

OPENING STATEMENT BY VICE PRESIDENT HA FERKAMP, AT PRESS CONFERENCE
IN TOKYO, 20 MAY 1977

Ladies and Gentlemen,

I would like to begin by thanking the Japanese authorities for the very cordial reception I have received on this, my first visit to Japan. The crowning moment was, of course, the audience with the Emperor Hirohito, a great personal honour that I deeply appreciate. It was also, I feel sure, a mark of the importance the Japanese Government attaches to good relations with the European Community which I represent. I can assure you that the European Community wants to maintain good and friendly relations with Japan.

The purpose of my visit has been to strengthen these relations and improve cooperation between the European Community and Japan in dealing with the serious problems that confront us. I have had talks with Prime Minister Fukuda, Foreign Minister Hatoyama and MITI Minister Tanaka. Minister Hatoyama and myself also opened the tenth round of bi-annual high-level consultations between the Japanese Government and the Commission of the European Communities. These consultations were inaugurated in 1973 under the aegis of Foreign Minister Ohira and Sir Christopher Soames, my predecessor as Commission Vice President responsible for external relations.

In addition to my conversations with the Japanese Government, I took the opportunity to return the visit that Mr Doko and his colleagues of the Keidanren paid to the Commission in Brussels last October. My programme also included a first contact with trade union leaders.

The consultations have covered three main areas:

1. The general economic situation, particularly in the Community and Japan. The recent Downing Street summit has, I hope, improved the prospects for a recovery of the world economy which will make it easier to deal with some of the particular problems we face. This is specially true of the Community which has 5.5 million unemployed or 5.3% of the labour force. I drew the attention of my Japanese hosts to the potentially serious social and political consequences that the continuation or aggravation of this high level of unemployment could have in the Community, particularly in certain member countries.

2. Multilateral questions of mutual interest. I am referring here to the North-South dialogue between the industrialised and the developing nations in Paris and to the Multilateral Trade Negotiations in Geneva. The European Community and Japan play a leading role in both sets of negotiations. Our positions are in general very close. In particular, as the Downing Street summit confirmed, both of us are committed "to strengthen the open international trading system." To this end, we intend to pursue vigorously the GATT multilateral trade negotiations which we launched here in Tokyo in 1973.

3. Bilateral trade problems. As I said at the opening of the consultations, one fundamental problem has become increasingly important in our bilateral relations since 1973. I am referring to the increasing trade imbalance between the Communities and Japan. This imbalance led to a deficit of one billion dollars for the Communities in 1973; it exceeded 4 billion dollars in 1976, and the trend is towards a further increase this year. This problem has caused serious concern in Europe; so much concern in fact that the European Council (the Council of Heads of States and Governments) has been obliged to deal with this question at its last two meetings, in The Hague and in Rome, and to make public statements. The Council asked the Commission to continue the intensive dialogue with Japan, in order to find solutions for these difficulties.

I am extremely concerned at what would happen if this trend were to continue indefinitely. If we extrapolate from current trends the Community's trade deficit with Japan will reach 10 billion dollars in a few years, and it is obvious that this would create serious problems. This shows that both the Community and Japan have a mutual interest in reversing the present trend.

However, it is not just a question of the overall trade imbalance. Certain sectors of the European economy have been particularly hard hit by the rapid growth of Japanese exports, for example shipbuilding and steel. I have explained to our Japanese friends that if rising imports lead to large scale unemployment in certain sectors and regions of the Community, this will have not only economic but also social consequences. If the development of Japanese exports does not take this into account, it could lead to pressure for protective measures, which the Commission might not be able to resist.

In my talks with the Japanese authorities, however, I have concentrated on the other side of the trade imbalance, that is, European exports to Japan. I am convinced that the best way to deal with the problem of the Community's growing trade deficit with Japan is a rapid growth in European exports to the Japanese market so that we can arrive at a more balanced situation.

We have identified a number of sectors in which there are administrative barriers to the development of Community exports such as the need to repeat technical tests in Japan. We have already had some success in removing barriers to European exports of cars. During the course of the consultations we have been discussing the removal of similar obstacles concerning pharmaceuticals, chemicals and diesel engines for boats. Discussions will continue at expert level.

We have also asked the Japanese to look at the possibility of promoting European exports of processed agricultural produce. The problem here is usually quotas, possibly combined with high customs duties or internal taxes. Agriculture is an important sector of European trade, where an immediate and substantial

increase in EEC exports to Japan is possible. I am glad to say that a special meeting of experts to discuss EEC requests has been scheduled for mid-July.

It is of course true that European exporters will have to make greater efforts if they are to sell more on the Japanese markets. This is quite well understood in Europe. But if European exporters are to make the necessary effort, they must be confident that the Japanese market is open to imports.

Here I must be very frank. In the past there does seem to have been an inbuilt resistance in the Japanese economy to large-scale imports of products that compete directly with the products of Japanese industry. The open world trading system, to which we are all committed, implies acceptance of a growing interdependence between the industrialised countries. Yet unlike the other industrialised countries, imports of industrial goods into Japan only amount to 20% as opposed to more than 50% in the case of the European countries. However, I am glad to say, after my talks at the Keidanren, that there does now seem to be a genuinely more open attitude to imports on the part of Japanese business.

To conclude, the present situation cannot be changed overnight, but I am convinced that it is in the mutual interests of the Community and Japan that we should achieve a better balance in our mutual trade. I am also convinced that protectionist measures are not the solution. With good will we should be able to find satisfactory solutions to our present difficulties since we both want the same thing: to preserve free trade.