8 The Foreign Investment Front

On 17 January 1991, the White House approved the huge Japanese robot and machine tool producer Fanuc’s purchase of a 40 per cent controlling interest in Moore Special Tool Inc., the last American producer of precision tools used, among other things, to make nuclear weapons. The decision followed a half year review by the Committee on Foreign Investment set up by the 1988 Exxon–Florio Law. The Administration was deeply divided over the purchase, with the Defense, Commerce and Energy Departments arguing that to allow Moore to fall into Japanese hands would represent a major national security breach, and the State and Treasury Departments characteristically advocating open American markets at any cost. Besides, the free marketeers argued, no American purchaser could be found and the choice was either Japanese control over Moore or its bankruptcy. Chairman of the House High Technology Committee, Mel Levine, lamented that “failure to stop this sale sends a clear signal that everything, no matter how vital to our interests, is for sale in the United States”.1 Worried by Congressional criticism, Fanuc announced on 10 February 1991 an abandonment of its takeover attempt.2

T. Boone Pickens became the largest shareholder in Koito Corporation in 1988 when he bought 20 per cent of its stock, a position he later strengthened to 26 per cent. In Japan, however, owning a large percentage of a company’s stock does not translate into influence if the owner happens to be foreign. Pickens’ request for directorships for himself and three others was rejected at the annual general meeting in June 1989, while the Tokyo District Court rejected his request for access to the company’s books and an increase in dividends. Toyota owns 19 per cent of Koito’s stock, a position bolstered to a 63 per cent share when the shares of five other related institutional investors are included. Toyota supplies Koito’s president, vice-president and a director, and effectively controls the price, delivery period, and profits of Koito’s products. If Koito’s profit is too large, Toyota will reduce it the next year by discounting its profits. Toyota has adamantly refused to allow Pickens even a peek at Koito’s books, let alone consider granting him any board seats.3 On 29 April 1991, after two years of struggle to get on Koito’s board, Pickens finally admitted defeat and announced he would sell his 26.4 per cent share.
Pickens originally paid $1.01 billion for the stock; it was worth $844 million when he sold it.

Fanuc's proposed takeover of Moore Special Tool and T. Boone Picken's frustrated attempts to gain board seats at Koito starkly contrast the successes of Japanese neomercantilism with the failures of American liberalism — and their respective impacts on Japanese and American power. Washington's irrational industrial policies, ill-concealed under the rubric of liberalism, were responsible for the steady destruction of America's machine tool industry under Japanese assault during the 1980s. America's machine tool industry evolved on its own without government guidance, although stimulated by massive government procurement. Thus the industry's hundreds of small firms lacked the financial depth to develop new products or markets, or to protect themselves from takeover. The White House's failure to respond to Japan's dumping of numerically controlled machine tools in the late 1970s and throughout the 1980s resulted in the devastation of America's machine tool industry just as similar sustained Japanese dumping of televisions, steel, automobiles and semiconductors had ravaged those American strategic industries. Faced with the stark choice of bankruptcy or Japanese takeover, many American machine tool producers choose the later. The White House's acquiescence to Fanuc's proposed takeover of Moore Special Tool represents the culmination of its policy of malign neglect. Hobbled by a liberal mindset, the White House apparently never considered arranging Moore's takeover by an American firm or resuscitating Moore with a capital infusion. The White House Committee on Foreign Investment, which was empowered with the responsibility for carefully screening all proposed foreign investments to ensure no strategic American firms fell into foreign hands, turned out to be a paper tiger. The Committee rejected only one of 517 foreign investments over three years — the Chinese purchase of Mamco Manufacturing Co., which makes aircraft components.

Tokyo would never allow foreign competition to capture significant market share let alone to take over outright any industry, from its most economically strategic high technology, manufacturing or financial industries to politically strategic industries like agriculture, construction or distribution. The reason is that Tokyo views virtually every industry as being either economically and/or politically strategic to Japan's political economy. Tokyo carefully nurtures all Japanese industries into either economic champions garnering vast wealth by dominating global markets or political champions which employ vast numbers of Japanese and thus votes for the ruling party. The near bankruptcy of a strategic jewel, like Moore Special Tool, would be inconceivable in Japan. If the firm had not been spun off from the corporation of a powerful keiretsu, the government would have managed its acquisition by a keiretsu, then encouraged the