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Japanese Perceptions

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The events that occurred in Central and Eastern Europe in 1989 are generally considered to have marked a turning point in world history. Parallels have been drawn with 1789 and 1945; what is certain, however, is that nothing in Europe will ever return to the *status quo* that prevailed during the previous four decades. That is, in terms of the predominance of the confrontation between East and West, and the paramount importance assumed by this question, the post-war period is definitely at an end. All the main aspects of the new Europe—the evolution towards democracy in the former satellite countries with the victory of a pluralistic social system within a market economy, the unification of the two Germanys within the EEC, the collapse of the COMECON and the Warsaw Pact and the increasing weakness of the Soviet Union—are considered in Japan to be of the highest relevance for world politics.

It should be pointed out that the Japanese perception of Europe underwent a decisive change beginning only three years ago. The end of the “Eurosclerosis” discussion following the announcement of the single market in the “Act of European Unity” in 1987 was met in Japan with a clearly demonstrated apprehension of protectionism, expressed under the slogan of “Fortress Europe”. In principle, however, a more united and better-integrated EEC was welcomed by Japanese commentators as an important factor leading to political stability and economic effervescence¹.

The second great transformation in the Japanese view of Europe began with the evolution of democracy in Eastern Europe in the fall of 1989. These changes in East-West relations, as rapid as they were profound, gave Europe a position of the first priority in the Japanese foreign policy agenda. Although the latent

crisis in Japanese-American relations received wider attention at this time, the developments in Eastern Europe towards "freedom, democracy and a market economy", the "dismantling of one-party domination" in the Soviet Union and the beginning process of German reunification were considered important enough to be given first place by Prime Minister Toshiki Kaifu in his inaugural address to the Japanese Lower House, immediately following his election in February, 1990².

Consequently, Japan sees itself confronted with two European developments, which, seen as challenges, require a Japanese response. The first is the single market, and the further evolution of European integration after 1993, calling for an immediate reaction in its foreign economic policy, as well as an increasingly urgent political reaction. The second is the end of the conflict between East and West, and the evolution of democracy in Eastern Europe, the importance of which are viewed in Japan at a primarily political level. Tokyo increasingly considers both of these questions as common aspects of the same development, namely, a new European Renaissance.

With regard to the question of a suitable Japanese reaction, several points have to be taken into consideration. First, how should Japan react to the creation of the single market, and the possibility of further political integration of the EEC? Second, how could Japan demonstrate its altruism, and its willingness to assume global responsibilities, as a response to the events in Eastern Europe? Third, how can Japan assure itself of a substantial and permanent flow of information on European developments? Fourth, how could Japan become effectively involved in the decision-making process on questions which, from Tokyo's point of view, are of global importance, and involve Japanese interests? Fifth, how could Japan counter a "Eurocentric" world view, and prevent Europe from making parochial decisions on important political (relations with the Soviet Union) and economic (protectionism) questions? Sixth, what future priorities should Japan adopt in the economic and political sectors with regard to the countries and regions within Europe?

In order to answer these questions, and present an outline of what Japan's future policy toward Europe might be, we must first briefly analyze the current relations between Western and Eastern Europe (excluding the Soviet Union), and then demonstrate the possible future development of Japanese decision-making policies on both the government and business levels. In the case of Eastern Europe, we shall do so in some detail, as the subject is a new one, and

has not been fully treated in the media. Secondly, we shall examine the Japanese desire to be directly involved in the European development process. In conclusion, we will attempt to demonstrate some possible European reactions to the Japanese strategy that is being developed.

Japan and the European Community

Since the beginning of the 1980's, both Europe and Japan have believed that the extension and strengthening of their relations was both necessary and inevitable. The Japan-Western Europe axis, clearly "under-developed" when compared to the relations between the US and Europe, on the one hand, and the US and Japan, on the other, remained without great substance, as long as both sides were primarily "junior partners" in the respective security pacts that had been concluded with the US. In the future as well, European-Japanese relations will greatly depend on the development of tri-lateral relations involving the US. Interdependence at the economic and political levels in the US-Japan-Western Europe power triangle is increasing, and does not preclude the possibility of friction in the future, as well as bi-partite alliances against the third party ("ganging up").

During the past two decades, Japan's relationship to the European Community has been continually dependent on the question as to what extent the Community and its organs should be treated as supranational agents. Inasmuch as the EEC-Japan trade agreement, the conclusion of which had been attempted since the early 1970's, could not be signed, due to diverse national protection clauses, Japan has preferred to carry out concrete trade discussion talks with individual countries. Even the exchange of permanent trade representatives between Brussels and Tokyo during the 1970's had no effect on this situation, nor did the mandate to the Commission in 1982 to negotiate with Japan alter things in any way. Only the decision creating the single market in 1992 can be expected to bring about a unified EEC trade policy toward Japan.

A permanent cause of friction in European-Japanese relations is the European balance of trade deficit, which rapidly grew during the economic crisis in the early 1980's. The deficit has not decreased significantly since that time, and it amounted to more than \$20 billion in 1989. The elimination of tariff and non-tariff barriers in trade between Europe and Japan during the past two decades has not brought about any significant change in this situation. In June, 1990, after a period of stagnation, Japan's trade surplus with Europe increased once

again, due to the weaker yen, and strong European demand. Trade problems, however, such as the European and Japanese reciprocal accusations of protectionism during the past decade, are only one element in economic relationships. Since the middle of the 1980's, Japanese direct investments have become increasingly important. Such investments have been welcomed in Europe, particularly in the production sector, as opportunities for the creation of new jobs, and they have often been backed up by different government decrees. The Europeans have tended to consider such investments as a mere substitute for Japanese exports, and the volume of these investments increased, particularly since 1985, without causing any decrease in the Japanese trade surplus with Europe.

A typical case that might help to clarify the entire problem area of economic relations between Japan and the EEC, is the struggle over Japanese automobile exports to the EEC. Whereas Western Germany has never limited Japanese automobile imports, Italy, Spain and France have drastically limited such imports by imposing severe quotas. The Council of Ministers, following considerable discussion and controversy, has agreed to a transition period of six years, beginning in 1993, during which Japan will respect these import quotas by a "voluntary limitation of exports". This EEC decision was, in itself, a compromise between the positions of West Germany and Great Britain, on the one side, and France, Italy and Spain on the other, and it was accepted as such by Japan³. However, the question of "local content" is a more thorny one than that of import quotas, as it involves the minimum amount of locally-manufactured product each automobile must contain. This, of course, is closely tied to Japan's direct investments in Europe, which are of strategic importance to the EEC production sector. On this question, France, applying its definition of local content, attempted to classify the Nissan automobiles manufactured in Great Britain as Japanese exports, and was unable to have this decision ratified by the EEC. The entire question of local content, which also extends to other production sectors, is seen by Japanese manufacturers as a definite obstacle to their direct investments in Europe⁴.

Another area of conflict is the question of reciprocity, or fair and balanced access to the market, which is defended by the EEC, but rejected by Japan as being impracticable. A further conflict area concerns the anti-dumping procedures, which the EEC interprets as being fully compatible with the General Agreement on Tariffs and Trade (GATT), but which Japan has successfully opposed in the GATT panel. It is not as yet known whether the

current "Uruguay Round" will clarify this situation. Japan has continually fought the various European strategies which have attempted to limit its exports, particularly the EEC import quotas, characterising them as discriminatory⁵. But it has often demonstrated the willingness to voluntarily limit its exports, as in its agreement with the US, in order to avoid damaging its relations with other countries. This has held true both for the Japanese government, as well as for individual manufacturers.

In response to European and especially American complaints about their insufficient access to the Japanese domestic market, Tokyo, in the second half of the 1980's, launched a series of official measures to eliminate tariff and non-tariff obstacles, promote imports, and to increase public spending and domestic demand. However, inasmuch as these initiatives were often unable to receive the unanimous backing of the ministries in question, not to mention that of the regional bureaucracies and private companies, Japan's trade partners have lost confidence in their efficacy.

What is the Japanese strategy with regard to the single EEC countries? Japan's policies in this area are, on the whole, a reaction to the different political and economic policies of each individual country *vis-à-vis* Japan. Perhaps the greatest discrepancy can be found between Great Britain and France. Since the early 1980's, the British have attempted to create a "special relationship" with Japan, which can be seen not only in the fairly high (about 30%) British share of Japan's direct investments in the EEC, but also in the anti-protectionist position maintained by Great Britain in the EEC Council of Ministers. This special relationship is also evident in certain areas of common foreign policy interest, such as relations with China and the Soviet Union, for example, which Tokyo has indicated to be of particular importance during the past several years. The G-7 summit at Houston in July, 1990, demonstrated a high degree of accord between Tokyo and London on the aforementioned points. Furthermore, economic problems have virtually disappeared from the British-Japanese agenda. The "bridging function" between the EEC and Japan actively sought by London can only be realised if Great Britain actively collaborates in EEC integration, beyond the single market. On this point the Japanese are in the process of deciding whether or not they could continue to play the "British Card" in their relations with Europe.

The tense relations between Tokyo and Paris offer a sharp contrast to the British-Japanese idyll just described. It is certainly no accident that the term



De luxe japanese car

“Nippo-phobia” has recently been coined in France⁷. Edith Cresson, the French Minister for European Community Affairs, gave voice to the opinion of the majority of the French public as well as of its leaders, when she declared, during the course of Toshiki Kaifu’s visit to Paris in January, 1990, that Japan was “an adversary who did not respect the rules of the game, and would like to conquer the world, at any cost.” In spite of the fact that other members of the government issued opposing statements, the Japanese reaction to declarations of this sort from France has grown increasingly sharp.

French Prime Minister Michel Rocard’s visit to Tokyo in July succeeded in calming the waters a bit, and an agreement on technological cooperation was signed on this occasion. Nevertheless, relations between Japan and France

remain fairly tense. In any new evaluation of the importance of the EEC countries to Japan's European policy, it is unlikely that Tokyo will attempt to seek support from Paris. Any new re-assessment of Japan's policy toward the European Community would most certainly favor the Federal Republic of Germany. This is especially true in the case of Japanese business concerns, whose direct investments and joint ventures in Germany will undoubtedly increase at a much faster rate than in the other EEC countries, including Great Britain. In addition, on the government level, Japan is seeking a closer dialogue with Germany, and this would certainly be at the expense of the Anglo-Japanese "axis". The reason for this can be found in the economic strength that a united Germany would offer, as well as its proximity to the newly opening markets of Eastern Europe.

All in all, Tokyo is planning, in the period after 1992, to adapt itself to the presence of an economically stronger and politically united Western Europe; at long last, Japan has begun to take the EEC more seriously. Japanese manufacturers show no signs of a diminution in their will and capacity to win overseas markets, although a part of the ministerial bureaucracy has been exhorting them to exercise more tact and caution in their trade relations and direct investments in Europe. The development of Western Europe did not, in itself, bring about the need for Tokyo to involve itself politically in the European integration process. This only came about with the evolution of democracy in Eastern Europe, which has caused the Japanese to begin a re-evaluation of their relationships with the European continent.

Since the fall of 1989, the Japanese began to seriously think about what their response should be to the events in Eastern Europe. It should be pointed out that until that date, Eastern Europe was almost totally absent from the consciousness of Japanese policy makers. The problems relating to the democratisation of formerly-totalitarian states can only be understood in the most superficial terms by the Japanese. The dilemma of Eastern Europe was, indeed, very far away from a society that is based on ritualised conflict, and without any possibility for true political debate, in the Western sense of the term. Inasmuch as Japanese public opinion had never been affected by the East-West conflict in any way even closely approaching the impact it had, for example, on German public opinion, the end of the Cold War could obviously not be considered an important event. Nevertheless, it must be admitted that the collapse of the Berlin Wall, and the subsequent approach of German re-

unification received more attention as a "collective human interest story" in Japan than in other countries.

In terms of Japan's overseas trade and foreign policy, her relationships with the non-Soviet Warsaw Pact countries represented, until very recently, no more than a portion of its relations with the Soviet Union, often only in reaction to the initiatives of Western countries. During the period of thaw in the 1960's and 1970's, the Japanese foreign trade organisation JETRO opened four offices in Eastern Europe. On December 13, 1981, Japan applied the Western sanctions against the regime of General Wojciech Jaruzelski in Poland.

The first indication that Japan now saw a conceptual separation between Moscow and its allies was given by Prime Minister Nakasone in January, 1987, during his visit to the GDR, Poland and Yugoslavia. Inasmuch as Japanese-Soviet relations had never truly recovered from the low point they had reached at the beginning of the 1980's, Tokyo wished to give more importance to the other Eastern European countries with state-controlled economies, to demonstrate the existence of a political alternative. State visits to Japan by leaders of Eastern European countries during the 1980's were limited to those by representatives from Bulgaria and the GDR.

Trade with the non-Soviet states of the Warsaw Pact had always played a marginal role for Japan; during the latter half of the 1980's, Japanese trade with these countries represented only 0.3% of her total foreign trade volume. In 1988, Japan exported goods in the value of 258 million US dollars to Poland, and imported goods for 164 million US dollars from Hungary—these were her two leading trade partners in Eastern Europe. By comparison, the People's Republic of China represented 3% of Japan's total trade volume, with nearly 10 billion US dollars in exports and imports¹⁰.

Japan's multi-lateral involvement with Eastern Europe began with the opening conference of the "G-24" held in Brussels at the end of November, 1989, in order to lay the groundwork for the European Bank for Reconstruction and Development (EBRD), which would make available funds to assist Poland and Hungary. On this occasion, Tokyo announced that it would make available a total of \$200 million in the form of food and low-cost credits. Japan's participation in the EBRD now totals approximately 10 billion ECU, or 8.5% of the entire budget, thus placing it on an equal level with the more important EEC countries, after the US.¹¹

At exactly the same time, the Japanese Prime Minister's office presented the very first "East European Doctrine" to the public. The doctrine recognised, first of all, the need for all Western countries to assist the development of democratic reforms in Eastern Europe. Secondly, it established the close connection between the stabilisation of the entire range of East-West relations, and the security of the Asian-Pacific region¹². Behind this verbal reversal of Japan's policy toward Eastern Europe, there were, obviously, the expectations of her allies that the economic giant would undertake to play a more active role in the region.

It was also in Japan's own interest that she cast off her past passivity, and above all, that she give clear political content to her foreign relations. These were the goals presented by the office of the Prime Minister, and by the Foreign Office. But full agreement was not reached, even within the cabinet itself, concerning the importance of these goals. The powerful Finance Ministry warned of the inherent political risks Japan would face by becoming involved in post-communist Europe, arguing that Japan's long-range interests would be better served by concentrating its foreign trade efforts in China and the Pacific basin. Criticism also came from the influential *keidanren*, the Japanese manufacturer's association.

The central event of the first phase of this plan was Prime Minister Toshiki Kaifu's visit to Europe from the 8th to the 18th of January, 1990, which concluded with visits to Warsaw and Budapest. Actually, the Prime Minister's European trip also had a specific domestic policy angle to it, namely, its presumed effect on the Japanese voters in the elections for the Lower House to be held on the 18th of February. Kaifu chose to meet with West and East European heads of government, rather than to attend important election rallies at home, a clear indication that he considered these overseas visits to have great publicity value. The theme of East European countries struggling to convert to market economies was clearly intended to embarrass the Japanese Socialist Party, and make their campaigning more difficult. The slogan used by the Liberal Democrats during the election campaign was "Democracy or Socialism".

Whereas Kaifu's talks in the West European capitols brought little that was new to the fore, the aid program for Poland and Hungary that was officially announced on January 9th in the Japanese-German Center in Berlin received wide international attention. The details of the program were as follows:

Poland was to receive \$25 million in food aid, as well as a Japanese contribution in the sum of \$150 million to the international fund for the stabilisation of the Polish zloty.

After the signature of an IMF agreement, \$500 million in government funds would be made available to the Export-Import bank (Ex-Imbank), in order to serve as a guarantee for the joint ventures and investments of Japanese firms (subject to a case-by-case examination). An additional \$350 million in export credit guarantees for Japanese banks would come directly from the funds of the

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MITI. This financial aid package would represent the first granting by Japan of new credits to Poland since the end of the war. The food aid would be in the form of grain, to be purchased in Hungary and the US.

For Hungary, which had refused the offer of food aid, Tokyo would make available \$500 million in Ex-Imbank credits, and \$400 million in MITI credit guarantees. It was noted that the earlier Ex-Imbank credit line of \$200 million had not as yet been fully utilised.

Both countries together were to receive \$25 million in technological aid. In addition, a total of 875 economic cadres from Poland and Hungary were to be given technological and productivity training at a center to be built in collaboration between the MITI and the Japanese Foreign Ministry. And finally, fact-finding missions would be sent from Japan to collect information on the possibility of offering ecological aid to these countries.

Negotiations would be conducted on bi-lateral accords to be drawn up for the protection of investments.

At the beginning of 1990, after democratic change had come to Czechoslovakia and the DDR as well, Tokyo decided to include these two countries in their list of possible aid beneficiaries. At the same time, however, the Japanese government began to analyze the possible global effects of the radical political and economic changes that were taking place in Europe, and most particularly, the end of the East-West conflict in that region. Foreign Minister Taro Nakayama visited Czechoslovakia and Yugoslavia at the beginning of May, 1990. During his visit to Prague, he announced the beginning of the second phase in Japan's policy toward Eastern Europe, the "Doctrine of the New Eastern Europe". According to this doctrine, all aid and assistance to this region should be a mutual responsibility of the US, Western Europe and Japan; the role of the EEC, and the process leading toward German reunification were to be supported; the US presence in Europe, and the stabilising role of NATO were to be confirmed; Soviet perestroika should be supported, and limited cooperation with the USSR was a worthy goal. For the first time, it was officially proposed that Japan be granted observer status at the Conference on Security and Cooperation in Europe (CSCE)¹³.

As a result, this May declaration not only increased the number of possible aid beneficiary countries, but the global implications of the vast changes that had taken place in Europe, and their implications for Japan were set forth in a more precise manner than they had ever been before. The statement concerning NATO, and the Japanese desire to cooperate in the CSCE merit more particular attention, and they will be discussed later. Having examined the policy of the Japanese government toward Eastern Europe, however, it is important at this point to turn our attention to the attitude of Japanese industry on this question.

Post-communism

Japanese business circles have decided to adopt a "wait and see" attitude toward their government's foreign aid program. Some have spoken of "tax monies being invested in a questionable manner". Certain industrial leaders have expressed even greater scepticism concerning the possibilities for joint ventures and direct investments. The fact that the Tokyo JETRO center has been overwhelmed by requests from Japanese industrialists for information on Eastern Europe is of relatively little importance¹⁴. In spite of the fact that the

salons and reception rooms of the major international hotels in Warsaw, Prague, East Berlin and Budapest are often crowded with groups of Japanese businessmen negotiating deals, one often has the impression that this is merely a hectic, short-lived boom, that could evaporate as quickly as it appeared. In addition, it would seem that these Japanese businessmen are mostly representatives of medium-sized companies, trying to negotiate new contracts in Eastern Europe. The large commercial houses, the banks and the major industrial groups are still hesitating about doing business with Eastern Europe, as Japanese business circles see several problems to a possible involvement in Eastern Europe.

First of all, a political instability, in talks with Japanese business leaders, one quickly becomes aware of their genuine obsession with "stability". Some of them even praise the "reliability" of the GDR and Czechoslovakia during the 1980's. One almost gets the impression that Japanese business leaders have become nostalgic for the "dependable" circumstances that characterised the Brezhnev era. Their instinctive faith in a "clear situation" is most certainly based, for the most part, on a lack of information. But it also reveals their complete indifference to the inherent instability of dictatorships, particularly in the light of the strong interest Japanese business people have demonstrated toward China.

Currency and financial problems, such as high inflation rates, high foreign debt, and non-convertible local currencies only serve to confirm the "un-solid" impression Japanese businessmen have of the new democracies. To this should naturally be added the lack of legal security for foreign investments. Moreover, the poor infrastructural endowment of ex-communist countries is also seen as a major stumbling block in the way of doing business. And they point out that bad transportation links, and the catastrophic situation in telecommunications become even worse, the farther geographically each of these countries is from Japan. Language and cultural problems are almost as serious. A wide-spread ignorance of the languages and cultures, coupled with a severe information gap about the situation in Eastern Europe, and the lack of historical contacts between Japan and Eastern Europe constitute a major obstacle to Japanese businessmen.

Finally, there are the regulatory barriers. Before the changes were introduced in June, 1990, the COCOM barriers to trade with Eastern Europe were particularly discouraging to the Japanese, namely as exporters of technology.

Most of these factors are also of some importance to West European and American investors, but in the case of Japan, their sum total makes the situation appear even worse¹⁵. In spite of this, there are some Japanese companies which perceive certain advantages in having offices in Eastern Europe. The close proximity to the markets of the EEC, without having to pay the high wages in effect there, is certainly one of those advantages. The single internal market also plays an important role in this regard, particularly since there will be low tariff barriers in the EEC after 1992 for goods originating in Eastern Europe. The Japanese are also aware that the region is often rich in natural resources, and that the local working population has a relatively high disposition toward professional training.

Described below is a brief description of a joint venture, the first such venture agreement in automobile construction concluded between Japan and an East European country. At the time of the Japanese Prime Minister's visit to Budapest in January, the firm of Suzuki Jidosha signed an agreement with a Hungarian automobile manufacturer. According to this agreement, a factory with an annual production volume of 15,000 units would be built in Esztergom after the summer of 1990. A Hungarian holding company was to be a 50% partner in this venture, while Suzuki Jidosha would own 30% of the enterprise¹⁶. Suzuki had been attempting to conclude an agreement of this sort since 1985, but all its attempts proved fruitless due to the local content requirements demanded by the Hungarians, as well as financing problems caused by the fact that the Ex-Imbank was unwilling to provide the necessary guarantees for the credits.

The question of local content was left open in the January, 1990 agreement, while the financing of the project through the Ex-Imbank had been approved, in the interim. Suzuki Jidosha is seen in Japan as a "third class" automobile manufacturer, which has continually had difficulty establishing itself on the domestic market. The company, however, has had a great deal of experience in setting up joint ventures in foreign countries, and is more than willing to run the risks inherent in setting up a joint production facility in Hungary.

An example of a failed project of this type is the joint venture planned by the Daihatsu company with the Polish company Fabryka Samochodow Osobowych (FSO). Following a rather ambitious start, the planned production volume was limited to 5-6,000 units annually, due to financing problems. Many of these

units were to be put together using the "knock-down process" in another factory that already existed. In May, 1990, the Daihatsu representatives blamed the "chaotic conditions" and "economic confusion at FSO" for the failure of the project, which was then totally abandoned¹⁷. The Polish press, however, mentioned the lack of adequate Ex-Imbank credit guarantees as the principal factor that had caused the project to fail¹⁸. There was, however, another important factor at play, namely the attempts that the FIAT company had been making for some time to sign a joint venture agreement with FSO.

After the collapse of the joint venture with Daihatsu, negotiations continued with FIAT, which had had considerable production experience in Poland. Perhaps this case of West European-Japanese competition in Eastern Europe is not a typical one, but it probably left a negative psychological impression in Japan. Nevertheless, many Japanese business leaders are under the impression that Eastern Europe is a natural market domain for the West Europeans, and particularly the Germans. Just as the Japanese have always attempted to drive European competitors from the field, in East and Southeast Asia, and, to a lesser degree, in other markets, they appear to have self-imposed inhibitions, when it comes to competing with the Europeans in Eastern Europe.

Institutional involvement

In view of the information gap in Japan, and her lack of experience in the East European labor and production markets, any significant increase in Japanese involvement in Eastern Europe, either at the government or private entrepreneurial level, would only be possible in collaboration with other Western industrialised countries. Western Europe has already offered to closely consult with Japan on these questions, and such cooperation is already being planned, in the case of government aid credits. The Federal Republic of Germany, and a re-unified Germany in the future, will undoubtedly be chosen by Japan to play a key role in this field. The first area is that involving the conference and consultation level between business associations. The 13th German-Japanese Economic Conference, for example, organised by the DIHT and the Japanese *Keidanren* Economic Federation in January, 1990, devoted itself primarily to the task of jointly opening the markets of Eastern Europe¹⁹.

The second important point is that Japanese companies will bring goods and services to Eastern Europe through their branches and affiliates in Germany, rather than running the risk of making direct investments in those countries.

Finally, it has become clear that Japanese companies will decide to undertake joint ventures in Eastern Europe in collaboration with German firms. A good example of this tendency is the project by the Fujitsu company, which has recently acquired ICL, a British computer manufacturer, to undertake joint ventures in Eastern Europe in collaboration with Siemens²⁰.

Seen as a whole, Japanese business concerns have, as of this date, not attained the high level of involvement in Eastern Europe that had been foreseen at the beginning of this year. Although this phenomenon is certainly not limited to Japan, it does, however, strongly contradict the verbal expressions of enthusiasm found in various Eastern Europe doctrines issued by the Japanese.

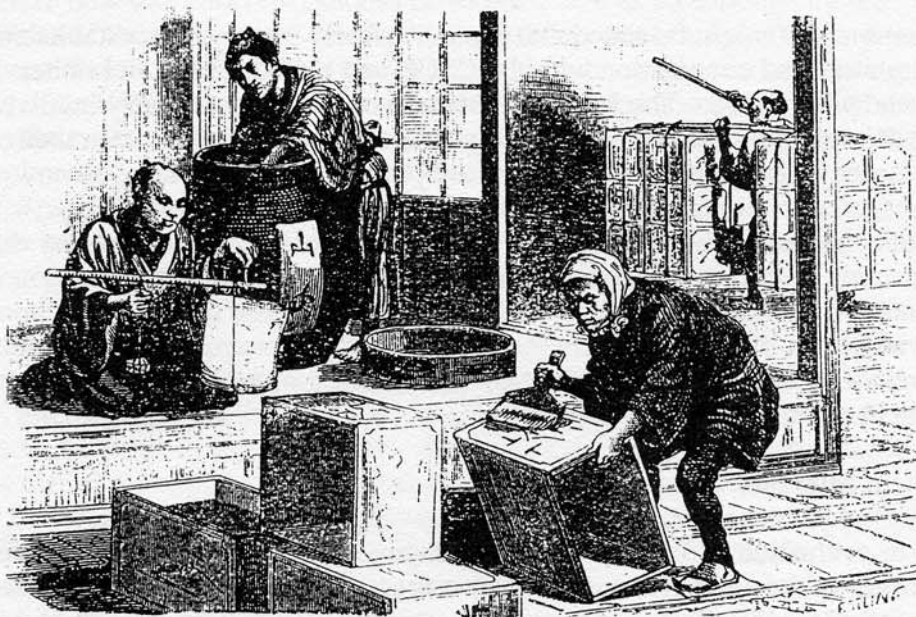
The government is fully aware of these difficulties, but it does not, at the moment, appear to be capable of increasing the will of Japanese business concerns to invest in Eastern Europe²¹. This would not require quantitative increases in the guarantees and credit aid for joint ventures, but rather a change in the approval policies of the Ex-Imbank, and similar institutions in Tokyo. Needless to say, this would encounter solid opposition from the Japanese bureaucracy.

The new era of collaboration between Europe and Japan will, in the political arena, principally take place on a multi-lateral level. Apart from Japanese participation in credit conversion within the confines of the Paris Club, and their truly substantial collaboration with G-24, Japan's involvement in the CSCE is of extreme importance. Foreign Minister Taro Nakayama discussed this possibility during his visit to Prague in May, 1990.

At approximately the same time, former Prime Minister Yasuhiro Nakasone also declared his approval of this plan²². It should be mentioned, however, that Japan's position would be limited, for the foreseeable future, to that of an observer, and that this would undoubtedly satisfy all sides. Even the Japanese role as observers at CSCE had been firmly opposed by France, until French Prime Minister Michel Rocard's visit to Tokyo in July, 1990. There has, furthermore, been opposition in certain circles in Tokyo to any Japanese association with the CSCE. According to this opposing view, Japan must first clarify its relationship with the Soviet Union, before she can become involved in the pan-European unification process. A number of Japanese political experts pointed out that the Soviet Union had been attempting to have its occupation of the four Kurile Islands northeast of Hokkaido, which are still claimed by Japan, defined as "permanent".

The Soviet justification for this was that the Helsinki Agreement of 1975 had clearly and irrevocably defined all the post-war borders. Consequently, according to this view, any form of Japanese adhesion to the Helsinki Agreement could be interpreted as a quasi-recognition of these borders. While there is great interest in Japan in Basket Two of the Helsinki Agreement, namely, to a limited right to consultation in the economic re-alignment of Europe, Basket One, for the moment, undoubtedly frightens the Japanese. In the long run, however, what will probably be decisive for Japan's involvement with the European integration process is Basket Three of the Helsinki Agreement, which addresses the problems of human and civil rights, and their importance in international relations. There is some hesitation in Tokyo on this point, as well.

Less profound, but nonetheless significant, is the cautious approach now taking place between Japan and NATO. Until recently, Japan very carefully avoided making any official contacts with NATO, in order to avoid offending the Soviet Union. However, the Conference on Global Security held in Knokke, Belgium from the 17th to the 19th of June, which brought together diplomats and experts



Japanese tea exporters

from Japan and the NATO countries (with the exception of France, because of the "out-of-area" nature of the conference), might signal a change in the Japanese attitude toward NATO. At this meeting, attended by, among others, NATO General Secretary Manfred Woerner, the NATO Ambassadors from the member states, the influential Japanese Vice-Foreign Minister Hisashi Owada, as well as numerous experts, the emphasis was less on discussing concrete measures to be taken, than an exchange of opinions on such subjects as the relationship to the Soviet Union, and a summarising of the collaboration that had taken place between Japan, the US and Western Europe in solving regional conflicts. On this occasion as well, the Japanese declared that they wished to play a more active role in the formulation of Western policy, in Eastern Europe and other regional areas. In addition to the positive reaction at this conference to the possibility of Japanese collaboration with the other leading countries, what was most striking was the divergence of views on Soviet policies. Japan, at this conference as well as at the Houston Summit held later in July, took full advantage of the opportunity to criticise the Soviet Union's failure to seek distension in the Far East, and brought up once again the question of the still-unresolved territorial dispute between Japan and the Soviets over the Kurile Islands²³.

In summary, it might be stated that Japan is clearly interested in establishing institutionalised cooperation with the CSCE and NATO, but would rather proceed with caution. The Japanese desire to become more closely involved with the new political landscape taking shape in Europe results from their awareness of the increased economic and political weight this region now possesses. This direct involvement would, above all, be linked to Tokyo's moral commitment in those sectors which do not, of necessity, have any direct connection with Japan's economic interests. In spite of the fact that this new orientation of Japanese foreign policy has met with some opposition at home, it is evident that Tokyo will continue and intensify its commitment to assume ever wider global responsibilities, as well as infuse its policies with deeper political meaning.

Present interests

The re-evaluation of Western Europe in Japanese politics, which was primarily the result of the announcement of the creation of the single market, indicates the extent to which Tokyo feels itself challenged by the new situation in Europe. This in itself might be a powerful argument for the further integration

of the European Community, even after 1993. In this connection, it is also in Europe's interest to formulate a more harmonious policy toward Japan, just as the Japanese have developed new strategies for dealing with the changed situation in Europe. First of all, however, a number of the EEC countries, including Germany, must be willing to recognise, and take into account, the new and important position Japan now occupies, not only in the world economy, but in international politics as well. The following thoughts on economic relations, on the institutional inclusion of Japan in regional organisations, and on the problems relating to social values, might serve as a starting point in the planning of a new European strategy.

Japan's economic involvement in Eastern Europe should be welcomed as a stabilising factor, in contrast to German dominance of the region, but also as a guarantee of diversification. This presupposes, however, that there be a genuine transfer of capital and technology. Japanese investments should not be regarded in either Western or Eastern Europe as a "Trojan horse". In the words of a recent Japanese proverb, "He who speaks of a Trojan horse, admits that he is sitting in a fortress". Nevertheless, the growing Japanese export surpluses, and above all, the absorption of numerous West European companies by Japanese business concerns, should be looked upon as a challenge by the countries of the European Community. In order to meet this challenge, it will not be sufficient for European companies within the single market coming into effect after 1993 to attempt to increase their efficiency and productivity alone. From the point of view of European industry and its overall economic policy, the solution to this problem will be found in creating more innovative and flexible approaches to production and marketing, as well as in beginning to plan much farther ahead, rather than in hiding behind protectionist policies, and bureaucratic paper-shuffling.

The Europeans must not shut the door in the face of the Japanese desire to become more closely involved with the new Europe. In the political field as well, interdependence through a growing involvement by both sides is of great importance to the new global needs. Needless to say, the Europeans should insist that as a counterpart to Japanese involvement in the new Europe, their own role in Asia should be recognised and officially accepted, perhaps by the EEC countries being granted observer status in the Asia-Pacific Economic Cooperation (APEC) organisation. Such reciprocal involvement would, in the area of foreign economic relations, open favorable perspectives for a binding definition of fair competition, and perhaps even the development

of a "code of conduct" in new market areas. It should, however, be noted that as of this date, Tokyo has never indicated that it would support the formalised involvement of an individual European country, or of the EEC, in the APEC organisation.

The granting to Tokyo of political influence in European affairs through the presently existing organisations (the Paris Club, the OECD, G-24) in all matters directly relevant to Japan has already been done. In the structuring of the future relations between East and West, in particular in those questions relating to the policies toward China and the USSR, ample discussion will undoubtedly be necessary, probably within the framework of the G-7 meetings. It is here that a transformed NATO organisation, one that has assumed broader responsibilities within its geographical area of influence, might very well consider an institutionally defined form of cooperation with Japan. Whatever else occurs, the Japanese should not be given the right to raise objections against Western Europe's policy of cooperation with the Soviet Union, for example. In any event, the Europeans must make certain that in the future, they do not allow too great a gap to form between the dramatically improved relations being created between Western Europe and the USSR, and the relatively immobile situation that still exists in Asia. This is valid for the area of arms control, as well as for the field of economic and technological cooperation. If relations between Tokyo and Moscow were to continue to remain tense, this would undoubtedly damage Japanese-European relations.

A particular problem affecting the relations between Japan and the new Europe lies in the Japanese hesitation concerning "Basket Three" of the CSCE process. Here we touch the very heart of Japan's difficult relationship with the West on the cultural level: the relatively backward hierarchy of social values that still exist within the country, in spite of the "Westernising" that has taken place there since the Meiji era. In recent months, Japanese complaints about being "excluded" from Western society, in spite of being a part of that society since 1945, have tended to increase²⁴. Simultaneously, and often from the same sources, criticisms were raised concerning the differences between the Western and Japanese cultural and social values²⁵. These criticisms form the basis for the demand that Japan be allowed to make its own individual contribution to the social value system of the political West. There remains the legitimate question of what this individual contribution might be. Nothing, of course, can be gained by the Japanese accusing the Europeans of racism²⁶.

It should be noted that the victors in the democratic evolution in Eastern Europe were not only parliamentary democracy and the market economy. In reality, what we have witnessed was the triumph of an entire system of values, and most particularly, of a specific view of mankind. This view was based on the religious and cultural foundations of European society, and on the universal validity of the human "aspiration towards a sovereign and individual realisation of human worth, made in a process of free choice"²⁷.

A country like Japan, which, in spite of its recent phenomenal economic successes, still feels uncertain as to whether it forms part of the "Western society of values", and, in addition whether it even desires to be a part of that value system, must certainly feel some degree of discomfort at having achieved these economic gains, and wonder what the eventual moral consequences will be for Japan. It is for this reason that the "Basket Three" questions are so important for the future relations between Japan and Europe. And it is precisely in this area that the Europeans will be required to closely involve Japan at the institutional level. As Europe and Japan grow increasingly dependent upon one another, the problems of social and cultural values will, sooner or later, begin to play a decisive role. It is for this reason that they must be included as soon as possible into the intellectual and political dialogue now taking place between the Europeans and the Japanese.

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