
OPINION

JAPANESE INROADS INTO EUROPEAN INDUSTRY

One of the problems—a perennial one—discussed at various levels just after our independence by scientists, economists and industrialists in the country was whether foreign companies should be encouraged to start factories in India. The early policy in this country was largely against the idea. Now we follow more 'liberal policies' but the effects of these on the economy and industry are still to be assessed. One therefore reads with amusement the book *Trojan Horse: The Ultimate Japanese Challenge to Western Industry* by B. G. James (Mercury Business Books), which has been reviewed in many journals that deal with science, industry and finance. We quote below many sentences from this book, which are so similar to the words of the Cassandras who warned Indian planners.

'The vast majority of recent Japanese plants in Europe deserve the title assembly plants rather than factories—some are barely packaging plants to enable goods whose value is created elsewhere to be permitted to step around import controls.'

'Plants subsidized with Western tax-payers' money using Japanese-made equipment to assemble components created, designed and developed in Japan using low-skilled, low-cost Western labour make no value-added contribution to the West.'

'Such operations degrade a host nation's industry in two ways. Firstly the products are likely to be cheaper than those existing in integrated factories, so they tend to drive indigenous competitors out of business. Further the low level of skill that such plants require erodes the entire work force of Europe.'

'The Japanese-owned factories which are springing up in Europe erode the Continent's industrial base and represent the final phase in Japan's domination of world industry.'

'The arrival of multinationals three decades ago raised similar fears—but unlike the true multinationals most Japanese companies run their overseas subsidiaries as direct appendages, producing the same product all over the world.'

'Although Japanese consumer electronics firms hold 20 per cent of the colour television market and 90 per cent of the VCR market in Europe and have local assembly plants within EEC since 1975 they employ less than 50 individuals in development and none whatsoever in research.'

The bottom line of the book: 'The starting of Japanese factories in Europe and the US are not just "Trojan horses" but are time bombs ticking away at the heart of the West's industrial competitiveness.'

The storm that has been generated in the minds of many thinking people in Europe when Japanese industries are opening factories there is reminiscent of the debates that went on in this country when foreign industries were to open factories here.

We welcome views from our readers (industrialists, technologists and scientists) on whether the fears expressed in regard to the starting of Japanese factories in Europe are applicable to the case of foreign industrial companies (not necessarily Japanese) starting factories in India.

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