



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23.05.1995
COM(95) 188 final

95/0116 (ACC)

Proposal for a

COUNCIL REGULATION (EC)

on the implementation by the European Commission of actions
to promote exports to Japan

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. THIS PROPOSAL IS TO BE CONSIDERED IN PARALLEL WITH THE COMMISSION COMMUNICATION ON BILATERAL RELATIONS WITH JAPAN.

Three serious problems have been identified within Europe when promoting its exports to Japan :

- First, insufficient European companies are aware of the importance of the Japanese market, both in terms of its size but also because of the advantages it brings to a company which successfully establishes a presence on it. The Japanese market represents perhaps the largest single homogeneous market for European products (the US market being much more fractured and heterogeneous). In addition European firms which secure a foothold in Japan expose themselves to a climate of creativity and product innovation from which they can derive an increased competitive edge in other world markets. The development of relations with Japanese companies itself also provides an effective route into many Asian markets into which they are currently expanding. Too few European companies are aware of these opportunities, which need to be explained to them.
- Second, the peculiarities of the Japanese market are such that a specific programme devoted to assisting exporters to become familiar with them and to learn how to operate successfully in a Japanese business environment forms an essential ingredient of commercial policy towards Japan.
- Third, the level of entry costs into the Japanese market is high and thus the benefits to be gained through joint efforts by European companies are considerable. This leads to considerable economies of scale for many sectors if an European Community wide market penetration effort is undertaken.

For these reasons, a significant budget has been devoted by the European Community to the promotion of exports, particularly from small- and medium-sized companies, to Japan for many years. Much of it goes to the long-running and successful ETP programme (Executive Training Programme). In more recent years the Commission has developed, in close cooperation with representatives of Member State export promotion authorities, cost-effective, focused procedures for introducing European companies to the Japanese market in its "Gateway to Japan" programme.

As a conclusion, and because of the growing importance of the European Community programmes of promotion of exports to Japan in reinforcing European trade policy towards Japan on one hand, and on the other hand in complementing and adding value to the Member States' export promotion schemes, it is now necessary to take some formal action to consolidate those programmes.

2. A COUNCIL REGULATION IS NOW NEEDED TO PROVIDE THE PROGRAMMES PROMOTING EXPORTS TO JAPAN WITH A FIRM LEGAL BASIS.

This point is a direct consequence of the Commission Communication to the Budgetary Authorities "on legal basis and maximal amounts"¹ as all budget lines exceeding 5 MECU now need a specific legal basis.

3. THIS PROPOSAL INCLUDES THE FOLLOWING POINTS :

Articles 1 and 2 of the draft Regulation indicate the type of export promotion actions which the Commission is authorised to undertake. The Commission is also requested to ensure that such actions would be compatible with the various Community policies.

Article 4 lays down a consultative committee to assist the Commission in the performance of its duties under the Regulation.

The legal act chosen is in the form of a Regulation, as the type of export promotion activities that will be financed are likely to effect private natural and legal persons.

Finally, the legal basis of the act is Article 113 of the EC Treaty, since the object and purpose of the act is to influence the volume of exports to the Japanese market, which clearly forms part of the common commercial policy.

¹ SEC(94) 1106 final

[REDACTED]

COUNCIL REGULATION
of....

on the implementation by the European Commission of actions to promote exports to Japan

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community and in particular Article 113 thereof,

Having regard to the proposal from the Commission¹,

Whereas the Commission has submitted to the Council a communication regarding bilateral relations with Japan²,

Whereas the persistent trade imbalance between the European Community and Japan is a major cause of tension between both partners,

Whereas the Council has agreed in its meeting of 15 June 1992 that in order to reduce this imbalance appropriate actions to encourage directly or indirectly and consolidate the development of European exports should be taken,

Whereas European Community trade policies aimed at improving operating conditions for business in Japan need to be backed up by practical and specific measures to support European exporters' efforts and prepare them to operate successfully in a difficult market with special demands and specific requirements,

¹ O.J. C....
² O.J. C....

Whereas the broadest possible participation by undertakings in all Member States should be encouraged, whereas experience has shown that export promotion can be carried out efficiently by dealing with groups of companies from several Member States, thereby generating critical mass effects and economies of scale,

Whereas the objectives and operating criteria of the actions to be undertaken have been defined,

HAS ADOPTED THIS REGULATION

Article 1

The European Commission shall design and carry out the implementation of a trade promotion programme to Japan to give support to European exporters at all the different steps in building up a European company presence in the Japanese market.

Article 2

1. The European Commission shall, in particular, undertake directly or indirectly the following activities, which shall be designed to be complementary to Member State activities regarding the Japanese market :
 - seminars, conferences, networking both in Europe and in Japan,
 - European Community group participation in fairs and missions in Japan, together with the corresponding recruitment of European exporters,
 - training programmes to build up a pool of executives able to communicate in Japanese in a business environment,
 - other activities designed to maximise the ability of European exporters to enter the Japanese market.
2. In implementing the above paragraph, the Commission shall ensure the compatibility of the specific activities with the various aspects of Community policies and shall strive for the maximum benefit possible to Community exporters to Japan.
3. The annual programme for implementing the measures defined in paragraph 1 will be defined according to the procedure in article 4, paragraph 2.

Article 3

In order to enable the European Commission to carry out the trade promotion programme and the specific activities mentioned in this Regulation, the Commission shall dispose of the necessary financial resources; for that reason, every year the European Commission will include a proposal for its financial requirements for the activities specified in Article 2 in the normal budgetary procedures;

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Article 4

The Commission shall be assisted by a committee of an advisory nature composed of the representatives of the Member States and chaired by the representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes, in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

Article 5

This regulation shall enter into force on the day following that of its publication in the Official Journal of the European Communities.

This regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council,

The President

Financial statement

Item B7-5022 : **Promotion of Community exports to non-Community countries, notably Japan, Budget 1995**

Article B7-851: **Promotion of European Union exports to Japan, APB 1996**

en MioEcus

credits authorised 1995 (1)		credits requested 1996 (2)		variation in %	
commitments 1	payments 2	commitments 3	payments 4	commit 5=3/1	pay. 6=4/2
9,140	8,540	13,000	12,500	42%	46%

(1) part of credits authorised for line B7-5022 intended for the action in question

(2) new line b7-851 (APB 96)

1. TITLE

Proposal for a Council regulation on the implementation by the European Commission of actions to promote exports to Japan

2. BUDGETARY HEADING

B7-5022

B7-851 (1996)

3. LEGAL BASIS

Article 113 of the EC Treaty

4. DESCRIPTION OF OPERATION :

4.1 General objective

To increase EU exports to Japan.

4.2 Duration of the action; means foreseen for its renewal

Indefinite. Medium-term programmes are subject to annual contracts, renewable in accordance with the availability of budgetary resources.

5. CLASSIFICATION OF EXPENDITURE/REVENUE

5.1 DO/DNO: DNO

5.2 CD/CND: CD

5.3 Type of revenue involved

Contribution from industry, notably for the Executive Training Programme.

6. TYPE OF EXPENDITURE/REVENUE

- *100% subsidy*

No.

- *Subsidy for co-financing with other sources in the public or private sector?*

Yes, subsidies not normally exceeding 50% are provided to professional associations and other responsible organisations for actions such as participation in trade fairs, missions and other promotional activities.

- *Interest subsidy*

No.

- *Others*

Financing of own initiatives, such as Executive Training Programme in Japan and the "Gateway to Japan" campaign, studies, market research and specific promotion campaigns.

- *Should the action prove an economic success, is there provision for all or part of the Community contribution to be reimbursed?*

All agreements include provision for the reimbursement of surplus funds.

- *Will the proposed operation cause any changes in the level of revenue?*

No.

- *Are receipts reallocated?*

Receipts from the Executive training Programme are used to offset the costs of future programmes.

7. FINANCIAL IMPACT ON APPROPRIATIONS FOR OPERATIONS

7.1 Method of calculating total cost of the operation

A. Measures aimed at improving knowledge of the Japanese market.

The costs of the Executive Training Programme are calculated on the basis of 50 participants and consist of allowances for participants and costs for language tuition and other services provided by outside contractors.

B. Measures aimed at developing the presence of EU industry in Japan.

The costs of the "Gateway to Japan" campaign are based on the result of a call to tender for the management of the campaign. The budget for the campaign is considered to be the minimum required to sustain an effective and meaningful campaign.

C. Measures to improve trade relations between the EU and Japan.

We receive more requests for support than we are able to meet. The current budget is the minimum which will allow the flexibility to respond to requests from several sources and enable us to support programmes in several Member States.

8. WHAT ANTI-FRAUD MEASURES ARE PLANNED IN THE PROPOSAL FOR THE OPERATION?

Methods of control (submission of reports, etc.) are included in all agreements or contracts between the Commission and beneficiaries of subsidies/contractors. We monitor closely the work of all contractors and all those given financial support. Wherever possible, a representative of the Commission participates in commercial fairs, seminars and conferences to ensure that activities are carried out as agreed. We verify all activities before payment are made and certain agreements also require organisations to submit of financial accounts certified by their auditors.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific objectives of proposed operation, population targeted

- *Specific objectives : links with the general objective*

The overall objective of EXPROM is to promote exports from the EU to Japan with a view to reducing the substantial Japanese trade surplus. Medium term objectives are to improve knowledge of the Japanese market, to develop the presence of EU industry in Japan, to promote the image of the EU in Japan. Short term objectives are to train a cadre of managers with an intimate and useful knowledge of the Japanese language and business culture to carry out a range of promotional activities to aid industry already established in the Japanese market and those trying to penetrate the market.

- *Target population*

All actions are designed to be of direct benefit to EU exporters.

Is the operation incorporated in the financial programming of the DG for the years concerned? Yes

To which broader objective defined in the DG's financial programming does the objective of the proposed operation correspond?

The promotion of EU exports to Japan

9.2. Reasons for the operation

- Need for intervention from the Community budget

The reasons for this operation are closely linked to the Commission's role and responsibilities in EU/Japan trade relations. Currently these relations are dominated by the substantial Japanese trade surplus. This results partly from difficulties experienced by EU industry in penetrating the Japanese market and the Commission spends much time negotiating with the Japanese to reduce barriers to market entry. But the Japanese take an interest not just in the EU's requests for the reduction of barriers but also in what practical support we give to industry to help penetrate the market. They see our support for industry as evidence of our sincerity and commitment and of a coherent EU approach to the problem. The Commission's export promotion activities thus have an impact on the overall EU relationship with Japan. Member States programmes could not play this role.

The EU programme is able to target sectors which are important within the EU as a whole but not within individual Member States. For example, national trade promotion efforts concentrate heavily on consumer goods with capital goods somewhat neglected. Member States have explicitly welcomed EU action in this field. Similarly, it would not be cost effective for any one Member State to set up a programme to send young executives to Japan. But at EU level the Executive Training Programme has the critical mass necessary for it to work.

Three meetings a year between the Commission and export promotion experts from Member States ensure that the EU's activities complement and add value to those of Member States.

- Choice of methods of intervention

** advantages over alternative measures (comparative advantages)*

** analysis of similar operations at community or national level*

*- * main factors of uncertainty which could affect the specific results of the operation*

The economic situation within Member States is affecting the confidence and activity of EU industry

9.3 Monitoring and evaluation of the operation

- Performance indicators selected

* *output indicators*

* *indicators of impact, following the objectives chosen*

The Executive Training Programme.

Monitoring of profession activities of former ETP participants, monitoring of participants' progress throughout the programme, analysis of results obtained by firms who have participated in the programme.

Gateway to Japan campaign: objectives set for each market sector against which eventual results are evaluated, independent evaluation commissioned at the end of each campaign, monitoring of the views of participating companies and industries.

Individual actions: individual performance standards are selected for all actions.

- *Details and frequency of planned evaluation*

- Periodic review of the ETP programme, normally a full review every three years.
- Reports on each ETP participant during the programme and detailed reporting by participants after the conclusion of the programme.
- Continuous reporting by consultants managing EXPROM projects.
- Reports by external organisations organising activities supported by EXPROM.
- Independent evaluation of export campaigns.

- *Evaluation of results*

Executive Training Programme

Continues to produce good quality results, major problems having been resolved over the approximately fifteen years of its existence.

Gateway to Japan

The first year of the campaign is judged to have been successful, firmly establishing the campaign's identity in the EU and Japan.

Other activities

Shorter term activities are evaluated on termination. Actions undertaken to date are considered to have met objectives.

10. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

10.1. Will the proposed action involve an increase in Commission staff?

No.

10.2. Indicate the amount of staff and administrative expenditure involved in the proposed operation

Three officials (one A, two B), and one END work full-time on EXPROM activities.

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DOCUMENTS

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