

SPEECH BY THE RT. HON. ROY JENKINS, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES AT THE EURO-JAPANESE SYMPOSIUM, BRUSSELS, 3 MAY 1979
"EUROPE, JAPAN AND THE UNITED STATES: ATRILATERAL RELATIONSHIP"

I am very pleased to open this symposium. I congratulate the organisers timing and the themes which they have chosen. As President of the Commission I have attached particular importance to improving relations between the European Community and Japan. I paid the second official visit which as President of the Commission I made outside the Community to Japan, precisely for that reason. Good relations between Japan and the European Community are of increasing importance and real though the economic problems are, they can be exacerbated by problems of communication.

They do however, have a major role to play in breaking down barriers and improving mutual understanding, without which the deepening of the tradition of friendship between Europe and Japan would be more difficult.

The timing of this symposium is particularly fortunate. For reasons which I will go into in a moment, 1979 is a year of particular interest and importance for the European Community. It is also a year of significance for relations between Europe and Japan as well as with the third world. It would have been difficult to find a more appropriate moment in 1979 to examine the questions which are on the agenda of this symposium.

I mentioned that it is a particularly significant year for the European Community. I would like to explain briefly, particularly for our Japanese friends, why this is the case. Although it may not always appear to be so from outside, the European Community is in rapid evolution. It is already an organisation which has formed common institutions, adopted common policies, to deal with common problems. This is especially the case with the Common Market itself: we have a common external tariff,

and a common commercial policy towards third countries. This has been and is of major importance during the Multilateral Trade Negotiations, the Tokyo Round, on which substantial agreement has now been reached after a very long period of difficult negotiations.

These negotiations were of vital importance from the point of view of maintaining the liberal trading system we have known during the past generation, which has served all the industrial countries well, judged by any standards. The world has been poised on a knife-edge between liberal trade and a relapse into protectionism, from which Japan, as the European Community, could only have suffered. We now need to build on the psychological break-through we have achieved. I will say a word about that in a moment.

The success of the Multilateral Trade Negotiations encourages us in Europe as to the results which can be achieved externally by the Community speaking, acting and communicating as a single entity. We are also encouraged in this year of 1979 by the progress being made to enlarge the Community from 9 to 12. The treaty of accession of Greece will be signed on 28th May, while negotiations with Portugal and Spain will begin in substance after the summer. Those who are tempted not to take the Community totally seriously, or to suggest that it is in a state of stagnation, should ask themselves the question as to why the first action of these newly emergent democracies was to seek membership of the Community.

1979 sees the Community on the move in other areas also, both of major significance for its cohesion and momentum. In five weeks time we shall see the first direct elections to the European Parliament. These will add a new democratic dimension to the institutions of the Community and

give a new voice to the electors in the formulation of Community policies. Direct elections will give the citizens of Europe the opportunity to pronounce on the major issues facing the Community in Europe and outside.

A directly elected Parliament is an indispensable element in the resumption of progress towards closer European union. Our aim has always been and must always remain political. Our means are economic, and in this area we have made our third major advance, met our third major challenge in 1979, in the establishment of the European Monetary System.

The significance of this step may not be fully appreciated outside Europe. The potential in such a system for contributing not merely to monetary stability in the Community, but to major developments in industry and the economy is overwhelming. It will also have an increasing impact on the world outside. It will enable the European Community to bear a greater part of the burden of international monetary responsibility, too long borne by the dollar. Indeed I see in it the kernel of a new international monetary system increasingly based on the three pillars - albeit unequal - of the dollar, yen and the European currency unit.

This leads me on to a fundamental point. I do not believe we always sufficiently see the coincidence of our interest, in the three major industrial entities of Japan, the United States and the European Community, which should override. We are industrial competitors, certainly, but our dependence on trade - particularly in Japan and the Community - is such that we should be able to take the wider view of our responsibilities. Only if we three principal pillars of the developed world can work together can our economic and indeed political systems prosper and make a contribution to the expansion of world trade and prosperity. Both the Community and Japan have close relations with the United States, but less close between

each other than either has with the United States. I would like to see the third side of the triangle completed by closer relations between Japan and the Community.

Hence my welcome for this Symposium. But this is particularly important in the context of the third world. Japan and the Community must realise their fundamental common interest in contributing to a more equitable balance between the industrial and developing countries of the world.

For 1979 is significant in another respect: Later this month the 5th UNCTAD Conference takes place in Manila. For its part the Community is nearing the conclusion of negotiations for the successor to the Lome Convention, binding the Community and nearly sixty countries in a unique contractual relationship. For us this is not charity and is more than self-interest. I believe, and I commend this view to our Japanese friends, that if the industrialised world is to rediscover growth on a scale comparable to postwar reconstruction or the spread in the 60's of what had previously been regarded as purely middle-class standards of living - the latter being particularly beneficial to Japanese exports - we require a new impetus of historic proportions. Only this will help us deal with our problems of unemployment and help us to resume the absorption of competitive imports in sectors which have troubled us. Part of this stimulus can, I believe, come from a move from the European Monetary System towards full monetary union. But we must in the industrialised world also look to the developing countries. I do not see where else such a stimulus is to be found than by raising the living standards and purchasing power of the developing countries in a new and sustained partnership with the industrialised countries, particularly Japan, the United States and the European Community.

This will take some time. Meanwhile we have ahead of us the next Economic Summit in Tokyo at the end of June. This symbolises the particular responsibility of the participants, which include the European Community as such alongside four of our Member States, for the health of the world economy and for a liberal and expanding system of world trade, complemented by our common belief in democratic political systems.

Healthy relationships, however, depend on a degree of balance, particularly in the economic and trade fields. This, as you all know well, is a matter of concern to us, which will be discussed in greater detail during this Symposium. I would simply like to say that in Europe we do not seek a direct balance of trade : within limits bilateral deficits and surpluses are inevitable in our trading system.

A trade surplus or deficit is not in itself necessarily a problem - depending on the scale. The problem and our preoccupation arise from a combination of the persistence of very high current account surpluses in Japan with two other phenomena :

- the fact that the Japanese market is not fully opened up to imports
- deep penetration by Japanese exports in a number of sensitive industries in other countries.

To deal with the problem requires structural changes to bring the total of manufactured goods in Japanese imports into line with those of the other major industrialised countries.

I recognise the problems inherent in quickly changing economic structures. However, we take the view that as Japan enjoys surpluses of the current magnitude she must, in order to fulfil the world economic responsibilities which go with Japan's economic strength and influence, take action to establish a healthier international trade and payments position, to make her economy more import oriented and to lower the restrictions which persist. Of course we in the European Community must strengthen our efforts to take competitive advantage of the possibilities of the Japanese market. But I would like to remind you that the Community's exporters have already secured a major share of the Japanese market for imports of manufactured goods.

It is not generally realised that the Community now

takes a quarter of that import market, only slightly less than the United States. If you consider the greater geographical and psychological distance between Europe and Japan that is no small achievement. Equally we must continue our work to promote a better political and social understanding, for our relations depend as much upon that as upon economics and trade.

I believe this work of communication is significantly furthered by a gathering such as this.

Our common interests as industrialised countries are greater than our differences. I hope and believe that the next two days will make us better aware of this and of the need to contribute to the avoidance of situations where we in the Community for example may be unable to hold back the pressures we have so far been able to resist. There is room for frank friendly speaking. In the Community, we have perhaps not explained our point of view sufficiently convincingly. Similar misunderstandings obtain on the Japanese side. But we all, particularly the third side of the industrial triangle, the Japanese-European side, have too much in common and too much to lose to be able to afford to neglect any opportunity to strengthen it over the next decade by working more closely together in greater mutual comprehension.