

THE EUROPEAN COMMUNITY'S POLICIES TOWARDS JAPAN

Albrecht Rothacher

I Introduction

It is only quite recent that the relations between the developed countries regained the interest of the International Relations discipline. The 'oil crises' of 1973 and 1979, the growing international role of Western Europe and Japan and certain indicators for declining US 'imperial power', demanded a redefinition of the interrelations of Western industrial countries. The development of summit diplomacy, intensified intra-European political cooperation and strengthened cooperation in supranational institutions were reflected in the concept of roughly triangular US-Japan-EC relations supposedly being the dominating pattern of world economic relations. Trilateralism in the working of the summits and other cooperative ventures (e.g. in OECD on policy coordination, within IMF to contain the monetary disorder, or in bilateral and GATT negotiations to reduce frictions in trade relations), however, should not conceal the fact that considerable potentials of conflict persist in relations among OECD countries. Orthodox Marxists e.g. still view these relations as 'intra-imperialist rivalries'⁽¹⁾ which in terms of Lenin's theory of imperialism are bound to lead to violent conflicts on the distribution of overseas markets, resources and spheres of influence. Following dramatic contemporary media coverage, we might frequently assume that at least trade wars are ready at hand.

What actually appears at stake is the capacity of the major international actors – in the area of world economic relations these are again: the US, the EC and Japan – to limit and to regulate their occasional conflicts. In the developed world reduced growth rates, enduring massive

unemployment, the inability of most governments to steer their national economies properly and increased competition on the supply of natural resources might inhibit the willingness of the trilateral actors to live up to the rules of international cooperation. The difficulties of EC and Japanese foreign policy making and those of the US to implement their international obligations are cases to the point.

Under conditions of international stability – and these basically prevailed in the 1960s and 1970s – such deficiencies may not cause dramatic consequences. Should, however, this stability deteriorate (due to resource depletion, ecological, military, political turmoil or catastrophes), the fragile framework of trilateral cooperation is likely to reach its limits.

Among trilateral relations the link between Europe and Japan doubtlessly is the weakest: Actually it would be more appropriate to term what is now called a 'triangle' as an open angle, Europe-US and US-Japan; only along these lines exist substantial cultural exchange, complementary trade relations and military alliances. In analyzing the EC's policies towards Japan during the past decade – which nearly exclusively focused on bi- and multilateral negotiations – and in consideration of the relevant economic, institutional and attitudinal variables for EC-Japan relations, it will be possible to estimate their structural deficiencies and to assess conditions and policies for improvements towards a more durable trilateral reality.

II The Economic Dimension of EC-Japan Relations

EC-Japan trade did not reach significant proportions until the late 1960s, when both in a way rediscovered each other, and expanded rapidly thereafter. During that period Europe suddenly seemed to have become aware of Japan's two-digit economic growth that appeared to head on undisturbed for the next decades towards Kahn's 'superstate'. With the help of the 1971 US import restrictions and Dollar devaluation Japan herself became conscious of the structural weakness of her dependency on her main export market, the US, and felt the need to diversify her export markets towards other developed countries, among

them primarily the EC, which was then about to enlarge. Soon, in 1972, Japan's policy change showed more success than the slower European response: her bilateral trade surplus grew to more than US \$ 1 bio — subsequently reducing the EC's coverage ratio to less than 40%. This ratio remained roughly constant during the years to follow, though trade grew nominally by more than 500% (1970-1978). In 1978 the EC's deficit reached US \$6.6 bio: Japan exported for \$11.5 bio to the EC and imported for \$4.9 bio from there.⁽²⁾ The decline of Japanese domestic demand due to the recession 1974/75 following the oil crisis increased the urgency to intensify overseas marketing and at the same time reduced the Community's imports to Japan. German, French and Benelux sales fell by more than 20% (1974/75). It was then, when European industrialists and policy-makers felt that a then \$3 bio Japanese trade surplus in a recession with 5 mio unemployed in the EC had reached the limits of tolerance. A Keidanren study mission headed by Mr. Doko touring European capitals in October 1976 unexpectedly run into uniform European criticism.⁽³⁾

Japan then was caught in a dilemma: The US market was effectively barred for further substantial expansion of Japanese exports by protectionist devices or their imminent threat, and most LDCs had to spend their valuta for energy bills. Apart from the Middle East, only OECD Europe offered a substantial and open market with significant purchasing power. Japan now holds a 2.1% share in EC imports, while receiving 0.9% of EC exports⁽⁴⁾ (1976). The EC's share in Japan's imports during that year was 5.6%, its share in Japan's exports amounted to 10.8%.⁽⁵⁾ Thus Japan depends far more on the Community as a source of supply and as a market than the Community does on Japan.

Broken down countrywise, the concentration of Japanese exports on Germany and UK becomes apparent — Germany counts for 31% and Britain for 21% of Japan's EC exports (1977).⁽⁶⁾ Germany and Britain also sell the bulk of EC exports to Japan (again more than 50%).

Japanese exports to the EC are near exclusively composed of manufactured items, mostly transport, electrical, precision and general machinery. There is also a tendency towards more sophisticated machinery

and consumer products and a relative decline of light industry or semi-processed products (textiles, steel, chemicals).⁽⁷⁾ In difference to the US which to Japan exports high technology products (aviation, telecommunication, data processing equipment, etc.) and foodstuff and raw materials in exchange for Japanese products of the intermediate technology level, such a complementary relationship does not exist in EC-Japan trade relations. Both flows are dominated by products of the very same technology level.⁽⁸⁾ The structure of Japan-EC trade is further aggravated by the unusually high degree of sectoral concentration of Japanese exports to Europe.⁽⁹⁾ Whenever Japanese exports start to expand, problems in terms of sudden influxes ('invasions') on very limited markets are the consequence.

The most salient problems on EC markets due to concentrated Japanese imports occurred on cars (resulting in Japanese 'voluntary' export restraints to a 10% share on the UK market), ships (Japan agreed on cut backs in surplus production capacities in talks within OECD), on steel (there is a 1.4 mio t voluntary export ceiling to the EC since 1974) and on ball bearings. Between 1974 and 1976 Japanese ball-bearings had increased their shares on EC markets from 1.2% to 16.8%. In February 1977 the Commission imposed an 'anti-dumping' levy of 20% (later reduced to 15%) on these products, which was the percentage the bearings allegedly were sold cheaper in Europe than on the Japanese market. In March 1979 the European Court of Justice declared the levy unjustified and asked for compensation to the importers.

Other sectoral disputes started on rapidly growing Japanese market shares on a variety of electronic products. Imports of hi-fi equipment, TV sets and tubes after considerable pressure from domestic producers are now subject to voluntary export restraints to most Community countries. On more recently developed consumer electronics and video equipment the same has to be expected.⁽¹⁰⁾

European exporters during most of the 1970s complained about a variety of deliberate Japanese import barriers, such as: restrictive quotas on footwear and processed agricultural products; on technical standards working as NTBs and lengthy testing procedures on cars, chemical and

pharmaceutical products already tested in Europe; dilatory customs clearance and registration procedures; a distribution system, either selling European products as luxury items with high mark-ups, thus preventing bulk sales, or being loyal to domestic manufacturers and therefore discriminating against foreign importers; 'administrative guidance' barring certain high technology imports in order to protect Japan's own infant technology production; discriminatory taxes on liquor and wine; the like treatment of cigarette imports by the Japanese State monopoly; restrictive tariffs on biscuits, confectionary processed food and certain machinery and chemical products; and the general 'buy Japanese' attitude of Japanese authorities, manufacturers, trading companies and wholesalers.

In the meantime most of the administrative NTBs have been removed. As a consequence of the Tokyo Round Japanese industrial tariffs will fall below EC level. Most quotas—except those on footwear and most processed foodstuff—have been either enlarged or removed. With the increased Japanese propensity to import manufactured items and a slowly narrowing trade deficit vis-à-vis the EC in 1979, bilateral trade relations for the first time since 1975 are heading towards detente.

Japan's balance on services and transfers to the EC is traditionally deficitarian. The bulk of Japan's payments for invisibles goes to London's City (1978: \$1,458 mio) for maritime transportation, insurance, overseas travel and investment incomes. Most of this amount, however, is transferred to third countries for services (e.g. maritime transportation) only mediated by the City.⁶¹

In Japan's long term capital account again more than 50% of her transfers to Europe went to UK, most of it for direct investments, then trade credits, loans, securities and external bonds.⁶² Cumulated Japanese investments in the EC (1951 ~ 1977) totaled to \$2,700 mio (12.1% of Japan's foreign investment). \$1,690 mio of it were invested in UK, mostly, however, in oil companies with only the head office in London (such as the Abu Dhabi Marine Area Co.). The rest is devoted mainly to commercial investments (banking, insurance, marketing), leaving some 10% to manufacturing.⁶³ With increasing threats of protectionism,

rising wage levels in Japan and the appreciation of the Yen in the past years, the share of manufacturing investments is likely to increase. These investments are highly welcome by European governments, with particular efforts to attract it from Japan being done by the Irish and Belgians, since Japanese investors have shown strong sensitivity to regional needs and incentive schemes in choosing production sites—mostly in Ireland—in the European periphery.

European direct investments in Japan remain quite insignificant and remain well below Japanese levels in Europe. It was only 1973 when Japan liberalized her tight restrictions on capital imports. Since then—due to Japan's high wage levels—foreign investments tended to be concentrated on commercial and banking establishments. As far as manufacturing investments are concerned preferred European schemes are to acquire minority interests in existing corporations or to establish joint ventures in Japan.⁶⁶ In 1975 Japan maintained 5500 trade offices in the EC, while EC corporations kept 1500 offices in Japan.⁶⁷ These investments in the distribution sector may serve as an indicator for differentials in the intensity of the marketing efforts. On technological cooperation already since the mid-60s its most significant scheme is run between the EC and Japan. It concerns the reprocessing of spent Japanese nuclear fuels at French and British plants, and the return of the plutonium recovered to Japan. Because of the controls imposed by the US 1978 Non-Proliferation Act and the 'technical difficulties' encountered during reprocessing these ventures have, however, recently become somewhat inhibited.⁶⁸ Smaller cooperative projects concern ocean research, coal hydration and aviation technology.

III The European Community's Foreign Policy Making

There are two ways of viewing the EC: One is to perceive its impressive statistical features with the combined economic strength of the four leading Western European powers and to view its common agricultural policies, regional policies, common external tariff, foreign economic policy cooperation, the European Monetary System, etc. as achievements of the world's so far most ambitious and successful voluntary regional

integration scheme. The other—and certainly the prevalent—view among the European public and academics is to stress the EC's shortcomings, its stagnation between integration, disintegration and intergovernmentalism¹⁰⁷ and the record of broken promises by the European heads of government, such as to achieve the Monetary and Economic Union by 1980.

It may therefore be useful to introduce the concept of a 'coalition' ('a temporary combination between parties that retain distinctive principles')¹⁰⁸ to explain the present half-way stagnation of European integration as well as the EC's foreign policy behavior. Both the EC's external relations and the member states' 'European Political Cooperation' on 'high politics' issues (while the EC's Commission deals with external 'low politics', such as trade and other economic questions) illustrates the working of a coalition of national bureaucracies pursuing jointly their separate national interests only for the very motive that these cannot be achieved successfully in isolated attempts,¹⁰⁹ this means e.g. a substantially increased potential of international bargaining leverage.

In order to enable the free circulation of capital and trade within the Community in 1970 a Common External Tariff (CET) was implemented. This CET then functionally required a common commercial policy of the member states to deal with third countries bilaterally or in multi-lateral negotiations. Among the Community institutions the Commission was formally put in charge of the conduct of the EC's external relation. In its actions and policies, however, the Commission continues to depend upon the Council of Ministers approval (which on foreign policy issues is made up by the nine foreign ministers. A more decisive body is the 'European Council' — the meeting of nine heads of government, an institution established as supreme Community institution in 1974). The Councils' meetings are the institution where Community and national interests have to be reconciled—due to national veto powers in major Council decisions, however, the first usually suffer. This fundamental dependence of the Commission on frequently conflicting national policy interests constitutes its major flaw as an international actor. The per-

manent need to deal with dominant crosspressures and to compromise with nationalist anti-EC sentiment in the member states, prevents long-term oriented EC external policies, ties the Commission to the Community's smallest common denominator and frustrates its personnel.

Quite similar to Japan's international negotiating behavior the international bargaining positions of the Commission have to be elaborated as complex compromises and are therefore rather inflexible during negotiations. Taking into account the 'coalition' character of the European Community, the Commission constantly has to worry about the cohesion of its nine member states. Should domestic economic problems increase then the attractiveness of the Italian example is likely to rise, i.e. to resort unilaterally to import restrictions whenever the need arises. The complexity of its inner structure and its decision making process makes the EC internationally a very difficult negotiating partner.²⁰ In addition, its political leadership — the European Council — is so weak due to its chronic disunity that it may prove difficult to resist protectionist pressures effectively. In this sense the fragile and reversible character of the European Community — forming the world's largest trading block — might well threaten the survival of the present international economic system. The negotiations with Japan could well be one of the most crucial tests.

In the medium term future after the EC's second enlargement, the membership of Greece, Spain, Portugal and eventually Turkey, all with relative deficiencies in their economic structures will strengthen protectionist pressure. Then a strong majority of traditionally more protectionist countries will face the only two hard-core 'free traders' left: Germany and the Netherlands.

IV The Cultural Perception of Japan in Europe

In international relations the mutual perceptions of nations play a decisive role. Though the populations are usually effectively excluded from most foreign policy decisions, their attitudes may either be shared or at least taken into account by the decisive policy makers.

Among a sample of 5000 respondents in five EC countries Gallup in 1978 explored mass attitudes towards Japan and on EC-Japanese rela-

tions.²⁰ Among lists of attributes on Japan those who chose only positive answers (beautiful, peaceful, high cultural standard, etc.) were 50% in Italy and Germany, 46% in Britain, 40% in France and 35% in Belgium. Fifteen percent of respondents gave only negative answers (difficult to understand, polluted, low wages, etc.) in Britain and France, 12% in Belgium, 11% in Italy and 8% in Germany.²² When they were asked to characterize Japanese people 65% of Europeans chose positive answers only, while 2% used only negative answers.²³ On questions aiming at actual knowledge on Japan, 51% could answer that free elections were held in Japan, only 26% knew that Japan is allied to the US while keeping her own army and 19% knew Japan's policies on nuclear non-armament. The relative levels of knowledge are consistently higher in Germany and Italy, they are the least in Belgium.²⁴

Thirty-five percent of European respondents think of their trade deficit towards Japan as nothing unusual, 48% want it redressed as soon as possible — 40% of them prefer import restrictions and 44% increased export efforts to Japan.²⁵ Twenty-nine percent consider Japan as an economic rival and threat to the EC, however 45% believe that agreements or cooperation in partnership are possible (UK: 53%, Germany: 50%, Italy: 48%, France: 45%, Belgium: 31%).²⁶

Comparing a UK poll of 1967—when about 34% in a Gallup sample showed anti-Japanese attitudes,²⁷ and a French poll (1969) when only 37% believed Japan to be a democratic country²⁸ (1978: 47%), with the 1978 survey, a considerable improvement of the Japanese image in Europe together with raised levels of information becomes apparent. Findings of a 1973 poll in Germany, when 85% of the respondents considered German - Japanese relations as good or very good, seem not to have varied substantially.²⁹

As sources of information on Japan 2% of EC citizens cite personal travels to Japan, 4% have Japanese friends, 4% visited exhibitions on Japan, 9% saw related cinema movies, 9% mention educational institutions, 10% conversations, 66% the printed media (books, newspapers, magazines) and 65% TV and radio.³⁰ The 1969 French survey supports this finding of the overriding significance of the mass media as the prime

source of information on Japan.⁶⁰

Actually only 0.05% of EC citizens do annually travel to Japan, staying an average of 15 days and spending 86% of it in the Kanto or Kansai area. 147,000 visited Japan in 1977, most of them British (43%) and German (22%). In the same year more than one million Japanese toured EC countries – most frequently France and Italy (335,000 each).⁶¹

From these data on intercultural perceptions and contacts we may conclude: An 'ugly Japanese' image in spite of four years of trade conflicts does not exist in Europe. The ideal typical Japan perception is rather characterized by a somewhat indifferent benevolence. A large majority professes exclusively positive images of Japan and the Japanese, which are, however, sustained by little actual knowledge or personal contacts. It could therefore be easily manipulated. As far as attitudes towards the trade conflict are concerned – though a relative majority either does not seem to care or at least dislikes drastic steps to be taken against Japan – the frequent intra-EC trade conflicts show that irrespective of generally good neighborly feelings, these do not prevent European populations to militantly defend their economic interests once they are perceived as threatened by outside intrusions. The then (1978) rather relaxed attitude therefore indicates that the EC-Japan trade dispute was rightly assessed as quite marginal for the EC's overall economic performance.

Broken down nationally, Germany and Italy appear to have the most positive perception of Japan. This could either correspond to higher levels of knowledge on Japan there or to stronger identifications due to similar fates in contemporary history. The percentage of people resenting Japanese in none of the countries investigated exceeded 4%, which is the usual level of xenophobes in most societies anyway. Due to the lack of data, the attitude of Dutch people today cannot be properly assessed. The Netherlands were the only country in Europe in 1971 where the Emperor's visit provoked massive demonstrations commemorating the suffering of Dutch civilians during the Japanese wartime occupation of the East Indies.⁶²

The sources of informations indicate that 96% of EC nationals never

had any meaningful communication with Japanese — and that at least 71% solely depend on the media for reinforcement or actual shaping of their attitudes towards Japan. This illustrates the influence of the 63 EC foreign correspondents in Tokyo⁹⁰ on the minds of their 260 mio EC fellow countrymen.

By all further available data the notion of a one-way channel of communication from Europe to Japan is supported. There were 6021 (1971-73) translations from EC languages into Japan (though most of it is likely to be US production), while in the EC 108 Japanese books were translated (1971-73).⁹¹ While in 1975, 268 EC students studied at Japanese universities, 2,573 Japanese students studied at universities in the EC.⁹² There are twice as many Japanese diplomats in EC countries than vice versa, and six times as many Japanese technicians, sales- and businessmen.⁹³ In terms of residence, about three times more Japanese live in the EC than the other way. Similar one-sided interests are reflected in the frequency of mutual newscoverage and in academic research activities. In Europe, in addition, academic teaching on Japan is largely confined to classical and literature oriented Japanology departments. There is hardly any Political Science, Economics, History or Sociology department pursuing research on Japan. In the US — which are usually assumed to be culturally more introspective than Europe — this situation appears far better by comparison. The fault for the one-way (non-) communication pattern is not entirely due to European ethnocentrism or indifference. There is also a conspicuous lack of Japanese interest to disseminate knowledge on her contemporary culture abroad. Apart from ridiculously small quotas for foreign students and posts for foreign academics in Japanese universities or the frequently described 'clannishness' of her citizens abroad, the governmental budgets for the cultural self-presentation abroad may serve as a valid indicator for intended policies: In 1971 Japan spent 800 mio Yen for her cultural presentation abroad, Britain: 7.8 bio Yen, Germany 32 bio Yen and France 63 bio Yen.⁹⁴

V The Trade Negotiations EC-Japan

During the EC's transitional period — lasting until 1970 — contacts to

Japan on foreign economic policies were near exclusively kept on a national bilateral level. When in 1955 Japan acceded to GATT, France, Britain and the Benelux invoked Art. XXXV to withhold Most Favored Nation treatment from Japan. This was then considered as a precaution against those cheap Japanese imports which Europe had experienced in the pre-war period, when Japan supposedly sold watches in kilograms.

When later bilateral trade agreements (1960/63) were concluded between these countries and Japan, MFN treatment was granted to Japan in exchange for the inclusion of safeguard clauses (which allow to unilaterally restrict sectorally damaging imports after an extensive consultation procedure). When Germany and Italy, who had not invoked Art. XXXV GATT against Japan, negotiated trade agreements, Japan refused to grant safeguard clauses.

Later in 1970, when the establishment of the customs unions with its common external tariff required a common EC trade policy towards Japan, this lack of a uniform safeguard provision in bilateral agreements developed into a serious diplomatic obstacle. In 1969-71 during negotiations on a common trade agreement with Japan, Japan refused to extend the safeguards to Italy and Germany, the latter being her most important market in Europe. The EC, bound by the Council of Ministers mandate, insisted on its inclusion, and when Commissioner Dahrendorf sounded out a mutually acceptable compromise of safeguards limited in time, region and scope, French intransigence⁶⁹ forced the postponement of the conclusion of a Japan - EC trade agreement until after the then planned Tokyo Round. During the Tokyo Round, however, Japan's and the NIC's insistence on a universal (i.e. non-discriminatory) safeguard formula prevented the 'updated' revision of GATT's safeguard procedure, as planned by the EC and the US: the issue of safeguards discriminating only the originating country of troublesome exports was shelved and still awaits for resolution. Consequently the condition for reopening talks on a Japan - EC trade agreement has not yet been fulfilled, and EC - Japan trade remains based upon annually renewed national bilateral trade agreements.

Reflecting the growing importance of actual trade flows official com-

munication channels have developed in recent years. Since June 1973 high level consultations between the Japanese Foreign Ministry and the Commission are held semiannually in Brussels and Tokyo. In November 1974 the EC opened its Delegation in Tokyo. At the same time mutual visits of both Commissioner and Minister level occurred frequently in both capitals.

The circumstances of the Keidanren mission's shocked encounter of European criticism in October 1976 have already been mentioned. They indicated the beginning of a sometimes even slightly dramatic trade conflict. In any case, as a result of the 'Doko shokku' the Commission seemed to have won its first ally in Japan: the Keidanren announced to henceforth consider certain voluntary export restraints and increased manufactured imports from Europe necessary.⁴⁰

With the worsening of the bilateral trade situation, official relations also were affected. In November 1976 the Commission threatened to switch to 'hard line' tactics, i.e. to consider the imposition of trade restrictions, should the bilateral balance of trade not improve.⁴¹ The European Council in November 1976 and March 1977 expressed its concern on the problems caused by sectorally concentrated imports from Japan and urged the Commission to step up its efforts to persuade the Japanese government to both open Japan's market i.e. by enlarged quotas for foodstuff and the removal of NTBs on industrial products and to agree to accept more self-restraint agreements on sensitive items (steel, electronics, cars and ships).⁴² Starting with Mr. Ushiba's (Minister for External Economic Affairs) visit to Brussels in December 1977 a series of more intensified negotiations developed. They finally led to a joint statement by Commissioner Haferkamp and Mr. Ushiba on desirable commercial and macro-economic policies to alleviate the persisting imbalance,⁴³ issued in March 1978. The virtual emptiness of the joint statement was considered by most observers as a Japanese diplomatic victory. Japan had successfully withstood three months of intense bargaining pressure – and finally was able to settle for the reiteration of her usual assurance the current account deficit would be visibly reduced in about six months time due to the more or less self-regulatory

change of some external or macro-economic variables.⁴⁶ The European Council in April 1978 then evaluated the statement only as a 'first step' of continuing negotiating efforts. At the Bonn summit in July 1978 in order to avoid public criticism the Fukuda government pledged to further liberalize imports, to stimulate domestic demand by fiscal policies aiming at a 7% growth and to double her development aid 1977-80.⁴⁵ When neither the trade balance improved during 1978 nor the growth pledge appeared to be taken seriously by the Japanese authorities, and a further high-level consultation round brought no substantial changes, the Commission applied some innovative tactics. A strongly worded 'internal' report evaluating the EC's past negotiating performance and Japanese policy responses was leaked to the press. It soon made headlines due to its reference to Japanese 'workaholics', living in 'rabbit hutches' and other displays of British humour. More significantly, however, the memo recommends to apply import controls (likely candidates being electronics and cars) on Japanese imports. Moreover the report criticises the prior EC soft ('polite') line as showing only 'meager' results, it then lists broken Japanese promises during the past years of negotiation: on economic growth, trade surplus reduction, expansion of ODA and GATT concessions. The report finally criticises the member governments whom as the Japanese 'openly boast' they can play against each other.⁴⁶ The leak of this memo was properly timed to scare the Japanese authorities who were busily planning a harmonous outcome for the approaching Tokyo summit.

As an immediate response the Japanese cabinet in May 1979 decided to streamline standards and tests for imported goods, and hinted it would also abolish the discretionary power of local authorities to approve or disapprove of some products — this usually had worked strongly in favor of local producers.⁴⁷ With the discovery of Japan's current account balance turning into a sustained deficit since mid-1979, the heartpiece of EC demands — an overall balance of Japan's external trade — found a sudden and unforeseen fulfillment.

As a response the Commission — endorsed by the European Council in June 1979 — endorsed a 'new strategy', which should reflect both appre-

ciation for Japanese concessions and at the same time demand for a further reduction of restrictions against foreign imports (e.g. on processed foodstuff and footwear). The 'new strategy' puts new emphasis on hitherto neglected potentials of cooperation: on industrial policies (by two-way investments, joint ventures on third markets, in industry to industry consultations), on monetary policies, on energy- and research policies and on policies for development.⁶⁸

Three years after the Doko mission: finally the lingering EC - Japan quarrels seem to have reached an end - for the time being at least.

VI Conclusions

1. The tardyness of both Japanese and EC decision making and the relative lack of European bargaining leverage (as compared to the US) drew out the trade dispute unnecessarily, thus increasing the potential for an eventual escalation. Still, the EC's policies towards Japan maintained by and large its declared objective of unrestricted trade with Japan vis-à-vis protectionist pressures (apart from the ballbearing 'dumping' charge in 1977).
2. Given the defensive structure of Japan's trade interests (while the EC pursued a diplomatic 'offensive') the slow Japanese responsiveness on foreign policy issues — usually interpreted as weakness⁶⁹ — led to a Japanese diplomatic victory. She withstood most pressures (the only painful concession being the reduction of Japan's shipyard capacities), and only gradually opened her markets to the levels of developed countries. This happened only after Japan extensively assured herself that no harm could be done to her economic structure by manufactured imports and by conceding this overdue opening in exchange for the accumulation of high trade surpluses vis-à-vis Europe and the US.
3. Given her strong military and economic dependence to the US, Japan in her economic policies clearly values her relations to the US higher than those to the EC (though Japan also depends more on EC markets than vice versa). The US' arms-twisting tactics in negotiations with Japan therefore could yield more substantial concessions than the

EC's soft line. This success, however, does not imply that a European imitation of the US hard line would achieve similar results.

4. In terms of intercultural perceptions Europeans display a strong sympathy towards Japan. This is an asset so far untapped by the Japanese which have made no real effort to disseminate her contemporary culture in Europe nor have Europeans themselves felt the inclination to make efforts to alleviate their ignorance and to establish a meaningful and extensive two-way communication with Japan. A side effect of the trade dispute was that there were nearly five years of bad publicity for Japan in the European media. This was a period during which the media's 'Japan theme' of 'economic miracle' was thoroughly revised towards 'economic animal'. If enduring, the European public's image of Japan could well change towards this stereotype.
5. Generally positive attitudes towards Japan do not prevent the European public to support concerned domestic producers' demands for restrictions on Japanese or other imports if they are perceived as harmful to domestic production and employment. Japanese exporters therefore should display more sensitivity than in the past when penetrating European markets for the 'second round' of the Japanese export drive – expected to happen in the 1980s on wide range of highly sophisticated, technology intensive products which are marketable only on the European and North American markets.
6. In order to counter the crunches of the 1980s and also to enable trilateralism, the necessary cooperation of the major developed countries, policies which might be termed as 'joint preventive crisis management' are needed to govern Japan-EC relations. Such policy recommendations may be summed up as follows:
 1. Economic policies:
 - a sustained opening of the Japanese market,
 - a more sensitive approach to EC markets,
 - strengthened cooperative patterns.
 2. Institutional reform:
 - the reassertion of political leadership in the EC,

- the strengthening of Community oriented decision making in the Councils,
 - a faster responsiveness of Japan's foreign policies and a stronger awareness of her international responsibilities.
3. Attitudinal changes:
- European learning from Japan,
 - enlarged two-way communication channels between Europe and Japan,
 - efforts towards better Japanese publicity in Europe.
7. In any case, it should be kept in mind, should new crises reoccur and higher Japanese competitiveness threaten certain European industries: "Cette règle du jeu n'est pas japonaise: c'est la règle du jeu de la concurrence capitaliste".⁵⁰

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