

European Communities

---

EUROPEAN PARLIAMENT

# Working Documents

1982-1983

---

15 December 1982

DOCUMENT 1-997/82

REPORT

drawn up on behalf of the Committee on  
External Economic Relations

on imports of Japanese cars into the EEC

Rapporteur: Mr R.E. FILIPPI



At its sittings of 18 June 1981 and 14 September 1981 the European Parliament, pursuant to Rule 47 of the Rules of Procedure, referred the motions for resolutions by Mr Cottrell (Doc. 1-313/81) and by Mr Welsh, Sir Fred Catherwood, Sir John Stewart-Clark and Sir Fred Warner (Doc. 1-203/81) to the Committee on External Economic Relations as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on Social Affairs and Employment for an opinion.

At its meeting of 20 October 1981 the Committee on External Economic Relations decided to draw up a report and appointed Mr R.E. Filippi rapporteur.

It considered the draft report at its meetings of 2 December 1981, 22 September 1982, 18 October 1982, 4 November 1982 and 24 November 1982 and at the last meeting adopted the motion for a resolution by 20 votes to 0 with 5 abstentions.

The following took part in the vote: Sir Fred Catherwood, chairman; Mrs Wieczorek-Zeul, first vice-chairman; Mr van Aerssen, second vice-chairman; Mr Seal, third vice-chairman; Mr Filippi, rapporteur; Mr Almirante, Mrs Baduel-Glorioso, Mr Bonaccini (deputizing for Mr Alavanos), Mr Bord, Mr Calvez, Mrs Gredal (deputizing for Mr Caillavet), Lord Harmar-Nicholls (deputizing for Mr Spencer), Miss Hooper, Mr Lemmer, Mrs Nielsen, Mr Paulhan, Mr Pasmazoglou, Mrs Pruvot, Mr Radoux, Mr Rieger, Mr Seeler, Mr Stella, Sir John Stewart-Clark, Sir Fred Warner and Mr Ziagas.

Neither the Committee on Economic and Monetary Affairs nor the Committee on Social Affairs and Employment will be delivering an opinion.

## CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	9
I. Introduction .....	9
II. Community industrial policy as the context in which the problems facing the European car industry must be solved .....	9
III. The European car industry and the reasons for the crisis .....	12
IV. Structure of the European car industry .....	14
V. Structure of the Japanese economy and industry .....	19
VI. The Japanese market .....	24
VII. Conclusions .....	27

### Annex I:

Motion for a resolution tabled by Mr Cottrell, pursuant to Rule 47 of the rules of Procedure, on Japanese car manufacture in the European Community (Doc. 1-313/81) .....	30
---	----

### Annex II:

Motion for a resolution for entry in the register, tabled by Mr WELSH, Sir Fred CATHERWOOD, Sir John STEWART-CLARK and Sir Fred WARNER on imports of Japanese automobiles (Doc. 1-203/81) .....	31
--	----

The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on imports of Japanese cars into the EEC

The European Parliament,

- having regard to its resolution drawn up by Mr Bonaccini on behalf of the Committee on Economic and Monetary Affairs,<sup>1</sup>
  - having regard to the motions for resolutions by Mr Welsh, Sir Fred Catherwood, Sir John Stewart-Clark and Sir Fred Warner (Doc. 1-203/81) and by Mr Cottrell (Doc. 1-313/81),
  - having regard to the report of the Committee on External Economic Relations (Doc. 1-997/82),
- A. considering the need for an improved balance of trade between the Community and Japan,
  - B. having regard to the considerable import penetration by Japanese cars into the Community market,
  - C. considering the existence of non-tariff barriers to trade which inhibit increased Community penetration of the Japanese market,
  - D. having regard to the major economic and strategic importance of the car sector for the European Community and its Member States,
  - E. convinced of the need to strengthen the competitive position of the car industry to enable it to play its proper role on the international economic stage,
  - F. having regard to the major consequences which the crisis in the car industry is having on employment and the resulting effects on social, industrial and economic development in the countries of the Community,
1. Considers that the preconditions for a thriving Community car industry consist of:
    - (a) establishing fair terms of trade between the Community and its major competitors in the car sector,

---

<sup>1</sup> Doc. 1-673/80 - OJ No. C 23, 9.2.1981

(b) ensuring that the Community's car industry receives appropriate support by means of an effective Community industrial policy which encompasses the car industry;

2. Insists that the Community continue to impress on the Japanese Government the need for freer access for Community products, including cars, to the Japanese market;
3. Calls - in agreement with the Commission, in accordance with the Mandate of 30 May 1980 and with a view to improving the potential outlets for EEC products on the world markets - for a new concept of Community industrial policy, which must now be implemented without delay<sup>1</sup>;
4. Hopes that measures will be adopted in the context of this Community policy which are designed to improve the competitiveness, efficiency and market position of European car exports and which will guarantee the industry both outlets within the Community and appropriate opportunities for expansion on foreign markets;
5. Emphasizes that the Community as such rather than the individual Member States should be represented in the negotiations with its Japanese and US competitors in order to strengthen its negotiating position and insists that the Member States should enable the Commission to defend this position, in agreement also with the Council Decision of 22 March 1981 introducing a common global strategy towards Japan;
6. Considers it necessary to develop a system of marketing and distribution of sales among European producers comparable with the system already operating in Japan and the United States;
7. Considers it essential to encourage closer cooperation between European firms with a view to competing increasingly at international level, and to assist the Commission in its task of monitoring national aids so as to prevent distortions and imbalances;
8. Acknowledges that a certain level of coordinated basic research is needed in sectors such as new materials, combustion processes and new automation techniques so as to prevent dispersion of resources and the duplication of similar basic research projects in various places in the Community;

---

<sup>1</sup> See: A Community strategy to develop Europe's industry COM(81) 639 final p.2

9. Recommends, with a view to increasing productivity in the European car industry, that steps should be taken to reduce still further the present fragmentation and lack of coordination of car production which, inter alia, prevent the implementation of the essential economies of scale which are precisely what gives our competitors their advantage;
10. Stresses that the proposal referred to in the previous paragraph stands the best chance of success if it is implemented by the car industries themselves, which should get together at Community level, together with representatives of the trade unions, with the support of Community bodies in order to coordinate the various agreements and exchanges of views;
11. Considers it necessary to establish greater balance on the world market by stressing the mutual interests of the Community and its competitors through a formal dialogue;
12. Calls for measures to develop and extend a constructive dialogue between employers organizations and the trade unions with a view to preventing the creation of disparities in social conditions in the various Community industries;
13. Emphasizes that, in order successfully to negotiate with Japan and our other trade partners, the Community should develop a joint trading policy in the car sector and abandon existing national import control measures such as quotas and quantitative restrictions;
14. In order to enable such an agreement to be satisfactorily reached, calls on the Member States to agree among themselves and with the Commission on the distribution of Japanese imports of motor vehicles into the Community;
15. Requests management and workers to create the conditions needed to facilitate Japanese investments in the Community;
16. Acknowledges the desirability of further investment by Japan, either as sole shareholder or on the basis of joint ventures, but considers it essential to prevent such investment leading to surplus capacity in this sector and feels that it should be accompanied by a corresponding willingness on Japan's part to look to Community suppliers for a substantial proportion of its components; Japanese investors should also be asked to bring research and development facilities to those countries in which they intend to start production;

17. Considers it necessary to establish close cooperation between the Member States and the Community with a view to reaching agreement on the terms and conditions to be offered to Japanese investors;
18. Instructs its President to forward this resolution and the report of its committee to the Commission and Council.



## EXPLANATORY STATEMENT

I. INTRODUCTION

The 1980s will without doubt prove to be the period of greatest uncertainty and imponderables in the history of Community industry.

After the 1960s, which were characterized in general by full employment, and after the 1970s, during which the situation in European industry, though giving cause for concern, was still acceptable, the 1980s seem to be full of uncertainty and are marked by a new and extremely aggressive form of competition.

In view of the profound changes in the world economic situation and of the continuing economic crisis it is now more than ever essential for the Community to undertake a thorough review and reassessment of its activities. The European Community will have to evolve and adapt in order to face up to an economic situation which is totally different from that of the 1950s, the era of its foundation, or of the 1960s, the era of its consolidation.

First and foremost it should be pointed out that the problems facing the European car industry must be resolved in the context of a new concept of Community industrial policy, which must be implemented without delay.

This is the only way to place Europe in a sufficiently competitive position to face up to the increasingly stiff competition facing its industries not only on external markets but also, and above all, on Community territory.

II. COMMUNITY INDUSTRIAL POLICY AS THE CONTEXT IN WHICH THE PROBLEMS FACING THE EUROPEAN CAR INDUSTRY MUST BE SOLVED

A further reason why appropriate and effective solutions to the problems facing the European car industry should be sought in the context of an industrial policy is that the car industry may be seen as the keystone of the European industrial structure.

Moreover, the Community is to a large extent at the mercy of the international division of labour and conditioned by its development model, based on the consumption of raw materials and energy, which makes it particularly dependent on the supplier countries. This is a further reason why global choices must be made which are not confined to solving sectoral problems but which include the whole of the Community in joint decisions of both a political and a technical and economic nature.

The recurrent temptation to seek 'national solutions' ignores the fact that, unless a Community solution is found, there could be a rapid return to protectionism, the closing of borders, European nationalism and hence the final loss of a competitive position on the world market.

In broad outline these are the requirements for a Community industrial policy without which Europe runs the risk of becoming a province of a kingdom totally alien to us.

The Treaty of Rome is dominated by the concept of the market and the need to create a large liberalized trade area. The authors of the Treaties believed that the creation of a large new integrated economic area would itself lead to profound changes in the European industrial structure which they felt would materialize as a consequence, largely spontaneous, of the setting up of a single market.

The serious limitations of this view can now clearly be seen, following the implementation of the customs union and the creation of a single European market and, above all, following the major changes in the international economic order.

An industrial structure of national or sectoral scope is no longer conceivable given a market which now covers continental Europe, whose development prospects are largely dependent on its export capacity, and which is governed by a form of competition in many cases deriving from the confrontation between social and economic models profoundly different from that of the Community.

It is essential to re-establish a European industrial policy capable of giving our industries the necessary competitive edge to guarantee them

in the future not only the maintenance of their outlets within the Community but also, and above all, adequate opportunities to assert themselves on the external markets.<sup>1</sup>

The problems facing European industry may be summarized as follows:

- the Community's share in world exports of manufactured products is decreasing while the USA's is stable and Japan's increasing;
- a decline in the growth of industrial productivity in Europe, partly as a result of inadequate productive investment. Competitiveness in Europe, as measured by unit labour costs, declined in relative terms between 1960 and 1980. According to the US Department of Labour, unit labour costs are increasing in the seven largest countries of the Community by an average of 8.7% per year, compared with 7.4% in Japan and 3.9% in the United States.<sup>2</sup>

As stated by the Commission, the new industrial policy must be designed to revive productive investment, increase confidence among investors, develop the internal market by consolidating it into a genuine European economic area and introducing Community preference where industrial development is linked to intervention by the public authorities, particularly with regard to technical standards and public orders.

-----  
<sup>1</sup> Brief mention should be made of the principal measures taken by the European Community in the field of industrial policy. The first global concept of this policy was defined in the memorandum of 18 March 1970 (the Colona plan). A second attempt was made, in the Davignon report of 1978, to define Community action aimed at implementing an industrial policy which was to be incorporated into an overall strategy for the resumption of expansion, in order gradually to eliminate unemployment through the creation of new jobs. Most recently, in May 1980 the European Council instructed the Commission to draw up a series of proposals for the restructuring of all the sectors in the Community. The Community's role in the development of its industry is one of the fundamental themes in the analysis of the future of Europe for which the mandate of May 1980 provides both the opportunity and the framework (see COM(81) 639 final).

<sup>2</sup> See: A Community strategy to develop Europe's industry (Communication from the Commission to the Council) COM(81) 639 final, p. 2

### III. THE EUROPEAN CAR INDUSTRY AND THE REASONS FOR THE CRISIS

The car industry is of supreme importance for Europe, since the Community is the biggest world producer of cars. There are around 80 million vehicles in circulation in the EEC, a density of 310 vehicles per 1,000 inhabitants, and a labour force which in 1979 accounted for 6.9% of the entire industrial sector.

EEC car exports represented 10% of the total value of Community exports in 1979.

These figures are quoted to show that the European car industry is of fundamental importance to the Community economy. It can therefore not be allowed to suffer the same fate as sectors such as the household electronics, photographic, motorcycle, etc. industries, in which Europe has been largely supplanted by Japan and by recently industrialized countries.

The Community clearly has no choice with regard to the measures to be implemented now and in the future with a view to solving the problems facing its car industry. This sector must be totally reorganized to enable it to face up to its two major competitors on the world market - Japan and the United States.

This view was confirmed by Mr THORN during a meeting at the College of Europe in Bruges on 27 September 1982. On that occasion Mr THORN drew attention to the fact that Japan must recognize the vital need for the Community automobile industry to be allowed sufficient time for restructuring; while restructuring is in progress adequate safeguard measures will have to be taken.

This must be the starting point of any assessment. Only on the basis of a comparative analysis of Europe's productive system and those of its competitors will it be possible to draw up a Community programme capable of reviving its car industry and overcoming the lack of confidence which it is now facing and will continue to face during the 1980s.

The crisis in the European car industry has its origins not only in the effects of Japanese competition but also in a completely new situation which has developed in the world economy over the last decade.

After the period of almost constant growth in the 1960s, the world economy suffered serious upheavals in the 1970s which had an adverse effect on the operation of the European car industry.

The principal causes of this change, to which Europe is particularly sensitive, are basically as follows:

- (a) constant rise in oil prices: it is the car industry which, in the first instance, is most directly affected by the problems resulting from the continued oil crisis. The constant rise in prices and the uncertainty about oil supplies have had major consequences for the car industry. It has been necessary to introduce technological innovations, requiring vast investments, in an attempt to cut oil consumption. There has been a gradual change in the clients' attitude to the 'car product'. There has been a substantial decline in the growth in demand. Competition has stiffened at increasingly high technical and economic levels. The car market has moved into what could be described as the mature phase of its life cycle and is very close to saturation point. For example, it is calculated that in the principal industrialized countries around 70% of all families, out of a possible maximum of 75-80%, already own a car. The demand for cars in these countries has therefore gradually become almost exclusively a demand for replacement cars (around 80% of cars registered);
- (b) the continuing recession of the national economies: this has weighed heavily on the car industry, making it difficult to implement the radical measures and massive investments needed to adjust it to new requirements;
- (c) stiffer competition: the economic area in which the car industries have to operate has undergone major changes, particularly with regard to their competitiveness in areas with an increasingly small margin for manoeuvre;
- (d) Japanese penetration of the international car market, which was previously dominated by the European and US industries.

These have been the main features of the crisis in the car industry during recent years and this is the context in which the Japanese car industry has established itself and deftly exploited the deficiencies of its competitors and the opportunities offered by an almost totally free international market. The Japanese have succeeded fairly easily in establishing their products on this market because of specific features of their productive and economic system and their social structure.

#### IV. STRUCTURE OF THE EUROPEAN CAR INDUSTRY

The Community is now the second largest producer of cars in the world. The following table shows the volume of Community production and compares it with Japan and the USA.

Table No. 1

Car production in the EEC, Japan and the USA

1979

	Private cars	Commercial vehicles	Total
Belgium	283,072	31,925	314,997
France	3,220,394	393,064	3,613,458
Italy	1,480,904	150,106	1,631,010
Netherlands	90,204	14,780	104,984
West Germany	3,932,556	317,169	4,249,725
United Kingdom	1,102,015	408,440	1,510,455
Total	10,109,145	1,315,484	11,424,629
Japan	6,175,771	3,459,775	9,635,546
USA	8,433,662	3,046,331	11,479,993

1980

	Private cars	Commercial vehicles	Total
Belgium	191,016	34,265	225,281
France	2,938,581	439,852	3,378,433
Italy	1,445,221	165,066	1,610,287
Netherlands	80,779	15,656	96,435
West Germany	3,520,934	357,619	3,878,553
United Kingdom	958,940	389,170	1,348,110
Total	9,135,471	1,401,628	10,537,099
Japan	7,038,108	4,004,776	11,042,884
USA	6,375,506	1,635,122	8,010,628

1981

	Private cars	Commercial vehicles	Total
Belgium	216,068	32,036	248,104
France	2,611,264	407,506	3,019,370
Italy	1,257,340	176,403	1,433,743
Netherlands	77,922	12,223	90,145
West Germany	3,577,807	319,200	3,897,007
United Kingdom	954,650	229,555	1,184,205
Total	8,695,651	1,176,923	9,872,574
Japan	6,974,131	4,205,831	11,179,962
USA	6,253,138	1,680,007	7,933,145

Source: CLCA - VDA

These tables show that Japan has overtaken the EEC in the production of motor vehicles. Between 1979 and 1981 European production fell sharply from 11,424,629 to 9,872,574 vehicles. In the same period Japanese production rose from 9,635,546 to 11,179,962 vehicles. These figures clearly demonstrate that Japan has increased its production despite the fact that the European and world economy is passing through a period of crisis.

It is also interesting to note that exports of Japanese cars to the EEC fell by 7.4% in 1981 as against 1980. However, this is an overall figure and Japanese exports continued to increase in the case of certain Member States (e.g. the Greek market).

A further point to be noted is that in the past ten years the EEC's trade deficit with Japan has risen from 8 million dollars to 11,600 million dollars in 1981. These figures are sufficient in themselves to give a general idea of the aggressivity of the Japanese export sector - a point which must be stressed in negotiations with the Japanese in order to create an understanding of the need for European industry, at least in the motor vehicle sector, to obtain self-limitation arrangements by Japan in respect of its exports of motor vehicles to Europe.

The car industry is of great importance with regard to employment. The following table shows the number of people employed in this sector.

Table No. 2

Employment in the European car industry, 1974-1979 (1,000)

	1974	1975	1976	1977	1978	1979
FR of Germany	634.1	591.5	589.7	619.5	646.9	672.8
France	414.8	446.7	463.7	486.1	487	489.3
United Kingdom	497.8	478.3	444.1	474.1	486.7	471.6
Italy	253.7	242.5	240.4	230.6	228.3	
Belgium	50.7	46.4	50.5	52.5	54.6	56
Luxembourg	0.6	0.7	0.8	0.8	0.8	
Ireland	7.6	7.2	7.0	7.0	6.2	6.1
Denmark	4.8	4.0	3.9	4.3	4.4	
Netherlands	22.8	21.8	21.4	22.4	22.7	24.1
EEC	1,886.9	1,839.1	1,821.5	1,897.3	1,936.2	1,953.3 <sup>1</sup>

Source: Eurostat - Employees in industry, CAEC 35

<sup>1</sup> These figures include both car assembly and the manufacture of spare parts

In 1979 the EEC's car exports accounted for 10% of the total value of its exports.

The above figures give an idea of the size of the Community car industry and its importance with regard to employment and the economies of the Member States.



Exports of Japanese cars to the Community are at present governed by the restrictive measures introduced between the individual Member States and Japan.<sup>1</sup>

The trading power of the Community car industry is now being threatened. The weakness of its position on the internal market is illustrated by the extent of Japanese penetration. In 1970 the Japanese accounted for 0.6% of car sales in the Community, with a total of 48,000 cars. In 1980 the figure was 8.9%, with 754,000 cars.

In 1982 exports of Japanese cars to the Community showed a slight decline of 0.4%.<sup>2</sup>

---

<sup>1</sup> Brief mention should be made of the quotas of Japanese cars imported into the individual Community Member States on the basis of bilateral agreements.

- Italy allows imports of 2,200 Japanese cars a year. This quota has been applied since 1966, when Japan itself restricted imports of Italian cars.
- France limits imports of Japanese cars to 3% of the national market.
- The United Kingdom has reached a voluntary restraint agreement with the Japanese car industry under which Japanese exports to the United Kingdom may not exceed 11% of the market (in 1980, however, Japanese cars accounted for 11.9% of the market).
- In 1981 the Japanese again respected the 11% limit on the basis of an agreement between the motor vehicle industries in the two countries.
- In 1981 Japan agreed to voluntarily restrain exports to Belgium and Luxembourg resulting in a considerable reduction of Japanese exports to those two countries. Japanese exports to Belgium in 1981 accounted for 25% of the market. In the case of the Netherlands, Japanese exports took 26.6% of the market in 1980 and 24.4% in 1981.

There are no restrictions in the other Member States.

The Common Customs Tariff in this sector is 10.8%

Source: Commission of the European Communities

<sup>2</sup> Statistical source 'Ford' - January 1982

European exports fell by 23% between 1970 and 1980, from 2.5 million to 1.9 million cars. Over the same period world exports increased by around 77% and Japanese exports by 426%. If the Community had maintained its share of world trade (over 51% of exports in 1970), in 1980 it would have sold around 4.3 million cars, 2.4 million more than were actually sold.<sup>1</sup>

This deterioration in Community trade may become a permanent feature in the next few years and Europe could even become a net importer of cars by 1985.

To summarize briefly the causes of the crisis in the European car industry, it may be said that this industry is primarily a composite of national industries which, taken individually, are capable of withstanding competition from the Japanese and US car industries. As a whole, however, the European car industry is characterized by the wide variety of cars under construction and a harmful lack of coordination in the manufacture of parts. Moreover, the degree of industrial concentration is extremely low. In the United States and Japan the two major manufacturers control around 75% of the markets, whereas in the Community the biggest car industries are much smaller than their counterparts in Japan and the USA.

The manufacture of components within the European car industry is unfortunately widely scattered and uncoordinated because the degree of industrial concentration in the Community is much lower than in Japan and the USA.

It is interesting to note that Japan would now seem to be following a different policy of association, in particular with American manufacturers, which may represent a serious risk to the European automobile industry in the future. For example a meeting was recently held between the Ford Motor Company and Toyo-Kogyo (which manufactures the Mazda range). These two companies are studying the possibility of building a new car together which will be based largely on Japanese components but will be marketed world-wide, including the EEC countries, under the FORD brand. General Motors and Toyota are contemplating a similar association. The consequences of possible competition from this new Japanese-American vehicle for the European automobile industry are self-evident.

---

<sup>1</sup> See Prospects for the Car Industry, European fact sheets

This brief analysis shows that the European car industry has within it a clear potential for progress in terms of improving its production system, as compared with its Japanese competitors whose operation has in certain respects reached an optimum level.

#### V. STRUCTURE OF THE JAPANESE ECONOMY AND INDUSTRY

Whereas the industrialized West is now in the throes of crisis, the Japanese economy appears to have an extremely sound structure. Japan's gross national product increased in 1980 by 5% in real terms. The rate of inflation was held below 5% for consumer prices and 1% for wholesale prices. At the end of 1981 there was a balance of payments surplus of around 10,000 million dollars. Unemployment affects only 2% of the working population. Industrial productivity has grown by an annual average of 3% under the stimulus, in particular, of the high technology sectors.

The reasons for the Japanese economic success are not to be sought only in terms of the obstacles raised to the entry of European products onto the Japanese market but also, and above all, in terms of the standards of efficiency which guide Japan's management of its own resources.

The competitiveness of Japanese products, including cars, is not a result only of low salaries, but of other factors such as the organization of production, product marketing, the availability of adequate financial resources and, within limits yet to be ascertained, probably also the parity of the Yen.

Rather than a system of industrial giants, with the economies of scale which would have resulted, Japan has pursued an intrinsically contrary course, aiming at decentralization and industrial specialization. As a result, Japanese industry now comprises small productive units specializing in specific phases of production and closely interlinked, which form a structure which is homogeneous, flexible and easily adapted to demand. While pursuing this policy of dispersing the production process, Japan

has nevertheless succeeded in achieving a high level of centralization in the field of marketing, particularly with regard to foreign markets. This has enabled the private sector in Japan to take maximum advantage of the opportunities offered by scale economies in the field of distribution.

Japanese exporters have thus had at their disposal efficient structures which have made it easy for them to overcome the inevitable problems arising from different social and legal systems.

One of the keystones of Japanese competitiveness is thus to be found in the decentralization and specialization of the production process and the centralization of the marketing function.

The Japanese phenomenon is in fact extremely complex. Briefly, competition between Europe and the USA is primarily a confrontation between two ageing industrial structures. Japan has succeeded in entering the scene with a young and more competitive structure. The freedom of international trade which has characterized the post-war period has been distinctly favourable to Japan. Its car industry is based on a system characterized by high technology and, as already pointed out, extensive organizational capacity and flexibility.

The Japanese success is not due only to low salaries, protectionism, state subsidies or the appropriation of technology developed elsewhere. Japan has essentially solved the problems of industrial reconversion affecting all the western countries by applying rigorously and consistently the rules of an industrial society and anticipating in good time solutions for industrial sectors in crisis such as iron and steel, shipbuilding, textiles etc.

Conversion work in Japanese car factories is accomplished very rapidly and, with a production level which in 1980 exceeded 7.3 million units, Japanese manufacturers can allow themselves the luxury of setting up a new plant for every new car model. The Japanese car industry is characterized by this constant effort to ensure up-to-date structures and maximum use of equipment.

The Japanese car industry also benefits from a high level of social cohesion and awareness of the general interest. This enables the major car firms to rely on their suppliers without having to carry out checks on quality or on the number of parts. An important consequence of this is that the problem of inventories, which is extremely serious in the European car industry, is virtually unknown in Japan.

Technological innovation, automation and the organization of management have been suitably and effectively developed and are now one of the cornerstones of Japan's industrial structure.

The strong position which the Japanese car industry now occupies on the world market is therefore attributable not to circumstantial and ephemeral factors but, on the contrary, to detailed planning.

Attention should finally be drawn to one element which has made a substantial contribution to the strong competitive position of Japanese products - the period of use of the production apparatus, which is partly determined by the working conditions of the labour force and the way the equipment is used.

In the West, car manufacturers are conditioned by high costs and restrictions imposed by legitimate social progress.

Japanese manufacturers basically have total freedom to use night and holiday work and to implement a longer working year. Japanese workers have shorter holidays and the widespread practice of staggering holidays means that the factories do not necessarily have to close. Absenteeism is much lower in Japan than in Europe.

To conclude, it is primarily the 'labour force' factor (considered in the context of the employer - employee relationship), together with custom and labour legislation, which gives Japanese manufacturers a decisive advantage over their competitors in terms of productivity and costs.

These factors affect the production process in both a vertical and a horizontal direction, that is, from the piece of steel to the finished product, and in relations between the major car manufacturers and their principal suppliers and subcontractors.

A whole range of advantages thus enables Japanese manufacturers to place their finished products on the car market at an extremely competitive price.

Assisted by these special advantages, the Japanese car industry has been able at a timely moment to exploit free trade to the utmost.

Between 1979 and 1980 car production in Japan increased by 14% (around one million more cars). Exports rose by 27.2% from 3,100,000 to 3,916,000 cars, while Japanese imports fell by 25.4%.<sup>1</sup>

Japanese exports have increased on the various markets. The growth and volume of these exports are shown in the following table.

-----  
<sup>1</sup> Source: Alfa Romeo planning and studies

TABLE 3: Japanese penetration of various markets from 1968 to 1979  
(% of new cars registered)

Market	Year							First months 1980	Most recent months for which figures available <sup>2</sup>
	1968	1970	1972	1975	1979	1980	1980		
FR of Germany	0.1	0.05	0.3	1.7	5.6	9.5	13.1	(7)	
Austria	0.05	0.9	7.2	5.4	12.4	18.0	20.6	(7)	
Belgium	3.1	4.9	10.0	16.5	18.0	23.9	29.2	(8)	
Denmark	1.6	3.4	7.1	14.7	18.1	29.9	31.0	(7)	
Finland	14.9	18.3	19.2	20.8	23.9				
France	0.6	0.2	0.4	1.5	2.2	3.1	4.1	(8)	
United Kingdom	0.2	0.4	2.9	9.0	10.8	12.8	19.7	(8)	
Greece		15.5		17.2	21.8 <sup>1</sup>				
Norway	3.9	11.4	15.8	28.3	24.2	38.1	44.2	(7)	
Netherlands	1.2	3.1	9.5	15.5	19.5	25.3	31.0	(7)	
Sweden	0.1	0.7	2.8	6.5	10.0	13.3	14.7	(7)	
Switzerland	1.5	5.6	13.7	8.4	16.0	21.2	27.5	(7)	
United States	1.2	3.5	5.5	9.3	15.8	21.0	23.0	(7)	
Australia		15.4	19.6	32.7					
New Zealand		6.3	17.8	23.8	48.4				
Libya		10.9		38.5	51.1 <sup>1</sup>				

<sup>1</sup> 1978

Source: SMMT - CSCA

<sup>2</sup> The figures in brackets indicate the month: (7) for July, (8) for August, etc.; some of these figures are still provisional

The expansion of the Japanese car industry has been achieved principally through its exports. A further important point is that the increase in Japanese exports has come at a time when the world car market is not expanding.

The Japanese success has thus been achieved at the expense of their competitors and not by gaining a greater share of an expanding market. The increasing growth in sales of Japanese cars in Europe in the last few years therefore raises an extremely serious problem, since it has occurred at a time when most of the European markets are going through a period of stagnation which is in itself already creating difficulties for our industry. This is why the European car industry is now particularly vulnerable to the problems raised by the penetration onto the market of its Japanese competitors.

#### VI. THE JAPANESE MARKET

In the last ten years the trade balance between the EEC and Japan have increased significantly in the latter's favour, rising from \$ 8 million to \$ 14,000 million.

This situation is the result primarily of the fact that the structure and operation of the Japanese market are such that it is extremely difficult for European exporters to gain access to it.

These difficulties led the Community to draw up a 'list of requests' in December 1981, which called for substantial tariff reductions to be introduced as soon as possible.

The Japanese Government announced measures to open up its market. It was observed in the Community that, although these measures were encouraging in that they revealed some political awareness on Japan's part, in practice they have had very limited effect on trading trends and have not constituted the response the Community was looking for.



Although Japan has in theory shown its willingness to take account of the Community's requests the action it has taken does not come up to the Community's expectations.

As a result the Council decided to have recourse to the procedures provided for in Article XXIII of GATT.

Since the Community did not obtain the hoped-for results in negotiations with Japan in the context of GATT, on 25 March 1982 the Community officially lodged a petition with the Japanese authorities.

In the period May-June 1981 consultative meetings were held in Geneva between the Community bodies and the Japanese authorities.

Recourse to Article XXIII (1)(b) and (c) of GATT results from the failure to make any substantial progress towards obtaining an agreement from Japan to accept imports of manufactured goods, despite the formal liberalization of trade which should have followed the GATT negotiations.<sup>1</sup>

-----  
<sup>1</sup> Article XXIII (1)(b) concerns the nullification or interment of benefits resulting from the introduction by the contracting party of measures of any kind which conflict with the provisions of GATT.

In the case in question, that is the petition lodged by the Community, for the purposes of paragraph 1(b) the measures involved relate to standards, testing and type-approval. Japan has tended to apply its own specific testing and approval procedures which effectively prevent European products from gaining access to its market. Paragraph 1(b) also covers customs procedures which create difficulties for foreign firms, since they are frequently extremely complex and time-consuming and call for highly complicated documentation. On 1 April 1982 the Japanese authorities introduced measures designed to simplify these procedures. Whether these measures are proving effective is not yet known.

Article XXIII(1)(c) concerns the existence of a specific situation which may impair or nullify the benefits which European exporters should derive from the GATT negotiations. The situation in Japan is one of dominance by a small number of trade associations, of close vertical links between large companies and small and medium-sized undertakings, the specific role played by industrial associations etc., and this situation leads to major resistance on the Japanese market to imports of manufactured products and hence also of European cars.

To resolve the problems which have arisen in relation to Article XXIII(1)(b) the Japanese have created the Office of Trade Ombudsman (OTO) which is designed to deal with most of the complaints made by the community concerning non-tariff barriers. It is possible to draw an initial general conclusion from the above. To resolve the problem of access to the Japanese market for manufactured products, and hence also cars, exported by the Community, it is necessary to tackle the fundamental cause of the difficulties in trade between Europe and Japan, that is, to overcome Japan's reluctance to import such products from the EEC. In recent months meetings have been held between the two parties, but their outcome has not shown substantial progress towards the adoption of far-reaching measures and major changes in Japanese policy as regards opening up its markets to EEC exports.

As far as the subject of this report is concerned, specific reference should be made to the application of Article XXIII (1)(b) of GATT with regard to the standards, testing, type-approval and customs procedures which are causing serious difficulties for Community undertakings wishing to export manufactured goods and hence cars to Japan. Account should be taken of the concept of reciprocity which should justifiably be applied in such cases. Thus, the attitude adopted by the EEC towards Japanese products exported to the Community should be the same as that of Japan towards Community products. The car sector is one in which it would clearly be logical to apply this concept of reciprocity.

The Community could tackle the problem of our exports to Japan in an intersectoral context and by means of bilateral and multilateral negotiations.

Since, despite a number of measures which show some willingness in this area, Japan has not yet in practice made a decisive move towards a policy of accepting EEC exports, the initiative taken by the Council under Article XXIII (2) of GATT should be supported. A working party should therefore be set up to investigate the problems. The high-level working party should also be requested to continue its work and to seek to achieve scientific and technical cooperation with Japan.

## VII. CONCLUSIONS

The loss of the car industry would permanently jeopardize the Community's industrial and economic potential inter\_alia because of the close links with other important industries such as glass, tyres, etc.

The Community clearly has no choice with regard to the measures to be taken now and in the future to resolve the problems facing its car industry. The industry must be totally restructured to enable it to compete with its two major competitors on the world market - Japan and the United States.

In order to implement appropriate and effective measures with a view to restoring the competitive position of its car industry, the Community must:

- (a) in accordance with the Commission's guidelines
- implement an effective European industrial policy which should include measures for the restructuring of the entire European car industry;
  - within industry, encourage closer cooperation between European firms with a view to competing increasingly at international level. Community supervision in this area would guarantee the necessary transparency, prevent the rush for national aids and facilitate the necessary adjustments;
  - with regard to financing, provide for adequate investment programmes through loans;
  - with regard to technology, promote innovation with a view to producing under competitive conditions, vehicles which meet requirements relating to energy, safety and the quality of the environment. Joint research measures must be extended in this field to prevent duplication and to develop a Community plan. The Community as a whole is already providing as much finance as its principal competitors but the results achieved are unsatisfactory because of the dispersion of the measures undertaken and the lack of reciprocal information;

- in regional and social terms, achieve greater understanding between the economic and social sectors in order to promote an improvement in conditions and more effective exploitation of the means of production;
- free the Community market from all obstacles which restrict trade with regard not only to technical specifications but also to legislation, transport, insurance, taxes, etc. It is extremely important to exploit the internal Community market, since it is the second largest in the world after the United States;
- achieve greater balance on the world market by establishing a dialogue between the principal producer zones. Europeans will make their voice heard more effectively if they present a united front to their partners. The Community must therefore pursue an appropriate commercial policy vis-à-vis third countries;

(b) in addition to the Commission's guidelines

- in compliance with the directives set out in the mandate of 30 May 1980, implement measures relating to the internal market on the basis of a global concept (i.e. which includes the problems facing the car industry). The aim should be to provide the best possible economic conditions for undertakings by offering them an economic area in which they can invest on terms comparable with those enjoyed by their US and Japanese competitors;
- implement an effective industrial policy adapted to the new requirements of European industry which encourages innovation by making use of new technologies, and increases competitiveness and which will provide the framework and stimulus needed for the restructuring of the European car industry;
- implement a Community export strategy based on cooperation and consultation at international level;
- develop a European scheme of credit and tax facilities;

- develop and extend a constructive dialogue between employers and employees within the trade unions with a view to harmonizing demands at European level and preventing the creation of disparities between social conditions in the various Community industries which would without doubt lead to excessively diverse and exaggerated conditions of competition;
- organize at European level a single policy in the components sector which would help to reduce costs and weaken competition between European industries;
- accept that the period of restructuring needed to restore the competitive position of the European car industry must be accompanied by appropriate safeguard measures. In this connection the car industry could be treated in the same way as new industries which, even in a free trade situation and in total compliance with the principles of the Treaty of Rome, may be assisted for an appropriate period by safeguard measures which are essential for consolidation.

Motion for a resolution tabled by Mr COTTRELL pursuant to Rule 47 of the Rules of Procedure on Japanese car manufacture in the European Community (Doc. 1-313/81)

---

The European Parliament,

- observing with regret the conclusion of bilateral agreements between certain Member States and Japan to restrict imports of cars manufactured in Japan,
  - observing that an agreement covering the entire Community would in practice serve the interests of the industry in Europe to a far greater extent,
  - noting the continued serious imbalance between car imports from Japan to the Community and exports by European manufacturers to Japan,
  - noting the conclusion of certain agreements between some European manufacturers and Japanese companies and aware of proposals for further agreements,
  - welcoming genuine cooperation between Europe and Japan in car manufacture, insofar as investment capital may be attracted,
  - declaring, however, that the establishment of manufacturing forward bases inside the Community may be a device by Japan to nullify any proposals for quotas or further restrictions on imports,
  - aware, too, that Japanese manufacturing arrangements within the Community must include strict rules concerning supply and the percentage of European-manufactured components,
  - noting the concern expressed by some European manufacturers that Japanese assembly plants in Europe - no matter how welcome they might be in certain depressed areas - could well present substantial competition problems and lose more jobs than are gained,
1. Requests the Commission to institute a full survey of the entire area, including
    - (a) present state of quota limits on Japanese car imports into the Community
    - (b) an assessment of the economic impact of Japanese manufacture within the Community
    - (c) a full investigation of the potential impact on employment
    - (d) an investigation into the competition impact on European-based manufacturers and to make fresh proposals to the Council with regard to concluding a Community agreement on car imports/manufacture with Japan, irrespective of existing bilateral arrangements by Member States or companies;
  2. Instructs its President to forward this resolution to the Commission of the European Communities.

Motion for a resolution for entry in the register, tabled by Mr WELSH, Sir Fred CATHERWOOD, Sir John STEWART-CLARK and Sir Fred WARNER on imports of Japanese automobiles (Doc. 1-203/81)

---

The European Parliament,

- noting that the Japanese have undertaken to restrain their exports of motor vehicles to the United States,
  - aware that in 1980 Japanese imports accounted for 11% of the Community market,
  - noting that Japanese output of motor vehicles increased by 14.6% in 1980 whereas Community production fell by 6.4%,
  - noting that the Community's global deficit with Japan increased from \$ 7.1 billion in 1979 to \$ 10 billion in 1980,
  - recalling that the Japanese have already indicated their willingness to consider measures to restrict exports to Europe,
1. Considers that the recent Japanese-American understanding could pose a threat to Community manufacturers of motor vehicles;
  2. Believes that regulation of the trade in motor vehicles must be conducted on a multilateral basis;
  3. Urges the Commission to seek immediate clarification of the nature of the Japanese-American understanding and report to Parliament;
  4. Requests the Council to authorize the Commission to open negotiations with the Americans and the Japanese to regulate trade in motor vehicles on the basis of a united European position;
  5. Requests its President to forward this resolution to the Council and Commission of the European Communities.

