

**EC-JAPAN RELATIONS**

Commission President Gaston E. THORN will pay an official visit to Japan from 9 to 12 May 1984 where he will have talks with Prime Minister Yasuhiro NAKASONE, Foreign Minister Shintaro ABE and other members of the government as well as representatives of the Diet and the business world. President Thorn will also be received in audience by His Majesty the Emperor.

Among the subjects which will be discussed during this visit are the present state of bilateral EC-Japan relations on the eve of the first EC-Japan ministerial conference and the economic and political situation in the world at the beginning of 1984.

**TRADE RELATIONS**

Japan and the Community, together with the USA, play a leading part in the open trading system created by the GATT. Together the three represent almost half of total world trade. The rules and disciplines of the GATT system, including the Most Favoured Nation clause whereby each party guarantees to give its trading partners in GATT equally favourable tariff arrangements, are the basis for their mutual trade.

Trade between Japan and the Community has increased spectacularly in the past decade to Tokyo's advantage. From a figure of 1 900 MECU in 1970, EC imports from Japan have risen to 17 950 MECU in 1982. Community exports to Japan have not displayed a similar tendency rising only from 1 392 MECU in 1970 to 6 307 MECU in 1982 with the consequent rise in its bilateral trade deficit. Estimates for 1983 suggest that the deficit will reach an all time record of 12 000 MECU.

**Need for moderation of Japanese exports**

This unbalanced development of trade has caused widespread concern in the Community, not because of the level of the trade deficit as such (the EC has in fact had higher deficits with the USA) but rather its structural nature. Japan's exports have concentrated on goods, mainly in the electronic and transport sector, where she is highly competitive. Taken together with their steep increase, these exports have affected Community industries which are undergoing a structural adaptation and intensified the problems created by the economic crisis and its heavy toll of over 12 million unemployed.

**Need for further opening of the Japanese market**

The Commission has recently expressed its view that the increasing imbalance in trade between Japan and its main trading partners is placing major strains on the GATT system. (Japanese figures indicate an overall Japanese trade surplus of over 20 billion dollars for the calendar year 1983 and of over 30 billion dollars for the fiscal year April 1983 - March 1984). In the view

of the Commission drastic and urgent measures are therefore necessary to open up the Japanese market. Mr Haferkamp, Vice-President of the Commission in charge of External Relations, has suggested in the beginning of 1984 that the Japanese government consider encouraging increased imports of manufactures, accelerated implementation of the last 3 tariff reductions agreed upon in the Tokyo Round and a temporary suspension of customs duties on manufactures. Moreover, in April 1984 the Commission submitted to the Japanese authorities a revised list of areas where the Community was most concerned by Japanese import policy and offered suggestions for improvements. Among these were the reduction of certain very high import tariffs, the liberalisation of quotas for products of interest to the Community, the acceptance of technical norms which are internationally recognised, the opening of the Japanese capital markets and the modernisation of the distribution system.

### Action to improve and broaden the relationship

Although the disequilibrium in EC-Japan trade persists, Japanese governments have increasingly shown sympathy for the Community's position. Out of the many meetings which have taken place between ministers, officials and industry representatives of both sides, has come a general acceptance by the Japanese authorities that some substantial action must be taken.

Following discussions with Vice-Presidents Haferkamp and Davignon in Tokyo in February 1983, the Japanese authorities gave assurances that Japan would temporarily moderate its exports of a number of very sensitive goods to the Community (cars, motorcycles, light commercial vehicles, fork lift trucks, machine tools, TV sets and tubes, Hi-Fi equipment and quartz watches) and respect precise quantitative limits for video tape recorders and large colour TV tubes. These assurances were renewed in November 1983 for the year 1984.

In examining the results of the undertakings for 1983, the Commission considers that the practical results have been variable and in some cases disappointing. Exports to the EC of cars, fork lift trucks, cassette decks and quartz watches, for instance, showed considerable increases of up to 25%. Only in the case of three of these very sensitive products (VTR's, lathes, and motorcycles) were decreases recorded. Figures for the first two months of 1984 show increases of Japanese exports to the EC of between 15% and 71% in the case of five of the ten sensitive products with either stabilisation or reductions of up to 25% for the others.

Besides export moderation, the Japanese authorities have decided in the past few months a series of measures easing certain import restrictions (unilateral tariff reductions, comprehensive review of standards and certification systems) which the Community has welcomed as steps in the direction of improved trade relations.

At the same time, the Community continues to make efforts to help its exporters on the Japanese market in the framework of its Export Promotion Programme. The Commission organises, for instance, seminars on market possibilities and missions of European businesspeople and industrialists to Japan. The Commission also finances an Executive Trainee Programme where groups of young European businesspeople spend 18 months in Japan learning the language and working in Japanese firms to improve their knowledge of Japanese practices.

The EC considers that its relationship with Japan must not be limited to trade problems and should be broadened to include, for instance, industrial, scientific and technological cooperation. The Commission and the Japanese authorities organised symposiums in Tokyo in November 1981 and in Brussels in January 1983 which brought together a large number of representatives from trade, industry and finance of both parties to discuss trade problems and promote industrial cooperation. Moreover, the Commission proposed to the Council of Ministers the negotiation of a framework agreement with Japan on scientific and technical cooperation. The Community and the Japanese authorities are also examining practical approaches to cooperation in a field of aid to developing countries.

#### TRADE STRUCTURE

Japan is the Community's fourth largest supplier accounting for 5.3% of her imports, and her thirteenth largest market with 2.1% of total exports. Trade between the two parties is mainly in industrial goods though the EC also exports substantial quantities of meat and alcoholic drinks to Japan. The principal EC exports are organic chemicals, pharmaceuticals, textiles, mineral manufactures, non-ferrous metals, machinery, road vehicles and clothing. Japan's main exports are office machinery, sound and telecommunications equipment, electrical machinery, road vehicles and photographic equipment though she also exports substantial quantities of chemicals, rubber manufactures, paper, textiles, mineral manufactures, iron and steel, machinery and precision instruments.

#### Trade development between the EC and Japan 1970-1983

	Million ECU (*)						
	1970	1973	1975	1977	1981	1982	1983 (10 months)
EC imports	1900	3594	5185	8576	16204	17950	16776
EC exports	1392	2319	2257	3112	5604	6307	5939
Balance	-508	-1275	-2928	-5464	-10600	-11643	-10837

Source: EUROSTAT

(\*) The exchange rate ECU/dollar varies daily as the various EC currencies which make up the ECU vary against the dollar. One ECU was worth US\$ 1.2 in 1973, US\$ 1.37 in 1979 and US\$ 1.39 in 1980, US\$ 1.12 in 1981 and US\$ 0.98 in 1982.