

Voluntary Export Restraints between Britain and Japan: The Case of the UK Car Market (1971-2002)

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The rise in international markets of new productive nations from Asia, namely Japan, in provoked an intense world competition which created serious doubts on the economic sustainability of an industry mostly dominated until that decade by European and North-American multinational companies. Ultimately, indeed this crisis provoked a deep transformation of the industry whose consequences had permanent impact on European companies in this sector. American and later European manufactures were successful in lobby governments to provide protection. The rise of “new trade protectionism” in the post-war era is viewed as reflecting the constrained ability of governments to use traditional tariff barriers under the General Agreement on Tariffs and Trade. Using a rich source of data from the UK I show that the ‘new trade policy’, voluntary export restraint (VER), placed on Japanese exports of new cars from 1977 to December 1999 was binding. This case study illustrated the strategies used Japanese manufacturers to gain access European market through the UK market via strategic alliance and later through transplant production which Continental European nation states were unable fully insulate themselves against. It is also shown that the policy had a profound effect on the nature of Japanese products as Japanese firms responded to the quantity restraints by radically altering the product characteristics of their autos and the shifting towards larger auto with greater margins maximise their profits subject to a binding constraint.