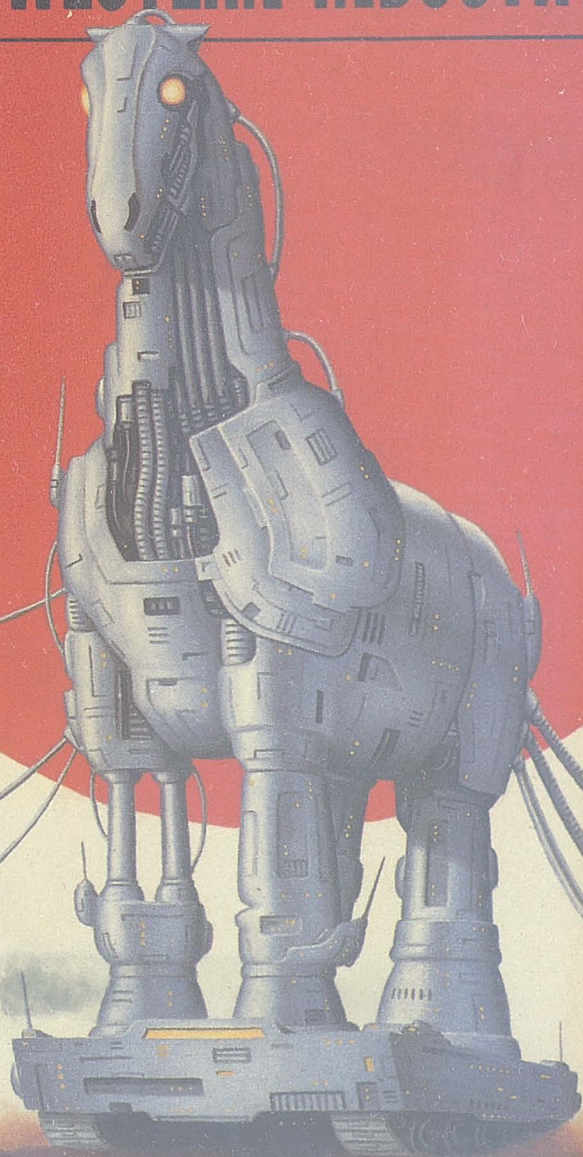


BARRIE G. JAMES

TROJAN HORSE

THE ULTIMATE JAPANESE CHALLENGE TO WESTERN INDUSTRY



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The flood of Japanese assembly plants in America and Europe is openly welcomed as a positive new force.

They promise new jobs, access to Japan's legendary management skills, help with reindustrialising the West and improvement of our trade balances with Japan. These benefits have considerable merit and fall on the sympathetic ears of Western politicians, industrialists and labour. Best of all, they leave a warm feeling, actively fuelled by Japanese public relations, that something positive is finally happening to the West's relationship with Japan.

All this has deflected a critical analysis of the growing shift of Japan's productive capacity to America and Europe. *Trojan Horse*, the first book to address this complex and controversial issue, reveals the reality that 'what you see is not what you get'.

Trojan Horse shows that Japan is the only winner. Using Japanese-made equipment to assemble components created, designed, developed and manufactured in Japan with low-skilled low-cost Western labour, Japanese firms can evade increasing protectionism and the high Yen value and still have access to the West's consumers.

Japan's Trojan Horse assembly plants in their present form are a timebomb ticking away at the heart of America and Europe's industrial competitiveness... and time is running out.

YAB DOCTOR,

Selamat berhyas semula.

Meri Gair

10.4.1989.



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*This book is dedicated in loving memory
of my father Ivor James*

Other books by Barrie G. James:

The Future of the Multinational Pharmaceutical Industry to 1990

The Marketing of Generic Drugs

Business Wargames



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The Ultimate Japanese Challenge
to Western Industry

Barrie G. James



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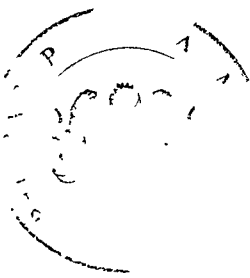
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First published in 1989
by the Mercury Books Division of
W.H. Allen & Co. Plc
Sekforde House,
175-9 St. John Street,
London EC1V 4LL

Set in Meridien by Phoenix Photosetting, Chatham, Kent
Printed and bound in Great Britain by
Anchor Press Ltd, Tiptree, Essex

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British Library Cataloguing in Publication Data

James, Barrie G.
Trojan horse : the ultimate Japanese
challenge to western industry.
1. Western Europe. Manufacturing
industries.
Foreign investment by Japanese
companies
I. Title
332.6'7352'04

ISBN 1-85251-091-9

332.
JAM

ACKNOWLEDGEMENTS

I am extremely grateful for the assistance of a number of people in Europe and the United States who have contributed a great deal of time and effort to help make *Trojan Horse* a reality.

Akio Tanaka, Deputy Director-General of Jetro in London, and Philippa Thorne and Kathryn Brennan of Jetro's Research Department provided much of the background information on Japanese manufacturing investments in Europe. On the other side of the Atlantic, Susan McKnight of the Japan Economic Institute in Washington D.C. provided similar data for the US. These two contributions were of great value in helping to produce a balanced view of the overall size, direction and depth of Japanese investments in the West.

A debt of gratitude is due to William Lyons in Washington D.C., and especially to John Lock and Cheryl Hetrick of Georgetown University's School of Business. John and Cheryl's patience and skills in obtaining data from the labyrinthine US government sources in Washington were essential contributions.

Edward Lincoln of the Foreign Policy Studies Program at the Brookings Institution, also in Washington D.C., shared with me his thoughts on the long-term implications of Japanese manufacturing investments in the US. Malcolm Trevor, Director of the Japan Industrial Studies Programme at the Policy Studies Institute in London and Chairman of the Euro-Japanese Management Studies Association, generously shared his time and knowledge enlightening me on current European concerns and Japanese investment policies. Ed and Malcolm's insightful comments were invaluable in helping me to broaden the scope of the project and identify new areas for research.

At the European Community in Brussels a number of people made valuable contributions to *Trojan Horse*. Brendon Cardiff discussed with

me his ideas on the broad issues facing the EEC in terms of competitiveness and technology and their relationship with Japanese manufacturing investments, while Monika Frisken kindly supplied me with detailed historical data on the EEC–Japan trade balance. Alastair Stewart of the Trade Policy section of the Directorate-General for External Relations made a vital contribution by outlining the development and application of European Community policies and practices on Japanese assembly operations and briefed me on the key findings of the major Community actions on ‘screwdriver’ plants in 1988.

In Paris, François Pham of the OECD’s Scientific, Technological and Industrial Indicators Division kindly gave me new and unpublished information on world trends in R & D investment and trade which updated earlier OECD reports.

In Switzerland, Kevin Kearney and Alan Mortby at the Bank of International Settlements in Basle generously provided me with detailed information from the BIS’s formidable data bank on currency performance, and Michael Finger of GATT in Geneva brought me up to date with statistical data on world trade.

I am also indebted to Jonathan Morris of the Cardiff Business School at UWIST and Peter Dicken of Manchester University who gave me access to their research on Japanese manufacturing investments and to Barry Wilkinson and Nick Oliver, also at UWIST, whose insightful comments were invaluable.

Since I have entered the information age firmly clutching a hand-powered pencil it was left to Regina Djabarzadegan, who, with continued good humour, deciphered my hieroglyphics and turned them into a readable draft. Jo Münch and Yvonne Irmak burnt the midnight oil and did a splendid job putting together the final manuscript.

Last but by no means least my wife Mary gave an irritable author the encouragement and support necessary to develop, research and write *Trojan Horse*.

While all of these people were instrumental in helping me to complete *Trojan Horse*, I have the sole responsibility for its content and views.

BARRIE G. JAMES

Basle, Switzerland

INTRODUCTION

'Most Japanese products are distributed through companies with such proud names as Thomson-Brandt, Telefunken, Saba, Blaupunkt, to name just a few. They are the Trojan Horses of the Japanese industry. – *Dr. Max Grundig, 1984*

Twelve years from now it is quite possible that the world's fourth and fifth largest industrial powers behind the US, Japan and the EEC will not be Russia and China, but Japanese industry in the US and in the EEC.

Déjà vu? The similarity with Jean-Jacques Servan-Schreiber's opening sentence in his best-seller *The American Challenge* is deliberate. Exactly twenty years ago Servan-Schreiber warned that the growing US industrial presence in Europe was a major threat to the social, economic, political and technological future of Europe.

Europe was 'colonized' by US multinationals, but the effect of US manufacturing investments over the last twenty years has been more positive than negative. US firms came to terms with European sensitivities, not least as a result of the controversy created by *The American Challenge* and adopted a responsive attitude to their investments, business policies and practices. They were also quick to spot the advantages of 'Europeanizing' their presence. By creating fully integrated manufacturing, developing local suppliers, building R&D facilities, using Europe as an export base for Africa, Eastern Europe and the Middle East and by transferring both managerial skills and technology, they helped to accelerate the post-war development of European industry and made a net contribution to Europe's economy.

Twenty years later Europe and the US face a similar challenge:

Japanese manufacturing investments in both continents. Ironically those very conditions which provided the US with its comparative advantage making it such a formidable competitor to Europe in the 1960s – access to large amounts of low-cost capital, a strong currency, new technology and the ability to transform raw science into low-cost and high-quality marketable products through superior managerial and organizational skills – have been, or are in the process of being, transferred to Japan. Today the prime movers in global business are Japan's financial, technological and managerial muscle and the US and the EEC are wallowing in the wake of Japan's industrial slipstream.

Japanese investments in the West have been growing through the last decade. Initially much of this was in real estate and government and corporate bonds and buying into banking, insurance and other financial services. In a volte-face Japanese investment in the mid-1980s shifted rapidly towards building up productive capacity in the form of assembly plants in the US and in the EEC.

Trojan Horse focuses on the many problems created by these assembly plants and on ways that the West can channel these investments into more productive contributions to its reindustrialization.

The book is divided into seven parts. Parts 1 and 2 identify the decline in the value of the dollar and increasing protectionism in the West as the key forces driving Japan's move away from exporting finished products to 'localizing' imports through assembly plants in the West.

Part 3 shows how these driving forces fit into Japan's shift in industrial strategy as it moves to become *the* globalized player in the world economy. It examines the changing role of manufacturing investments, the emphasis on technology, the development of global supply networks and the changes going on in managerial style as Japan moves downstream from an export to a global manufacturing economy.

Part 4 examines the many and complex implications of Japanese assembly plants in the West from the Japanese and Western perspectives. It looks at their effects on the transfer of managerial and labour skills and technology, at the quality and quantity of employment that they create, and their effects on the trade balance and on Western economic structures and competitiveness.

Part 5 focuses attention on the crisis in Western competitiveness. It

shows not only how government policy, or non-policy, has contributed to the decline but also the seminal effect of mediocre management on the erosion of Western competitiveness.

Part 6 builds on the previous chapters, identifies the convenient excuses being used to avoid confronting the issue and presents a series of approaches which can be used to channel Japanese investments into patterns which make real economic and social contributions to the West.

Part 7 concludes *Trojan Horse*. It describes why forceful approaches are not being taken and raises issues which go far beyond the short term and question the very future of an industrialized West, which continues to ignore the Trojan Horse effect of Japanese low value-added assembly plants.

Trojan Horse is not written as a stereotype exercise in Japan 'bashing' but to place Japanese inward investments in assembly plants in perspective and identify the few benefits and many problems they create. *Trojan Horse* is designed to sensitize decision-makers in the West to the risks of ignoring the threats of unconditionally embracing the current low-value-added content of Japanese assembly plants and to stimulate a new dialogue both within the West and with Japan to improve the quality of inward investment.

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