

Thesis  
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**Japanese Automobile Lobbying in Brussels -  
The Role of the Japanese Motor Car Industry  
in EU Policy Networks**

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~~01/01~~

*To my parents*

*and Christian*

*without whom I could not achieve my dreams*

## *To my parents*

.....

### **Errata**

Xiii	(6) North Atlantic Treaty Organisation
Xiii	(11 + 73) Organisation Industrielle des Constructeurs
10	(11) provided an excellent opportunity
28	(4) define
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50	(10) to Japan
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229	(4) their corporate
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263	(6) interpretations and discussions
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283	(1) is obvious
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290	(15) but to support
293	(17) In this way
296	(2) beneath the surface
311	(19) not to offend them directly
312	(7) a reduction in the cost
317	(2) the cost
338	(24) who are not invited

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## Abstract

*by*

This study examines the lobbying *by* the Japanese automobile industry in the European Union. It investigates how the Japanese automobile industry interacts with the decision-making authorities in Brussels in its attempts to influence the policy process of the European Union. In the post-war period the Japanese automobile industry has expanded into all major world markets and plays an important economic and political role in these. However, until the 1990s, the Japanese automobile industry *enjoyed* hardly any interaction with the policy making institutions of the European Union. This has changed dramatically in the last decade but, thus far, the process has not been subject to any empirical investigation. This study, which is largely based upon interviews with the major actors in the process of interaction between the governing institutions and the automobile industry in the EU, aims to correct this deficiency.

This thesis employed the policy network concept as a framework to develop an understanding of this particular case of government-interest group interaction. The thesis investigated whether the Western concept of policy networks could successfully *be*/applied to the Japanese automobile industry as a non-western actor in the unique system of governance of the EU. By doing so, the thesis has demonstrated that the policy network concept is not a purely Western construct, but can be applied with equal validity to the case of Japan. Therefore, this thesis has taken an important *step* towards proving the universal applicability of the policy network concept.

## Conventions

Japanese names are given in the Japanese form with the family name first. Except for widely known words and geographical locations, long vowel sounds in Japanese words and names are indicated with a macron as in Honda Sôichirô. Japanese terms are put in italics followed by a general explanation of the term the first time they occur.

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## Glossary

AAM	Alliance of Automobile Manufacturers
AAMA	American Automobile Manufacturers' Association
ACEA	Association des Constructeurs Européens d'Automobiles
ACEM	Association des Constructeurs Européens de Motocycles
AG	Aktiengesellschaft
APEC	Asia Pacific Economic Co-operation
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
BMW	Bayerische Motorenwerke
BOJ	Bank of Japan
CCMC	Committee of European Community Automobile Makers
CEO	Chief Executive Officer
CLCA	Liaison Committee of the Automobile Industry of the European Communities
CLEPA	Comité de Liaison de la Construction d'Equipements et de Pièces d'Automobiles
COREPER	Council's Committee of Permanent Representatives
DAF	Van Doornes Automobilfabrik
DG	Directorate-General
EBC	European Business Community
EC	European Community
EFTA	European Free Trade Association
EMU	European Monetary Union

EoC	Elements of Consensus
EP	European Parliament
ERT	European-Japanese Industrialists' Roundtable
ESC	Economic and Social Committee of the European Communities
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GHQ	General Headquarters
GM	General Motors
IAA	Internationale Automobilausstellung
IMMA	International Motor Manufacturers' Association
JAA	Japan Automobile Importers' Association
JAMA	Japan Automobile Manufacturers' Association
JCIF	Japan Centre for International Finance
JETRO	Japan External Trade Organisation
JMEA	Japan Machinery Exporters' Association
KAMA	Korean Automobile Manufacturers' Association
LSE	London School of Economics and Political Science
MAN	Maschinenfabrik Augsburg-Nürnberg AG
MCI	Ministry of Commerce and Industry
MEP	Member of the European Parliament
MFA	Ministry of Foreign Affairs
MITI	Ministry of International Trade and Industry
MOA	Ministry of the Army
MOA	Ministry of Agriculture

MOC	Ministry of Construction
MOF	Ministry of Finance
MOR	Ministry of the Railroad
MOT	Ministry of Transport
NATO	North American Treaty Organisation
NMDG	Nissan Motor Deutschland GmbH
NPA	National Police Agency
NIES	Newly Industrialising Economies
OECD	Organisation for Economic Co-operation and Development
OICA	Organisation Industrielle des Constructeurs d'Automobiles
PR	Public Relations
QC	Quality Control
R&D	Research and Development
RV	Recreational Vehicles
SCAP	Supreme Command for the Allied Powers
SMMT	Society of Motor Manufacturers and Traders
TMME	Toyota Motor Europe Marketing & Engineering
UK	United Kingdom
UN	United Nations
UN-ECE	United Nations Economic Commission for Europe
UNICE	Union des Confédérations d'Industrie et des Employeurs d'Europe
US	United States
USA	United States of America
VER	Voluntary Export Restraint
VRA	Voluntary (Export) Restraint Agreement

VW

Volkswagen

WTO

World Trade Organisation

## **Introduction**

The 20<sup>th</sup> century belongs to the automobile industry, and has, therefore, frequently been referred to as the ‘century of the automobile’ (Takeuchi, 1993: 32; *AutoBild Spezial*, 1999; Uesugi, 1999: 9). Since its founding days, the automobile industry has attracted the attention of the people and media throughout the world. Motor vehicles have experienced an incredible and rapid development during the course of a mere hundred years. The car industry has encouraged various impressive inventions in the fields of technology, production systems, and management. During this short period, the automobile industry has attracted some of the most famous businessmen, amongst them Toyoda Eiji, Henry Ford, Gottlieb Daimler, and Honda Sôichirô, and it is not surprising that one of the founding fathers and dazzling minds of the industry, Henry Ford, was selected as ‘businessman of the century’ in late 1999 (*The Japan Times*, 03/11/1999).

Since its founding days, the automobile industry has dazzled the world, and has managed to capture the hearts, minds, and fascination of whole nations. The industry is highly aware of this fact. This awareness is best illustrated by a recent statement of a representative of the industry, Wendelin Wiedeking, the chairman of Porsche, who emphasised that ‘we are selling an emotion’ (Harnischfeger, 22/05/2000). Yet, the automobile industry has also faced major challenges in past decades, particularly to do with pollution issues (see chapter 5), trade friction (see chapter 5), new consumer demands, globalisation (see chapters 3, 4, 5), increased competition, and new political regimes, such as the European Union. The automobile industry has therefore been influenced by external, political and economic factors and has had to respond to a variety of pressures in an ever

evolving environment. The Japanese car industry has been no exception in this complex 'game'; it has had to adapt to the EU policy process in order to secure a position in the European market. Indeed, over the past ten years, Japanese lobbyists have participated in the EU network with considerable success as the following study will illustrate.

In many countries, in particular France, Germany, Japan, and the United States of America, the automobile industry has become a symbol, signifying national wealth and economic achievement. In these countries, the automobile industry has played a leading role in terms of international economic growth and military expansion. This has drawn the attention of governments to the industry, and has encouraged interaction between governments and the industry from the beginning of the century onwards. In this way, the automobile industry has not only attracted the minds of the public, but also of governing institutions.

Amongst the various automobile industries of the world, the Japanese automobile industry stands out for several reasons. The Japanese car industry has become famous for its various inventions and great achievements, such as Toyota's 'lean production system'. However, it is also particularly admirable because it was faced with a greater challenge than any of its counterparts. The motor car entered Japan almost immediately at the beginning of its rapid industrialisation. Initially, it seemed impossible that Japanese cars would ever become competitive, since they were instantly confronted with the seemingly overwhelmingly superior position and success of foreign automobiles. The impressive founding fathers of the Japanese automobile industry, nevertheless, believed in the future of their products, demonstrated a far-reaching vision, and let nobody, not even the military government, distract them from their dream to produce passenger cars. During the

20<sup>th</sup> century, the Japanese automobile industry has received its fair share of attention from the government and bureaucracy. At various times, this has equally hindered or contributed to the development of the industry as it has advanced to become a major global player. The interaction between the Japanese government and automobile industry has attracted the attention of numerous scholars because this relationship has been one of the most important in the business history of Japan.

The significance of this relationship has been particularly emphasised in the second half of the last century, when the Japanese car industry undertook its global economic expansion. The Japanese automobile industry now plays a major role in most of the world markets, particularly the United States and the EU. However, thus far the relationship of the Japanese automobile industry with governments other than its own has been neglected. This study aims to correct this deficiency. It investigates the subject of how the Japanese automobile industry interacts with the decision-making institutions of the European Union (EU), and how it seeks to influence the policy process in Brussels.

## **Framework**

A thorough analysis of this subject requires a proper theoretical framework. Policy network analysis represents the perfect tool for such an investigation. Originally, the concept of policy networks was devised to explore relationships between an industry and its government within the nation-state. Recently, policy network analysis has also been applied to policy making in the new system of governance in the EU. Policy networks are instruments for describing relationships between public actors, governments or governmental institutions, and private actors, interest associations, industries or business groups. Although other theories have

also sought to explore interaction between governments and interest groups, the policy network concept is unique in various ways. An important distinction between the concept of policy networks and its predecessors is that the policy network concept plays down the formal separation of public and private actors. Policy network analysis has changed the schematic view of policy making. The focus on co-operation between public and private actors has switched from a view of policy making characterised by hierarchical, sectoral, and national divisions in various policy areas to one characterised by collective interaction aimed at a common collective output. One aspect of the policy network concept that is particularly important when investigating government-interest group interaction in the EU is the emphasis of the concept upon the informal relationships surrounding the policy process. In a typical policy network situation, bureaucrats from different levels of government, interest groups and committees of experts closely co-operate in the development of policy agendas, defining policy problems, and presenting an acceptable range of options. Unlike other theories of government-interest intermediation, the policy network concept assumes that these informal factors contribute more to policy outputs than do party concepts, political leadership or parliamentary influence. Unlike previous concepts, the policy network concept accepts and openly acknowledges the importance of these informal factors, which renders it the perfect instrument for investigating the interaction of a 'newcomer' in an EU policy network. Informal relationships determine the power relationships in any given network, and it is up to any interest group to establish a solid network of relations, in order to gain a firm position within the network. Naturally, this task would be easier for any 'national' interest group which has long since been familiar with the way its government works. By way of contrast, a Japanese interest group is

obviously confronted with a much more complicated challenge when seeking to establish a network of informal relations in a new environment and gain a position within the network.

Therefore, this thesis seeks to test the applicability of the policy network concept, as defined by Rhodes,<sup>1</sup> to the case of Japan, with particular reference to the representation of the interests of the Japanese automobile industry in the EU. Policy network theory will be tested against the case study of Japanese automobile industry lobbying in the EU. This will allow an appraisal of the value of the theory, which will be based upon empirical findings. There is a *prima facie* case that policy network analysis works at the EU level and has explanatory value. Nevertheless, even though the policy network concept has been applied to policy-making in the EU, it has not been applied to the interaction of the governing institutions and one particular industry. To do so will present a particular challenge for the policy network concept, since the case of 'Japanese Automobile Lobbying - The Role of the Japanese Motor Car Industry in EU Policy Networks' represents a highly unusual case study, which has never been investigated before. Previous examinations of the policy network concept at EU level concentrated on the interaction of European interest groups with the governing institutions of the EU. More recent research on policy network analysis (Peters, 1998) demanded that the concept should be applied to policy-making in the US and Japan, in order to prove the universal applicability of the concept. This study takes the suggestion even further. Whilst testing the concept against the case of Japan, on the one hand, it also

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<sup>1</sup> Rhodes and others have written extensively on policy network theory. For a succinct statement of the theory, see Rhodes (1997). Chapter 1 will present an in-depth analysis of the concept, outlining the framework for the empirical case study.

applies policy network analysis to the role of an outsider, the Japanese automobile industry, in a new and unusual system of governance. This network stands out, because it is characterised by actors from different EU member states, several supra-national entities, such as the World Trade Organisation (WTO), governments from different EU member states, the Japanese government, the European, American, Korean, and Japanese automobile industries, their umbrella associations, and various types of interest groups.

It is a matter of empirical investigation how the different characteristics of the policy network concept change when applied to this different type of network. It could be argued that this leaves the question open, whether the scale of these differences might be sufficient to render the original policy network concept unrecognisable in the context of the EU, or at least to suggest alteration of the concept, which would improve on it. This thesis aims to investigate whether an entirely Western concept can be applied to a Japanese case of government-business interest intermediation. Another way of putting this would be that the thesis aims to test, on the one hand, whether the policy network concept has universal applicability, and, on the other hand, whether Japan functions like other countries in this particular case.

This thesis makes an original contribution to the fields of Japanese Studies, Political Science, and EU Studies. Whilst research on the history of Japanese-European relations is vast, only marginal research has shed light on relations between Japan and the European Union. This dissertation focuses on the automobile industry, because it forms a key industry for Japan and the EU member states of

Britain, France, Germany, Portugal, and Spain.<sup>2</sup> Therefore, it could be expected that this particular industry would provoke heated debates between Japan and the EU and among the European and Japanese publics alike.

### **Methodology and Time Frame**

The methodology applied falls into two main categories. The first three chapters are largely devoted to analytical comparison of secondary source material and various primary sources, such as government publications, press releases, web pages on the Internet concerning the Japanese automobile industry and Japan-EU relations, and interviews. The two main chapters (4 and 5) also draw on these sources, but mainly depend on primary sources gained from my own empirical field work, including web pages on the Internet, company brochures, government publications, and interviews conducted with all the actors in various EU member states, Brussels, and Tokyo. This dissertation concentrates on the interest representation of the Japanese automobile industry during the period from the early 1980s up to the resignation of the Santer-Commission in 1999. This time frame was chosen because the Japanese automobile industry has slowly become economically successful in the European Community (EC) since the 1980s. Particularly since it began producing locally in some EU member states from the mid-1980s onwards, it became a major force to be reckoned with, and has, therefore, given rise to various heated debates. However, the Japanese car manufacturers only started concerted lobbying efforts in Brussels in the early 1990s. At present, it is too early to

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<sup>2</sup> Although Sweden is also home to a national automobile industry, it plays a less important role in Japanese-European automobile debates, since it only joined the EU in 1995. Also, it has not spoken up as stridently, and has generally played a much less active role in discussions than the member states mentioned above.

investigate the effects of the reorganisation of the European Commission following Santer's exit. A large percentage of the fieldwork was carried out under the Santer-Commission, and, therefore, this investigation of Japanese automobile industry lobbying in the EU focuses largely on the 1990s.

## **Interviews**

The empirical case study conducted in chapters 4 and 5 is based on extensive interviews that I conducted in the EU and Japan. Lobbying is a particularly sensitive issue. Industries and individual corporations are naturally not inclined to reveal their techniques of interest representation, since successful techniques could easily be copied by their competitors. Close relations between governments and industries and co-operative networking could be interpreted as 'unethical' by malicious observers. Nevertheless, it is necessary for governments and industries to interact and to co-operate to achieve solutions which both sides feel comfortable with. Governments also do not like to discuss the nature of their relationships with their own and other industries. For this reason, interviewees had to be assured of absolute confidentiality and anonymity, and they had to be guaranteed that their statements would be absolutely non-attributable to themselves, their corporation, and their institution. Therefore, sources cannot be quoted by their names, although direct quotes are given in a codified manner, for example, from 'a source from the European Commission: 09/06/1998: A'.<sup>3</sup> Interviews were conducted between January 1998 and February 2000 with sources from national European and Japanese governments, EU governing institutions, particularly the Commission and the

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<sup>3</sup> The letter A refers to the first person interviewed on a particular date, B to the second person and so forth.

European Parliament (EP), various embassies, chambers of commerce, virtually all Japanese and the major European automobile manufacturers, some American manufacturers, their umbrella associations, trade organisations and interest groups, where necessary in the following languages: English, French, German, and Japanese.

The first stage of interviews took place with representatives of the Japanese automobile industry and government institutions in the UK. Amongst all the EU member states, the UK plays a particularly significant role, since it has been home to the largest number of Japanese producers in the EU, and, therefore, enjoys particularly good relations with them. Further interviews were conducted in Germany and France with the automobile industry and government in 1998, since these countries played a particularly active role in automobile-related debates in the EU. These interviewees then helped me to build up a network of interviewees in Brussels.

Accordingly, a large part of 1998 was dedicated to conducting interviews in Brussels. In Brussels, which is the main forum for Japanese interest representation in the EU, a number of thorough, detailed, and highly revealing series of interviews were conducted with the Japanese and European automobile industry, individual corporations and umbrella associations, the European Commission, the European Parliament, and various minor lobbying institutions and professional consultancies. A number of interviewees were contacted repeatedly to gain particularly detailed information. Besides contacting all the actors involved in this network, different levels were helpful in gathering different information. Retired officials or employees were frequently able to talk more frankly and openly than contemporary staff, and willingly gave their time and highly interesting information. This proved to be

particularly helpful, when the case of the restriction of Japanese exports to the EU was researched. Interviews with high-level industry staff, employees from the corporate communications divisions, cabinet-level staff in the European Commission, and Members of the European Parliament (MEPs) were interesting, but provided a more official account of issues, and were generally characterised by the interviewees' concern with preserving a certain image. Nevertheless, I gratefully acknowledge that these interviewees were helpful, and took time out of very busy schedules, and willingly helped obtain brochures, press releases, official, and, occasionally, less official, documents.

Other contacts were helpful in gaining access to automobile hearings in the EP. These provided excellent opportunity to witness live and turbulent debates on the automobile industry, gather new information, and, since all the relevant actors were present in these debates, made it possible to establish new and different contacts. In many cases, interviews with intermediate and working-level staff in companies and government institutions proved to be more revealing than with those at the top-level. Frequently, these contacts were particularly enthusiastic about their work, managed to convey this enthusiasm, and possessed the most thorough, detailed, technical knowledge. When contacted on their particular area of expertise, these interviewees were able and willing to generate fascinating information. Concerning the industry, sources from the technical side were often particularly able to shed light on certain issues, and in the Commission and the EP the working-level staff were generally able to provide the best possible insight into daily procedures and interaction of all the relevant actors, and the general policy process. In the case, of the European Commission, it proved particularly rewarding to contact all levels and retired officials of the different departments, which deal with different aspects

provided

of the Japanese automobile industry. Such contacts frequently elicited different views of the same issue, and, therefore, made it possible to gain a better understanding of the intricate policy process and internal discussions.

Amongst other results, my interviews revealed that the Japanese government is involved in some of these issues and that the Japanese automobile industry ultimately takes all its decisions in Japan. Therefore, it was necessary to conduct a long and extensive series of interviews in Japan in 1999. As before, previous interviewees proved helpful in establishing contacts and arranging interviews with their headquarters or branch offices, and with the Japanese government, trade associations, and chambers of commerce. While in Japan, various embassies provided information wherever they could, and, whenever necessary, the American side was also contacted. In free periods of time, interviews were also conducted with people in the streets. In this case, no selection was conducted, and opinions of a broad range of people were obtained. These were interesting insofar as they showed how the media have been able to affect public views, and how these, in turn, may have a certain impact on the action of the government and industry. These interviews also revealed surprising insights and highly different attitudes towards the different Japanese manufacturers. Surprisingly enough, the same opinions towards Nissan, Toyota, and Honda generally prevailed in different areas of Japan. However, it must be emphasised that these interviews were not conducted on a scientific basis, and, therefore, only provided interesting side-information.

Similar to Brussels, interviews took place in Japan with different levels of government and institutions. Generally, the same characteristics applied and the working-level staff were able to provide different kinds of information from the more official, top-level interviewees. Without the help of various sources, it would

not have been possible to gather succinct statements from the Japanese government. In Japan, the most important agencies concerning the automobile industry are the Ministry of International Trade and Industry (MITI) and the Ministry of Transport (MOT), and to a much lesser degree the Ministry of Foreign Affairs (MFA). Various interviewees from these ministries kindly took time carefully to explain procedures in Japan and the Japanese view of different issues. They also provided Japanese press releases on different topics wherever necessary. The Japan External Trade Organisation (JETRO) generously shed light on certain themes from a slightly different point of view. Similar to Brussels, interviewees kindly made it possible for me to witness internal Japanese debates early in the policy process. This provided an excellent insight into how information is gathered in the Japanese polity, how views are formed, and how proposals are formulated.

Finally, the two motor shows of 1999, the Internationale Automobilausstellung (IAA) in Frankfurt in September and the Tokyo Motor Show in October provided further opportunities to establish new and different contacts, gather the latest brochures, and keep up to date on the latest developments. Upon returning to Europe, a final series of interviews that I conducted with the same actors as before rounded off the previous series, and resolved remaining questions and outstanding issues.

### **Primary and Secondary Sources**

This thesis sheds light on an area which has not been well researched to date. Therefore, literature on various different topics was surveyed to establish a background for the empirical investigation. Literature on Japanese-European relations, the Japanese automobile industry, the structure, institutions, and decision-

making process in the EU, and the policy network concept was helpful in producing this study. A thorough examination of literature on policy network analysis is conducted in chapter 1. This review stresses why the policy network concept provides the most suitable instrument for the investigation of Japanese automobile industry lobbying in the EU and sets out a framework of issues to investigate in the empirical case study. However, it must be stressed that the network and the issues which are investigated in the case study are present-day issues. Therefore, hardly any secondary sources were available and a large part of the research depends on primary sources from the Internet, daily media, and interviews. It is also noteworthy that lobbying by its very sensitive nature is an under-researched subject. Japanese lobbying outside Japan has thus far mainly been investigated in the United States (Choate, 1990), and only very briefly with reference to the situation in the European Union (Morrison, 1995), and not at the level of one particular industry.

### **Japan-EU relations**

Whilst Japanese-European relations have long been the subject of detailed studies, which concentrate on various areas of this relationship, research on Japan-EU relations is still in its early stages. The current state of Japan-EU relations is regularly covered in daily newspapers, such as the *Asahi Shinbun*, the *Nihon Keizai Shinbun*, the *Financial Times*, the *Süddeutsche Zeitung*, the *Neue Zürcher Zeitung*, *Le Figaro*, and *Le Monde*, and in weekly magazines, *Ekonomisuto*, *Sekai*, *Der Spiegel*, and the *Economist*, which are available in print or on the Internet.

A number of primary sources provide information on the recent history of this relationship. Amongst the Internet sources, some are particularly noteworthy.

Directorate-Generale (DG) I<sup>4</sup> in particular, produces a site (<http://europa.eu.int/comm/dg01/p0128.htm>), which is solely dedicated to Japan-EU relations. On this site, official documents, press releases, and schedules for meetings are published. Further links provide information on specific topics, such as economic relations between Japan and the European Community. Since this page is maintained by the European Commission, it tends specifically to address questions of relevance to citizens of EU- member states and interest groups. The best and most comprehensive information is provided by *Rapid*, the press service of the EU, which publishes all official information released by any of the governing institutions of the EU (<http://europa.eu.int/rapid/start/welcome.htm>). *Rapid* is particularly noteworthy, because it has a large data base, reaching as far back as the early 1980s and even 1970s. Frequently, press releases published by *Rapid* are identical to those published by Japanese governing institutions. *Rapid* also offers information on the harmonious state of relations, which both sides seek to convey. Other DGs of the Commission and all the governing institutions of the EU have their own home pages, which are useful when gathering different types of information on the automobile industry.

In Japan too, all the government institutions maintain their own web sites, which release the same types of information as in the EU. The Japanese Ministry of Foreign Affairs (MFA) provides a special site on its relations with Europe (<http://www.mofa.go.jp/region/europe/index.html>). The site is entitled 'Japan-Europe relations', but mainly focuses on relations with the European Union, and tends to neglect Japan's relations with the countries of the European Free Trade Association (EFTA) and other European states. It mainly publishes joint press statements, speeches, and a historical overview of the Japan-EU relationship. The

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<sup>4</sup> DG I was the department of the Santer-Commission which dealt with external relations.

Japanese Mission to the EU also has its own site on the Internet (<http://www.jmission-eu.be>). This site presents a similar list of official documents, and adds its own list of events and co-operation programmes concerning different areas of the relationship. The list of co-operation programmes is particularly noteworthy, since it provides an insight into what kind of industrial co-operation takes place between Japan and the EU.

All the above-mentioned sites publish official documents, in many cases the same documents and officials statements, which suggests that an agreement might exist between Japan and the EU with regards to which documents should be made available to the public. Whether this is so or not, these sites nevertheless provide a good, general overview of recent and current relations between Japan and the European Union.

A large proportion of the secondary sources in Japan and Europe investigate Japanese-European relations from a historical perspective. This situation is slowly beginning to change. A number of broad and general sources, such as Maull (1993), concentrate on analysing virtually every aspect of the Japanese-European relationship. Broad studies like this provide useful background information and highlight the significance of particular aspects of this relationship.

Generally, the literature on Japanese-European relations can be placed into three different categories. The first of these emphasises trade relations between Japan and the European Union (Ishikawa, 1990; Bridges, 1992; Woolcock and Yamane, 1993; Wilks, 1994; Bourke, 1996). This type of study generally presents a brief historical overview of relations between Japan and Europe since the Treaty of Rome, but then moves on to focus on the economic relationship, paying little attention to the political relationship, and is not interested in exploring the formation

of networks between Japan and Europe. This type of study tends to be rather general, attempting to cover economic and trade relations in virtually all the relevant industrial sectors. Amongst these, Darby's work (1996) stands out as a different, less general, and highly informative type of study. Darby focused on the Japanese contribution to different countries in different sectors of the European economy. Darby (1996) compiled a series of detailed studies investigating the effect of Japanese foreign direct investment (FDI) in different European countries. Similar to Darby, Mason (1997) also provided a fascinating contribution to the study of Japanese FDI in different sectors of the European economy.

The second category of studies investigates triangular relationships, particularly, that between Japan, the US, and the EU (Leuenberger and Weinstein, 1992; Murata, 1994). Unfortunately, this type of study does not contribute to an understanding of the role of business interest groups in the EU. Instead, they mainly investigate the Japan-EU relationship with regards to how it affects the better known, more powerful relationship between Japan and the US. Studies in this category generally focus on security or trade relations, and, accordingly, do not shed light on any particular industrial sector. In a similar type of study, Taylor (1990) examines another trilateral relationship, that between Japan, China, and Europe. However, the Japanese-European relationship is mainly analysed from the perspective of how it affects the Japan-China and China-Europe relationship, and, therefore, again tends to present rather general information.

A third category of studies deals with the political relationship between Japan and Europe (Daniels and Drifte, 1986; Bull, 1993). However, this type of study tends to be not very extensive and does not contain much information on negotiations or negotiation strategies. Such studies frequently concentrated on

bilateral relationships and lacked information on <sup>the</sup> interaction of Japanese business groups or industries with the decision-making institutions of the EU. Gilson (2000) addressed the lack of comprehensive studies examining the nature of political relations between Japan and the European Union. Gilson provided the long-awaited extensive and detailed overview of this particular political relationship. However, the subject of relations of one particular business group or industry with governing institutions of the EU has generally been neglected and has not been adequately addressed in any study so far. Whilst various studies (Darby, 1996; Mason, 1997) investigated the economic interaction of various Japanese industries and companies in the EU, the political side of this relationship was neglected. The challenge to correct this deficiency has inspired the empirical investigation conducted in this study, and has made it even more fascinating.

### **The Polity of the EU and the Decision-Making Process**

Literature on the European Union is vast, and a large number of general publications seek to explain the whole 'phenomenon' of the European Union. These studies trace the chronological history and development of the EU, in order to then focus on specific issues, like the single market or competition policy, to name but two. Usually, these studies are helpful in gaining a thorough background knowledge of the work of the EU, because they tend to provide detailed sections on different EU institutions and emphasise which institutions influence the policy process in what way. Some of these studies (Wallace, 1997a and b) trace the present role of the most significant institutions of the European Union from a historical point of view, paying particular attention to various treaties. Other studies concentrate on more factual accounts of the current system. These studies (George, 1996; Schumann,

1993) provide a more general overview of the decision-making process and the way in which different institutions influence it. A further type of study (Nugent, 1995; Dinan, 1994) presents a much more elaborate and detailed analysis of individual institutions. They analyse the responsibilities, structure, and functions of each institution in great detail. Nevertheless, for a study seeking to investigate the lobbying of European Union institutions, this type of analysis is too detailed and fails to stress the important factors for lobbying, such as points of access to these institutions.

Another category prefers to concentrate on just one of the institutions and examines its function, role, and work in great detail (Donnelly, 1993). Among these types of singular studies, Hull (1993) is particularly noteworthy. Hull, a former Commission official, describes in detail the development of a proposal in the Commission and offers generous advice on how and when business groups can best approach the Commission. Various types of 'guidebooks' on interest representation in the EU (Gorges, 1996; Lattimer, 1994; Collins, 1993) examine options for interest groups to approach all the various institutions. Although, these 'guidebooks' are relatively general, they were of some use in this case study when lobbying strategies of the Japanese automobile industry were investigated.

Amongst the primary sources, EU publications offer a general overview of the official functions of the different EU institutions. Various studies offer an overview of the history and current role of interest groups in the EU. However, these tend to be general and rarely concentrate on one specific interest group. To my knowledge, the role of a non-European interest group has not been the subject of any investigation.

## **The Japanese Automobile Industry**

Primary sources, amongst them company publications, publications by the Japanese Automobile Manufacturers Association (JAMA) and web sites of individual manufacturers offer current first-hand information on the Japanese automobile industry. Similar to company brochures and histories which are available in print, these offer detailed recent information and data, but occasionally tend to present a particularly glorified account of the company's history and present activities.

A number of broad histories of the Japanese automobile industry (Ôzaki, 1955; Kokuritsu Kokkai Toshokan Chôsa Rippô Kyôsakyoku, 1979; Itô, 1987; Shimokawa, 1994) present a historical overview of the development of the whole industry. Several other studies focus mainly on the development of the Japanese automobile industry in the 1970s, 1980s, and 1990s (Hashimoto, 1986; Uchihashi, 1993; Matsuura, 1993; Hiromatsu, 1994). However, even though the majority of these studies describe the expansion to the American continent in great detail, the expansion of the Japanese automobile industry in Europe is usually neglected. Current studies by the *Financial Times* and the *Economist Intelligence Unit (EIU)* provide the best accounts of the current state of the global automobile industry and shed light on specific issues, which are relevant to the industry. These generally provide excellent information, which is based on detailed research of primary sources, but unfortunately they date quickly. Other studies focus on the government-industry relationship in Japan (Boyd, 1985; Summerville, 1988; Genther, 1990;

Yang, 1993). These frequently provide excellent accounts of how various Japanese governmental actors have attempted to shape the fate of the industry at different times. Often, such studies also address how the Japanese government has

affected the situation and actions of the Japanese automobile industry in the United States, but do not offer such information on the Japanese car industry in the EU.

A large amount of literature exists on any of the topics ‘bordering’ on the theme of this dissertation. However, there are equally large gaps in the literature. Literature on policy network analysis has not attempted to test the concept against the case of a non-western business group in a non-standard Western system of governance. Although the structure of the EU as a polity, the role of interest groups, and the techniques of interest representation have been subject to detailed examination, the role of a non-European actor in this system and its use of these techniques have been ignored. Similarly, a vast body of literature, in Japanese and Western languages, exists on the development of the Japanese automobile industry. However, thus far, only marginal research has addressed the expansion of the Japanese automobile industry in Europe. This lack calls out for new and different types of studies, which take these factors into account. This study seeks to fill this gap.

## **Synopsis**

Chapter 1 introduces, analyses, and evaluates the policy network concept. It introduces the theoretical framework within which interest representation of the Japanese automobile industry in the EU is examined.

Chapter 2 discusses strategies and options for interest representation in the EU. It examines the role of the dominant decision-making institutions, and provides an overview of procedures of decision-making. Within this context, particular emphasis is placed upon the position and economic role of the automobile industry.

Chapter 3 examines the history of the Japanese automobile industry. It focuses especially on the relationship between the Japanese automobile industry, including individual manufacturers and JAMA, and governmental agencies. Its development is investigated up to the time of its expansion into Europe.

Chapter 4 investigates the operations of Japanese automobile manufacturers in the European Union. It addresses questions such as which manufacturers are present in the EU, what forms their operations take, and how they represent their interests. A sub-section assesses the role played by JAMA.

Chapter 5 presents a detailed investigation of five different cases of Japanese automobile industry lobbying in the EU. Different ‘lobbying agents’ of the Japanese automobile industry represent its interests and put its web of relations, as outlined in chapter 4, to the test. This chapter allows comparative evaluation of strategies of interest representation favoured by the Japanese and European automobile industries. Chapter 5 further sheds light on a slowly changing relationship between the Japanese and European car industries in the 1990s. The empirically based chapters 4 and 5 analyse the gradual process of the Japanese car industry’s integration into the European industrial landscape. By doing so, they provide the basis for the conclusion, which maps out the automobile policy network in the EU.

Against the background of the three introductory chapters, the conclusion applies the empirical findings of chapters four and five, in order to investigate the networks in the EU within which the Japanese automobile industry operates. The main aim of the conclusion is to test these empirical findings against the policy network concept, as outlined in the first chapter. The conclusion evaluates the role of the Japanese automobile industry in the EU policy network. It furnishes proof of the universal applicability of the concept and shows that Japan functions like other

countries in this respect. It further emphasises a new and changed global environment, in which governments and industries have to interact differently from long-practised interaction in the nation-state.

## **Chapter I: The Policy Network Concept**

Chapter one describes and analyses the concept of policy networks. It demonstrates why Marsh's and Rhodes's policy network typology (1992) provides the ideal explanatory tool to gain a thorough understanding of Japanese automobile industry lobbying in the European Union. Although the policy network concept was initially devised to explain the policy process in the nation-state (Rhodes, 1981), it has recently been applied to the European Union's more intricate system of policy making (Peterson, 1995a; Porter: 1995; Bomberg, 1998). However, thus far, it has not been attempted to apply the policy network concept to the position of a non-European actor in this process. The present work thus seeks to apply the concept to an extra-European actor for the first time, in order to test the universal applicability of the concept, as well as suggesting slight modifications to the concept. This chapter aims to provide a background for the empirical investigation of the role of the Japanese automobile industry in EU policy networks, which will be conducted in the main text of the thesis. In order to achieve this, the chapter is divided into four sections, providing a brief introduction to the concept, an analysis of the Marsh and Rhodes (1992) typology, and a detailed section analysing recent criticisms of the concept and its application to policy making in the EU.

## **I.1. Introduction of the Policy Network Concept**

The aim of the policy network concept is to explain government-interest group intermediation.<sup>1</sup> The concept of policy networks was originally intended to explain the interaction between governments and interest groups within the nation-state. However, recently, it has been expanded to apply to the EU's 'new model of governance'. An early definition of the term 'network' described the concept as follows:

... the term 'network' merely denotes, in a suggestive manner, the fact that policy making includes a large number of public and private actors from different levels and functional areas of government and society (Hanf and Scharpf, 1978: 12).

Policy networks are instruments for describing relationships between public actors, governments or governmental institutions, and private actors, industries, public interest associations and business groups. However, the policy network concept not only seeks to describe relationships between these actors, but also to explore the power relationship between the various participants of any given network, in order to gain an understanding of why some actors within the network are more powerful and more effective in influencing the decision-making process than others (Rhodes, 1997: 10).

The policy network approach aims to move beyond pluralist and corporatist models of government-interest group interaction. Pluralism, corporatism, and

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<sup>1</sup> The term interest intermediation was first coined by Schmitter (1979) and later taken up by Rhodes (1997). According to Rhodes (1997: 29), interest intermediation refers to ongoing, continuous relationships between interest groups and governments.

various other earlier models of government-interest intermediation,<sup>2</sup> all share with the policy network concept the common aim of gaining a better understanding of the interaction of public and private actors in a given system of governance. However, increasing numbers of political scientists argued that pluralism and corporatism, formerly the dominant models, provided only a broad, unspecific account of these relationships. Actual changes in political reality led to the theories of pluralism and corporatism being considered inadequate to describe the changed policy process, or to adapt to it. Political scientists therefore were confronted with the task of creating a new terminology which sought to reflect non-legislatively based policy making arrangements, which were either decided by a group of individuals or by a particular department (Jordan and Schubert, 1992: 11). 'Networks' became the commonly used term to describe the changed reality.

An important distinction between the concept of policy networks and previous concepts investigating government-interest intermediation is that the policy network concept places less emphasis upon the formal separation of public and private actors. In this way, policy network analysis has changed the schematic view of policy making. The focus on co-operation between public and private actors switched from a view of policy making which was characterised by hierarchical, sectoral, and national divisions in various policy areas, to one characterised by collective interaction aimed at a common collective output. In the policy network model, both sides are effectively forced into co-operation, because administrators depend upon political support, legitimacy, information, coalition partners in their

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<sup>2</sup> Waarden (1992) provides a concise overview of other models of government-interest group interaction.

competition with other sections of the bureaucracy,<sup>3</sup> and partners for assistance in the implementation of policy. Interest groups are equally dependent on governmental actors because they need access to public policy formulation and implementation, and concessions in their interests. Although the public or state actors have the obvious power to pass laws, which enables them to initiate a change in power relations within the network, the policy network concept is strongly opposed to the idea that public actors can dominate private actors. One reason for this is that private actors possess certain resources, such as information, which public actors are dependent upon. Therefore, relations between the two sides take the form of transaction and exchanges, which are motivated by the different needs of the parties involved.

In recent years, political science has increasingly favoured the new concept of policy networks exactly because policy network analysis is opposed to the traditional formal separation of state and society, and to the perception of the state as the major controlling force in the policy process (Mayntz, 1993: 41). As outlined above, the policy network concept views policy making as a process which depends on the co-operation of public and private organisations. According to Héritier (1993: 432), this approach to policy making must be considered a direct consequence of an increasing diversification of society and fragmentation of power within any given state.

Networks developed in reaction to the ever-increasing complexity and functional differentiation of government, the former of which is especially the case

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<sup>3</sup> This point is particularly interesting with reference to policy making in the EU where cases of departmentalism and rivalry between Directorate-Generals (DGs), in particular in the Delors- and Santer-European Commission (Hull, 1993: 87-8; Peterson and Bomberg, 1999: 39) are widespread and may at times be used by interest groups to further their advantage.

in the EU's system of governance. The fragmentation of government at local, national, and supra-national levels was caused and characterised by the development of networks in various policy areas. Any successful modern government is now confronted with the task of controlling and co-ordinating disparate, occasionally even conflicting, networks in different policy areas (Hanf and O'Toole, 1992). In these networks, policy develops through an intricate process of bargaining and negotiation between competing participants of the network, rather than by instant consensus on the action to be taken. This bargaining process is necessary to co-ordinate different views and conflicting interests in the policy process because the actors in any network are interdependent, even though their objectives are not always identical (Pratchett, 1994: 78). The fact that actors in any network depend on one another means that they are engaged in a continuous process of exchanging different resources. Bargaining and negotiation characterise the nature of any network and essentially determine the eventual policy outcome. For this reason, it is particularly interesting to observe how an outside actor, such as the Japanese automobile industry in the European automobile policy network, is able to contribute to the policy process concerning different issues at stake for the motor car industry.

In any given policy network, public and private actors interact, bargain, and negotiate. This interaction takes the form of transactions and exchanges of resources which are motivated by the different needs of the participants in the network. Resources in networks consist of expertise, information, access to the network and legitimacy. If actors are unable to provide resources which other participants of the network are interested in they can be denied access to the network. In cases where certain actors are always dependent on the same type of resources offered by other

actors their exchange relationship can become institutionalised (Waarden, 1992: 31). In a typical policy network situation, bureaucrats from different levels of government, interest groups, and committees of experts closely co-operate in the development of policy agendas, defining policy problems, and present a range of acceptable options. This 'informal' factor is particularly noteworthy in the case of the EU where the importance of informal, personal relationships is frequently stressed when seeking to influence the policy making process (Hull, 1993; Mazey and Richardson, 1993a). Indeed, the policy network approach even assumes that these informal factors often contribute more to policy outputs than do party concepts, political leadership, or parliamentary influence.

The actors of any given network actively influence the character of their network. Any policy network consists of a given number of actors, and these actors share a number of common interests. They discuss issues and exchange resources based upon these common interests. The needs and interests of the actors form the basis of their mutual interdependence and also shape the structure of the network. The character of any network is further determined by the resources of the actors, their performances, the task which they seek to perform within the network, and ultimately by their attitudes, and how they perceive their roles (Döhler, 1990: 35-6; Waarden, 1992: 33)

Policy networks create an awareness in the minds of the actors of the positions, interests, problems, and needs of themselves and other participants of the network. This constant exchange of opinion between the actors reduces the likelihood of conflict within the network. It frequently enhances mutual trust, confidence, and understanding, which again stresses the informal nature of policy networks.

## **I.2. The Marsh and Rhodes Typology of Policy Networks**

Various attempts have been made to categorise policy networks. This thesis employs the Marsh and Rhodes (1992) typology to gain an understanding of the intricate policy process in the automobile policy network of the EU.<sup>4</sup> Besides the Marsh and Rhodes typology, the best known other approaches to classify policy networks are the Rhodes (1981) approach and the Wilks and Wright (1987) approach. The Marsh and Rhodes typology (1992) consists of a refined and improved version of the original Rhodes typology which takes criticism of the latter into account and is, therefore, to be preferred over Rhodes's original (1981) typology. Wilks and Wright (1987) presented a fascinating study of policy networks. However, their approach is rejected because it attempted to redefine the terms previously used to categorise policy networks and attribute new and different meanings to the formerly used terms, which ultimately renders their typology confusing. Marsh and Rhodes (Rhodes and Marsh, 1992: 187; Marsh and Rhodes, 1992: 249-52) follow Rhodes's earlier (1981) distinction between policy networks, policy communities and issue networks. However, they improved on Rhodes's work (1981) by basing their typology of policy networks on empirical findings presented as case studies in their work (Marsh and Rhodes, 1992).

According to Marsh and Rhodes (1992: 249) 'policy network' is to be considered the generic term referring to all types of networks describing any type of government-interest group relationship. The policy network approach is treated as a

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<sup>4</sup> By doing so, I follow recent developments in policy network research 'because the utility of the schema has been established in a series of case studies' (Marsh, 1998: 13).

meso-level concept, placing it at the meso-level of analysis.<sup>5</sup> Marsh and Rhodes (1992: 249-51) place the different types of networks along a continuum depending on the closeness of the relationships in the network. Accordingly, policy communities, which are characterised by a high degree of integration and close relationships among all participants in the network, are placed at one end of the continuum, and issue networks, which are characterised by loose relationships, are placed at the other end of the continuum.

Policy communities are characterised by close relationships among all participants of the network, restricted access to the community, close and regular interaction among the actors and shared and consistent values. The members of any policy community are connected through exchange relationships by means of which all participants contribute to the resources of the community. The close relationships between the actors within a policy community are characterised by a high level of interaction among all participants on all matters concerning policy issues. Members of a policy community share an understanding of the ideology, values and broad policy preferences subscribed to by all its members (Marsh and Rhodes, 1992: 251; Rhodes and Marsh, 1992: 186). Particular emphasis is placed upon the general concept of bargaining which characterises the interaction between members in a policy community. The balance of power within any given policy community is not necessarily even, but all participants of the community are able to benefit from the

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<sup>5</sup> When seeking to explain his policy network concept, Rhodes (1997: 29) clearly states that he uses it as a meso-level concept which connects the micro-level of analysis focusing on the role of interests and government in singular policy decisions, and the macro-level of analysis dealing with distribution of power in society. However, he emphasises that his policy network concept may be used at different levels of analysis in different contexts; at the micro-level it may be used to explore interpersonal relations, at the meso-level to explore relations between interest groups and government, and at the macro-level to investigate the relationship between the State and civil society (Rhodes, 1997: 32). The meso-level of analysis is further considered the ideal level of analysis since 'it concentrates on questions concerning the structure of networks and the patterns of interaction within them' (Marsh, 1998: 15).

exchange of resources and the discussion process in the community (Rhodes and Marsh, 1992: 186). It must be stressed, however, that a policy community is an ideal model, and is not likely to be found in political reality in exactly this form (Marsh and Rhodes, 1992: 250; Marsh, 1998: 14). Actual relationships between governments and interests in policy areas should be carefully compared to the model.<sup>6</sup>

According to Rhodes the characteristics of a policy community can only be fully understood when contrasting it with its opposite at the other end of the continuum, the issue network (Rhodes, 1997: 45). The concept of issue networks was first introduced by Heclo (1978). Issue networks are characterised by a large number of participants, fluctuating membership, constant conflict and a low degree of consensus, as well as a general interaction which is rooted only in consultation, not in negotiation or bargaining. The power relationship in the issue network is unbalanced and characterised by many actors having only few resources, little access to the network and no alternatives. Heclo found it difficult to give examples of functioning issue networks. This problem can be attributed to the fact that issue networks are by their very nature fluctuating. At some times, only one part of the network might be active, and links between actors can weaken or strengthen over the course of time (Heclo, 1978: 104). This difficulty in presenting a precise example of functioning issue networks was overcome by later case studies, such as Bomberg (1998: 167-84), who clearly identified a functioning issue network in environmental policy making in the European Union.

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<sup>6</sup> An example of an existing policy community is investigated by McLeay in her study on 'Policing Policy and Policy Networks in Britain and New Zealand' (1998: 110-31).

Rhodes's and Marsh's characterisation of issue networks places particular emphasis upon consultation between actors in the network, which, however, does not necessarily involve shared decision-making (Rhodes and Marsh, 1992: 186-7). This can be attributed to the fact that consensus exists neither between the interest groups and the bureaucracy, nor amongst the interest groups themselves. Issue networks incorporate a large number of members, covering a broad range of interests. Issue networks are characterised by constant conflict, so that shared understanding is rare. Interaction between the participants is dominated by consultation, rather than by bargaining as in a policy community (Marsh and Rhodes, 1992: 251). The main difference between policy communities and issue networks can be summarised as lying in the fact that issue networks generally are more open and less stable than policy communities.

### **I.3. Policy Networks in the European Union**

Since the 1990s, scholars have increasingly begun to apply the policy network concept to policy making in the European Union. The structure of the policy making process in the EU, which by its very nature is characterised by a large number of actors who are in frequent interaction with each other, renders the policy network approach the ideal tool to investigate this particularly intricate policy process. Application of the policy network concept to government-interest group interaction in the EU has established a particularly promising new area of study for political scientists. Policy networks at the EU-level are a fascinating area of study because, in the EU, it is now possible to investigate interaction not only between one national interest group and its home government, but also between interest groups and the

governments of various member states, and eventually the governing institutions in Brussels.

With the growing importance of the European Union, political scientists were increasingly drawn to study the concept of the Union and, in particular, its different model of 'governance'.<sup>7</sup> According to Peterson (1995b: 389), scholars were initially lacking a proper theoretical framework when investigating the policy process of the EU. He argued that in the 1990s, the policy network concept has begun to fulfil this need, and has become becoming increasingly accepted as the best explanatory tool for understanding the policy process in the EU.<sup>8</sup>

In the past, the focus of empirical research on policy networks mainly concentrated on networks within the nation-state. Héritier (1993: 432) noted that an increasing diversification of society, and the subsequent fragmentation of power tie in with recent developments in liberal-democratic member states of the EU. Examples of such recent developments are sectoralisation, an emergence of dominant corporate actors in the policy process, and a process of interaction which is characterised by bargaining. These developments have become obvious in the European Union as a whole. They are also factors which are particularly important in the concept of policy networks. Therefore, these new developments render the European Union an excellent new area for the application of the policy network concept. The EU, as a supranational entity, provides a fascinating challenge for the application of the policy network concept.

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<sup>7</sup> Rhodes (1997: 15) employs the term 'governance' to refer to a 'change in the meaning of government', to a new process of governing.

<sup>8</sup> Recent examples of scholars employing the policy network concept to explore policy making in the EU are: Bomberg (1994, 1998), Peterson (1995a), Porter (1995); Benington and Harvey (1998) - to name but a few.

Previously, Peterson (1989, 1991) employed the policy network concept to investigate agricultural policy networks and technology policy in the EU. Mazey and Richardson (1992) successfully used the policy network concept to examine lobbying strategies and their effects in the EU. The policy concept is considered particularly helpful to explain EU policy making because it alone takes the intricate nature of the policy making system in the EU into account. The EU boasts a higher involvement of interests than any other known policy process or system. In contrast to the nation-state, power in the EU is extremely 'situation-specific' (Bomberg, 1998: 168), in that authority and standard bargaining patterns are less clearly defined than in the nation-state. By its very nature, the process of policy formation in the EU involves many levels and is highly complex, which renders the policy network concept the ideal tool to stress the unusual character of this policy process. Bomberg (1998: 168) argued that the focus of the policy network concept upon resource dependencies further enhances its potential to 'highlight' dominant and powerful actors in any given network. She (1998: 182) further convincingly reasoned that the policy network approach is particularly useful in explaining how decisions are made in various settings, why they are made, and which actors are dominant.

Actors are important in any network and shape the unique character of any network. The European Union offers a completely new and wider range of actors in the network. The Council of Ministers, the Commission, and the European Parliament introduce new types of governmental actors to the policy network concept which have hitherto been unknown in the nation-state. These actors have new and special needs which occasionally differ from the requirements of actors in a purely national setting. The most common types of actors in the EU are corporate actors, members of trade and professional associations, or the bureaucracy, but they

rarely are from political parties. Héritier (1993: 436) particularly emphasised the unusually large number of intergovernmental actors in the EU, which include not only the Brussels bureaucracy but the governmental agents of individual member states.

Amongst the bureaucratic actors, Héritier (1993: 440) especially stressed the central role of one actor, the European Commission. Peters (1992: 89) further emphasised the significance of the Commission. He pointed out that ‘the initiative ... is in the hands of the Commission which gives it tremendous influence over the final shape of policy within the Community’. The central position of the European Commission in the policy process almost automatically renders it the central addressee of lobbying activities, particularly when new legislative measures are about to be passed. Héritier (1993: 441) even considered the position of the Commission in any network important enough to refer to it as ‘the architect of the whole network’. Thereby, she not only emphasised its central position but also the power it wields within the network.

The number of bureaucratic actors in the EU further increases with the introduction of an outside government, such as Japan, in the automobile policy network of the EU. Various European, Japanese, and, to a lesser extent, Korean automobile manufacturers and their respective umbrella organisations additionally contribute to this particular network, which renders it a fascinating new topic for empirical investigation. The motor car policy network is comprised of supranational actors, national actors from various member states, an outside governmental actor,<sup>9</sup>

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<sup>9</sup> The automobile industry of the United States forms part of the umbrella organisation of the European automobile industry, and is, therefore, in this thesis generally considered part of the European car industry. Its interests are usually well-represented by this umbrella organisation and, for this reason, the US government, in general, does not find it necessary to intervene in matters of the car industry in the EU. The Korean automobile industry is only present as an exporter to the EU. It

representatives from the industry, and various public interest groups. The diversity of this composition made the empirical investigation of this policy network particularly worthwhile.

#### **I.4. Recent Criticisms of Marsh's and Rhodes's 'Traditional' Concept**

Political scientists from a number of countries, particularly the United States (US), the United Kingdom (UK), Germany, the Netherlands, and to a lesser degree the Scandinavian countries, have contributed to the policy network concept. Detailed accounts of these contributions and of the general development of the concept are provided in Marsh and Rhodes (1992: 4-18), Rhodes (1997: 32-45), and Marsh (1998: 4-13).

The Marsh and Rhodes typology has become the standard version of the policy network concept, but during the 1990s it has been subject to criticism and suggestions for improvement, seeking to turn it into a better tool for the explanation of empirical reality. The present study has benefited from recent criticisms of the policy network approach, including suggestions for future empirical research, which were taken into account when conducting the empirical fieldwork for this study.

This thesis is mainly concerned with 'mapping out' a network which is based on the traditional concept formulated by Marsh and Rhodes. This 'map' of the network will concentrate on evaluating what type of network it is, the history of the network, and the power relations between the actors, in order to analyse the position

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generally refrains from representing its interests at the EU-level, and does not maintain a presence in Brussels. It forms one of the less significant actors in the network who generally prefers to not actively influence the policy process. One of the case studies in chapter 5, however, demanded an agreement of the Koreans and, therefore, forced them to become active in the network. For this reason, the Koreans car industry must be considered a minor participant of the network.

of the Japanese automobile industry within this particular network. This study is not primarily a theoretical investigation aimed at solving recent questions concerning the concept and advancing the theory of policy networks further. Rather it is an empirical study which employs the concept of policy networks to achieve a thorough understanding of the interest representation of the Japanese automobile industry in the European Union, and to evaluate the role of the Japanese automobile industry in this policy process. At the same time, this study makes a valuable contribution to policy network analysis simply by applying the concept to the case of Japan, as suggested by Peters. He (1998: 21) argued that, in order to prove the universal applicability of the concept, it should be applied to the cases of non-western countries.<sup>10</sup> Wherever necessary and useful, these recent suggestions and ‘trends’ in policy network analysis were taken up in the process of mapping out the network. Therefore, a brief summary of these contemporary ideas seems worthwhile.

In 1995, Dowding reported dissatisfaction with the ‘traditional’ approach of the policy network concept and demanded that policy networks should contribute to the understanding of the policy process in a more direct manner. Initially, his approach was discounted by the majority of British scholars, but recently Marsh (1998) and John and Cole (1998) deemed it worthy of further investigation. Dowding stressed that policy networks had thus far been treated as a mere metaphor portraying the interaction and resource exchange between actors. He criticised the majority of the literature on policy networks as failing to provide a link between the bargaining process within the network and the eventual policy outcome. According

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<sup>10</sup> Peters (1998) tested the policy network concept when investigating American policy making and concluded that ‘American politics remains more unstructured than that found in most European countries’ (Peters, 1998: 32), and that the policy network approach does not function very well in the United States. He attributed this to the difference in the American political system.

to Dowding, it was a major weakness of Marsh's and Rhodes's (1992) case studies that they did not present enough details of the bargaining process to allow a quantitative or numerical analysis of the exchange relationships. When employing formal network analysis as suggested by Dowding,<sup>11</sup> scholars quantify or count the number of interactions between the actors involved in the network. Dowding suggested that analysis of this kind could contribute to an understanding and evaluation of the bargaining process and the roles of the actors in it.

John and Cole (1998: 132-46), two of the more recent advocates of the Dowding method, argued that it is an inherent weakness of the policy network approach that it tends to simplify intricate relationships and the process of shared decision-making, a criticism which seems to have some validity. However, when evaluating the role of various actors in any given network, it is impossible to note every single exchange between all of the actors. This reflects the fallibility of informants, particularly where meetings are confidential or informal. Nevertheless, commentators in countries other than the UK, and in disciplines other than political science have frequently adopted sociometric mapping, as advocated by Dowding (1995).<sup>12</sup>

The empirical case study in this thesis is not based on the Dowding approach, but certain features of it were considered useful and were therefore applied. During the course of interviews, each actor was asked to rate the general frequency and type of interaction with other participants in the network. Interviewees were specifically asked to state if their contact with other specific actors took place annually, semi-

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<sup>11</sup> Formal network analysis can be defined as 'a method of measuring and analysing relationships among a group of actors' (John and Cole, 1998: 133).

<sup>12</sup> The Dowding approach has not been particularly successful in Britain and, with the exception of a few researchers, such as John and Cole (1998), it has not been put to much use in empirical case studies.

annually, monthly, weekly, daily, or several times daily. With regards to the 'type' of interaction, interviewees were asked to reveal if this contact mainly consisted of personal meetings, telephone calls, letters or e-mails. They were further asked to rate the 'nature' of this relationship and to describe whether it had a personal, informal element, or a purely formal, 'ceremonial', and 'structural' character. Such research helped in answering the questions of which actors are particularly influential in the automobile industry network and what were their preferred ways of dealing with other actors. Generally, interviewees from the industry rated contact with certain government actors, such as the European Commission, as particularly significant and desirable.

Hay (1998: 35) took Dowding's suggestions for understanding the bargaining process and the role of actors in any given network even further when he emphasised the significance of the 'history' of any network. According to Hay, it is necessary to take into account how the bargaining process developed and how the roles of actors developed in any given network, in order to understand their present interaction. He particularly criticised that in the past, literature on policy networks neglected to pay attention to 'the pre-network stage; network formation as a process; networking as practice; network transformation' (Hay, 1998: 35). This is can be attributed to the initial focus of network analysis on the evaluation of networks in the nation-state. These frequently form part of an established tradition and have developed out of a long and intricate history of interaction between the government and industry. Such an extended history would make it difficult to identify the point of formation of the network. In these circumstances, it would be difficult to trace the development of power relations. This type of investigation would further be

hindered by the fact that few present-day actors would be in a position to remember how relations of their particular interest group with the government began.

Even the most recent research on policy networks at the EU-level has hardly dealt with this question. It was a relatively complicated matter to transfer the concept of policy networks on to the more intricate system of governance of the EU, and accordingly, scholars were mainly concerned with investigating how networks fare at the EU level, and how the concept changes when applied to the level of the EU. However, Hay noted that as the EU is a particularly new and young system of governance, it should therefore be possible to examine the history of any given network at the EU level. The present thesis takes Hay's suggestion into account. Although the automobile industry and governing entities of the European Union have had to interact for some time, the existing policy network 'crumbled' and a new policy network developed from 1991 onwards. For this reason, this thesis was presented with a unique opportunity to examine the development of a new policy network surrounding the automobile industry in the EU between 1991 and 2000. This also made it possible to observe the changing role of the Japanese automobile industry in this network and to draw interesting conclusions from it. If properly applied, this issue offers an excellent opportunity to take the policy network concept forward.

Similar to Dowding (1995) and Hay (1998), a number of other recent scholars have concentrated on the main feature of the network, the bargaining process and the interaction of actors within the network. These take policy network analysis another step further when criticising that the 'traditional' approach and even Dowding's and Hay's contributions still focus on the mere 'observation' of policy networks. They particularly demanded that, in order to enhance the explanatory

value of the concept, new research should assist in predicting the policy process and eventual policy outcomes. One of these scholars, Peters (1998: 23) suggested that, in order for the policy network concept to be an effective explanatory tool for policy outcomes, it should be able to explain how conflicts over policy views are settled in a network. By definition, few conflicting views will arise in policy communities. Issue networks, however, generally involve conflicts which must be resolved. Again, this suggestion was found useful, and although it does not form a central part of 'mapping out' the automobile industry network, it was addressed briefly.

Like other recent scholars, Daugbjerg (1998: 78) also paid particular attention to the bargaining process. Similar to Peters (1998), he also seeks to contribute to the explanatory value of the concept. Daugbjerg (1998: 78) argued, however, that new research on the concept should not only concentrate on how internal conflicts are settled in networks, but to investigate how endogenous and exogenous changes affect policy networks. According to him, the policy network approach has so far failed to produce an explanation for policy outcomes in cases where exogenous changes lead to demands for alterations in the area of policy of the network. Therefore, he suggested that progressive research on the concept of policy networks ought to investigate how exogenous changes, influences from outside the network, affect the character of the network. He further criticised that, so far, it has been impossible to establish a causal link between exogenous changes and decisions in a network and that new empirical research should provide such a link.

Whilst Daugbjerg's suggestion is interesting, in this thesis, it has been found difficult to analyse the precise impact of outside influences, as different issues tend to be intertwined, especially as a result of the large number of the same actors involved in all of them. An analysis of the development of each single change in the

network would have taken this thesis, which is concerned with evaluating the role of one particular actor in the network, too far beyond its remit. Nevertheless, minor general observations on specific changes in the network were made, but are not sufficient to take Daugbjerg's suggestions further.

Finally, Marsh (1998: 17) provided the best summary of recent research and raised new questions for future research. One of the most significant suggestions for future research by him concerns the question of whether the concept is a mere academic construct or whether it actually is a helpful tool to explain and understand the policy process. Marsh (1998: 17) further pointed out that scholars should indeed pay more attention to the bargaining process and particularly concentrate on the effect of interpersonal and structural relations on the interaction between actors in networks. He recommended examining which of these features exerts a stronger impact on the shape and structure of a network and the power relations among the participants. Marsh (1998: 17) further emphasised another feature which contributes to an understanding of the bargaining process. He suggested that observing the role of actors in any given network and investigating if networks tend to be dominated by any particular group or groups could also enhance the explanatory value of the concept.

Any future case study would be well advised to take this new agenda into account, and empirical case studies might not only benefit from these suggestions, but also be able to prove or disprove some of the recent criticisms, thus being able to make new contributions to policy network research. This study of Japanese automobile industry lobbying in the EU addresses one of the major challenges with which the concept is confronted. Thus far, the universal applicability of the concept has not been thoroughly put to the test. Initially, the policy network concept was

only applied to Western nation-states. Scholars in the 1990s have contributed to the concept by applying it to the new system of governance of the European Union. However, this thesis takes the concept even further by testing it against the case of Japan. This thesis intends to show if the concept of policy networks is indeed applicable to non-western cases and to suggest modifications to the original concept where necessary.

## **Chapter II: Lobbying the European Union**

Chapter 2 provides background information on lobbying in the European Union to create an awareness of the framework in which the Japanese automobile industry sets to work. The background presented in this chapter will illuminate the subsequent analysis of the Japanese automobile industry's activity in the EU, which is examined in chapters 4 and 5. This chapter offers general background information on the process of interest representation in the European Union, and particularly stresses the role of the European automobile industry, one of the major actors in the automobile industry network, in this process.

The chapter is divided into three sections. The first defines lobbying and introduces general public relations work, which tends to be neglected in studies of this kind, but nevertheless contributes to a firm's or an industry's ability to affect the decision-making process. It should be noted that Japanese lobbying is a difficult and sensitive issue to investigate because possible sources refrain from commenting upon this aspect of their work and do not wish to make it public or publish information on it. So far, not much work has been done on this topic. Morrison (1995) presented a brief overview of general Japanese PR-activities in Europe, but did not investigate the activities of any industry or sector in detail. Slightly more extensive work has been done on the situation in the US (Choate, 1990) than in Europe. In cases where no general information on the situation in Europe could be obtained, this will be referred to insofar as it is relevant to the discussion of Japanese automobile industry lobbying in the EU.

The second section concentrates on analysing and evaluating lobbying strategies which are unique to the EU. In order to provide proper information on

these, a general overview of the governing institutions which are relevant to the Japanese automobile industry is presented. This section presents the structure of the three most important governing institutions for the automobile industry, the Council of Ministers, the European Commission, and the European Parliament (EP), and the best means of approaching them.

The final section investigates the general position of the automobile industry in the European Union. Ultimately, this chapter seeks to create an understanding of the lobbying process in Brussels. It forms a background for the later evaluation of the lobbying strategies of the Japanese automobile industry in chapter 4. In briefly discussing the role of the European automobile industry in the EU, this chapter also prepares for a comparison of the situation and position of the Japanese car industry in the automobile industry network to that of its European counterpart. Much of the information presented in this chapter will seem very broad and general. It is, however, necessary to be aware of how the decision-making process in Brussels functions and how the polity in Brussels interacts, in order to properly analyse how the Japanese automobile industry has integrated itself into this landscape.

## **II.1. Lobbying ‘en générale’**

### **The Skilful Use of Public Affairs**

Before diving into a detailed analysis of lobbying strategies, a brief general definition of the term ‘lobbying’ is appropriate. The most concise definition of the term ‘lobbying’ was presented by a representative of the Japanese motor vehicle industry. When asked how he defined his job, he simply stated that ‘good lobbying is giving good arguments at the right time’ (Interview with representative of the

Japanese automobile industry, 11/06/1998: A). Lobbying focuses on the representation of interests and attempts to influence the decision-making process in a nation-state, or in the case of the European Union in a 'new model of governance'. Thus, lobbying means to establish a presence close to the heart of the policy process, to develop a network of, preferably long-term, contacts, and to convey interests to people influential in the decision-making process.

In addition to the so-called 'routine lobbying',<sup>1</sup> also known as 'direct' or 'active' lobbying, the more indirect or 'grass roots lobbying'<sup>2</sup> plays an important role when seeking to influence any decision-making process. General grass roots lobbying activities are not unique to the European Union and are common in any nation-state. They have, however, positively affected the position of the Japanese automobile industry in the EU and, therefore, deserve special attention. General public affairs activities concentrate on the creation and maintenance of an interest group's image, or, in the case of companies, on establishing a profile of 'being a good corporate citizen' (Interview with representative of the Japanese automobile industry, 12/06/1998: B). Similarly, the Japanese Chamber of Commerce advocated that Japanese companies outside Japan should 'take credit for good works accomplished' (Choate, 1990: 143).<sup>3</sup>

General, almost invisible, Public Relations (PR) work has many features. Companies and industrial associations seek to increase their popularity in the local

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<sup>1</sup> Routine lobbying in Europe refers to 'channels already present in the EU political system, that is methods normally used to influence EU-policy makers (e.g. consensus-building, private meetings with EU officials)' (Morrison, 1995: 210).

<sup>2</sup> Grass roots lobbying refers to 'the channels outside the political framework (e.g. public relations efforts to promote Japanese companies and trade associations as "good European citizens" within local communities)' (Morrison, 1995: 210).

<sup>3</sup> It ought to be mentioned that it is not only the Japanese industry that follows these types of recommendations. To give just one example, the guidebook of the German Chamber of Commerce and Industry in Japan offers similar advice for companies which are seeking to establish a corporate presence in Japan (Deutsche Industrie- und Handelskammer in Japan, 1998).

community by sponsoring local sports clubs and teams, and community projects. The Japanese automobile industry has actively engaged in such activities in Europe. Toyota's and Honda's generous support of sports teams and local projects in Derbyshire and Wiltshire have contributed to their acceptance in the community (Morrison, 1995: 212). Similar efforts to evoke a favourable public image include the organisation of conferences, speaking platforms, and cultural events, such as the 'Japan Weeks' in Gummersbach, Germany, in 1992. The Japanese automobile industry promotes its activities in conferences in many EU member states. These are generally arranged by the Japan Automobile Manufacturers' Association (JAMA) which frequently organises big annual conferences in different member states of the EU together with the umbrella organisation of the makers of auto parts, the Comité de Liaison de la Construction d'Equipements et de Pièces d'Automobiles (CLEPA).

One of the most popular grass roots strategies involves the dedication of large amounts of funds to libraries, universities, and various other research institutions. Scholarly funding has become a popular way of creating a favourable public image, which the Japanese have pursued world-wide. Choate (1990: xxiii) even recounted that Japan actually bought a number of colleges in America in the 1980s. In the US, the funding of scholars and policy institutes which supply US officials with ideas and policy positions has offered a promising indirect route of influence (Choate, 1990: xxiii).

Indeed, scholarly funding can even have an effect at a lower level of education. Examples of this practice in Europe are numerous. The Japanese embassy in the UK selects teachers to go to Japan on annual trips. On these tours, the visitors are presented with carefully structured, favourable views of Japan, focusing on

Japan's peaceful history, social harmony, and scenic beauty. An organiser of one such trip from the USA emphasised its long-term effects in the following manner:

“(T)he results (were) always the same. The Americans returned feeling affection for the Japanese as human beings, as well as expressing admiration for their many accomplishments.... We were sure it would be even more worthwhile to take American teachers to Japan - because the effects of their positive response to the Japanese people they would meet, and the things they would see, would be transmitted to America's children and go on for many, many years” (Choate, 1990: 183, quoting an American organiser of one such trip).

This particular practice of educational trips to Japan has not yet been subject to any rigorous investigation in Europe. Japan runs workshops for teachers and supplies educational aids to schools, to name but a few of the ways in which Japan has positively affected European scholarship. Whilst Japan has not ‘bought’ any educational institutions in Europe, it has been generously and regularly allocating funds to the Asia Section of the Royal Institute of International Affairs at Chatham House (Interview with representative of the Japanese automobile industry, 21/01/1998: A). In Belgium, similar efforts are made towards the Europe-Japan Economic Research Centre at Louvain which is jointly supported by the European Commission, the Japanese Mission to the EU, and the Japan External Trade Organization (JETRO) (Morrison, 1995: 212).

The Japanese automobile industry has generally contributed to European scholarship. Examples of such generosity include Toyota's annual scholarships, the Nissan Institute for Japanese Studies in Oxford and the Suntory/Toyota centre at the

London School of Economics and Political Science (LSE).<sup>4</sup> Japanese Studies in Europe would be immensely weaker without Japanese sponsorship!

Another favoured way which positively affects the role of an industry in the policy process consists of the recruitment of retired, or occasionally, working, government officials. Former government officials are equipped with often splendid contacts which an industry can put to good use. The Japanese have dubbed this practice *amakudari*, the (bureaucrat's) descent from heaven. However, examples from Europe show that this practice which has frequently been described as 'typically Japanese' is not unknown in the European Union either.<sup>5</sup> In Europe, former Commissioner Etienne Davignon was successfully recruited by Fujitsu's board of directors (Morrison, 1995: 213) and enjoyed the post of managing director of Société Générale de Belgique (Tucker, 05/07/1999). One former President of the European Commission, Gaston Thorn, was hired by CLT, the owner of the now departed Radio Luxembourg, as director general (Tucker, 05/07/1999).

In the past, the Japanese automobile industry has resorted to this practice in Europe on a minor scale. Nissan reportedly recruited Geoffrey Tucker, a former Chairman of the Conservative Party to improve relations with the European Commission, but, according to Morrison (1995: 213), this particular attempt proved unsatisfactory for Nissan. One source from the Japanese automobile industry (Interview with representative of the Japanese automobile industry, 24/01/2000: A)

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<sup>4</sup> It ought to be noted, that the Japanese are not the only nation funding scholarly research and institutions in Europe, and Saudi Arabia springs to mind immediately when thinking of similar such 'benefactors' in Europe (Morrison, 1995: 212).

<sup>5</sup> The most recent, highly audacious, attempt at employing this strategy created a stir on 1 July 1999 when Martin Bangemann, Commissioner of DG III (Industry) and party member of the German FDP (Liberal Democratic Party), announced a future employment by Telefónica, the Spanish Telecom, - which at the time of writing has been (temporarily) revoked by the employer due to negative public reactions (Atkins, 12/07/1999; Buckley, 23/07/1999; Buckley, Smith, and Atkins, 09/07/1999; Burns, 22/07/1999; Oldag, 08/07/1999; Tucker and Burns, 01/07/1999; Tucker and White, 08/07/1999).

indicated that Nissan may even have hired in the past the former Vice-President of the European Commission, Frans Andriessen. It has not been possible to confirm this statement, but if it were true, Andriessen could have advanced the interests of Nissan and the Japanese automobile industry greatly. Andriessen was Vice-President of the Commission when it negotiated a 'voluntary' restriction of Japanese automobiles in the European Community in 1991. In this position, Andriessen established sound contacts with the Japanese side. Therefore, a one-time relationship between the Japanese automobile industry and Andriessen does not seem entirely unlikely. Because of his own background as Vice-President of the Commission, he was equipped with far-reaching contacts to all major actors in the European automobile industry network. It should be noted though that when representatives of the Japanese automobile industry today are questioned on this matter, they shy away from it with remarks, such as 'We don't want any further Bangemanns!' (Interview with representative of the Japanese automobile industry, 24/01/2000: A).

Morrison argued that this practice is not successful in Europe because 'in Brussels, a public official is only as good as when he or she is in office' (Morrison, 1995: 213). He further quoted van Wolferen to support his views. Accordingly, 'Americans can be bought more easily than Europeans' (Morrison, 1995: 213). Morrison (1995: 213) concluded that this method 'does not work' in Europe because European bureaucrats enjoy better pay and public service is more highly regarded in the public mind. However, if Morrison were correct in his assumption, why would so many European companies still resort to this practice? More examples are available from the European side and Telefónica's recent attempt to hire Commissioner Bangemann suggests that even today this practice is well-appreciated

by some major corporations. It may simply be that both sides, the corporation and the former official, prefer not to discuss their satisfactory arrangements and that only unsatisfactory arrangements are ever revealed to the public. The recent attempts at *amakudari* in Europe certainly leave room for further investigation of this topic.

However, it should be emphasised that in general, Japanese car manufacturers in the EU seem to tread as carefully as possible in their non-native European environment. For example, Honda had enjoyed a long-term satisfactory co-operation with Rover. In the mid-1980s, the British government urged Honda to take Rover over. Honda, however, decided against it. According to Cortazzi (1998: 171), a former British ambassador to the UK, this decision was motivated by the fear that a take-over of a traditional British corporation could create xenophobic, anti-Japanese sentiments.

One important general PR-strategy that the Japanese automobile industry has subscribed to in Europe consists of joining as many trade organisations as possible. This practice makes it possible to establish frequent and informal contact with other major actors in the policy network. It also offers the opportunity to gain important insights into the activities of competitors. This way, it is possible to affect the general policy of the association and its lobbying agenda. This further increases the likelihood of positively affecting the decision-making process. In Europe, business sector trade associations have become an important factor in collective interest representation. Among sectoral organisations, a number of business groups are well resourced and have shown themselves to be efficient collective actors in European public affairs. In some policy areas, the outcome cannot be fully evaluated without taking the presence and attitude of the business federation into account. These are frequently fully integrated within European policy making structures (Greenwood,

1997: 21, Morrison, 1995: 214-6). Various individual Japanese automobile manufacturers have successfully joined the Society of Motor Manufacturers and Traders (SMMT) and equivalent national automobile associations in different member states of the EU. This practice has contributed to constructive interaction with some competitors in the European market and has encouraged co-operative relations with the British and other governments. JAMA has been a member of the European-based international automobile federation, the Organisation Industriel du Constructeurs d'Automobiles (OICA), which has furnished equally good contacts in Paris.

When seeking to conjure a positive public image, the importance of personal, preferably long-term, and informal relations with working-level staff in any local community or system of governance should not be undervalued. Indeed, 'convince the staff and you've won nine-tenths of the legislative battle' (Choate, 1990: 74) could actually be considered a main rule of lobbying. The maintenance of a positive public image also includes the generous wining and dining of more high-ranking officials. This may cover simple business lunches or, on a grander scale, can involve banquets given not only by industries and sectoral associations but also by government institutions. The Japanese automobile industry in the EU frequently invites contacts in European governing institutions on various levels to business lunches or dinners. Once a year, JAMA organises a large banquet in the best hotel in Brussels to which all of the major actors in the network are invited. On this particular occasion, or on other occasions, especially upon initial meetings, these contacts are occasionally even presented with a broad range of gifts (Interviews with sources from the European Commission and Japanese automobile industry, 11/06/1998: A, 12/06/1998: A).

The Japanese government tends to be well-represented in the world's major markets and it remains an open question how far this might advance an industry's case. A number of well-known studies stressed close co-operation between the Japanese government and automobile industry. These particularly highlight the role of the Ministry of International Trade and Industry (MITI) (Johnson, 1982; Neuschwander, 1994). In recent years, these studies have been disputed and must, in the case of the Japanese in Europe, await further empirical studies. In Europe, the Japan Centre for International Finance (JCIF), whose directors are frequently supplied by Japan's Ministry of Finance (MOF), set up offices in London and Brussels (Morrison, 1995: 212). MITI has created a presence in Europe by supplying JETRO and the Japan Machinery Exporters' Association (JMEA) in Brussels with one of their representatives in each case. MITI, MOF and the Bank of Japan (BOJ) maintain close links with the Japan Centre for International Finance (Morrison, 1995: 217). Frequently, representatives of Japanese ministries perform a valuable service for Japanese industries by liaising with European decision-making institutions, gathering information, and conveying Japanese views to the European side. Such functions become even more important when a Japanese government agency officially negotiates with European agencies. In such cases, the Japanese government frequently performs the role of a mediator for its major industries. In 1991, MITI officially discussed the situation of Japanese automobiles in the EU with the European Commission (see chapter 5). In this case, MITI was in close contact with the Japanese automobile industry and carefully represented its needs. This successful representation has positively affected the role of the Japanese automobile industry in the policy network in the EU. Therefore, the role of the Japanese government should not be underestimated.

Another general strategy in global public relations concerns the employment of commercial lobbyists, lawyers, consultants, or public relations firms for the purpose of information gathering. An official register of European lobbyists does not exist, which makes it difficult to calculate their number. Mazey and Richardson (1993: 8) estimated that at least 3,000 commercial lobbyists were active in Brussels. Recent interviews with sources from governing institutions and the industry in Brussels indicate that this figure is still rising. Capable and efficient lobbying in Europe requires a particularly thorough understanding of the intricate decision-making process in Brussels which Brussels-based lobbyists and consultants can provide. Thus, writing from the perspective of an official in the European Commission, Hull's view is that:

the situation is not like Washington, and US organizations which have attempted to follow the US process, where the White House Machine provides a clear focus, have not been very successful. The important difference which they fail to realize is that power in the Community is even more dispersed than in the USA. Lobbying and pressure-group activity therefore needs to be built upon a sophisticated understanding of, and connection to, each of the Community institutions and Member States. Only on this basis can an effective lobbying strategy be developed (Hull, 1993: 85).

Consultants, lobbyists, and lawyers can freely attend hearings in the European Parliament (EP) and the Commission without having to divulge the identities of their clients. Morrison (1995: 216) emphasises that they are thus able to gain valuable insights into the positions of their competitors, governing institutions of the EU, and other actors in the network. However, bureaucrats in Brussels frequently frown upon the use of commercial lobbyists because

they tend to be glib purveyors of a tale which they have prepared for a particular meeting. They are normally unable to get involved in any kind of detailed discussion of an issue because they do not understand it fully once the discussion strays outside their brief (Hull, 1993: 86).

To sum this section up, measuring the results of direct lobbying, and even more so of more invisible public affairs' work, or predicting exactly which issues may have tipped the scales for an outcome in a certain way is difficult. In many cases, it is even virtually impossible, because too many actors have been in contact with the decision-making institutions, and it cannot be stated which presentation of interests has eventually affected the final proposal in what way (Interview with source from the European Parliament, 10/06/1998: A). However, public relations can affect the image of any interest. Skilful use of public relations has helped the Japanese automobile industry integrate itself into the European automobile industry policy network and should, therefore, not be underestimated.

## **II.2. Designed for the European Union *par excellence* - New Lobbying Strategies for a New System of Governance**

The unusual nature of the EU's new model of governance has encouraged a different type of interest representation from that in the nation-state. This has led to the development of new strategies of interest representation. Amongst the different new strategies, the 'national route' and the 'Brussels strategy' have been particularly relevant for the Japanese automobile industry when seeking to influence the policy

process. Both strategies can take various forms. In general, the ‘national route’ refers to convincing the government of a member state to express favourable views in Brussels. When using the ‘Brussels strategy’ interest groups establish their own personal base in Brussels and directly lobby the EU-level institutions. Different factors make different approaches appropriate at different times, but successful lobbying depends on an appreciation that the two channels are not mutually exclusive. Indeed, for many interest groups the best option may well be keeping open as many channels of influence as possible. The Japanese automobile industry is well acquainted with the governments in some member states of the EU, in particular those of the UK and Portugal, and very recently that of France. These have occasionally expressed views beneficial to the Japanese automobile industry on the EU-level. However, the Japanese car industry does not solely depend on friendly co-operation of national governments. JAMA and some individual manufacturers have established personal bases in Brussels, and successfully ‘tap’ the Brussels strategy. Since the Japanese automobile industry successfully employs both these routes of influence, a theoretical overview of these is appropriate as background for interest representation of the Japanese motor vehicle industry.

### **II.2.1. The National Route**

Interests using the national route or ‘national association route’ (Greenwood and Ronit, 1994: 31-52) lobby the governments of EU member states in the hope that these will actively seek to affect outcomes on the EU-level. Any interest with a ‘base’ in member states of the EU can enlist the help of these national

governments.<sup>6</sup> The Japanese automobile industry has such a 'base' in various member states. Toyota, Nissan, and Honda mainly produce in the UK, Spain and France, and have established offices for the purpose of marketing and research and development activities in various other member states. In these countries, they have integrated themselves into the industrial landscape and have formed good working relationships with the governing institutions.

The role of national governments at various stages in the policy process of the EU has varied over the course of time. Recent evidence indicates that the significance of national governments is decreasing as increasing responsibilities are taken over by the polity of the EU. Accordingly, interest groups have had to modify their use of the national strategy. National governments maintain relationships to officials of their member state in the European Parliament and the Commission, and could possibly affect the views of these. Greenwood (1997: 31-3), however, emphasised that interest groups, in general, consider it best to establish direct relationships with these bodies, and use the national route as more of a supplement to the Brussels strategy.

Greenwood (1997: 32) pointed out that the fact that the EU is a new system of governance creates a more informal environment. This makes it easier to establish working relationships with bureaucrats in the European Union than with those in national administrations. Greenwood, however, emphasised that the national route

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<sup>6</sup> Amongst the member states, some reputedly enjoy a long history of close co-operation between interest groups and governing institutions. These member states are, therefore, known to be particularly helpful in Brussels if approached via the national route. Britain is mentioned as a prime case because 'it has a particularly well co-ordinated approach to Europe with its central administration. Equally, it has a long tradition of almost symbiotic relationships between governmental departments and interest groups, and this gives British groups (or outside interests enlisting the UK's support) certain advantages over some of its EC partners' (Mazey and Richardson, 1993b: 248).

still remains a tested and proven channel of interest representation. Well-established policy networks operate at the national level. Instead of just participating in these to affect issues in domestic affairs, interest groups can easily put them to use for interest representation at the Brussels level, as the Japanese automobile industry has successfully done. This thesis is confined to the role of the Japanese automobile industry in the EU-level policy network in Brussels. Therefore, the Brussels strategy is presented in much greater detail than the national route. Accordingly, the evaluation of Japanese lobbying in chapter 4 deals only with the national governments where they have affected the policy process in Brussels.

#### **II.2.1.1. The Council of Ministers**

In terms of lobbying, the Council of Ministers, represents one of the ‘trickiest’ of the governing institutions of the EU because, as Wallace (1997b: 59) pointed out, it is ‘both a European institution and the prisoner of member states’. On the one hand, the Council is one of the principal decision-making institutions of the EU; on the other hand, it provides the main forum of discussion and bargaining for national governments.

The Council consists of several sub-Councils. Each policy area is the responsibility area of one of the sub-Councils, and in some cases the European Parliament participates in decisions of the Council (Collins, 1993: 55). The membership of the Council consists of ministers of national governments and one European Commissioner. These meet regularly to reconcile national interests and to enact EU legislation. The issue on the agenda determines which ministers are

present. For example, with regards to farming, the Ministers of Agriculture will meet (Dinan, 1994: 229).

The Council is mainly concerned with taking policy and legislative decisions. Although the Council and the European Parliament both enjoy comparable power, the actual responsibilities of the Council are subtly different. The Council has to approve all proposals for politically important, and particularly for sensitive, legislation (Nugent, 1995: 123-5). It is required to take action on the basis of proposals received from the Commission, a function which is performed after advice from the EP and the Economic and Social Committee (ESC) has been obtained. In particularly crucial cases, however, the Council can take decisions on its own.

The Council represents the legislative institution of the EU in the sense that it transforms proposals into legal acts. Its legislative capacity is, however, strictly regulated by the requirements of the European Community, European Coal and Steel Community, and Euratom treaties. Accordingly, the Council is only allowed to act on the basis of Commission proposals. The Council does not have the constitutional power to initiate or draft proposals itself (Nugent, 1995: 151). Interests can block legislation in the Council. However, such aggressive action would surely have a negative effect on relations with other actors in the policy network. The Japanese automobile industry has never resorted to such measures and, accordingly, they shall not be discussed any further.

The Council forms one of the major governing institutions of the EU, but it is frequently approached via the national route. Interest groups, in general, emphasised that it is difficult to establish good and familiar working relationships directly with the Council. Indeed, it is reportedly more successful to seek to affect the opinions of

the Council of Ministers via the national route. This way, national governments can positively influence the opinions and action of their officials in the Council. This case certainly applies to the Japanese automobile industry. JAMA and individual manufacturers freely admitted that they have hardly established any close contacts with the Council, but have efficiently approached it with the help of national governments (Interview with representative of the Japanese automobile industry, 11/06/1998: A). Evidence of different points of views in the member states when the situation of Japanese automobiles in the EU was discussed in the late 1980s and early 1990s suggests that skilful use of the national strategy convinced some national governments to utter views favourable to the Japanese automobile industry (see chapter 5). With regards to the case of the Japanese automobile industry, the opinion of the Council has been most frequently affected via the national route, and accordingly it is examined as a sub-section of the national route in this thesis. The Japanese automobile industry has only entertained tentative direct contact with the Council of Ministers and prefers to approach it via the national route.

### **II.2.2. The Brussels Strategy**

Greenwood (1995: 11) suggested that a good way to conceptualise the policy process in Brussels is to imagine it as an exclusive 'policy village' in which access to the village is determined by ownership of resources. Only a limited number of people are allowed to enter the village. The major interest groups and bureaucrats of the EU are to be considered the inhabitants of the village. It is so difficult to achieve access to the village that this has led to the development of an intrinsic network of

interpersonal and interinstitutional relationships. According to Peterson (1995c: 75), these relationships are characterised by intensive, and mostly informal, bargaining.

Members from the governing institutions of the EU are particularly important in this village. They set up fora for the meeting and interaction of interest groups (Cram, 1998: 71).<sup>7</sup> Article 4 of the Maastricht treaty identifies the Council of Ministers, the European Commission, the European Parliament, the Court of Justice, and the Court of Auditors as the essential decision-making institutions of the EU (Dinan, 1994: 295). Only the Council of Ministers, the European Commission, and the European Parliament are important with regards to the interest representation of the Japanese automobile industry in the EU. Amongst these, the European Commission has had the strongest impact on the role of the Japanese automobile industry in the EU, and is, therefore, discussed in most detail.

#### **II.2.2.1. The European Commission**

According to Lattimer (1994: 307), the Commission is the first port of call on any issue. It is involved in any decision in the EU, in any area, and on all levels. The Commission commands a large range of resources and policy instruments. Therefore, it is of the greatest importance to any interest group to establish and maintain a good relationship with the Commission.

The Commission is divided into a College of Commissioners and a permanent civil service of about 16,000 staff (Peterson and Bomberg, 1999: 39). The

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<sup>7</sup> Description and analysis of the policy making institutions of the EU in this thesis is confined to its structure up to the reorganisation of the Commission in 1999, because the cases investigated in the thesis occurred prior to the resignation of the Santer-Commission.

governments of the member states each appoint one commissioner, and the larger member states, Britain, France, Germany, Italy, Spain, select two Commissioners respectively. The Commission employs 20 commissioners,<sup>8</sup> each of whom serve a five-year renewable term during which they are required by oath to abandon all national allegiances (George, 1996: 22-2).<sup>9</sup> Commentators on the Brussels polity, however, occasionally make references to ‘the Dutch commissioner’ or ‘the Portuguese commissioner’ (Dinan, 1994: 207) which suggests that nationality still matters. The governments of the member states agree upon one commissioner to serve as President for the renewable term of five years (George, 1996: 21). The Presidency is the most prestigious and the most influential post in the whole Commission. Any decision must be agreed collectively between the 20 commissioners, and the President should be considered ‘primus inter pares’ (Nugent, 1995: 88).

Each commissioner is entrusted with a different portfolio, and employs a personal cabinet for assistance with their duties (Nugent, 1995: 89). The Commission is divided into different policy areas similar to ministries at the national level (Nugent, 1995: 91-4). The Commission’s basic organisational units form the Directorate-Generals (DGs). DGs are headed by senior officials, the Director-Generals, who are directly answerable to the commissioner. The Director-Generals and their bureaux have the power to initiate policy measures, to agree or disagree with parliamentary amendments, and to revise policy objectives (Collins, 1993: 50). This makes it advisable for an interest group such as the Japanese

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<sup>8</sup> Again, it must be stressed that these data refer to Commissions prior to the Prodi-Commission.

<sup>9</sup> Larger Member States with two commissioners tend to be especially active in the policy process and can play a particularly important role for outside interests seeking to influence the Commission both ways, via the national route and the Brussels strategy.

automobile industry to establish a sound network of constant contacts with different DGs.

The Commission's most important function in the decision-making process consists of the submission of proposals to the Council of Ministers and its Committee of Permanent Representatives (COREPER). It also enjoys certain powers with regards to the annual budget of the EU (George, 1996: 21-2). Another role of the Commission concerns the mediation and conciliation of conflicting interests. The Commission externally represents the European Union to other markets and nations, and it plays an active role in the World Trade Organisation (WTO) and similar international organisations (Nugent, 1995: 118-20). This function has been particularly important with regards to the Japanese automobile industry. In 1991, the Commission represented the European Union when the issue of Japanese automobiles in the EU after the introduction of the single market was discussed with Japan. However, this is not the only case where the Commission has played an important role for the Japanese automobile industry. The Commission is a significant contact for the Japanese automobile industry with regards to general daily interaction in Brussels. In the late 1990s, the Commission further affected the fate of the Japanese automobile industry when it complained to the WTO about the unfair treatment of foreign automobiles in Brazil, Indonesia, and Canada.<sup>10</sup>

In order to illustrate the different points of access to the Commission, it is useful to explain how a proposal is developed within the Commission. Once the Commission has decided to propose legislation, the relevant DGs arrange meetings with interest groups, the Commissioners and their cabinets, and the representatives

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<sup>10</sup> These issues actively contributed to a changed position of the Japanese automobile industry in the European policy network. For this reason, they are analysed in detail in chapter 5.

of national governments. After a proposal has been put into writing it is very difficult to change. Therefore, the Japanese automobile industry concentrates the majority of its lobbying effort at this relatively early and informal stage of the policy process. At this stage, the Commission staff actively seek out interest groups and ask for their opinions (Mazey and Richardson, 1996: 201). The Commission is particularly dependent on factual information, figures and data. The Japanese automobile industry is known for its willingness to provide these and has, therefore, come to be appreciated as a co-operative partner in the network. At this stage, meetings tend to be informal and are frequently conducted over lunch or coffee breaks. Generally, only a few people are invited to these meetings, which allows a more frank and open exchange of opinion than formal negotiation does. Frequently, Commission staff arrange these meetings, but interests are free to approach the Commission at their will. A large number of such meetings will occur during the proposal-framing stage, and single meetings rarely result in promises or written agreements. (Gorges, 1996: 21). By now, the Japanese automobile industry has established such good working relationships with different departments of the Commission that it is common for both sides to approach each other whenever the need arises.

The Commission generally prefers dealing with EU-level federations and associations to contact with individual interest groups or manufacturers in the case of an industry. The former are often able to offer a coherent point of view based on consensus among its members (Interview with representative from the Commission, 09/06/1998: A). Thereby, the Commission is relieved of some information-gathering or opinion-gathering activities and is not obliged to achieve this consensus itself. For this very reason, the Commission enjoys dealing with JAMA. In contrast to the

European automobile industry, where the umbrella organisation and individual manufacturers frequently approach the Commission with different points of view, JAMA always presents a unified opinion. This factor has greatly contributed to JAMA's popularity in the EU.

After the informal process of consultation, a more formal process of policy elaboration begins in which the first version of a proposal is drafted. At this stage, interest groups are, occasionally, formally requested to clarify their position on proposed legislation (Gorges, 1996: 20-3). The Commission is frequently assisted in this laborious process by a network of internal and external committees (Dinan, 1994: 219). Amongst these, the internal committees tend to be *ad hoc* and mainly co-ordinate internal interaction in the Commission. The external committees are more important to interest groups. They consist of experts drawn from governments of member states and interest groups with national affiliations (Buijtenijk and Van Schendelen, 1995). Participation in these committees offers an excellent chance for interests to gain valuable insight into the agenda of the other actors and offers a further opportunity to affect directly the policy process. However, the Japanese automobile industry is usually not asked to participate in these committees. Subsequently, proposals move upward in the hierarchy of the Commission.

Proposals are most frequently affected by skilful lobbying before the proposal is drafted (Hull, 1993: 83). However, 'most of the time lobbying is too late' and in particular, 'a contact at a late stage of the policy-making process is disturbing and completely useless' (Mazey and Richardson, 1996: 208). Therefore, it is particularly important for interest groups to 'smell' that 'something is in the offing' (Hull, 1993: 83), as one former Commission official phrased it. This renders it absolutely essential for interests and lobbyists to develop and maintain particularly long-term

relationships with the working-level of the Commission. Clearly, it is still important to establish relationships with commissioners and the cabinet level, but the old rule of not putting all one's eggs into one basket applies here.

The Japanese automobile industry represents one of the few interest groups that has slowly established such a sound web of relations that it is generally aware of the agenda of the Commission. By the year 2000, it is so well networked on the Brussels circuit that it is customarily informed at an early stage of views and information that will determine future initiatives. However, it has had to traverse a slow and laborious path in order to reach this position. Chapter 4 examines in more detail how this was achieved and the nature of the Japanese web of relations.

### **II.2.2.2. The European Parliament**

The European Parliament has been directly elected on a five year basis since 1979. The seats of the EP are divided between the Member States according to their population (George, 1996: 24). The EP affects legislation in a number of ways. Prior to the formal proposal of legislation it engages in policy discussions with the Commission. At this stage, members of EP committees can present policy initiatives to the Commission, or are themselves presented with such initiatives by the Commission. The EP has several options to adopt formally its own ideas for proposed legislation.<sup>11</sup> The most preferable method for the EP consists <sup>in</sup> adopting its own initiative reports, which the Commission may feel pressured by but is not

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<sup>11</sup> This thesis mentions only the option which was most relevant to the Japanese automobile industry in the case studies in chapter 5. However, detailed discussion of the role of the EP can be found in Nugent (1995).

legally required to act upon.<sup>12</sup> The EP is further concerned with the annual legislative programme, and discusses it, where necessary, with the Commission. The EP has numerous duties, but this sub-section concentrates only on those which directly apply to the Japanese automobile industry.

The EP must be consulted with regards to any significant legislation in the EU. The Council of Ministers, which passes most legislation, must seek out the EP's views for any law to become valid (Nugent, 1995: 174-86). However, it should be noted that the EP does not have the right to initiate legislation in its own right even though, according to the Maastricht Treaty, it enjoys the same authority as the Council of Ministers to submit legislative proposals.

The Japanese automobile industry has several formal and informal opportunities to establish contact with the EP. This section introduces the most relevant opportunities. It is advisable for interests to exchange views and information with the EP early on in the policy process and the EP offers several options for such interest representation. It is vital for any interest group to establish a network of sound relationships with Members of the European Parliament (MEPs). The MEPs voice their opinions, and, therefore, possibly, the opinions of an interest group, in not only the legislative procedures but also in parliamentary hearings and the EP's own working groups and committees. MEPs are divided into political groups which each have secretariats in Brussels. These secretariats provide the MEPs with information on proposals which makes close contact with the working level in these secretariats advisable and offers the option of influencing the EP at the early, pre-proposal stage (Gorges, 1996: 33-4). MEPs can raise issues in

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<sup>12</sup> The EP further enjoys certain budgetary powers which are, however, not relevant for this dissertation and shall not be dealt with any further.

Parliament, ask questions, and play an informal role in suggesting new policies to the Commission. Because of close interaction with the Commission, MEPs can arrange meetings between the Commission and interest groups, and create informal opportunities for the interest groups to approach the grapevine (Lattimer, 1994: 315-6). Like the Council of Ministers, MEPs can also be influenced via their home governments (Gorges, 1996: 33-4). This factor is particularly noteworthy for the Japanese automobile industry as a whole, which maintains contacts with the EP but feels that it has to 'tread carefully with such a highly political institution' (Interview with source from the Japanese automobile industry, 11/06/1998: A). As has already been indicated, the Japanese automobile industry is also well-connected in various member states and has relationships with different levels of government there. Therefore, the Japanese automobile industry, in general, appreciates the fact that the views of MEPs can be affected via the national route and via the Brussels strategy. It should also be noted that some individual manufacturers prefer a slightly different approach and have, therefore, chosen to establish their own contacts with the EP, which are different from JAMA's (see chapter 4).

The most significant openings in the EP for interest group access are the committee systems, rapporteurs and intergroups (Greenwood, 1997: 43). The proposals of the Commission and the initiatives of the Parliament are dealt with in the EP's standing committees. Each committee is based around a secretariat of about five officials which support the work of the committee and provide information to interest groups. The importance of the committee depends upon the nature of its subject and on the general interests of the EP. Rapporteurs are MEPs who have been appointed by the committees to deliver the EP's reaction to Commission-proposals

and EP-initiatives. Intergroups are more unofficial groupings of MEPs concerned with particular areas of interest.

The intergroups deserve further attention. They lead a semi-anarchic existence and interest groups have various options to approach them. Some meet regularly and employ a full-time secretariat, whereas others are less active. Some only allow MEPs to participate, while others openly invite interest groups to take part. A number of them are highly specific, and others focus on more general issues (Greenwood, 1997: 43). Intergroups strongly affect the decision-making process in the EP. Particularly in Strasbourg where intergroup meetings are usually held

(intergroups) permit members to specialise, make contacts with outside interest groups on a more informal basis than in committee meetings, and last but not least to make close political contacts outside their own political groups. Intergroups thus not only help to form cross-group coalitions on specific issues, but to forge wider political friendships which can be useful in other circumstances, and help to build that wider consensus which is essential in the European Parliament on certain issues (Jacobs, Corbett, and Shackleton, 1995: 170).

In cases where interest groups do not have any other access to institutional structures, intergroups can offer a good lobbying option in the EP. An increase in the number of intergroups indicates that public and private interest groups consider the EP to be an important institution in the polity of the EU. However, it has been difficult for the Japanese automobile industry to gain access to intergroups. Other actors have frequently opposed the presence of the Japanese in them, which makes it appreciably more difficult for the Japanese automobile industry to be appropriately represented in the EP.

### **II.3. Tackling the System: European Automobile Industry Lobbying in the European Union**

The 20<sup>th</sup> century has frequently been hailed ‘the century of the automobile’ (*AutoBild Spezial*, 1999; Uesugi, 1999:9; Takeuchi, 1993: 32). The automobile industry inspires stronger sentiments and more passionate emotions in both nations and individuals than any other industry of the 20<sup>th</sup> century (*Spiegel Special*, 1997). Indeed, no other industry has such a range of dedicated magazines and newspapers. What is true of nations in general applies even more to the traditional car manufacturing nations of France, Germany, Italy, and Japan. The European automobile industry represents one of the most important ‘partners’ and ‘competitors’ of the Japanese automobile industry in Europe.<sup>13</sup> The majority of European car manufacturers maintain close contacts to decision-making institutions in Brussels and clarify or stress their corporate interests independently if necessary (Interview with representative of the European Commission, 09/06/1998: A). Officially, the Association des Constructeurs Européens d’Automobiles (ACEA), the umbrella organisation of the European automobile industry, which also includes Ford and General Motors, is responsible for representing the interests of the industry as a whole. ACEA officially negotiates with the European Commission with regards to issues where the Commission insists on a unified opinion from the European car industry as a whole. ACEA and JAMA are both important actors in the automobile

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<sup>13</sup> With regards to the area of trade, the Japanese and European automobile industry will clearly always be competitors. However, in other areas, such as safety or the environment, both industries share interests and values, and might well join forces to present cases to governments.

policy network. An analysis of ACEA's development, its work, and a brief overview of its lobbying provides a context for the Japanese automobile industry in the European Union. In so doing, an understanding is gained of what the Japanese automobile industry has to contend with, thereby facilitating a comparative evaluation of the position of the Japanese automobile industry in the European policy network.<sup>14</sup>

Although the global automobile industry clearly shows a high propensity for differences of interests, managers share certain values and the common interest to jointly defend them. This is not only true for the European automobile industry, but also for the Japanese. Motor shows, conferences, and working groups present regular opportunities for representatives of European, Japanese and any other automobile manufacturers to get together. The network of personal and informal relationships between individual manufacturers is intricate, and 'there is a remarkably developed grapevine' (Lord Young, 1990: 288). However, these relationships may not only be used to further the interests of respective companies but

Participation in this type of network could also reflect the more calculated career ambitions of the personnel involved. ... Companies have had to be wary of personnel in their Brussels operations "going native". Thus, a system of shared values may develop amongst personnel in the policy community which do not necessarily correspond with the interests of the company. For this reason most of these Brussels operations are closely linked to the companies' national public-affairs divisions (McLaughlin and Jordan, 1993: 134).

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<sup>14</sup> Detailed figures on automobile production in the EU, employment in the automobile industry, and export and import statistics can be obtained on ACEA's home page: <http://www.acea.be>.

These events created opportunities for the Japanese automobile industry to familiarise themselves with the industrial landscape of the EU and to establish contacts with the European automobile industry. They also raised awareness of the Japanese among the personnel of the European automobile industry. Indeed, the relationships which develop at such gatherings may even have contributed to the ability of one Japanese manufacturer to persuade a former employee of ACEA and a former representative of Ford to work for them (see chapter 4).

The interests of the European automobile industry have been represented by ACEA only since 1991, which also marks the birth of the present automobile industry policy network. However, the history and development of ACEA and the factors that led to its creation have greatly affected the initial position of the Japanese automobile industry in the network and, therefore, deserve further attention. It should also be noted that ACEA has always had non-EU members representing American and Swedish interests.<sup>15</sup> The Japanese automobile industry wished to take advantage of these precedents and repeatedly put out feelers regarding the criteria for ACEA membership. In the not so recent past, they were rebuffed with the reply that ‘the decision-making process and product design of our members have to take place in Europe’ (Interview with representative of the Japanese automobile industry, 10/11/1999: B) for membership to become feasible. However, when one particular Japanese manufacturer applied for membership in 1998, they were still turned down, but much less harshly than in the past. This indicates that the situation in the global automobile industry is changing and moving towards an internationalisation of the industry. It is not entirely unlikely that ACEA

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<sup>15</sup> Sweden joined the EU as late as 1995.

and JAMA might accept Japanese and European members respectively in the near future.

Prior to 1991, two organisations, the Committee of European Community Automobile Makers (CCMC) and the Liaison Committee of the Automobile Industry of the European Communities (CLCA), were responsible for the interests of the European automobile industry (McLaughlin and Jordan, 1993).<sup>16</sup> CLCA initially represented the 'general, economic, legal, fiscal, and technical interests common to all manufacturers' (CLCA, 1990). CLCA was founded in the early 1960s as a satellite of the Organisation Industriel du Constructeurs d'Automobiles (OICA). OICA itself had been established as a lobbying organ in 1955, in order to ensure constant contact with the United Nations Economic Commission for Europe (UN-ECE) in Geneva. This factor is particularly noteworthy for the Japanese automobile industry. Before JAMA established a base in Brussels it had a minor base in Paris. There, JAMA has been a member of OICA since the late 1960s and up till the present day (Interview with representative of the Japanese automobile industry, 10/11/1999: B). For this reason, JAMA is highly familiar with OICA, and must have known the members of CLCA. CCMC was founded in 1972, and quickly developed into the highest profile organisation of the European automobile industry.

Initially, CCMC and CLCA co-operated well. They divided their areas of responsibility and, for a while, CCMC tended to concentrate on technical issues, leaving legal and fiscal matters to CLCA. Such co-operation worked well until the political and economic development of the European Community (EC) and the

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<sup>16</sup> The interests of the international automobile industry were represented by the Organisation Industriel du Constructeurs d'Automobiles (OICA) in Paris which closely interacted with other international organisations with a Paris base, such as the Organisation for Economic Co-operation and Development (OECD).

introduction of the Single European Market programme encouraged increased policy making activity. This led to an overlap in the areas of responsibility between the two organisations. By the late 1980s, CLCA and CCMC were able to agree in only a few cases, but mainly expressed conflicting views. The federations began to lose credibility and the industry became increasingly dissatisfied with their interest representation. The government actors in the policy network also frequently complained about the confusing state of affairs. The issue which ultimately led to the dissolution of both federations and to the foundation of a new organisation was that of Japanese automobiles in the European Community after the single market. By the autumn of 1990, the Commission was intent on achieving an agreement with MITI by the following summer. Therefore, it pressed for unified statements from the European automobile industry, which CCMC and CLCA were unable to deliver (McLaughlin and Jordan, 1993 125-6; McLaughlin, 1994: 149-50). At this stage, the European automobile industry became increasingly concerned that its point of view might not be taken into account at all and felt an urgent need for the restructuring and reorganisation of its 'lobbying agents'.

Accordingly, ACEA was founded in 1991. It is particularly noteworthy that the issue of Japanese automobiles in the single market led to the dissolution of the two predecessor organisations of ACEA. This not only led to the development of a new and different automobile policy network, but it has also greatly affected the attitudes of the other actors in the network towards the Japanese automobile industry. However, it is equally noteworthy that ACEA generally does not refer to its predecessor organisations in any official publications. ACEA presently consists of the following members: BMW AG, DAF Trucks NY, Daimler Chrysler AG, Fiat Auto Spa, Ford of Europe Inc, General Motors Europe AG, MAN Nutzfahrzeuge

AG, Dr. Ing. h.c. F. Porsche AG, PSA Peugeot Citroen, Renault SA, Scania AB Volkswagen AG (VW), AB Volvo, and the respective national (European) federations. It might be assumed that the Japanese automobile industry is represented in ACEA inasmuch that some of its members belong to the SMMT and other national federations which participate in ACEA. However, interviews indicate that this is not the case and that the topics discussed and action taken by ACEA are predominantly determined by its manufacturing members (Interviews with representatives of the European and Japanese automobile industry, 12/06/1998: B, 20/11/1998: A, 27/10/1999: A).

ACEA itself defines its main functions in Europe as lobbying and co-operation with its American and Japanese sister organisations, particularly in the fields of certification and harmonisation of standards (Interview with representative of the European automobile industry, 20/11/1998: A). On its official web page, ACEA describes its creation and the need for such an organisation as follows:

ACEA was established as a response to the gradual shift of government responsibility for many of the complex economic, social, technical and legal issues resulting from closer European integration.

The origin of ACEA largely arose from the need to represent the technological, industrial and commercial responsibilities of its member companies.

Through its specialist working groups and an extensive network of individual experts from Member Companies at all levels of the industry, ACEA has access to a wealth of technical expertise and applied experience which is unsurpassed in the EU.

The Association readily provides this expertise as an input during the regular dialogues it maintains with legislators, regulators and other EU authorities. In this way, ACEA contributes significantly to practical and effective law making, which combines realism with sensible control, to the benefit of all concerned.

ACEA also provides clear and objective information on the many complex aspects of the automobile industry. This permits effective negotiation with decision-makers and partner organisations and encourages understanding of the diverse industry issues

(17/01/2000: <http://www.acea.be/acea/Themissionhtml.html>)<sup>17</sup>

ACEA summarises its main tasks as to:

- Monitor, study and analyse issues of common interest, including environmental, economic, technical, transport, legal and fiscal matters;
- Inform its members about all trends and developments in these areas;
- Develop, co-ordinate and implement joint positions;
- Support the European authorities in dealing with matters of joint significance;
- Inform the public about positions on matters of mutual interest;
- Maintain contacts with other European associations and institutions representing aspects relevant to the automobile industry;
- Co-operate with national automobile manufacturers associations

(17/01/2000: <http://www.acea.be/acea/Themissionhtml.html>).

It is difficult to assess the resources which ACEA directly invests in public affairs and interest representation. ACEA's secretariat is based in Brussels. It has eleven sub-divisions, which provide an indication of the issues that ACEA considers particularly important: Communications, Emission and Fuels, Parliamentary Affairs, Safety, Technical Affairs, Trade and Economics, Transport Policy and Recycling, Administration and Translation, Information Technology, Statistics, and ACEA's Tokyo office.<sup>18</sup> It may seem peculiar to consider the Tokyo office as one of the 'sub-

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<sup>17</sup> References to sources from the Internet include the date of the printout since later versions of web pages may have removed certain information.

<sup>18</sup> More detailed information on this can be found on ACEA's home page: 17/01/2000: [http://www.acea.be/acea/about\\_acea.html](http://www.acea.be/acea/about_acea.html)

divisions' of ACEA. However, ACEA itself lists its divisions as such on the Internet. What lies behind this could be the fact that ACEA's branch office in Tokyo symbolises the 'issue' of Japan. ACEA has established regular high-level contacts with policy makers whilst maintaining close co-operation between its own experts and working-level experts. Lobbying is clearly ACEA's main task and 'at any one time 25-30 per cent of the staff were directly involved with interest representation' (McLaughlin, 1995: 174, quoting ACEA's executive secretary).

One of ACEA's most important characteristics concerns the frequency with which it resorts to *ad hoc* working groups to address specific policy issues. However, it is by no means unusual or unique to resort to *ad hoc* working groups in the automobile industry. JAMA has similarly established working and study groups on various issues and also considers them useful. The high number of working groups and the number of their meetings are determined by the current policy agenda which ACEA adopts, which could include issues as diverse as recycling or the development of proposals on future traffic management systems. ACEA also stimulates co-operation in collaborative research among its members, or occasionally even between members and non-members. Examples for co-operation between members and non-members of ACEA are Mitsubishi and Peugeot, and VW and Toyota (Interviews with representatives of the European and Japanese automobile industry, 11/11/1999: A, 16/11/1999: A).

ACEA further engages in general PR-activities, including the organisation of conferences on specific issues, and interacts with the governing institutions of the EU on behalf of its members. ACEA's leading members tend to determine its actions and dominate its interests. Interaction between ACEA's secretariat and representatives of these leading companies tends to be particularly frequent. This is

by no means unusual and representatives of the Japanese automobile industry have unofficially admitted that the bigger members also tend to dominate the agenda in JAMA (Interviews with sources from the European and Japanese automobile industry, 10/11/1999: A and B, 20/11/1999: A). At the time when interviews were being conducted in 1998 and 1999, ACEA considered the following topics to be the most important for the automobile industry in the EU: the global harmonisation of standards, the environment, safety, transport, infrastructure and congestion, and the millennium round of the WTO (Interview with representative of the European automobile industry, 20/11/1998: A). During the same time period, JAMA was also addressing the same issues and gave them the same priority (Interview with representative of the Japanese automobile industry, 11/06/1998: A).

The European Commission forms the main 'partner' of the automobile industry in the EU. The diversity of issues concerning the car industry makes it necessary to remain in constant contact with different DGs in the Commission. McLaughlin (1995: 176) maintains that the industry has established working relationships with twelve of the Directorate-Generals, but information gathered recently suggests that ACEA has established intensive working relationships with every single DG (Interview with representative of the European automobile industry, 20/11/1998: A).<sup>19</sup> Cases of departmentalism between the DGs are mentioned in the literature (McLaughlin, 1995: 176; Peterson and Bomberg, 1999: 39) and this was confirmed in interviews. Any interest group might employ these splits to its advantage. However, if the Japanese automobile industry chose to use

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<sup>19</sup> A similar frequency of contacts is reported from Japan where the automobile industry 'is in constant contact with all of the Japanese ministries, with the sole exception of the Ministry of Agriculture' (MOA) (Interview with representative from the Japanese automobile industry, 10/11/1999: A).

departmental conflicts for its own benefit, it would have to tread much more carefully than the Europeans. The European automobile industry, by its very nature, forms a part of the economic and political environment of the EU. JAMA has had to establish this position carefully and the above-mentioned behaviour could possibly damage its good reputation and give rise to hostile sentiments from the European side. It must be emphasised that neither the European nor the Japanese automobile industry have officially admitted to resorting to this approach.

McLaughlin (1995: 177-8) even reported that ACEA was at one stage so frustrated with departmentalism and the resulting lack of dialogue and co-operation within the Commission that it decided to advance certain issues by bringing all the relevant actors from different DGs together in *ad hoc* discussion groups. Such action illustrates that ACEA forms one of the major actors in the European automobile network. ACEA has shown that it is willing to take matters in its own hands and provide a forum of exchange for other actors. In this way, ACEA clearly stands out as a body which actively and consciously affects the character of the automobile policy network. Obviously, JAMA cannot resort to exactly the same measures as a European actor. However, by organising conferences and banquets to which all the significant actors in the network are invited, JAMA fulfils a not dissimilar function. By such means, JAMA has been able to improve its own position in the network and alter the structure of the network.

Besides the Commission, ACEA maintains close relationships with OICA, with its partner organisations world-wide (particularly its American and Japanese counterparts) and with the European Parliament. Direct contact with the Council of Ministers has proved difficult, and therefore mainly occurs via the Commission. Contact with governments of member states is considered important but is generally

left to the respective manufacturers and their national federations (Interviews with representatives of the European automobile industry, 20/11/1998: A, 27/10/1999: A). ACEA has learned from its predecessor organisations, and is very much aware of the need to collectively present automobiles as a strong industry and itself as a strong player in the network. Naturally, JAMA is well aware of these self-same needs.

It is particularly noteworthy that ACEA, as fitting for a true EU group, has based itself in Brussels and operates from there. Until the spring of 1995, ACEA did not consider it necessary to establish any branch offices, unlike JAMA which maintained office bases in various major markets. On 1 April 1995, ACEA-Tokyo was founded. Thus far, no other branches exist, nor are any planned in the near future. The fact that ACEA considered it necessary to establish a base in Japan is particularly significant. It shows the emphasis that ACEA places on the Japanese market and illustrates the attention that ACEA is willing to pay to the Japanese automobile industry and its home base. From the point of view of this study, it also allows direct comparison between the position of the Japanese car industry in the policy network in the EU (see conclusion) and that of the European automobile industry in the Japanese policy network (see chapter 3).

The creation of ACEA's Tokyo office represents the result of a twofold initiative. On the one hand, what could be termed a 'certain push' from Japan encouraged ACEA. On the other hand, the European automobile industry had been troubled by the relatively closed Japanese market for a long time and wished to be more present in Japan (Interview with representative of the European automobile industry, 27/10/1999: A).

Prior to the establishment of ACEA's Tokyo office, the European Business Community (EBC), which consists of the association of European Chambers of Commerce and Industry, had represented the interests of the European car industry. The EBC is still active today and ACEA-Tokyo closely co-operates with it. The EBC has a number of sectoral committees in Japan, and the presidents of all importers of European cars actively participate in the automobile committee. In the 1990s, the members of this committee became increasingly convinced that they should increase their lobbying of the Japanese government and intensify relations with it. At the same time, the sense of awareness of a confluence of interests with the Japanese also began to arise. ACEA was ultimately convinced that the time had come to employ a full-time lobbyist who would gather detailed information on automobile issues in the Japanese policy process and who would then represent the interests of the European car industry in this process. ACEA's growing desire for a presence in Japan was certainly also spurred on by a wariness on behalf of the European automobile industry of the US-Japanese auto agreement which made this need seem even more pressing. The need to establish a further channel of interest representation in Tokyo was further enhanced by the fact that the European motor car industry felt that the Japan Automobile Importers' Association (JAIA) did not actively reflect European interests. Eventually, after these issues had been gnawing on ACEA's mind for some time, the impetus to establish an office was further supported and encouraged by the Japanese side in 1994. For this reason, the European automobile industry in Japan carefully selected one person for this position who is now responsible for the representation of its interests in Japan and the running of ACEA's Tokyo-office (Interview with representative of the European automobile industry, 27/10/1999: A).

It should be stressed that ACEA's Tokyo office is largely financed by European exporters to Japan. Accordingly, ACEA-Tokyo mainly represents these to the exclusion of the American manufacturers, even though the latter play an active part in ACEA's organisation in Brussels. As fitting for a true lobbying body, ACEA-Tokyo represents the collective opinions of the European car industry in Japan, where it serves as a bridge between the European automobile industry and the EU delegation,<sup>20</sup> and maintains close contact with all relevant institutions in the Japanese government (Interview with representative of the European automobile industry, 27/10/1999: A). The fact that ACEA's representative in Tokyo represents the rare case of a foreigner who has been allowed to participate in an advisory committee to the Japanese prime minister suggests that ACEA has been able to integrate itself well into the Japanese political and industrial landscape.

The fact that ACEA considered it necessary to establish an official base in Tokyo indicates that ACEA is clearly aware of the importance of the Japanese market and the Japanese automobile industry. ACEA is a strong, resourceful and well-organised association and, therefore, a powerful actor in the European automobile policy network. The fact that the European automobile policy network is relatively young and has only existed since 1991 has made it easier for the Japanese automobile industry to gain access to it. JAMA and individual manufacturers now actively pursue numerous public relations activities in the EU. They organise conferences and different events, and they sponsor community projects, local sports teams, and scholarship in different member states of the EU. In these ways, they have been able to promote their image and become accepted in the EU. They also maintain good relationships with a number of governments in member states. In

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<sup>20</sup> The EU delegation represents the formal mission of the European Commission to Japan.

Brussels, they are now aware of the structure and function of the decision-making institutions. The Japanese automobile industry has established good working relationships, both formal and informal, with different levels of the major governing institutions. The Commission has become a particularly good ‘partner’ of the Japanese automobile industry and the Japanese car industry presently maintains a tight web of relations to different departments of the Commission. The Japanese car industry has also sought to strike up relations with other actors in the network. ACEA is the counterpart of JAMA and is particularly active in the network. Gradually, JAMA and ACEA have begun to accept each other and exchange information.

The present position of the Japanese automobile industry in the network forms part of a gradual, and not always smooth, development. The policy network surrounding the automobile industry in the EU is a particularly intricate, complicated and fascinating network that deserves further attention. The ‘history’ of the Japanese automobile industry in the network and its interest representation in the EU are investigated in detail, based on a number of case studies, in chapters 4 and 5. The entire network is mapped out in the conclusion and the present position of the Japanese car industry is analysed in some detail. In order to understand and properly evaluate the action of the Japanese automobile industry in Europe, it is necessary to understand its domestic history and background. For this reason, chapter 3 presents an overview of the general history of the Japanese automobile industry and the present automobile policy network in Japan.

## **Chapter III: The Development of the Japanese Automobile**

### **Industry**

The chapter is divided into five sections. The first two sections outline the early years of the industry before 1945, and analyse its post-war development. This is followed by an evaluation of the history and position of the Japan Automobile Manufacturers Association (JAMA), and of the individual Japanese manufacturers in their domestic market, in order to provide for comparison with their roles in the EU in chapter 4. Finally, the chapter outlines the automobile industry's policy network in Japan. This chapter emphasises the changing nature of the general government-industry relationship, although the relationships of individual producers with the Japanese government are taken into account where these differ markedly from the general pattern. The expansion of the Japanese automobile industry into other major world markets, such as Asia and America, is not focused upon except where it provides a marked contrast to the pattern of expansion into Europe.

#### **III.1. The Early Years of the Industry**

In 1902, Yoshida Shintarô and Uchiyama Komanosuke established the 'Automobile Company' which produced the first Japanese car, a trail car with a two-cylinder, 12-horsepower American engine.<sup>1</sup> The beginning of Japan's fascination with automobiles, and its attempts to produce a motor car, occurred during the same period as in the US and Europe. However, the Japanese motor car industry developed much more slowly than its European and American counterparts,

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<sup>1</sup> More detailed information on the beginning of the automobile industry in Japan can be found on the home page of JAMA, 31/01/2000: [http://www.japanauto.com/about/hjai\\_intro.html](http://www.japanauto.com/about/hjai_intro.html)

because volume production remained unprofitable in Japan for a long period of time (Shimokawa, 1994: 5).

In 1910, the earliest wealthy automobile owners, made up of members of the aristocracy, established a 'dinner salon' in the Imperial Hotel in Tokyo. This informal dinner salon, in the style of 19<sup>th</sup> century soirées, developed into Japan's first automobile association, the 'Japan Automobile Club'. From its founding days, the Japan Automobile Club assisted the Japanese government in developing automobile-related policies (Yakushiji, 1977: 71). Smooth relations between the industry and the government were emphasised in one of the earliest public statements by the club: '[The club] aids the government in promulgating laws and regulations to protect the interests of automobiles in general ... and to promote the improvement of road conditions' (quoted in Yakushiji, 1977: 71). However, although the Japan Automobile Club and the government initially co-operated, and shared an interest in the fate of the automobile in Japan, this interactive relationship started to change after the military began to express an interest in a Japanese automobile industry.

In 1912, the army established the 'Committee to Survey Military Vehicles' to investigate whether Japanese automobiles could be used in the rough conditions of Manchuria. Based on the results of this investigation, the *Gunyô Jidôsha Hojohô* (Military Vehicle Subsidy Law) was passed in 1918 (Yakushiji, 1977: 69-76; Kokuritsu Kokkai Toshokan Chôsa Rippô Kyôskyoku, 1978: 11-14). This law authorised seven companies, mainly consisting of former shipbuilders and arms manufacturers, to engage in automobile production. Four of these companies quickly gave up automobile production, but the remaining three, Tokyo Gas and Electric (of 1919), Ishikawajima Shipbuilding (of 1924), and Kaishinsha (of 1924),

sought to fulfil the military scheme, even playing a role after the Second World War (Kokuritsu Kokkai Toshokan Chōsa Rippō Kyōsakyoku, 1978: 12-14; Genter, 1990: 19-21).

Although the Japanese military had realised the potential of the automobile industry for its own purposes early on, the industry was not developed solely according to its visions, but also by private entrepreneurs who were fascinated by motor cars (Genter, 1990: 16-7). Until the end of the Second World War, the military and the industry were unable to agree upon the purpose of the Japanese automobile industry. Whereas the emerging companies sought with great enthusiasm to produce passenger cars for the Japanese people, the military insisted that they should concentrate on the production of trucks and commercial vehicles. Since both sides were unable to reach an agreement, the Ministry of the Railroad (MOR) decided to bypass the existing manufacturers and instead approached the three *zaibatsu*, Mitsubishi, Mitsui, and Sumitomo, to produce a large six-wheel military truck in 1930. Only Mitsubishi accepted, and did so only on the condition 'of a limited amount of production because of the uncertainty involved in sales of large trucks' (Yakushiji, 1977: 117).

In May 1931, the Ministry of Commerce and Industry (MCI), the predecessor of the Ministry of International Trade and Industry (MITI), expressed its interest in the automobile industry, establishing the *Jidōsha Kōgyō Kakuritsu Iinkai* (Survey Committee for the Establishment of the Automobile Industry). This committee was engaged in the development of standard specifications for centralised production. In September 1931, the committee decided that the automobile industry should produce a motor car according to MCI specifications, the 'MCI Standard Model', and the government ordered its three automobile manufacturers to begin production

immediately. From this time, the Japanese car manufacturers felt that they had carefully to watch over and represent the interests of the industry so that it would not be completely dominated by the interests of the government. In June 1932, the three Japanese car producers founded the *Kyôdô Kokusan Jidôsha K.K.* (National Automobile Union) (Genther, 1990: 27) which was to perform an intermediary role between the government and the automobile industry until the end of the Second World War (Yakushiji, 1977: 107). Nevertheless, the strategic policy-planning of the Japanese government preparing for war determined the fate of the automobile industry throughout the 1930s (Yakushiji, 1977: 107-24; Kokuritsu Kokkai Toshokan Chôsa Rippô Kyôskyoku, 1978: 9-14, 22-4).

After the *Jidôsha Seizô Jigyôhō* (Automobile Manufacturing Industries Act) was promulgated on 29 May 1936 (Genther, 1990: 30-3; Katsuragi, 1999: 52-3), two of the most successful post-war automobile manufacturers, Nissan and Toyota, were established in 1933 and 1937 respectively.<sup>2</sup> Nissan and Toyota are particularly noteworthy, not only because they have remained successful since their founding days, but also because they were created by men who sought to realise a vision. The previous Japanese companies had been a direct result of government intervention, and accordingly had been dominated by the ideas of the Japanese government which perceived a strategic requirement for a domestic automobile industry. Nissan and Toyota, however, were established by entrepreneurs who dreamed of creating an accessible passenger car for the general public. For this reason, Toyota's and Nissan's interaction with the military government differed from that of the existing companies and this greatly affected their subsequent attitude towards the post-war

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<sup>2</sup> More detailed information on this can be found on JAMA's home page, 31/01/2000: [http://www.japanauto.com/about/jai\\_01.html](http://www.japanauto.com/about/jai_01.html)

Japanese government (Kokuritsu Kokkai Toshokan Chôsa Rippô Kyôsakyoku, 1978: 25-8; Katsuragi, 1999: 27-49).

During the 1930s, the government set up various committees to develop guidelines and policies for the automobile industry. Toyoda Kiichiro, the founder of Toyota, was particularly well connected and was generally well informed about developments in these committees (Yakushiji, 1977: 142). He was even able successfully to employ the 'old boys' network' for Toyota. For example, Toyoda frequently approached Kumabe Kazuo, a Tokyo University professor who participated in MCI's Motor Vehicle Promotion Committee, for information (Reingold, 1999: 17-8). Toyoda was also in contact with officials at the Ministry of the Railroad (MOR) and MCI, a strategy which sharply contrasted with Nissan's 'individualistic' spirit. Nissan was generally less well-informed than Toyota, and occasionally it opposed the ideas of the government. For this reason, the government intervened in Nissan's operations with a much greater frequency than in those of Toyota. It was partly as a result of Toyota's close connection to government officials that the company weathered the war so well (Yakushiji, 1977: 142-72).

In 1937, the Ministry of the Army (MOA) announced its 5-Year-Plan for Important Industries, which designated 13 industries, including the automobile industry, as key industries for its war objectives. Despite the strict character of the government, the industry opposed this plan, which gave it specific production limits and requirements, because it took no account whatsoever of the limited production capacity of the Japanese economy (Yakushiji, 1977: 156). In 1938, MCI continued its strict 'guidance' of the industry when it ordered Toyota and Nissan immediately to restrict passenger car production and instead concentrate on the production of

'more useful' trucks.<sup>3</sup> From 1939, the Japanese automobile industry was almost completely banned from producing passenger cars. In 1941, MCI turned the automobile industry into a 'strategic' industry and granted it access to increasingly scarce raw materials. Subsequently, the government established the Association for the Control of the Automobile Industry and from then on complete military control was enforced over the industry. Strict military rule made it virtually impossible for any of the manufacturers to make even simple corporate decisions, since they depended on the government for the allocation of production materials and labour (Yakushiji, 1977: 142-72; Summerville, 1988: 221).

Until the end of the Second World War, the military government continued to rule the industry with an iron fist (Genther, 1990: 36). This interaction continued to influence the relationship between the government and the industry immediately after the war. However, whilst the industry had been apprehensive about the strict guidance by the government, and was occasionally openly opposed to it, the industry was equally aware that it had also benefited from this intervention. During the war, the relationship between the government and car industry had mainly been 'coercive' in character. Nevertheless, the industry had been used to close co-operation with the government since its founding days. The automobile club had initially taken on an advisory role to the government, and even after the military had expressed its interest in the automobile industry in 1912, the industry appreciated protectionist policies from the government which banned foreign automobiles from the Japanese market. Although the industry had frequently been at odds with the

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<sup>3</sup> During the war, Toyota defied the wish of the government and was able to conduct limited research on passenger cars at its Chinese plant which was less strictly regulated than plants in Japan (Katsuragi, 1999: 70-3).

military government during the war it remained aware of the co-operative and nurturing element in this relationship which had helped to keep the industry alive in precarious times. For this reason, the government and the automobile industry were quickly able to pool their interests and revert to a co-operative relationship immediately after the end of the war.

### **III.2. The Japanese Automobile Industry after World War II**

Directly after the war, the Supreme Command for the Allied Powers (SCAP) assumed responsibility for Japanese industry. SCAP initially intended to take any vehicles that had been used for war purposes out of circulation. The Occupation had decided to destroy all military industries, to scale down the economy to 1930s levels, and concentrate instead on agriculture and farming.<sup>4</sup> Members of the automobile industry were naturally greatly concerned about the objectives of the Occupation forces. Therefore, the senior executives of Toyota, Nissan, and Diesel Motors, under the guidance of Toyoda Kiichirô, began to engage in a series of twice-weekly meetings with bureaucrats immediately after the cease-fire on 21 August 1945. In these meetings, representatives from the industry, the MCI and the Ministry of Transport (MOT) analysed the current conditions and discussed how best to appeal to the Occupation authorities for support. At the time, the Japanese automobile industry and the government shared a concern that the industry would be considered a military industry and subsequently destroyed. Possibly, as a result of

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<sup>4</sup> In this respect, the visions of the victorious allied forces did not differ greatly with regards to Japan and Germany. In the case of Germany, the 'Morgenthauplan' also sought to revive Germany as a less threatening agrarian country.

careful representation of its interests to the Occupation authorities, the industry narrowly escaped the status of a military industry.

The leading members of the automobile industry, Asahara Genichi of Nissan Motors, Toyoda Kiichirô of Toyota Motors, and Terasawa Ichibei of the MCI, began to lobby the General Headquarters (GHQ). They represented Japan's need for some means of transport to rebuild the country so well that GHQ legalised the production of trucks on 25 September 1945 (Yakushiji, 1977: 173-279; Tsûshôsangyôshô Kikai Jôhô Sangyô Jidôshaka, 1989: 15; Shimokawa, 1993: 26; Fukushima, 1994: 24). This interaction so soon after the war showed that both the Japanese government and the car industry were convinced that Japan needed a strong domestic automobile industry. It also indicated that both sides were able to revert to a co-operative relationship based on an awareness of shared needs, in spite of their conflicting goals during the war. In line with this renewed co-operation, on 25 November 1945, *Jidôsha Kyôgikai* (the Automobile Conference) was set up with the aim of promoting a strong domestic automobile industry. It represented the needs of the industry and was particularly concerned with maintaining close and fruitful relations with the Japanese government, and lobbying GHQ, and subsequently the Japanese government, for import protection and low cost loans (Genther, 1990: 46; Katsuragi, 1999: 103-4;).

In the late 1940s, the Japanese government was divided over the status of the automobile industry, and different ministries expressed conflicting views over automobile-related policies. Between 1949 and 1951, MITI and the Bank of Japan (BoJ) were divided over the issue of foreign automobile imports which it was feared could have destroyed the emerging passenger car industry. Whilst BoJ actually favoured imports of foreign automobiles, MITI emphasised the need to foster and

protect the domestic industry. MITI continued to argue the industry's case and, eventually, MITI prevailed.

The Korean War represented a turning point in the history of the Japanese automobile industry. It enhanced demand for Japanese automobile production in the 1950s<sup>5</sup> and contributed to the protectionist attitude of the Japanese government. In particular, the Korean War enhanced the demand for sturdy, durable trucks in Asia, something which the Japanese automobile industry had great experience in producing, and this therefore assisted the industry's recovery. The war also contributed to a co-operative relationship between MITI and the industry. At the time, MITI and the industry jointly developed 'nurturing guidelines', according to which domestic producers were protected from foreign investment and imports of foreign vehicles. Domestic manufacturers were, however, allowed to import foreign technology for their own production and were even financially assisted in this by the government (Kokuritsu Kokkai Toshokan Chôsa Rippô Kyôsakyoku, 1978: 65-9; Genther, 1990: 59-62; Katsuragi, 1999: 135-8).

The protectionist policies adopted by the government can be grouped into three different categories: protective tariffs; a commodity tax, which disadvantaged imports; and foreign exchange controls on foreign direct investment in Japan. Imports were further restricted by the strict allocation of foreign exchange. These protectionist policies were accompanied by various promotional efforts. The most important of these included low-interest loans by financial institutions within the government, subsidies for the car industry, and special depreciation allowances.

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<sup>5</sup> This increased demand for Japanese automobiles was caused by the United Nations' (UN) forces' special procurements which were to form an early basis for the future development of the Japanese automobile industry.

Equipment for automobile construction was further excluded from import tariffs, and imports of essential foreign technology were approved. Subsequently, technology imports and imports of knockdown vehicles were approved to overcome quality and cost disadvantages in the early 1950s. The promotion and protection policies of the government gradually helped the industry to recover from its infant status, but this encouraged demands from other countries that Japan undergo trade liberalisation. Accordingly, trade in trucks and buses was liberalised in 1961 and, in 1965, trade in passenger cars was also liberalised.<sup>6</sup> Subsequently, Japan took another step towards expressing faith in the competitiveness of its automobile industry when it introduced capital liberalisation in 1971 (Tsûshôsangyôshô Kikai Jôhô Sangyôkyoku Jidôshaka, 1989: 15; Tsûshôsangyôshô Tsûshôsangyô Seisakushi Hensan Iinkai, 1990: 295-311; Genter, 1990: 123-30).

Two governmental concepts were particularly influential in the reorganisation of the Japanese automobile industry which accompanied the gradual process of trade liberalisation in Japan. These consisted of the 'People's Car Concept' of 1955 and the 'Producer Group Concept' of 1961. Of the two, the 'People's Car Concept' stands out because it was also followed by other nation-states, most recently Indonesia.<sup>7</sup> This concept resembled the idea of the 'MCI Standard Model' according to which MCI had attempted to have a Japanese car produced to government specifications. According to the 'People's Car Concept', one manufacturer would be entrusted to produce a popular, cheap mini car for export, based on guidelines

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<sup>6</sup> Detailed information on these can be found in: Yakushiji, 1977; Kokuritsu Kokkai Toshokan Chôsa Rippô Kyôshakyoku, 1978; Tsuruta, 1982; Mutô, 1984; Cusamano, 1989; Hiromatsu, 1994; and Katsuragi, 1999.

<sup>7</sup> The situation in Indonesia is discussed in more detail in one of the case studies in chapter 5. With regards to the Indonesian 'People's Car Concept', Japan and the EU complained to the WTO against the unfair treatment of their automobiles.

issued by the government. The 'Producer's Group Concept' was aimed at dividing the Japanese manufacturers into groups of two or three companies, each of which would produce different types of cars in different segments of the market. Both plans failed, but were strongly reflected in later policies concerning exports and the establishment of a mass production system. It is particularly noteworthy that the Japanese automobile industry in the mid-1950s and early 1960s felt strong enough to oppose these visions of the government and refuse to act accordingly. Such behaviour reflects a change in the mutually supportive relationship between the government and industry. It indicates that the Japanese automobile industry had begun to feel confident and was increasingly striving for independence. One manufacturer, Honda, was particularly strongly opposed to these government ideas and subsequent arguments between Honda and MITI contributed to a guarded relationship between the two.<sup>8</sup>

The 1970s introduced the topic of environmental problems into the relationship between the government and the car industry. From 1970, the Japanese public and polity were increasingly concerned with environmental and safety issues, particularly under the influence of similar trends in the United States. In 1978, Japan implemented emission standards which encouraged the industry to invest early on in research and development (R&D) programmes to reduce exhaust emissions. This research is particularly relevant with regards to the second case study in chapter 5, which examines the negotiations between the European Commission and the automobile industry concerning a reduction of CO<sub>2</sub> exhaust emissions. In this case, the Japanese automobile industry enjoyed a clear advantage over its European

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<sup>8</sup> The following authors present a detailed investigation of these concepts in more detail: Yakushiji, 1977: 234; Tsuruta, 1982: 169-72; Mutô, 1984: 282-6; Genther, 1990: 100-5; Yang, 1993: 234-40.

competitors, because it had begun its environmental R&D efforts comparatively early, thus enhancing its position in negotiations with the EU. This ensured that JAMA was able to base its arguments with the Commission on advanced technological knowledge, and create the image of a co-operative partner in the industrial landscape of the EU (Mutô, 1984: 280-1; Tsûshôsangyôshô Tsûshôsangyô Seisakushi Hensan Iinkai, 1990: 319-22; Yonemoto, 1994; Japan Automobile Research Institute, 1999; Kankyô Keizai Seisaku Gakkai, 1999).

All these measures and events helped the Japanese automobile industry to become independent and gain international competitiveness. From the 1980s, other countries and industries became increasingly aware of the increased competitiveness of the Japanese car industry, leading to increased trade friction. Various governments urged the Japanese government to convince its car industry to agree to voluntary export restraints and hoped that the Japanese automobile industry would increase regional production in their markets (Tsûshôsangyôshô Tsûshôsangyô Seisakushi Hensan Iinkai, 1989: 411-34; Matsuura, 1993: 35-9; Tsûshôsangyôshô Tsûshôsangyô Seisakushi Hensan Iinkai, 1993: 454-90). Consequently, the role of the government in the 1980s was mainly confined to that of a mediator. In 1981, the Japanese government was forced to represent the needs of its successful domestic automobile industry to the US, which demanded some kind of export restriction.<sup>9</sup>

This role is particularly important in the first case study of chapter 5, when MITI negotiated with the EU to achieve a similar type of export restraint agreement in 1991. Parallels between the case of export restraints to the US and the EU are not only obvious, but also shed light on a changed government-industry relationship

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<sup>9</sup> More information on this role of the government and the negotiations of voluntary export restraints with the US can be found in: Summerville (1988: 313-474) and Genter (1990: 186-91).

between 1981 and 1991. In general, the 1980s saw a new and much more independent industry emerge. Whilst still maintaining close contact and exchange of information with the government, the Japanese automobile industry now felt confident to take its own decisions without depending on the approval or supportive measures of the government.

The 1980s and 1990s reduced the Japanese government to the role of a mediator, which it has performed with varying success. Whilst negotiations with the US achieved an agreement that was not appreciated by the industry, this had changed considerably by the time negotiations with the EU were underway. The first case study in chapter 5 examines in detail how the attitude of the Japanese automobile industry affected the performance of its government in the negotiations. This particular case study emphasises the co-operative character of the relationship between the government and the automobile industry in Japan, and presents the Japanese government as one of the most skilful lobbying agents of the industry.

### **III.3. JAMA**

JAMA was founded in April 1967 as a non-profit trade association. JAMA's present members consist of the 13 Japanese manufacturers of passenger cars, trucks, buses, and motor cycles: Daihatsu Motor Co., Ltd.; Fuji Heavy Industries Ltd.; Hino Motors, Ltd.; Honda Motor Co., Ltd.; Isuzu Motors Ltd.; Kawasaki Heavy Industries, Ltd.; Mazda Motor Corporation; Mitsubishi Motors Corporation; Nissan Diesel Motor Co., Ltd.; Nissan Motor Co., Ltd.; Suzuki Motor Corporation; Toyota Motor Corporation; and the Yamaha Motor Co., Ltd. At present, the Japanese automobile industry employs 10 percent of the total Japanese work force and

produces more than 10 percent of Japan's total manufacturing output. For this reason, the Japanese automobile industry today represents one of Japan's key industries. The significance of the industry lends weight to the voice of JAMA in the industrial landscape of Japan and in JAMA's interaction with the Japanese bureaucracy.<sup>10</sup>

JAMA defines its purpose in the following manner: 'JAMA's goals are to encourage the development and progress of the motor vehicle industry and contribute to the prosperity and well-being of the communal population, worldwide'.<sup>11</sup> The international expansion of JAMA's members forms part of these objectives, and JAMA emphasises that the benefits of Japanese regional production overseas not only contribute to the economic development of the area they are located in, but that the 'overseas subsidiaries provide support for a variety of social, cultural, and educational programs, in their local communities and nation-wide' (Ibid.). The way in which JAMA refers to the international expansion of its members is noteworthy because it sheds light on how the Japanese automobile industry wishes to be viewed world-wide, namely as a benefactor. It also provides a clear indication of general PR strategies employed by the Japanese car industry. JAMA not only mentions that its members contribute to the international environment but even describes in great detail how they aim to become 'good corporate citizens':

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<sup>10</sup> JAMA's home page on the Internet presents detailed information on its objectives and role in Japan and world-wide (10/02/2000: [http://www.japanauto.com/about/jama\\_today\\_toc.html](http://www.japanauto.com/about/jama_today_toc.html)). It also provides a detailed overview of JAMA's history and present situation, and publishes the latest news regarding the Japanese automobile industry.

<sup>11</sup> This quote was derived from JAMA's home page on the Internet: 10/02/2000: [http://www.japanauto.com/about/JAMA\\_today\\_objectives.html](http://www.japanauto.com/about/JAMA_today_objectives.html)

As they expand and integrate in their worldwide activities, Japanese vehicle manufacturers are striving to achieve acceptance as valued members of the societies in which they operate. At the same time, they are committed to the establishment and maintenance of constructive relationships with the other members of the community of nations. They have proposed and engage in various active programs for international cooperation, with the objective of amplifying their efforts towards the promotion of imports to Japan, along with the enhancement of global trade

(10/02/2000: [http://www.japanauto.com/about/JAMA\\_today\\_objectives.html](http://www.japanauto.com/about/JAMA_today_objectives.html))

JAMA aims to help its members realise this international acceptance by representing their interests in the following manner:

- Serving as a representative for the Japanese motor vehicle industry on pertinent national and international issues.
- Cooperating in efforts to achieve the international harmonization of motor vehicle standards dealing with safety and the environment.
- Participating in international conferences involving auto-related concerns.
- Publishing the results of its information-collating activities in annual and quarterly publications, as well as monthly news releases, which provide information on the development of the auto industry in modern society, and its role within the future international community.
- Engaging in studies that focus on the presence and participation of the automotive industry in modern society, and its role within the future international community.
- Undertaking joint studies and information exchanges with concerned associations and agencies worldwide on issues, such as motor vehicles, automotive parts and materials, the environment, and global warming.
- Coordinating industry-wide programs on issues such as traffic safety, fuel economy, and environmental protection.
- Compiling, correlating, and distributing statistical data on the Japanese automotive industry.

- Underwriting automotive-related research, along with conducting various analytical and statistical surveys relevant to consumers, use of motor vehicles worldwide.

(10/02/2000: [http://www.japanauto.com/about/JAMA\\_today\\_activities.html](http://www.japanauto.com/about/JAMA_today_activities.html)).

#### **III.4. The Individual Manufacturers**

Similar to other major automobile-producing nations, Japan takes great pride in its motor car industry and the Japanese take a keen interest in its fate. Again, similar to most car-loving countries, the different manufacturers inspire different sentiments in the Japanese people. In particular, Japan's three most successful producers, Toyota, Nissan, and Honda, tend to evoke rather different emotions. Interviews conducted at random with people in the streets of Tokyo and Nagoya in October and November of 1999<sup>12</sup> revealed that Toyota and Honda were generally viewed in a much more positive light than Nissan. The majority of interviewees even expressed their conviction that:

Nissan has only been successful for so many years because they have accepted so much *amakudari* from just about any likely government agency. No wonder, that their actual economic state has deteriorated so much. After all, all these former bureaucrats are only good for getting preferential treatment from the government but would not know how to run a company. They got what they deserved. The situation may change now with Ghosn (Renault) restructuring the company and maybe, Nissan will turn into a "real" company again (Interview, 24/10/1999: M).

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<sup>12</sup> It must be emphasised that these interviews were conducted absolutely at random with Japanese who had no affiliation with the automobile industry, and were not employed by it. Therefore, these interviews offer by no means conclusive evidence of Japan's attitude towards its automobile producers. Clearly, people in Nagoya, the home of Toyota and the centre of the Toyota world, can be expected to exhibit a particularly positive mindset towards the economic benefactor of their region. Surprisingly enough, however, the great majority of interviewees in Tokyo, as well as in Nagoya, expressed similar sentiments towards the 'big three'.

No written proof of such statements could be obtained, and interviewees from the Japanese government and the automobile industry refrained from commenting. If however, there were a grain of truth in these convictions, freely uttered in the majority of these randomly selected interviews, it could be traced back to a changing corporate attitude throughout the development of the industry. As mentioned in III.1., Nissan had been in occasional conflict with the government during the military rule of Japan, frequently, to its own disadvantage. Such a complicated relationship with the government could possibly have led to an altered approach to relations with the government after the end of the Second World War.<sup>13</sup>

Honda and Toyota inspired much more well-disposed statements. Honda, in particular, was admired for managing to gain a very late entry to an already crowded market against the will of the government. Honda is generally perceived as the 'rebel' amongst Japan's automobile producers, which occasionally stands up to the government. The view of Honda as a company which is willing and able to confront the government could be attributed to a severe argument between MITI and Honda's founder, Honda Sôichirô, in the 1960s (Yang, 1993). This argument became well-known to the people of Japan and is likely to have influenced their view of Honda. The Japanese, in general, seem convinced that even today Honda enjoys a more touchy relationship with the Japanese government than its competitors, that it tries to distance itself from the government where possible, and rejects *amakudari*.

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<sup>13</sup> If Nissan did indeed enjoy such close relations to the Japanese government, even the Nissan-Renault alliance might be connected to government recommendations, since MITI actually urged Japanese manufacturers to seek out 'foreign car alliances' prior to the announcement of the decision of Nissan and Renault. Abe (2000: 15) even suggested that MITI assured Renault that it would take care that Nissan would not go bankrupt. According to Abe, such a promise by MITI was one of the main reasons for Renault to go ahead with the deal.

However, it should be noted that the Japanese government and industry did not make any statements which expressed similar convictions. Honda is further appreciated because of its reputedly more unusual attitude towards recruitment and a relationship with its employees which is said to place less emphasis on graduation from a top-notch university and offer a higher chance of rising within the company due to skill than other corporations do.

Toyota also evoked positive emotions. The Japanese people place confidence in Toyota. Even in a Japan hard-hit by recession, Toyota is still considered one of the few 'safe' and financially stable companies, and is even occasionally referred to as the 'Bank of Toyota' (Storey, 1997: 176). Toyota is generally appreciated as a paternal benefactor that cares for its people, its country, and its environment. Toyota actively seeks to convey this image in its company brochures and has clearly been successful with its approach.<sup>14</sup> Toyota is further reputed to be a 'confident' company that can be relied upon, is not afraid to speak its own mind, and, particularly in recent years, carefully selects its own course of action. Again, similar to the case of Nissan, such general views are hearsay, but are widely reflected in numerous publications. Examples of such publications are '*Toyota. Okudaizumu no Chôsen*' (Toyota. The Challenge of Okudaism<sup>15</sup>) (*Nihon Keizai Shinbun, Inc.*, 1999), '*Toyota Keiei no Genryû Sôgyôsha. Kiichirô no Hito to Jigyô*' (The Origin of Toyota's Management. The Founder Kiichirô and the Business) (Sato, 1999), and '*Waga Tomo Honda Sôichirô*' (Our Friend Honda Sôichirô) (Ibuka, 1995), which describe and, frequently, glorify the personalities of the founders of Toyota and Honda, the

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<sup>14</sup> These frequently emphasise 'care' and Toyota's concern and wish to live in harmony with its surroundings, such as '*Care for the Earth. Toyota's Automobile Eco-Technologies*' (1998a).

<sup>15</sup> Okuda is Toyota's most recent chairman who also served as President of *Nikkeiren* and *Keidanren* and has become one of the most popular 'cult figures' in Japanese business.

structures of the corporations, the styles of management, and the companies' histories.

In 1990, Nissan's then-chairman Kume proclaimed that 'towards the end of the 1990s...there will not be more than four or five automobile manufacturers in the world, three of which will be Japanese' (*Figaro Magazine*, 07/04/1990). Similar ideas are still being discussed in Japan today. The Japanese people seem convinced that, in particular in the light of the industry's recent move towards globalisation, internationalisation, co-operation and joint ventures, in Japan only Toyota and Honda will have the power to survive.<sup>16</sup> Such belief is reflected in the media and in publications, such as '*Toyota. Honda Igai wa Minna Kieru*' (Except for Toyota and Honda, They All Will Disappear) (Miyamoto, 1999); '*Toyota. Honda Shika Nokorenai*' (Only Toyota and Honda Will Survive) (Satesawa, 1998); '*Toyota no Yabô, Nissan no Ketsudan*' (Toyota's Ambition, Nissan's Decision) (Tsukuda, 1999). Occasionally, slightly more positive sentiments towards Nissan are expressed, asking it to '*Nissan yo, Kutsujoku Bane ni Tachiagare*' (Nissan, Bounce Back from Your Shame!) (Uesugi, 1999). Besides this, the Japanese people and media express a strong interest in joint ventures,<sup>17</sup> the expansion of the automobile industry into cyberspace, matters of the environment, new models, and technological developments.

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<sup>16</sup> Another world manufacturer which the Japanese place particular confidence in and believe is destined to survive is VW.

<sup>17</sup> This interest manifests itself in books, such as the Japanese translation of '*Der Daimler Chrysler Deal*' (Appel and Hein, 1998) which quickly turned into best sellers in Japan.

### III.4.1. Toyota

Various events and unusual personalities in Toyota contributed to Toyota's present position and affected its unique approach towards the representation of its interests. Toyoda Kiichirô established Toyota Motors in 1937 according to the vision of his father and mentor, the late Toyoda Sakichi.<sup>18</sup> Initially, prior to the foundation of the Toyota Motor Corporation, Toyoda Kiichirô attempted to achieve his dream of producing a car for the people by developing the prototype of a passenger car in a confined area of his father's Toyoda enterprise (Toyota Motor Corporation, 1995: 2-3; Reingold, 1999: 16-25). After the Automobile Manufacturing Industries Act authorised Toyota as a car producer, Toyoda Kiichirô set to work immediately to realise its aim. According to Toyota's brochures, he placed great confidence in his new company and had great visions for it when he selected its site:

Kiichirô was not worried. Far from it - he was convinced, in fact, that he would have to plan for volume production in huge plants. ... He began to search for land on which to build a genuine automotive plant. He eventually chose a site in Koromo (today's Toyota City) ... that ... seemed ideal for his plans (Toyota Motor Corporation, 1995: 3-4).

Regardless of Toyoda Kiichirô's lifelong dream to produce Japanese passenger cars, the military government quickly ordered Toyota to produce military vehicles along with the other companies. Toyota was responsive to the country's needs, inasmuch as

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<sup>18</sup> Toyoda Sakichi himself had become famous for inventing a wooden automatic loom upon which he based his enterprise, the 'Toyoda Automatic Loom Works'. In this first Toyota company, numerous inventions were made, which eventually laid the foundation for Toyota's unique corporation and production system (Toyota, 1995: 2; Satô, 1999: 37-49).

Pushing towards the limits of resource conservation as the course of the war began to cripple Japan's economy, the Company found itself piecing together usable parts from wrecked or worn-out trucks to build "recycled" vehicles (Toyota Motor Corporation, 1995: 6).

Nevertheless, Toyoda did not comply with the government's orders completely and secretly continued to develop and improve passenger cars until he eventually produced the Toyopet Crown in 1947 (Reingold, 1999: 36). This is particularly noteworthy, because it illustrates Toyota's commitment to a unique and unusual vision, which becomes even more obvious in the analysis of its unique strategies of interest representation in the EU.

Toyota also stood out from the other Japanese producers when the majority of them actively sought out foreign support. Toyota turned this option down. Such aspects of Toyota's history become even more significant in the 1990s when various automobile corporations began to merge, whereas Toyota still held on to its original vision. However, even Toyota admits that Toyota's history does not consist of completely 'smooth sailing'. Company brochures list misfortune and a near-bankruptcy as major issues in its development. In the 1950s, Toyota was hard-hit by the general recession and the company seemed unable to survive. Eventually, the Nagoya Branch of the Nippon Bank asked the metropolitan banks to organise a syndicate in support of Toyota. Support was granted, but based on the condition that Toyota greatly reduce its workforce. This reduction instigated a labour dispute which forced Toyoda Kiichirô to resign as President. Labour and management had to achieve an agreement, which taught Toyota as a corporation to bargain and compromise not only with governments but also with its own workforce. The bank

syndicate further recommended Toyota to divide the corporation into two different companies based on its production and sales divisions. In 1950, Toyota followed this recommendation, and

made its marketing division a separate, independent company. ... The tremendous efforts subsequently made by the management and employees of Toyota Motor Co. and the new Toyota Motor Sales Co. were successful in getting them through the time of crisis. Following this the two companies worked tirelessly, each in its own sphere, at the business of producing and marketing automobiles. In July, 1982, the two companies were united - just as they had been originally - and started afresh as Toyota Motor Corporation. Following the merger, progress was made at improving business efficiency and speeding up decision making in the new company organization (Toyota Motor Corporation, 1995: 16).

Shimokawa (1994: 105) emphasised that Toyota's success, its survival despite an almost certain bankruptcy, its negotiation of various economic challenges throughout its corporate history, and its emergence as one of the world's top automobile manufacturers should be attributed to the fact that all the companies in the Toyota group maintained their unity, with Toyota Motors at the centre. Toyota set up various auto parts makers, which are, without exception, characterised by remarkably stable management. One of Toyota's main advantages consisted of the fact that all its original parts makers were based within 50 kilometres of the main Toyota production facilities. This position ultimately enhanced the development of Toyota's famous 'lean production system'.<sup>19</sup>

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<sup>19</sup> The most penetrating analysis of Toyota's lean production system has been provided by Womack, J. P.; Jones, D. T.; Roos, D. (1990). Other, possibly more biased descriptions of the system can, of course, be found in Toyota's own brochures, such as Toyota Motor Corporation (1996).

Toyota's position in the domestic market plays an important role for its world-wide marketing strategy. In the company's own words, 'strong leadership in the Japanese market is the cornerstone of our global strategy. And in the past fiscal year, we restored the Toyota brand to a market share of 40 percent' (Toyota Motor Corporation, 1999a: 18). Nevertheless, Toyota is eager to stress that since its foundation it has been aware that 'It's a big world out there!' (Toyota Motor Corporation, 1993: 1) and if Toyota wanted to be part of it, overseas expansion would be necessary. Accordingly, in the mid-1980s, Toyota increased its overseas projects. The company dates the beginning of its international expansion to joint passenger car production with General Motors (GM) in California in 1983 (Toyota Motor Corporation, 1995: 16). On the basis of its successful American experience, Toyota continued to expand and established a world-wide network of production plants.

In each of its operations, Toyota sought to create a harmonious relationship with local communities. This conviction is stressed in its corporate publications in which Toyota reaffirms that 'we will work toward even greater harmony with people, communities, and the environment, fully aware that a "healthy and safe environment is the lifeline of a business enterprise"' (Toyota Motor Corporation, 1993: 25). Toyota generally stresses the 'human aspect' in its corporate strategy, but even more so with regards to its international expansion:

[Toyota] believes that corporate globalization is best achieved, in part, through participation in social activities as a good corporate citizen, based on the perception of our manifold roles and responsibilities in an international social system. The international trend calls for consideration of a common human future on a global scale. Toyota seeks to contribute to

progress towards a “global village” by accepting cultural differences and improving communications as a basis for a more affluent society (Toyota, 1998b: 35).

Toyota’s strategy has been successful in the domestic and in the international market. As of 1998, Toyota is the world’s third largest car manufacturer. Its global sales reached 5.19 million units in 1998. It has established a network of 55 production plants in 25 countries, employs a workforce of 160,000 people in these, and markets its automobiles in more than 160 countries (Toyota Motor Corporation, 1999b: opening page).

Toyota further stands out from other automobile manufacturers by making it corporate policy to devote generous funds to research and development, ‘some of which is in areas at the cutting edge of science and so may deserve to be called fundamental’ (Shimokawa, 1994: 108). One of the most remarkable results of Toyota’s R&D efforts is the *Prius*, the world’s first mass-produced hybrid, electronically-powered car, that was introduced at the 1997 Tokyo Motor Show (Toyota Motor Corporation, 1999b: 33). Toyota’s focus on research and development is so strong that even during the economic recession of the 1990s Toyota continued to invest 250 billion yen annually in R&D. With regards to its R&D efforts, Toyota is just as eager to stress the humans aspect as in its international expansion:

Toyota believes that its primary task is to produce vehicles that will please customers all over the world by responding promptly and aptly to such social requirements as safety, pollution control, and energy and resource conservation, as well as to user demands concerning driving conditions and preferences. ... A wide range of research and development activities, from long-term, basic studies to final product development, are developed in joint efforts of the

Head Office Technical Center and the Production Engineering Development Department and other research and development facilities in various places (Toyota Motor Corporation, 1999c: 11)

However, despite Toyota's many strong points, one particular shortcoming was pointed out by various interviewees. This 'flaw' is generally described as an 'excessive attachment to production efficiency and an inward-looking, centrist tendency' (Shimokawa, 1994: 108). Since 1990, Toyota has actively sought to overcome its weak points by simplifying its decision-making process, abolishing hierarchical executive titles and implementing several other measures evenly to divide responsibilities within the company (Toyota Motor Corporation, 1995: 20). Toyota's inward-looking strategy is best illustrated by its emphasis on a leading position in the comparatively small domestic market and its carefully structured approach to overseas expansion.

Features of Toyota's vision and commitment to local communities are reflected in its approach to Europe. In Europe, as in Japan, Toyota stands out amongst the Japanese producers and has carefully put to use the lessons it learned in its corporate history in Japan and, particularly, in the United States. The United States was the first Western country in which Toyota set up production plants and interacted with the local polity. This experience served it well when expanding into the new territory of the EU.

### III.4.2. Nissan

In 1933, Nippon Sangyô and Tobata Imono, two holding companies of the Nissan *zaibatsu*, established the Automobile Manufacturing Company as a joint investment venture. This company was renamed the Nissan Motor Company in 1934 (Nissan Motor Co., Ltd.: 1). In pre-war days, Nissan dazzled Japan when it produced the Datsun passenger car and became one of Japan's first mass producers. During and after the war, Nissan was confronted with various problems, which can be mainly ascribed to the inconvenient location of its plants in certain districts. These locations had been convenient for the production of military supplies, but made it impossible for Nissan to set up a centralised production and supply system like Toyota. After the war, the Nissan *zaibatsu* was dissolved along with other *zaibatsu* (Katsuragi, 1999: 50-144).

Highly proficient product planning is clearly one of Nissan's strong points, but has not been fully employed in terms of marketing concepts, and does not measure up to Toyota in total product strategy. For long periods, Nissan led the field in mechanical innovations in automobiles, such as the turbocharger and the development of car electronics. Nissan further spent its resources on innovative improvements in production processes, amongst them its 'synchronising system', which consists of a delivery system and computerised parts stock management, not unlike Toyota's *Kanban* system. Nissan's initial disadvantage of no plants and parts suppliers in its close vicinity contributed to its emergence as the first motor vehicle producer to employ industrial robots. Nissan generally boasts a high automation rate in its factories and takes utmost care of keeping its manufacturing systems up-to-date. Recently, Nissan installed

flexible manufacturing systems (FMS), particularly Nissan's Intelligent Body assembly System (IBS), enabling them to produce several different models flexibly on one production line. These advanced manufacturing technologies facilitate highly efficient production of premium-quality vehicles matching customers' diverse needs and preferences (Nissan Motor Co., Ltd, 1999a: 12).

Similar to Toyota, the Nissan group also boasts a long list of parts makers, which subscribe to the same production goals.<sup>20</sup>

Until 1999, management decisions were made in Japan and then carried out throughout the whole company, including its overseas operations. It remains to be seen how Nissan's system of corporate decision-making is going to change due to Nissan's affiliation with Renault. Nissan has conducted a particularly highly active overseas expansion. However, an emphasis on the development of its overseas facilities contributed to a decrease in its domestic market share in the 1990s. Further disadvantages of Nissan's overseas production were its increasing sales costs and the expense of its overseas investments. This contributed to Nissan lagging far behind Toyota in its financial achievements. Nevertheless, Nissan still

produces a combined total of approximately 2.5 million vehicles annually at its 21 vehicle manufacturing plants in 17 countries around the world. These include seven domestic plants, four of which are engaged in vehicle production and the others build engines and other major components, and overseas manufacturing facilities in the United States, the United Kingdom, Spain, Mexico, Taiwan and other markets (Nissan Motor Co., Ltd, 1999a: 12).

Nissan was one of the first Japanese manufacturers to set up regional production facilities overseas, the first of which was based in Mexico in 1966 (Nissan Motor

Co., Ltd., 1999b: 6-11). Similar to Toyota, Nissan takes great care to stress its contribution to the local economy when discussing its international development:

Nissan's policy in carrying out its overseas activities is to contribute to local economic and technological development and to cooperate and coexist in harmony with the local community as a truly indigenous company. In line with this policy, Nissan is establishing a business structure in which all phases of its operations, from development to production and sales, are localized (Nissan Motor Co., Ltd., 1999b: 6)

Until Nissan's recent merger with Renault in March 1999, Nissan was the second largest Japanese automobile manufacturer and, for a long time, ranked fourth in the world (Nissan, 1999a: 4; Nissan, 1999b: 2-5). Nissan produces a broad range of popular cars and is engaged in leading technological development. Nissan's technical accomplishments are best illustrated in its fully-automated Kyūshū plant, which has become famous for its robot-manufacturing system. This particular technological development has rendered Nissan the only automobile producer that has come remotely close to Toyota's full-line production system. Nissan also invests increasing amounts of money in its R&D activities to develop new products and technologies which, like its overseas facilities,

are consistently aimed at contributing to society by proposing new values and ideas that strike responsive chords with customers and the public. The basic philosophy underlying Nissan's R&D activities is summed up in the following objectives:

- 1) To create vehicles that enable customers to experience greater enjoyment through safer, more comfortable and more pleasurable motoring.

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<sup>20</sup> A detailed list of these can be found in Nissan Motor Co., Ltd., 1999b: 36-9.

- 2) To create vehicles with constant attention paid to environmental protection in both the hardware and software aspects, such as by actively introducing environment friendly technologies and developing next-generation clean energy vehicles for the future, promoting recycling, and presenting proposals for innovative transportation systems.
- 3) To develop highly distinctive vehicles tailored to customer needs the world over through close cooperation among Nissan's product development centers in Japan, the United States and Europe (Nissan Motor Co., Ltd., 1999a: 10).

Nissan generally stresses its commitment to its customers. In various areas, particularly its overseas expansion, Nissan surpasses any other Japanese manufacturer. Chapter 4 addresses Nissan's unique strategy of overseas expansion with regards to Europe. This section has barely touched on Nissan's relationship with Renault, but at present it remains difficult to evaluate the effects of Nissan's merger with Renault and interviewees generally refrained from commenting on this at such a relatively early stage. Although the relationship with Renault is briefly touched on in the section on Nissan's European expansion in chapter 4, it largely must be considered as lying outside the time-frame of this thesis.

### **III.4.3. Honda**

Honda stands out in the Japanese automobile industry for its unique contribution to innovative technology and types of corporate activity. Honda was the last Japanese manufacturer to enter the market and initially concentrated on the production of motorcycles. It was established in 1948 in Hamamatsu, Shizuoka with a starting capital of only one million yen and twenty employees. Honda's success is largely attributed to the unusual personality of its founder, the engineer and

entrepreneur Honda Sôichirô. He shaped a unique corporate character and organisational culture, which became so successful that none of his successors ever considered changing it (Honda 1999a: 18-9, 28-31). In its official publications, Honda sums up its corporate philosophy of the past 50 years in the following manner:

Established 50 years ago, Honda Motor Co., Ltd., is one of today's leading manufacturers of automobiles and the largest manufacturer of motorcycles in the world. The Company is recognized internationally for its expertise and leadership in developing and manufacturing a wide variety of products (...) By following a corporate policy that emphasizes originality, innovation and efficiency in every facet of the Company's operations - from product development and manufacturing to marketing - Honda strives to attain its goal of satisfying its customers (Honda, 1999b: opening page).

Honda Sôichirô's technical ideas were based on his training as a creative engineer. He believed in connecting the 'creative urge' to invent something new and innovative with practical research on basic matters. According to Shimokawa (1994: 116), its founder's ideas

were based on the view that the purposeful acquisition of as much technique and knowledge as possible is essential for the development of new products, and that single-skill jobs and excessive specialization do not lead to creative activities. Soichiro stressed that success cannot be won without failures but failure is not to be feared; something must be learned from the failure. On the other hand, however, he insisted that even 1 per cent of failure must not be permitted for 'creative destruction' in regard to research items with definite job purposes and patterns (Shimokawa, 1994: 116).

Unlike other Japanese companies, Honda employed a rather different system with regards to the selection or promotion of its employees. Instead of the typically preferred requirements of educational background from top-level universities and seniority, Honda's staff was selected and rose within the company in line with their personal skills and motivation.<sup>21</sup> These principles were actively supported throughout the whole company, which motivated an increasing number of employees to put forward and voice unique technological visions for Honda's products. Honda Sôichirô designed a unique specialist staff system. This system

employed a qualification system for personnel evaluation to give all employees a chance to be promoted to specialist posts, ranking as high as managerial functions, with a view to abolishing the discrimination of educational background in regard to the type of jobs (technical or clerical) and the type of personnel function (clerical or manufacturing). This specialist staff system offers all engineers and workers who do not graduate from college or university a chance to obtain an equal voice and position with managerial functions' (Shimokawa, 1994: 116).

This so-called 'ability' principle has been employed when selecting managerial executives ever since Honda's founding days and allows young engineers to develop new products in a creative atmosphere. It also allows employees to voice their opinion and participate in the decision-making process.

Honda is one of the leading Japanese automobile manufacturers in terms of international expansion. Honda has continuously sought to invest in regional production, first and foremost in the US and Canada, but recently also in other

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<sup>21</sup> However, it must be emphasised that, despite generally good labour-management relations, some former employees, notably Kriska (1997) commented unfavourably upon Honda's treatment of its female employees.

countries. At its regional production plants, Honda instituted a technological development policy to match its product planning. Currently, Honda boasts a global network 'comprising 104 production facilities in 33 countries that supply Honda products to most industrialized countries in the world' (Honda, 1999b: opening page). The roots of Honda's enthusiasm for expansion into overseas markets can be attributed to the founder's vision of promoting all its products in the domestic market and in overseas markets.

Honda has favoured and supported regional production, parts procurement and employment since the early 1950s. In the early 1960s, Honda started licensed production and knock-down production in Belgium and other parts of the world. The United States has represented the biggest overseas market for all Japanese manufacturers and Honda has concentrated much more on the American market than any of the other Japanese producers. This emphasis on establishing a strong presence in the US and other overseas markets can be attributed to its latecomer position in the domestic market, which made it difficult to acquire decent shares of the domestic market. Honda's philosophy on producing overseas is similar to that of Nissan and Toyota, although their strategies of interest representation in Europe differ greatly. Similar to them, Honda emphasises that it seeks to contribute to the well-being of the local and global community. Honda is particularly intent on combining the two poles of global and local commitment. Such convictions are frequently stressed in Honda's publications. Therein, Honda emphasises that

a local approach with a global outlook best meets the individual needs of diverse markets.

Honda's philosophy is to produce where there is market demand. By integrating with local customs and cultures, and making use of local management resources, Honda has been better

able to serve the people of the regions in which we operate. Products which meet the specific needs in each of four world market regions - the Americas/Europe, the Middle East and Africa/Asia and Oceania/Japan - are developed, produced and sold in those regions. As our local orientation serves local customers, Honda's global network enables the exchange of ideas and information among employees to assure a higher level of creativity in our technology and products (Honda, 1999a: 10).

Honda's founder was trained as an engineer and, accordingly, Honda has traditionally placed a strong emphasis on R&D. Honda's official publications stress that its research and development programmes are motivated by

the quest to discover new and original products and technologies to lead the industry into the next millennium. In order to enable Honda engineers to make the most of their creativity and initiative, research and development work is conducted by a separate organization, Honda R&D Co, Ltd. Building on a solid tradition of technological innovation, Honda strives to provide its customers with ever more exciting and convenient new products, while constantly challenging existing parameters of quality, safety and environmental responsibility (Honda, 1999a: 4).

Honda stands out as an unusual manufacturer which prefers to distance itself from the majority of Japanese producers. This unique attitude has been briefly touched upon, when Honda's initially tense relations with the Japanese government were discussed in the examination of the post-war history of the industry. Honda's careful approach towards relations with governments and expansion is reflected in its European interest representation.

#### **III.4.4. Mazda**

Mazda's fate in post-war Japan was greatly shaped by a major financial crisis, from which it recovered in 1974 with generous support from the Sumitomo Bank Group. Subsequently, Mazda started its ongoing co-operation with Ford, which changed the company considerably, and particularly affected its European operations.

Under the name of Tōyō Kōgyō, Mazda originally formed one of the major corporations in the Hiroshima district, and was renamed Mazda as late as 1984. Matsuda Jujirō, a cork stopper manufacturer, had founded his 'Matsuda' company in 1920. The company was renamed Tōyō Kōgyō in 1927, when it began its expansion into the machine-tool industry. Mazda took up production of three-wheelers in 1931, but mainly concentrated on the production of weapons during the war, and was only marginally engaged in the production of passenger cars on a purely experimental basis. In December 1945, Mazda was able to return to the production of three-wheeled trucks. Mazda appointed an agent in each Japanese prefecture and created a domestic sales network by 1949. The fact that Mazda had established a good reputation as a manufacturer of three-wheeled trucks contributed to the decision of Mastuda Tusneji, Jujirō's successor, to take up four-wheeled ordinary passenger car production and to introduce the company's rotary engine (Mazda Motor Corporation, 1999a: 1, 34-7; Mazda Motor Corporation 1999b: opening page).

Mazda was confronted with various technological problems during its research on the rotary engine and even voices within the company remained highly sceptical of it. In 1967, Mazda finally produced its first car with a rotary engine, the Cosmo Sports which firmly established its name in the Japanese automobile industry. Subsequently, Mazda granted production licences to NSU and to several

other manufacturers, including GM. Shortly after the first oil crisis, Mazda, which had just increased its production and export of rotary engine cars, was struck by bad luck. The rotary engine proved to be less fuel-efficient than conventional engines, which resulted in a rapid decrease in sales (Mazda Motor Corporation 1999a: 34; Shimokawa, 1994: 120-1).

In 1974, Sumitomo led Mazda out of its financial crisis and helped set up financial links with Ford. In 1979, Ford became a stockholder in Mazda with a 24 percent share, which has now increased to a 33.4 percent share (Harney, 27/02/2000). Mazda's partnership with Ford has evolved since then and Mazda currently supplies Ford with engines and transaxles, and markets Ford's products in Asia and Oceania. Without the tie-up with Ford, an internationalisation of Mazda seems hardly imaginable (Storey, 1997: 120). Mazda's production facilities encompass two domestic operations and 16 overseas production plants. Mazda's overseas strategy is generally supported by its links with Ford (Mazda Motor Corporation 1999b: opening page). Mazda manufactures small cars, parts, and components, but its production strategy and Ford's product planning are closely connected 'in order for both automakers to strengthen their co-operative system toward the promotion of an international division of labour, linking Ford's head office with Europe and Ford-Mazda' (Shimokawa, 1994: 122). In the 1990s, Mazda's co-operation with Ford intensified even further, and especially recently,

as Mazda's performance deteriorated, the ties with Ford became closer. In 1993, an agreement was announced which provided for greater collaboration and sharing of resources from model development to marketing. This was followed in early 1995 by an agreement that Ford would supply Mazda's European operations with a model based on the Fiesta. Later the same year

the two companies announced a joint venture plant in Thailand. This process culminated in Ford making a capital contribution and increasing its stake to a controlling 33.4% in April 1996 (Storey, 1997: 120).

To sum up this co-operation, the Mazda-Ford partnership has evolved from 'simple complementary work to strategic interaction' (Shimokawa, 1994: 123). Such strategic interaction is particularly noteworthy, when it comes to Mazda's actions in the EU, which are closely connected to Ford.

Like the majority of Japanese automobile manufacturers, Mazda is also engaged in various R&D activities. However, as a smaller manufacturer, Mazda pursues these on a more restricted scale than its 'big three' competitors, but is just as eager to emphasise its commitment to customer satisfaction. In official publications, Mazda stresses that it established a world-wide R&D network which is dedicated to

developing vehicles that are distinctive and innovative using the latest and most advanced technologies to satisfy the diverse needs of motorists the world over. To accomplish this, Mazda created a global R&D network with operations in Japan (Hiroshima and Yokohama); the United States (Irvine, California and Ann Arbor, Michigan); and Germany (Oberursel) (Mazda Motor Corporation, 1999a: 3).

#### **III.4.5. Mitsubishi**

Mitsubishi's early ventures in the field of automobile production can be traced back to 1917, when Mitsubishi Zōsen, a ship manufacturer, produced the Model A car, the first Japanese mass produced car. Production was cancelled in 1921, but automobile production was taken up again in 1932 with the production of the large

Fuso bus. In 1934, the company was renamed Mitsubishi Heavy Industries and merged with Mitsubishi Aircraft, in order to then concentrate on the production of large trucks and military vehicles. In post-war Japan, Mitsubishi Heavy Industries continued its production of trucks and buses.

In 1969, President Maita concluded an agreement with Chrysler, which separated the automobile division from Mitsubishi Heavy Industries. The automobile manufacturing division was subsequently incorporated as Mitsubishi Motors. Mitsubishi Motors was set up in 1970 as a joint venture between Mitsubishi Heavy Industries and Chrysler. In 1985, Chairman Iacocca of Chrysler and President Tate of Mitsubishi Motors decided to cancel this venture. Initially, Chrysler held 15 percent of the capital with the intention of increasing it to 30 percent, but was unable to do so due to its own management crisis, after which the partnership was terminated (Mitsubishi Motors Corporation, 1999a: 1; Mitsubishi Motors Corporation 1999c: 3; Shimokawa, 1994: 123-4).

Despite its mission 'to extend its global presence in the auto industry. To be fair and open in all aspects of its business. To continue to strengthen its financial base and achieve sustainable profitability' (Mitsubishi Motors Corporation 1999b: opening page), Mitsubishi became one of the last Japanese manufacturers to take up overseas production. Mitsubishi has now established overseas operations in 13 countries (Mitsubishi Motors Corporation, 1999a: 14-5) and has holdings in around 30 foreign companies, half of which are involved in automobile production, and are mainly based in Southeast Asia, and to a lesser degree in Korea, Taiwan, Australia, New Zealand, India, the US, and the Netherlands (Shimokawa, 1994: 124-6). Mitsubishi has generally paid insufficient attention to the marketing of its products in all these markets, and Europe forms no exception. Storey (1997: 133) maintains

that because Mitsubishi 'competes in all sectors of the vehicle market offering micro-cars, conventional passenger cars, RVs,<sup>22</sup> trucks and buses ... the low production volumes of some vehicles mean they have to carry a high proportion of fixed costs.'

Mitsubishi has sought to supply components, development technology, and finished products all over the world via its partnerships and tie-ups. In the 1990s, it was particularly concerned with reviving distribution channels, reorganising and reviewing sales in the troubled domestic market, which resulted in considerable improvement of its performance in fiscal 1998 (Mitsubishi Motors Corporation, 1999b: 2-4).

Similar to other Japanese manufacturers, Mitsubishi feels compelled to express a strong dedication to the environment and conducts research in the field of environmental technology (Mitsubishi Motors Corporation, 1999b: 14-20; Mitsubishi Motors Corporation, 1999a: 35-8). Mitsubishi emphasises that particularly its research in product and technology development places a strong emphasis on customer satisfaction. According to official company publications, Mitsubishi seeks to please

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some of the people all of the time. Our mission is to offer excellence in product and service, and in this way to encourage in our customers a genuine and affectionate pride of ownership. We strive to do this by getting closer to the customer, leaner in our operations and quicker to market. We do this by developing products and technology that offer superior levels of vehicular performance and useful life, of occupant comfort, safety and convenience, and of environmental acceptability (Mitsubishi Motors Corporation, 1999b: 12).

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<sup>22</sup> RVs are 'recreational vehicles'.

It should be noted that Mitsubishi Motors is the only Japanese automobile manufacturer which was hit by the 1997 *sokaiya* scandal (Nakamoto, 24/10/1997). Particularly, in the aftermath of the scandal, the company's image in Japan emerged tainted, but Mitsubishi Motors seems to have managed to recover most of its previous status in the succeeding three years. It remains to be seen how Mitsubishi's world-wide operations will be affected by DaimlerChrysler's acquisition of 34 percent of its stakes in March 2000 (*Financial Times*, 28/03/2000; Harnischfeger, 22/05/2000).

#### **III.4.6. Fuji**

Fuji Heavy Industries, the manufacturer of 'Subaru', is one of Japan's smallest automobile producers. In pre-war Japan and during the war, Fuji was engaged in the production of fighter planes, the Nakajima Airplanes. In the post-war period, Fuji was split up into fifteen different companies, one of which consisted of Prince Motors, which later merged with Nissan. Five of the other companies also merged and became known as Fuji Heavy Industries (Shimokawa, 1994: 126-8; Storey, 1997: 75; Miyoshi, 1999: 63-4).

Fuji maintains close links with personnel administration in Nissan and the Industrial Bank of Japan. Fuji's President Kawai Isamu was supplied by Nissan, and its Chairman, Tajima Toshihiro, by the Industrial Bank of Japan. It is not certain, however, how much longer this relationship is going to last. Recently, Fuji indicated that Nissan might sell 20 percent of its shares in Fuji to General Motors (GM), which would effectively terminate the relationship (Harney, 14/01/2000).

Fuji's basic policy consists of concentrating on original product planning and attempting to be competitive with manufacturers such as VW-Audi and BMW. Despite being one of the smallest Japanese car manufacturers, Fuji stands out because of its outstanding contribution to technological development. Fuji developed the first continuously-variable transmission world-wide in co-operation with VDT. It further conducted various successful joint R&D efforts with parts makers and developed the Electro-Pneumatic Suspension and the Automatic 4WD Shift. Fuji is further renowned for the particularly high standard of its engine technology (Shimokawa, 1994: 126-8).

In recent years, Fuji managed to be reasonably competitive and increase its profits by cost cutting and effective marketing of niche vehicles. Outside Japan, Fuji has only established one production plant of its own in the United States (Storey, 1997: 78; Miyoshi, 1999: 64; Shimokawa, 1994: 126-7).

#### **III.4.7. Daihatsu**

Daihatsu is the only automobile producer in the Kansai area. It originally started out manufacturing internal-combustion engines. Initially, Daihatsu became famous as a manufacturer of marine engines. In 1930, Daihatsu took up production of three-wheeled cars. It expanded to the production of four-wheel trucks in 1937, but failed to take up mass production. In 1939, Daihatsu began operations at its Ikeda plant near Osaka, which today hosts its head office. During the war, Daihatsu concentrated on the production of marine engines and weapons, and only shifted exclusively to marine-engine production in the early post-war period (Daihatsu Motor Co., Ltd., 1999: 5-8).

In 1951, Daihatsu started production of its three-wheeled Bee car, and was subsequently renamed the Daihatsu Motor Corporation. In 1958, it began producing four-wheeled vehicles, starting with the Vesta and Hijet trucks. Passenger car production was eventually taken up in 1963 with the small Compano Wagon car (Daihatsu Motor Co., Ltd., 1999: 5-8).

After the capital liberalisation and reorganisation of the automobile industry, Daihatsu tied up with Toyota, and joined the Toyota group in 1967 (*Nihon Keizai Shinbun Inc.*, 1999: 117-27). Subsequently, Toyota 'subscribed capital funds of 15 per cent, felled some executive posts, commissioned Daihatsu to produce some of its models, and helped in the rationalisation of plants and the improvement of production technology' (Shimokawa, 1994: 129). Today, Daihatsu fulfils the function of Toyota's micro vehicle division, which clearly affects its production and export strategy, and research efforts. Daihatsu strongly depends on the domestic market, and has mainly concentrated its overseas efforts on Southeast Asia where it owns various minority stakes in local production plants (Storey, 1997: 51-3). In Europe, Daihatsu's operations are largely affected by its close co-operation with Toyota, which are discussed in more detail in chapter 4.

#### **III.4.8. Isuzu**

Isuzu Motors is the oldest Japanese automobile manufacturer. Today, Isuzu concentrates on the production of large and medium-sized trucks, buses, and passenger cars. Tokyo Ishikawajima Zōsen was a shipbuilding company in 1918, when it took its first steps in the automobile sector with the aid of Wolseley of the UK. Its automobile manufacturing division was added to the Ishikawajima

Automobile Manufacturing company, which subsequently merged with DAT Automobile Manufacturing (Shimokawa, 1994: 130-2).

During the war, and in the immediate post-war period, Toyota, Nissan, and Isuzu became known as the 'Big Three'. Ishikawajima was renamed Diesel Industries in 1941, and concentrated on the production of trucks and military vehicles. In 1949, it was renamed Isuzu Motors, and from then on produced trucks and buses. In 1953, Isuzu concluded technical transfers with Rootes of the UK for the production of cars.

In 1971, Isuzu followed the advice of the Daiichi-Kangyô Bank and Itô Chû-Shiji to form a link with GM. GM is now the largest stockholder in Isuzu, and in the following years GM's sales networks took up the marketing of Isuzu's small trucks. Since then, Isuzu has played an important role in GM's global strategy, which particularly affects Isuzu's overseas operations. Isuzu has jointly produced and developed small cars with Honda, Fuji, Nissan, and Opel, one of GM's subsidiaries. When GM concluded its tie-up with Suzuki, Suzuki Motors took on some of Isuzu's stock and vice versa.

Isuzu today, primarily concentrates on the production of trucks. Isuzu operates knock-down production in 45 countries, and since the 1990s has been engaged in export to other Asian countries. With regards to research and development, Isuzu stands out as one of the first manufacturers to develop electronic car components. Isuzu developed the first centrally-controlled ceramic engine and the electronically-controlled automatic five-shift transmission (Shimokawa, 1994: 130-2; Storey, 1997: 109-12).

### III.4.9. Suzuki

In 1909, Suzuki Michio founded Suzuki Loom Manufacturing, which was engaged in the production of arms and machines during the war. In 1952, Suzuki began marketing bicycles with an auxiliary engine, which started its production of two-wheelers. In 1954, the company was renamed Suzuki Motors and from 1955, marketed the mini, four-wheel Suzulite car. Suzuki became involved in the outboard motor industry in 1965, and in 1974, in the housing industry (Suzuki Motor Corporation, 1999: 2, 32-3).

Suzuki now boasts a network of 57 overseas production facilities in 27 countries where it 'actively contributes to local industrial employment and economic expansion [and] all work together as partners' (Suzuki Motor Corporation, 1999: 11). Suzuki's overseas strategy has frequently consisted of tying up with other manufacturers or producing in joint production facilities to expand and support its own product line (Shimokawa, 1994: 132-4). Recently, General Motors increased its share of Suzuki Motors from 3.3 percent to 10 percent, which has positively contributed to Suzuki's overseas performance, recognition, and co-operation with other GM-affiliated companies (Harney, 17/09/1998).

With regards to research and development, Suzuki is not able to engage in research on the same scale as Nissan, Toyota, or Honda. Nevertheless, as Suzuki's official publications emphasise, Suzuki's research still covers a

wide range of the latest advances in such fields as computer, electronics, and materials applications. Investigations include computerized analysis and virtual reality simulation, energy and environmental conservation technologies, electronic communication/control advances, and even medical and rehabilitative related equipment. All this R&D energy is

devoted to the output of products that meet the challenge of the next generation (Suzuki Motor Corporation, 1999: 9).

#### **III.4.10. Hino**

Mitsubishi, Isuzu, Nissan Diesel, and Hino are all engaged in the production of trucks, but Hino is the only specialised manufacturer of large and medium-sized trucks and buses that belongs to the Toyota group. Hino Motors was originally known as Hino Heavy Industries, which had split from Diesel Automobile Industries (now Isuzu Motors) in 1942. During the war, Hino manufactured special army vehicles. In 1946, it was renamed Hino Industries, and began producing trailer buses in 1947, and other types of buses shortly thereafter. In 1948, Hino created a separate sales company, which is now known as the Hino Automobile Sales Company. Between 1953 and 1963, Hino was involved in a technical tie-up with Renault. From 1963, Hino began marketing its own cars, and after joining the Toyota group in 1966, Hino reduced its car division and concentrated on large trucks and buses, although it still produced cars commissioned by Toyota. Hino now manufactures various types of trucks, buses, tractors, and diesel engines, and since 1980, double-decker buses. Outside Japan, Hino concentrates mainly, but not exclusively, on knock-down production, and joint-ventures in Asia, Australia, the United States, the Middle East and Africa (Shimokawa, 1994: 134-5; Hino Motors, Ltd., 1998: 6-7; *Nihon Keizai Shinbun Inc.*, 1999: 117-8, 123-7).

#### **III.4.11. Nissan Diesel**

Nissan Diesel Motors is a specialised manufacturer of large trucks and buses in the Nissan group. Nissan Diesel was originally known for the production of a two-cycle engine, the Uni-flow Scavenging Diesel Engine. In 1935, Nissan Diesel was founded for the production and marketing of diesel engines and obtained the patent of a two-cycle diesel engine from German Krupp Junkers in 1936. In 1946, it began manufacturing large trucks and buses. In 1955, a separate sales division, the Nissan-Minsei Diesel Sales Company, was established with a 50 percent share of the capital. In 1960, the company was renamed Nissan Diesel Motors (Shimokawa, 1994: 136-7). Nissan Diesel has clearly been affected by Nissan's troubled financial situation in recent years, and various other manufacturers have expressed an interest in it. So far, the fate of Nissan Diesel is undecided, but it appears likely that one of the larger world manufacturers is going to take it over.

### **III.5. The Automobile Policy Network in Japan**

The automobile industry policy network in Japan shares some of the most obvious characteristics of a policy community. It is characterised by close relationships among all participants in the network, restricted access to the community, close and regular interaction among the actors and shared and consistent values. Many actors are involved in the automobile industry policy network in Japan, but the most important relationship in the network is between the Japanese government and the automobile industry.

The industry acknowledges the importance of this relationship. A representative of the Japanese automobile industry characterised this relationship in the following manner:

The relationship between the government and the automobile industry has been maintained and nurtured for a long time - sometimes in a very co-operative manner, and sometimes in a conflicting manner which makes it difficult to precisely characterise the relationship. The Japanese automobile industry was started under government tutelage after World War II. Both, government officials and automobile industry executives have sorted out the automobile industry which, as must be emphasised again, has been developed under the government's protective measures (Interview with representative of the Japanese automobile industry, 18/11/1999: A).

Amongst the bureaucratic actors, contact is maintained with almost all ministries, with the sole exception of the Ministry of Agriculture. Regular interaction takes place between the automobile industry and the Ministry of International Trade and Industry (MITI), the Ministry of Transport (MOT), the Ministry of Finance (MOF), the Ministry of Construction (MOC), the Environmental Agency, the National Police Agency, and, to a lesser degree, the Ministry of Foreign Affairs (MFA). The frequency and type of interaction depends on the case, but generally confrontation is avoided and day-to-day interaction is characterised by co-operation. Representatives from the Japanese automobile industry express great confidence in the influential role of their industry. According to them, 'after all, the automobile industry is a powerful industry, and it is only natural that the government is willing to support this industry' (Interview with representative from the Japanese automobile industry, 10/11/1999: A).

Concerning topics of regulatory reform, ministries issue recommendations, but other than that, the industry maintains that the government is not oppressive (Interview with representative of the Japanese automobile industry, 10/11/1999: A).

With regards to the automobile industry, MFA plays a hardly noticeable role, and contact is less frequent than with other ministries and only occurs when diplomatic questions arise or foreign heads of state choose to discuss automobile industry-related issues. However, even in such cases, MFA frequently serves merely to establish contact with more powerful actors from the bureaucracy (Interview with representative from the Japanese government, 26/10/1999: A). Areas of responsibility between the ministries overlap occasionally, but, in general, MOT has jurisdiction over areas of safety legislation, type approval, and the implementation of emission controls. MOT defines its most important issue as ‘to harmonise safety regulations on an international level whilst at the same time, ensuring safety of automobiles with regards to the domestic market’ (Interview with representative of the Japanese government, 29/10/1999: A). The roles of most of the other ministries are obvious by their titles, such as that of the Ministry of Construction, which is concerned with road construction. An outside observer found a comparison of the relationship of the Japanese automobile industry with its government and the German government-industry relationship helpful, and eventually concluded, that ‘JAMA has the same influence with the Japanese government as its German counterpart in Germany. Nothing unusual about it.’ (Interview with representative from European government institution, 27/10/1999: B). Other observers emphasised that

JAMA and the Japanese automobile industry are very close to the Japanese government. A good example for the industry’s influential position with the government is the fact that until recently, *Kachôs* from the industry always insisted on meeting and dealing with higher ranking

bureaucrats in their exchange with the government (Interview with representative from the European bureaucracy, 13/10/1999: A).

In particular, meetings between the Japanese automobile industry and MOT, MITI, the Environmental Agency, and MOF take place on a regular basis. Meetings with other bureaucratic actors are arranged whenever the need arises on an ad-hoc basis (Interview with representative from the Japanese automobile industry, 16/11/1999: A). One source from the Japanese automobile industry described the nature of relations with various ministries as markedly different and emphasised in particular, that contact with MOF 'only exists because we can't avoid it' (Interview with representative of the Japanese automobile industry, 03/09/1999: A). Whereas lunches and dinners are known to occur between the industry and MITI and MOT, contact in a more relaxed setting is not as common with officials from MOF.<sup>23</sup> In the case of relations with MOF, which is specifically responsible for taxation issues, the industry has to provide finance reports but rarely seeks out meetings (Interview with representative of the Japanese automobile industry, 03/09/1999: A). Despite its own influential position, the industry remains wary of the government since 'bureaucrats change their minds and attitudes frequently in order to reflect the sentiment of the people' (Interview with representative of the Japanese automobile industry, 03/09/1999: A). The industry is very much aware that the views, opinions and action of the government may change swiftly and unexpectedly since politicians depend on their voters.

Contact is described as most frequent with MITI, which is responsible for all automobile-related issues, and despite overlap with other governmental actors,

'MITI is *the* government agency in charge of the automobile industry in Japan' (Interview with representative from the Japanese automobile industry, 19/11/1999: A). In 1999, contact was particularly frequent with regards to APEC, ASEAN, and the Tokyo Motor Show, as well as all the usual everyday issues (Interview with representatives of the Japanese government, 01/11/1999: A). MITI, the main 'addressee' of the automobile industry, is also in charge of bank loans in addition to all its other responsibilities (Interview with representative of the European automobile industry, 27/10/1999: A). The Japanese automobile industry generally describes its relationship with MITI as supportive and co-operative, with both sides frequently and willingly exchanging information (Interview with representatives of the Japanese automobile industry, 17/11/1999: B).<sup>24</sup> Contact between MITI and JAMA, as well as between MITI and some of the bigger manufacturers, occurs whenever necessary, and usually some type of contact takes place daily, if not in person, on the phone or via electronic mail (Interview with representative of the Japanese automobile industry, 08/10/1999: A).<sup>25</sup>

MITI's close relations with JAMA are best illustrated by the fact that JAMA invites MITI officials along to monthly meetings of its members, during which MITI is usually asked to present the general economic situation (Interview with representative of the Japanese automobile industry, 08/11/1999: A). Outside interests however, stressed that for them this close relationship between MITI and JAMA means that

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<sup>23</sup> This remark corresponds entirely with Hartcher's (1999) analysis of the extremely powerful role of MOF.

<sup>24</sup> Just how co-operative and mutually supportive this relationship can be became obvious after the recession, when MITI began considering 'emergency funding' to help automobile manufacturers to restructure their operations (Harney, 12/02/1999).

We have to be very careful (when dealing with the Japanese automobile industry). MITI is incredibly close to the industry and knows everything. Often, right after meetings with the Japanese automobile industry, they will immediately ring MITI and report about the meeting. ... Of course, the presence of MITI's "old boys" in JAMA enhances the quality of this particular relationship (Interview with representative of the European bureaucracy, 13/10/1999: A).

Trade associations in Japan tend to be much more heavily regulated than in Europe. To take up the example of the automobile industry in Europe, ACEA is also close to the European government and especially the Commission, but, in general, enjoys a more independent status, and is not under the supervision of European political authorities. European observers pointed out that the sponsorship of a government agency is absolutely necessary in Japan, and that, therefore, any trade association must be considered a protected cartel. JAMA specifically, is under the *kantokusho* (tutelage) of MITI, which means that 'it is sometimes hard to tell if JAMA represents industry to MITI, or MITI to the industry' (Interview with representative of the European automobile industry, 27/10/1999: A). The relationship between MITI and JAMA is certainly closer than that between ACEA and the Commission, and frequently even resembles a symbiotic relationship (see chapter 4). JAMA's Vice-Chairman is always chosen from among the Directors from MITI's Automobile Directorate, and, in general, meetings between JAMA and MITI take place prior to meetings of JAMA's Board of Directors. MITI even considers this relationship important enough officially to side with JAMA against other parts of

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<sup>25</sup> Whereas a great deal of information in Brussels is channelled via e-mail and exchanges between government and industry frequently occur via the phone and electronic mail, in Japan the preferred media of communication are the telephone and fax rather than electronic mail.

the government, as in 1999 in the case of the proposed 'Green Tax' (see chapter 5).<sup>26</sup> In spite of occasional complaints about MITI's interfering nature, JAMA generally appreciates MITI's support and stresses that conflict with MITI rarely occurs. This, however, led to European observers viewing this relationship as 'a seamless web where it is hard to see where JAMA's interests end and MITI's begin' (Interview with representative from the European automobile industry, 27/10/1999: A).

Clearly, the relationship between JAMA and MITI has implications for the activities of the Japanese automobile industry in all the major world markets. Even voices from the industry sometimes admit that the relationship is 'close but not cosy' (Interview with representative from the Japanese automobile industry, 11/106/1998: A) and outside observers stress the close nature of the relationship by referring to it as 'hand in glove' (Interview with representative of the European bureaucracy, 09/06/1998: A). In spite of occasional confessions that the relationship with MITI is close, the industry generally maintained that

direct control by MITI does not exist ... MITI does not impose on JAMA. Former MITI employees working for JAMA are supposed to serve as intermediaries but quite often, one side or both sides, are pissed off. Occasionally, MITI puts political pressure on JAMA, asking the manufacturers to change their behaviour (Interview with representative from the Japanese automobile industry, 11/06/1998: A).

*Amakudari* between MITI and JAMA is common, but it must be emphasised that such practice is also adhered to by other government or semi-government

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<sup>26</sup> This so-called 'green tax' is related to Japan's effort to reduce CO<sub>2</sub> exhaust emissions. Theoretically, this task is carried out by MOT, but actually MITI has taken a keen interest in the issue

agencies and JAMA. For example, the head of JAMA's transport division is frequently a former employee of MOT, who fulfils similar intermediary functions to former employees of MITI in JAMA, and JAMA occasionally counts former employees of JARI and JETRO among its staff (Interview with representative of the Japanese automobile industry, 11/06/1998: A).

JAMA closely interacts with its government, but also maintains constant exchange with its members, who occasionally have different views of this relationship or sometimes have established relationships of their own with government agencies. The network is affected by the interaction and quality of the relationship between JAMA and its members and amongst JAMA's members. Everyone who enjoyed direct contact with the Japanese automobile industry stressed the need to maintain good working relationships with the 'Big Five': Toyota, Nissan, Honda, Mazda, and Mitsubishi (for example, Interview with representative from the European bureaucracy, 13/10/1999: A).

JAMA clearly is a group organisation and generally prefers to have large meetings with all its members present to discuss forthcoming issues.<sup>27</sup> JAMA stressed that 'there is no special or unusual relationship with any of the members. Generally, everything is decided in the members' committee. Sometimes, certain members have a different opinion but we usually seek to present a united front' (Interview with representative from JAMA, 10/11/1999: A). The majority of JAMA's members seem satisfied with this policy. According to them, 'JAMA represents us, carries out activities in our interest. We choose not to act individually

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(Interview with representative of the European automobile industry, 27/10/1999: A).

<sup>27</sup> At present, it is difficult to estimate the exact effect of Nissan's decision to join forces with Renault on the organisation and interaction in JAMA (Interviews with representatives from the Japanese and European automobile industry, 15/11/1999: A, 27/11/1999: A) but one interviewee admitted that

because we need people and financial support for this sort of thing' (Interview with representative of the Japanese automobile industry, 16/11/1999: A) and 'this relationship is very important to us, and we frequently exchange information' (Interview with representative of the Japanese automobile industry, 17/11/1999: B). However, some smaller manufacturers indicated that, even though they themselves may not conduct individual business with JAMA or government agencies, they were convinced that this situation is different for some of the bigger manufacturers:

I believe JAMA is an association which works for the sake of the Japanese automobile industry as a whole, and represents views shared by all of the members. In this way, we are no different from other Japanese auto makers in the sense of co-operating with JAMA's policy. We have chosen not to engage in many relations with the government on our own because our view is basically represented through JAMA, and our business alone is not large enough to have any effect ... As is widely known, MITI is the government ministry in charge of the automobile industry in Japan but as our company's scale is not as large as other companies, individual contact with MITI is limited and highly infrequent. But I can assure you that this situation is different for larger companies such as Toyota, Nissan, or Honda (Interview with source from the Japanese automobile industry, 19/11/1999: A).

Nevertheless, some bigger manufacturers were intent on stressing that

even though *amakudari* may occur between government agencies and some big manufacturers which may enhance relations between the government and this particular company ... the government can only do favours to the automobile industry as a whole. It always considers the industry as a whole (Interview with representative from the Japanese automobile industry, 15/11/1999: A).

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'JAMA frequently jokes about Renault, wondering when JAMA will have a chairman from Renault'

Others were more confident of their position and admitted that

we are more active than other companies, and independent from JAMA, have more frequent talks with government agencies than others. ... In some way or other, daily contact takes place with government agencies, with us often being the initiators of the contact (Interview with representative of the Japanese automobile industry, 08/10/1999: A).

However, they are just as quick to point out that ‘after the 1980s, the influence of the government has been very small and today, almost no guidance or input exists’ (Interview with representative from the Japanese automobile industry, 08/10/1999: A). Only one manufacturer chose to reveal an open dislike of relations and interaction with the government:

We are proud of being the only Japanese automobile manufacturer that has not accepted any *amakudari* from either MITI, MOT, or even JETRO. We do have contact with MFA but that is necessary for political and diplomatic reasons. ... We don’t like government! We don’t want to rely on government! JAMA enjoys a close relationship with our government and one has to keep that in mind when dealing with them (Interview with representative from the Japanese automobile industry, 03/09/1999: A).

The close-knit Japanese automobile policy community very rarely experiences input from other Japanese economic actors, associations and federations, such as *Keizai Dōyūkai*, *Nikkeiren*, and *Keidanren*. Their roles were generally referred to as much less influential and less powerful than that of government agencies or the industry itself. Such rare input of actors which, for most of the time, do not form

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(Interview with representative of the Japanese automobile industry, 24/01/2000: A).

part of the policy community may seem in conflict with Marsh's and Rhodes's ideal model. However, Marsh and Rhodes (1992) stressed that their model is ideal and is not likely to be found in reality in exactly this manner. Despite this slight deviation from the original model, despite the rare participation of these federations in the network, the Japanese automobile policy network, nevertheless, exhibits the general features of a well-functioning policy community.

In cases where these associations choose to become active, they generally present views identical to those of the industry, which makes their effect and 'the importance of relations with them difficult to estimate' (Interview with representative from the Japanese automobile industry, 24/01/2000: A). Distinctions between their voice and that of the industry, or even individual manufacturers, are hard to make out, because individual manufacturers can play an important role in them and shape their views accordingly: 'Nissan has someone on *Keizai Dôyûkai*, and maybe Toyota does as well. Toyota's Okuda is of course, President of *Nikkeiren*' (Interview with source from the automobile industry, 24/01/2000: A). The same Okuda was elected President of *Keidanren* in 1999 (*Nihon Keizai Shinbun Inc.*, 1999: 50-2).

European voices helped in gaining a better understanding of the role of these associations. They particularly stressed that whilst it is clearly important

to maintain good relations with *Keidanren* in particular, *Keidanren* is not the primary interlocutor in the automobile industry. This role is fulfilled by JAMA. Relations with *Nikkeiren* are close but not as close as with *Keizai Dôyûkai* (Interview with representative of the European bureaucracy, 09/11/1999: A).

The European observers frequently indicated that ‘we do not have any relations with any of these federations with regards to the automobile sector, but *Keidanren* was one of the first promoters of deregulation’ (Interview with source from the European bureaucracy, 13/10/1999: A).<sup>28</sup> As another spokesperson for the European automobile industry put it, ‘there is no relationship with them ... at least, not on an institutional basis’ (Interview with representative from the European automobile industry, 27/10/1999: A). Historically, however, the relationship between *Keidanren* and one Japanese manufacturer was reported as particularly favourable, as illustrated by the following quotation, which also briefly touched upon the question why *Keidanren* and the automobile industry in general do not seem to enjoy a particularly close relationship:

As auto’s power grew, so did that of Katsuji Kawamata, the chairman of Nissan. He was now auto’s representative in the *Keidanren*, the powerful business association, although chosen by process of elimination. The Toyota people didn’t want the job; they kept to themselves in Nagoya. Soichiro Honda was too radical, too much the outsider. The rise of auto privately offended many of the *Keidanren* traditionalists, who felt that the auto men were arrivistes, unaccustomed to their new power and insensitive in using it (Halberstam, 1986: 571-2).

Considering the fact that the Japanese automobile industry of the 1990s and the new millennium is highly active in all world markets, the position of foreign interests, automobile manufacturers, their umbrella organisations, embassies, and chambers of commerce, in this network and their relations with the Japanese side play a role which affects Japanese relations and action overseas. The main

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<sup>28</sup> The issue of deregulation concerns the international harmonisation of standards, something all automobile manufacturers and their associations are in favour of, but which governments find it hard to agree upon (see chapter 5).

automobile industries in the world markets with which Japan competes and enjoys relations are those of the United States and Europe. However, European interviewees emphasised that

the Japanese and Europeans share a dislike of American automobiles. ... In Japan, large American cars are actually associated with organised crime ... unfortunately, black Mercedes-Benzes also fall into this category (Interview with representative from a European governing institution, 09/11/1999: A).

As mentioned in chapter 2, ACEA-Japan concentrates solely on the needs of its European members and does not represent the views of the American automobile industry (Interview with representative of the European automobile industry, 27/10/1999: A). In rare cases of need, the interests of the less successful US automobile industry can be represented by the American Chamber of Commerce or the embassy of the United States. The US Chamber of Commerce in Japan, however, revealed that it does not deal with matters of the US automobile industry in Japan frequently, whereas issues concerning the Japanese industry in the US are considered more important and are taken up more frequently. European observers shed further light on this triangular relationship by referring to America's emphasis on bilateral contacts:

If there are problems with GATT and the WTO, the US is always interested in bilateral contacts. The Japanese have been known to turn to the European side for support against the USA. America prefers a more aggressive approach to Japan, occasionally resorting to *gaiatsu* (foreign political pressure) whereas Europe favours an approach based on co-operation (Interview with representative from a European governing institution, 27/10/1999: B).

The American automobile industry only plays a minor role in the network. The automobile industries of other, non-European, non-American, countries play an even more negligible role, which is backed up by the meagre export and production statistics offered by their respective umbrella organisations on the Internet. However, a certain influence of the European automobile industry in the network was admitted by all interviewees. The European automobile industry was indeed considered part of the Japanese automobile policy community. It should be noted that that with regards to the role of the European automobile industry and individual European manufacturers, various interviewees were remarkably quick to point out that 'what European automobile industry is there in Japan? Actually, there is only a German automobile industry. In Japan, European automobiles means German cars, and German only' (Interview with representative from a European governing institution, 27/10/1999: B).<sup>29</sup> Indeed, traditionally, the Japanese people have preferred certain German brands such as Mercedes and BMW for image reasons and

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<sup>29</sup> A quick glance at JAMA's most recent overview of the automobile industry supports such an impression by listing Mercedes-Benz, Volkswagen, and BMW's as Japan's top best-selling foreign makes of 1998, which continues a general trend in the history of Japanese automobile imports.

the luxury these offer over any other foreign make. After all,

Why would I want to buy a small French car when I can just as easily buy a Japanese car of similar size which will certainly be of better quality. French chocolate, yes, but French automobiles, no (Interview conducted at random with people in the streets of Tokyo and Nagoya, 09/10/1999: G)

Such random statements are easily supported by the Japanese import statistics of the last few decades. This, however, may change in the near future after the Japanese have accepted Renault's co-operation with Nissan.

The majority of Japanese manufacturers do not entertain noteworthy relations with ACEA, but contact and co-operation with individual European manufacturers exists, and where it does exist, is commented upon favourably. One example of such co-operation is Suzuki which occasionally considers it useful to exchange views with Opel Japan, GM Japan<sup>30</sup> and Peugeot which Suzuki co-operates with concerning vehicle development. Mitsubishi has a co-operative arrangement with Peugeot, Toyota conducts technical co-operation with VW in the areas of navigation systems and recycling, and, of course, Nissan and Renault present the most illustrious example of co-operation with their recent merger. Most Japanese manufacturers hardly ever deal with the representatives of the European Commission in Tokyo, the EU Delegation to Japan, and, if they do, meetings tend to take place on an unofficial basis (Interviews with representatives of the Japanese automobile industry and the European bureaucracy, 08/10/1999: A, 11/11/1999: A, 12/11/1999: A, 16/11/1999: A, 17/11/1999: A and B). As usual, Toyota and Nissan

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<sup>30</sup> These contacts can be attributed to the fact that GM is Suzuki's biggest shareholder (10 percent) (Interview with representative of the Japanese automobile industry, 12/11/1999: A).

are slightly more active than the other manufacturers and keep in touch and exchange views with both ACEA and the EU-Delegation. Interestingly, both companies maintain, however, that contact is more fruitful and frequent with the British and French embassies than with the Delegation. Nissan especially remarked that 'since the alliance with Renault, the French embassy has become very interested in Nissan and has been asking many questions whereas previously contact only existed to the British embassy' (Interview with representative of the Japanese automobile industry, 15/11/1999: A). Contacts with embassies of other EU member states are generally described as infrequent.

JAMA occasionally uses the Delegation as an additional source of information. The EU-Delegation to Japan represents the EU on a diplomatic basis, and therefore is mainly in charge of talks with governments. The headquarters of the Commission in Brussels have more contact with JAMA than the Japanese branch office, and the Delegation itself is more interested in maintaining constant contact with Japanese government agencies than with one singular industry. Major decisions are always taken in Brussels where the 'hard-core expertise' is located, and the Delegation is mainly concerned with information gathering and channelling, and advising the Commission in Brussels (Interviews with representatives from the European bureaucracy, 09/11/1999: A, 13/10/1999: A). However, European observers emphasise that the Commission in Brussels and the Delegation in Tokyo are 'only physically separated'. Although decisions are made in Brussels, branch offices generally enjoy a certain freedom by being geographically removed from the headquarters and 'you either pick them (the decisions) up or close your eyes and do what you like' (Interview with representative of the European bureaucracy, 13/10/1999: A).

Relations between the Delegation and ACEA are co-operative and mutually supportive. Automobile industry issues are mainly left to ACEA, or jointly discussed. This way, ACEA's points of view are frequently represented in various ways. ACEA closely co-operates with the automobile committee in the European Business Community (EBC), the federation of European Chambers of Commerce in Japan, and generally prefers this to dealing with individual chambers of commerce. The embassies of EU member states are contacted when the need arises or when heads of state visit Japan. These may, occasionally, be asked to raise issues of importance to the industry with the Japanese government. ACEA Tokyo is well connected with the Japanese government and even participates on an advisory committee to the Japanese Prime Minister. This shows that the European automobile industry has carefully acquired a certain position in the Japanese network. Relations with JAMA do not constitute one of ACEA-Japan's absolute priorities in Japan, since it is generally considered more important to gather information from the government. However, 'in cases of common interest, forces may be linked to push issues through' (Interviews with representatives of the European and Japanese automobile industry, 27/10/1999: A, 10/11/1999: A and B).

The Japanese government and the automobile industry clearly occupy dominant positions in the network. Amongst the government agencies, MITI stands out as the one agency which enjoys the closest relations with the automobile industry. MOT and MOF also playing important roles, but their contact with the industry is not as frequent as that of MITI. JAMA is highly influential in the network, well connected, and efficient in its lobbying. Two of its members, Toyota and Nissan, have so far been its most successful members, which occupy dominant positions in JAMA and accordingly play comparatively active roles in the Japanese

network. Nissan and Toyota have chosen to perform some individual lobbying. They also maintain their own personal relations to other actors in the network instead of leaving such networking entirely up to JAMA, as JAMA's less affluent and less publicly well-known members prefer doing. Representatives of the EU and governments of EU member states play less important roles, but generally enjoy good working relations with most major actors. However, they are mainly concerned with channelling information, performing watchdog activities and reporting back to European headquarters, where any important decision is made for them. The European automobile industry, however, is well-connected and has established a sound web of relations that reaches even as far and high as an advisory committee to the Prime Minister.

Policy network theory demands not only to pay attention to the influence of the visible, active and obvious actors on the network, but also to investigate the role of outside influences, such as the media, which may affect the shape of and interest in issues of relevance to the network. Obviously, each section of the media adheres to its own local practice in each market. In the case of Japan, a marked difference exists between Japanese journalists and European journalists, who are merely able to obtain information in the Foreign Correspondents' Club (Interview with representative from the Japanese automobile industry, 08/10/1999: A). With regards to the automobile industry, the media in Japan are interested in issues of trade, safety, product liability, and the environment. A source from the Japanese automobile industry pointed out that

In particular, in the case of the environment, the media have brought this issue to the public's attention, have caused an increase in the public's awareness which has affected the role,

positions, and activities of public interest groups who in return, have influenced the governments' and industries' reactions and activities. However, Europe and Japan boast a much higher level of public awareness than the US (Interview with representative from the Japanese automobile industry, 03/09/1999: A).

Other than that, the media in Japan are increasingly interested in tie-ups, and in the globalisation of the industry, and manufacturers point out that the media always seem interested in the launch of new models or new technological developments (Interviews with sources from the Japanese and European automobile industry and government, 27/10/1999: A, 09/11/1999: A, 19/11/1999: A). In the past, the media affected the Japanese automobile industry network by raising the interest of the public in certain issues. Occasionally, this can constrain the government and industry in the ways in which they address issues.<sup>31</sup>

The automobile industry policy network in Japan raises certain questions concerning its counterpart in Europe. Even though the European Union represents a more unusual and diverse system of governance than a typical nation-state such as Japan, comparative issues that must be addressed are:

Does the European policy network mirror that in Japan?

Which roles do its main participants play?

Which other actors are involved?

Can exact correspondents of the Japanese state actors be found in equivalent positions?

How much influence does the Japanese automobile industry wield in comparison to

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<sup>31</sup> Particularly, interest in tie-ups and the industry's growing internationalisation make it more difficult for manufacturers to meet in private and pursue such co-operation out of the limelight, as illustrated by the recent DaimlerChrysler case (Appel and Hein, 1998).

other non-European automobile industries?

Finally, is the Japanese automobile industry in Europe

possibly confronted with more problems in Europe than the European automobile industry is in Japan? One of their main problems is to get hold of information, whereas our problems in Japan are of a more linguistic nature (Interview with representative from the European automobile industry, 11/11/1999: A).

## **Chapter IV: Accepting the Challenge: The Japanese Automobile**

### **Industry in the European Union**

*Foreign trade is a war in which each party seeks to extract wealth from the other!*

(Honda Toshiaki, quoted by Bourke, 1996: 53; Wilkinson, 1990: 160)

The relations between the Japanese automobile industry and the EU can be broadly divided into five different, occasionally overlapping, stages. The first roughly 20 years between 1960 and 1984 are characterised by bilateral relations between the Japanese motor car industry and various member states, during which the industry mainly concentrated on establishing a market share via exports from Japan. Nissan's decision to set up a production facility in the UK in 1984 brought about a first change in these relations, which resulted in a closer and more intensive relationship on both sides. During this second phase, various manufacturers formed close relationships with all levels of government in some member states of the Community. They began actively to lobby some of these states, and generally integrate themselves into the industrial landscapes of these countries. This particular stage lasted until the late 1980s when increasing conflicts over Japanese automobile exports to the EU and regionally produced Japanese cars threatened to turn into a trade war.

Thus, the late 1980s saw the start of a series of negotiations concerning Japanese automobiles in the coming single market, which were solely conducted by government institutions from both sides. Constituting the third stage, these negotiations led to a renewed cooling of the relationship between the Japanese industry and European administration. Neither the European nor the Japanese motor vehicle industries were allowed to be present during the negotiations, and they were

only consulted by their respective governments behind the scenes. Eventually, these negotiations resulted in an EU-Japanese automobile export agreement, the 'Elements of Consensus' (EoC), the exact terms of which were readjusted and re-negotiated semi-annually between 1991-9, after which the European market has become completely free.

These negotiations also raised the awareness of the Japanese automobile industry of the significance of the EU, the single market and decisions made in Brussels. Therefore, from the late 1980s, the Japanese automobile industry entered the fourth stage and started to make concerted efforts to influence the policy process in Brussels in a number of ways. The end of the 20<sup>th</sup> century has seen yet another turning point in these relations. This fifth stage is particularly important, because it shows a very gradual intensification of a co-operative relationship between the Japanese and European competitors, which used to be almost non-existent, or at best, highly formal.

Chapter 4 is divided into four sections. The first section provides a detailed overview of the industry's expansion into Europe, concentrating on the selection of production sites, the attitudes of different countries, and the development of relations with various EU member states. Another section evaluates the present economic situation of the Japanese automobile industry in the EU, providing a detailed analysis of JAMA's role and functions in Europe, as well as of each individual manufacturer's position. A third section is dedicated to the evolution of Japanese lobbying efforts and different lobbying strategies used by the Japanese in the EU. This section is further sub-divided into general remarks and sub-sections dealing with JAMA's attempts and the efforts of individual manufacturers at influencing the policy machine in Brussels.

## **IV.1. Gradual Steps into Unfamiliar Territory**

### **IV.1.1. Exports- Getting a Foot in the Door**

The Japanese automobile industry in the immediate post-war era was mainly concerned with developing a sound industry, which would be able to supply the domestic market. For this reason, exports to Europe were not considered until the 1960s. However, even though the first, hesitant exports were sent to Europe in the 1960s, these generally remained insignificant for the next decade. In 1970, the Japanese market share in the European Community barely exceeded one percent in only a few of the smaller markets, such as Portugal, Belgium, Denmark, and the Netherlands. Exports to the major automobile markets of Europe were insubstantial with all Japanese manufacturers having a combined market share of 0.4 percent of the British market, 0.2 percent of the French market, and negligible shares of the German and Italian markets (Mason, 1997: 56).

During the 1970s, Japanese exports and market shares in most of the markets of the European Community increased considerably. Within a mere ten years, by 1980, Japanese automobile manufacturers had attained enormous shares in some Community markets, such as 24.7 percent in Belgium, 26.4 percent in the Netherlands, 30.9 percent in Denmark, 30.8 percent in Ireland, and 42.9 percent in Greece. Indeed, by 1980 the Japanese motor vehicle industry had even managed to gain more than just a foothold in the traditional automobile markets, which is indicated by market shares of 11.9 percent in the UK, 10.4 percent in Germany, and 2.9 percent in France. Italy, another traditional automobile-producing country, remained an exception with a market share of a mere 0.14 percent, which had been

limited by the Italian government's policy of maintaining long-standing export restrictions (Mason, 1997: 56-7). From a minor position in 1970, the Japanese automobile industry had managed to occupy major positions in most of the Community's markets, and even offer a serious challenge to one of the world's strongest traditional car industries in its home arena.

Increasing Japanese automobile exports to the EC led nearly all host governments in Europe's traditional automobile-producing countries to implement policies designed to restrict Japanese exports. The 'honourable exception' among the wary host governments was West Germany, which preferred to be internationally viewed as a 'Free Trader'. However, various sources (in particular, Interview with a former representative of the European automobile industry, 17/11/1998: B; Woolcock and Yamane, 1993: 39) imply that Lambsdorff, the German<sup>1</sup> Minister of the Economy, undertook several visits to Japan during the 1980s. During these visits, discussion of the export issue is said to have occurred, and interviewees hint that he may have been assured by his Japanese 'friends' that Japanese exports to Germany would not exceed 'decent and acceptable' limits. Eventually, with the coming of the single market of 1992, these export restrictions and bilateral agreements between Japan and various Community states were considered unfeasible by the Community authorities and, in time, led to the conclusion of a voluntary agreement to restrict Japanese automobile exports to the European Union, the 'Elements of Consensus'.<sup>2</sup>

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<sup>1</sup> Whenever references to Germany concerning the pre-unification era occur, the term 'Germany' always refers to the Federal Republic of Germany/West Germany, since the East German Market was of no particular significance for the Japanese automobile industry.

## **IV.1.2. Taking up Regional Production - Making Friends and Meeting Old**

### **Adversaries**

In various ways, most Japanese manufacturers had begun investing directly in the Community from the 1960s on. Nissan and Toyota had both set up European marketing operations during this period, and by the late 1970s the majority had also directly invested in European assembly plants. However, despite these efforts, regional production, in the sense of setting up purely Japanese production facilities in Europe, was an undertaking which was not considered until the 1980s. Most manufacturers admit that regional production had always been part of the long-term European strategy, but without the threat of increased EC protectionism, and an almost certain Community-wide export restraint with the coming of the single market, these plans might have been realised at a slightly later stage.<sup>3</sup> Therefore, spurred on by this obvious future development, various Japanese manufacturers began considering regional production from the 1980s onwards, in order to ensure a share of the European market, even if their exports were to be diminished temporarily (Interviews with representatives from the European and Japanese motor vehicle industry and governing institutions, 17/11/1998: A, 16/11/1998: A, 20/11/1998: A, 08/10/1999: A, 10/11/1999: A, 15/11/1999: A, 17/11/1999: A, 19/11/1999: A).

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<sup>2</sup> The EoC forms one of the most significant milestones in the Japanese motor vehicle industry's history in Europe, which greatly influenced future events, and will therefore be the subject of detailed analysis in the succeeding chapter.

<sup>3</sup> This type of development closely mirrors the process in the United States where the introduction of voluntary restraints of Japanese passenger car exports to the United States in 1981 motivated various Japanese manufacturers to set up regional production facilities. In many ways, both the US-Japanese negotiations and regional production in the US provided an ideal training ground for the situation in Europe.

Similar to developments in the United States preceding and directly after the implementation of the Japanese-American Voluntary Export Restraint Agreement (VER or VRA) of 1981, the Japanese industry began considering intensified Foreign Direct Investment (FDI), and various American federal states and member states of the European Community openly encouraged such efforts, and sought to attract these to their home base. Despite the openly negative, even hostile, attitude of some Community states towards the Japanese *per se* and Japanese regional production in Europe, others, such as the United Kingdom, clearly welcomed the idea of Japanese production facilities in their countries. The Thatcher government vigorously encouraged Japanese regional production with attractive incentive packages, but the Japanese, wary of European local content regulations,<sup>4</sup> initially remained reluctant. Eventually, however, increasingly severe attitudes towards Japanese exports and export regulations made Japanese regional production within Community borders inevitable.

Nissan was the first Japanese car maker to respond to Britain's continuous overtures when, in 1984, it signed an agreement with the British government to set up a major production facility in Sunderland. Honda followed Nissan's example by starting its own project, which consisted of co-operative production efforts with Rover from 1985. Various other Japanese manufacturers were soon motivated by the success of these operations to pursue similar plans. The British government was so pleased by Honda's efficient co-operation with Rover, that it initially even attempted to convince Honda to buy Rover, when the latter company's financial

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<sup>4</sup> Due to the energetic campaigns of some European member states, in particular France, Japanese car companies were generally forced to 'voluntarily accept performance requirements in the form of specified minimum (generally starting at 60 percent but later rising to 80 percent) local (EC, not UK) content levels' (Mason, 1997: 58).

decline seemed inevitable. However, Honda resisted such persuasive efforts, because it feared that a Japanese take-over of one of Europe's traditional car manufacturers would enhance European xenophobia and negative feelings towards Japan (Cortazzi, 1998: 170-1).<sup>5</sup> Nevertheless, this early encouraging British FDI policy was to have significant implications for Community negotiations with Japan in the late 1980s and 1990s, and provides an excellent example of use of the national strategy, with a member state expressing favourable views at EU-level.

When considering investment in Britain, Nissan was confronted with various problems. These difficulties are noteworthy, not only because Nissan's decision to take up production in the UK in 1984 resulted in a tidal wave of Japanese FDI in the Community, but also because they serve as examples of typical problems all Japanese investors were confronted with, when considering similar undertakings. For these reasons, Nissan's struggle is briefly discussed below.

For some time, Britain had sought to attract Japanese automobile investment. Britain's 'targets' in the Japanese car industry were ranked according to the interest shown by the companies, in the following order: Nissan, Honda, Toyota. Nissan reportedly began to express an interest in local production in the UK from the early 1980s onwards. In January 1981, 'Ishihara [Nissan's chairman at the time] agreed to a letter which might be interpreted as one of intent to make a major investment but which was not a firm commitment' (Cortazzi, 1998: 170). Between 1981-4 Nissan carefully investigated options for production plants and conducted negotiations with central and local authorities in the UK (Ibid.: 170-1). A reluctance on the part of

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<sup>5</sup> Recent developments, in particular, BMW's announcement (15/03/2000) of the sale of Rover, show just how wise Honda's decision has turned out to be. In particular, fear of xenophobic attacks were certainly not unfounded, as the British media's recent 'German-bashing' and 'BMW-bashing' activities show.

Nissan to set up production facilities in Britain could not only be attributed to problems with the British authorities but also to internal struggles and different points of view within the company. An American observer shed more light on Nissan's and the general Japanese attitude towards Britain:

If there was wariness on the part of the Japanese doing business in America, then their attitude was one of pure terror where Britain was concerned. "The British disease", the Japanese called England's condition, and for them it was the summation of all that was wrong with the West, an overtaxed society collapsing of its own indifference, both labour and management willing to destroy a company rather than find common ground. (...) When the Japanese noted things about American society that they did not like, they talked about the Americans coming down with the British disease, and when the smallest domestic signs were detected of what they considered decline, be it juvenile delinquents beating up a park bum or the desire of a Japanese family to sue a neighbour over a domestic squabble, they spoke of the danger of Japan's coming down with the British disease (Halberstam, 1986: 630).

The above quote provides a brief impression of Nissan's and, possibly, the initial Japanese attitude towards Britain. It further helps to understand Nissan's original reluctance and goes some way towards explaining why it took the company four years to decide on production in the UK. Despite these initial difficulties and apprehension on the Japanese side, the Japanese automobile industry has since come to value the British government as a loyal and trustworthy partner who frequently expresses views beneficial to it at the EU-level. In the aftermath of foreign direct investment (FDI) by automobile manufacturers, Japanese auto parts manufacturers have also begun to base themselves in Britain. However, these Japanese automobile component manufacturers have occasionally been known to report dissatisfaction with the profitability of their operations in Britain, and particularly with the

capability of British suppliers, which they attribute to poorer quality and delivery performance (Suzuki, 1998: 9-16). These and other examples show that the Japanese automobile industry has generally taken a careful and, at times, reluctant approach towards Europe.

JAMA openly acknowledges that in the 1990s 'Europe is the second largest automobile market after the United States',<sup>6</sup> which explains why Japanese manufacturers in the 1980s and 1990s have concentrated on establishing ties in various member states. Honda in 1985, Isuzu in 1987,<sup>7</sup> and Toyota in 1989 were quick to follow Nissan's decision. Apart from establishing production plants of their own, the Japanese motor car industry has further concluded a number of tie-ups in Germany, the UK, Spain and Portugal, as well as a joint venture between Mitsubishi and Volvo in the Netherlands. The majority of Japanese motor car operations in Europe is concentrated in the UK and Spain (Fujimoto, Nishiguchi, and Sei, 1994: 375; Truijens, 1993: 92, 110-1).

The preference of the Japanese car industry for some EU countries over others as principal sites for regional production is an important factor which has affected its interest representation at the European level in Brussels. Despite certain 'rational' reasons, occasionally less obvious, less 'economic' reasons can affect and have influenced decisions concerning European operations. At times,

the decision to invest in the UK, France, Germany, Spain or the Netherlands is something of a lottery, and the balance can be tipped by personal considerations. The Japanese managing director with a taste for French cuisine or the company president who was in London during

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<sup>6</sup> More information on this can be found on JAMA's home page: 22/06/1999:  
<http://www.japanauto.com/jama/about/jai%5F12.htm>

<sup>7</sup> Isuzu was as cautious as Honda, and decided on jointly producing with a British manufacturer.

his student days may come to influence decisions formulated out of more pragmatic concerns. The power of images and impressions cannot be dismissed or disentangled from the hard economic factors that have guided the Japanese course to Europe in recent years (Conte-Helm, 1996: 37).

Surprisingly enough, financial incentives offered by potential host governments do not seem to have had a strong influence on the outcome of these decisions (Truijens, 1993: 78). More common reasons include the size and potential interest of the host market in Japanese motor cars, its distribution potential, its number of potential production sites, as well as linguistic considerations (Truijens, 1993: 14-1, 145, 154). Particularly, the preferred choice of the UK is frequently explained by potential language and communication problems in other countries. Japanese managers who are posted to Europe have usually had working experience in similar posts in the United States and are therefore familiar with English, which eliminates the language barrier in the UK. The open, welcoming and tolerant attitude of the British government towards FDI further contributes to the attraction of the UK. An additional factor, which is implied, but never openly admitted in interviews, might have been that the British automobile industry in the 1980s, when the Japanese began to set up local plants, was too weak to have offered any real competition to the Japanese.

Initially, Japanese car producers consciously avoided setting up plants in the great automobile-loving markets of the European Community, namely France, Italy, and Germany. Thereby, they have avoided competition and conflict with the domestic motor vehicle industry, as illustrated by Kimura:

One such factor may well be the presence of strong indigenous firms in various core EU countries, such as Volkswagen, Mercedes Benz and BMW in Germany, Peugeot-Citroen and Renault in France, and Fiat in Italy (Kimura, 1996: 25-6).

Generally, production in the centre of the European continent rather than in the periphery, such as in Portugal and Turkey,<sup>8</sup> would seem advisable for logistic reasons. Production in the heart of the Continent offers the advantage of easy transportation and export to other European markets. Some Japanese companies are positively inclined towards production in Spain, because the company and its managerial employees have gathered production experience in Latin America and 'the Japanese acknowledge that Spanish is easier for them to pronounce than most other European languages' (Conte-Helm, 1996: 114).

Production in Germany could have proved advantageous for a number of reasons. Germany's location in the centre of the European continent offers favourable transportation to other European markets. Apart from VW, prior to the VW-Audi alliance, the German car industry has traditionally shown a reasonably tolerant and less hostile attitude towards their Japanese competitors than other European motor vehicle industries. Since Japanese automobile products traditionally target a different segment of the market, the German manufacturers have not felt particularly threatened by the Japanese competition. Germany, as one of the largest and most dominant members of the EU and as an automobile-producing country with a long history, could have exerted a favourable influence on behalf of the Japanese automobile industry at the EU-level. Despite these positive factors,

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<sup>8</sup> Since this research is concerned with Japanese penetration of markets in the European Union, Suzuki's fascinating and impressive attempt to penetrate the Eastern European market by establishing a production facility in Hungary, is neglected.

Japanese automobile production facilities have not been established in Germany for a variety of reasons. Occasionally, the Japanese reluctance to invest in Germany is attributed to 'dark', historical reasons, such as

Despite being at the core of European reconstruction France and Germany do not have such mature relationships with Japan. For four decades, because of historical associations (the wartime alliance from 1936 to 1945), the West German government tried hard to give the impression that there was not a special relationship with Japan. Although it had been argued that some industrial links, such as the tie-up between Fujitsu and Siemens, were motivated by loyalties dating back to the prewar period, this aspect has tended to be played down by both sides. This meant that, by and large, the Germans have not strived in the way that the British very consciously have done since the late 1980s to improve the relationship. The Japanese tended to see the Germans as harder-working and more efficient than the British, at least during Britain's strike-prone 1970s, but that did not imply any really close links. Nonetheless, the effect of German reunification, the gradual shift in the 'centre' of the enlarging EC/EU to Germany and the key voice of the Germans in European single currency negotiations have certainly raised the importance of the Germans in Japanese eyes. Also, as Japan has begun searching for its role in the international community in the 1990s, Germany, a country which like Japan is burdened with constitutional and emotional sensitivities about overseas military action, has become an important point of reference (Bridges, 1999: 46).

However, the fact that in January 1994, out of a total of 728 Japanese manufacturers, who were operating in Europe, 106 of these had selected Germany as their base (Conte-Helm, 1996: 36) renders 'historic reasons' unlikely for the lack of a Japanese automobile presence in Germany. Considering the fact that various Japanese automobile manufacturers have chosen to establish R&D and other non-production facilities in Germany, the German-Japanese wartime alliance does not

seem to be a factor which has greatly affected their decision to not produce in Germany. The Japanese car companies themselves usually list language reasons and high production costs as reasons against regional production in Germany and, as Kimura (1996: 25-37) pointed out, entry into the core automobile producing areas of Europe was indeed very risky and costly.

The attitudes of some EU member states have greatly affected the approach of the Japanese automobile industry to the EU. The majority of the member states did not become particularly active in the debate surrounding the advent of the Japanese automobile industry in the Community. Those member states which had traditionally had a strong national automobile industry, however, chose actively to influence this discussion. France and Italy, whose automobile industries targeted the same segment of the market as the Japanese, took a particularly hostile approach in the mid-1980s and early 1990s. In many cases, Italy simply used France as a 'mouthpiece' to voice shared opinions (Lehmann, 1992: 42). Britain and Germany, generally remained tolerant of the Japanese, or at least neutrally-positive. Initially, Japanese investment in France had been negligible because the French automobile industry and government feared a successful Japanese automobile industry, and, accordingly, behaved in a negative fashion towards the Japanese. After having experienced the *défi américain*, France, and particularly the weak French automobile industry, were wary of the *défi japonais* (Lehmann, 1992: 42). This initial attitude of the French towards an economically successful Japan, is particularly well summed up in a quote by Edith Cresson, the former French Prime Minister who, in 1991, referred to the Japanese as 'little yellow men who sit up all night thinking of ways to screw the Americans and the Europeans' (Whymant, 23/06/1991). In the early 1990s, the French attitude towards Japanese automobiles

was highly negative. At that time, France clearly represented ‘the most forceful advocate of the policy of confrontation’ (Lehmann, 1992: 42). This policy found expression in the French media that used arguments, such as, ‘the only thing the Japanese understand is strong arm tactics, but the Europeans can and should stop their invasion’ (Woolcock and Yamane, 1993: 14, quoting, *Les Echos*, 10/07/1980).

Similar sentiments were expressed by the French automobile industry at the time, such as :

The Japanese behave in a highly specific way, as do the Germans and one or two other nationalities. They prefer to buy their own products rather than foreign ones. This behaviour is particularly marked in the case of the Japanese (Calvet, 1991: 68).<sup>9</sup>

Initially, negative French reactions towards the Japanese automobile industry could be attributed to their fear of strong direct Japanese competition in their home market. A contemporary observer outlined the contrast between the Japanese and French automobile industry in the following manner:

The Japanese automotive industry is lean and mean, seemingly inexorably headed for more expansionist internationalization (whereas the French automobile industry is) fat and soft and retreating from international markets (Lehmann, 1992: 37).

Jacques Calvet further emphasised that vastly differing national markets in the European Community made an immediate unified attitude towards the Japanese automobile industry unlikely. He then characterised the different European points of

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<sup>9</sup> Jacques Calvet is the former chairman of Peugeot-Citroen.

view in the following manner: 'it is clear that at present the views of the British differ from those held by Latin countries. In some cases there is also a separate German view. That makes a total of three different viewpoints' (Calvet, 1991: 71). Similar diverging attitudes have found an echo in ACEA, and have in return, influenced ACEA's attitude towards the Japanese and the slow development of co-operation with its Japanese counterpart (Interview with representative of the European automobile industry, 20/11/1998: A).

Since the late 1990s, this situation has changed completely. By now, Nissan has been taken over by Renault and Toyota selected Valenciennes in Northern France as a site for its latest production plant.<sup>10</sup> It should be noted that the French government has been very positive towards Renault's decision and has also been highly supportive of Toyota's new production plant. However, the French automobile industry has initially been reported to have reacted negatively to the idea of a Japanese manufacturer producing in its home market (Reingold, 1999: 165). In the light of these recent developments, it may seem unnecessary to dwell on the early attitudes of the European actors. It is, however, necessary to be aware of them for several reasons. On the one hand, the highly different attitudes of European member states, particularly the severe French attitude, greatly affected the debate surrounding the 'Elements of Consensus'(EoC) prior to and in 1991. The EoC, which are analysed in great detail in chapter 5, marked the beginning of direct Japanese automobile relations with the European Community. For this reason, it is crucial to appreciate the different European points of view. On the other hand, the

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<sup>10</sup> More information on Toyota's new production plant in France can be found on Toyota's home page under: 03/05/1998: <http://www.toyota.co.jp/e/pr/1998/0430.htm>; Graham, R. and Simonian, H.: 10/12/1997; and in Owen and Nakamoto, 04/12/1997.

French members in the umbrella organisation of the European automobile industry, ACEA, have also greatly influenced the approach that ACEA has taken towards various issues. It must be emphasised that the co-operative attitude of the European Union and the European automobile industry towards the Japanese is still a comparatively recent phenomenon. Prior to the financial crisis in Asia in 1997, advocates of the above-mentioned severe attitudes could still be found in Europe and these should, therefore, be taken into account in this study.

## **IV.2. Japanese Automobile Actors and Agents in Europe - Today**

### **IV.2.1. The Economic Position of the Japanese Automobile Industry in, and Contribution to, Present-Day Europe**

Different attitudes of EU member states have clearly influenced Japan's relations with the EU, as well as the approach of the Japanese automobile industry to the EU. Japan-US relations are another factor in the global polity which have impinged strongly on Japanese-European relations and thereby affected the economic position of the Japanese automobile industry in the European market. The United States, its industry and its government, are highly active in Europe in economic terms, and also frequently choose to intervene in Japanese-European political affairs.<sup>11</sup> In the new century, the triangular relationship between Japan, Europe, and the United States is getting much closer, which also influences bilateral relations between any of the three. Japan's relationship with the US has in many

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<sup>1</sup> The United States is particularly prone to quickly attack Japan and the EU concerning trade problems, such as automobiles, beef, steel, and the recent 'banana problem' (when the EU did not import 'enough' American Chiquita-bananas) (*Süddeutsche Zeitung*, 15/03/1999).

ways had implications for the relationship of the Japanese car industry with Europe. It is characterised by more pressure and force than its relationship with Europe, which is more co-operative. Not only are the political ties between the three sides of the triangle different, but the economic systems of Japan and Europe are also more alike than those of Japan and the US, which 'makes it easier for Japan and Europe to understand one another and to co-operate effectively' (Interview with representative of the Japanese automobile industry, 10/11/1999: B). In many ways, this awareness of a generally co-operative and mutually understanding relationship has shaped the Japanese automobile industry's operations in, and interaction with, Europe.

Including headquarters, R&D centres, parts distribution centres, and production and assembly operations, which support Japanese automobile sales, the Japanese motor car industry presently operates in eight European countries (JAMA, 1999b: 6). In the UK, the Japanese have four locations, and in continental Europe, the Japanese have not only established themselves in Spain, Portugal, and France, but also in Hungary and the Netherlands. In 1999, Japanese plants provided jobs for a total of 27,400 Europeans, a figure, which is on the rise with Toyota's developing French plant (JAMA, 1999a: 14). The number of jobs provided by the Japanese automobile industry increases when positions in distribution and sales are considered, which amounts to a further 150,000 work opportunities created by the Japanese car industry (JAMA, 1999b: 6).<sup>12</sup> Besides production plants, R&D and technical centres also play an important role in contributing to the position of the

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<sup>12</sup> It may not seem wise to cite a Japanese source as evidence for these figures, since the Japanese have good reason to exaggerate these figures. However, no other source provides a similarly detailed breakdown concerning the contribution of the Japanese automobile industry to the European economy. General figures from European sources, namely ACEA, which also touch upon the Japanese presence and list some figures concerning the Japanese make JAMA's data appear convincing.

Japanese automobile industry in Europe. At present, these offer employment for 1,000 European workers. JAMA defines the main objectives of these, as follows:

to facilitate steady increases in local content levels. However, they also provide support for market research, product planning, and technical assistance and exchange. European R&D centers perform crucial tasks such as evaluating potential local suppliers and providing technological assistance to those suppliers selected, as well as overseeing compliance with local regulations (JAMA, 1999a: 14).

Japanese R&D centres are not only engaged in research activities, but also perform minor PR-functions. They serve to raise the image of Japanese cars in Europe, and alert the European public to the fact that Japanese automobile research actively contributes to the European economy. Apart from these 'purely Japanese' efforts, many co-operative agreements between the Japanese and European automobile industries, ranging from joint production, through joint sales, to the supply of European engines to Japanese companies (JAMA, 1999b: 12), further strengthen the Japanese voice in Europe.

A more detailed picture of the position of the Japanese automobile industry is gained when comparing its situation to that of other non-European car manufacturers. At present, the only other non-European car manufacturers which are active in Europe are the Koreans and the United States.<sup>13</sup> Clearly, the Japanese automobile industry enjoys a much better position in Europe than its Korean

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<sup>13</sup> It may seem strange to compare the Japanese automobile industry to the automobile industries of two countries which are clearly in very different positions. However, throughout this thesis, the Japanese automobile industry is compared to its most direct competitor in Europe, the European car industry. This brief section is used to show that the Japanese automobile industry occupies a markedly different position from other non-European car industries in Europe. Since the Korean and the American automobile industries are the only other non-European industries, the Japanese industry is briefly compared to them.

counterpart, since the latter has a negligible share of the EU's market. Unlike the Japanese, Korean car manufacturers are only present as exporters. The Korean Automobile Manufacturers' Association (KAMA) has also not considered it necessary to establish a European base and, therefore, cannot represent its interests in the same way as the Japanese. A representative from the European automobile industry further pointed out that, even in 2000, 'when seeing Japanese cars, people do not immediately think of the financial crisis as they do in the case of Korean cars. The Japanese generally have a sound reputation' (Interview with source from the European automobile industry, 26/01/2000: A).

The American automobile industry is again in a rather different position, because all the US manufacturers have European subsidiaries, which positively affects their situation. Due to this, they further have a completely different sales network from the Japanese (Interview with source from the Japanese automobile industry, 10/11/1999: A). In particular, Ford and General Motors enjoy a sixty-year-long history in Europe. They never exported to Europe, but instead established their own market bases. Since its founding days in 1991, Ford and General Motors have been members of ACEA, and due to DaimlerChrysler's recent alliance, Chrysler is also represented in ACEA (Interview with representative of the Japanese automobile industry, 10/11/1999: B). At present, ACEA does not have any Japanese members, although Renault-Nissan might change this situation in the future. This brief overview indicates that the Japanese automobile industry, at present, enjoys a comfortable position in Europe and is in a better position than its Korean competitor. However, it has taken some time to attain this position. This chapter analyses how it has reached this position and particularly takes individual Japanese actors into account.

#### IV.2.2. JAMA

JAMA jointly represents all Japanese manufacturers that are present in Europe. Soon after its establishment in 1967, JAMA decided that a European presence would be necessary, in order not only to gain an entry into, but a general understanding of, the European car market. Accordingly, JAMA set up its European office in Paris in 1968. In order to be in close proximity to the Organisation International des Constructeurs du Automobiles (OICA), JAMA chose Paris as its first European base (Interviews with representatives of the Japanese automobile industry, 10/11/1999: A and B, 18/11/1999: A). The fact that the Organisation for Economic Co-operation and Development (OECD) also had a European base there further contributed to Paris' attraction and

at the time, we believed Paris to be the centre of European politics. Well, later on, this situation changed slightly. In Europe, Paris definitely is the centre of culture and politics, but not the centre of economics and business. Eventually, we realised that Paris was actually not very interested in matters of the automobile industry (Interview with representative of the Japanese automobile industry, 18/11/1999: A).

Other sources imply that political and economic institutions may not have been the only features of Paris that attracted Japanese automobile managers, and especially some of JAMA's 'key figures' in European affairs may have had a particular affinity to French culture, cuisine, and *savoir vivre*, which could have contributed to

JAMA's selection of Paris (Interview with source from the Japanese automobile industry, 24/01/2000: A).

After 20 years of joyful existence in Paris and satisfactory membership of OICA, the increasing importance of the European Union made it necessary to part from Paris, and actively to promote public affairs in Brussels from 1990 onwards (Interview with representative of the Japanese car industry, 10/11/1999: B). The creation of ACEA in 1991 and the negotiations of the 'Elements of Consensus' agreement on Japanese exports also contributed to a move, 'which seemed sensible' (Interview with representative of the Japanese automobile industry, 18/11/1999: A).

By the time JAMA moved its European headquarters to Brussels,

the situation in Europe had greatly changed since the early days of the Paris office. Nissan was already producing in the UK, and several other manufacturers had followed suit, or were intending to do so, and somehow, it just seemed natural to move to Brussels. A further advantage was that Belgium has traditionally been very open to the activities of foreign associations, which also facilitated the move. Actually, Belgium actively encouraged JAMA to establish an office in Brussels. (...) Of course, the member states were much more important then than now, and it certainly helped that the Belgian ambassador was very much in favour of this initiative (Interview with representative of the Japanese automobile industry, 18/11/1999: A).

JAMA's European headquarters in Brussels have further been supported by a small branch office in Bonn, Germany, for much of the last decade, whose tasks are mainly confined to offering information to the interested public and to simple information gathering activities.

Just like in Japan, JAMA emphasises that it does not have a particularly special or unusually close relationship with any of its members.<sup>14</sup> Any issue with relevance to Europe is jointly decided in the members' committee in Japan. Although members occasionally have different, even conflicting, opinions, the Japanese motor car industry in Europe generally seeks to present a united front through JAMA (Interviews with representatives from the automobile industry, 10/11/1999: A and B). However, the individual manufacturers do not always announce their plans to and discuss actions with JAMA. JAMA clearly serves a role as common representative, and 'does good representation on the public side', but, as explained in chapter 3, JAMA is also in a grey area between the government and industry. For this reason, JAMA's members occasionally prefer taking action on their own (Interview with source from the Japanese automobile industry, 11/06/1998: A).

Co-operation between JAMA-Brussels and JAMA-Tokyo is intimate, and 'everything goes back to Japan' (Interview with source from the Japanese automobile industry, 11/06/1998: A). JAMA-Brussels does not have any independent decision-making authority or capability, and any decision is made in the members' committee in Japan, by means of consensus. JAMA-Brussels is mainly concerned with information gathering, and creating contacts with governing institutions and decision-making authorities. It passes recommendations on to Japan, but decisions are essentially made and implemented in Japan (Interview with

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<sup>14</sup> However, sources from the automobile industry indicate that any umbrella organisation tends to have several more dominant members, whose interests are sure to be represented well and who clearly influence internal discussions. In the case of ACEA, these members are VW and Mercedes-Benz (now DaimlerChrysler) and in the case of JAMA, Nissan and Toyota were known as the most influential members (Interviews with sources from the Japanese and European automobile industry, 27/10/1999: A, 10/11/1999: A and B, 16/11/1999: D, 19/11/1999: A, 24/01/2000: A).

representative from the Japanese car industry, 10/11/1999: A).

### **IV.2.3. The Economic Position of Individual Japanese Manufacturers in Europe**

#### **IV.2.3.1. Toyota**

Toyota and Honda are the only Japanese automobile manufacturers which have, thus far, remained successful and competitive despite the recession in Japan. Despite the recession, Toyota has continued to maintain its leading position in the domestic market, as well as its expansion into other world markets, which started in the 1960s. During the last decades, Toyota concentrated on setting up regional production facilities in all major world markets, particularly in response to strict US and European export monitoring (Bursa et al., 1998: 71). Toyota's drive towards globalisation has been further spurred on by recent developments. Its attitude towards mergers such as the DaimlerChrysler alliance is ambivalent. On the one hand, Toyota has spoken out firmly against this type of co-operation for numerous reasons:

One must understand that for a Japanese company, and especially for Toyota, to acquire a foreign manufacturer or to merge with a foreign group is not as easy as it is for a group from another part of the world. To take over a foreign group in its entirety, including its employees, creates huge difficulties tied to language, differences in mentality and differences in culture.<sup>15</sup>

Toyota is a very conservative company (Okuda, 1998, quoted by Bursa et al., 1998: 78).

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<sup>15</sup> Recent reports on management problems in DaimlerChrysler indicate just how correct Okuda/Toyota is in its assessment of mergers (Hawranek, 1999: 100-1).

On the other hand, the growing internationalisation of the automobile industry has motivated Toyota to intensify its group strategy, in particular its relations with Daihatsu and Hino (Bursa et al., 1998: 78; Harney, 10/03/2000).

Although Toyota started its general expansion into Europe early, for a long time, Europe ranked low on Toyota's list of priorities (Interview with representative of the Japanese automobile industry, 12/06/1998: B). Toyota started its export drive to Denmark as early as 1962. In 1971, Toyota asked a Portuguese manufacturer to produce Toyota's automobile products under licence, in order to gain a presence in the South European market, and from 1987 Toyota jointly produced fork-lift trucks with its French partner, Manitou. From 1989, Toyota was engaged in a joint operation with VW to manufacture small Toyota pickup trucks in Germany, and has since then concluded a number of other co-operative projects with VW (Reingold, 1999: 139). However, despite successful sales in Europe, Toyota carefully considered the advantages and disadvantages of regional production there. Europe has proved to be a particularly challenging market for outsiders to tackle, since competition between a large number of manufacturers is fierce, which has often served to turn the European market into a 'benchmark' for a company's world-wide success. Since the introduction of the single market however, Toyota, like most automobile companies, had become aware of the growing significance of the EU, and the need to establish a strong foothold which would be based on more than a mere export strategy (Interview with representative from the Japanese motor car industry, 08/10/1999: A).

In 1998, Toyota increased its European sales by 11.4 percent to 557,506 vehicles (Toyota, 1999a: 21), which shows its growing commitment to the European market, but still does not reflect its position in other world markets. However, as the

1990s approached, Toyota considered it necessary to increase its European presence, and established its European headquarters in Brussels to 'strengthen its research, development and marketing capabilities in the region' (Bursa et al., 1998: 84). In Japan, Toyota has 'conquered' almost 30 percent of the passenger car market (Mullineux, 1998: 98); in the US, it holds a market share of 7.7 percent; whereas in Europe, it has only achieved a market share of a mere 2.8 percent (Bursa et al. 1998: 81). In Europe, Toyota ranked 12<sup>th</sup> in terms of sales in 1997, which is lower than Nissan. Germany and the UK have traditionally been Toyota's largest markets, jointly responsible for 43 percent of Toyota's European sales, whereas sales in the other two major automobile markets, France and Italy, have been increasing more slowly. In general, Toyota sells 10,000 vehicles in virtually every EU member state, with the exceptions of Portugal and Luxembourg, which can be mainly attributed to the careful development of its European distribution network (Mullineux, 1998: 99). So far, Toyota has only maintained direct control of three of its European sales companies, in Germany, Italy, and Portugal, which accounted for half of its European sales, and is now, as part of its recent European strategy, establishing increasing numbers of regional distribution centres. Apart from these and its regional production facilities, Toyota has also increased its presence in Europe by setting up a liaison office in the UK, training centres in Belgium and Moscow, joint venture sales companies in the Czech Republic, Hungary and Poland, and service networks in the former Soviet Union (Willings, 1998: 99).

Part of Toyota's new European strategy consists in increasing its manufacturing presence. Toyota's earliest (joint) production facility in Europe was the Caetano plant in Portugal, of which it owns a 27 percent share, and which produces a wide range of models (Willings, 1998: 101). Apart from joint

production, Toyota was also the second Japanese manufacturer to decide on independent regional production in the EU in 1989.<sup>16</sup> Like its direct competitor Nissan, Toyota was propelled to base its first independent plant in the UK (Burnaston) for a number of reasons, such as generous tax incentives by the Conservative British government, and ‘the added benefit of dealing with an English-language market which allowed maximum synergy with its North American plants’ (Bursa et al., 1998: 82). Toyota began production at Burnaston in 1992, and since then has integrated itself into the political and industrial landscape of the UK. In both Portugal and Britain, Toyota has been accepted as a member of the national associations of the automobile industry, which has actively contributed to its level of acceptance in both countries. By now, Toyota is so well-integrated into the British industrial landscape that it, occasionally, chooses to speak out openly against the British government. In 1997, Toyota attempted to convince the UK to join the European Monetary Union (EMU), openly criticised Britain’s failure to do so (Simonian, 05/12/1997), and subsequently decided to take investment away from the UK, instead establishing a new production plant in France. This decision ‘however, is in no way connected to the UK’s reluctance to join EMU. Toyota does not make any threats!’ (Interview with representative from the Japanese automobile industry, 08/10/1999: A).<sup>17</sup>

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<sup>16</sup> Honda and Isuzu actually began producing locally in the UK prior to Toyota, but were involved in joint production facilities with European partners, whereas Nissan and Toyota were the first companies to establish production plants of their own.

<sup>17</sup> Toyota has repeated its threat to retreat from the British market if the UK continued its refusal to join EMU (*AutoBild*, 04/02/2000). However, Toyota is by no means the only non-British manufacturer, who feels its business is losing too much profit, as long as the UK does not enter EMU. Other Japanese manufacturers have also been in favour of the Euro since early on (Jonquière, 29/10/1997). Japanese automobile manufacturers in the late 1990s have generally complained about losses due to the unfavourable exchange rate between the Pound and the Euro (Griffiths, 13/05/1998), and BMW recently (Ceefax, 16/03/2000) listed the strong Pound as the major reason for its decision to sell Rover.

In late 1997, Toyota announced its decision to set up its new European plant in Valenciennes, Northern France, where production of the *Yaris*, which has been exclusively designed in Europe and for the European market, is scheduled to start in 2001. Not only does Valenciennes offer a perfect location, close to its European headquarters in Brussels and to the Channel tunnel link with its facilities in the UK, which has been well-supported by generous incentives from the French government, but Toyota's decision to set up a plant in France generally bears 'the hallmark of a carefully formulated strategy' (Bursa et al., 1998: 84) insuring that Toyota achieves the same type of success and market share in Europe as in all other major world markets.

#### **IV.2.3.2. Nissan**

Nissan has four overseas divisions, America, Asia/Oceania, Middle and East Africa, and Europe.<sup>18</sup> In Europe, Nissan is the most successful Japanese manufacturer. Because it is well established as a volume manufacturer in Europe, it acts and is treated much more like a European manufacturer than an importer (Interview with representative of the Japanese automobile industry, 15/11/1999: A; Mullineux, 1998: 92).<sup>19</sup> Despite its excellent position in Europe, Nissan strongly agrees with other Japanese manufacturers that, from a profitability point of view, Europe is a particularly difficult market. This is partly due to strong governments in

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<sup>18</sup> After Ghosn's recent appointment as president of Nissan (Harney, 16/03/2000), the president of Nissan Europe has resigned, and instead of replacing him, 'Nissan will rely on a team of four local executives to oversee its activities there' (Harney, 16/03/2000). However, during the time-frame of investigation of Japanese automobile lobbying in Europe in this thesis, up to the resignation of the Santer-Commission in 1999, Nissan Europe was still active.

<sup>19</sup> Nissan's treatment as a European 'insider' is likely to increase further due to its recent alliance with Renault.

most EU member states, which exert their influence in Brussels. However, Nissan is aware that the European market is especially important, since the image of a brand in Europe can affect the brand's global recognition (Interview with representative of the Japanese automobile industry, 15/11/1999: A).

Despite being hard-hit by the Asian recession in its domestic market, Nissan has been continually successful in Europe, with sales in 1998 reaching 538,000 units (Nissan, 1999b: 25), and a west European market share of 3.1. percent against Toyota's 2.8 percent (Bursa et al., 1998: 140).<sup>20</sup> Nissan has been a pacesetter for the Japanese automobile industry in Europe, ever since it started regional production in the UK in 1986 (Willings, 1998: 92-3). Nissan established itself in the European market more than two decades ago with a strategy that was initially concerned with selling a large quantity of its products in Europe. At that time, Nissan paid more attention to this factor and concentrated less on the quality of its products, which greatly improved in the following years. Nissan's European headquarters in Amsterdam, which are responsible for co-operation and control over its marketing and distribution in Europe, are supported by national sales companies in Nissan's seven largest European markets: the UK, France, Germany, Italy, Spain, the Netherlands, and Switzerland. With this strategy Nissan is able

to define and implement more effective pan-European policies in marketing and distribution, to achieve greater economies of scale in operation, and to present a more integrated and coherent image (Willings, 1998: 92).

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<sup>20</sup> So far, Europe is the only world market, where Nissan has 'beaten' its major Japanese competitor Toyota in terms of market share.

Apart from its two manufacturing facilities in the UK and Spain, Nissan owns a research and design centre in the UK, a technology centre in Brussels, a styling studio in Germany, development and parts divisions in Spain and a central distribution service and parts centre in the Netherlands (Willings, 1998: 92-3).

In 1989, Nissan established its European headquarters, Nissan Europe N.V. (NENV), in Amsterdam. It is not entirely certain why Nissan selected the Netherlands, one of the EU's less influential member states in terms of the automobile industry, but generous financial support from the Dutch government, a convenient location with easy access to the rest of the European continent, as well as to production facilities in Britain and Spain, and good English language skills in the Netherlands clearly affected the choice of location (Interview with representative of the Japanese automobile industry, 15/11/1999: A). Nissan Europe's main function can be summed up as:

to manage all of Nissan's European resources and to coordinate activities with respect to all aspects of European operations. ... To enable further localization in Europe, NENV oversees and facilitates the activities of all group companies, which enables it to enhance the local content of new car production and expand export sales to non-European markets (Nissan, 1999d: 15).

At present, Nissan has sales, R&D, production, and finance functions for the whole of Europe in Britain. Nissan's British operations jointly co-operate to

improve in those areas based on Nissan's 1995 global Restructuring Policy. Goals include expanding local production, localizing the production of main parts, expanding exports from

the production base, reinforcing the R&D functions, and increasing local purchases (Nissan, 1999d: 18).

The most significant among Nissan's European operations is its production plant in Sunderland, which proved advantageous for various reasons, including a particularly welcoming host government which offered generous financial assistance, language considerations, and easy access to Sunderland's harbour and, initially, to a small nearby airport (Interview with representative of the Japanese automobile industry, 15/11/1999: A). When production at the UK factory started in 1986, violent outcries from other European member states insisted that the plant would never be more than a 'screwdriver operation' or a 'Trojan horse', allowing Nissan to be successful in Europe without being a true 'European' company (Bursa et al., 1998: 142). However, Nissan has quickly increased its 'local content' (meaning the European share of its components) and is now Europe's most productive automobile plant (Griffiths, 18/08/1999), which according to Nissan itself 'is Europe's second most integrated car manufacturing facility after Volkswagen's Wolfsburg' (Bursa et al., 1998: 142).

In Spain, Nissan hosts R&D, production, sales & marketing, and logistic functions (Nissan Motor Co., Ltd., 1999d: 22). Nissan Motor Ibérica, the production facility, was established in 1980, when Nissan acquired 35.85 percent of Motor Ibérica (Nissan Motor Co., Ltd., 1999d: 23). The selection of Spain as a manufacturing site was largely determined for legal reasons. In the 1980s, manufacturers exporting to Spain were faced with unusually high taxes, which, together with Spain's easy access to the South European market, increased Spain's attractiveness (Interview with representative of the Japanese automobile industry,

15/11/1999: A). Nissan successfully circumvented these tax problems by basing itself directly in Spain and exporting from Spain to the rest of Europe.

Since 1991, when Nissan Europe acquired Richard Nissan, a previously independent French company, Nissan had been the best-selling Japanese brand in France (Nissan Motor Co., Ltd., 1999d: 27). Nissan enjoys a particularly long and successful history in Germany, to which it has been exporting since 1972. In 1973, Nissan Motor Deutschland GmbH (NMDG) was established, and since then Nissan has operated a successful sales network in Germany, which has been supported by Nissan's Design Europe GmbH since 1992. In 1998, Nissan further acknowledged the growing importance of the German market when its product-quality investigation team moved its base from Brussels to Germany (Nissan Motor Co., Ltd., 1999d: 29-30). Nissan has also been the most successful Japanese manufacturer in Italy for the last decade and has been supported by an Italian sales company since 1980 (Nissan Motor Co., Ltd., 1999d: 32-3). Besides a sound presence in the above-mentioned member states' markets, Nissan also became aware of the importance of the single market at an early stage and established its European Technology Centre in Brussels in 1989 (Nissan Motor Co., Ltd., 1999d: 345).

At present, it is difficult to evaluate how Nissan's alliance with Renault will contribute to its success and change its strategy in Europe. However, Nissan and Renault are engaged in intensive global co-operation and intend to implement world-wide synergies between Renault and Nissan in the areas of purchasing, product planning, vehicle engineering, research and advanced engineering, and powertrains (Nissan Motor Co., Ltd., 20/10/1999: 1-5). In the area of production, Nissan's Sunderland plant is scheduled to start producing Nissan-Renault cars from

2003 (Harney and Tighe, 14/05/1999). Besides joint production in Europe, Renault and Nissan are presently establishing

a new policy for their distribution system by using more powerful major joint dealers managing local networks of separate dealerships in a given territory. This strategy will allow each partner to boost its revenues and reduce distribution costs, while maintaining separate brand identities through separate outlets. Renault's and Nissan's objective is to restructure and to strengthen the European network by mid-2002. Reducing distribution costs will not be limited to the dealer network: Renault and Nissan want to identify and implement back office synergies ... between the two companies at a national and European level which can minimize the costs of structural distribution. Both Renault and Nissan will retain their own sales force and marketing organizations to maximize the sales potential of the Renault and Nissan brands (Nissan Motor Co., Ltd., 20/10/1999: 2).

While it is not certain how Nissan's domestic and world-wide performance will be affected by the merger with Renault, it can be safely assumed that Nissan's already outstanding European performance will be improved. A further benefit could be that Renault is likely to support views beneficial to the Japanese automobile industry in ACEA. This merger is likely to strengthen the position of the Japanese automobile industry in Europe, and may well change the way in which the other European manufacturers view the Japanese. The Renault-Nissan alliance, as well as Toyota's decision to produce in France, are certain to alleviate hostile reactions from the hitherto most adamant critic of the Japanese automobile industry in Europe, the French automobile industry.

### **IV.2.3.3. Honda**

Honda has divided its global operations into four major regions. These include: (a) America, including the United States, Canada, and Latin America; (b) Europe, including the Middle East and Africa; (c) Asia, including all of Asia with the exceptions of Turkey and Japan; and (d) Japan as a region of its own (Interview with representative of the Japanese automobile industry, 03/09/1999: A).

Like Nissan, Honda is relatively successful in Europe, although Europe only represents its third-largest regional market after North America and Japan. Despite the recession in Japan, Honda has continued to expand its market share in both Japan and Europe, and other world markets.<sup>21</sup> In both markets, Honda has been especially successful in niche markets, which has been ‘largely at the expense of Nissan’ (Willings, 1998: 78).

Honda’s history in Europe is the longest among all its overseas operations, starting with a motorcycle factory in Belgium in 1961. Honda’s early expansion into Europe can be traced back to the ‘vision’ of its founder, Honda Soichirô, that Honda would not have a future if it only manufactured in Japan, and only sought to be No.1 in Japan (see chapter 3). Therefore, at an early stage Honda advocated the need to produce regionally in local markets. Honda generally established its own distribution system and subsidiary producers in all major European markets, with the sole exceptions of Portugal and Switzerland, where Honda is engaged in joint production (Interview with representative of the Japanese automobile industry, 03/09/1999: A). In fiscal 1999, Honda’s European production plant in Swindon

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<sup>21</sup> Despite the recession, Honda secured its place as Japan’s second-largest automobile manufacturer in 1999 (Financial Times, 26/01/2000). Undisturbed by the recession, Honda has further continued to expand its global network, which includes increasing its presence in China (Harding, 15/09/1998; Harney, 17/02/1999) and India (Harney, 09/08/1999).

produced a total of 114,000 automobiles, which further increased its market share compared to previous years (Honda Motor Co., Ltd. 1999b: 14). Honda-Europe is distinguished from other Japanese carmakers in Europe by the fact that it owns more of its Western European national sales companies (10, with a half-share in an 11<sup>th</sup>) than any of its Japanese competitors. Roughly 94 percent of European sales are conducted through these companies (Willings, 1998: 78-9). Again, this is part of Honda's corporate character, which seeks to retain as much control as possible of all types of its operations.

Honda's major markets in the EU, which jointly account for more than half of Honda's West European sales, are Germany and the UK. The EU's other large markets, Italy, France, and Spain, are less important for Honda, but still offer room for growth. Italy takes just over half as many of Honda's products as Germany, and France and Spain account for even less. Apart from the EU's major automobile markets, Honda has established a strong presence in most other European markets, particularly in Norway, Finland, Austria, and Portugal (Mullineux, 1998: 82-3).

The year 1985 marked a turning point in Honda's European history with the establishment of Honda UK, Honda's plant in Swindon, as well as the establishment of an engine plant. Initially, Honda and Rover, which had had a long-standing agreement in the UK, jointly conducted pre-delivery inspection. They then began manufacturing engines in 1989, and finally in 1992 Honda's Swindon plant started the production of automobiles. Honda selected Swindon as its regional production site because of its former collaboration with Rover, which made a site close to Rover preferable. A further advantage of Swindon was that it allowed Honda to continue relationships with auto parts manufacturers and subsidiaries which it had established during its co-operation with Rover. Honda had previously gathered

manufacturing experience in the US, which made production in an English speaking country preferable, since the majority of Honda's managers are familiar with English (Interview with representative of the Japanese automobile industry, 03/09/1999: A). Honda is generally so satisfied with its Swindon plant that it has preferred to increase its Swindon facilities instead of establishing more plants in different EU-member states (Simonian, 27/10/1997). It is particularly noteworthy that Honda, unlike other manufacturers, prefers to increase its European market share without 'compromising its corporate culture' by merging with strong European manufacturers (Burt, 07/07/1999).

One of Honda's major problems in Europe is its local suppliers, which frequently are not up to the standard of Honda's suppliers in Japan. Honda takes pride in its strong customer focus, and therefore demands high engineering standards of all of its European suppliers. This is particularly significant, considering the fact that Honda sources 90 percent of its components used in Europe locally (Willings, 1998: 80). In the past, Honda's European strategies were mainly devised in Japan and from a Japanese perspective and this is only beginning to change very slowly. Honda still has a much bigger market share in the United States than in Europe. Similar to most Japanese manufacturers, Honda considers the European market particularly competitive, and harder to break into than other world markets, but finds it necessary to establish a strong presence in Europe (Interviews with representatives of the Japanese automobile industry, 03/09/1999: A, 28/10/1999: A).

#### **IV.2.3.4. Mazda**

Mazda's role in the European market is relatively small and mainly confined to exports from plants in other world markets, in particular the United States, to Europe (Interview with representative of the Japanese automobile industry, 17/11/1999: A). Mazda holds a minor share of the European market, which dropped from 2.1 percent to 1.3 percent between 1990 and 1997 (Mullineux, 1998: 85). This situation seems to be improving slightly with the introduction of new models to the European market in 1999. These had the effect of boosting Mazda's European sales 15.5 percent over those of 1998 to 248,10 units (Mazda Motor Corporation, 1999b: 16). Mazda's largest European markets consist of Germany, the UK, Austria, and the Netherlands, where Mazda has established a strong market presence (Mullineux, 1998: 86-7). Despite relatively stable sales in these markets, Mazda has only set up one national sales company in Germany, which handles over 40 percent of European sales. This German sales company is supported by an R&D centre in Germany and a European representative office in Brussels, which, however, are not particularly involved in sales, and, generally, give Mazda's importers considerable freedom in their approach to the market. Clearly, this approach is also reflected in Mazda's European PR. The limited scale of Mazda's European facilities has contributed to its lack of 'public visibility', a distinct corporate identity, and a co-ordinated marketing approach - issues which Mazda has begun to address in 1999. In recent decades, Mazda has tried to maintain its independence, but, by now, its corporate strategy has become increasingly tied in with that of Ford. At present, Mazda does not have any production facilities in Europe, but has been able to make use of Ford's UK-production facilities (Willings, 1998: 84-6). Mazda's close relationship with Ford not only extends to a possible increase in 'European' production, but Ford's membership of ACEA can also prove beneficial to Mazda.

#### **IV.2.3.5. Mitsubishi**

Initially, Mitsubishi concentrated its European strategy on exporting niche models from the US and Australia, but, in recent years, it has also manufactured directly in Europe (Mullineux, 1998: 89-90). In fiscal 1998, Mitsubishi increased its European sales 10 percent over those of the previous year, resulting in sales of 277,206 automobiles (Mitsubishi Motors Corporation, 1999b: 28). Mitsubishi's largest European markets consist of Germany, accounting for more than one third of its European sales, the UK, Italy, and Spain. Sales in the Netherlands, Portugal, and Scandinavia have been increasing steadily, whereas Mitsubishi remains less successful in France, Greece, and Luxembourg (Mullineux, 1998: 90).

In 1991, Mitsubishi signed an agreement with Volvo and the Dutch government concerning the establishment of a joint production plant in the Netherlands. Production at the 'NedCar-plant' started in 1995, and after initial problems concerning different styles of management, cultural differences, and production aims, the co-operation worked relatively satisfactorily for all the partners (Interview with representative of the Japanese automobile industry, 16/11/1999: A; Bursa et al., 1998: 205-6; Willings, 1998: 89). However, after Volvo's recent take-over by Ford, Volvo decided not to extend its contract with Mitsubishi after 2004 (Harney, 30/09/1999). This co-operation and Mitsubishi's world-wide operations have been further affected by the alliance of Mitsubishi and DaimlerChrysler in March 2000 (Harney, 07/03/2000; *Spiegel*, 07/03/2000; *Financial Times*, 28/03/2000).

#### **IV.2.3.6. Fuji**

Fuji is a very minor player in the European market. Outside of Japan, it produces only in the US and Taiwan, not in Europe. Fuji holds a meagre 0.3 percent share of the European market, and sold only 40,000 units in 1996-7 - figures which have not risen considerably thereafter. Fuji's strongest market consists of Switzerland, where an independent importer has successfully contributed to Fuji's strong penetration of the Swiss market (Willings, 1998: 74-6).

#### **IV.2.3.7. Daihatsu**

Daihatsu's business in and with Europe started more than 30 years ago. In 1964, Daihatsu became the first Japanese manufacturer to export to the UK. Since then, Daihatsu 'has considered the European market as one of its most important markets in the world, where the public is particularly conscious of the environment' (Interview with representative of the Japanese automobile industry, 19/11/1999: A). Daihatsu does not maintain any production facilities of its own, but has been jointly producing commercial vehicles with Piaggio VE SPA in Italy (Willings, 1998: 73-4). Daihatsu emphasises that if it were to establish regional production facilities in Europe, low-cost operation 'would be one of the most important factors determining selection of the site'. In 1995, Daihatsu's export levels to Europe hit the low of the decade, barely reaching 50,000 units, which can be mainly attributed to the strong yen. However, since then exports and sales have been steadily increasing, and were expected to reach 100,000 units in 1999. Daihatsu's main markets in the EU consist

of Germany, the Netherlands, and the UK (Interview with representative of the Japanese automobile industry, 19/11/1999: A).

#### **IV.2.3.8. Isuzu**

Since General Motors's (GM) acquisition of 37.5 percent of Isuzu's shares, Isuzu's activities in the European market have been closely linked to those of GM. In the 1990s, Isuzu has by and large retreated from the European market in its own right, the sole exception being the UK, where Isuzu is marketed by the same importer as Subaru. In most other European markets, Isuzu's products are now sold as GM automobiles, under brand-names such as the Opel/Vauxhall. Isuzu itself has established liaison offices in Belgium and Germany, which are mainly concerned with the performance of its commercial vehicles and trucks. Since 1992, Isuzu has discontinued its passenger car production in Europe, and has instead concentrated on trucks and commercial vehicles. In the last decade, GM has slowly increased its control of Isuzu, which clearly affects Isuzu's European strategy. Isuzu's European production, sold as various GM brands, amounts to roughly 35,000 units per year.<sup>22</sup> Isuzu partly owns various production facilities throughout the EU, such as a 40 percent share of IBC Vehicles of Luton,<sup>23</sup> and a small share in a Turkish plant (Willings, 1998: 83).

#### **IV.2.3.9. Suzuki**

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<sup>22</sup> Since the majority of Isuzu's products in Europe are now sold as a number of GM brands, it is difficult to ascertain Isuzu's actual production and sales levels in Europe.

Suzuki, the twelfth largest manufacturer in the world (as of 1998), plays a minor role in the European market, ranking 21<sup>st</sup> in European sales in 1997 (Mullineux, 1998: 95). Nevertheless, Suzuki has a long history in the European market, to which it began exporting in 1966. Suzuki has continued its export strategy, and exported 107,000 units in fiscal 1999. In the last three decades, since the beginning of its export drive to Europe, Suzuki has exported roughly 2.1 million units to Europe (Interview with representative of the Japanese automobile industry, 12/11/1999: A). Suzuki's largest European market consists of Germany, but it has also been successful in the Netherlands, Italy, and the UK. France represents a more difficult market for Suzuki, and sales in Denmark, Sweden, and Ireland have also been increasing slowly (Mullineux, 1998: 96-7).

It should be noted that besides its automobiles, Suzuki has also established a sound motorcycle presence in Europe. This, however, is largely independent from its automobile operations. Suzuki's automobile relations in Europe are mainly determined by its co-operation with GM and Opel. With regards to motorcycles, Suzuki generally deals with different departments in the European polity (Interview with representative of the Japanese automobile industry, 12/11/1999: A). It is particularly noteworthy that the motorcycle industry has formed its own policy network which is independent from the automobile network. Whilst the automobile network occasionally tends to affect issues in the motor cycle network, the motor cycle network rarely influences the automobile industry network. This can be attributed to the fact that the automobile industry is a stronger and more powerful industry than the motorcycle industry. Other reasons include the facts that various EU member states feel strongly about the automobile industry and that the media

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<sup>23</sup> The remaining 60 percent is held by GM.

concentrate on automobile issues to a greater degree than on topics concerning the motorcycle industry. Since this thesis is confined to the situation of the Japanese automobile industry in the EU, issues concerning the motorcycle industry are only dealt with in cases where these have directly affected the automobile industry policy network.

Suzuki presently has two automobile production sites in Europe, Magyar Suzuki Motor Corporation in Hungary and Santana-Motor S.A. in Spain. In early 1991, Suzuki concluded an agreement entitling it to 40 percent shareholding in the Hungarian plant, leaving the local manufacturer Autokonzern with 40 percent, C Itoh with 11 percent, and the International Finance Corporation with 9 percent. A variety of factors contributed to Suzuki's selection of its Hungarian site. Despite obvious language barriers, other reasons, such as labour cost, logistic strategies, cost of land, and easy access to the central and east European markets tipped the balance in Hungary's favour.<sup>24</sup> Santana-Motor S.A., Spain is an independent plant, which Suzuki took over from Land Rover in 1990. Despite initial financial difficulties, the plant is recovering and gives Suzuki favourable access to the south European market (Interview with representative of the Japanese automobile industry, 12/11/1999: A; Willings, 1998: 95-8).

At present, Suzuki's relations with the European car industry are still weak, but co-operation with GM Europe, which represents Suzuki's biggest shareholder at 10 percent, is satisfactory and contributes to Suzuki's role and image in the EU.

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<sup>24</sup> Since Hungary does not belong to the EU, Suzuki's Esztergom operation cannot be discussed in detail here. However, despite initial communication problems, it can be assumed that Suzuki enjoys excellent relations with the Hungarian government, which appointed Osamu Suzuki, Suzuki's president as its first honorary consul in Japan (Suzuki Motor Corporation, 1999: 30). Although Suzuki had experienced problems with the EU concerning the local content of its Hungarian vehicles (Willings, 1998: 97), good relations with the Hungarian authorities may have contributed to an amicable solution of the problem.

Among the traditional European manufacturers, Suzuki enjoys a good working relationship with Peugeot, which supplies diesel engines to Suzuki, and Opel, which is due to Opel's affiliation with GM. The Suzuki-Opel relationship has indeed developed so well in the past that, in 1999, Suzuki and Opel decided to build cars on a shared platform from 2000 (Harney, 16/06/1999).

#### **IV.2.3.10. Hino**

Hino, so far, has failed to establish a significant presence in Europe. Hino owns a representative office in Belgium, which is mainly concerned with its distribution network, but lacks a major regional production base. Since 1966, Hino trucks have been assembled in Ireland at Harris of Dublin, but production output is confined to not more than several hundred units per year, covering the UK and Irish markets. Hino has a considerable history of exporting to Europe, but in 1997 total European sales consisted of a mere 900 units (Willings, 1998: 76-7).

#### **IV.2.3.11. Nissan Diesel**

In Europe, Nissan Diesel not only occupies a minor position, but also lacks a separate identity from Nissan, unlike in other markets. Nissan Diesel's HCV chassis is mainly distributed under the assembler's name, whereas chassis and automobile components produced in Spain are sold as Nissan products. Nissan Diesel generally benefits from Nissan's strong European presence and corporate identity, and accordingly leaves its marketing to the parent company. In 1990, Nissan considered following Hino's example in the Irish market, but eventually failed to establish a

production plant there. At present, Nissan Diesel does not own any individual European production bases, but co-operates with Nissan in Spain (Interview with representative of the Japanese automobile industry, 15/11/1999: A; Willings, 1998: 89-91).

### **IV.3. Japanese Automobile Industry Lobbying in the EU**

#### **IV.3.1. First Attempts at Tackling the System**

Initially, the Japanese automobile industry in the European Community was confronted with distrust, suspicion, and in extreme cases even open hostility. Different business cultures in Japan and the EU made mutual contacts difficult, and led to frequent misunderstandings. In particular, in the early stages these very different business cultures came into direct confrontation, which resulted in a ‘total clash’, and representatives from European governing institutions openly admit that ‘until the 1990s, we had a highly closed up society on both sides’ (Interview with EU official, 16/11/1998: C). Especially in the early 1990s, when the Japanese automobile manufacturers were more successful than their European counterparts and their products were considered superior by the Europeans, the European hostility towards Japan threatened to dominate relations completely. This attitude gradually began to change in the late 1990s, when the relationship shifted to the extent that Japanese car makers started to learn from the Europeans in terms of design and other areas (Interview with representative of EU governing institution, 09/06/1998: A).

In the early days, the Japanese automobile industry simply did not know how to treat the new and different model of governance in the EU, how to relate to the

various governing institutions, and first contacts were highly formal and restrained.

The European side remembers these first encounters in the following manner:

They generally show up in a group, a whole bunch, a delegation. Usually, the head of the Japanese delegation and only a few others speak English. An interpreter is present. The head of the delegation asks the interpreter very general questions in Japanese. The interpreter translates them and also translates my reply. After that, the Japanese hand me presents, quite often ashtrays, cigarettes, and cigarette cases. These meetings are very formal (Interview with representative of the European bureaucracy, 12/06/1998: A).

This type of behaviour provides a marked contrast to general relations between interest groups and EU governing institutions, which are usually characterised by a much higher degree of informality than relations between lobbyists and government institutions in nation-states. Also, the importance of personal relations in the EU cannot be overestimated. Bearing this in mind, it is not surprising that EU officials were often left perplexed or perturbed by these early encounters with the Japanese.<sup>25</sup> Japanese lobbying is usually described as ‘No hard lobbying. The Japanese dislike that’ (Interview with EU official, 12/06/1998: A). Europeans emphasise their impression that the Japanese merely seem to wish to make their presence in the EU known, and are naturally interested in gathering first-hand information, but do not like to go into detail, ask specific questions, or volunteer information themselves. This again engenders similar criticism from the European side, stressing that ‘the Japanese have difficulty expressing themselves, expressing their views publicly. They do not explain (their actions), justify or apologise’ (Interview with source from

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<sup>25</sup> Reference to the ‘Japanese’ in this section is always to the Japanese automobile industry, unless otherwise stated.

the EU, 10/06/1998: B).<sup>26</sup> One European even contemptuously complained that Japanese interest representation and the Japanese automobile industry in the EU ‘are sometimes so naïve, I could almost cry!’ (Interview with source from the EU, 10/06/1998: A). To sum up European criticisms of Japanese lobbying, the main emphasis is placed on the fact that the Japanese in the early 1990s often did not seem to be aware of European business culture, and have only very slowly faced up to the necessity of behaving like their European counterparts in the EU, and employing a more European style of lobbying, in order for their voice to be heard in Europe.

The Japanese also do not remember these first encounters in a very positive light, and, in particular, hostility from the European automobile industry is described as very obvious and marked, which in return affected the attitude of EU governing institutions. A representative of the Japanese automobile industry remembered that initially upon his entering a room in Brussels:

People interrupted their conversations. When I approached them, they walked away from me. Now, they contact me, the situation is changing; but we have to make an extra effort at communication. I was viewed as an outsider at first. Now the situation is changing; but that takes time... We [the Japanese] are becoming more accepted and more experienced in lobbying. Now the Koreans have to take the shit (Interview with representative of the Japanese automobile industry, 11/06/1998: A).

The early hostility towards the Japanese was extreme at times, but the situation is changing. The Japanese automobile industry is becoming a more familiar feature in

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<sup>26</sup> British interviewees in particular, expressed strong dissatisfaction with this lack of Japanese justification or apologies, which might be traced back to historical roots and British sentiments concerning Japanese treatment of British prisoners of war.

the political landscape of the EU, and is therefore becoming more accepted by the European side, particularly by EU governing institutions, and more slowly by the European industry. Nevertheless, the Japanese automobile industry still has to make a much greater effort at contacts and communication, and is generally in a weaker position than its European counterparts.

In particular, Westerners employed by the Japanese automobile industry tended to be the subject of negative emotions and reproaches. They were frequently confronted with questions, such as ‘Why do you work for the enemy?’ However, they are also becoming more accepted and both sides, the Japanese and the Europeans, have come to value them as intermediaries and ‘interpreters’ of culture. The gradual change from distrust, suspicion, and awkwardness on both sides, towards a more familiar exchange, can be attributed to conscious efforts on both sides to learn more about the other and gradually increase contact.<sup>27</sup>

In addition to the initial negative attitude towards the Japanese in Brussels on the EU-level, even countries with a high percentage of Japanese production facilities have witnessed incidents of open hostility towards the Japanese. A representative of the Japanese automobile industry in the UK remembered how he sought to establish

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<sup>27</sup> A good example for such efforts by the European side was the ‘Gateway to Japan’ programme by DG I, which provided new options for representatives of industry to become more familiar with Japanese business culture. More information about the programme was available on the web page of DG I of the Santer-Commission.

contact with a local MP, and was confronted with a negative reaction culminating in the accusation that Japan had destroyed the British automobile industry, and was now about to destroy the British infrastructure. In this particular case, the MP's resentments were softened when he was conducted on a guided tour of Honda's Swindon plant. This way, he was actively shown how this particular plant contributes to British infrastructure and employment. This brief example illustrates that, initially, the Japanese automobile industry was even in a difficult position in member states which were generally known for their welcoming and tolerant attitude. Thereby, it shows what a challenge the Japanese automobile industry was confronted with when seeking to integrate itself into the European industrial landscape.

#### **IV.3.2. JAMA's Lobbying**

JAMA's initial attempts at lobbying EU decision-making institutions proved to be similarly unsuccessful and clumsy, as described above. This situation began to change slightly when JAMA employed a Western staff member, a former British lobbyist, for the first time in 1993. This particular employee was, due to his British 'training' in representing interests to governing institutions, familiar with the process of lobbying in the EU. He viewed his position as an employee of the Japanese automobile industry mainly as that of an interpreter or intermediary. He sought to mediate between the Japanese automobile industry and, above all, EU governing institutions. In this position, he 'interpreted' European business culture to the Japanese, as well as introducing them to the political landscape of the EU and lobbying strategies unique to the EU. He served in the same position to the

Europeans, who were more likely to trust him than Japanese employees, and attempted to explain the Japanese behaviour and way of thinking to them.

One of his first tasks in the early 1990s consisted of establishing a network of contacts with various governing institutions, trade associations, and interest groups in the EU. He mainly concentrated his efforts on Brussels-based organisations and institutions, which were relevant to the automobile industry. His own nationality served to facilitate particularly strong ties to British nationals in EU governing institutions, and to the UK government, which were further advanced by the long and good relationship between Britain and the Japanese automobile industry. As is desirable in Brussels, a large percentage of these contacts share an informal and personal character. Continuous contact to all significant institutions, organisations, trade associations, and interest groups, is maintained not only via personal visits, business lunches, general meetings, but also via electronic mail, faxes, and the telephone. By remaining in constant, daily touch, the Japanese automobile industry ensures that it receives first-hand information on any upcoming issues early in the policy process.

Among the main factors, which influence JAMA's interest representation in Brussels, are its organisational structure and hierarchy. Theoretically, JAMA is now fully integrated into the EU landscape, and considered more of a European institution than a decade ago. Nevertheless, some attention ought to be paid to the real 'Europeanness' of JAMA-Brussels. JAMA's chairman and its board of directors consist of representatives of its member companies. JAMA is based on Japanese business culture, which is reflected in group meetings of JAMA-Brussels, to which all members present in Europe are invited. Occasionally, JAMA's full-time officials meet with individual manufacturers, but these meetings are much more infrequent

than group discussions. On the occasion of group meetings of JAMA-Brussels, any upcoming issue is discussed. If the issue is of the slightest importance, however, it is discussed in the headquarters of JAMA in Tokyo between full-time officials of JAMA-Tokyo and high-ranking executives from the Japanese main offices of the member companies, until the group achieves a final consensus. This Japanese feature has frequently attracted belittling comments from the European side, pointing out that

The Japanese love doing things in groups. Therefore, the Japanese automobile manufacturers love discussing in groups ... Since the Japanese love going round in groups, Japanese car makers go round in a group. JAMA serves as this group. ... They desperately want to show a united front (Interview with source from the EU, 10/06/1998: A).

On the one hand, this remark sheds light on Japanese business culture, but on the other hand, it reflects European stereotypes of the Japanese.

Despite regular interchange between JAMA and its members in Europe, the Japanese automobile manufacturers in Europe do not always inform JAMA of their European activities and strategies. Occasionally, individual Japanese manufacturers feel that they have to tread carefully in their interaction with JAMA because JAMA enjoys particularly close relations with the Japanese government. A representative of the automobile industry stressed this marked difference between JAMA and ACEA, where exchange between the umbrella organisation and the manufacturers reportedly boasts a much higher frequency of personal one-to-one meetings and pointed out that 'JAMA serves a role as common representative, but JAMA is also

in a grey area between the government and the automobile industry' (Interview with representative of the Japanese automobile industry, 11/06/1998: A).

JAMA and its members tend to avoid public statements in European conferences or public hearings. If such expressions of opinion are necessary, they are preferably given in personal meetings with well-known contacts. This behaviour can be attributed to the common decision-making process in the Japanese automobile industry, where any decision concerning the company or umbrella organisation's European operations and activities is always made in the Japanese headquarters. However, a representative of the European automobile industry, after having complained about the slow decision-making process in Japanese companies and 'the way they view the world from their tiny Japanese headquarters', grudgingly admitted that 'but then again, I suppose, at BMW, any major decision is made in Munich, and at Ford, these are always discussed in Detroit' (Interview with representative of the European automobile industry, 18/11/1998: C). Without definite orders from Japan, public statements or expressions of opinion are to be avoided at all costs.

In the case of JAMA, co-operation between JAMA-Brussels and JAMA-Tokyo is particularly intimate, and JAMA-Brussels's task is mostly concerned with gathering information, which is then sent to Japan, where the actual decision-making process takes place. In many ways, JAMA-Brussels mainly serves as a representative office and JAMA's Director-General in Brussels is only entrusted with minor decisions, whilst any major decision is taken in Tokyo. In this way, JAMA-Tokyo keeps tight control of JAMA-Brussels (Interview with source from the Japanese automobile industry, 24/01/2000: A). Although the European and American automobile manufacturers also plan their long-term strategies and make

major decisions at the company's headquarters, their interaction and behaviour in other markets still differs from that of their Japanese counterparts in so far as they feel more free to speak up in public meetings or occasionally offer spontaneous suggestions and ideas of their own to address immediate problems, which have not been pre-arranged with the headquarters. On the one hand, the Japanese approach serves to make the Japanese more consistent in their attitude towards other markets; on the other hand, it makes them seem less flexible.

#### **IV.3.2.1. JAMA's Grass Roots Lobbying**

Since 1993, JAMA has also intensified its routine lobbying and grass roots lobbying activities, including conferences, public debates, and sponsoring. One of the most important of JAMA's grass roots lobbying activities in Brussels is JAMA's annual banquet in the Hotel Conradi, the most luxurious hotel in Brussels. Apart from JAMA as the official host, various automobile companies perform co-hosting functions. The guest list includes any Commission official dealing with the automobile industry, MEPs involved in industry-related issues, and anyone who happens to be of any concern to the automobile industry in Brussels. Apart from being lavishly wined and dined in a grand style, the guests are spoiled with generous gifts. Before enjoying the banquet, however, the guests are expected to endure several speeches by the host and co-hosts. The sarcastic remark of a representative of the EU indicates an improvement in these over time:

In the first year, the speeches were too long and boring, at least, one-and-a-half hours each; in the second year, they were considerably improved, when (or after) being cut down to fifteen minutes (Interview with source from the EU, 12/06/1998: A).

This remark was quickly followed by the observation that the banquet's overall organisation and performance had also gained from the input of JAMA's Western employee. However, despite serving as an excellent forum of information exchange and helping JAMA to keep up a grand and luxurious image, this banquet with its formal character could never replace a well-developed network of personal and informal contacts.

Another of JAMA's most influential PR-activities concerns its co-operation with the Comité de Liaison de la Construction d'Equipements et de Pièces d'Automobiles (CLEPA). Japanese suppliers of JAMA's members participate in CLEPA, which helps to create a Japanese-friendly environment. JAMA and CLEPA have organised a number of joint conferences in Paris, Berlin, London, and Amsterdam between 1995-9, which have contributed to presenting JAMA as an integrated part of the EU's industrial landscape. These conferences have further marked the start of 'the first comprehensive series of meetings to explore joint business opportunities' (JAMA, 1999a: 14). Co-operation with CLEPA has enhanced JAMA's acceptance and improved its public image in the EU. Furthermore, CLEPA, unlike JAMA, enjoys the advantage of being not only able, but invited to participate in EU-wide federations, such as ACEA and UNICE, and in working groups in the Commission and the EP, where it is able to pick up valuable first-hand information. Good co-operation between CLEPA's Japanese members and Japanese automobile manufacturers provides frequent access to this

information. However, like the majority of JAMA's successful lobbying activities, co-operation with CLEPA only dates back to 1995, and can therefore be considered a direct result of JAMA's increased awareness of the growing significance of the EU (JAMA, 1999a: 14).

Besides organising various other conferences, speaking platforms, and cultural events, JAMA and its members have actively pursued another strategy, which has proved highly successful in the United States, according to which they seek to join as many trade associations and European organisations as possible. Various members of JAMA now successfully participate in national automobile associations in EU member states, where they produce regionally, which has ensured friendly working relationships with governments and industries in these countries.

In EU states where JAMA's members own regional production plants, JAMA is further heavily engaged in sponsoring activities, in order to improve the image of Japan in these countries. JAMA's co-operation with the UK's Industry Forum, which consists of a joint project by the Department of Trade and Industry and the SMMT, Britain's national automobile association, to sponsor a Master Engineers' programme, provides a good example for such efforts. According to this programme, Toyota, Nissan, and Honda send outstanding engineers to Britain, who then

provide on-site *kaizen* training for a period of two years, aiming to nurture master engineers at the U.K. suppliers, in an effort to enhance the competitiveness of the British auto parts industry (JAMA, 1999a: 14).

In order to address the EU properly, JAMA enjoys multiple sources of advice, which is not unusual in Japanese companies. JAMA invests large funds in the consulting business, and employs various professional lobbyists and consulting agencies. These organise conferences, conduct research, gather information, offer expertise, and advise on how to deal with a multitude of issues. Occasionally, the tasks of different consulting agencies overlap, but JAMA is generally satisfied with their work, exhibits a marked tendency to stick with its professional advisors and usually establishes long-term relationships with them (Interview with source from the Japanese automobile industry, 24/01/2000: A). Besides professional lobbying agencies, the Japanese government is also engaged in representing the Japanese automobile industry's interests in the EU. MITI represents its interests in Brussels through the Japan Machinery Association, and recently the Japan Business Council has also begun to serve as a Japanese lobbying organisation in Europe. On the one hand, MITI carefully listens to the industry's interests and seeks to act accordingly, but on the other hand, MITI also attempts to influence JAMA's decisions in Europe. However, some of JAMA's members are growing slightly weary of the government's interference in Europe, and JAMA's European network of contacts generally tries to convince it to act in its own right without pre-arranging issues and statements with government agencies (Interview with source from the Japanese automobile industry, 24/01/2000: A).

At present, neither JAMA nor any of its members engage in *amakudari* in the EU. Questions concerning the possible employment of former European civil servants were usually rebuked with outraged comments, such as 'We don't want any more Bangemanns!' (Interview with source from the Japanese automobile industry, 24/01/2000: A).

JAMA does not pursue any long-term media strategy in Europe, but regularly initiates press briefings and publishes a large number of glossy brochures. In order to gain a better understanding of issues at stake in Europe, JAMA has organised two working groups, the 'study group' and the 'strategy group'. The study group investigates current issues, whereas the strategy group deals with the middle and far-distant future. Whilst membership of the strategy group is exclusively limited to JAMA's members, a representative from ACEA has been invited to participate in the study group, which indicates JAMA's gradual willingness to open up and become more international and co-operative (Interview with source from the Japanese automobile industry, 24/01/2000: A).<sup>28</sup>

#### **IV.3.2.2. JAMA's Use of the National Strategy**

JAMA skilfully employs a number of lobbying strategies in the EU. Among the member states, JAMA enjoys particularly close contacts with Portugal and the UK. Close relations with the UK are certainly facilitated by JAMA's employment of a former British lobbyist. However, in both cases, the excellent quality of JAMA's relations with Portugal and Britain can be attributed to a long tradition of regional production facilities in both countries, which served to establish good working relations with the respective governments. In Britain as in Portugal, JAMA enjoys intensive contacts with government institutions from the local level up to the parliamentary level, which ensures that JAMA regularly receives insider

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<sup>28</sup> At present, jokes in JAMA already hint at the possible appointment of a non-Japanese president. Whilst this does not seem imaginable yet, after the recent appointment of Ghosn as president of Nissan, JAMA may have to face up to the necessity of admitting non-Japanese members in the near future.

information on relevant issues in the EU. These contacts have the advantage that Portugal and the UK frequently express views beneficial to the Japanese car industry in internal EU debates. This proves especially advantageous in the Council of Ministers, with which JAMA's personal contacts can otherwise be described as meagre. Good relations with Portugal and the UK also have positive implications for JAMA's contacts with MEPs of both nationalities and, via them, with the EP as an institution.

Even though it is difficult to evaluate the results of Toyota's decision to establish a new production plant in France, an improvement in relations with the French government can clearly be detected at this stage. Until 1998, JAMA had not had particularly close and personal contacts with the French government, but this situation is changing now and the French government is taking a friendlier and more receptive attitude towards the Japanese automobile industry and towards JAMA. JAMA further benefits from membership of some of its member companies in national British and Portuguese manufacturers' associations, such as the Society of Motor Manufacturers and Traders (SMMT). Such membership ensures more familiar interaction with the automobile industries of these countries, which can have positive effects at the EU-level. Often, national companies or their national associations are members of EU-level interest associations, such as the Union des Confédérations d'Industrie et des Employeurs d'Europe (UNICE) or ACEA, where they might gather information or express views beneficial to the Japanese automobile industry. This is particularly noteworthy, given that both of these organisations have, at present, not accepted any Japanese members.

#### **IV.3.2.3. JAMA Tackles Brussels**

JAMA does not solely rely on the national strategy, but successfully employs the Brussels strategy as well. EU institutions are by now, despite occasional recurring bouts of distrust, openly interested in contacts with JAMA, since it provides them with relevant information. The EP is known as a difficult lobbying target, and makes the Japanese feel uncomfortable, because they believe they have to be highly cautious when attempting to lobby such an obviously political institution. The Japanese automobile industry feels constrained towards the EP, because lobbying it puts representatives of the industry in an unwanted political position, and political activity is, they believe, to be avoided at all costs. Lobbying the EP is also considered very time consuming, which makes it necessary to select the MEPs to be contacted very carefully. JAMA regularly sends out its position papers on issues which are at stake in the EP to MEPs. Dinners between high-level JAMA employees and MEPs with an interest in Japan also form part of this strategy. These get-togethers rarely involve the discussion of specific issues, but mainly ensure constant contact and make JAMA's presence in Europe known. At the time of writing, JAMA has participated only once in an EP working group, which is a marginal presence compared to ACEA's activities in EP working groups. JAMA has rarely been invited to testify in front of the EP. In one specific incident JAMA received such an invitation at very short notice, and turned it down, because the brief amount of time would not have allowed proper discussion of JAMA's statement with Tokyo, and would have put JAMA in a political spot (Interviews with representatives of the Japanese automobile industry, 11/06/1998: A, 16/11/1999: B, 18/11/1999: A).

JAMA concentrates the majority of its interest representation in Brussels on the European Commission. JAMA's routine lobbying in the Commission includes sending numerous issues of its publications to contacts in the Commission and frequently inviting contacts to business lunches, and occasionally to receptions. JAMA maintains a variety of constant formal and informal contacts with ten of the Commission's 20 DGs: DG I (External Relations), DG III (Industry), DG IV (Competition), DG VII (Transport), DG XI (Environment), DG XII (Science, Research and Development), DG XIII (Telecommunications, Information Market and Exploitation of Research), DG XV (Internal Market and Financial Services), DG XIV (Regional Policies and Cohesion), and DG XXIII (Enterprise Policy).<sup>29</sup> Among these, JAMA enjoys its most intensive contacts with DG I and DG III. Generally, DG I is contacted on any Japan-related issue and DG III on any industry-related issue. DG I's attitude tends to be positive and open, and mainly interested in trade, and less so in JAMA's other activities. DG III does not only, like the other DGs, receive JAMA's monthly magazine, but also a collection of JAMA's monthly statistics and data. DG III further actively supports JAMA's organisation of regular conferences with CLEPA.

In times of intensive discussion, contacts with single DGs can occur daily, which may seem frequent, but is far exceeded by the frequency of ACEA's interaction with the Commission (Interviews with representatives from the Japanese automobile industry, 11/06/1998: A, 10/11/1999: A and B, 18/11/1999: A). In certain cases, departmentalism and disagreements between various sections in the Commission can help in influencing the policy process in the EU. Any interest

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<sup>29</sup> The appendix provides a detailed list of the DGs and their topics, as well as a list of the Commissioners and their area of expertise.

group is aware of this possibility, but if employing such tactics, JAMA would have to be much more careful than its European counterpart, because 'ACEA can afford to piss people off, JAMA cannot' (Interview with representative of the Japanese automobile industry, 16/11/1998: B). In the Commission, JAMA is mainly excluded from all working groups, expert committees and advisory committees, which can serve to ACEA's advantage, and would therefore not be considered negative by ACEA. This means that JAMA is unable to make its voice heard in such large Commission forums, which excludes it from one very common option of interest representation in the Commission. However, the presence of CLEPA in these meetings can be beneficial for the Japanese automobile industry.

The European side tends to view JAMA as a reactive organisation with little initiative of its own, which is very much dependent on orders from Japan (Interview with source from the EU, 12/06/1998: A). Some interviewees even sense a strong tendency towards obedience in JAMA's attitude towards the Japanese government (Interview with source from the EU, 10/06/1998: B). However, Commission officials frequently prefer dealing with JAMA over ACEA, since JAMA and the whole Japanese automobile industry commonly present a united front, which leaves them with one clear opinion to be taken into account. ACEA, on the other hand, presents less of a united front, because all its members have their own offices in Brussels, and frequently 'do their own lobbying behind ACEA's back' (Interview with source from the Japanese automobile industry, 12/06/1998: B). Therefore, Commission officials are frequently confronted with numerous, occasionally conflicting, points of view on the European side, which makes it more difficult to come up with clear proposals. This attitude by the individual manufacturers clearly differs from the approach of JAMA's members to the Commission, who

occasionally choose to maintain their own contacts with the Commission, but only do so to 'clarify issues or to present technical problems in more detail, to explain dynamics, but not to change, just to communicate, to make them understand the industry's position' (Interview with representative of the Japanese automobile industry, 11/06/1998: A). Generally, they take care not to contradict JAMA's stance.

#### **IV.3.3.1. Detailed Examples of Lobbying the Brussels Polity**

In the late 1990s, some individual manufacturers have gradually begun to represent their interests to decision-making institutions in Brussels. Like JAMA, individual manufacturers generally prefer approaching the Council of Ministers via the national route, and mainly concentrate their efforts on the Commission and the EP. This section is based on the accounts of various individual Japanese manufacturers, describing their strategies of interest representation and approaches to decision-making institutions in Brussels. For reasons of confidentiality, companies are not referred to by name.

##### **IV.3.3.1.1. The Commission**

In the case of the Commission, Japanese companies have recently begun establishing an increasing number of personal, informal and formal contacts with the working level of the Commission. These contacts have to be created gradually and, accordingly, companies have dedicated a lot of effort to establishing a network of them on a sound basis. In 1998, prior to the Santer-Commission's resignation, various manufacturers maintained a network of relations with various levels and

departments in the Commission. Top executives from the industry occasionally arranged meetings with the Commission's top level. At the Commission's top level, Commissioners Brittan, Bangemann, Bjerregaard, and Kinnock were considered most important, whereas meetings with Commissioners Van Miert and Flynn occurred less frequently. At cabinet-level, meetings of the companies' senior management with Director-Generals took place approximately twice a year with DG I, DG III, DG IV, DG VII, DG XI, and less often with DG XVI. Personnel from the companies' management-level further frequently initiated meetings with heads of units, according to subjects and issues, three or four times a year, and at the working level, meetings of engineers with the Commission's working level were ongoing and frequent (Interviews with representatives of the Japanese automobile industry, 11/06/1998: A, 12/06/1998: B, 16/11/1998: B, 18/11/1998: A).

#### **IV.3.3.1.2. The European Parliament**

Since JAMA confines itself to restrained lobbying of the European Parliament, in order to not place itself in highly 'political' situations, some individual manufacturers have slowly, at the turn of the century, found it useful gradually to establish a network of relations with the EP. When dealing with the EP, it is found advisable to distinguish between MEPs with (a) an interest in automobiles; (b) an interest in safety; (c) an interest in consumers; and (d) an interest in trade, since all these can form part of EU delegations to Japan. As usual, the general lobbying rule applies that reasons to meet people have to be created by the interest group. In the EP, various types of meetings can be created, the most important of which are individual meetings and small group meetings with up to

five MEPs. In the case of group meetings, MEPs can either be selected on the basis of issues they are working on, and which are relevant to the automobile industry, or according to nationality. When manufacturers initiate meetings with MEPs on the basis of their nationality, these are usually arranged with an eye to the MEPs' party background. When meetings take place on the basis of certain subjects, they are handled by the senior management. Usually, these meetings are joined by staff from the working level who have the technical expertise to give detailed information.

Apart from actively creating relationships and approaching carefully chosen MEPS, manufacturers frequently use breaks between hearings in the EP to strike up conversations with anyone who could be of relevance to the industry. Similar occasions can occur at presentations, which offer excellent opportunities to meet policy makers (Interviews with representatives of the Japanese automobile industry, 11/06/1998: A, 12/06/1998: B, 16/11/1998: B, 18/11/1998: A).

#### **IV.3.4 The Individual Manufacturers Take Action**

##### **IV.3.4.1. The Relatively 'Silent' Majority**

JAMA is clearly a group organisation and prefers to have big meetings with all its members present to discuss upcoming issues. Meetings between JAMA's full-time officials and individual manufacturers are less common. JAMA's most important members are Toyota, Nissan and Honda, which are also amongst the most active of its members in Europe. The majority of JAMA's members leave their interest representation mainly up to JAMA, and only choose to express their points of view in internal discussions with JAMA and other Japanese manufacturers.

Honda mainly lets JAMA handle its lobbying at EU level, but prefers to take slightly more independent action in countries where it has established branches. From its Swindon production plant in the UK, Honda shows some initiative and has established good working relationships with other actors in Britain's industrial landscape and with the government, wherever necessary. Honda has divided its global operations into four regions, and its European section, like the other regional sections, has certain decision-making capabilities of its own. The European area manager is responsible for devising strategies and making minor decisions concerning his area. Major decisions, however, are implemented according to decisions taken by Honda's board of directors in Tokyo. Such major decisions include investments, and the establishment of new plants. The area manager is generally entrusted with decisions regarding new sales structures and the introduction of new models, since he is most familiar with structure and demand in the European market. Public affairs activities for most European markets are formulated at Honda UK, Honda's European headquarters. However, each European branch office also takes care of its own market, because Honda feels the branch offices will be most familiar with 'their' member state and will be best able to 'interpret' it. In its PR-activities, Honda carefully takes cultural and linguistic differences into account, but co-ordinates pan-European PR-campaigns in the UK. In the UK, Honda is further engaged in the sponsorship of community projects and a local sports team near Wiltshire. Honda engages in simple PR-activities, because it is necessary to broadcast publicly Honda's image, but is remarkably hesitant with regards to actual lobbying and simply 'does not like the idea of lobbying' (Interview with source from the Japanese automobile industry, 03/09/1999: A). In Washington, Honda felt compelled to establish an office purely for the purpose of information

gathering and interest representation, because 'US legislators are generally informed too late' (Interviews with sources from the Japanese automobile industry, 03/09/1999: A, 28/10/1999: B). This situation is different in Brussels, where important information is more quickly and readily available. Honda further refrains from lobbying in the EU because Honda is a 'smaller player' in the EU than in the US, and, therefore, the impact of EU legislation on Honda will be smaller. Nevertheless, Honda appreciates the result of information gathering activities in Europe which are performed by its R&D facilities (Interview with source from the Japanese automobile industry, 03/09/1999: A).

In the case of Mazda, the European headquarters are only marginally 'in charge of PR'. Mazda-Europe gathers information, passes it on to Hiroshima, and any major PR-decisions are taken there, and long-term PR-campaigns are also planned in Hiroshima. In general, Mazda Motor Europe mainly aims to 'sell as many cars as possible in Europe' (Interview with source from the Japanese automobile industry, 17/11/1999: A), and does not attempt to influence the policy process in any other way. Even with regards to sales, Mazda Motor Europe is mainly in charge of only daily procedures and every-day decisions. However, Mazda Motor Europe enjoys close co-operation with Ford, and thanks to this alliance receives a 'fairly European treatment in Europe' (Interview with representative from the Japanese automobile industry, 17/11/1999: A).

Mitsubishi is another example of a Japanese manufacturer who favours a fairly low-key attitude towards interest representation in Europe, and mainly leaves it up to JAMA. Originally, almost any decision concerning Europe was made in Mitsubishi's Japanese headquarters, but, since the summer of 1999, Mitsubishi has shifted more functions to its European office in Amsterdam. The Amsterdam office

is predominantly a sales office but is also responsible for local operations. Although the Amsterdam office is responsible for Europe, it must be emphasised that any major decision with far-reaching strategic implications is still taken in the Japanese headquarters. Unlike other manufacturers, Mitsubishi does not use any public PR-agency, and concentrates its PR-activities on the release of regular advertisements. Frequently, distributors are responsible for PR in their region, with the sole exception of pan-European advertisements (Interview with representative of the Japanese automobile industry, 16/11/1999: A).

Since Daihatsu only has a very marginal share of the European market, it refrains from large-scale public affairs activities. Daihatsu has a factory representative office in Belgium, but any important decision is taken in the Japanese head office. Daihatsu is not engaged in any active interest representation, and generally tries to be co-operative in meeting European policy. If Daihatsu feels the need to give a statement, it is usually passed through JAMA. Hino, which, like Daihatsu, is a member of the Toyota group, has hardly any public visibility in Europe and does not pursue any lobbying activities. Hino's and Daihatsu's close alliance with Toyota, however, ensures that both companies are informed of any upcoming policy issues early in the policy process (Interview with representative of the Japanese automobile industry, 19/11/1999: A).

Suzuki also forms part of the relatively silent majority (in terms of lobbying) of Japanese manufacturers. Suzuki's European office is mainly concerned with gathering information regarding upcoming EU regulation, but any marketing, planning, decision-making, and production arrangements are conducted by Suzuki-Japan. Strategies concerning the European market are usually conceived by the Europe marketing group in Japan, and then decided by the top management.

Suzuki's PR activities are accordingly largely confined to 'sending various information about PR matters to our distributors only, not directly to the European press' (Interview with representative of the Japanese automobile industry, 12/11/1999: A). Apart from this, Suzuki leaves its marginal PR-activities to the distributors in each country.

The two remaining Japanese manufacturers, Isuzu and Nissan Diesel, have hardly any public image in Europe, and only conduct very minor PR activities, but no actual lobbying. Nissan Diesel generally benefits from Nissan's information gathering activities, and if necessary can represent its interests through Nissan or JAMA. However, this co-operation, which functioned well until 1998, may change in the near future due to Nissan's alliance with Renault. Nissan Diesel has also recently been the subject of aggressive bidding and is likely to be sold in the near future, which would very likely change its European approach completely.

#### **IV.3.4.2. The Active Minority**

##### **IV.3.4.2.1. Nissan<sup>30</sup>**

Nissan has four overseas divisions. In recent years, the Europe division has increasingly shifted functions to the European headquarters in Amsterdam. Close co-operation between Nissan-Japan and Nissan-Europe is illustrated by the fact that the Europe division in Japan and the European headquarters jointly design a business plan with regards to Europe every year. Nissan's Amsterdam office is

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<sup>30</sup> The investigation of Nissan's European lobbying activities is confined to the period up to the resignation of the Santer-Commission in 1999. For this reason, changes which have occurred as part of the Nissan-Renault alliance are only indicated, but have not been investigated.

involved in product planning in Europe, as well as in information gathering in the nation-states, the results of which are duly reported back to Japan. At present, most decisions regarding the European market are made in Europe, and the European office usually proposes its plans to the Japanese headquarters. If plans are approved, implementation is left to the European office. All daily decisions are now made by the European office, but decisions affecting global strategies are still discussed in the Japanese headquarters. Nissan's PR department is small, only employing five members of staff, and many issues in Europe are addressed by national sales companies in the main markets. However, Nissan's European operations have already changed and are about to change even more due to its alliance with Renault. One advantage of such a European co-operation is certainly that it will increase the 'Europeanness' of Nissan's products (Interview with source from the Japanese automobile industry, 15/11/1999: A).

Apart from its European headquarters, Nissan has considered it necessary to actively represent its interests in Brussels, but does so on a less extensive level than Toyota. Nissan's base in Brussels is situated in Brussels' most luxurious shopping street, the Avenue Louise, in close proximity to JAMA's headquarters at the lower end of the Avenue Louise. This location not only facilitates contacts with JAMA, but also, with its letterhead alone, projects a prestigious image. Nissan has established a close network of personal contacts with the Commission. It generally uses these contacts to discuss trade issues with the Commission, an area in which JAMA, due to its close relations with the Japanese government, has to tread carefully. Nissan likes to clarify points raised by JAMA in more detail, and is occasionally able to do this with greater technical expertise than JAMA's officials.

However, Nissan, like any other Japanese manufacturer, is not interested in confrontation, only in clarification.

Nissan initially made an attempt to hire Geoffrey Tucker, the former chairman of the Conservative Party, to intensify contacts with the Commission and ensure that Nissan would receive first hand insider information early in the policy process. However, this employment did not prove satisfactory for Nissan and did not result in the contacts it was interested in (Morrison, 1995: 213). Since then, Nissan has resorted to letting internationally trained Japanese personnel represent its interests in the EU. A source from the automobile industry indicated that Nissan may even have retained Frans Andriessen, the former Vice-President of the European Commission as a source of contact in Brussels (Interview with source from the Japanese automobile industry, 24/01/2000: A). A close relationship between Nissan and Andriessen, who was the main European actor during the negotiations surrounding Japanese automobile exports in 1991, would certainly have been beneficial to Nissan's presence in Europe. However, the automobile industry is naturally very sensitive with regards to questions concerning *amakudari*, and it has been impossible to confirm such employment. Nevertheless, the fact that such rumours persist, regardless if they are based on facts or not, indicates that Nissan is considered a particularly well-integrated Japanese actor in the European policy network. It illustrates that other actors are convinced that Nissan enjoys particularly good relations with the European bureaucracy and should, therefore, not be discarded thoughtlessly.

Nissan maintains a number of contacts with ACEA, and is an interested member of the EU-Japan Industrialists Roundtable (ERT). Although the ERT is a more general forum, where issues of the automobile industry are only occasionally

discussed, it offers an excellent opportunity for frank exchange between European and Japanese companies without a governmental presence (Interview with source from the Japanese automobile industry, 11/06/1998: A).

#### **IV.3.4.2.2. Toyota**<sup>31</sup>

##### *The sleeping giant awakens!*

For many years, Toyota had two offices, in London and Brussels, entirely dedicated to the purpose of public relations. After having announced the establishment of another production facility in France in late 1997, Toyota decided that a third office in Paris would be necessary to complement the other two. Since 1998, Toyota has been engaged in setting up the Paris office and creating a network of sound relationships in France. Toyota's London and Paris offices serve to keep up a distinctive image, which distinguishes Toyota from other manufacturers. These appear to be less inclined to invest in keeping up a corporate image in the member states where their regional production is located. Toyota's office in London's Bond Street is located in an elegant office building, whose marble interior serves to impress any visitor. Toyota discreetly manages to maintain this luxurious image down to the most minuscule details, such as golden teaspoons bearing the Toyota emblem.

The atmosphere in Toyota Brussels differs greatly from that in London. In Brussels, Toyota distinguishes itself from its direct competitor Nissan by not basing itself in close proximity to JAMA in Brussels's most expensive shopping street, but

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<sup>31</sup> Unless otherwise indicated, this section is based on Interviews with sources from the Japanese automobile industry, 12/06/1998: B, 18/11/1998: A, 08/10/1999: A.

by covering an extensive site near the airport and next to NATO-headquarters. Toyota's grand estate in Zaventem not only boasts a large number of office buildings, but, like its Tokyo office, also serves to exhibit several of Toyota's latest products. Toyota Brussels is thereby easily recognisable as Toyota's European headquarters.

In recent decades, Toyota has radically differed from other Japanese manufacturers by actively working on becoming more multinational. However, unlike other manufacturers, Toyota's strategy of internationalisation and strengthening the company does not consist of joint ventures with non-Japanese manufacturers. Instead, Toyota concentrates on enhancing its group ties, such as increasing its stake in Hino from 20.1 percent to 33.8 percent (Harney, 10/03/2000) and acquiring 5 percent of Yamaha Motor in 2000. Such an approach adds to Toyota's model line-up, boosts the Japanese economy, contributes to friendly and mutually supportive relations with Japanese government agencies, and avoids the problems of integrating different management styles and cross-cultural differences, which mega-mergers, such as DaimlerChrysler and Renault-Nissan are forced to address (Hawranek, 1999: 100-1). Toyota seeks to make its world-wide branches more multinational by employing national staff. In the case of Europe, Toyota believes that its headquarters ought to be manned mainly by Europeans. Compared to other foreign manufacturers, Toyota Europe has the headquarters with the most European flavour and no strong national dominance. Among over 800 employees, only about 80 are Japanese, and these are not predominantly placed in the most senior positions. Instead, they mainly serve as intermediaries ensuring that the

communication with Japan runs smoothly (Interview with source from the Japanese automobile industry, 18/11/1998: A).<sup>32</sup>

Similar to the majority of the Japanese automobile manufacturers, Toyota hardly engaged in any personal interest representation in Europe until the late 1990s. Toyota's expansion into Europe only really began in the 1980s, and for many years, Toyota internally ranked the world markets in order of significance, as follows: (1) US, (2) South East Asia, (3) Africa. Only slowly, as Toyota's exports to Europe increased did this ranking change in favour of Europe. Even Takahashi Tatsuo, president and chief executive officer (CEO) of Toyota Motor Europe Marketing & Engineering (TMME) admitted that Toyota 'until recently has been doing its European business "by remote control"' (Reingold, 1999: 164). Since Nissan had been the first Japanese producer to set up local plants in Europe, closely followed by Honda, Toyota had always been slightly 'behind Nissan' until 1998 (Interview with representative of the Japanese automobile industry, 12/06/1998: B). As the EU market gradually became increasingly important for Toyota, personal interest representation and the establishment of a public affairs division aimed at the European market and with a base in Europe seemed necessary.

Toyota became increasingly aware of the fact that if it wanted to be highly successful in the European market, it would have to invest in its own lobbying. After having observed JAMA's successful interest representation in detail, Toyota decided that Western intermediaries would be necessary to establish Toyota properly in Europe, and to mediate between European and Japanese culture. Having realised all these factors, Toyota started its unique lobbying activities, when it hired

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<sup>32</sup> It has not been possible to obtain exact figures of the Japanese-Western ratio of personnel in other companies, but Toyota gives the impression of having the largest number of Western employees.

a former employee of ACEA in January 1998. This person had not only gathered long-term experience in European lobbying strategies, but was also equipped with splendid, far-reaching contacts to the European and American automobile industries and decision-making institutions.<sup>33</sup> This experience enabled him to design a new and path-breaking public affairs programme for Toyota. In September 1998, Toyota further pursued this strategy, when it managed to persuade a former employee of Ford-Europe to become active for Toyota. European and Japanese competitors, as well as professional lobbyists and policy makers, freely admit that Toyota has pulled off a 'coup' with this strategy. Until 1998, Toyota hardly interacted with the European public and, generally, took a low profile in the EU. Not untypically for a Japanese company, it had no separate public affairs division in Europe. As has been demonstrated, the majority of Japanese car makers in Europe had been engaged in grass roots lobbying activities in Europe for many years, but hardly ever chose actively to represent their interests. Until 1998, Toyota was not exceptional in this regard.

However, since 1998, Toyota has actively represented <sup>at</sup> its own interests in Brussels, and knows how to put the Brussels strategy to use with an astonishing rate of success. Moreover, despite skilful use of the Brussels strategy, Toyota has not neglected the national strategy. Toyota is a member of national manufacturers' associations in the UK and Portugal, and maintains close contact with numerous levels of government in both countries. In member states where it regionally produces, Toyota organises conferences and is engaged in the sponsorship of

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<sup>33</sup> Initially, some representatives from the European automobile industry, his former employer, reacted with animosity to this person's 'desertion into the enemy's camp'. However, in the long run, personal relations prevailed and ensured improved communication between Toyota and the European side.

education.

In 1997, Toyota announced the establishment of a new production plant in Valenciennes (Owen and Nakamoto, 04/12/1997; Graham and Simonian, 10/12/1997). Valenciennes in Northern France is located in an area with a high rate of unemployment, which led the French government to subsidise investment projects in this area. Such subsidies are not only beneficial in financial terms, but help to create a network of sound relations with a government which had previously been reluctant to co-operation with the Japanese.<sup>34</sup> Although the French government has greatly changed its attitude towards Japanese investment, this is not quite the case for the French automobile industry, which feels threatened by Toyota's new plant. Voices from the French automobile industry have actually complained that

with overcapacity in their industry estimated at as much as 20 percent, Toyota's entry with a plant in France will only exacerbate the problem, and Toyota's jobs at the new plant will only take workers away from other local companies (Reingold, 1999: 165).

Since unemployment in the Nord prefecture, the home of Toyota's new plant, is very high, such 'accusations' are unfounded, and have not deflected the French government from its encouraging attitude towards Toyota.

Toyota's French operations are still at an early stage, and its network and grass roots lobbying activities are not yet as well-developed in France as in the UK and Portugal. Nevertheless, the implication of Toyota's decision to set up regional production facilities in France cannot be overestimated. The French automobile

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<sup>34</sup> Financial support and subsidies are a common factor used by any government to attract investment to poor areas.

market has traditionally been one of the Community's most closed and protected markets. When an export agreement between the EU and Japan was about to be concluded in 1991, which was to render all bilateral agreements and protection policies illegal, France made the conclusion of the agreement extremely difficult, and particularly concentrated its negative energies on Japanese regional production in the UK. Jacques Calvet, the former President of PSA-Citroën, was indeed so opposed to Japanese production on the European Continent, that he actually referred to the UK as 'a Japanese aircraft carrier off the coast of Europe'. Despite this export agreement, which expired on 31 December 1999, leaving the EU-market completely free and open, Japanese car exports to France have traditionally remained low. In the post-war era, the Japanese automobile industry had been heavily restricted from penetrating the French automobile market. This brief 'historical excursion' shows that Toyota's decision to become the first and only Japanese automobile producer ever to produce regionally in France is highly significant. For the first time in the history of French-Japanese automobile relations, a French government has deviated from its negative attitude, and actively supports a Japanese manufacturer in its very own market. French bureaucrats were invited to Toyota's 'groundbreaking' ceremony in Valenciennes in November 1998, which indicates smooth relations with government authorities. These can be expected to intensify in years to come.

The possible consequences of Toyota's successful attempt to win over a former opponent in the EU, and one who greatly influenced Japanese-European automobile relations, cannot be overestimated. Toyota's decision to produce locally in France will affect positively the role of the Japanese automobile industry in EU policy networks. Toyota's political influence in Europe has greatly increased in recent years, and became particularly obvious when Toyota's then President Okuda

Hiroshi mentioned to the British press that Toyota might consider establishing another plant in Britain, but would not do so if the UK continued its refusal to join EMU on time (Simonian, 05/12/1997). Since then, Toyota has both relented and reinforced its threat. In a way, Toyota smoothed relations with the British government, when it announced further investment at a new components factory (Jowit and Harney, 15/06/1999). Nevertheless, Toyota has also 'mentioned' that it is experiencing severe losses due to the strong Pound, and might, therefore, have to take its business away from the UK, unless Britain agreed to join EMU (*AutoBild*, 04/02/2000).

1998 not only signalled a change for Toyota, but for the Japanese automobile industry in Brussels in general. For the first time, since the beginning of Japanese-EU automobile relations, frequent, informal contact and a gradual exchange of opinion and information began to take place. Although such improved relations have been facilitated by Toyota's decision to hire former employees of the European automobile industry, several other factors have also contributed to this changed relationship. The growing internationalisation of the automobile industry, and, in particular, the Renault-Nissan merger, have made it easier for the Japanese and European sides to come together. Issues such as the environment and harmonisation of standards (see chapter 5), where industry associations and companies world-wide share the same opinion and are jointly confronted by governments, have enhanced an awareness of shared needs and the advantage of a possible joint articulation of these to governments. All these factors have contributed to a gradual 'growing-together' of the industries. Even so, this will not extend to trade issues, where 'there will always be more competition than co-operation' (Interview with source from the Japanese automobile industry, 08/10/1999: A).

Toyota now considers the EU market a major priority, and has accordingly intensified its lobbying. Toyota's attempts to establish a network of relations are gradually beginning to bear fruit and Toyota itself is now occasionally approached by representatives from EU decision-making institutions. These welcome relevant information and data, which Toyota willingly supplies (Interview with source from the Japanese automobile industry, 18/11/1998: A). At present Toyota employs several lobbying agencies in the member states where it has European branch offices. These are useful, because Toyota's own public affairs division is still too small to conduct all information gathering activities by itself.

In 1998, Toyota and DG VII jointly organised and sponsored a safety programme, which other manufacturers had never been interested in. Such activities improve relations with the Commission, and actively portray the image of a company which cares for its customers and consumers (Interview with source from the European Commission, 12/06/1998: A). Toyota's company brochures and its commercials and advertisements further stress this image. These generally emphasise a 'human touch' and stress the 'emotional factor', in order to establish an emotional connection between the consumer and Toyota's products. Toyota is actively creating an image of 'Toyota cares' for safety, the environment, and similar issues, whilst at the same time, not neglecting the 'fun aspect' of its products.<sup>35</sup>

These developments show that Toyota is finally becoming aware of the need to create a 'face' for Toyota in Europe. That this is so is partly due to its new Western employees. One of Toyota's Western employees, sales chief Juan Jose Diaz

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<sup>35</sup> According to researchers of technological trends, by doing so, Toyota is fully aware of the new millennium's technological trend, which seeks to make technology more personal, and to establish a relationship between technical gadgets and the consumer (Channel 4, 14.00h, 19/06/1999).

Ruiz, was one of the first to point out this need and freely admits that

I was always fascinated by the fact that Toyota was so weak in Europe, had no face in Europe, no apparent strategy in Europe and no apparent philosophy to go about conquering<sup>36</sup> the second largest market in the world (Reingold, 1999: 167, quoting Diaz Ruiz)

Just like other Japanese manufacturers, Toyota is confronted with the fact that Europeans value their European automobile brands, and find it difficult to transfer their 'loyalty' to a new brand. Toyota is actively seeking to address this problem by not just being 'a good corporate citizen', but by making Toyota's image stand out. James Rosenstein, head of TMME's communications group, who is also one of Toyota's new employees, is actively working on this change of image. However, he stresses that this is particularly difficult, because Europeans are simply not used to 'put a face to things Japanese, which largely comes from ignorance and prejudice' (Reingold, 1999: 171, quoting Rosenstein). Rosenstein even maintains that

people in Europe often think of the Japanese as the faceless hordes of Asia. They still fear that the robots from Japan are going to come and take us over. You still see stories about Japanese going to work at six a.m. and doing callisthenics and singing the company song before work (Reingold, 1999: 171, quoting Rosenstein).

In contrast to the European automobile industry, which has obviously formed part of the European scene for years, outsiders, like Toyota, have to work much harder on their indirect lobbying, and on creating the image of 'being a good

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<sup>36</sup> The term 'conquering' refers to selling a brand, in this case Toyota, to people who previously bought other brands.

corporate citizen'. Originally, Toyota, just like JAMA and its other Japanese counterparts, had been confronted with a huge negative bias in the EU's political landscape. Thanks to its new Western employees, this situation is gradually changing, and, due to their formal and informal contacts at all levels of the EU, Toyota has even become a member of one of the EP's intergroups, something which is rarely achieved by an outsider. Toyota is definitely a multinational corporation, but despite Toyota's international image and its increased interest representation in the EU, Toyota still makes any vital decision in Toyota-City and 'the Toyota-world is viewed from Toyota-City' (Interview with source from the Japanese automobile industry, 12/06/1998: B). It is still the case that Western employees are mainly hired for advisory or consultative positions, whereas the top management is purely Japanese.

#### **IV.4. Summary and Outlook to a Joint Future**

The European market, as compared to other world markets, was of marginal importance to the Japanese automobile industry for several decades in the post-war era. Initial bilateral relations were characterised by animosity and negative attitudes on the European side, and suspicion and distrust, a general misunderstanding of the other, on both sides. This situation did not change instantly when the Japanese automobile industry took up regional production in the EU. The single market of 1992 motivated the Japanese automobile industry to pay more attention to Brussels, and eventually to establish a presence in the core of the EU, without, however, neglecting their close ties and good working relationships with certain member states. First lobbying attempts in Brussels proved to be difficult and were, in some

cases heavily coloured by negative memories or impressions of the war, and aggressive Japanese pre-war trade practices, which the Japanese automobile industry had to overcome. However, representatives from Japanese and European government institutions and the industry alike, admit that the Japanese automobile industry has actively and consciously sought to address problematic issues, has learned from earlier mistakes, and has now become extremely efficient in representing its interests. Besides cautiously evaluating and improving its performance in Brussels, the Japanese automobile industry has also learned from lobbying in the United States. It has effectively transferred some of these latter techniques to Brussels, whilst discarding others. Particularly with regards to the automobile industry, negotiations with the United States have provided an excellent training ground for the Japanese government's discussions with the European Commission, resulting in a greatly improved style of negotiation and more favourable outcomes. In this way, the Japanese government has also been able to represent the industry's interests more convincingly than it was able to in the United States in 1981.

Since the early 1990s, JAMA has played and still plays a significant role for the Japanese automobile industry in the EU. JAMA's decision in 1993 to hire Western staff as intermediaries has positively affected the Japanese automobile industry's relationship with the EU, and has helped in creating and maintaining a sound network of contacts in the EU. Similar to the European automobile industry, JAMA and the individual Japanese manufacturers successfully employ grass roots lobbying tactics, the national strategy, and the Brussels strategy. The Japanese automobile industry is generally satisfied with JAMA's lobbying activities, which has led to some manufacturers leaving their interest representation in Brussels

entirely to JAMA. Among these, a large percentage let their sales' and distributors' offices handle minor PR-activities, whilst leaving the actual interest representation to JAMA. Others, such as Mazda, enjoy various types of affiliation and co-operative activities with members of ACEA, which ensure that they receive a 'more European treatment' and benefit from the information gathering activities of their European partners. Other manufacturers feel that JAMA is very close to the Japanese government, and are apprehensive of the fact that decisions in JAMA are always based on consensus. Some manufacturers have therefore chosen to begin successfully to lobby Brussels themselves. Nissan, as the first Japanese manufacturer to start production in Europe, has traditionally been considered the most 'European' of JAMA's members. Nissan's lobbying in various EU-member states and in Brussels has generally been cautious, avoiding possible offence and confrontation, as well as highly efficient. Nissan and the majority of JAMA's members share this particular trait of seeking co-operation, instead of confrontation.

Toyota's path-breaking decision to hire former employees of the European and American automobile industries for its public relations work has benefited its position in the EU. This development has also had positive effects on the position of the Japanese automobile industry in general. Familiar contact and close relations ensure that the Japanese and Europeans are gradually getting closer and are beginning to place trust in one another. In 1998, Toyota applied for membership of ACEA, and was not as vigorously rebuffed as it would have been in the past (Interview with source from the European automobile industry, 20/11/1998: A). The increasing internationalisation of the automobile industry, which is characterised by a growing number of mergers, and a growing number of issues affecting the automobile industry world-wide, clearly has had positive effects on the position of

the Japanese automobile industry in Europe and on their interaction with their European counterparts.

In 1998, the American Automobile Manufacturers' Association was confronted with admitting a non-American member, DaimlerChrysler, for the first time in its history, and dissolved. Soon after, it was revived, and now counts Japanese manufacturers among its members. It is not unlikely that events in Europe and other world markets might take a similar course. Until 1997, contact between the Japanese and European automobile industry, and between JAMA and ACEA was 'formal, reserved, and impersonal', but global and political events have affected this relationship. This formal relationship is changing and 'after a gradual intensification of contacts with the Japanese, a door, which had been tightly shut, slowly cracked open, and feelings of trust began to creep in' (Interview with representative of the European automobile industry, 20/11/1998: A). It is not unlikely that joint working forums between the American, European, and Japanese automobile industries, dealing with issues relevant to all manufacturers in any world market, will take place regularly in the near future. Such joint efforts would contribute to the industry's ability to handle negotiations or even confrontation with governments, and enable the industry to apply concerted pressure to the <sup>^</sup>. Relations between the European and Japanese sides of the automobile industry are sometimes smoother and function better than with the Americans. Sources from the automobile industry have attributed this to the fact that whereas the Americans frequently take an aggressive approach, the Europeans and Japanese place more emphasis on co-operation (Interviews with sources from the European car industry, 27/10/1999: A, 11/11/1999: A). Co-operation between the European and Japanese has clearly been

facilitated by ACEA's presence and smooth interaction with government and industry in Tokyo, as well as by JAMA's presence in Europe.

Although the world's leading Japanese and European automobile manufacturers still take major decisions in the corporate headquarters, located on their home territory, they share a presence in the same markets. Both sides are interested in increasing their share in these markets, are confronted with the same governments, and are generally affected by the same issues, which both sides rank in order of importance, as follows: global harmonisation of standards, the environment, safety, transport policy, trade, and the WTO. With the exception of trade issues, it is advantageous for both sides to communicate, exchange views and information, and aim for a joint industry position, which can be presented to governments and thereby increase the industry's leverage.

## **Chapter V: Cases of Harmonious Dispute**

Whilst chapter 4 presented a general overview of the expansion of the Japanese automobile industry in the EU and the development of its lobbying activity, chapter 5 investigates several specific cases. Various markedly different cases of interest representation were selected. One of the factors that differentiates these cases is that, in each instance, a different agent represented the Japanese automobile industry's interests to the EU. In the case of Japanese exports to the EU, the Japanese government 'fought the industry's case'. When the EU demanded that the automobile industry reduce the CO<sub>2</sub> exhaust emissions of its products, JAMA was called upon to negotiate on behalf of the industry. This case was striking in that, up till then, JAMA had avoided direct arguments, bargaining and confrontation with governments. The cases of Japanese and European complaints to the World Trade Organisation (WTO) about the unfair treatment of foreign automobiles in Brazil, Indonesia, and Canada demonstrated a new development, in which the Japanese and European automobile industry and their respective governments were united in their interest representation against another government. These cases were particularly interesting in terms of lobbying and in terms of a changed policy network, because they demanded close and swift interaction and co-operation between all the actors involved. As mentioned in chapter 4, 1998 marked a turning point for the automobile industry in Europe in many ways. One important factor which greatly affected the automobile policy network in Europe was that Japan agreed to enter the UN-ECE agreement in the automobile sector in 1998. Japan's accession to this agreement brought the automobile industry a step closer to a global harmonisation of standards. This case stands out because careful interaction among the actors in

the European policy network, skilful interest representation by the Japanese automobile industry in Europe, and a connection to other events on the global political stage convinced the Japanese government to join the agreement. Finally, the case of Toyota's 'Virtual Warehouse Scheme' demonstrated another new development, namely that Japanese automobile manufacturers are becoming increasingly confident and independent. The outcome was that Toyota, despite the fact that it is merely a single Japanese manufacturer, was able single-handedly to achieve an outstanding agreement with a major governing actor in the EU, the European Commission.

### **V.1. Japanese Exports, Transplants and the Elements of Consensus**

The 'Elements of Consensus' (EoC) represents the first of these cases of Japanese interest representation. The EoC is a particularly significant case because, chronologically, it is the first case when the Japanese automobile industry established a direct relationship with the governing institutions of the EU in Brussels instead of concentrating on individual member states. For this reason, the way in which all the actors, Japanese and European, interacted during the EoC greatly affected their subsequent relations and even bore an impact on the present-day automobile policy network in the EU. However, it should be noted that the analysis presented in V.1. does not amount to a policy network,<sup>1</sup> since the official negotiations were carried out by the European Commission and the government of Japan. Instead, this section concentrates on presenting a detailed description of inter-

governmental trade negotiations. Nevertheless, the EoC form an important part of the history of direct relations of the Japanese automobile industry with governing institutions in Brussels. Although official negotiations were undertaken by European and Japanese governmental actors, the actions of other European actors behind the scenes and the attitudes of all these towards the Japanese automobile industry were to change the relations between the Japanese car industry and governing institutions of the EU and also influenced the relationship between the Japanese automobile manufacturers and their European competitors. The way in which the Japanese government skilfully supported the interests of the Japanese automobile industry positively affected the position of the Japanese car industry in Europe. It also influenced the manner in which the Japanese car industry has subsequently presented itself in Europe and how it interacted with other participants in the network.

When an industry is seeking to become internationally competitive, the first step is to gain a presence in all the major world markets. Initially, such a foothold in the market is generally established via exports. Amongst the major world markets for automobiles, Japan and Europe are considered particularly 'tough', in the sense that they put a manufacturer's true competitiveness to the test. Therefore, automobile companies frequently use these markets as a 'benchmarking exercise' for their international expansion<sup>2</sup> (Interviews with representatives from Japanese, European, and American automobile companies, 18/11/1998: A, B and C,

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<sup>1</sup> The actual network is mapped out in the conclusion. However, the way in which the Japanese and Europeans interacted and the relationship between the Japanese automobile industry and its government influenced the way the Japanese car industry conducted its lobbying in the 1990s.

<sup>2</sup> In the process of 'benchmarking', a company or industry association is measured against a counterpart with regards to either its performance or efficiency. When one market is chosen as a 'benchmarking exercise' a company's performance in this market is measured and used as a yardstick to draw conclusions with regards to how this company will perform in other markets.

03/09/1999: A, 27/10/1999: A, 11/11/1999: A, 17/11/1999: A, 18/11/1999: B).

Japan is considered a particularly difficult market, because a large number of manufacturers are competing in a relatively small market. The European market presents a special challenge because of its diversity in terms of culture, languages and countries. Europe is also home to a large number of successful and popular manufacturers, who are familiar with European tastes and customer preferences. Foreign manufacturers have to familiarise themselves with a highly diverse market, spanning different cultures and consumer interests. For this reason, the Japanese automobile industry initially approached the European market in a highly cautious manner and frequently paused to observe the results of steps and it had taken before risking another step.

As described in chapter 4, the Japanese automobile industry began its activities in Europe slowly and mainly concentrated on exports during the first post-war decades. This initial preoccupation with exports renders the EU-Japanese export agreement, the so-called 'Elements of Consensus' (EoC) from 1991-9, one of the most important, and most frequently discussed, issues in Japanese-European automobile relations.<sup>3</sup> The case of Japanese automobile exports to Europe and the free circulation of regionally produced Japanese motor cars is highly significant, because it was the first case which put the EU's true commitment to free trade, the single market, and the free circulation of goods within the European fortress to the test. Finally, the 'Elements of Consensus' also mark the beginning of direct relations between Japan and the European Union instead of the former bilateral relations with

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<sup>3</sup> Since the agreement expired very recently on 31 December 1999, scholars have previously only been able to investigate the actual agreement, the initial negotiations, and further negotiations. Thus far, it has not been possible conclusively to evaluate the agreement's effects and outcomes, which renders 2000 a perfect time to investigate the entire process and development of the EoC, whilst memories of events are still fresh in everyone's minds.

individual member states. The interaction between both systems of governance and between government and industry, the whole bargaining process between a multitude of actors involved, not only gave birth to the automobile industry policy network in the EU, but it also shaped the character of future interaction between both sides. In a way, the 'Elements of Consensus' could be said to have 'brought Japan and the EU together'. In the new century, other issues are becoming more important, and with an increasing number of manufacturers producing locally in various markets, issues of trade and exports are becoming less significant. However, the fact that a French journalist phoned JAMA in November 1998, and inquired if Japanese automobiles were now being assembled on ships off the European coast, and would this not affect Japanese export quotas, indicates that the public and media are still interested in exports, and that this topic is not likely to disappear completely in the near future (Non-attributable but certified source, 16/11/1998: C).

In terms of interest representation, Japanese exports to Europe provide a fascinating case. In what was the first major case of interest representation for the Japanese automobile industry, the industry was not even allowed to represent directly its own interests. Instead, since the case of Japanese exports was officially negotiated between MITI and the European Commission, the Japanese automobile industry was forced to leave its lobbying to a third agent, the Japanese government. Therefore, the EoC gave rise to a highly unusual network, in which various governments played leading roles, and in which the industry had to navigate carefully. In this way, the EoC also shed light upon an interesting case of coordination between the Japanese government and a Japanese industry, and upon a significantly changed government-industry relationship. Whilst not being present in the negotiations, the Japanese automobile industry was able to represent interests in

a different way and on a limited scale by exchanging views, gathering information, and by engaging in various PR activities. The unusual and intricate nature of the bargaining process in this case brought about one of the most unusual and frequently discussed export agreements of all times, which, nevertheless, still managed to achieve WTO-conformity.

Finally, this particular agreement is also significant in terms of international developments. Japanese export negotiations with the EU have clearly affected the situation in America, and have changed the trilateral partnership. On the one hand, the Japanese side had been able to use similar negotiations with the United States in 1981 as a 'training ground' and put the experience gained there to use, when dealing with the Europeans. On the other hand, America played a minor role in the agreement and was occasionally known to raise its voice. At a later stage, discussions between Japan and the US in 1995 were, in their turn, clearly influenced by previous EU-Japanese talks.

### **V.1.1. Japan's Automobile Export Background in the EU**

A fear of rising Japanese automobile exports to the EU prompted various automobile-producing Community governments to introduce export restricting measures. Italy, Spain and Portugal restricted Japanese automobile exports by national quotas, whereas France and the United Kingdom had arranged voluntary export restraint agreements (VERs or VRAs) with Japan. It should also be noted that exports from one member state to another were limited by provisions under Article

115 of the European Economic Community (EEC) Treaty,<sup>4</sup> by different legislation concerning standardisation and registration procedures, and by the different distribution systems that existed in various countries (Mattoo and Mavroidis, 1995: 347).

The earliest attempt to restrict Japanese exports was undertaken by Italy in the latter half of the 1950s. According to Woolcock and Yamane (1993: 14), Italy and Japan arranged a bilateral agreement to limit automobile imports. Ishikawa (1990: 68) reports that from 1957 Italy had the 'most rigorous quota on the importation of Japanese cars'. Either way, Italy stood out as the first forceful advocate of a policy of strict protection against the threat of Japanese automobile exports. Italy's agreement was concluded prior to the Treaty of Rome, and was only slightly modified in 1976, since Fiat felt severely endangered by Japanese automobiles (Ishikawa, 1990: 68-9).

Prior to 1992, France only accepted imports from five Japanese automobile manufacturers: Toyota, Nissan, Honda, Mazda, and Mitsubishi. The French government further conveyed its wish to the Japanese that exports by these manufacturers to France should not exceed three percent of the market (Ishikawa, 1990: 69). Whenever Japanese manufacturers failed to respect this 'wish', their authorisation to distribute cars was withdrawn, as in the case of Suzuki. The UK arranged the first formal VER with the Japanese in 1975, according to which Japanese exports to Britain were restricted to 11 percent of the market. Spain and Portugal, who only joined the EC in 1986, limited Japanese exports to 1 percent and

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<sup>4</sup> Article 115 allowed member states of the EEC to protect the national industry by restricting indirect exports from other member states. Although Article 115, hardly fits into the vision of a free single market, it was kept in force for some time after 1992.

14 percent of their markets respectively (Mason, 1994: 416).

West Germany, the only other home of a strong national automobile industry in the European Community, officially subscribed to free trade views, leaving the German market completely open and unrestricted. However, various sources suggested that Germany also entertained some type of restrictive agreement (Interviews with representatives from European government agencies and industry, 16/11/1996: C, 17/11/1998: B) or in 1981 had even 'forged an informal agreement to limit Japanese auto imports to no more than roughly 15 percent of the local market' (Mason, 1997: 57). Nevertheless, Germany was in a slightly different position from the other European automobile industries, because Germany exported a considerable percentage of automobiles to Japan, and was, therefore, careful not to offend Japan and endanger its exports. In 1988, the German manufacturers, who mainly concentrated their exports on the luxury segment of the Japanese automobile market, accounted for almost 70 percent of foreign automobile imports to Japan, whereas the equivalent French figure was a mere five percent, which clearly affected the attitudes of both actors towards Japan. In 1989, Germany could even boast of a trade surplus with Japan in automobiles (Woolcock and Yamane, 1993: 14).

With the coming of the single market in 1992, these individual national restrictions and bilateral agreements were no longer legally feasible, and the European Commission was confronted with the task of somehow uniting this multitude of different interests and attitudes, and arranging an agreement with the Japanese which would satisfy all the member states and their industries. This task was further complicated when Nissan in 1986, and various other Japanese manufacturers shortly thereafter, began producing locally in the European Community, which raised the presence of Japanese automobiles in various

community markets. Clearly, the decision of Nissan and other Japanese producers to establish production facilities in Europe at such a relatively early stage in their European activities was affected by their view of the coming EU-Japanese export agreement, which would limit their carefully achieved foothold in the European market. With regards to the European side, this action added fuel to an already heated debate. Legally, according to the vision of the single market, Japanese automobiles produced in Europe would simply have to be allowed to circulate freely within the Community. Since the European Commission was very much aware of this challenge and the conflicting opinions involved on the European side, it began as early as the mid-1980s to sound out respective industries and governments of member states, in order to gain a clear picture, and to publicise its 'single market campaign'.

Concerning the Commission, questions of trade and competition were closely intertwined, as far as Japanese automobiles in Europe were concerned, and therefore both DG IV (competition) and DG III (industry) were initially involved in talking to the industry and governments. Eventually, at the most intensive stage of discussions, DG IV's involvement waned slightly and DG III became the main actor. Since France had been a particularly forceful advocate of protectionist policy, special care was taken to speak to the French automobile industry early on. In 1986, Peter Sutherland, one of the Commission's employees in the field of competition policy, visited the Peugeot-Citroën Group (PSA) in Paris, where he spoke to PSA's chairman Jacques Calvet and senior executives of the company. This visit formed part of a 'series of contacts with major motor manufacturers in the Community which Mr. Sutherland initiated in May this year [1986] with a view to assessing the future of the automobile industry in Europe within the context of the Commission's

competition policy' (Rapid Text File, DN: IP/86/416, 1986-09-11).<sup>5</sup> By that time the Commission was well aware of the industry's problems, but remained convinced of its vision of the single market. The Commission knew that 'the industry is faced with the challenge to gear itself to meet sharper competition from third countries as well as to seize the opportunities of the Community's drive for a genuine internal market' (Ibid.).

Before even considering any discussions with the Japanese side, the Commission continued to meet European manufacturers individually, as well as discussing the issue with the industry's umbrella organisations CCMC and CLCA. Among these meetings, one encounter of two high-ranking Commission officials, Vice-President Narjes and Commissioner De Clercq, with Chairmen of the European car makers stands out particularly. The fact that not only staff from the working level of the Commission were involved in gathering information and opinions from the industry, but that Commission officials of ranking level discussed the issue with the industry shows just how important the Commission considered the issue. It further demonstrates how significant it was for the Commission to reach a consensus with the European industry before dealing with the Japanese. In this way, it becomes clear how much the Commission has always valued co-operation with its industry which sheds light on the powerful role of the European automobile industry in the network. In this particular meeting between Narjes and De Clercq and representatives of the industry, both sides discussed how to achieve the 'uncontested objective of the internal market in automobiles by 1992 (in areas such

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<sup>5</sup> 'Rapid' is the press and communication service of the European Commission. It publishes press releases from the European Commission, the Council of Ministers, the Court of Justice, the Court of Auditors, the Economic and Social Committee and the Committee of the Regions. 'Rapid' can be contacted under following address on the Internet:  
<http://europa.eu.int/rapid/start/welcome.htm>

as) technical harmonization, taxation, environmental concerns and external aspects' (Rapid Text File, DN: IP/87/321, 1987-07-24). The automobile industry quickly reacted to this topic by complaining about the rising number of Japanese exports to the Community, which was described as particularly high in Germany and the Benelux markets. Ultimately, the heads of the industry appealed for a 'Community wide protection against Japanese car imports' (Ibid.). This suggestion was not met with approval by Narjes and De Clercq, who emphasised that 'the establishment of a genuine European internal market in 1992 implies lifting the existing national protective measures as well as harmonisation on standards and on fiscal systems in the car-making sector' (Ibid.). Although the ideas of the Commission and some members of the automobile industry clashed in these early stages, the Commission was adamant in making the industry realise that it simply had to strive harder to become internationally competitive.

On 24 November 1987, Vice-President Narjes explored this issue in a speech to the Council of European Municipalities and Regions Conference in Antwerp. In this speech, Narjes repeatedly reaffirmed the Commission's dedication to 'create a single, unified internal market by 1992' (Rapid Text File, DN: IP/87/512, 1987-11-25). He warned the European automobile industry, one of Europe's 'vital strategic industries', to change from 'being a fragmented, nationally-based sector to a European-oriented industry capable of achieving maximum economies of scale and specialisation [and particularly stressed that the industry must] take the threat from the Japanese in the luxury sector seriously' (Ibid.) The Commission was aware that Japanese automobiles provided one of the greatest challenges to the European industry and therefore had to be taken seriously by every European manufacturer in

every segment of the market.<sup>6</sup> Narjes assured the industry that the Commission was highly aware of the issue, ever since it had been approached by the industry in 1986, and reaffirmed the conviction of the Community's governing institutions that there was a 'need for stabilisation of Japan's motor vehicle exports to the EU for a period of time' (Ibid.). However, he emphasised that the Community's frontier should be the only trade barrier, and 'once admitted, products must be able to circulate freely' (Ibid.). He also pointed out that Japan could not only increase its market share via exports from Japan and regionally produced automobiles within the Community, but also via exports from transplant operations in Eastern Europe or the US. This again would make it necessary for the European automobile industry to achieve global competitiveness (Ibid.).

Once the Commission had agreed to a transition period, during which Japanese automobile exports from Japan would be limited in some way, an intensive stage of discussions ensued from 1988 onwards. From 1988 onwards up to the final conclusion of the agreement in 1991, the attitudes of all the actors concerned hardened and this influenced the outcome of the issue in various ways. An intricate and complicated bargaining process set in.

### **V.1.2. A Whirlpool of Conflicting Opinions and Issues - Different Actors**

#### **Determine the Bargaining Process**

Gathering information on the early discussions in the EU between the

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<sup>6</sup> Clearly, the small car manufacturers were very much aware of the Japanese threat, but Europe's luxury car producers, Mercedes, Audi, and BMW showed less concern at this stage, which can be attributed to their sizeable share of the Japanese market and a lack of Japanese luxury imports in the early 1980s.

Japanese and European sides proves difficult. The Japanese government and automobile industry are also not forthcoming in volunteering information on internal Japanese talks. Voluntary export restraint agreements are by their very nature a so-called 'grey-area' trade measure, which became illegal after the GATT's Uruguay Round. As a result, the 'Elements of Consensus' was one of the last such measures to be accepted by the GATT.<sup>7</sup> Possibly for this reason, the initial phase of the bargaining to achieve the EoC is 'shrouded in secrecy' (Interview with representative of the European Commission, 18/11/1998: B). The European side remains highly aware of the problematic characteristics of the agreement and therefore European voices frequently refer to the agreement as 'basically a French thing, their payment for signing up to the WTO' (Ibid.). Clearly, in political terms, the European side was not entirely 'of one mind' with regards to the agreement.

Voluntary export restraint agreements (VERs) are political agreements arranged by governments. Theoretically, they are intended to help a lagging industry on its way to recovery. However, economists are unified in their conviction that VERs generally do not have the perceived positive effect. VERs raise domestic prices (Mattoo and Mavroidis, 1995: 350; Rapp, 1992: 258) and they can facilitate joint ventures and various types of co-operative agreements between foreign and domestic companies, thereby increasing the profits of both (Harris, 1985; Krishna, 1989).<sup>8</sup> Smith and Venables (1991) sought to measure how VERs affect European

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<sup>7</sup> Since the EoC was passed when GATT ceased to exist and the WTO took over its role, the 'big trick' which had to be achieved in the EoC was to conform to the regulations of the WTO (Interview with former representative of the European automobile industry, 17/11/1998: B). Even though the EoC was registered with GATT, the appendix of the WTO-Declaration of Marrakech includes a description of the unique, exceptional situation of the automobile industry, thereby accepting the agreement until 1999.

<sup>8</sup> The best example for this is the Japanese-American VER of 1981, which contributed to an increase in various types of joint ventures in the North American market.

consumers and the European economy. They observed that, generally, the profits of European companies decline, whereas those of Japanese improve. For this reason, the 'costs of VERs far outweigh any benefits that they may provide by tilting the terms of oligopolistic competition in favour of European firms' (Mattoo and Mavroidis, 1995: 350).

The European Commission was aware of these negative effects of VERs early on in the negotiations. In a speech entitled 'A Single Market for Motor Vehicles: Why and When?', given at the Cambridge City Conservative Association Business Club on 9 February 1990, Sir Leon Brittan listed the consequences of VERs as short-term positive effects, such as employment and market share, and longer-term negative ones, such as an increase in structural costs. He further pointed out that the maintenance of European restrictions would 'have several pernicious consequences'. Amongst the consequences he mentioned were that European consumers would be denied an unrestricted choice, that the credibility of the single market would be reduced, and that a protected market would lead to a Euro-centric view. He was particularly adamant in stressing that protectionist attempts to divide the Community market after 1992 would 'involve either the maintenance of frontier controls on trade or an acceptance of market segmentation practices which would be messy and unsatisfactory'. He was not convinced that such measures would actually help the industry regain competitiveness and lamented: 'how many times and from how many industries have I heard the chorus that they need time to adapt? How many letters have I had from industry groups'? Sir Leon Brittan also feared that the implementation of VERs might lead Japanese manufacturers to make unpleasant strategic decisions, to move up-market, or to produce in third European markets, which were less rigid (Rapid Text File, DN: SPEECH/90/0, 1990-02-09). The

European Commission, the major European governing actor which negotiated the agreement with the Japanese government, was highly conscious of possible negative effects of VERs. It was committed to achieving the single market according to schedule but it had to take the views and needs of the European automobile industry into account.

For the European automobile industry, the issue of Japanese automobiles in the European Community represented a topic of many layers which made it difficult to achieve an internal European consensus. At first glance, the EoC, just like the 1981 Japan-US VER, was concerned with the restriction of Japanese automobile exports to the EU for a transitional period after 1991. However, the European automobile industry was even more afraid that its dominant position in its home market would weaken because of an increase of Japanese cars that were produced within the Community and which were not subject to any restriction. Despite its own misgivings, the European Commission was pressured into raising this issue in negotiations with Japan. The European automobile industry played indeed such a powerful role in the ensuing bargaining process that it was able to insist on the possible inclusion of regionally (within the European fortress) produced automobiles in the negotiations with Japan. This issue presented the biggest challenge, the major issue, in the internal European bargaining process, made negotiations with the Japanese side increasingly difficult, and was never ultimately resolved. A third, related point, which was never officially addressed for fear of international conflict was the concern of the European automobile industry about an increase of Japanese automobile exports from US plants.

Since the issue of Japanese automobiles that were produced within the European Community represented such a dominant issue during the EoC and greatly

affected the attitudes and actions of all Japanese and European actors in the bargaining process, it deserves further explanation before turning to an analysis of the actual discussions. Ever since Nissan had begun producing in Sunderland, the export of Nissan's products from its British factory to the European continent had provoked heated comments. Nissan became one of the first companies to test the EU's true commitment to the free movement of goods within the Community. In 1988, Nissan's automobiles from the UK were frequently referred to as Japan's 'Trojan Horse' in Europe (Lehmann, 1992: 45). Soon after it had decided to establish a plant in Britain, Nissan sought a guarantee of freedom of movement of its goods from the European Commission, which was 'exceedingly slow in forthcoming' (Bourke, 1996: 66). The United Kingdom had vigorously lobbied for Japanese automobile investment, but when the first automobiles were about to be produced, the French government demanded that these should contain at least 80 percent EU-sourced content. Although the British government was in favour of high European content, it refused to pass any legislative regulation on this matter. Similarly, the European Commission, in general, did not demand local content requirements for Japanese products made in Europe (Bourke, 1996: 66-7).

Even at this time, prior to official discussions concerning the single market, the Commission, as a mediator, is noted for taking an unusually long time to come to a decision. Bourke (1996: 67) recounts how the issue affected relations in Tokyo, where the delegation of the Commission was frequently approached for official Community statements. However, the delegation generally referred matters back to Brussels, and appeared unwilling, or unable, to take a stand by itself. This also sheds a certain light on the role of the delegation, its bargaining position, and its power

and influence within the automobile industry network, revealing it as a mere figurehead, and thereby corresponds entirely with observations made in chapter 3.

At the time, the British government was quick to take up Nissan's cause. The British government insisted that by taking such a protectionist view the French government was violating the free trade rules of the Community (*The Daily Telegraph*, 30/09/1988). Initially, a spokesman from the Commission supported the UK, and agreed that any restrictions on British Nissan products would indeed violate the Treaty of Rome (*The Financial Times*, 30/09/1988). The French government was equally quick to react and appealed directly to Jacques Delors, President of the Commission, who then indicated that the issue was still under consideration (*The Financial Times*, 01/10/1988). Eventually, France gave in, agreeing to grant free admittance to Nissan's products 'once the model had been authorized' (Ishikawa, 1990: 78). However, subsequent evidence showed that France was including the Nissan-Bluebirds produced in Sunderland in its unofficial annual quota of Japanese imports. In November 1988, the Italian government threatened to impose similar restrictions and, shortly thereafter, Nissan appealed to the British government to support it against similar measures from the Spanish government (Ishikawa, 1990: 78).

By the time, the Commission passed its official decision, the issue of regionally produced Nissan automobiles had become intertwined with the discussions on Japanese automobiles in the EU after the single market. After having carefully considered all the arguments, the Commission passed the following press release on 18 April 1989:

In reply to a request by Vice-President Bangemann, the French authorities have indicated that the administrative measures required to ensure free access to the French market for Nissan UK Bluebird vehicles, starting at the end of 1988, have been taken. The French government has confirmed that these imports from the UK will not affect the traditional imports of Nissan vehicles from Japan. Vice-President Bangemann has informed the British government about the assurance given by the French authorities (EC Commission, 18/04/1989).

The issue had finally been resolved, but was on everyone's mind when the restriction of Japanese automobile exports was discussed. These early reactions of various European member states indicate the scope for conflict in intra-European points of view. At the same time, the Nissan case illustrates that from an early stage there was excellent co-operation between the British government and the Japanese automobile industry. Before even basing itself in Brussels, Nissan had been able to put the national strategy to effective use in what proved to be one of the first cases of the Japanese automobile industry's interest representation in Europe.

If the issue of Japanese automobiles produced in Europe was a rankling issue, the issue of Japanese automobile exports from other Japanese plants located outside Japan was an even touchier issue, which was on everyone's minds, but was never addressed in official documents.<sup>9</sup> It was very much at the forefront of people's thinking because Honda US had become one of major exporters of automobiles by the late 1980s. At the time, the American market was again going into decline, whereas the European market seemed promising, which made the prospect of Japanese exports from the US a very real threat. However, Lehmann (1992: 46) warned that 'were Brussels to seek restrictions on the imports of Japanese cars

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<sup>9</sup> It has also been impossible to obtain any kind of statement on these in the interviews.

“made in the USA”, it would risk generating a trade row with Washington’. More recent comments from the United States have indeed shown, how right the EU was not to address this issue directly. The US has generally been forceful in dealing with trade issues in other countries, particularly so if these appear to even remotely affect American interests. For example, in 1998, the United States appeared outraged by the fact that the European market was not absorbing enough Asian automobiles, and trade representative Charlene Barshefsky warned the EU that ‘there is a view in the US that Europe is not doing its part with respect to absorbing imports, particularly from Asia ... Slowly, we are seeing the US not only as the market of the last resort, but as the market of the first resort’ (de Jonquières, 19/10/1998).

In the ensuing discussions, not only did the Japanese and the Europeans exhibit markedly different points of view, but, similar to the Nissan case, Europe was split internally. The European Commission, different member states, and the European automobile industry expressed such conflicting views that, at times, any agreement whatsoever appeared highly unlikely. The internal discussions became increasingly intensive in late 1988, and soon discussions ensued with the Japanese side, even though a common European point of view had not been reached entirely (Interview with European participant in the negotiations, 18/11/1998: D). At that time, six automobile manufacturers were responsible for the majority of European car production: the Volkswagen Group (Audi, Seat, and VW), PSA (Peugeot-Citroën), the Fiat Group (Fiat, Lancia, Alfa, Innocenti, and Ferrari), the General Motors Group (GM, Opel, Saab), the Ford Group (Ford, Jaguar), and Renault. Many of these manufacturers feared Japanese competition, and their views were greatly to influence the stances of their governments and the actual negotiations.

Amongst these, the small car manufacturers felt especially threatened by similar Japanese products. Not surprisingly, similar to the Nissan case, Jacques Calvet, PSA's Chairman, proved to be the most fiercely protectionist. Since he believed that European automobiles were restricted in the Japanese market, he considered it only fair that the Japanese should face similar obstacles in Europe. From the late 1980s onwards, Jacques Calvet was joined in his vigorous lobbying by Fiat Chairman Giovanni Agnelli and Renault's Chief Executive Officer (CEO) Raymond Levy (JAMA, 1989: 8-13). However, initially, the German luxury automobile manufacturers Mercedes, BMW, and Porsche, who were not as threatened by Japanese imports and were successful in the Japanese market, opposed such measures. Even Volkswagen initially subscribed to a view similar to the other German makers. In this, they were joined by the British Rover Group, which enjoyed a co-operative agreement with Honda and was, therefore, unlikely to bargain against the Japanese (Mason, 1997: 53-6; Interviews with representatives of the European automobile industry, 17/11/1998: B, 20/11/1998: A, 16/10/1999: D, 27/10/1999: A, 11/11/1999: A). These automobile industries then directly appealed to their home governments for support in discussions with the Commission.

According to Mason (1997: 61-2), the member states could be divided into four different groups depending on their attitudes. The first of these groups was said to consist of the six countries without any national automobile industries: Belgium, Denmark, Greece, Ireland, Luxembourg, and the Netherlands. However, interviews with European participants in these discussions revealed that there are problems with seeing these six countries as a cohesive group, because of the Belgian stance. Whilst the Netherlands has always taken a liberal, 'free trader' attitude, and Denmark, Greece, Ireland, and Luxembourg generally welcomed a high proportion

of Japanese imports, former representatives from the European Commission pointed out that Belgium expressed a slightly different point of view. Belgium was home to a high proportion of European, particularly French, regional production, and was therefore, more inclined to lean towards the more protectionist French and Italian points of view (Interviews with former officials of the European Commission, 16/11/1998: C, 17/11/1998: A). However, Mason is correct in his assumption that the other five members of this group adopted a more lenient point of view, and were not particularly active in the negotiations, since their citizens would not gain anything from a restriction of Japanese exports.

France, Italy, Spain and Portugal formed a second group which was known as the 'Latin 4' or the 'Club Med' (Mason, 1997: 62). They were the most adamant advocates of a fierce protectionist policy and defence of the European fortress. Their automobile industries were most threatened by Japanese competition, since they were competing in the same segment of the market. An additional factor was that Portugal, in particular, was dependent on France, and since Renault enjoyed protection in Portugal, Portugal was inclined to follow the French lead (Interviews with retired and present representatives of the Commission, 16/11/1998: C, 17/11/1998: A, 18/11/1998: D).

The two remaining member states, Britain and Germany, can each be regarded as a group of one. Since the United Kingdom hosted various foreign manufacturers, such as Ford, General Motors, Nissan, Honda, and Toyota, it was opposed to any restriction on the free circulation of goods within the Community. Nevertheless, in the intra-European discussions it signalled its agreement to a restriction of exports. Since the German automobile industry did not feel threatened by Japanese competition, Germany originally advocated a free single market with no restrictions

of any kind on either Japanese exports or regionally produced goods (Interviews with representatives of the European automobile industry and Commission, 17/11/1998: A, 20/11/1998: A). However, the 'Club Med' could have provided a blocking majority in the negotiations. For this reason, the European governments and automobile industries had first to reach an internal consensus, which the Commission could then convey to the Japanese side.

The Commission fulfilled the role of the main negotiator with the Japanese. According to Mason (1994: 420), DG I, the Directorate-General for External Relations, played the leading role in the negotiations and was merely supported by DG III, the Directorate-General for the Internal Market and Industry, and DG IV, the Competition Directorate-General. However, sources from the European Commission, who were actively involved in the negotiations, claim that, whilst DG I generally plays a representative role in discussions with foreign governments, DG III has always been, and particularly with regards to the Elements of Consensus, the main actor in issues involving the automobile industry (Interviews with sources from the EU, 16/11/1998: C, 17/11/1998: A, 18/11/1998: B and D). The governments from the twelve member states not only sought to approach the Commission directly, but also exerted their influence via the Council of Ministers.

DG III carefully studied the situation of the automobile industry, and then circulated a report on 'The Future of the EC Auto Industry' within the Commission. DG III based its policy discussions on this and other internal Commission reports (Mason, 1994: 421; Interviews with representatives from the Commission, 09/06/1998: A, 19/11/1998: A). After having obtained these reports, the Commission started discussions with member states and the automobile industry. The Commission considered the automobile industry an important lobby and

admitted that ‘one had to listen carefully to understand how they would attempt to influence their governments’ (Interview with former representative of the Commission, 17/11/1998: A). After having gathered information on the conflicting views, the Commission set to work again, and in mid-1989, representatives from DG I, DG III, and DG IV began a series of internal consultations. Eventually, in July 1989, the Commission created a special *ad hoc* committee on the automobile issue, which was to supervise the internal discussions. In December 1989, the Commission finally agreed that the Japanese side should be asked to consider a transitional restriction of Japanese exports to the Community, and that Community assistance should be granted to those European automobile manufacturers which were in need of restructuring. However, due to conflicting views from the industry and member states, the Commission had still not made a clear decision on the issue of transplants (Mason, 1994: 422. Interviews with representatives from the Commission, 16/11/1998: C, 17/11/1998: A).<sup>10</sup> Despite such a ‘fuzzy’ mandate for negotiation, the Commission nevertheless began its discussions with the Japanese side in January 1990.

On the Japanese side, DG III’s direct counterpart, MITI, acted as the main negotiator, whereas MFA performed a more representative role like DG I. Discussions with the Japanese side were further complicated for the Europeans, because Japan pursued a policy of frequently replacing its negotiating team, which consisted of MITI’s Vice Ministers and Director Generals. This way, establishing a sense of continuity and progress became increasingly difficult. Both sides frequently

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<sup>10</sup> It should be pointed out that French interviewees from the Commission maintained that there had never been any doubt about the inclusion of transplants, and that the automobile industry had certainly always demanded that products from Japanese transplants be included in the quota. However, other interviewees, as well as other sources, present a different picture, according to which transplants were the big issue, over which the European Community was internally divided.

discussed issues with their respective industries and the industries' umbrella organisations, and sought to represent the needs of their industries as far as possible. On the European side, talks with the Japanese occasionally resulted in arguments between the different departments, which gave the more unified Japanese side a distinct advantage. These intra-European arguments also frequently resulted in a different outcome than was originally anticipated by the EU (Interviews with sources from the EU governing institutions and the Japanese government, 16/11/1998: C, 17/11/1998: A, 26/10/1999: A, 01/11/1999: A).

On the Japanese side, the manufacturers were not as divided as their European counterparts, but those manufacturers who had already established production plants in Europe, the 'Big Three' comprised of Toyota, Nissan and Honda, were in a slightly different position from the export-based majority. However, JAMA was able to convey more of a unified front than its European counterpart. JAMA generally claims that, even though discussions with MITI were ongoing and frequent, 'it was difficult to see what was going on in the negotiations. In a way, we were doomed to inactivity and had to wait to be briefed by the government' (Interview with source from the Japanese automobile industry, 10/11/1999: B). The European automobile industry, which also had to wait for government briefings, reacted by setting up special industry business groups, in which frank discussions between representatives from the industry took place. This practice, however, annoyed DG III, since it was not informed of the structure and content of these meetings, which made it increasingly difficult to pursue one vision, 'one straight line' in talks with the Japanese (Interviews with representatives from the Commission and European automobile industry, 17/11/1998: A, 20/11/1998: A). In contrast to the US-Japanese negotiations of 1981, where it was rumoured that representatives

from the American industry were based in the hotel directly next to the American delegation, and were kept informed by the latter, this was not so in the Japan-EU talks. The industry was never present in the negotiations.

The round of talks, which started in January 1990, not only dealt with Japanese exports to the whole Community, but also touched on exports to certain member states, as well as on the issue of transplants. Whilst MITI conveyed a willingness to accept export restrictions, it remained adamant on the issue of transplants, and refused the inclusion of output of the transplants in the quota. In August 1990, these negotiations finally resulted in a 'draft accord', which was termed the 'Elements of Consensus' by a DG I official (Mason, 1997: 63). According to this draft agreement, Japanese exports to the Community would be restricted for a period of five to seven years from 1993. This draft agreement further listed limits on the number of cars which could be exported from Japan during this time, but did not specify figures for each year or each manufacturer. According to this draft, the Commission expected the Japanese automobile industry to increase its market share from 10 percent in 1989 to 21 percent in 1997/9 (Mason, 1997: 64).

From September 1990 until April 1991, the Commission attempted to convince the member states and respective industries of the draft accord (Rapid Text File, DN: IP/90/841, 1990-10-18). Shortly thereafter, Commissioner Bangemann arranged a meeting with the three volume producers, Fiat, Renault, and VW, who would be most affected by an influx of Japanese automobiles. The fourth volume producer, Peugeot, was excluded because it was so fiercely protectionist that it was impossible to reach an agreement with this company. However, Fiat, Renault, and VW also considered the draft accord as too 'soft', and instead sought to achieve a common position which could include Peugeot. Although VW had initially

supported the liberal attitude of the German luxury carmakers, during this stage of the negotiations it 'changed over' to the side of the other volume manufacturers, and insisted with them on stricter measures (Mason, 1997: 66-7). Accordingly, on 1 October 1990, Fiat, Renault, and VW drafted a proposal asking for a longer transition period of about ten years, and the inclusion of transplant production in the agreement. Jacques Calvet, the head of Peugeot, considered even this proposal too favourable to the Japanese, and advocated tougher measures still, which made it impossible to reach a common standpoint. Calvet describes a meeting with the others and its lack of success in the following manner:

On the evening before last year's Automobile Fair in Paris I met my three colleagues, Levy from Renault, Hahn from VW and Agnelli from Fiat. We discussed a joint submission to our respective governments and the European Commission in which we would attempt to set out what the European car manufacturers were prepared to accept in negotiations with the Japanese. Compared to the current levels of around 9% within the EC, and 9.9% in Western Europe as a whole, the mass volume manufacturers regarded a Japanese market share of 12% as acceptable. That would be another two percentage points. I did not want to sign the paper because I thought it absurd to enter a poker game by placing all your cards on the table, while your opponents continue to hold their own cards close to their chests. They know precisely what you intend to do, but you have no idea of their intentions. It made no sense to state our absolute limit in an official statement, and then to make that statement the basis for negotiations. So I refused to sign the paper. Well, my colleagues were absolutely furious. Six months later the ACEA of which I am not a member, accepted a quota of 15%. During his latest visit to Japan, commissioner Bangemann spoke of 18.7%, and there is now talk of 18%. In other words, before the negotiations have even started, the Europeans have told everybody what they are prepared to accept. That is not a serious policy (Calvet, 1991: 70).

The other manufacturers reacted to Calvet's unwillingness to co-operate by leaving Calvet to run CCMC, one of the two former automobile associations by himself (Interview with representative of the Japanese automobile industry, 10/11/1999: B) and instead created the new association ACEA, in which decisions no longer have to be taken unanimously, but can be by majority vote.<sup>11</sup> In this way, the Elements of Consensus form part of the 'creation myth' of ACEA (Interview with representative of the European automobile industry, 27/10/1999: A), and gave rise to the development of a completely new and different automobile industry policy network.

Jacques Calvet was invited to join ACEA, but declined due to the new voting system, which would deprive him of his blocking vote. Within Europe, in the automobile industry and Commission alike, Calvet is generally considered a 'Japan-basher', a 'Europe-hater' (Interviews with representatives from the Commission and European automobile industry, 09/06/1998: A, 17/11/1998: A and B, 20/11/1998: A), but a more detailed discussion of the agreement's outcome will reveal that Calvet may not have been completely wrong in his negative judgement of the European bargaining technique. On the European side, Calvet was the only actor who pointed out that the Japanese were exactly aware of what the European side wanted. A further European disadvantage was that the Japanese side was also aware that the European side needed to conclude an agreement prior to the arrival of the single market, and prior to the conclusion of the Uruguay Round and the establishment of the WTO.<sup>12</sup> Although Calvet did not enhance his popularity within Europe by making the negotiations increasingly difficult, he analysed the situation

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<sup>11</sup> This way, one single manufacturer could no longer provide a 'blocking minority' vote, which had made the resolution of conflicts almost impossible in CCMC and CLCA.

<sup>12</sup> Whilst the GATT allowed room for such 'grey area measures', the WTO promised to take a much more severely legalistic view of trade practices, such as VERs.

clearly. The Europeans were under time pressure, and by immediately revealing all their needs to the Japanese side, they made it easier for the Japanese to represent Japan's automobile interests skilfully. Calvet was not only right in pointing out that the Japanese, whom he appreciated as clever negotiators, were indeed aware of all the conflicting views within Europe, but also that they even knew the exact figures that Europe was willing to accept. He rightly stressed that Europe was virtually 'left in the dark' with regards to the Japanese strategy and intentions, since neither the European government nor the European automobile industry had established a network to gather information in Japan, as the Japanese had in Europe.

Without Calvet, the newly founded industry association quickly managed to reach a common position. They agreed on a longer transition period and clearly specified limits on transplant production, as well as a Japanese market share no higher than 15 percent, including the output of transplants. After a memorandum of this position had been sent to the Commission, the industry in each country set out to convince its respective government. Beneath this apparent agreement, all sorts of tensions still existed. For example, the 'Club Med' specifically demanded a minimum transition period of seven years, a change in Japanese market shares according to market development, and an inclusion of transplants. The German automobile industry convinced its government, which was particularly aware of a certain danger from Japanese imports to VW, to shift its stance closer to that of the 'Latin 4'. However, the German government 'apparently refused ... to back explicit limits on the Japanese transplants' (Mason, 1994: 425-6). The UK still remained publicly opposed to any restriction of transplant production, but 'again expressed privately its willingness to support restrictions on Japanese auto imports' (Mason, 1997: 66). Based on the modified attitudes of the governments of these six member

states, the Commission then returned to negotiations with the Japanese side,<sup>13</sup> who, in the meantime, had been able to carefully survey events in the EU and adjust their strategy of negotiation.

MITI and the Commission then embarked upon another series of negotiations, beginning in April 1991, which lasted until the announcement of the final agreement on 31 July 1991. The European side recounts how the Japanese in these negotiations indicated possible acceptance of the seven-year transition period, but refused to include transplants in the agreement (Interview with source from the EU, 17/11/1998: A), because 'Japanese officials apparently were concerned, above all, that any such clause might create a precedent which would tempt the United States to imitate European practices' (Mason, 1997: 66-7). Hatakeyama<sup>14</sup> (1996: 194-223) provides the most detailed and convincing account of the final series of negotiations from 17 July until 31 July 1991 and the Japanese point of view. The Japanese negotiating team, under the leadership of Nakao, the Minister of International Trade and Industry, used the opportunity of the G7 (+1) talks in July 1991 to meet frequently with the European negotiating team, under the leadership of Andriessen, Vice-President of the European Commission.<sup>15</sup> Hatakeyama's account presents a highly confident Japanese side, which conforms to Calvet's assumption that the

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<sup>13</sup> Gandillot (1992: 136) however, points out that the automobile issue was still so fraught and confrontational, that the Council of Ministers on 8 May 1991 felt unable to issue a formal negotiating mandate, and simply removed the issue from the agenda in the following meeting.

<sup>14</sup> At the time of negotiation, Hatakeyama, occupied the post of the MITI- Vice Minister for International Affairs (Hatakeyama, 1996: 206-7). As such, he formed one of the key Japanese actors in the negotiations, and reports on these in detail in his memoirs. However, Hatakeyama's career in the world of Japanese trade did not end after the negotiations, and in 1999 he was head of JETRO.

<sup>15</sup> The G7 (+1) talks provided the rare opportunity that, besides the Commission, the majority of the governments which were most concerned with the issue were present.

Japanese had easily ‘bagged’ the negotiations.<sup>16</sup> Hatakeyama recounts that although Nakao had given a speech to the OECD in perfect American English one month previously, and would have been highly capable of conducting negotiations in English, he chose to have an interpreter present, who would translate back and forth between Japanese and English. Hatakeyama (1996: 194-5) describes Nakao as a man who draws clear boundaries, and since generally not everybody in a Japanese negotiating team speaks English, he insisted that negotiations be conducted via an interpreter. According to Hatakeyama, Nakao chose not to deviate from this practice in the 1991 negotiations. It should be pointed out that, by insisting on an interpreter, Nakao employed a highly advantageous device. This way, the Japanese were able to understand, evaluate, and react accordingly to what the Europeans were discussing between themselves during the pauses for interpreting. While the European side possessed no such advantage, the Japanese were further able to discuss freely amongst themselves in Japanese how to proceed further.

Woolcock and Yamane (1993: 16) maintain that

For its part Japan has perceived the need to accommodate the pressure of European industries and governments for export restraint. The first response of Japanese officials and car industry representatives was not to seek to defend the multilateral rules in the face of the challenge to them from various European countries, but to accommodate these protectionist forces in order

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<sup>16</sup> It may appear negligent to largely base the evaluation of the final series of negotiations on one particular Japanese account. However, an extensive series of interviews, on the EoC has been conducted with working level and high-level staff from governing institutions and representatives of the automobile industry. In general, both sides consider the EoC a highly sensitive issue, which they are very secretive about. The fact that someone as high-ranking and as involved in the negotiations as Hatakeyama chose to include such a detailed account in his memoirs, makes it seem credible. The European side is aware of the account, and, when questioned about it, did not deny its salient points. However, interviewees and commentators from both sides generally stress how very co-operative both sides were and how an agreement was considered mutually necessary.

to avoid more blatant protection and maintain trade peace between the countries concerned and Japan.

Whilst Japan was clearly interested in maintaining co-operative trade relations with the EU, Hatakeyama, who entitles one section of his account '*Gatto ihan no EC teian*' (the EC proposal that violates GATT) indicates a forceful Japanese stance, which derived from EU attempts to violate multilateral rules. He describes how the Japanese side was apparently outraged by the suggestion that transplants be included. According to Hatakeyama (1996: 200-2), Japan would have considered such an agreement discriminatory against itself, since after all, the American manufacturers were not subject to any limitations in their transplant operations. Such an agreement would have been a clear violation of GATT, and the Japanese were never even remotely inclined to agree to an inclusion of transplants.

In a section entitled '*Andoriessen no iyana omoide*' (Andriessen's unpleasant memory), Hatakeyama (1996: 204) quotes Nakao's immediate answer to the Europeans' proposal as '*Sore wa dekimasen*' (This is not feasible). In response, Andriessen apparently began to beg Nakao to 'only consider his proposal for a mere five minutes, since the automobile problem is so very important'.<sup>17</sup> However, Nakao is reported to have retaliated by saying that 'because the issue is so important, it is not necessary to think about it for five minutes', since his answer would be exactly the same (Hatakeyama, 1996: 205). When Andriessen desperately tried to arrange

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<sup>17</sup> However, outrageous it may appear that the Vice-President of the European Commission was reduced to beg for Japanese consideration, European sources indicate that this account was not entirely unfounded. Andriessen was confronted with various intra-European conflicts, and in the light of the international situation, was under pressure to achieve a satisfactory agreement with the Japanese in the near future. Therefore, it seems credible that he would indeed have appealed for the understanding of the Japanese. For their part, the Japanese seem to have been aware of his desperate situation.

future meetings, Nakao reportedly declined, because of lack of time, and eventually left the room. In a mode resembling the ‘good cop-bad cop’ method of American films, Nakao and Hatakeyama then agreed between themselves that Hatakeyama should approach Andriessen again in a softer manner. Hatakeyama’s meetings with Andriessen signify that the Japanese had a distinct advantage and one which, according to Hatakeyama, they were clearly aware of. Hatakeyama appeared more approachable than Nakao, but generally took an equally fierce stance on the inclusion of transplants, so that the negotiations seemed to be deadlocked. The French Prime Minister, Edith Cresson, then intervened by sending a message to the Japanese, seeking unsuccessfully to play a prominent role in the negotiations (Hatakeyama, 1996: 212). Thereupon, both sides kept going back and forth, without reaching any agreement.<sup>18</sup>

Eventually, this impasse was overcome by an intervention from the Cabinet of EC Commission President Jacques Delors ‘which proposed that the Commission merely issue a unilateral oral declaration at the conclusion of the talks suggesting a link between the levels of transplant production and Japanese imports to the Community’ (Mason, 1994: 426). The remaining French opposition was finally won over by, on the one hand, promising the French industry Community assistance for its restructuring, and, on the other hand, threatening to enforce ‘tougher EC competition rules’ against French quotas on Japanese imports by local car distributors (Mason, 1997: 67). Following this successful intervention, MITI and the Commission were finally able to strike one of the most unusual deals, a landmark accord, on 31 July 1991.

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<sup>18</sup> The fact that the French government considered it necessary to convey its distinct opinion to the Japanese once again emphasises the dominant role which France played in the whole issue.

### **V.1.3. The Official Agreement and Its Multiple Interpretations**

MITI's 1998 'Report on the WTO Consistency of Trade Policies by Major Trading Partners' (April, 1998: 13) lists, with regards to the European Union, the case of automobiles. With a certain degree of nonchalance, the agreement and its turbulent history are briefly summarised in the following manner:

Until the end of 1992, some member countries of the EC, such as Italy and France, applied quantitative restrictions discriminatory against imports of Japanese automobiles.<sup>19</sup>The European Communities requested that Japan voluntarily restrain imports of automobiles in order to avoid market disruption resulting from the expiration of the restriction during the 1992 integration of the EC economies. After several consultations, Japan and the European Communities agreed in July 1991 that Japan would monitor its auto exports between 1993 and 1999, the period designated as the transitional period for the European Communities. Japan and the European Communities predicted that total auto demand in the European Communities will be 15.1 million units and that EC-bound exports from Japan will be 1.23 million units in 1999. Japan will continue to monitor auto exports to the European Communities as a whole and to specific countries (France, Italy, Spain, Portugal and the United Kingdom). This monitoring program will remain in effect until the end of 1999 after which it will be eliminated. The program is an exceptional measure permitted under Article 11.2 of the Agreement on Safeguards and therefore, is not deemed unfair measures.

However, with this confident summary MITI has already provided a certain interpretation of one of the most carefully scripted documents ever.<sup>20</sup> MITI

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<sup>19</sup> In this brief summary of the agreement's pre-history, MITI does not mince its words. The European measurements are confidently described as 'discriminatory', which runs counter to Woolcock's and Yamane's idea that the Japanese chose not to dwell upon this fact.

<sup>20</sup> Since the EoC merely consist of voluntary declarations between two states, it cannot be termed an official trade agreement, and the term 'official' is to be avoided at all costs with regards to EoC. Indeed, almost nothing concerning this understanding has any official character whatsoever.

particularly stresses that the agreement does have a legal basis and cannot be deemed an 'unfair measure'. MITI especially, refers to 'EC-bound exports from Japan', whereas the actual document only refers to exports and, therefore, carefully skirts the issue of exports from American transplants. Indeed, MITI's recent summary of the agreement ignores some aspects which provoked multiple interpretation and heated discussion.

The official 'Notification to GATT' merely states in a few, meagre words that, in order to achieve full liberalisation of the Community's automobile market, Japan and the European Community agreed to monitor Japanese automobile exports to the Community during a transitional period between 1993 and 31 December 1999.<sup>21</sup> Two points ((3) and (4)) of this notification address the issues of exports and transplants in the following manner:

(3) ... During the transitional period, which will begin in 1993 and will be fully terminated by 31 December 1999, the Japanese authorities will continue, within the measures of cooperation, to monitor total exports from Japan to the Community and they will also monitor exports to France, Italy, Portugal, Spain and the United Kingdom, through twice-yearly bilateral consultations on current export trends and future forecasts for the following year.

(4) It is confirmed that inward Japanese investment will continue to be free of restrictions and that the products of such enterprises circulate freely within the Community.

More detailed versions of the understanding circulated within the Community,

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<sup>21</sup> It ought to be emphasised that this document and its 'interpretations' by the Commission and Japan, which are subsequently referred to in this section, have never been officially published. They have been made available to the author by kind co-operation by various Japanese and European interviewees.

in Japan, and between both sides. The agreement, announced on 31 July 1991 in Brussels and Tokyo, differs in various points from the provisional agreement of 1990. The final agreement, bearing the title 'Elements of Consensus', announces three goals, which the EC and Japan, 'at the request of the Community', wish to achieve: (1) 'progressive and full liberalisation of the EC market'; (2) 'avoidance of market disruption' by Japanese exports, and (3) a transitional period, which would allow Community manufacturers to regain competitiveness. These goals are to be achieved by various measures between 1993 and 1999. Accordingly, the Community promised to abolish national restrictions, and any measures taken under Article 115 of the Treaty of Rome. Both sides agreed on biannual Japanese monitoring of exports during the transitional period 'to the Community and to each restricted market'.<sup>22</sup> Specific export levels are provisionally listed for 1999, but these were based on market forecasts and both sides agreed that the changing economic situation and fluctuations within the market would have to be taken into account and that the figures would have to be adjusted accordingly.

The issue of transplants is addressed in two points (3a) and (14) of the agreement. Similar to the notification to the GATT, (3a) announces 'no restrictions on Japanese investment or on the free circulation of its products in the Community'. However, the issue is taken up again in the final point of the agreement, where the Japanese side agrees to

convey to Japanese manufacturers the Commission's repeatedly expressed concern that an excessive concentration of sales of their vehicles produced in EC on specific national markets

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<sup>22</sup> The phrase 'the Community and to each currently restricted market' has been the subject of frequent misinterpretation. It could be argued that this phrase provided a loophole for the European side to measure exports two-fold.

would cause market disruption, and would affect the necessary adjustments of the other EC manufacturers towards adequate levels of international competitiveness.

Both sides issued various detailed explanations of their interpretation and understanding of the agreement and, finally, highly significant, carefully scripted, oral declarations by the heads of the two negotiating teams, Nakao and Andriessen, were circulated together with the EoC. In these 'déclarations "conclusives" (version finale)' Andriessen declares that

During these negotiations (*sic*), the Commission has based itself on various working assumptions concerning the automobile market developments in the future. Including an estimate of 1.2 million vehicles, by the end of the transitional period, for the annual output, to be sold in the Community, of Japanese owned factories located in the EC.

May I, in this context, underline the importance which we attach to a constructive cooperation between the two sides in the implementation of the "Elements of consensus" , in particular concerning the principles laid down in point 10, 11 and 14 thereof.

The fact that in his final declaration Andriessen chose to raise point (14), asking for consideration of regional production, in his final declaration, even though the EoC theoretically guaranteed free circulation of goods within the fortress, emphasises again the focal point of the whole series of negotiations, and how very dependent the European side was on the Japanese with regards to this issue.

In his reply Nakao also takes up the same issue:

During these negotiations (*sic*), the Japanese side has based itself on the working assumption that the export figure at the end of the transitional period is forecasted taking into account total demand and the EC manufacturers supply capacity as a whole.

Let me call your attention to your commitment in the “Elements of consensus” that Japanese investment or sales of its products in the Community shall not be restricted.

Even after careful reading of all of the documents circulated by both sides, the agreement remains confusing and what stands out is that the major issues, the production of transplants and Japanese exports from transplants in other world markets, have been cleverly skirted. Neither side has directly challenged the other, but both are aware of the issues at stake. According to Mason’s thorough reading of documents available to him, the gist of the understanding can be summed up in the following manner:

The Commission’s working assumption on total Japanese transplant sales in the Community, together with estimates of total Japanese exports to the region contained in the ‘Elements’, suggested that Japan would capture roughly 16.1 per cent of the total EC automobile market by 1999. In addition, internal EC estimates of transplant sales in each of the five restricted markets, together with projected Japanese exports to each of these markets as set forth in the ‘Elements’, also enabled the Commission to generate estimates of total Japanese market shares in these five countries for 1999 (Mason, 1997: 70).

The fact that disagreement within the Community did not end with the notification to the GATT, on conclusion of the agreement, becomes obvious when a special German statement on the same issue to the GATT is considered. In this communication, dated 15 October 1991, the Federal Republic of Germany, which

had continuously supported the principles of free trade in its official pronouncements, took a harsh view of the agreement:

The Federal Government regrets the defensive character of the “elements of consensus”, which reveal timidity rather than acceptance of dynamic competition (...)

and raised the issues which had been carefully avoided:

The EC-wide monitoring - which therefore also covers the German market - shall not be of a restrictive nature on those markets where - as in Germany - there are no restrictions, but shall take the form of a statistical record. In order to avoid misunderstandings, there shall be a clarification with regard to figure 4 of the “elements of consensus”: that there is currently no EC-wide monitoring - i.e., including the German market - of Japanese exports, at least none with German approval.

There shall be no discrimination against Japanese investment in the field regulated by the “elements of consensus”.

The “elements of consensus” shall not affect imports of vehicles from third countries, such as the USA.

The procedure used for the “elements of consensus” shall not form a precedent for the treatment of any other grey-area measure. (German Statement of Protocol on the “Elements of Consensus” provided by the Commission for an EC Import Arrangement valid until 31.12.99 for Cars from Japan)

The role of Germany in the EoC scenario remains particularly unclear, and it is clearly necessary to distinguish between public and private statements. Various

written and oral sources indicated that Germany had entertained a private understanding with Japan prior to the conclusion of the EoC. Mason (1997: 62, 66) argued that Germany initially and publicly renounced the agreement, but, spurred on by the needs of VW, privately expressed its willingness to go along with the rest of the Community. Surzur (1995: 79) indicated that one of her sources revealed a 'secret' of the EoC. This secret is reported to have consisted of a separate German-Japanese agreement which limited the Japanese market share to 15 percent.<sup>23</sup> Taking these factors into account, the question remains why Germany chose to make public, officially and on the record, its opposition to the 'timid' agreement. The answer could be that Germany may indeed have been protective of the market share of its 'big three' luxury car manufacturers in Japan. This consideration could have induced Germany to oppose the EoC both throughout the discussions and in its final, agreed form. Due to the highly sensitive nature of the issue, unofficial comments from German and Japanese interviewees could not be obtained. Japan, for diplomatic reasons, was unable to raise these points which had been carefully avoided in the official agreement in front of the international public. By taking over this role, Germany certainly did Japan a favour when it publicly renounced the EoC.

Surzur (1995: 79-80) also mentions that France may have continued or newly arranged a certain understanding with Japan, limiting the latter's share of the French market. The same was implied by various interviewees, and, considering the fact that even during the most heated phase of negotiations a message was passed from the French prime minister to the Japanese negotiating team and taken into account, such an arrangement does not seem entirely unlikely. Indeed, it becomes more

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<sup>23</sup> It should be pointed out that no mention of any such understanding between Germany and Japan has been found except in Surzur's publication, and it has not been possible to verify her account

plausible when we consider that it would not have been wise for Japan to offend France unduly.

The active process that gave rise to the EoC was characterised by intra-European disagreement<sup>24</sup> on the one side and a Japanese negotiating team which unanimously pursued the same goals on the other side. Due to the confusing nature of the EoC, disagreements did not end after it had been concluded. Each of the bi-annual negotiations, which sought to adjust the Japanese market share according to the economic situation, was marked by frequent conflicts between Japan and the EU, in which the same old issues were raised again. Honda and Mitsubishi did indeed increase their EC-bound exports from transplants in third countries, which provoked heated debates (Mason, 1997: 71). The issue of transplants in Europe was by no means settled either. Not unexpectedly, the French continued arguing against these, but Mason (1997: 71) also quotes the *Nihon Keizai Shinbun's* warning that, according to the 'oral declaration', it would be difficult to expand transplant production. However, the Japanese and British governments, and JAMA too, have always publicly maintained that transplant production was not restricted by the EoC (Mason, 1994: 431). Various sources (Mason, 1994: 431-2, 1997: 72-3; Hager, 1992: 24-5; Bourke, 1996: 83-4) offered conclusive evidence that, in one way or another, the production of Japanese transplants in the EU was not allowed to expand naturally. The agreement officially expired on 31 December 1999 (*Frankfurter Allgemeine Zeitung*, 07/01/2000), and a quote from JAMA's German representative, stating that 'Japanese production in European transplants can be expected to double

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<sup>24</sup> Story (1994: 436-8) provides an excellent account of this European struggle, focusing mainly on the opposing poles, Germany and France, and relates it to wider European politics and the power struggle within the Community.

within the next five to seven years' (*Süddeutsche Zeitung*, 25/09/1998) lends further credibility to the assumption that regional production was held back as long as the agreement was in force.

Taking all these factors into account, commentators generally take the view that the Japanese automobile industry fared quite well under this agreement. Some scholars even insisted that the Japanese automobile industry was conceded a share of the market largely equivalent to what it could have achieved through free competition (Williams, K. et al., 1994: 188). In addition, my interviewees were generally of the opinion that there was more to the EoC than initially met the eye. Although they employed different turns of phrase, the consensus was that 'the EoC is an agreement containing many secrets', which 'involves multiple layers' (Interviews with representatives of Japanese and European governing institutions and the automobile industry, 16/11/1998: B, 18/11/1998: B, 27/10/1999: A).

#### **V.1.4. Evaluation of the Japanese Performance**

Japan has always, publicly and from the heart, insisted that the 'Elements of Consensus' is a measure showing Japanese generosity and goodwill (Born, 1992a: 13, quoting an interview with JAMA's German representative). The Japanese freely admit that

With regards to the Elements of Consensus, the Japanese government has been very careful and highly aware of their experience of negotiating the voluntary export restraint agreement with the United States. After a very fraught and incredibly tense series of negotiations with the US, Japan did not want a similar experience with the European Community, and, therefore,

sought to address the issue differently. Regional production in Europe played an important role in discussions with Europe. In Europe, most countries reacted very differently from the US, and were not in favour of the Japanese initiative to produce locally within the Community. Europe, in general, had very different policies from the US. In both cases, the Japanese government has been very careful not to provoke any market disruptions (Interview with representative of the Japanese automobile industry, 18/11/1999: A).

The US-Japanese voluntary export restraint of 1981 provided a major incentive for Japanese manufacturers to produce regionally and, instead of opposing Japanese investment, various American states actually competed for it.<sup>25</sup> The fact that Japan 'performed' much better and represented its interests more skilfully in negotiations with the European Community is well illustrated by the reaction of the Japanese media. Summerville (1988: 368) recounts that the Japanese media in 1980 were, at times, so appalled by the way their government reacted to US demands, that Nakasone, the then-prime negotiator, was once publicly termed Reagan's *rashamen* (whore). No such reactions were heard in the European case. Close co-operation between MITI and JAMA ensured that the Japanese government was at all times aware of the interests of the industry. Whilst both sides were aware that some type of export restriction was to be expected, and were prepared to accept it for diplomatic reasons,<sup>26</sup> they were unified in their views on transplant production.

Through careful observation of the process of discussion in which the Europeans engaged, the Japanese were well informed of the disharmony and disagreement on the European side, and were able to put it to good use. Unlike in

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<sup>25</sup> More detailed accounts of the Japanese-American VER can be found in Genther (1990) and Summerville (1988).

<sup>26</sup> It seems highly likely that the Japanese were also very much aware that an export restraint might not necessarily do them too much economic harm, as suggested by various researchers.

the American negotiations, the Japanese could not easily be put under pressure. However, they were aware that their European counterparts were under time pressure, because the agreement had to be concluded prior to the coming of the single market and prior to the termination of GATT. The discussions around the 'Elements of Consensus' saw a confident Japan emerge, whose performance in the negotiations attracted admiration. Japan's skill in handling the discussions was revealed in many ways. It let the Europeans pursue the negotiations and ask for further meetings. It carefully erected a linguistic 'smoke screen', by asking an interpreter to be present at all times and translate all exchanges. Japan, thus, gathered useful time, when considering its answers, and was able to understand the other side's discussions and comments, without being understood by the Europeans. When discussions were on the verge of breaking down, Japan still managed to maintain some contacts. Japan kept up European hopes by letting a seemingly more relaxed person take over for a short while, when the main negotiator was 'too busy'. Japan further remained firm, and stuck to its line, when the European side was virtually begging for the inclusion of transplants. Even if transplant production was, in the end, unofficially included in the monitoring arrangement, Japan internationally 'gained face' by standing up for its convictions. The Japanese government stuck to its guns and thereby ensured that the Japanese automobile industry was able to capture a sizeable chunk of the Community market. Of course, the Japanese automobile industry and government always took the official line that 'unfortunately, we were forced into a limiting agreement'. Nevertheless, since the agreement covered transplants in an acceptable fashion, the Japanese automobile industry could be satisfied with MITI's performance as its lobbying agent. The

following statements indicate a high level of satisfaction among Japanese manufacturers:

Actually, this recent agreement is not going to affect Nissan particularly. We have begun to prepare for the coming single market roughly ten years ago. We now have production facilities in the UK and Spain and are actively conducting R&D in the European Community. We are effectively integrated into the European industrial landscape ...

Following this agreement, Toyota is going to steadily increase its regional production within the Community. (Born, 1992b: 17, quoting representatives of Nissan and Toyota).

## **V.2. CO<sub>2</sub>**

*'Automakers are pretty much groping in the dark right now when it comes to the environment'* (Katayama, 1999: 4, quoting Okuda, the then-president of Toyota Motor).

### **V.2.1. The Government Develops Its Environmental Consciousness - the Industry Complies**

Although Europe started addressing the environment as a political issue from the 1970s onwards, the European Community's system of governance did not seriously tackle related topics until the 1980s. Once the environment had become a major theme within the Community in the mid-1980s, the automobile industry was almost always viewed as one of the major causes of environmental destruction. The earliest proposals of the Commission in 1985 were concerned with the reduction of carbon monoxide to fight air pollution, but did not address the issue of carbon

dioxide (Rapid Text File, DN: P/85/46, 1985-06-01; Rapid Text File, DN: MEMO/85/86, 1985-06-21). However, from 1986 on, the Commission began actively organising conferences and symposia (Rapid Text File, DN: MEMO/86/129, 1986-11-07) and initiated discussions with the European Parliament to investigate the effects of carbon dioxide (CO<sub>2</sub>) and possible measures for reducing it (Rapid Text File, DN: IP/88/40, 1988-01-22).

Similar to the case of the 'Elements of Consensus', positions within the Community were divided on what was required. In cases regarding the automobile industry, Belgium, Luxembourg, and Ireland generally expressed a neutral attitude, leaning towards acceptance of measures proposed by the Commission. Denmark, Germany, the Netherlands, and Greece, countries with strong environmental interest groups or green parties, frequently demanded harsher regulation. Britain, France, Italy, Portugal, and Spain, the majority of which were to favour a more protectionist approach in the EoC, usually called for less strict controls (Rapid Text File, DN: MEMO/88/51, 1988-03-22; Rapid Text File, DN: MEMO/88/94, 1988-06-15; Rapid Text File, DN: MEMO/88/102, 1988-06-29). Initially, with a view towards harmonisation of standards, the Commission considered it sensible to introduce standards similar to those of the United States (Rapid Text File, DN: IP/89/240, 1989-04-12; Rapid Text File, DN: P/89/86, 1989-12-20) and it was emphasised that:

The measures decided on today by the Commission against air pollution by motor vehicle emissions are of special importance. They supplement our efforts to introduce stricter standards which will guarantee effective protection of the environment to meet growing public demand. And we are creating the right conditions so that every European industry can accomplish the necessary process of technical adaptation to meet international competition which takes into account in the design and production of its cars, the latest requirements of a

demand which is ever more influenced by environmental factors ... European standards must be at least as stringent as those of the USA ... After a transition period, this European legislation, being equivalent, will replace the US rules, which were accepted temporarily for approval in parallel with the Community procedure and limit values (Rapid Text File, DN: P/89/86, 1989-12-20).

Two conflicting points are particularly noteworthy about the Community's early view on the introduction of environmental regulations. On the one hand, the Community was highly aware, just as with the EoC, that, whatever measures were to be introduced, it would be necessary to ensure that its industries could remain internationally competitive. On the other hand, at this particular time, prior to the coming of the single market, the Community was trying to establish itself as an internationally accepted system of governance, and, therefore, believed its own regulations would have to be at least as stringent as those of the United States.<sup>27</sup>

Eventually, the United Nations Conference on the Environment and Development in Brazil in June 1992, as well as the coming of the single market, provided further stimulation for the Community to come to terms with the issue of exhaust emissions. Accordingly, the Community's Joint Energy/Environment Council of 29 October 1990 decided to 'stabilize carbon dioxide emissions at their 1990 level by the year 2000' (Rapid Text File, DN: P/91/67, 1991-09-25). In order to achieve this 'tall order', several measures were suggested, the most popular of which was a combined energy and carbon dioxide tax (Ibid.). The Commission, in particular, favoured the principle of 'the polluter pays', according to which

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<sup>27</sup> Comparisons with the United States were common, since the US introduced measures against air pollution at a very early stage. Gresser, Fujikura, and Morishima (1981) and Wallace (1995) also report in their investigations of the development of environmental policy in Japan and elsewhere, that national standards were frequently compared to or even mirrored those of the United States, in particular the Californian 'Muskie Act'.

in our proposal, the carbon element of the tax would penalise fuels with high emissions of CO<sub>2</sub>, a major contributor to global warming (...) the most appropriate solution would be for other countries, in particular the industrialized ones, to follow our example (Rapid Text File, DN: SPEECH/92/17, 1992-02-27).

The Commission was trying to set an example in the global polity and, propelled by the demands of some of its member states, it was confident enough to demand that other industrialised countries follow this example. From its beginnings, the issue of exhaust emissions was tied in with international developments, and accordingly, it is not surprising that the automobile industry was also aware of this factor, and later on demanded to take other countries and industries into account, when designing regulatory measures.

Particularly after the United Nations Conference in Brazil, and with a view towards the Kyoto Summit of 1997,<sup>28</sup> discussions in the EU became much more frequent, heated, and intense. From 1995 onwards, various departments within the European Commission began discussing a reformed strategy to reduce CO<sub>2</sub> emissions from cars, which would consist of:

An agreement with the European auto industry and car importers: The Commission intends to conclude an agreement with the industry under which the industry would commit itself to reducing the specific CO<sub>2</sub> emissions of new cars which it puts on the market. The agreement would set clear targets, and progress towards these targets would be closely monitored (Rapid Text File, DN: IP/95/1439, 1995-12-20).

In order to ensure competitiveness of the European automobile industry, the Commission was willing to undergo similar discussions with the 'importers'. As mentioned in chapter 4, the only 'importers' in the EU were the Japanese and Korean manufacturers. Since the American automobile manufacturers participated in ACEA, they had to be considered part of the European automobile industry. For this reason, they would have to conform to the agreement that was negotiated between ACEA and the Commission. At this early stage, it was obvious that the Commission was intent on achieving the same agreement with its domestic industry and the Japanese and Korean importers. Therefore, the competing industries seemed to be 'in the same boat' and could be expected to argue jointly the case of the automobile industry against the case of the European Commission. Although the European automobile industry and the Japanese and Korean importers shared the same view and had the same interests at heart in the case of CO<sub>2</sub> exhaust emissions the actual negotiations developed differently. The development of negotiations was unusual. It greatly affected the automobile industry policy network in the EU, slightly shifted power relations in this network and even 'overlapped' to Japan and affected the Japanese automobile policy network and the way Japan handled the same issue.<sup>29</sup>

Not only were attitudes of member states divided over the type and severity of measures to be introduced, but different departments within the Commission also advocated different options. Although the departments involved in early discussions

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<sup>28</sup> A detailed analysis of the development and outcome of the Kyoto Summit is provided by Grubb, Vrolijk, and Brack (1999).

<sup>29</sup> The detailed role of the Japanese automobile industry in this issue, and its interaction with European governing institutions and automobile industry are confined to section V.2.3., since an overview of the chronological development and the exact roles of all actors in the negotiation process at this stage would confuse an already complicated issue.

included DG IV (the Competition DG) and DG VII (the Transport DG), the main Commission actors in the process were clearly DG III (the Industry DG) and DG XI (the Environment DG). DG III was headed by Martin Bangemann and was generally familiar with and involved in all issues related to the automobile industry, which made it somewhat sympathetic to the industry's case. However, DG XI, under the leadership of the suitably termed 'ice princess', Ritt Bjerregaard, took a much harsher line. Fuelled by the views of environmental interest groups and green parties, DG XI made strong demands of the motor car industry.

From 1996, Bangemann and Bjerregaard began inviting the European automobile industry to exchange opinions (Rapid Text File, DN: IP/96/546, 1996/07-02). Instead of dealing with individual manufacturers, the Commission preferred to interact with the industry's umbrella organisation, ACEA, and expected to be presented with a clear consensus among the producers. During these discussions, Commissioner Bjerregaard kept putting increasing pressure on the industry, rejecting ACEA's proposals as too lax. Occasionally, she wrote to member states, complaining about the slow progress in discussions with the automobile industry and asking them to put pressure on their industries to comply (Rapid Text File, DN: IP/97/895, 1997-10-16; Rapid Text File, DN: IP/98/234, 1998-03-11; Rapid Text File, DN: IP/98/499, 1998-06-03). Eventually, Commissioner Bjerregaard even threatened that 'if an agreement fails and we should decide to move towards limit values - as the European Parliament has already suggested - the target-sharing will no longer be decided BY the industry itself but FOR the industry in the European Union's legislative process' (Rapid Text File, DN: IP/97/895, 1997-10-16). Confronted with severe demands from various governmental actors, the European automobile industry finally had to give in, and in July 1998 'voluntarily'

committed itself to various measures to ‘achieve a target of 140g/km CO<sub>2</sub> for the average of new cars sold in the European Union by 2008’ (Rapid Text File, DN: IP/98/734, 1998-07-29). Immediately thereafter, the Commission undertook negotiations with JAMA and KAMA, and concluded a similar agreement with them in late 1999 (Rapid Text File, DN: IP/99/922, 1999-12-01).

### **V.2.2. The Actual Agreement**

Against this background, we need to make a detailed analysis of the agreement to which ACEA ‘voluntarily’ committed itself. Only by doing so, can we obtain a clear understanding of the issue that confronted JAMA and of the agreement that JAMA signed up to in 1999. Upon conclusion of the agreement, the European Commission and ACEA jointly announced that:

the average of new cars sold by the European manufacturers in 2008 will emit about 25% less CO<sub>2</sub> than today. Further cuts will be made in particular with the perspective of 2012. This makes the EU the global frontrunner in the promotion of fuel-efficient cars. This is one example of how seriously the European Union takes its Kyoto commitments

( 07/05/1999: <http://www.acea.be/acea/Co2emissionscars.html>).

Throughout the negotiations, the Commission had been aware of the ‘international dimension’ of this particular agreement. The EU was the first global player that managed to conclude an agreement corresponding to the ‘Kyoto visions’. By doing so, the EU took a decisive step to becoming an international political player of recognised stature. The CO<sub>2</sub> agreement announced to the global polity and to the

European industry that the European Union feels confident enough to put pressure to comply on one of its key industries. It has also not hesitated to ask other international actors to follow its example. Therefore, the EU, with the single market now firmly installed, emerged as a much stronger and more forceful actor than in the negotiations concerning the EoC, where conflicting views among member states frequently made an agreement seem impossible, which put the Japanese in a stronger position. The negotiations leading up to the CO<sub>2</sub> agreement were smooth. The Commission stuck to its line, did not let member states interfere in a disadvantageous way, and firmly established itself in the global polity.

According to the understanding with the Commission, ACEA agreed to:

- achieve an average CO<sub>2</sub> emission figure of 140g/km by 2008 for all its new cars sold in the EU, as measured according to the EU's test procedure;
- to bring to the market individual car models with CO<sub>2</sub> emissions of 120g/km or less by 2000;
- to an indicative intermediate target in the order of 165-170 g/km in 2003 as the basis for monitoring progress;
- to review the potential for additional improvements with a view to moving the new car fleet average further towards 120 g/km by 2012. This review will be undertaken in 2003 (Ibid.).<sup>30</sup>

Even the determined Commissioner Bjerregaard was finally satisfied with the industry's commitment, and publicly congratulated the industry in the following manner:

I am therefore proud that the European automotive industry takes its environmental

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<sup>30</sup> The same commitment was detailed by the Commission in a document released immediately upon conclusion of the agreement (Rapid Text File, DN: IP/98/734, 1998-07-29).

responsibilities seriously and has taken up the challenge of climate change. By committing itself to a substantial improvement in the fuel-efficiency of passenger cars, *the European Automobile Manufacturers Association (ACEA)* is delivering a major contribution to the EU's overall greenhouse gas objectives. ACEA is setting an example of the new partnership that we have to forge with the industry if we are to achieve our climate change objectives (Ibid.).

Whilst being equally pleased by this 'new partnership' with the Commission and stressing that the agreement 'demonstrates the seriousness with which the European automobile sector takes its environmental responsibilities', the industry warned that certain characteristics of the agreement, such as fuel quality, were outside its control. Ultimately, the industry pointed out that 'although extremely demanding, European car manufacturers are determined to make this environmental agreement with the Commission a success' (Ibid.).<sup>31</sup>

At first glance, the European automobile industry did not seem to have fared well in discussions with a strong and, despite certain conflicts, more unified Commission than during the EoC. Public statements from the industry revealed that it was highly aware of the 'tall order' imposed on it by the Commission. Such statements even included thinly veiled warnings to the Commission that its action could possibly 'backfire':

If car prices are pushed too high because the industry is compelled to spend vast sums in pursuit of unattainable performance levels on CO<sub>2</sub>, and to turn out cars that customers are not prepared to buy, then many consumers are likely to retain the vehicles they have, slowing down CO<sub>2</sub> emission reductions ...

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<sup>31</sup> More detailed information on this can be found on ACEA's home page in the Internet: 07/05/1999: <http://www.acea.be/acea/Co2emissionscars.html>

Whilst it is technically possible to produce very low consumption models, it is unrealistic from a consumer and industrial standpoint to expect the entire European fleet to average, for example, 5 litres, per 100km, i.e. 120 grams of CO<sub>2</sub> per km, the target proposed by the European Commission for the next decade. Such a target would force a radical downsizing of the available range of vehicles, cause a severe loss of competitiveness, in particular on export markets, and lead to a drastic restructuring of the entire industry

(07/05/1999: [http://www.acea.be/acea/addressing\\_climate\\_change.htm](http://www.acea.be/acea/addressing_climate_change.htm)).

Clearly, the reduction of CO<sub>2</sub> exhaust emissions forms a highly important issue of competition for the European automobile industry. Therefore, although seemingly not having weathered discussions with the Commission well, ACEA took measures to ensure its future competitiveness in Europe and on the major world markets. Despite having formally committed itself to the Commission's demands, ACEA placed certain conditions on its commitment, leaving it a 'possible way out'. ACEA describes its 'conditions' in the following manner:

Certain external factors could impact on ACEA's ability to honour its commitments. These commitments are therefore linked to a number of assumptions. These include the availability of improved fuels in line with the new EU fuel quality standards, the assumption that fiscal and other policies do not hamper the penetration of fuel-efficient technologies in the EU market, and equivalent efforts being made by non-European manufacturers to reduce CO<sub>2</sub> emissions from cars ... Should any of these assumptions not be met, the Commission and ACEA will review the situation.

(07/05/1999: <http://www.acea.be/acea/Co2emissionscars.html>).

At the very least, these 'assumptions' show that the industry, although being placed in a weak position from the beginning, was able to retain some leeway. Also, as

obvious from this statement, negotiations with the Japanese and Korean automobile industry ultimately go back to the demands of the European industry. It remains questionable if the European automobile industry could have achieved a more 'positive' agreement with the Commission had it pursued a different strategy in the negotiations or if the Japanese automobile industry had been allowed more involvement at an early stage of the issue.

### **V.2.3. JAMA Accepts the Challenge Publicly and Actively to Fight the Industry's Case in Europe**

The debate revolving around the reduction of CO<sub>2</sub> exhaust emissions in the EU represented a major and decisive step for the Japanese automobile industry as a whole, but in particular for JAMA. In the 'Elements of Consensus', as in previous similar cases in other world markets, it had been up to the Japanese government to represent the interests of the Japanese automobile industry. Clearly, JAMA had always, and in every case, played a significant role, conveying its interests 'behind the scenes'. However, the Commission's demands that JAMA undergo negotiations with it pushed JAMA into the spotlight of European action. As outlined in chapter 4, from the early 1990s onwards, JAMA had been able cleverly and skilfully to lobby Brussels on the industry's behalf. Whilst doing so, JAMA generally refrained from public statements in official hearings or doing anything which might place it in a more political position - something which is a hard task to perform in interaction with governments! CO<sub>2</sub> changed this approach completely. It forced JAMA to stand up publicly on the industry's behalf and thereby contributed to a change of JAMA's image, and possibly to the way JAMA views itself and its role in a changed

international and political environment. At the same time, these developments also put to the test the web of relations which JAMA had taken great care to establish in the 1990s.

Before turning to the analysis of JAMA's role in the CO<sub>2</sub> negotiations, it must be pointed out that the Japanese automobile industry occupied a different starting position from its European counterpart. Not only had Japanese carmakers begun investigating the option of alternative, environment-friendly vehicles at a much earlier stage than the Europeans, but they are still leading the field (Simonian, 07/11/1997; Griffiths, 03/12/1999).<sup>32</sup> Particularly after the Japanese government 'began considering new fuel efficiency standards with a view to boosting the fuel efficiency of gasoline automobiles about 23% by the year 2010' (Katayama, 1999: 4), the Japanese automobile industry felt compelled to research alternative types of automobiles even harder than before. Their diligent research was rewarded in the shape of Mitsubishi (1996), Isuzu (1998), Honda (1998), and Toyota (1998) introducing different types of 'eco-vehicles' (Katayama, 1999). However, despite successful advances and improvements, Honda warned that:

whether you're talking about the internal combustion engine or hybrid system, you just can't cut CO<sub>2</sub> to zero. The time is coming that we just have to come up with some new ideas about power sources (Honda's Hosaka Takefumi, quoted by Katayama, 1999: 9).

Whilst being aware that it would not be possible to eliminate completely CO<sub>2</sub> exhaust emissions in the near future, the Japanese automobile industry has,

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<sup>32</sup> Detailed information on the environmental policy of the Japanese government throughout the years, which contributed to its industry's early research, can be found in Gresser, Fujikura and Morishima (1981), Yonemoto (1994), Wallace (1995), Kankyô Seisaku Keizai Gakkai (1999), and Japan Automobile Research Institute (1999).

nevertheless, been prepared to tackle 'the environmental issue' over several years, and was therefore better equipped for negotiations with governments than its European counterpart.

Before taking up negotiations with the European Commission, JAMA considered it necessary to discuss the issue amongst its members, in order to represent the interests of the Japanese automobile industry in a coherent and unified manner. JAMA was aware that its commitment to the European Commission would have to be based on consensus amongst the Japanese manufacturers, which meant that internal discussions would take place in Tokyo prior to discussions with the Commission in Europe. During the course of these internal discussions in 1998, attitudes within JAMA with regards to a strategy for negotiations and general views on the reduction of CO<sub>2</sub> differed widely. In general, Japanese manufacturers of small cars tended to be less opposed to committing to an agreement similar to the one to which ACEA had committed, since such regulatory measures would offer a good chance to promote the sales of small cars.

Discussions in JAMA were further influenced by engineers, who insisted that the demands which the Commission had placed upon ACEA could not be fulfilled technologically at the current stage of research. Some of the more political-minded and progress-oriented members of JAMA, however, remained adamant that it simply 'had to be done' and that JAMA should be able and willing to accept an agreement similar to that between ACEA and the Commission in order to enhance JAMA's position as a co-operative participant in the industrial landscape of the EU.

It should be noted that some of JAMA's smaller manufacturers formed parts of larger groups, such as Hino and Daihatsu who belonged to the Toyota group. These factors affected the attitudes and behaviour of these companies in internal

discussions, particularly since regulation would probably be applied to whole groups, and not to every single member of each group separately. As is frequently the case in JAMA, the bigger and more influential members had a louder say in these intra-Japanese talks, despite the fact that they emphasised in interviews that 'our bargaining power is only limited and the benefit of the (JAMA) group membership is great'(Interview with representatives from the Japanese automobile industry, 08/10/1999: A, 16/11/1999: C, 15/11/1999: A). Interviewees from the European and the Japanese side both agree that one manufacturer, Toyota, stands out in the case of CO<sub>2</sub>. In internal discussions with other Japanese automakers, Toyota took great care to represent its interests and convince other members of its view. As one interviewee from the Commission mentioned, Toyota was also the only manufacturer which considered it necessary to represent its interests individually at a later stage when the Commission was discussing the CO<sub>2</sub> issue with JAMA. Based on thorough discussions amongst its members, the Japanese automobile industry became aware of the attitudes of each single manufacturer. Despite internal differences, it was able to reach an internal consensus. For this reason, JAMA presented a unified Japanese position in discussions with the European Commission and represented the interests of the Japanese automobile industry in a coherent manner (Interviews with representatives of the Japanese automobile industry, 12/06/1998: B, 08/10/1999: A, 15/11/1999: A, 19/11/1999: A, 24/01/2000: A, and European officials: 17/11/1998: C, 18/11/1998: B, 19/11/1998: B).

The CO<sub>2</sub> negotiations were considered highly important by JAMA. For this reason, the role of JAMA-Brussels was confined to its main functions, as outlined in chapter 4. In the CO<sub>2</sub> issue, JAMA-Brussels mainly gathered information and

arranged contacts with the Europeans. Representatives from JAMA-Tokyo frequently flew to Brussels to discuss issues with the Commission and then decided on the next steps in the members' forum in Tokyo. Although issues were mainly discussed with DG XI in Brussels, representatives from DG I and DG III who were visiting Japan to discuss various political or trade issues occasionally took the opportunity to exchange views with JAMA (Interviews with representatives from the Commission, 09/06/1998: A, 17/11/1998: C, 18/11/1998: B).

Actual negotiations between JAMA and the Commission only began after negotiations with ACEA had finished and ACEA had made its commitment in mid-1998. However, two cases stand out in which the Commission chose to deviate from its original schedule which kept negotiations with ACEA and those with JAMA separate. These cases are noteworthy because they positively affected the way the European polity viewed JAMA and, therefore, had an impact upon how discussions with JAMA were conducted subsequently. At the very beginning of negotiations with ACEA, DG XI, under the guidance of Commissioner Bjerregaard, approached JAMA with a request for relevant data, upon which it could base discussions with ACEA. This request initiated heated discussions amongst JAMA's members with regards to whether the data should be provided or not. Certain members warned that handing over such data, which ACEA had preferred not to offer itself, might harm relations with ACEA. Other members pointed out that the Commission would press for an agreement anyway, and it would be better if this were based on JAMA's own detailed figures. They further reminded their fellow members that such co-operative behaviour would enhance positive relations with the major decision-making authority in Europe. Eventually, the latter view prevailed and the data were handed over (Interviews with representatives from the Japanese automobile industry,

10/11/1999: A, 18/11/1999: A, 24/01/2000: A). Although JAMA was not directly involved in the CO<sub>2</sub> negotiations at the time, its willingness to co-operate ensured that JAMA was considered a trustworthy and reliable partner in the EU when negotiations between JAMA and the Commission were undertaken.

In the second case, when the decision-making authorities of the EU chose to involve JAMA in the CO<sub>2</sub> issue although they were solely concentrating on discussions with ACEA at the time, JAMA was invited to an EP workshop in Strasbourg. At that time, discussions with ACEA had reached a critical stage and seemed to be caught in a deadlock. In this particular case, representatives from DG III, DG XI, DG VII, the President of the Environment Council, various MEPs, representatives from the oil industry, Chrysler,<sup>33</sup> ACEA and JAMA were invited to the workshop. This workshop formed part of the EU's strategy to put increasing pressure on ACEA to commit itself to the agreement designed by the Commission. In this workshop, the polity of the EU hoped to demonstrate effectively to ACEA that other essential actors in the CO<sub>2</sub> issue understood the necessity of regulatory measures to reduce CO<sub>2</sub> exhaust emissions and that these actors were more willing to co-operate than ACEA itself. It must be emphasised that these were only minor cases, even though they certainly contributed to a positive view of JAMA in the European polity. They do not indicate a major involvement by JAMA in the discussions between the Commission and ACEA. Despite these minor contacts with JAMA, the Commission only concentrated on the actual negotiations with JAMA after the agreement with ACEA had been finalised (Interviews with representatives from the Japanese automobile industry, 10/11/1999: A, 24/01/2000: A, and the

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<sup>33</sup> The workshop took place prior to the DaimlerChrysler merger when Chrysler was not a member of ACEA. For this reason, Chrysler had to be invited separately.

European automobile industry and governing institutions, 09/06/1998: A, 17/11/1998: C, 19/11/1998: A, 27/10/1999: A, 16/11/1999: D, 19/11/1999: A).

At this stage, it remains speculation why the Commission chose to conclude negotiations with ACEA before turning to JAMA and KAMA. Some interviewees indicated that joint negotiations between JAMA, ACEA, KAMA and the Commission were not conducted because of a strict refusal by ACEA to do so. Other interviewees mused that it may have been part of the strategy of the Commission to conduct discussions separately, in order to be able to exert more pressure on each side (Interviews with representatives from the Japanese automobile industry, 10/11/1999: A, 24/01/2000: A, and the European automobile industry and governing institutions, 09/06/1998: A, 17/11/1998: C, 19/11/1998: A, 27/10/1999: A, 16/11/1999: D, 19/11/1999: A). When directly questioned on this issue, the Commission officially stated that ‘there were not enough people around to take up the staggering amount of work to deal with ACEA and JAMA and KAMA at the same time’ (Interviews with representatives from the European Commission, 17/11/1998: C, 18/11/1998: B).

ACEA agreed to the Commission’s demands in mid-1998. Immediately thereafter, JAMA was invited to negotiations. JAMA had carefully observed every stage of developments in Europe. It cautiously analysed its own position at the beginning of negotiations in the following manner:

On the issue of CO<sub>2</sub>, the Commission has just received a voluntary agreement from ACEA. Last year, governments of the member states placed increasing pressure on the Commission to finally reduce CO<sub>2</sub>. Whilst DG III was sympathetic to the needs of the industry and favoured a voluntary agreement, DG XI pressed for binding legislation. In the end, ACEA only

committed to its voluntary agreement because it feared that DG XI might otherwise enforce even harsher legislation. What are we going to do? If JAMA rejects the agreement, we will be hated forever by ACEA (Interview with representative of the Japanese automobile industry, 16/11/1998: B).

Since discussions with the European side took place in Brussels, but were handled by representatives from JAMA-Tokyo, the situation was further complicated and slowed down by constant travelling back and forth in the case of the Japanese actors (Interview with representative of the Japanese automobile industry, 18/11/1999: A).

As mentioned in chapter 4, JAMA had established a sound web of good working relationships with various DGs in the Commission by the late 1990s. Amongst these, JAMA enjoyed particularly good relations with DG III (industry). Contacts from DG III were helpful in establishing equally good relationships with DG XI (environment) when JAMA and DG XI were to negotiate the CO<sub>2</sub> issue. Occasionally, JAMA turned to DG III to arrange further contacts with different representatives from DG XI. During the most intensive phase of discussions between JAMA and the Commission, contacts were frequent and occurred several times per day in the form of actual meetings, telephone calls, e-mails, faxes, and letters. Due to its detailed knowledge of environmental technology and its advanced research, the Japanese automobile industry was able to present concise views and a coherent argument, which were based on sound facts, figures and data which had been accumulated over the years. Since JAMA had reached an internal Japanese consensus in the members' forum prior to discussions with the Commission, it was able to present efficiently a unified Japanese view to the Commission. Such behaviour contributed to JAMA's credibility as a reliable and co-operative

participant in the automobile policy network in the EU. It particularly strengthened the favourable disposition within the Commission towards the Japanese car industry.

The Commission particularly appreciated the fact that a united Japanese front was able to present clear, unified, and coherent arguments. When negotiating with ACEA prior to negotiations with JAMA, the Commission had been confronted with a multitude of different views which had made it extremely difficult to reach an agreement. Interviewees from the Commission pointed out that, while their main contacts with the Europeans had been with ACEA, representatives from BMW, Chrysler, Fiat, Ford, Peugeot, Volvo, and VW had also considered it necessary to discuss their needs personally. They emphasised that such visits had made it difficult for them to prepare position papers and proposals. In the case of the Japanese, only Toyota had sought individual meetings. However, these differed from meetings with individual European manufacturers in so far as that Toyota chose not to contradict JAMA's position but support it and simply explain various points in more detail (Interviews with representatives of the European Commission, 17/11/1998: C, 18/11/1998: B, 19/11/1998: B). For this reason, the case of CO<sub>2</sub> actually increased JAMA's network of contacts with different departments of the Commission and ensured that JAMA was viewed as a willing and able partner.

On 1 December 1999, the Commission announced that JAMA and KAMA made voluntary commitments to reduce carbon dioxide emissions from passenger cars which comply with EC competition rules (Rapid Text File, DN: IP/99/922,

1999-12-01). JAMA and KAMA committed themselves to reach the same target, 140g CO<sub>2</sub>/km as ACEA by 2009.<sup>34</sup>

#### **V.2.4. Effects of JAMA's Interest Representation**

Since the Commission was entrusted with negotiations by other EU decision-making institutions in the case of CO<sub>2</sub> exhaust emissions, the Commission had to arrange contacts with all other actors in the automobile industry network and therefore emerged as the most highly visible and forceful actor. This is entirely in accordance with Héritier (1993: 441) who, as mentioned in chapter 1, pointed out that in the case of EU policy networks the Commission frequently emerges as 'the architect of the network'. The European Commission clearly plays an important role since it has to remain in constant touch with the other decision-making institutions of the EU polity, has to arrange and conduct negotiations with the industry, and, basically, supervise the whole issue. However, this does not render the Commission the sole powerful actor which dominates all other participants of the automobile policy network. As outlined in this chapter, the Commission is still dependent on other actors for facts, figures, and data. JAMA has freely chosen to supply the Commission with necessary information which has enhanced JAMA's position in negotiations with the Commission.

Different departments of the Commission, particularly DG III (industry) and DG XI (environment) sought out meetings with representatives from the industry to

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<sup>34</sup> ACEA committed itself to reach the same target by 2008, but given the fact that JAMA and KAMA accepted the agreement one year later they have committed themselves to the same time-span as ACEA.

gain its views and gather information. Whilst these departments were not always in complete accord, they managed to resolve their differences internally and decide on a unified approach which strengthened the position of the Commission. In the case of CO<sub>2</sub> exhaust emissions, the Commission set out to achieve strict regulations and realised its intention. By doing so, the EU also set a global example and established itself as one of the world's major supporters of environmental issues.

At first glance, ACEA's role in the CO<sub>2</sub> issue appears weak because ACEA had to give in to most of the Commission's demands and was unable to convince DG XI to accept a more lenient and, in terms of current research, realistic and achievable commitment. However, by not providing the Commission with certain information, ACEA 'threw its weight around' and, most importantly, extended the negotiations. By prolonging the negotiations, ACEA was able to spend more time on environmental research which, eventually, will make it more likely to realise the 'tall order' of the agreement. ACEA emerged as an influential actor because it attached certain conditions to its commitment and refused to accept the agreement otherwise. This way, ACEA ensured a certain leeway for its members when seeking to honour the commitment. Nevertheless, the fact that ACEA in the case of CO<sub>2</sub>, as with regards to the issue of the EoC, was unable to present a unified view ultimately weakened its argument and did not improve relations with the Commission.

JAMA performed well in its first case of active lobbying. Initially, JAMA was in a difficult position. It had to take great care not to offend ACEA or harm relations with it. It was also necessary for JAMA to maintain and improve good working relationships with decision-making institutions in the EU. At the same time, JAMA was in a critical position because it was waiting for similar regulations

to be passed in Japan. Since JAMA did not want to be confronted with different regulatory measures in Japan and the EU, it decided to draw out negotiations in Europe. When the Commission started negotiations with JAMA and KAMA in 1998, it had intended to finish these discussions and achieve an agreement by the end of 1998. However, JAMA skilfully managed to draw negotiations out for an entire year whilst still appearing a co-operative, reliable, and willing partner on this issue. JAMA had carefully observed ACEA's negotiations and noted that ACEA had successfully prolonged discussions. It is noteworthy though that ACEA's methods proved less successful than JAMA's approach. Whilst JAMA was still in good favour with the Commission at the end of the extended negotiations, this had been less so for ACEA. One way in which JAMA was able to extend negotiations without causing offence was by sending out representatives from the Japanese headquarters to deal with the actual negotiations. Obviously, this greatly prolonged discussions, since they had to travel back and forth constantly.

JAMA was assisted in its approach by the Korean Automobile Manufacturers' Association (KAMA) which drew out negotiations similarly to JAMA. APEC and ASEAN-meetings provided opportunities for the Japanese and Koreans to exchange informal, unofficial views on the issue. KAMA generally contacted JAMA to gather information on its strategy and to find out if and when JAMA intended to accept the agreement. Only after JAMA had made its commitment did KAMA sign up to the agreement (Interviews with representatives from the Japanese automobile industry and government, 01/11/1999: A, 16/11/1999: A, 24/01/2000: A). The Korean automobile industry is only present as an exporter in the EU and occupies a much smaller market share than the Japanese. For this reason, its economic weight and political influence are marginal. By following JAMA's strategy, KAMA fared better

than if it had argued against the Commission on its own. JAMA benefited from the fact that KAMA repeatedly exchanged views with it and accepted JAMA's strategy. The EU was intent on concluding identical agreements with JAMA and KAMA at the same time. For this reason, it was beneficial for both organisations to draw out negotiations simultaneously.

JAMA was confronted with a highly complex situation during the CO<sub>2</sub> negotiations in which it actively and publicly argued the case of the Japanese automobile industry for the first time. JAMA put its network to use and drew out negotiations for its own convenience, whilst still emerging as a co-operative negotiating force. It is particularly noteworthy that JAMA had become such an accepted participant in the European automobile policy network that one department of the Commission, DG III, was even willing to introduce JAMA to actors from another department, namely DG XI. Although JAMA had established relations with some actors from DG XI, the fact that DG III offered to assist JAMA in getting to know more officials from DG XI made it possible for JAMA to establish particularly good working relationships with some of these. Such relationships of a more personal and informal character made it easier for JAMA to present its views in discussions with DG XI. The CO<sub>2</sub> issue showed that JAMA's decision to move away from Paris and base itself in Brussels, as described in chapter 4, had been the right decision. The case of CO<sub>2</sub> firmly established JAMA as a well-accepted member of the industrial landscape of the EU. CO<sub>2</sub> negotiations in Europe, however, not only positively contributed to JAMA's position in the EU; they also had an impact on the global JAMA-ACEA relationship and affected the way the issue is addressed in Japan.

On the whole issue of CO<sub>2</sub> in Brussels, formal and official discussions did not take place between JAMA and ACEA. However, under the surface representatives from both associations met, not in their official functions but in more informal settings, and discussed technicalities and exchanged general information, though not hard data or figures (Interviews with representatives of the Japanese automobile industry, 08/10/1999: A, 10/11/1999: A, 18/11/1999: A). Such meetings indicate a clear change in ACEA's view of JAMA since the Elements of Consensus. By 1998, ACEA's attitude had shifted from viewing JAMA as a dangerous competitor to that of an organisation which is faced with similar problems. In Europe, ACEA and JAMA did not conduct negotiations jointly. However, they realised the need to exchange information. The way the CO<sub>2</sub> issue was resolved in the EU had a direct impact on ACEA's and JAMA's subsequent joint action in Japan.

Whilst the scope of this dissertation does not allow detailed discussion of the way the issue was handled in Japan, a brief overview of some major factors will show that the European issue clearly had an impact on the JAMA-ACEA relationship. Possibly, it even affected the general relationship between the Japanese automobile industry and MITI, but this issue must be left to future detailed analysis. After negotiations in Europe had been finalised, environmental issues were brought to the attention of the Japanese public via the Tokyo Motor Show of October/November 1999. The Tokyo Motor Show was dedicated to the topic of the environment. It exhibited new and advanced research and raised the awareness of the public and the mass media of the research the car industry had conducted with regards to environmental technology. At the time, the Japanese government discussed different types of regulatory measures. Theoretically, MOT was in charge of such regulations and favoured a so-called 'green tax' to reduce CO<sub>2</sub>. Amongst the

Japanese bureaucratic actors, MITI had established the closest relationship with the automobile industry and was sympathetic to the cause of the industry. Various interviewees from the European and Japanese sides have drawn parallels with the situation in Europe and have likened the role and attitude of MOT to that of DG XI and that of MITI to DG III. Whilst such analogies may seem naïve, they convey the substantial fact that MITI was generally supportive of the industry, whereas MOT was more focused on passing strict legislation.

The way the issue had been handled in Europe ensured that JAMA and ACEA were aware of their mutual needs in Japan. They decided to represent their interests jointly in public and asked other automobile-related associations to join them in signing an official petition against MOT's green tax. It is particularly noteworthy that MITI decided to support openly one of its key industries against another section of the bureaucracy when choosing to sign this petition (Interviews with representatives of the Japanese and European automobile industry and government, 27/10/1999: A, 01/11/1999: A, 10/11/1999: A, 17/11/1999: C, 18/11/1999: B, 24/10/2000: A). The effects of joint interaction of three powerful actors, JAMA, ACEA and MITI, cannot be overestimated and render future investigation worthwhile.

The way in which the Brussels polity addressed the issue of CO<sub>2</sub> raised an awareness of shared needs in JAMA and ACEA, co-operation and the possibility of occasional joint representation of interests. JAMA and ACEA reacted accordingly in Japan when they designed their joint petition. Other combined efforts include joint preparation of global technical regulations 'aimed at standardising, without

sacrificing, automobile safety and emission standards' by JAMA, ACEA, and the US Alliance of Automobile manufacturers (AAM).<sup>35</sup>

One of the most important effects of the CO<sub>2</sub> issue is that JAMA had a chance to show that it had put its decade in Brussels to good use. JAMA had taken the time to establish a strong web of relations in Brussels. Negotiations in the CO<sub>2</sub> issue showed that JAMA was accepted by the Brussels polity and viewed as a co-operative partner. However, the CO<sub>2</sub> issue also showed that JAMA had established good relations with other actors in the network. KAMA and JAMA did not co-operate officially but were aware of each other's needs. The fact that JAMA had taken good care to maintain smooth relations and a mutual understanding with KAMA facilitated negotiations with the Commission. The CO<sub>2</sub> issue had involved a major 'Catch 22' for JAMA. It was important for JAMA to be viewed as a co-operative and reliable partner of the Commission during the negotiations. At the same time, it was equally important for JAMA to not harm relations with ACEA by giving in to the demands of the Commission too easily. At times, this task seemed almost impossible to achieve. The fact that JAMA and ACEA co-operated well after CO<sub>2</sub>-negotiations in Brussels were finalised indicates that JAMA and ACEA have indeed improved their relationship since the early days of the 'Elements of Consensus' and are now able and willing to co-operate whenever necessary and mutually beneficial. Such an improved relationship would not have been possible without JAMA's cautious and skilful representation of Japanese interests in the CO<sub>2</sub> issue.

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<sup>35</sup> More detailed information on joint efforts can be found on JAMA's home page: 16/06/1999: [http://www.japanauto.com/library/jat/jat\\_v3n2/jat\\_v3n2\\_08.html](http://www.japanauto.com/library/jat/jat_v3n2/jat_v3n2_08.html)

### **V.3. Cases of 'Joint Interaction'**

During the 1990s, co-operation between Japan and the European Union, particularly with regards to the automobile sector, improved rapidly. Frequent exchange of information and discussion of issues between governments and the automobile industry ensured that both sides were equally aware of pending international topics and possible cases of discrimination against the industry. In various cases, automobile importers were discriminated against in certain nation-states. Three of these issues, Brazilian, Indonesian, and Canadian discrimination against certain, not always all, importers are discussed in this chapter. Although none of the above cases took place in Europe, interaction in Brussels was responsible for raising the Japanese and European awareness, and convincing them to take action. Officially, none of these cases, in which both Japan and the EU complained to the WTO against unfair treatment of their automobiles, can be termed 'joint interaction', since each complaint was brought to the WTO individually. They are, nevertheless, referred to as joint interaction here, since Japan and the EU generally put forward the same complaint, based on the same WTO articles. The above cases can also be considered as joint interaction because the Japanese and European automobile industries exchanged views on these issues in Brussels, and subsequently, both industries approached their respective governments. In some cases, one government then chose to address the issue during meetings with the other government. The following three cases were selected to show that, although competition between both industries is still strong, the careful strategy of interest representation of the Japanese automobile industry has contributed to its integration into the industrial landscape of the EU. This has affected the character of the

automobile policy network, which now exhibits features of co-operation between both industries.

### **V.3.1. Brazil**

In 1996, the Japanese automobile industry became increasingly aware that the Brazilian government had introduced unfair measures against some automobile importers which violated GATT. The majority of Japanese producers was affected by these measures. Initially, attitudes among the Japanese manufacturers in JAMA were not unified. Some manufacturers, notably Honda, were satisfied with low taxes in Brazil, whereas others complained about taxes being too high. After the issue had been thoroughly discussed in the members' forum, JAMA decided to bring the issue to the attention of the 'ministry of the industry', MITI, and ask it to defend its interests. JAMA presented a clear and convincing case to MITI and MITI agreed to take up the issue internationally (Interviews with representatives of the Japanese government and automobile industry, 08/10/1999: A, 01/11/1999: A, 10/11/1999: A, 19/11/1999: A).

In Japan, MITI is responsible for making complaints to the WTO. In order for such complaints to be successful, it is best that the same issue should be brought to the attention of the WTO by various governments. JAMA-Brussels prepared the ground for a similar complaint by the EU. The Japanese automobile industry was aware that various European manufacturers were equally affected by the measures taken by the Brazilian government. For this reason, JAMA-Brussels approached the European automobile industry and the European Commission to discuss the issue. In various informal and unofficial meetings, representatives from JAMA-Brussels

contacted all the relevant actors in its European network. The Brazilian issue was brought to the attention of all these actors. The European automobile industry was quickly convinced by the merit of an international complaint to the WTO.

Subsequently, JAMA pointed out to the Commission that it would lend weight to a complaint if the Commission was prepared to bring the Brazilian issue to the attention of the WTO on behalf of the EU. JAMA particularly brought forward the argument that DG I had undertaken several initiatives to open up foreign markets since 1995 and that a complaint to the WTO against the unfair treatment of European automobiles in the Brazilian market would continue this strategy. Reportedly, this argument was one of the most convincing points raised by JAMA.

JAMA then indicated that MITI was willing to raise this issue on behalf of the Japanese automobile industry. In this way, JAMA-Brussels prepared successful interaction between MITI and the European Commission (Interviews with representatives from the Japanese and European government and automobile industry, 16/11/1998: A, 08/10/1999: A, 01/11/1999: A, 10/11/1999: A). Subsequently, MITI approached the Commission. Both sides discussed the issue and agreed upon their approach.

On 30 July 1996, Japan made an official, formal request for consultations under the World Trade Organisation (WTO) with Brazil over its car policy. MITI (1998: 5/5) defined the Brazilian problem in the following manner:

The government of Brazil introduced measures regarding automobiles in the period between June 1995 and December 1995. Investment measures thought to be in violation of the GATT, the TRIMs Agreement, and the Agreement on Subsidies and Countervailing Measures among others were included. Japan made the Brazilian Government a request for consultations under Article XXII of the GATT.

Brazil did not offer any specific improvements to its investment incentive measures in the unofficial and official consultations that were held during 1996, but in August 1996, it announced, as a unilateral measure, a Presidential Decree on tariff quotas that would give reduced tariff quotas to auto importers who did not enjoy the benefits of the investment incentive measures. Brazil implemented a similar measures in August 1997. While this move can be appreciated as an improvement in market access, the problems still remain since the investment incentive measures themselves are still in place.

Subsequently, the EU 'decided to join in the consultation process' (Rapid Text File, DN: IP/96/786, 1996-08-08) and filed a similar request with the WTO on 8 August 1996. According to the EU:

some of the provisions of the Brazilian policy are not in conformity with WTO rules, and, in particular, with the Agreement on Trade-Related Investment Measures (TRIMs) ... It is hoped that the resulting multilateral discussion will bring a satisfactory solution consistent with the WTO agreements and will improve access to the Brazilian automotive market (Rapid Text File, DN: IP/96/786, 1996-08-08).

Within the same press release, the European Commission described the unfair automobile policy of Brazil in much the same way as previously the Japanese government had done. The Commission further announced that barriers to EU car exports in other developing markets were subject to examination at the same time, and particularly pointed to the case of Indonesia, where Japan had been similarly active.

Eventually, several other countries also decided to file the same complaint, but Japan and the EU were quickest to respond to the interests of their industries. Although other countries filed the same request, the Brazilian issue can be traced

back to a shared Japanese-European understanding of an unfair Brazilian policy, which both countries agreed to address. The Brazilian issue thus represents a perfect example of successful joint interest representation, by the Japanese government and JAMA. At the same time, it demonstrates that JAMA-Brussels had operated skilfully 'behind the scenes'. JAMA noticed an issue it considered discriminatory. JAMA-Brussels then used its network of relations in Brussels to raise the awareness of European actors. Whilst avoiding public and official discussion of the topic, JAMA-Brussels was not hesitant in convincing the major relevant actors in the European automobile industry policy network of the merit of the complaint. At the same time, co-operation between MITI and the Japanese automobile industry was equally satisfactor<sup>y</sup>, and MITI willingly represented the needs of its industry. Finally, the Brazilian issue also showed that, by 1996, Japan and the EU were sufficiently confident of their international political and economic status openly to exert pressure on another government.

### **V.3.2. Indonesia**<sup>36</sup>

Shortly after Japan had filed its complaint about Brazil to the WTO, MITI's former Vice-Minister for International Affairs, Sakamoto Yoshihiro, was asked at a press conference in August 1996 when Japan would file a suit addressing the Indonesian automobile problem. At the time, Japanese policy was still undecided and Sakamoto summarised it in the following manner:

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<sup>36</sup> Detailed information on the automobile policy of Indonesia and resulting international problems can be obtained from Nomura (1996, 1997, 1998, 1999).

... since I still belong to MITI, I am not able to speak so freely about this subject. Having said that, however, I should mention that this national car concept of Indonesia's has been a big surprise to us. I feel that it is regrettable that Indonesia has taken this choice in its policy .... We are having bilateral dialogue with the Indonesian government on this question, to try to hear-out how the Indonesian government will try to explain itself in view of the WTO rules .... I will not be able to comment on what kind of immediate response or action that MITI intends to take

(09/08/1998: <http://www.jef.or.jp/news/press0809.html#6>).

Prior to the WTO's existence, Indonesia had imposed local content regulations on the automobile sector. However, in 1996, Indonesia blatantly defied WTO rules, when launching its national car (*kokuminsha*) project (MITI, 1998: 5/7, 3/5-5/5). A representative of the Japanese automobile industry described the project in the following manner:

In 1996, national vehicle conception was published as President Suharto's order which contained special custom advantages for TMOL, the company owned by the President's family, and its partner KIA (Interview with source from the Japanese automobile industry, 19/11/1999: A).

Likewise, a source from the Japanese government stated that:

basically, the *kokuminsha* issue is a corruption problem, which has been a problem for a long time. The family of the former Indonesian president had been heavily involved in business and the economy. Korean manufacturers were involved in producing the 'Timor International' and were advantaged, whereas other foreign manufacturers were heavily disadvantaged (Interview with source from the Japanese government, 08/11/1999: A).

When problems in Indonesia arose, JAMA, on behalf of the Japanese automobile industry, was the first to address the issue. Initially, JAMA attempted to solve the problems locally and sought to resolve the issue with the Indonesian government by itself. Representatives from JAMA's headquarters in Tokyo undertook many trips to Indonesia in order to discuss the issue. When it became clear that the Indonesian government remained unwilling to co-operate in a way that the Japanese automobile industry could accept, the latter turned to its own government. MITI was quickly responsive to the industry's needs and agreed to take up the industry's cause. Initially, MITI sought consultation with the Indonesian government, and only later opted for more drastic action (Interviews with representatives of the Japanese automobile industry and government, 01/11/1999: A, 10/11/1999: A and B, 15/11/1999: A).

Whilst MITI was engaged in these discussions with the Indonesian government, JAMA-Brussels busily pursued several contacts to bring the issue to the attention of the European automobile industry and governing institutions. Similar to the Brazilian issue, in the Indonesian case JAMA-Tokyo was hardly involved in contacts with European governing institutions and with the European automobile industry. Instead, it left it to JAMA-Brussels to convince the European government and automobile industry to take action. As mentioned in chapter 4, JAMA-Brussels had established such a firm network of contacts and good working relationships that it did not hesitate to discuss the issue informally and unofficially with the EU. JAMA-Brussels was easily able to convince the European automobile industry on this matter since European automobiles were treated in exactly the same manner as Japanese cars in Indonesia. JAMA also discussed the issue with contacts

from the European Commission. Since the EU had already complained to the WTO with regards to the Brazilian issue, it was logical for JAMA to point out that the EU could simply continue its strategy of exerting pressure on other countries to open their markets (Interviews with representatives from the European Commission and Japanese government and automobile industry, 09/06/1998: A, 11/06/1998: A, 16/11/1998: B, 19/11/1998: A, 19/11/1998: B, 08/10/1999: A, 01/11/1999: A, 08/11/1999: A).

JAMA-Brussels was so skilful in its the representation of its interests and did not hesitate to mention that MITI wanted to bring the issue to the attention of the WTO. However, since Japan had only recently been the first party to launch a similar complaint against Brazil to the WTO, JAMA pointed out that it would be better if another international actor took over the role of the first party this time. Thanks to JAMA-Brussels' careful preparation of the issue in Europe, the EU willingly agreed to become the first party to launch the complaint when approached by MITI (Interviews with representatives of the Japanese and European government and automobile industry, 09/06/1998: A, 11/06/1998: A, 08/10/1999: A, 27/10/1999: A, 27/10/1999: B, 01/11/1999: A, 08/11/1999: A, 15/11/1999: A, 18/11/1999: A, 24/01/2000: A).

The EU was convinced by JAMA's arguments and its explanation of MITI's position. Accordingly, on 23 May 1997, the EU requested:

the establishment of a World Trade Organisation (WTO) disputes panel to rule on the compliance with WTO rules of Indonesia's "National Car" programme and other measures concerning trade in automotive products. The two sides have held two rounds of formal WTO consultations in November and December 1996. This follows a request for formal WTO

consultations with Brazil concerning certain aspects of the Brazilian incentives to investment in the automotive sector. Both regimes are prime examples of government-mandated trade distortions, including incentives to investment coupled with very high protection of the domestic market and discriminatory trade practices which allow those companies investing locally to import their products under preferential conditions (...)These steps signal the Union's commitment to consolidate the market opening successes achieved during the Uruguay Round (Rapid Text File, DN: IP/97/432, 1997-05-23).

Just like the Brazilian issue, the Indonesian case stands out as an excellent example of co-operation between JAMA and MITI in Japan, and particularly of JAMA-Brussels' strategic groundwork and use of its network. The fact that the EU was quickly responsive to the issue as presented by JAMA shows that governing institutions in the EU accepted JAMA as a trustworthy and reliable partner by 1996. Eventually, the US government filed the same complaint. However, the Indonesia issue is again characterised by particularly smooth EU-Japanese co-operation, whereas the US simply decided to follow suit and was not engaged in any co-operative efforts with Japan or the EU. Whilst a working group in Tokyo had been dealing with the Indonesia issue for a long time, it was only after the US 'Big Three' companies noticed how important Japan considered the issue, that they chose to approach their own government, and asked it to put pressure on Indonesia and file a similar complaint (Interviews with representatives from the Japanese and European automobile industry and government, 09/06/1998: A, 11/06/1998: A, 16/11/1999: B, 01/11/1999: B, 08/10/1999: A, 27/10/1999: A).

It is particularly noteworthy and characteristic of the new co-operative Japanese-European relationship that Japan felt more confident of its network in Europe and relations with the European side than those in the US, and accordingly

sought the EU's support in this issue. In this way, Indonesia also stressed the new confidence that Japan and the EU gained in the global political environment, and the whole issue can be considered a successful example of 'powerful states exerting pressures on other states' (Interview with representative from the Japanese government, 01/11/1999: A).<sup>37</sup>

### **V.3.3. Canada**

The nature of the Canadian issue is similar to those of Brazil and Indonesia with regards to the Canadian 'offence' against the WTO rules and the subsequent complaint that Japan and the EU filed. However, Japanese-European interaction differed in this case. In Canada, importing automobile manufacturers were confronted with strong tax discrimination, favouring the US automobile industry over any other manufacturers, and giving it an unfair advantage. According to MITI (1998, 5/5):

Canada introduced measures that allow certain companies such as the "Big Three" U.S. automobile manufacturers (Autopact Members),<sup>38</sup> to import automobiles at 0% tariffs, under the condition that they satisfy certain conditions. ... When automobile companies import automobiles from outside NAFTA countries, non-Autopact Members are levied 6.7% tariffs (as of Jan 1998), while Autopact Members can import at 0% tariffs ...

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<sup>37</sup> The political turmoil in Indonesia in 1998 completely changed the situation, and, for a certain period, removed the issue from the international agenda.

<sup>38</sup> The 'autopact' refers to the 1966 U.S.-Canada Automotive Products Trade Agreement, which grants American automobiles advantageous treatment in Canada.

In the case of the Canadian issue, JAMA-Brussels had to be particularly careful. It was not possible for JAMA to discuss the issue with ACEA because of ACEA's two American members, Ford and General Motors. ACEA's American members were not in favour of complaining against their own preferential treatment in Canada. For this reason, the issue was particularly sensitive and JAMA avoided raising it with ACEA.

JAMA-Brussels mainly confined its action in the Canadian case to information gathering activities in Brussels. It gently sought to 'sound out European actors' without directly discussing the issue. Although JAMA-Brussels was careful to not<sup>to</sup> raise the issue with governing institutions of the EU, its 'sounding out' consisted of employing the national route to represent its interests. As mentioned in chapter 4, JAMA-Brussels had established particularly strong ties to governments of some EU-member states. JAMA-Brussels exchanged views with these governments to ensure that if the Commission chose to address the issue the interests of the Japanese automobile industry would be well represented. Similar to previous cases of interest representation, JAMA-Brussels brought the Canadian issue to the attention of these governments. It presented the case so skilfully that these governments were convinced that European automobiles were indeed treated as unfairly as Japanese automobiles in Canada.

After MITI had brought the Canadian issue to the attention of the WTO, the European Commission felt compelled to also address the issue. JAMA's contacts with member states ensured that these were able to convince the Commission that the EU deserved equally preferential treatment as Japan and, therefore, had to complain to the WTO. Subsequently, the Commission asked ACEA to state its point of view in a position paper. Because of its American members ACEA was unable to

present a unified position to the Commission and decided not to present a position paper at all. However, the fact that ACEA chose not to publicly oppose the complaint filed by the Commission emphasised that the European majority in ACEA was in accordance with the Commission's complaint (Interviews with representatives from the Japanese and European government and automobile industry, 10/11/1998: A, 01/11/1999: A, 16/11/1998: A, 16/11/1998: B, 18/11/1998: A, 18/11/1998: B, 19/11/1998: B, 08/10/1999: A, 18/11/1999: A, 24/01/2000: A).

In August 1998, the EU officially complained about unfair measures employed by the Canadian government in the automobile sector. The EU made a request to the WTO to:

redress Canadian discriminatory measures on imports of automotive products. The Commission is requesting formal consultations under the World Trade Organisation (WTO) in order to put an end to the Canadian policy of subsidising a number of automotive companies. ... The Canadian scheme clearly breaks the WTO rules and distorts international trade by giving benefiting companies an unfair advantage over their European competitors. The Commission has therefore requested formal consultations in the WTO. This action, which is the first step in the WTO dispute settlement procedure, is widely supported by EU Governments (*sic*) and industry (Rapid Text File, DN: IP/98/771, 1998-08-20).

In its press release, the EU emphasised that it was 'widely supported by EU governments and industry'. The fact that the EU particularly emphasised that member states were in favour of its complaint indicates that the governments of member states did indeed convince the Commission to raise the issue internationally. It also supports statements from various interviewees that JAMA had needed to employ the national route of interest representation in the Canadian

issue and that its careful use of this strategy had brought success. On the following day, the *Financial Times* announced (Alden, 21/08/1998) that ‘in a surprise move, the EU has thrown its weight behind an identical Japanese complaint launched earlier this year’. The issue was resolved quickly, and on 15/10/1999, first announcements by the *Japan Times* and the *Asahi Evening News* indicated that the WTO had decided to support Japan and the EU in this case, which represented ‘the first won by Japan against a major trading partner through WTO arbitration’ (*The Japan Times*, 15/10/1999). Subsequently, the WTO confirmed its decision and upheld its ruling against Canada (Williams, 01/06/2000; Rapid Text File, DN: IP/00/563, 2000-05-31).

The fact that the EU chose to follow the Japanese complaint with a complaint of its own added weight to the voice of the Japanese, and contributed to a favourable outcome. MITI and the Japanese automobile industry appreciated the fact that the EU chose to address the issue publicly despite the fact that its automobile industry had been unable to agree upon a unified position.

The Canadian issue stands out for two reasons. In the Canadian case, the complaint affected two of the most powerful actors in the global political and economic environment, Canada and the United States. For this reason, Japan and the EU had to tread carefully since they were concerned to not directly offend these. The fact that both Japan and the EU chose publicly to stand up against Canada and the United States suggests a well-functioning Japanese-European relationship as far as the automobile industry is concerned. This relationship is characterised by constant exchange of opinion and information, and a subsequent awareness of each other’s attitudes and needs. Such a well-functioning relationship is no mean feat and is due

to JAMA's careful creation of a web of relations in Europe and its ability to create an understanding amongst the two sides.

The Canadian case also stands out because JAMA-Brussels had to be particularly cautious in representing its interests and convincing the European side of the merit of a complaint to the WTO. JAMA-Brussels had to take great care not to offend any members of ACEA or representatives of governing institutions of the EU. It was aware that these were in a difficult position. Nevertheless, JAMA-Brussels still managed to convey its view of the issue to the European side. MITI and the Commission did not discuss the issue. However, JAMA's impressive interest representation paved the way for the decision of the Commission to apply to the WTO.

Ultimately, each of the three cases, Brazil, Indonesia and Canada, is the result of careful interest representation by the Japanese automobile industry. The fact that JAMA-Brussels was able to arrange individual contacts with most of the relevant actors in the European automobile policy network and to convey its view of these issues convincingly without offending any of these actors indicates that they considered JAMA a trustworthy, reliable and co-operative partner who is worth listening to.

#### **V.4. The Harmonisation of Standards**

*A small step for man and a great step for mankind!* (Interview with representative of the European automobile industry, 27/10/1999: A)

The objective of the 'Revised 1958 United Nations Economic Commission for Europe (UN-ECE) Agreement' in the automobile sector, or as it was frequently

termed, the 'harmonisation of standards agreement', consists of establishing 'uniform technical regulations for motor vehicles, equipment and parts to set up the conditions for reciprocal recognition of approvals granted on the basis of technical regulations' (EC Commission, 1997-11-28, EC Commission, 1998-03-24, Rapid Text File, DN: IP/98/271, 1998-03-24). One Japanese manufacturer defined the purpose of the agreement in the following manner:

The international harmonisation of standards should promote reduction in cost for developing new cars, and dissolution of trade friction, since this will allow manufacturers to export without the difficulty of making each car compatible to each market's different regulations and standards (Interview with representative of the Japanese automobile industry, 19/11/1999: A).

Representatives from the European government and automobile industry had been asking Japan for a long time, even prior to their own accession in 1997, to accede to the agreement (Interviews with representatives from the European automobile industry and governing institutions, 09/06/1998: A, 27/10/1999: A). Japanese sources mentioned that they had repeatedly been 'invited' by the Europeans to join, but did not explain why they were initially only present as observers of the agreement and various discussions concerning it. Joining such an agreement has certain advantages and the world automobile industry would be able to save a lot of money if it only had to comply with unified regulations in all major markets. In many ways, different standards 'perform the function of trade barriers' (Interview with source from the Japanese automobile industry, 10/11/1999: A) and distort competition. Since accession to the UN-ECE agreement would have been

advantageous the question remains why the EU and Japan took a comparatively long time to accede to the agreement.

Japanese and European automobile manufacturers frequently discussed the issue in the International Automobile Manufacturers Association (OICA) in Paris, and sought to achieve co-operation. However, this co-operation depended on the willingness of governments to accede to the agreement. Since a harmonisation of standards would involve a lot of administration and paper work, governments in general, and the Japanese government in particular, were hesitant to commit themselves to such a huge task.

In 1995, discussions between Japan and the United States concerning their bilateral automobile agreement became increasingly heated, and threatened to turn into a trade war.<sup>39</sup> Japan, particularly the Japanese automobile industry, was afraid that it might have to give in to severe demands from the United States, and was looking for a way to 'neutralise' the discussions and scale down the American demands. After intensive discussions in the members' forum, JAMA-Tokyo decided that it would be best to look for outside support. At the time, general co-operation with the EU functioned well. JAMA-Brussels had been established in the EU for a sufficient time to have established good working relations with the governments of some member states and with the governing institutions of the EU. For this reason, JAMA-Brussels was able to raise problematic issues with contacts in the EU and appeal for their support. JAMA further decided to approach the EU for help because the EU represented a major geopolitical actor that was also frequently confronted by

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<sup>39</sup> Detailed information on the US-Japan Automotive Framework Agreement can be found in: Rapid Text File, DN: IP/95/447, 1995-05-11, Rapid Text File, DN: IP/95/690, 1995-06-29, Rapid Text File, DN: SPEECH/95/141, 1995-07-06, Rapid Text File, DN: IP/96/833, 1996-09-17.

demands from the US.

Subsequently, JAMA-Brussels put its European network to good use. It discussed its problem with actors from EU member states and particularly with contacts from the EU's governing institutions. JAMA-Brussels explained the Japanese position in these negotiations with the US. It pointed out that it would help JAMA's case if an influential entity such as the EU were to be present as an observer in the Japan-US negotiations, since the US would then have to refrain from particularly severe demands. JAMA-Brussels' European contacts were understanding but initially remained reluctant, since they were concerned about offending the US.

As mentioned before, at the time, the EU had already expressed an interest in a European and Japanese accession to the UN-ECE agreement. JAMA-Brussels realised the advantage of combining both issues at the same time. By resolving both issues simultaneously, the Japanese would receive support in their negotiations with the US and the EU would achieve its aim of a Japanese accession to the UN-ECE agreement. In order to bring about Japanese accession to the agreement, which would also be advantageous for the Japanese automobile industry, JAMA-Brussels had to ask JAMA-Tokyo to convince the Japanese government to join the agreement.

In Japan, the agreement fell within the Ministry of Transport's area of responsibility. JAMA-Tokyo therefore needed MOT's help to gain the Diet's approval for accession. As mentioned in chapter 3, JAMA enjoys its closest contacts with MITI. The fact that MITI was well informed of and positively inclined towards the agreement helped JAMA to convince MOT to back the agreement. As previously in Brussels, JAMA-Tokyo had to use its contacts to convince the relevant

governing actors why it was particularly useful and necessary for Japan at this time to signal to the EU that it was willing to accede to the UN-ECE agreement. Since the Japanese government was eager to bring negotiations with the US to a smooth conclusion, MITI and MOT were both supportive of JAMA's position and agreed to accede to the UN-ECE agreement in due course.

After JAMA had convinced the EU and the Japanese government, the EU was invited to occupy an 'observer position' in Japanese-US negotiations in 1996. Japan and the EU admit that 'in some ways, Japan and the EU enjoy a closer bilateral relationship with each other than with the US', but are insistent on stressing that 'Japan and the EU never gang up over the US' (Interviews with representatives from the European and Japanese automobile industry and government, 09/06/1998: A, 11/06/1998: A, 11/06/1998: B, 19/11/1998: A, 08/10/1999: A, 27/10/1999: A, 01/11/1999, A, 10/11/1999, 16/11/1999: D, 19/11/1999: A).<sup>40</sup> In 1997, the European Community publicly announced its accession to the UN-ECE agreement. After having acceded to the agreement, the EU broadcast it throughout the European media as a major achievement and a big step forward (EC Commission, 24/04/1998, Rapid Text File, DN: IP/98/271, 1998-03-24). Subsequently, Japan kept its side of the bargain and joined the agreement in the automobile sector on 4 June 1998, roughly half a year later than the EU (Delegation of the European Commission in Japan, 04/06/1998, EC Commission, 04/06/1998). MOT openly emphasised the benefits of the agreement to the Japanese and European automobile industry in the following manner:

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<sup>40</sup> This whole section is based on information from these interviews.

By Japan's accession to the agreement, Japanese automobile manufacturers will be able to reduce cost required for regulatory compliance of automobiles for the European and Japanese market. At the same time, European automobile manufacturers who export to Japan will also be able to reduce their costs (Interview with source from the Japanese government, 29/10/1999: A).

The relevant European Commissioners, Bangemann from DG III and Sir Leon Brittan from DG I, immediately used the opportunity of Japan's accession to invite Japan to 'take over a significant number of the technical regulations annexed to the agreement'<sup>41</sup>, publicly congratulated Japan on its decision, and announced:

Japan's accession to the Agreement represents a major step forward for the international harmonisation of motor vehicle regulations, test procedures, and certification requirements. With increasing globalisation in the automobile industry, international harmonisation in these fields is becoming ever more important. Japan's accession to the Agreement will help to avoid parallel regulatory costs for manufacturers operating in international markets, and will benefit European and Japanese consumers alike. The more regulations Japan takes over, the greater the benefit will be to all Contracting Parties (Delegation of the European Commission in Japan, 04/06/1998).

Since then, the EU continued this strategy and, according to a representative of the European governing institutions, 'the EU congratulates Japan on it every year, and at the same time asks them to sign up to the annexes faster' (Interview with source from the EU, 09/11/1999, A). Japan was generally aware of the EU's pressing desire, but decided to accede to the more than 100 regulations at its own pace:

Japan acceded the agreement in August 1998, and in September 1998, five items were incorporated. However, there are roughly 100 regulations, and Japan will probably accede to about three or five of them every year. At this rate, it should take Japan about 40 years to fully accede to the whole agreement... (Interview with representative of the Japanese automobile industry, 10/11/1999: A).

In many ways, Japan's accession to the UN-ECE agreement represents even more of a masterpiece of Japan's use of its network in Japan and in Brussels than any other case. In this particular case, Japan not only had to convince the European side of the advantages of co-operation, but also its own government back in Japan. Therefore, the Japanese automobile industry was confronted with the task of quickly influencing the opinion and public attitude of its government, as well as using the European network to raise sympathy and awareness for its plight. In order to achieve the desired outcome, JAMA had to employ a multitude of contacts in Brussels, at the same time carefully co-ordinating the whole exchange of views, and taking care to not offend any party.

It must further be stressed that ACEA in particular took an understanding attitude towards the Japanese position. This understanding was further enhanced by the fact that both sides had long since been involved in discussing a harmonisation of standards in OICA. The fact that the Japanese and European automobile industries were entirely in accordance in this case helped gain the support of governing institutions from Japan and the EU. In this way, the UN-ECE agreement represents a further step towards an awareness of shared needs between the European and Japanese automobile industries. JAMA's interest representation stands out not only

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<sup>41</sup> The EU itself agreed to accede to 78 of the more than 100 regulations annexed to the agreement, when joining (EC Commission, 24/03/1998).

because JAMA had to represent its interests in Tokyo and Brussels, but because JAMA quickly grasped the opportunity to combine two difficult issues and resolve them jointly.

Japan's accession to the agreement strengthened the position of the Japanese automobile industry in Europe and actively increased co-operation and an awareness of shared needs between the European and Japanese automobile industries, more so than any other case. After Japan's accession to the UN-ECE agreement, Japan consented to 'be an apostle for UN-ECE in other Asian countries' (Interview with representative of the European automobile industry, 27/10/1999: A). Japan is actively willing to co-operate regarding this issue and to campaign publicly for UN-ECE. This willingness and co-operation with ACEA became even more pronounced when JAMA arranged for the European automobile industry to be present at a meeting of the Federation of the Asian Automobile Industry in Jakarta in late 1998. Another example of active JAMA-ACEA co-operation is joint representation of issues and interests in China in the aftermath of the agreement. JAMA and ACEA have also been eager to convince the Americans to accede to the agreement and in 1999, the *Japan Times* reported that:

the Japan Automobile Manufacturers Association has agreed with its U.S. and European counterparts to campaign for unified safety standards for auto parts and criteria on environmental protection. (...) They plan to lobby their respective governments for achieving standardization on 17 items by 2010, the officials said (*The Japan Times*, 30/09/1999).

Therefore, the Japanese and European accession to the UN-ECE agreement in the automobile sector indeed represented a 'small step for man and a great step for

mankind' (Interview with representative of the European automobile industry, 27/10/1999: A).

### **V.5. Toyota's 'Virtual Warehouse Scheme'**

Toyota's interest representation in Brussels has been outstanding in many ways. In various cases, Toyota 'fought the same case' as the rest of the Japanese automobile industry, whilst showing some initiative of its own. Since Toyota began paying more attention to the EU and the European market from the late 1990s, its interest representation not only increased, but also changed. The case of Toyota's 'virtual warehouse scheme' particularly stands out, because it showed Toyota raising a new and different issue, which had not been considered by other actors of the European automobile policy network.

In late 1998, Toyota, the largest payer of EU import duties, introduced the 'virtual warehouse scheme', a centralised customs system for Europe. According to this scheme, Toyota 'will deal with a single customs authority, which will redistribute import duties *pro rata* to the other national authorities' (Jowit, 21/10/1998). This 'single location agreement' between Toyota and the Commission referred to customs clearance being digitally processed in a central computer in Brussels (Interview with representative of the Japanese automobile industry, 08/10/1998: A). Toyota's European headquarters individually invested \$1.5m-\$1.8m in new computer systems, a scheme, which was not only welcomed, but actively supported by the Commission. The European Commission openly congratulated Toyota on its new vision:

This initiative represents an important step towards co-ordinated market action among customs administrations in a more and more visible single market ... It will soon make available useful practical experience to be drawn from this pilot scheme, which will raise the interest of other customs administrations to associate themselves with this or similar initiatives (Jowit, 21/10/1998, quoting the European Commission).

It should be noted that interviewees were generally highly secretive about this issue, and even Toyota and the European Commission offered remarkably little information, and generally chose to downplay its significance. Some interviewees pointed out that the idea behind the scheme was not entirely new, since 'GM has a similar scheme in co-operation with Ford and Hewlett Packard in Shanghai' (Interview with representatives of the Japanese automobile industry, 10/11/1999: A).<sup>42</sup>

However, this makes Toyota's vision and achievement no less outstanding, since, unlike in China, importers to the EU are confronted with fifteen different markets and customs authorities, and reducing the administration involved in dealing with fifteen different countries to just one digitally processed scheme can only be called revolutionary! Toyota was the only company in all of Europe to have had the vision of such a scheme and it was willing to invest large sums into it. Toyota was able single-handedly to convince the European Commission to support its vision. By introducing this scheme, Toyota greatly contributed to its image as 'a good corporate citizen' in the EU.

As mentioned in chapter 4, Toyota realised the significance of the European

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<sup>42</sup> It has not been possible to obtain conclusive evidence in support of this statement.

market comparatively late. In the late 1990s, Toyota radically changed and improved its interest representation. Toyota intensified its network of relations with all levels of major decision-making institutions in the EU. These accept Toyota as a reliable partner who can support any argument with relevant data and is willing to cooperate and invest in new programmes. The fact that Toyota had created particularly good working relationships with the relevant departments of the European Commission ensured that the company was able to grasp their attention with its new vision of the 'virtual warehouse scheme'. Toyota was able to convince these actors of the merit of its scheme by supporting its vision with significant data. Toyota's willingness to invest large sums into its vision convinced the Commission that Toyota was actively willing to contribute to resolve outstanding issues in the EU. The fact that the Commission, by late 1998, had come to trust Toyota as a reliable actor in the network further ensured that the Commission agreed to go along with Toyota's vision. In this way, Toyota has skilfully carved out its own niche in the automobile industry policy network in the EU, and it will be interesting to observe how Toyota uses this position in the future. The effects of Toyota's new strategy of interest representation cannot be overestimated.<sup>43</sup>

All the above cases suggest that the Japanese automobile industry, after initial problems had been overcome, was able to integrate itself successfully into the political landscape of the EU. It cleverly adopted European techniques of interest representation, and skilfully merged these with successful Japanese techniques,

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<sup>43</sup> Although the 'virtual warehouse scheme' has been selected here as an example of the success of Toyota's new lobbying strategy, it represents by no means the only such issue. Other issues, such as the joint launching of a new and improved 'crash test programme' by Toyota and DG VII in mid-1998, indicate that Toyota has generally begun to establish a new and sound network of relations in the EU.

which became particularly evident in the case of the EoC. In the last decade, the Japanese automobile industry gradually established a sound web of relations, which it did not hesitate to put to the test in each of the cases. Regardless of who acted as the main lobbying agent of the Japanese automobile industry, JAMA was able, in each single case, to convey its interests in a carefully-designed manner. It is noteworthy that the Japanese automobile industry never stubbornly and inflexibly insisted on its needs. Instead, JAMA employed each of the above cases to strengthen its network of relations in the EU, and, whilst not always achieving the desired outcome, improve its image in Europe. Throughout all the cases, European governing institutions and the European automobile industry came to know JAMA as a reliable, trustworthy, and co-operative actor in the European policy network.

## **Conclusion**

The research presented here has shown that a great variety of issues are relevant to the automobile industry. Therefore, mapping the network surrounding the automobile industry in the EU proves to be a complicated task. Issues of concern to the automobile industry in the EU include environmental issues, trade, the harmonisation of standards, safety problems, issues of taxation, dealership networks, transportation problems, and discussions with the WTO, to name but a few. The most prominent of these issues, the Elements of Consensus, the debate concerning the reduction of CO<sub>2</sub> exhaust emissions, complaints to the WTO, and the harmonisation of standards have been investigated in this study, and allow a clear evaluation of the type of network that envelopes the automobile industry.

Marsh (1998) advocated examining whether policy networks actually exist, or whether they are simply another new theory of political science which is far removed from political reality. Careful investigation of the cases selected in chapter 5 has shown that policy networks are not simply 'academic constructs', but actually form a significant part of policy-making reality. Without the existence of policy networks, without the carefully established rules of conducts and codes of behaviour within the network, and without the power relations which have slowly grown over the course of time, policy-making would be a much a more disordered, complicated and fraught process than the one described in the case studies. Each one of the case studies conclusively points to the existence of a well established network, where actors know how to evaluate one another, constantly get back to one another, and are in a continuous process of exchanging information and resources. Far from being a mere academic construct, the existence of this very network facilitates the

work of each single actor and, ultimately, provides them with the secure knowledge that, no matter what happens, no matter how complicated an issue, once they resort to the strategies of consultation and bargaining within the network, any issue will eventually be resolved.

However, the large number of issues which are relevant to the network makes it difficult to provide an exact analysis of the role of each single participant in the network. A core of actors, amongst them the automobile industry and government institutions of the EU polity, are involved in every single issue that touches the network. Other actors in the network provide less important resources to the network and are by their very nature only interested in those issues which directly apply to them. Examples of more distant actors in the network are environmental interest associations or consumer rights' activists. These tend to be only involved in issues which directly apply to them, such as safety problems or environmental issues, and are unable to provide an input into trade issues, besides lacking the resources and, frequently, the interest to do so. Clearly, it is beyond the scope of this thesis to provide a detailed list of all the participants in the network, and to analyse their exact role in the network. Instead, this analysis concentrates on evaluating the power relations between the core actors in the network, those who provide the most sought-after resources for the network. In doing so, it presents a detailed investigation of the role of the Japanese automobile industry in the network.

Hay (1998) demanded that the more advanced and reformed policy network concept of the 1990s should be able to trace the history of any network. Scholars should be able to analyse the situation before the network existed, the formation of any network, general practice within the network and eventually, the transformation or failure of the network. In many networks in the nation-state, which developed

over long periods of time, this task seems almost impossible to fulfil. In such networks, it would be very difficult to separate present-day networking practice from the initial interaction of the actors. Indeed, it would be nearly impossible to achieve a detailed account of interaction and formation of the network from any of the present actors.

Some of these problems are less formidable in the case of the European Union. As a recent system of governance, it should be possible to trace back the history of some networks, even though the situation is complicated by the fact that some EU networks have developed out of national networks. Fortunately, the automobile industry policy network in the EU is a rare example of a very young network, which has existed for a mere decade. Therefore, this case does allow an analysis of the historical development of the network, thereby providing an opportunity to show how this background contributes to the present shape and structure of the network. The present policy network developed out of a tight and close-knit policy community, which in turn evolved out of several policy communities. Indeed, for many years, the European automobile industry policy community and various smaller national policy communities continued to exist side by side. Initially, these two types of policy communities complemented, but did not disturb or distract, each other.

Each European automobile industry originally enjoyed close interaction with its home government in its member state. The policy communities generally consisted of the government in this particular state, each individual manufacturer, and the national trade association of the automobile industry as the core participants in the network. These actors usually enjoyed a close, harmonious, and fruitful relationship, which was rooted in friendly bargaining and a general understanding of

each other's needs. This type of network commonly resulted in a government which actively sought to advance the interests of its industry on questions such as market access in international negotiations with other governments or in discussions at the European level. With the increasing economic and political significance of the European Union, these national policy communities had to surrender many of their original responsibilities and capabilities. The last example of a fervent debate conducted by the national automobile industry policy communities is provided by the discussions revolving around the 'Elements of Consensus'. In these discussions, many member states, particularly France, the UK, and Germany, put up a last ditch fight for their industries. Since then, many former responsibilities of the nation-states have been delegated to the EU-level, which has given rise to a new and different type of network.

Between the 1970s and 1991, two different European umbrella organisations represented the interests of the automobile industry at the European level. Initially, the Committee of European Community Automobile Makers (CCMC) and the Liaison Committee of the Automobile Industry of the European Communities (CLCA) co-operated very closely with one another and with the governing authorities in the European Community. This led to the development of another policy community at the European level, which, in many ways, closely resembled the behaviour of the co-existing national policy communities.

At the time, hardly any 'foreign' or non-European automobile manufacturers were present in the EC. The Korean automobile industry was concentrating on preparing for international competitiveness in its home market and Asia. The Japanese were mainly present as exporters in Europe until the mid-1980s, and did not show any real interest in interaction with the European polity. These factors

contributed to the existence of a secure and harmonious European policy community. Only one of these European umbrella organisations, the CLCA, admitted American and Scandinavian members. The present European automobile interest group, ACEA, has also had American and Scandinavian members since its formation. Hence, during the time frame of this thesis, both Scandinavians and Americans have been considered part of the European automobile industry.

The American automobile industry enjoys a particularly long history in Europe, both as an exporter and regional producer. Two American manufacturers, Ford (Jaguar) and General Motors (Opel and Vauxhall) have had European subsidiaries for many decades and established a regional presence in Europe soon after the Second World War. The fact that only Ford and General Motors, but not Chrysler,<sup>1</sup> were admitted by ACEA can be attributed to their European subsidiaries and their long history in Europe.

McLaughlin and Jordan (1993: 126) describe in detail how, after a long period of peaceful co-existence of CLCA and CCMC, the two organisations were unable to agree on the different tasks of their organisations and on a number of problems. One particular issue on which CCMC and CLCA were unable to agree was the issue of Japanese automobile imports in the European Community. By late 1990, the Commission was set on achieving an agreement with MITI quickly, and therefore continued to press for coherent and unified statements from the industry. Since the existing industry federations were not able to issue such a statement, they were eventually dissolved and the new federation ACEA was established.

The dissolution of the two previous automobile federations not only gave birth to a new federation, but also to a new and different type of network with changed

power relations. This new network had to accept new and different participants, and, finally, non-European automobile manufacturers were also to play an important role in this network. It is highly significant that the debate around the 'Elements of Consensus', the issue of Japanese automobiles in the common market, provoked the development of a new and changed automobile industry network, in which the Japanese automobile industry now occupies a secure position. This factor had clear indications for the attitude of other participants towards the Japanese. The fact that the issue of Japanese automobile imports ultimately led to the failure and termination of the previous automobile policy network provides an explanation for why it was particularly difficult for the Japanese automobile industry to gain acceptance and a position in the network.

This historical overview justifies Hay's (1998) demands that the history of networks should be taken into account when examining the character of any given network. The development of the roles of actors allows a clear understanding of existing power relations in the present automobile policy network and the position of the Japanese car industry and other participants in the network.

Based on the information presented in this thesis, the type of network enveloping the automobile industry in the EU can be identified. The Marsh and Rhodes typology (1992) recognises the existence of two types of networks, policy communities and issue networks. According to Marsh and Rhodes, policy communities are characterised by close relationships among all participants, restricted access, close and regular interaction, and shared and consistent values. By way of contrast, the issue network is characterised by a large number of participants, fluctuating membership, constant conflict, a low degree of consensus, and

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<sup>1</sup> Chrysler was only admitted into ACEA after its 1998 merger with Daimler Benz.

interaction which is generally rooted only in consultation, not in negotiation or bargaining. The power relationship in the issue network is unbalanced and characterised by many actors who have few resources, limited access to the network, and no alternative.

The automobile industry network shares some of the most obvious characteristics of an issue network. It boasts a large number of participants, its membership fluctuates frequently, and power relationships are unbalanced. Similar to the theoretical model, various actors in the automobile industry network do indeed contribute few resources and enjoy only restricted access to the network. Examples for this type of less affluent, less significant, and simply less involved members of the network are national interest groups, environmental interest associations and consumer rights' activists. However, other traits of Marsh's and Rhodes's theoretical construct are not as apparent in the automobile industry policy network. As noted above, according to Marsh and Rhodes, conflict is ever-present in issue networks, a low degree of consensus is common and the general relationship is rooted only in consultation, not in negotiation or bargaining. Despite conflicts existing in the automobile industry policy network, it is not characterised by constant conflict. This has been particularly the case since 1998, when the European and Japanese automobile industries have become gradually aware of a number of shared interests, which in turn has enhanced the degree of consensus within the network. Issues such as CO<sub>2</sub> exhaust emissions, similar complaints to the WTO, and the harmonisation of standards all contributed to a sense of joint needs, a feeling of 'after all, we are all in the same boat'.

Concerning the Japanese automobile industry, it is indeed true that its relationships with other actors in the network, particularly, those with governmental

institutions of the European polity, are frequently rooted in consultation, and are mainly concerned with gathering, providing and exchanging information, but not in clear negotiation or bargaining. This can be traced back to the fact that every public statement has to be processed through the Japanese hierarchy in Japan. More recent cases, however, have seen changes in this behaviour. Particularly, the CO<sub>2</sub> debate forced JAMA to speak up in public, and actually to negotiate on behalf of the industry. In the cases of complaints to the WTO and the harmonisation of standards, JAMA as usual performed its information gathering activities, but put its network to use by raising issues, arranging contacts and convincing other actors of certain points of view. Whilst such behaviour cannot be strictly considered as bargaining or negotiation, these features are becoming more apparent in the network and in the behaviour of the Japanese. Such changes are especially marked in the case of Toyota, which, with its 'Virtual Warehouse Scheme', has achieved a highly favourable customs system with the European Commission. Clearly, the achievement of such a system required a certain degree of innovation, as well as a sound network of relations and bargaining and negotiation to convince the Commission.

As far as the European automobile industry is concerned, its relationship with EU governing institutions definitely displays strong elements of negotiation. This is proved not only by frequent interaction with EU governing institutions and most other actors, but also by the favourable outcomes reached in discussions over types of crash testing programmes and other issues. Therefore, despite certain deviations from the original model, the automobile industry policy network can be identified as an issue network. This again is in accordance with Marsh's and Rhodes's

reasoning that their models are ideal models and are not likely to be found in pure form in the real world.

In order to gain a clear understanding of any network and its bargaining process, it is necessary to survey the participants in the network and their power relations. Dowding (1995) and John and Cole (1998) suggested employing numerical analysis, evaluating and measuring the frequency of contacts between actors in order to understand the position they occupy within the network. Whilst the complex process of numerical analysis was discarded in this dissertation, some of the features of this approach were used in interviews. Interviewees were asked to list the frequency and type (telephone, fax, letter, electronic mail, personal meetings) of contacts with other actors in the network. This proved useful in determining the position of each actor in the network. By using this technique, one can conclude that countless consumer rights' organisations, federations of other industries and their umbrella organisations, such as CLEPA, the umbrella organisation of the auto parts industry, play a relatively peripheral and marginal role in the network. National associations and their umbrella organisations, particularly the Union des Confédérations d'Industrie et des Employeurs d'Europe (UNICE), various chambers of commerce, the most powerful of which is the American Chamber of Commerce (AmCham-EU), and the governments of member states without a domestic motor vehicle industry, also occupy less important positions in the network. All these are involved only intermittently in the automobile industry network, contribute only minor resources to the network, and enjoy significantly less contact with each other or with the core actors.

As mentioned in chapters 4 and 5, the Korean automobile industry, besides Japan the only other prominent non-European automobile industry, is present only

as an exporter in Europe. It does not produce regionally nor has it established any lobbying presence like the Japanese with JAMA. The Koreans also choose not to get involved in intra-European debates which could possibly affect them. The sole exception to this generalisation was the case of CO<sub>2</sub>. However, even in this case the Korean automobile industry was not particularly active in the discussions, had its most frequent contacts with JAMA, and made its final 'commitment' dependent on the Japanese.

The Japanese government, which in this particular network is largely represented by MITI, also forms part of the more marginal majority of the network. The Japanese government generally occupies an observer function in the European automobile policy network. It is generally aware of the information exchanged in the network and the issues at stake, but cannot, because of its own political position, get officially involved. However, in the one case where it did become particularly involved, the Elements of Consensus, it represented its industry well. The excellent and conscientious information-gathering of the Japanese government, its close relations with its own automobile industry, and its skilful negotiation strategies in the actual debate contributed to and enhanced the position of the Japanese automobile industry in the network. With its behaviour in these negotiations, MITI ensured that the Japanese automobile industry in Europe was acknowledged as a determined force to be reckoned with. MITI's approach also created an awareness in Europe that it could be better to co-operate with the Japanese automobile industry, or at least get to know it, instead of rejecting it. In this way, MITI laid a sound foundation for the Japanese automobile industry in Europe to build upon. In the case of WTO complaints, MITI and the Japanese automobile industry were again able to draw on the European network, and build on a co-operative relationship with the

European side. Nevertheless, apart from these official governmental issues, the Japanese government generally fulfils a reserved, observing role on the fringe of the network, whilst, nevertheless, being familiar with all the essential actors in the network.

Another agent, which is active in the network and affects it, but does not form part of the core of the network, is the media. Similar to the automobile industry policy network in Japan, the media in the EU are most interested in issues of trade, the environment, mergers and the growing internationalisation of the automobile industry, and, to a lesser degree, issues of safety and product liability. Due to this, the media in Europe can affect the network by raising the awareness and interest of the public. This is particularly the case in issues of the environment, product liability, and safety. This newly-awakened public awareness can, occasionally, affect the way governments and industries address issues and constrain their actions. However, the media will never directly shape the power relations in the network and the interaction of the actors. The fact that the media provide resources which the majority of core actors do not possess themselves contributes to their position in the network. The media are generally well integrated into the network and are familiar with most of the actors in the network, but they are not actively involved in policy debates in the same way as actors from governing institutions or the industry.

The central core of the network consists of actors from the EU polity. When discussing policy networks in the EU, Peterson (1992: 89) and Héritier (1993: 440) suggested that the Commission plays the central role in most networks, and can frequently even be considered the 'architect' of the network. Similar to MITI in the Japanese automobile industry policy network, the Commission does indeed play the most prominent role in the European automobile industry policy network. The

Commission provides the strongest input into the network and boasts the highest frequency of interaction with all other participants in the network. The Commission is in constant, ongoing, and often daily contact with the other governing institutions of the EU, particularly the European Parliament and the Council of Ministers, the European automobile industry and the Japanese automobile industry. The EP and the Council of Ministers also have influential roles, which are based on the European treaties, but these tend to be more official, whereas the Commission is involved in virtually every single daily issue in the polity, administration and representation of the EU. The positions and points of view of the EP and the Council of Ministers are supported by constant input from various member states, the most active of which are France, Germany, Italy, Portugal, Spain, and the UK, countries which either have a national car industry or a high level of foreign direct investment (FDI).

The case of the Elements of Consensus represented a particularly good example for the interaction of the actors within the European polity. In this instance, the Commission rightfully deserved the title 'architect of the network', since it demanded a unified statement from the European automobile industry and, thereby, gave rise to the creation of a new European automobile umbrella organisation. This eventually resulted in the development of a new and different network, in which the Commission has continued to play a dominant and active role. However, when discussing the Commission, it is important not to consider it as one single entity. Similar to Ministries in the Japanese network, various departments of the Commission are involved in the fate of the automobile industry. A number of these, such as DG IV, the competition directorate, and DG XI, the environment directorate, play more official roles and insist that the position of the industry be confined by

strict legal measures. DG VII, the transport directorate, fulfils a role which most closely resembles, but does not exactly mirror, that of the Ministry of Transport in the Japanese context. DG III, the industry directorate, occupies a niche similar to MITI's, and enjoys the closest relationship with the industry. It is generally aware of, and often sympathetic to, the needs of the industry, and is frequently in a position where it seeks to mediate with other departments of the Commission and other institutions of the European polity.

The case of the Elements of Consensus demonstrated these general roles of the European polity. The EP and the Council of Ministers played much more official roles than the Commission and were not involved in every single interaction with the actors involved in this case, unlike DG III, which was involved in almost all the meetings, debates and procedures. At one stage, the Council of Ministers clearly did not know how to deal with the issue and simply removed the issue from its agenda. Such behaviour would not have been possible in the case of the Commission, which was acutely aware that it had to reach a satisfactory agreement with the Japanese.

France, Germany, Italy, Portugal, Spain and the UK all played active roles and contributed to the debate on the Elements of Consensus. However, as more and more functions are being taken over by the EU-level, their roles seem to be waning. Although member states and their governments will always influence EU debates, they might continue to do so in a somewhat changed and less prominent manner. This was already noticeable in the case of the CO<sub>2</sub> debates, where member states, their 'green' parties, and environmental interest groups still provided an input to the debate, but did so in a less public and less heated manner than a decade previously in the EoC. EU member states were even less in evidence in the cases of complaints to the WTO and the harmonisation of standards, indicating their decreasing roles.

This conforms with Rhodes's observations (1997) in his discussion of the 'hollowing out of the state'.

The European automobile industry forms part of the core of the network, both in the shape of its industry federation (ACEA) and as individual manufacturers. Again, this was well illustrated by the case of the EoC, where ACEA and, more particularly, individual European manufacturers made the debates increasingly difficult, and occasionally even stalled them. The Japanese automobile industry does not at present form part of the real core of the network. This is only to be expected, since in any government-industry network, as is the case in the Japanese automobile industry network, the most dominant actors are the government and its industry. Nevertheless, the position of the Japanese automobile industry in the European network has changed and improved over the last decade. At present, the Japanese automobile industry is very close to the core of the network. It achieves a much higher frequency of interaction with the core than do any of the more marginal actors of the network.

JAMA enjoys particularly good relations with the European Commission. Its dealings with this body are often on a daily basis and, on occasions, can occur several times. Similar to the European automobile industry, the Japanese automobile industry enjoys the best and closest contacts with DG III, but has also established a firm web of relations with other departments of the Commission. Contact with the European Parliament is equally good, but less frequent. Meetings with MEPs occur, and JAMA generally attends all the relevant hearings in the EP. Relations with the Council of Ministers are scarce, but good relations with various member states, particularly the UK and recently also France, guarantee that the Japanese automobile

industry is able to provide an input and make its voice heard in the Council of Ministers.

How did the Japanese automobile industry achieve its current position in the network? Initially, in the late 1980s and the early 1990s, when the debate concerning the EoC was in full swing, the Japanese automobile industry was barely tolerated in Europe. Interviewees from the Japanese automobile industry report how they were frequently shunned, almost ostracised. The European side was afraid of domination by the Japanese automobile industry and, therefore, was not positively inclined towards the Japanese. However, the Japanese worked actively to change this situation. Since they were initially not familiar with European business culture and etiquette, they decided to employ Europeans for the purpose of intermediation.

As stressed by Marsh and Rhodes (1992), and emphasised by Peterson (1992) and Hull (1993) in the case of the EU, informal relations play a significant role in EU policy networks and determine their character. This is certainly the case in the automobile industry policy network. After having managed to establish a sound network of informal relationships, the role of the Japanese automobile industry in the network improved and increased visibly. In addition to this sound web of informal relations, formal relationships and formal occasions have also positively affected the Japanese role in the network. JAMA's grand annual banquet in the Hotel Conradi in Brussels has helped convey the impression of a resource-rich insider with a large number of contacts in the EU. Such events have contributed to securing a powerful status for the Japanese automobile industry in the network. They also reaffirm the fact that the Japanese automobile industry, unlike other actors in the network, who do not invite to similar grand occasions, has had to work much harder, and make more of an effort to attain its position in the network.

The case studies have shed light on the changed and improved role of the Japanese automobile industry in the network. The case of the EoC established the Japanese automobile industry as a force to be reckoned with in the EU. In the ensuing years, it took great care to establish a firm network and integrate itself into the industrial landscape of the EU. When environmental issues became increasingly prominent in the eyes of governments, the public, and the media, the Japanese automobile industry enjoyed a distinct advantage because of its advanced research in environment-friendly technology. For the first time, the debate on the reduction of CO<sub>2</sub> exhaust emissions propelled JAMA into a more public position and forced it publicly to speak up and argue the case of the Japanese car industry. Whilst eventually having to give into European demands, JAMA emerged relatively well from these debates. The CO<sub>2</sub> negotiations achieved the situation where the Europeans trusted the Japanese automobile industry and accepted them as a co-operative partner. In the cases of complaints to the WTO and the harmonisation of standards, the Japanese automobile industry was able to put its web of relations to use informally prior to the official governmental negotiations, and behind the scenes while they were in progress. In these ways, it was able to ensure that the other actors understood and supported its point of view.

These cases indicate a changed position of the Japanese automobile industry in the European automobile industry policy network. Starting from the position of an untrustworthy and shunned outsider, the Japanese automobile industry managed to integrate itself into the industrial landscape of the EU, and become an accepted partner in the network. This transformation was by no means a small achievement. Various factors have contributed to this change. One factor was the emergence of new and different issues other than trade and competition, which contributed to a

feeling of shared needs between both the Japanese and European industries. Particularly, the case of the harmonisation of standards contributed to this new awareness of shared interests and the potential benefits of joint discussions, exchange of information, and joint presentation to governments. A second factor was the growing internationalisation of the automobile industry and the increasing number of mergers. A less important, but still not insignificant third factor was Toyota's decision to hire a former employee of the European automobile industry, which made it easier for former fierce competitors to move closer together, exchange views, and begin to co-operate.

The automobile policy network in Japan was particularly influenced by the way actors in Brussels addressed the CO<sub>2</sub> issue. ACEA and JAMA were dissatisfied with the outcome of the issue in Brussels. For this reason, both organisations chose to represent their interests jointly in Japan, in order to avoid similar results. The case of CO<sub>2</sub> showed that the bargaining process in one network can affect other networks. Future network analysis would be well advised to undertake research on how policy networks in different states and different markets handling the same issues with the same participating actors, connect with one another and affect each other.

This history of the Japanese automobile industry in the European policy network contributes to its present position as a well-known actor who is not very far removed from the core of the network. Individual Japanese manufacturers and JAMA, in their roles as resource-rich insiders, contribute to the shape of the network. Certain sources imply that JAMA has even more resources than ACEA, as evidenced by the former's glossier and more frequent publications. Be that as it may, ACEA still has a more powerful role than JAMA. Unlike JAMA, it has special

divisions dedicated to lobbying the EP and the Commission, whilst JAMA employs less staff for the purpose of EU lobbying. This evaluation of the relative effectiveness of ACEA and JAMA is supported by the fact that ACEA and its members, unlike JAMA, participate in various intergroups of the EP and the working groups of the Commission, and are also frequently invited to testify in a number of committees. An official list of intergroups and working groups and their participants does not exist, which makes it difficult to investigate their exact number and nature. However, various sources indicated that the Japanese automobile industry was a member of only one intergroup at the time when interviews were conducted, and did not participate in any working groups. Nevertheless, this situation is subject to change.

At this point, it would certainly be useful for policy network analysis to take up another issue of comparison. It would contribute to and advance the concept of policy networks if the roles of two actors, who interact in the same networks, were compared. Such comparative studies could provide evidence on the interaction of various national networks. In the case of the automobile industry, a comparison of JAMA and ACEA would certainly prove interesting. Although ACEA has established a wider range of divisions for interaction with governing institutions in Europe than has JAMA, JAMA has created a network of branch offices which are responsible for its lobbying in Europe, Asia, and the American continent. In contrast to JAMA, ACEA has only established one branch office outside Brussels. In Tokyo, ACEA is well integrated into the industrial landscape and enjoys close relations with the Japanese government, which is demonstrated by the fact that ACEA's representative in Tokyo presents the rare case of a foreigner who has been admitted to an advisory committee of the Japanese prime minister. However, ACEA only

runs a two person office in Japan,<sup>2</sup> whereas JAMA's overseas offices tend to employ more staff. Such topics lie outside the scope of this thesis, but certainly warrant further research.

Amongst the Japanese automobile industry, one individual manufacturer stands out and has integrated itself into the European policy network particularly well. Toyota occupies a more prominent niche than other Japanese manufacturers. With its decision to hire former employees of the European automobile industry in 1998, Toyota clearly enhanced its position in the network. Recent actions, such as the 'Virtual Warehouse Scheme', indicate that Toyota is intent on pursuing this strategy. Toyota has been impressively successful in establishing a sound web of relations which is independent of JAMA.

Peters (1998) demanded that policy network analysis pay more attention to how conflicts are settled within any particular network, in order to enhance the predictability of policy outcomes. The core of the automobile industry policy network is characterised by constant interaction amongst all the main actors and a shared awareness of their interests. Depending on the issue, this interaction can expand so as to take in less important actors and even those on the margins. The main purpose of this interaction is to exchange information, to be 'in touch with the grapevine'. This way, all participants become aware of potential conflicts at an early stage in the policy process. Once conflict becomes evident, interaction between the core actors increases dramatically. The Japanese automobile industry is generally invited to offer its point of view at a later stage in the development of conflict than its European counterparts. After having conferred with the Japanese headquarters,

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<sup>2</sup> One member of staff is responsible for representing the interests of the European automobile industry and the other handles the general office and administration work.

the Japanese way of presenting its position now generally incorporates distinct elements of bargaining with the other actors. This was especially the case in the debate surrounding CO<sub>2</sub> exhaust emissions.

Daugbjerg (1998) demanded that policy network analysis concentrate on how exogenous and endogenous factors affect the character and structure of any given network, and how these affect the policy process and its outcome. In the case of the automobile industry policy network in the EU, endogenous factors, such as the relationships and interaction of the actors, have clearly influenced the outcome of the policy process. This is best illustrated by the case of CO<sub>2</sub>, when the Commission used its dominant role in the network to achieve a commitment from the automobile industry more quickly than any other government. On the other hand, exogenous factors also affect the policy outcome. To stick with the CO<sub>2</sub> example, it was predictable that the EU, as a new system of governance which sought to establish itself firmly on the international political stage, would be most affected by events, such as international conferences on the environment. The EU felt more compelled than established nation-states to act on conference decisions and take steps immediately. On balance, the results of this thesis do not offer conclusive evidence of how exogenous and endogenous factors contribute to the shape of the network and the predictability of policy outcomes. More detailed research on this problem is therefore required.

The introduction and chapter 1 on policy network theory posed several questions, which have been addressed in this thesis. Marsh (1998) demanded that future research on policy network analysis should answer the question if the policy network concept is a useful tool to explain the policy-making process. This thesis has demonstrated that the policy network concept has been useful in understanding

the intricate nature of the policy process surrounding the automobile industry in the EU. A clear understanding of the role of actors in the network and the issues at stake for each single actor, as well as their general interaction, provided the clearest possible picture of a complicated policy process. Marsh (1998) also demanded that more attention be paid to whether interpersonal relations, as posited by Wilks and Wright, or structural relations, as suggested by Rhodes, contribute more to the character and development of a network. In the automobile industry policy network in the EU, personal relations are highly important and contribute to smooth interaction amongst the participants of the network. However, they are supported, and have occasionally been created, by structural relations. Therefore, it is virtually impossible to judge which of these are more important and contribute more to the network, since one could not exist without the other.

Marsh (1998) recommended investigating and deciding which methods should be employed to study policy networks. The approach of the empirical case study has proved the most useful for studying the automobile industry policy network. By conducting interviews with all the relevant actors in the network and carefully surveying news reports, this approach has provided the best possible insights into the automobile industry network. Various case studies of individual issues, which the network had to resolve, helped to provide a more conclusive and rounded picture of the network and of the manner in which issues are addressed in the network.

Finally, Marsh also suggested examining networks to see if they are dominated by any particular group or groups. The European Commission certainly plays a powerful role in the automobile industry network, but does not dominate it. The Commission is clearly dependent on other actors, such as various interest groups and the industry, to provide information. The European automobile industry

also occupies a strong position in the network, but also does not dominate it and is, instead, in frequent interaction with other actors in the network.

This thesis has ultimately posed two questions. First, it was concerned with investigating the role of the Japanese automobile industry in the network. Initially, partly due to the negative pre-conceptions of other participants, it proved difficult for the Japanese automobile industry to gain access to the network. However, it actively looked for new strategies of interest representation and sought to integrate itself into the industrial landscape of the EU and the network. Gradually, the Japanese automobile industry became aware of the codes of conduct, the 'rules of the game', in the network and modified its behaviour accordingly. After it had slowly established a sound web of relations to all the actors, it was gradually able to attain its position close to the heart of the network. The attitude and behaviour of the Japanese towards the issues investigated in the case studies in chapter 5 ensured that Japan is now a respected member of the network. A growing internationalisation of the automobile industry has recently contributed to changes in the network and to closer interaction between the European and Japanese automobile industries. Besides Toyota's new and path-breaking lobbying strategy, it is up to future research to investigate the effects of the recent Renault-Nissan merger, which is sure to affect the network greatly in the near future. All these factors positively contribute to the role of the Japanese automobile industry in the policy network in the EU, and it remains to be seen what role it will occupy in the future, and how the network is going to change.

Second, the thesis investigated whether the Western concept of policy networks could successfully be applied to the case of Japan, and, more specifically, to the Japanese automobile industry as a non-Western actor in the new system of

governance of the EU. This examination of the role of the Japanese automobile industry in the EU automobile policy network has shown that the concept can be successfully applied to a non-Western actor in the EU, and a brief overview of the situation in Japan has indicated a fully functional automobile policy network in Japan. This seems to demonstrate conclusively that the policy network concept is not a purely Western construct, but can be applied with equal validity to the case of Japan. This therefore provides strong evidence of the universal applicability of the policy network concept, providing an impetus for further research to test the usefulness of the concept in relation to other non-western cases.

## **APPENDIX**

### **1. List of the Directorate-Generals of the Santer-Commission<sup>1</sup>**

DG I	External Relations
DG II	Economic and Financial Affairs
DG III	Industry
DG IV	Competition
DG V	Employment, Industrial Relations and Social Affairs
DG VI	Agriculture
DG VII	Transport
DG VIII	Development
DG IX	Personnel and Administration
DG X	Information, Communication, Culture, Audio-visual
DG XI	Environment, Nuclear Safety and Civil Protection
DG XII	Science, Research and Development
DG XIII	Telecommunications, Information Market and Exploitation of Research
DG XIV	Fisheries
DG XV	Internal Market and Financial Services
DG XVI	Regional Policies and Cohesion
DG XVII	Energy
DG XIX	Budgets

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<sup>1</sup> This information has been obtained from the Internet:

[http://www.europa.eu.int/comm/commissioners/index\\_en.htm](http://www.europa.eu.int/comm/commissioners/index_en.htm)

DG XXI	Customs and Indirect Taxation
DG XXII	Education, Training and Youth
DG XXIII	Enterprise Policy, Distributive Trades, Tourism and Co-operatives
DG XXIV	Consumer Policy and Consumer Health Protection

## **2. Portfolios of the 20 Commissioners of the Santer-Commission<sup>2</sup>**

President Jacques Santer	Secretariat-General, Legal Service, Security Office, Forward Studies Unit, Inspectorate-General, Joint Interpreting and Conference Service, Spokesman's Service, Monetary Matters (with Mr. De Silguy), Common foreign and security policy (with Mr. Van den Broek), Institutional questions and Intergovernmental conference (with Mr. Oreja).
Vice-President Sir Leon Brittan	External Relations with North America, Australia, New Zealand, Japan, China, Korea, Hong Kong, Macao and Taiwan Common Commercial Policy, Relations with OECD and WTO.
Vice-President Manuel Marín	External Relations with Southern Mediterranean countries, the Middle East, Latin America and

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<sup>2</sup> Information on the Commissioners and their assigned tasks has been found on the Internet: [http://www.europa.eu.int/comm/commissioners/index\\_en.htm](http://www.europa.eu.int/comm/commissioners/index_en.htm)

	Asia (except Japan, China, South Korea, Hong Kong, Macao and Taiwan) including development aid.
Martin Bangemann	Industrial affairs, Information and telecommunications technologies.
Karel Van Miert	Competition.
Hans van den Broek	External relations with the countries of central and Eastern Europe, the former Soviet Union, Mongolia, Turkey, Cyprus, Malta other European countries, Common foreign and security policy and human rights (in agreement with the President), External missions.
João de Deus Pinheiro	External Relations with African, Caribbean and Pacific countries, South Africa Lomé Convention.
Pádraig Flynn	Employment and social affairs, Relations with the Economic and Social Committee.
Marcelino Oreja	Relations with the European Parliament, Relations with the Member States (transparency,

communication and information). Culture and audio-visual policy, Office for official publications, Institutional matters and preparations for the 1996 Intergovernmental Conference(in agreement with the President).

Anita Gradin

Immigration, home affairs and justice, Relations with the Ombudsman, Financial Control, Fraud prevention.

Edith Cresson

Science, research and development, Joint Research Centre, Human resources, education, training and youth.

Ritt Bjerregaard

Environment, Nuclear Safety.

Monika Wulf-Mathies

Regional Policies, Relations with the Committee of the Regions, Cohesion Fund (in agreement with Mr. Kinnock and Mrs. Bjerregaard).

Neil Kinnock

Transport (including trans-European networks).

Mario Monti

Internal Market, Financial Services and financial integration, Customs, Taxation.

Franz Fischler	Agriculture and rural development.
Emma Bonino	Fisheries, Consumer policy, European Community Humanitarian Office (ECHO).
Yves-Thibault de Silguy	Economic and financial affairs, Monetary matters (in agreement with the President), Credit and investments, Statistical Office.
Erkki Liikanen	Budget, Personnel and administration, Translation and in-house computer services.
Christos Papoutsis	Energy and Euratom Supply Agency, Small business, Tourism.

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<sup>1</sup> 'Rapid' is the press and communication service of the European Commission. It publishes official statements and press releases from the European Commission, the Council of Ministers, the Court of

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