



## EU Japan Economic Relations Lecture No.3

- Developing Cooperation (2) -  
1970s- 1980s

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## Review of Lecture No.2

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- (1) Japan developed economically in the 1950s and 60s under political support and military protection of the USA.
- (2) It took time for individual Member States to welcome Japan into the global community, and also to recognise the EU (EC) as an entity that represented them.
- (3) NIHON L'ORÉAL's unique strategy targeting the Japanese market led to its success in Japan.

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## Agenda for Lecture No.3

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- Developing cooperation in the 1970s- 80s  
Changes in attitude towards trade frictions on the European side  
Response by government and private firms on the Japanese side  
Development of institutions and dialogue  
(Text: pages 22- 38)
- From trade friction to FDI
- Case study: HONDA

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## The textbook (1)

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- Common Commercial Policy(CCP) was due to come into effect on 1 Jan 1970, after which time all trade agreements with third countries would be based on the Treaty of Rome, Art 113(3). (p.22)
- A rule was established which permitted the retention of certain national measures so long as they did not impede the progress of the CCP. Many of these measures were targeted directly at Japan. (p.22)
- Trade rivalry which continued between J and individual nations of Europe hampered attempts by the EC to coordinate relations with Japan. (p.22)

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## The textbook (2)

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- In 1971 the J government responded to US President Nixon's first 'shock' ... and his decision to place a surcharge on all foreign imports by promoting 'international currency diplomacy'. (p.23)
- Japanese exports to the EC began to accelerate quickly, particularly in ... radios, TV sets, tape recorders, electronics, ships and automobiles. (p.23)
- Keidanren's Doko Mission visited Europe in October 1976. ... forced to recognise the need to 'redress the growing imbalance'. (p.23)

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## The textbook (3)

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- In 1977, economic stagnation in Japan intensified international calls for the Japanese to stimulate domestic demand.  
Agreement for group of experts to examine the J- EC balance of payments during Commission President Jenkins' visit to Japan in October 1977.
- Leaked EC Working paper in 1979: the Japanese are 'workaholics' living in 'rabbit hutches'. (p.24)

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## The textbook (4)

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- Nixon shock ... J officials less inclined to follow the American lead ... Community became a potential alternative as a negotiating partner. (p.25)
- PM Fukuda in 1972 noted ... 'given the increased importance of both of them in the world economy, co- operation between J and the Community would be essential to the stability and development of (the international) economy'. (p.25)

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## The textbook (5)

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- From the end of 1975 the number of Commission representations to J was increased and the EC continued through all available channels to press ... The Japanese to open their market to EC products. (p.26)
- Following the Paris Summit of 1972 the Commission instituted six- monthly high- level consultations with the J government, ... similar to those already in place with the US. (p.26)

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## The textbook (6)

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- The start of the 1980s was dominated by ongoing trade problems between J and the Community in spite of a growing number of missions. (p.28)
- Commission President Jenkins' speech to the Foreign Correspondents' Club in Tokyo in October 1977: 'trade deficit masked other problems in the relationship'. (p.25)

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## The textbook (7)

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- PM Ohira's remark in 1979: '(the EC) amounts to a series of bilateral relationships between Japan and West Germany, Great Britain, France, and so on. Therefore we feel we should address problems in a bilateral manner'. (p.28)
- 'Poitiers incident' ... From July 1 1980, French authorities required that all VCRs be channelled through this port, 210 miles from Paris, that documentation be in French and that their country of origin be identified... The French were forced to withdraw this action for breaching Article 30 of the **Treaty of Rome**. (p.29)

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## The textbook (8)

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- The 1980s: Gradual change in the EC's attitude from criticising Japan's exports to the EC to trying to open Japan's markets.
- The EC, (along with the USA,) criticised Japan's Non-Tariff Barriers (NTBs), such as technical certification procedures, vertically and horizontally integrated industrial, commercial and financial groups, the distribution system administrative guidance (p.29)

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## The textbook (9)

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- On the Japanese side, the Poitiers incident illustrated clearly that it was not in Japan's general interest to work with a divided Europe, particularly when that Europe offered a replacement market for an apparently declining US. (pp.30- 31)
- In addition, the 1980s saw political issues appear with increasing frequency on the Japan-EC agenda, particularly as a result of the Iranian crisis (the 1978 revolution) and events in Afghanistan (the 1979 Soviet invasion). (p.31)

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## The textbook (10)

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- High-level talks in Tokyo in January 1983 included the discussion of Third World relations, science, the environment, energy and international issues, themes which would later form the basis of the Hague Declaration in 1991. (p.33)
- Economic discussions had come to form part of a broader dialogue, and reference to the term 'political dialogue' became familiar to those officials engaged in daily Japan- EC affairs. (p.35)
- Despite continuing intra- European differences, the 1980s saw the development of a clearer 'European standpoint' vis- à- vis Japan. (p.35)

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## The textbook (11)

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- The second Delors Commission gradually began to initiate a broader dialogue with Japan, by turning its relatively aggressive insistence on Japanese trade liberalisation into a new, explicitly 'non- American' style approach to relations with Japan. (p.36)
- The Japanese, too, were willing to develop a broader range of dialogue in order to lessen the effects of trade friction. (p.36)
- BUT ministerial meetings between the two regions had come to a standstill during the late 1980s. (p.37)

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## The textbook (12)

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- The Hague declaration of 1991  
a new era in Japan- EC relations  
It built upon myriad meetings and other encounters of the 1950s- 70s and codified the patterns of bilateral behaviour that emerged during the 1980s.
- The declaration added little tangible substance to the relationship, but provided rather a legitimisation of what had been established already.  
..... more in Chapter 5 (p.38)

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## Data: From trade friction to FDI

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- Historical data on FDI (foreign direct investment) from Japan to Europe, also available by EU Member State  
<http://www.jetro.go.jp/en/stats/>
- European commission delegation in Japan  
« economic and trade relations»
- The history of opinion on trade friction from the European side  
[http://jpn.cec.eu.int/home/index\\_en](http://jpn.cec.eu.int/home/index_en).

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## Case Study: HONDA

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- Established in 1948, now with a global network of 437 subsidiaries and affiliates
- European headquarters were established already in 1965, have been in charge of sales, production coordination, and imports.  
<http://world.honda.com/>

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## Conclusion

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- (1) In the 1970s and 80s, Japan- EC relations changed along with changes in their relations with the USA, and the increased recognition of the EC as a negotiating partner
- (2) Both the EC and Japan began to see the benefit of placing their trade frictions in a broader context and develop a dialogue on a wider range of topics  
The Hague Declaration of 1991
- (3) Japanese companies started to increase their investment in Europe

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## ASSIGNMENT

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Please choose one of three topics.

- (1) What was the impact of the Asian financial crisis on the economic relations between Europe and Asia? Use data to support your argument.
- (2) How did Japan react to the Asian financial crisis, and how did the Europeans see it?  
<http://www.mof.go.jp/english/if/if.htm#uu>
- (3) What was AXA's strategy when it entered the Japanese insurance market? Was it successful?

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## Agenda for Lecture No.4

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- The Asian financial/economic crisis and Japan's response
- ASEAN and its economic relationship with Japan and the EU  
(Chapter 3, pp. 39- 48)
- Case study : AXA

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