to the near place of markets.

When viewed from a different angle, I would like to ask you to pay attention for the fact that the patterns of transferring of technical fruits from



research, development to mass-production, have been changing in these decades.

In case of classical pattern, it had been a one-sided, technology transfer type. In Europe, this type is of great advantage to the steps from the research of fundamental truth to research, and in Japan, it is advantageous from research, development to development of production technology and mass-production technology.

Under such conditions, Japan and Europe had been transferring each technology or cooperating with each other.

However, in these two decades, especially for the Micro-electronics industries, their pattern would be such like spiral type.

Therefore, it is impossible to start mass-production even if development is completed including research of fundamental truth and basic research.

During the steps from development to development of production technology, problems which require basic research or other researches shall arise.

Therefore, we can not start next process of development of production equipments until we solve those problems. Such kinds of process will be occurred when developing equipments, and finally we can proceed to the establishment of mass-production technology after we resolved all of fundamental problems.

We should know that technical engineers of Europe, America and Japan shall tightly knit cooperation with each other geographically and time-wisely, and at the same time exchange and integrate each strong point, thus we can produce satisfactory results in progress of technology.

Let me take the case of the production of semiconductor.

There are some theoretical problems which are not lighted upon until going through these processes from development to mass-production.

Therefore, when they are confronted by those problems, they have to go back to the first step of the theoretical study.

It is impossible to go on until all those problems are overcome.

Let me take the production of liquid crystal display as an another example.

Its construction work is now going up at vallé d'Aosta on north of Torino as a joint project owned by Japan and Italy.

This case is also no exception, because Europe obtained excellent results from theoretical study to basic development. However, they also can not develop the technology to implement their plan until they solve the problems which will not appear before they start mass-production.

Therefore, research workers of Europe who are engaged in the development of liquid crystal display are looking forward to the start-up of operations of this plant.

I'm also expecting that this plant will be a good example of a highly effective project whose operations from research to mass-production are consistently carried out as a joint enterprise of Japan and Europe.

With the realization of united Europe in 1992 just ahead, many joint projects of Europe and Japan are given out.

The way I see the changes of markets and technology, I believe that each industry of Europe, America and Japan will be able to make the most of its ability and cooperate with each other by closely combining their relationships.

If the things work out that way, the whole business will consummate their functions as if it is one company, thus I believe this is our opportunity to develop and strengthen the industry power in all the world swiftly and widely.

Thank you

# **The Birth of an Asian Economic Area**

*by Hideichiro NAKAMURA*

## **(1) Changes in Japan's Industrial Structure**

Because of the ever increasing strength of the Japanese yen since the autumn of 1985, Japanese industries have been forced to undertake real structural adjustment. Such factors as the maturing of Japan's domestic market, worsening trade friction, and the rapid growth of the Asian NIES (Newly Industrializing Economies) have made it difficult for Japanese industry to maintain its traditional structure which aimed at domestic production in all manufacturing sectors. Now, Japan has no choice but to specialize in high value-added fields utilizing its advanced technology.

Such a process has already been occurring in certain advanced industrial areas in Japan. Many of Japan's big factories which were once concentrated in Metropolitan Tokyo have now changed their emphasis from mass production to R & D and prototype manufacturing. Furthermore, facilities dedicated to basic research in addition to product development are increasingly being located in the Tama River basin running through the southwestern part of Tokyo and extending into Kanagawa Prefecture.

While this area has the advantage of being adjacent to Tokyo, where the greatest technological know-how is available, an additional advantage is that the area contains as many as 20,000 small and medium enterprises engaged in the manufacturing of metal, machinery, and electronics, forming a network of subcontractors capable of meeting the requirements for complex processing, product flexibility, small-quantity production, and prompt delivery.

These small and medium enterprises were originally engaged in mass production as subcontractors to large machinery and electronics companies.

Now, then main function is to satisfy the various high-level processing requirements of the surrounding industry.

This is one big factor allowing Japan's large enterprises to engage in R & D activities outside the frame work of their regular business as they prepare to restructure in the direction of advanced technology. This concentration of R & D activities around Tokyo and the surrounding industrial infrastructure which makes it possible has been termed "National Technopolis" by one researcher.

In contrast to the concentration of R & D activities in this region, many of the large factories and their subcontractors which used to be here are now moving into Japan's outlying regions and into the Asian NIES and ASEAN (Association of Southeast Asian Nations) countries.

What were once Japan's leading industries, steel and shipbuilding, which supported the economies of entire local regions, are now moving into the Asian NIES. So too are such export-oriented industries as textiles and sundry goods, which had been Japan's main exports during the initial period of her high economic growth, based on the advantages of mass production and low prices. These latter industries are now moving to the ASEAN countries and to mainland China. Some of them are also converting to the production of luxury products to meet domestic demand, or are converting to fields utilizing advanced technology.

## **(2) The Style of Industrial Development in the NIES**

The Asian countries have enjoyed high economic growth ever since the 1960's. Boosted particularly by the influence of the strong yen since the autumn of 1985, Asian NIES have experienced an export boom. This is reflected in the remarkable increase in their share of the American market. The real economic growth rate of the NIES countries was 10.4% in 1987, of which 56% is attributed to their exports to the U.S. (according to the White Paper on Trade presented by the Japanese Government).

This increase in their trade with the U.S. owes mainly to their price competitiveness, in contrast to the increase in exports from Japan, which owes mainly to the rise in unit prices of goods which are only available from Japan. We can say that a niche segregation has been established in the American market between Japanese products and those from the NIES countries. On the other hand, in contrast to the Asian NIES' trade surpluses with the U.S., they have experienced trade deficits with Japan which have tended to increase under the strong yen. (For instance, in 1987, the surplus in their

trade balance with the U.S. was \$37.2 billion, while the deficit in their trade balance with Japan was \$21.0 billion.) Thus, the increase in exports from the NIES is closely linked with their dollar increase in imports from Japan. The economic development of the Asian NIES has thus been founded on a tripolar structure of Japan, the NIES, and the U.S.

Whereas in the past, the industrialization of developing countries followed a pattern from import substitution to export development, the industrialization of the NIES countries has been marked by the development of export industries from the start.

This industrialization process in the NIES has been successful because of their ability to respond to the world economic environment since the 1960s, in which the active promotion of an international division of labor has taken place. That is, in the advanced countries, the focus has been on new product development and highly technological processes, thereby transferring more standardized processes and labor-intensive industries abroad to countries which have less expensive yet quality labor, experience in industrial management, and a certain level of industrial infrastructure.

Although the industrialization of the NIES has been a highly technological achievement, including shipbuilding, machines, automobiles, and electrical appliances and electronic devices, the common characteristic of this industrialization can be summarized as mass production and labor-intensive assembly. This is divided into two types : one is the big enterprise type pursued by Korea, where the emphasis is on finished products; the other is the small and medium enterprise type pursued by Taiwan, where the emphasis is on parts.

### **(3) Changes Being Urged in the Style of Industrialization in the NIES**

While industrialization has made possible the rapid economic growth of the NIES, at the same time, this industrialization has revealed a fundamental weakness in that is the more surplus they enjoy in their trade with the U.S., the larger their deficit becomes with Japan. In other words, in order to enhance their industrial capability, they must import high precision parts, materials, and equipment from Japan, even under the strong yen.

In addition, the high economic growth in the NIES has resulted in a trend toward labor shortages and wage hikes (increases of 20% and 30%, respectively, in Taiwan and Korea in 1987), thus beginning to deprive them of the advantage in wage costs which up until now has been their biggest advantage. The cost of labor in the NIES has become extremely high when



compared with the ASEAN countries and the People's Republic of China, although it is still low compared with Japan.

Given this problem, it has become imperative for the NIES to learn how to manufacture highly technological parts, materials, and equipment. However, this demands a different set of skills from those required for mass assembly, so launching into this is no easy matter.

The economic growth of the NIES has had a great impact on the balance of international payments of the U.S.. This has resulted in requests by the U.S., especially toward Korea and Taiwan, for market liberalization, large scale curtailment or even abolition of government-sponsored export policies seen as unfair, and the revaluation of their currencies against the dollar. The U.S. requests, particularly for currency revaluation, coupled with wage hikes in these countries, have been forcing them to rectify their export-only style of industrialization. (As of May, 1988, the currency revaluation ratios of Japan, Taiwan, Korea, and Singapore were 201, 138, 113, and 109, against a base index of 100 in 1984.)

What is necessary is to upgrade their industrial structures, specifically, to lower their degree of dependence on imports for highly technological materials and parts. Examples of success in this area are the development of steel sheets for automobiles in Korea and the conversion, though partial, of electronics products in Taiwan from strictly household uses to industrial uses as well. Nevertheless, Korea's import induction coefficient of 0.27, for instance, is more than twice Japan's coefficient of 0.11.

The issues that remain are how to adapt their industrial structures to the need for more sophisticated production, and how to raise the technological level of their small and medium enterprises. These issues cannot be solved merely by the introduction of new equipment or new technology. They will take time to solve, and will require entrepreneurs daring enough to tackle risky endeavors with a long range view. They will also require the accumulation of management know-how and the development and retainment of skilled workers through improved labor-management relations. For the time being, this might be solved by attracting enterprises from Japan and other countries whose advanced technology can cover what the NIES currently lack.

Furthermore, in order to develop a foundation for a truly high level of advancement, it is indispensable that these countries strengthen their ability to develop new products and technologies.

By boosting its efforts in the public sector through such projects as the construction of the Science District in Xinzhu and the enrichment of the

Academy of Industrial Technology, Taiwan raised its R & D investment from 0.75% of GNP in 1984 to 1.3% in 1986. It also succeeded in attracting research institutes from Philips, IBM, and Matsushita Electric, thus making good use of its 26,000 annual graduates of university and postgraduate courses in high technology.

Since the beginning of the 1980's, Korea has pursued a national policy of "Building national strength through technology". It has urged each of its large domestic enterprise groups to establish structures, for promoting the development of technology. This, coupled with the strengthening of its national research institutes, has resulted in an increase in R & D investment from 1.28% of GNP in 1984 to 1.8% in 1986. Some fruitful results of this have been seen in the automobile and semiconductor industries.

Additionally, these countries have begun to address the task of expanding their domestic markets, stimulated by their new higher wage levels, and of fostering export industries based initially on strong domestic demand. One example of this is the enthusiastic development of the "peoples' car" in Korea.

In addition, in order to decrease their trade deficits with Japan, the NIES must broaden their markets in Japan. While the dependence on exports to the U.S. are 38%, 44%, 28%, and 24%, respectively, for Korea, Taiwan, Hong Kong, and Singapore, their average dependence on exports to Japan was only 12% in 1987.

Of course, their exports to Japan are increasing under the strong yen. For example, Japanese imports of finished goods from the Asian NIES increased by 60% in 1987 over the preceding year, whereas Japan's imports on a global basis increased by 25%. Nevertheless, the NIES' participation in the Japanese market is limited in the sense that they can still rely only on price competitiveness as a weapon.

If the NIES' mass-production type export manufacturers want to enter the Japanese market, what they need is product conversion. At the moment, this problem is partially being solved under a system whereby Japanese retailers, distributors, and manufacturers present detailed designs, quality requirements, and product specifications to NIES manufactures and then reimport the finished products. This big step should aid in the NIES' full-scale participation in the Japanese market.

#### **(4) The Internationalization of Japanese Industry and the Development of Industrial Specialization in East Asia**

Recently, capital participation by Japanese enterprises in the NIES and ASEAN countries has been increasingly dramatically. Japan's direct investment in the NIES and ASEAN countries in 1987 was \$2.58 billion and \$1.03 billion, respectively, representing 94% and 87% increases over the preceding year.

From the 1970's to the beginning of the 1980's, capital participation of this type by Japanese industries was aimed primarily at selling to the local markets and then to third country markets, rather than to the Japanese market. Since the latter half of the 1980's, however, the trend has been towards an increase in exports to Japan. By encouraging a pattern of horizontal specialization shared with local industries, Japanese capital participation is contributing much to bolstering the local industrial structure.

As more and more mature Japanese industries shift to the NIES countries, exports from there to Japan will inevitably increase. As is now the case with the NIES, the more labor-intensive industries will move into the ASEAN countries, giving an impetus to industrialization in those countries as well.

Furhter, the participation of Japanese enterprises in the local manufacturing of highly technological parts and materials will serve to accelerate horizontal industrial specialization with the NIES.

Fundamentally, Japan will specialize in R & D activities, advanced technology, and production areas in which factory automation is feasible. The NIES countries will focus on mass-production type industries, while more laborintensive industries will expand in the ASEAN countries.

Meanwhile, as Japan demonstrated during her industrialization, product development, production, and distribution should be considered together as an interacting whole, although each function has a special importance of its own. This is because mutual feedback between these functions is essential to the progress of the whole.

In this sense, no matter what a country's degree of industrial maturity, "technology transfer" should not be construed merely as the transfer of established technology by itself, but should aim to build a foundation for new technological development in the nation receiving the technology. This is the contribution Japan can and should make in helping to give birth to other highly industrialized nations in Asia.

## **(5) Promotion of International Specialization in the Asian Pacific Region**

Regarding the size of the Asian market, it should be remembered that the total population of the NIES and ASEAN countries together is 360 million, about equal to the combined populations of the U.S. and Japan.

When Asia, whose economic growth has, until now, been led mainly by exports, begins to realize high levels of domestic demand, it will be seen as a huge market. The Gross Domestic Products of the three blocs of North America, the E.C., and Asia (which comprises Japan, the NIES, and ASEAN) are \$4.8 trillion, \$4.2 trillion, and \$2.9 trillion (of which Japan is \$2.4 trillion), respectively. If North America is set at 100, the E.C. stands at 85 while Asia is 55.

On the other hand, the economic growth rate of Asia, especially the NIES and ASEAN countries, is extremely high. The industrial base of the Asian Pacific Region is being strengthened by the efforts of Korean and Taiwan to catch up with Japan.

This industrial base is further being expanded and deepened by the everincreasing participation of Japanese firms in the NIES and ASEAN countries and by the efforts of Korean and Taiwanese enterprises to enter the markets of the ASEAN countries.

In addition, Korea and Taiwan have already started the conversion away from one-sided dependence on exports to the U.S.. This should result in an increase of exports from Asia to Japan, and in the expansion of domestic markets in the NIES, where traditionally low wages are now rising.

As mentioned above, it is already possible to see in Asia indications of an increasing level of international horizontal specialization.

Rather than acting short-sightedly out of fear of a boomerang effect, Japan should actively promote technology transfer to these areas and should liberalize her own markets. To regard the economic integration between the U.S. and Canada and the same scheduled for the E.C. in 1992 as incentives for establishing a counterpart economic bloc in Asia should not be our target.

Instead, the aim should be interdependent specialization in a liberalized Asian region, the promotion of economic exchange with such countries as the U.S., Canada, New Zealand, and Australia, and coexistence with the People's Republic of China, thereby realizing high industrialization of the Asian Pacific region. While contributing its share to an increasingly globalized world economy, Asia will also have to find ways to coexist with the E.C., whose policies will be based on reciprocity.

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**Table 1 Change of Real Economic Growth Rates of the Asian Countries**  
(Annual Average)

(%)

	1961 – 1973	1974 – 1979	1980 – 1985	1986
Asian Countries	7.3	7.9	5.2	6.5
Asian NICS	9.9	8.9	6.2	10.4
Korea	9.7	9.5	5.8	11.9
Taiwan	10.4	8.5	6.3	9.9
Hong Kong	10.3	8.9	6.5	11.2
Singapore	10.2	7.3	6.8	1.9
ASEAN	5.8	7.0	4.3	2.6
Thailand	7.5	7.4	5.1	3.5
Malaysia	6.1	7.4	5.6	1.0
Philippines	5.6	6.3	0.0	1.5
Indonesia	5.1	7.1	5.4	3.2
Advanced Countries	4.7	2.7	2.1	2.6
Japan	10.6	3.6	4.0	2.5
Non Oil Producing Developing Countries	5.7	5.2	2.1	—

Remarks: The Philippines on the Real GNP Base, Other Countries on the Real GDP Base. The growth rates of Asian NICS, ASEAN and Asian countries are Weighted Average based on the real GD(N)P.

Source: IMF (IFS), National Statistics and Trade White paper, 1988

**Table 2 Asian NICS Trade Balance with the U.S. (in \$1 million)**

	Total of ANICS	Korea	Taiwan	Hong Kong	Singapore	(Ref.) Japan with U.S.
1980	3,275	– 283	2,067	2,430	– 939	6,959
1981	5,662	– 389	3,293	3,494	– 736	13,312
1982	6,861	287	4,088	3,521	– 1,035	12,151
1983	12,779	1,971	6,628	4,477	– 297	18,182
1984	20,354	3,604	9,819	6,303	628	33,075
1985	21,620	4,265	9,998	6,481	876	39,485
1986	31,327	7,335	14,434	8,123	1,435	51,402
1987	37,242	9,553	16,127	9,362	2,200	52,090

Source: National Statistics and Paper by Takao Taniura, 'Economist'

**Table 3 Asian NICS Trade Balance with Japan (in \$ 1 million)**

	Total of ANICS	Korea	Taiwan	Hong Kong	Singapore
1980	-12,599	-2,819	-3,185	-4,191	-2,404
1981	-13,486	-2,871	-3,371	-4,720	-2,524
1982	-11,071	-1,917	-2,357	-4,250	-2,547
1983	-13,540	-2,834	-3,101	-4,559	-3,046
1984	-14,734	-3,038	-3,273	-5,479	-2,944
1985	-13,125	-3,017	-2,095	-5,568	-2,445
1986	-18,125	-5,443	-3,958	-5,576	-3,148
1987	-21,011	-5,220	-4,954	-6,749	-4,088

Source: National Statistics and Paper by Takao Taniura, 'Economist'

**Table 4 Matrics of Trade of the Pacific Region (All Goods)**  
(in \$100 million) (Ratio of 1986/1970)

From — To	Japan	East Asia NICS	ASEAN	China	U.S.	CANZ	Total Export
Japan 1970		22	18	6	60	13	193
1986		189	119	97	800	121	2055
86/70		(8.6)	(6.6)	(17.0)	(13.3)	(9.2)	(10.6)
East Asia 1970	6	3	3	n	19	3	48
NICS 1986	115	64	56	75	430	55	1092
86/70	(18.2)	(24.2)	(16.7)	—	(23.1)	(21.2)	(22.8)
ASEAN 1970	14	4	12	n	11	2	61
1986	135	56	112	12	134	21	634
86/70	(9.8)	(15.6)	(9.3)	—	(12.5)	(10.1)	(10.5)
China 1970	3	4	2		n	n	23
1986	51	102	23		52	7	315
86/70	(18.0)	(24.2)	(11.0)		—	—	(13.7)
U.S. 1970	46	13	8	0		98	426
1986	275	149	84	31	620	2218	
86/70	(6.0)	(11.8)	(10.2)	—	(6.3)	(5.2)	
CANZ 1970	21	2	4	3	116	8	224
1986	112	39	23	21	670	34	1150
86/70	(5.2)	(20.7)	(5.9)	(7.8)	(5.8)	(4.4)	(5.1)
Total Import 1970	154	58	65	28	390	176	
1986	1129	895	568	399	3694	1112	
86/70	(7.3)	(15.5)	(8.7)	(14.1)	(9.5)	(6.3)	

Notes: (1) CANZ — Canada, Australia, New Zealand East Asia NICS — Korea, Taiwan, Hong Kong

(2) n denotes the amount less than \$100 million.

— id applicable to the case where the criterion is 0 or n. Ratios of 1986/1970 is based on the amount cited in the original table in \$1 million.

1970 Trade data retrieval system according to the Asian Economic Research Insitute

1986 Provisional estimates based on U.N. statistics and national statistics.

Source: Paper by Ippei Yamazawa

**Table 5 Ratios of Domestic Production of Korean Electronic Appliances and Parts' Dependency on Japan (in %)**

Household Electronic Appliances	Ratio of Domestic Production	Dependency on Japan	Major parts
VTR	65	100	Head, Motor
Color TV	90	95	IC
Cassette Recorder (for export)	50	95	IC, Motor
Cassette Recorder (for domestic use)	85	95	IC
Industrial Electronic Appliances			
Facsimile	60	100	Thermal Tranfer Element
Personal Computer	40	100	IC
Printer	35	100	Dot, Head
Computer Display	50	90	IC
Telephone	90	95	Parts for Receiver
Parts			
Color CRT	80	95	Electronic Gun, Tuner
Speaker	70	95	
Switch	50	80	
Condenser	60	95	

Materials: 'Business Korea', November 1986

Resource: Trade White Paper, 1988



## Per Scambi Culturali con L'estero 1988

*by Taizo UEDA*

Si dice che il rapporto tra Italia e Giappone sia dell'uno per cento. Nel valore globale delle importazioni giapponesi del 1985 la percentuale italiana corrispondeva allo 0.81%, nel 1986 è stata dell'1.14% e nel 1987 corrispondeva all'1.43% da cui si può constatare il continuo incremento. Dall'inaugurazione del volo Alitalia non-stop Tokyo-Milano possiamo anche dire che si tratta di un rapporto di 12 ore. In passato si pensava solo alla lontananza tra i nostri due paesi, mentre ora è possibile in solo 12 ore percorrere il tragitto che ci separa.

Non ostante ciò in Giappone la realtà sociale ed industriale italiana non è ancora conosciuta. Anche sulla stampa le notizie riguardanti l'Europa in generale e l'Italia in particolare, sono poche se confrontate con la mole di notizie riguardanti l'America, la Cina, o i paesi del Sud-Est asiatico.

Ma anche in Europa la comprensione riguardo il Giappone è pressoché allo stesso livello.

Anche se i giapponesi non sono completamente differenti dagli europei, è anche vero che non sono del tutto simili. In particolare la comprensione culturale presenta dei problemi di difficile risoluzione.

La cultura è risultato, infatti, di una molteplicità di elementi, invisibili quali la storia e le tradizioni. Anche il problema della frizione economica internazionale, che troppo spesso esula la logica per divenire problema sentimentale, è dovuto alle differenze culturali, e per tale motivo diviene obbligatorio l'approfondire i rapporti culturali d'entrambe le parti.

Non si tratta di mettere a raffronto la cultura giapponese alla cultura europea, tali culture, in un certo senso, si sovrappongono. Non è possibile livellare e legare a stereotipi la cultura, come non è possibile esprimere giu-

dizi di bontà o meno nei confronti della cultura. Anche se la cultura giapponese risulta essere particolare, non è pensabile il rifiutarla.

Nè i giapponesi debbono rinchiudersi in sé stessi; e per il fatto d'essere particolare, tale cultura non è esotica. Con tali idee lo scambio culturale non viene approfondito, invece le diverse culture siano, dunque di stimolo reciproco.

Come ho avuto occasione di dire nell' seminario precedente della Fondazione Agnelli, "tra differenti culture si possono riscontrare senza dubbio dei trait d'union: è necessaria la buona volontà nel voler utilizzare tali punti in comune per approfondire la comprensione reciproca".

A partire dallo scorso anno svolgo le mansioni di direttore presso il comitato di redazione della collana "Italia Oggi", progetto dall'Ufficio ICE di Tokyo nel quadro di una azione di promozione dell'industria ed economia italiana.

La collana ITALIA OGGI, pubblicata in giapponese e distribuita agli operatori e agli opinion leaders" locali dall'ICE di Tokyo, ha per scopo precipuo il miglioramento dell'immagine che si ha in Giappone del prodotto italiano, risultata sfuocata e distorta da luoghi comuni obsoleti al vaglio di un'apposita indagine condotta dall'ICE nel 1985. Identificando tra le ragioni di tale stato di fatto anche la notevole mancanza di informazioni in lingua giapponese sulla produzione italiana in generale e sui singoli settori industriali, la collana ITALIA OGGI si ripropone di contribuire a colmare tale lacuna.

Il primo volume "L'industria e l'economia italiana", distribuito in 35.000 copie al top management" giapponese, sia politico che economico e culturale, è stato apprezzato da esponenti del Governo giapponese e da tutti i maggiori periodici giapponesi.

Il secondo volume Robotica italiana", il terzo volume "Le macchine italiane per il confezionamento e l'imballaggio", e il quarto "La telematica italiana", sono stati distribuiti a 3.000 ditte, potenziali utilizzatrici.

I volumi della collana sono progettati in modo da presentare un'immagine mirata alla mentalità giapponese: un comitato di redazione, composto da professori universitari industriali, e giornalisti giapponese sovrintende a ciascuna pubblicazione.

Le presentazioni assumono la forma del seminario, con interventi sia dei membri del comitato redazionale sia di personalità italiane. Al primo seminario, tenuto all'ufficio dell'ICE di Tokyo, ha partecipato Dr. Umberto Agnelli. Per mezzo di tali attività dunque, non solo s'èleva il livello dell'interscambio industriale ed economico italo giapponese, ma s'aprono nuovi

campi grazie agli sforzi da parte dei nostri due paesi.

Esiste un Progetto Nazionale Giapponese di cui la Fondazione Honda è promotrice. Si tratta del festival culturale EUROPALIA 89 JAPAN: avrà luogo in Belgio a partire dal settembre del 1989 per tre mesi ed avrà per tema "Giappone: tradizione ed innovazione", e saranno presentati 70 programmi di musica, arte, artigianato artistico, etc. Tale progetto, misto a livello governativo e privato, prevede la trasferta in Belgio di tutto il personale addetto, ha come scopo la presentazione in Europa dei poliedrici aspetti della cultura giapponese.

Si tratta della prima "presentazione" ad ampio respiro fino ad ora svolta in Europa. Grazie alla partecipazione della Comunità Europea all'EUROPALIA 89, il "Joint Research Center" della Comunità in collaborazione con la Fondazione Honda, terrà un simposium che si svolgerà nelle città di Bruxelles, Varese, Lisbona, Tolosa e Bonn.

Il Giappone ha deciso l'EUROPALIA 1989 come naturale evoluzione nell'ambito dello sviluppo del suo ruolo internazionale, ed in particolare è da sottolineare la decisione da parte degli ambienti governativi, accademici e industriali per rafforzare i rapporti culturali; è un'occasione eccellente per mostrare al maggior numero di persone possibile il vero volto del Giappone, e non limitatamente il quadro di una nazione che produce solo computer o automobili.

# **EC Integration and it's Implications to Japan**

*by Toru YOSHIMURA*

The European Community is steadily building the basic institutional frameworks towards the completion of liberalisation and integration of the regional markets by 1992. When this is materialized, the EC, the U.S.A and Japan will comprise the three major axes of the world economy. The EC will become a big economic community of 12 European countries. Its size as an economic block will surpass that of the U.S.A in terms of population. The size of gross domestic product will follow that of the U.S.A while exceeding that of Japan. Therefore, looked at from Japan's standpoint, such a development of the EC is indeed welcome. We believe it is necessary to establish a sound relationship of competition and cooperation between the EC and Japan.

It is well known that in recent years the substantial trade surpluses of the Japanese economy has been causing trade friction with other countries. In the trade between the EC and Japan, the excessive trend of Japanese exports to the EC has also been continuing.

Therefore, it is expected that top priority will be given to the improvement of bilateral economic relationship.

At the same time, recent economic and social situations in European countries are affected by a host of societal problems. For example, the unemployment rates in EC countries are high : 11% in the U.K., 8.9% in West Germany, and 11% in France as of March 1987, and such traditional industries as steel and shipbuilding are declining. Moreover, the developments in the some fields of high advanced technology are somewhat delayed.

However, we are focusing our attention on some movements which have encouraged us to believe that the European economy will be restored and

vitalized with the integration of the EC as a "trigger", that is to say, the various efforts towards the integration of the European markets and the necessary cooperation.

It is expected that the number of areas will increase in which Japan will be able to learn something, exchange information and findings, and promote mutual cooperation. These areas include the EURIKA project which aims at the joint development of a wide range of high advanced technology, such as laser communications, industrial robots, biotechnology and new materials, the ESPRIT project which aims at promoting such industries as computer and data communications, and other economic projects that the EC is now actively promoting to improve the efficiency of the European economy and the international competitive edge of industry, in an attempt to integrate the regional markets by 1992.

### **Great social experiment and lessons for Japan.**

The economic integration, which is being carried out by the EC appears to Japan as a great social experiment. In other words, the 12 EC countries with their own excellent historical traditions, cultures, languages and political systems will get together to promote, in principle, the free transfer of products, services, personnel, capital, etc, for 320 million people by constructing a common market, while maintaining the traditional cultures and the sovereignty of each member country. It is not too much to say that this is a construction of the multidimensional or pluralistic society, that is, the establishment of a federation which allows for the coexistence of multiple principles.

In this sense, the institutional setting and interrelationship between various organs of the EC, such as the Council of Ministers, the Commission, the European Parliament and the Court of Justice will be the most interesting in that they are rooted deeply in the long traditions, experiences and wisdom of the European countries.

Now, let me discuss the social development of Japan. Since the Meiji government set out to modernize Japan, our country has been maintaining a centralized national organization. Various systems covering all kinds of fields including politics, administration, economy, education and culture are composed of the uniform organizational setting based on a single legal system.

This has been preserved until today despite the major social reforms carried out after World War II. Typical examples are the systems of local autonomy and education. Intrinsically, the political organizations of the local

governments and their autonomous character should be diversified, reflecting the respective historical traditions and geographic and cultural conditions. Nonetheless, the Japanese systems are governed uniformly under the "Local Government Act" and related regulations. The same goes for school education. Such uniform social systems and their operations were the most suitable for Japan to implement overall social improvements with the major national goal of catching up with the advanced Western countries. However, in order to promote the development of active local communities while correcting today's extremely centralized social activities, it is necessary for Japan to diversify politics, economy, culture, science and technology. This means that we should proceed with carrying out the multidimensional structuring of organizations on the basis of multiple principles in all fields of society. In particular, diversification of national politics and administration is the most important of all.

From an international viewpoint, it is very likely that Japan will eventually form an integrated market within the Pacific rim block in cooperation with Southeast Asian countries and other Pacific rim nations. What is important here is the strategic aspect on how various countries with their own historical and cultural traditions and diverse political systems can get together to form an integrated market through mutual tie-ups and cooperation, while respecting their own sovereignty. Japan is extremely inexperienced and weak in this field.

In this sense, I think that Japan will be able to learn many lessons from the EC's great experience to be applied domestically as well as internationally, and it is high time that Japan started doing research with a similar goal in mind.

Next, I should like to make comment to the second issue, the research and development systems for science and technology.

The Japanese government is fully determined to contribute to the international society in promoting both the basic research and transfer of the know-how acquired through the management of development and merchandising research.

**Table 1 Comparison between the EC, Japan and the U.S.**

	EC (12 countries)	Japan	U.S.
Area (1,000 Km <sup>2</sup> )	2,235	378	9,363
Population (millions)	320	120	237
GDP (billions of dollars)	2,360	1,231	3,631
Per Capita GDP (\$)	7,345	10,259	15,329

Note : The above figures are based on the 1984 statistics.  
(OECD Customs Clearance Statistics)

Now, I would like to introduce some major programs of Research and development which Japanese government is now dealing with or has an intention to develop them. In either case, those programs shall be proceeded by the international cooperation. Especially the most progressive one is the HFS program and one of its headquarters shall be planed in the EC.

### **(1) ERATO (Exploratory Research for Advanced Technology)**

ERATO, which stands for exploratory research for advanced technology, is a rather new scheme, started in 1981, for basic research. The basic concept of ERATO is to entrust a project director with research in a certain field which is aimed at a basic understanding of nature or matter and is expected to generate breakthroughs in interdisciplinary fields, bridging science and technology. A project director has an overall responsibility for research project management including expenditures and staff recruiting. A project team consists of less than 30 researchers who are recruited from academic, governmental and industrial circles as well as from overseas, and is then broken down into 3 or 4 subgroups. These researchers are employed by the Research Development Corporation of Japan on a yearly contract renewable for up to two or three years. The maximum term of each project is five years.

The research results are made public. Any patent rights are shared between the Corporation, the source of funding, and the researchers who produced those results on a 50:50 basis. The research themes which have been adopted, up to 1986, are ultra-fine particles, amorphous and intercalation compounds, fine polymers, perfect crystals, bioholonics, bio-information transfers, superbugs, nanomechanisms, solid surfaces, quantum magneto flux logic, molecular dynamics assembly and biophotons. Average research funding for 5 years is between 1.5 and 2 billion yen per year.

information transfers, superbugs, nanomechanisms, solid surfaces, quantum magneto flux logic, molecular dynamics assembly and biophotons. Average research funding for 5 years is between 1.5 and 2 billion yen per year.

This scheme is unique in a number of respects, considering the rather rigid management of R&D in Japan. First, the project director has total control over the management of R&D. The Corporation, the source of funding, does not interfere in the R&D management. Secondary, the researchers are recruited from various sectors and overseas. This makes possible the mixing of disciplines and their cooperation. This is unfortunately not easy in the traditional model of R&D.

## **(2) IFRP (International Frontier Research Program)**

The International Frontier Research program (IFRP), operated by the Institute of Physical and Chemical Research (RIKEN), was initiated in 1984 to discover new knowledge that will serve as the basis of technological innovation in the 21st century. The work of IFRP is so basic in nature that it lays the foundation for the ERATO basic research projects. Research fields presently cover three areas ; one is on the biological background of homeostasis mechanisms of animals and plants, second is on frontier materials aimed at producing new functional materials, and the other is Brain, Mind and Cognition Research Program which will start this October. The research system is flexible and internationally opened three laboratories have been headed by scientist from abroad. Scientists in a wide range of scientific fields are invited from universities, governmental institutions, private sectors and overseas. The researchers and laboratories are reorganized when the focus of research shifts. The budget for this program is 1.5 billion yen in 1988.

## **(3) Human Frontier Science Program**

The world now faces such serious problems as increasing environmental burdens on a global scale, a depletion of useful resources, skyrocketing energy consumption, a swelling population and tension between technological advances and human needs.

To facilitate solving these problems, various measures have been tried, such as the development of alternative forms of energy, technologies to prevent environmental pollution, and control technologies using microelectronics. But we have had many difficulties with respect to the basic direction of technological development. If we are to fundamentally reform the exist-



ing technological system so as reduce energy consumption, alleviate global environmental burdens and improve technological reliability, all of which are needed to achieve lasting human development into the 21st century and beyond, scientists and technicians must observe various biological functions — those for metabolism, motility and thinking — and utilize and apply them in new developments.

Considering the importance of Japan's contributions to advances in science and technology and cooperation in international research and development, there is great value in its taking the initiative in promoting international research cooperation programs. Thus the Ministry of International Trade and Industry is studying the Human Frontier Science Program, a large-scale international R & D project which is aimed at producing findings that will be useful to society. The following is an outline of this program assuming that the following outline is for "Human F.S.P."

(a) Basic ideas

- Frequent exchange among different fields under an open international research system; combination of Japanese and foreign minds.
- Contribution by Japan to the international store of knowledge in basic fields so that all countries benefit from results.
- Flexible programs to bring out optimum creativity of researchers.

(b) Content of R & D

Technologies applying the biological functions are expected to become the mainstream of technology in the future.

It is anticipated to aim at the creation of a new paradigm of science and technology by executing basic research for an explication of living body functions and artificial construction thereof.

## **Present Condition of Investment Exchange Between Japan and EC**

(1) Investment of Japanese enterprises towards EC manufacturing industries.

Total: 262 Cases

A. Business expansion classified by countries.

• England	60	• Belgium	18
• West Germany	46	• Ireland	13
• France	44	• Portugal	10
• Spain	26	• Greece	4

- Holland 20
  - Italy 18
  - Denmark 2
  - Luxembourg 1
- B. Change of numbers shown in chronological order.
- In the 1960's 16
  - In the 1970's 84
  - In the 1980's 162

(2) Investment of EC enterprises towards Japanese manufacturing industries.  
(Capital : 1 billion yen or more, Rate of investment : More than 50%)  
Total: 75 Cases

A. Capital investment classified by countries.

- West Germany 33
- France 14
- England 12
- Holland 11
- Denmark 4
- Belgium 1

B. Change of numbers shown in chronological order.

- In the 1960's 32
- In the 1970's 27
- In the 1980's 16

### **Present Condition of Industrial Cooperation Between Japan and West Germany**

Investment of Japanese enterprises towards West German manufacturing industries have got into its stride in the 1970's, however, it has been slackening a little in the rate of growth, and up to now, their investment is 46 cases. They invest their capital in various fields of such industries as the general machine industry, the machine parts industry and the food industry, and recently, they lay stress on the electronics industries which produce IC, VTR and etc. As for the investment of Japanese enterprises towards EC manufacturing industries (262 cases), Japan accounts for 17.6% of total investments, which takes the second place in Europe next to England (60 cases, 22.9%). As seen in chronological order, it was 2 cases in the 1960's (Accounts for 12.5% in EC), 20 cases in the 1970's (23.8%), 24 cases in the 1980's (14.8%).

Also the improvement of employment situation shown in the number of employees accounts about 102,000 men which takes the fourth place where Spain takes the first place (About 185,000) followed by France (About 144,000) and England (About 139,000).

**Major cases in recent years**

Duplicator: Canon Inc. Minolta Camera Co., Ltd.

Konishiroku Photo Industry Co., Ltd.

VTR: SONY Corporation Victor Company of Japan, Ltd.

Matsushita Electric Industrial Co., Ltd. Hitachi, Ltd.

Sanyo Electric Co., Ltd. Tokyo Shibaura Electric Co., Ltd.

Video Tape: Fuji Photo Film Co., Ltd.

**Present Condition of Industrial Cooperation Between Japan and Italy**

Investment of Japanese enterprises towards Italian manufacturing industries have got into its stride in the 1970's, and up to now, their investment is 18 cases. Japan accounts for 6.9% of total investments (263 cases), where England takes the first place (60 cases, 22.9%) followed by West Germany (46 cases, 17.6%), France (44 cases, 16.8%), Spain (26 cases, 9.9%), Holland (20 cases, 7.6%) and Belgium (18 cases 6.9%) which takes the sixth place same as Japan. As seen in chronological order, it was 2 cases in the 1960's (Accounts for 12.5% in EC), 5 cases in the 1970's (6%), 11 cases in the 1980's (6.8%).

Also the improvement of employment situation shown in the number of employees accounts about 38,000 men which takes the seventh place where Spain takes the first place (About 185,000), followed by France (About 144,000), England (139,000), West Germany (102,000), Belgium (64,000), Portugal (44,000).

**Major cases in recent years**

Duplicator : Canon Inc.

Motorcycle : Honda Motor Co., Ltd.

Audio Tape : SONY Corporation

Hydraulic power shovel : Hitachi Plant Engineering and Construction Co., Ltd.

## **Present Condition of Industrial Cooperation Between Japan and EC**

Industrial cooperation between Japan and EC which is represented by physical distribution, technical exchange and etc. shall afford much employment opportunity in each country and activate industrial economy through the investment of capital and introduction of technological know-how between each country.

Such cooperation shall also contribute to the internationalization of Japanese industries.

Therefore, Japan has an intention of promoting such industrial cooperation progressively as ever.

Up to now, investment of Japanese enterprises towards EC manufacturing industries is 262 cases, which has expanded rapidly in the 1980's. Number of employees owing to this expansion increased to about 76,000.

As seen in chronological order, it is 16 cases in the 1960's 84 cases in the 1970's and 162 cases in the 1980's.

### **Major cases in recent years**

Automobil	: Nissan Motor Co., Ltd. → England, Italy, Spain
Tire	: Sumitomo Rubber Industries → England, France, West Germany.
TV, VTR	: Sanyo Electric Co., Ltd. Tokyo Shibaura Electric Co., Ltd. Victor Company of Japan, Ltd. Mitsubishi Electric Corporation Matsushita Electric Industrial Co., Ltd. SONY Corporation Hitachi, Ltd. Sharp Corporation → England, West Germany, Spain.
Duplicator	: Ricoh Co., Ltd. → England. Canon Inc. Tokyo Shibaura Electric Co., Ltd. → France Canon Inc. Matsushita Electric Industrial Co., Ltd. Minolta Camera Co., Ltd. Konishiroku Photo Industry Co., Ltd. → West Germany.
Semiconductor	: Nippon Electric Co., Ltd. → England, Ireland. Hitachi, Ltd. → West Germany. Fujitsu, Ltd. → Ireland.

**Number of employees in the affiliated companies of  
Japan classified by EC countries**

[As of Sept. 1, '87]

England	13,914 ( 338)
France	14,428 ( 122)
West Germany	10,231 ( 175)
Italy	3,765 ( 67)
Holland	1,912 ( 58)
Belgium	6,362 ( 68)
Luxembourg	31 ( 10)
Denmark	46 ( 4)
Greece	1,059 ( 17)
Ireland	1,621 ( 39)
Spain	18,479 ( 122)
portugal	4,374 ( 16)
EC Total	76,222 (1,036)

**Remarks**

Unit: men

Number shown in ( ): dispatched numbers

Includes employee-to-be

**Change in shares of direct investment towards affiliated companies of Japan classified by EC countries**

[As of Sept. 1, '87]

	Total		1960'		1970's		1980's	
	Cases	%	Cases	%	Cases	%	Cases	%
England	60	22.9	3	18.8	14	16.7	43	26.5
France	44	16.8	3	18.8	5	8.0	36	22.2
West Germany	46	17.6	2	12.5	20	23.8	24	14.8
Italy	18	6.9	2	12.5	5	6.0	11	6.8
Holland	20	7.6	1	6.3	7	8.3	12	7.4
Belgium	18	6.9	1	6.3	10	11.9	7	4.3
Luxembourg	1	0.4	0	0.0	0	0.0	1	0.6
Denmark	2	0.8	0	0.0	0	0.0	2	1.2
Greece	4	1.5	1	6.3	2	2.4	1	0.6
Ireland	13	5.0	0	0.0	5	5.0	8	4.9
Spain	26	9.9	1	6.3	12	14.3	13	8.0
Portugal	10	3.8	2	12.5	4	4.8	4	2.5
EC Total	262	100.0	16	100.0	84	100.0	162	100.0



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〒104 東京都中央区八重洲2-6-20  
TEL. 東京 03 (274) 5125