

European BACKGROUND INFORMATION Community

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BACKGROUND NOTE

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EUROPEAN COMMUNITY AND JAPAN CONFER ON EC TRADE DEFICIT

The steady widening of the European Community's trade deficit with Japan must be stopped by boosting EC exports to Japan and not by EC import restrictions.

This was one conclusion endorsed during the seventh round of high level consultations between the Community and Japan, on December 11-12 in Brussels. Discussions focused on economic conditions in the Community and Japan, multi-lateral and bilateral trade problems, energy, and raw materials.

Economic Conditions

Both Japan and the Community reported signs of economic recovery at home. Japan expects a growth rate of 2.2 per cent next year and plans to do nothing further to speed up its recovery. The Community expressed disappointment with this outlook which gives no leeway for EC exports to grow.

This year the Community expects its trade deficit with Japan to amount to \$2.2 billion, up from \$0.3 billion in 1970, \$1.2 billion in 1973, and \$1.9 billion in 1974. EC imports from Japan amounted to \$5.2 billion in 1974; EC exports to Japan, \$3.3 billion.

Sectoral Problems

EC-Japanese trade runs into snarls with four types of products:

- *Automobiles.* In October, the Community made a formal complaint about a Japanese nontariff barrier (technical rules and inspection systems) which it believes curtails EC car exports to Japan. Japan imports only a tenth as many EC cars it exports to the Community. Japan agreed to study this problem and the possibility of allowing technical inspections to be made in Europe.

- *Steel.* To cope with severe recession in the EC steel industry, on December 10 the Community approved a program which could be put into effect -- including temporary surveillance of imports and minimum floor prices for certain types of steel. Japan took a cooperative stance on this problem.
- *Shipbuilding.* In view of the recession in EC shipbuilding, the Community expressed concern about the bargain prices and export credit terms being offered by Japanese shipbuilders. A case by case review of this situation will be made on the basis of EC figures.
- *Textiles.* Last Friday evening, the Community and Japan initialed an export restraint agreement under the "Multifiber Arrangement" within the General Agreement on Tariffs and Trade (GATT). Japan agreed on export restraints for several types of textiles and made no requests for restraints on any EC textile exports to Japan. The Community imports twice as many textiles from Japan as it exports to that country. The agreement will allow for orderly growth of EC imports of "sensitive" textiles.