

# European Community



European Community Information Service  
350 Sparks Street, suite 1110, Ottawa, Ontario K1R 7S8

COMMISSION VICE-PRESIDENT HAFERKAMP

HOLDS TRADE TALKS IN TOKYO

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BID TO BOOST EC EXPORTS TO JAPAN

Commission Vice-President Wilhelm Haferkamp, responsible for external relations, visited Japan May 18-21 for the regular EC-Japan consultations at ministerial level.

This was the first time since September 1973 that the EC-Japan consultations were held at ministerial level. Mr. Haferkamp was the first member of the European Commission inaugurated in January this year to visit Japan.

Besides his talks with the Japanese Government, Mr. Haferkamp met business and labour leaders.

The Ministerial consultations covered three main areas:

1. The general economic situation, particularly in the Community and Japan. Mr. Haferkamp drew the attention of his Japanese hosts to the potentially serious social and political consequences that the continuation or aggravation of the EC's high level of unemployment (5.5 million, or 5.3% of the labour force) could have in the Community, particularly in certain member countries.
2. Multilateral questions of mutual interest; the North-South dialogue between the industrialized and the developing nations in Paris, and the Multilateral Trade Negotiations in Geneva. The European Community and Japan play a leading role in both sets of negotiations and their positions are in general very close. In particular, as the Downing Street summit confirmed, both partners are committed "to strengthening the open international trading system." To this end, they intend to pursue vigorously the GATT multilateral trade negotiations which were launched in Tokyo in 1973.

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3. Bilateral trade problems. One fundamental problem has become increasingly important in EC-Japanese bilateral relations since 1973: the increasing trade imbalance between the Communities and Japan. This imbalance led to a deficit of U.S. \$1 billion for the EC in 1973; it exceeded \$4 billion in 1976, and the trend is towards a further increase this year. This problem has caused such serious concern in Europe that the European Council (the Council of EC Heads of States and Governments) has been obliged to deal with this question at its last two meetings, in The Hague and in Rome, and to make public statements. The EC Council of Ministers has asked the Commission to continue the intensive dialogue with Japan, in order to find solutions for these difficulties.

During his visit Mr. Haferkamp expressed his extreme concern at what would happen if this trend were to continue indefinitely. Extrapolating from current trends, the Community's trade deficit with Japan will reach \$10 billion in a few years, and this would obviously create serious problems. Both the Community and Japan have a mutual interest in reversing the present trend.

However, it is not just a question of the overall trade imbalance. Certain sectors of the European economy have been particularly hard hit by the rapid growth of Japanese exports, for example shipbuilding and steel. Mr. Haferkamp explained to the Japanese authorities that if rising imports lead to large scale unemployment in certain sectors and regions of the Community, this will have not only economic but also social consequences. If the development of Japanese exports does not take this into account, it could lead to pressure for protective measures, which the Commission might not be able to resist.

In his talks with the Japanese authorities, Mr. Haferkamp concentrated on the other side of the trade imbalance, that is, EC exports to Japan. He said the best way of dealing with the problem of the Community's growing trade deficit with Japan was a rapid growth in European exports to the Japanese market so that a more balanced situation is reached.

Mr. Haferkamp told a Tokyo press conference:

"We have identified a number of sectors in which there are administrative barriers to the development of Community exports such as the need to repeat technical tests in Japan. We have already had some success in removing barriers to European exports of cars. During the course of the consultations we have been discussing the removal of similar obstacles concerning pharmaceuticals, chemicals and diesel engines for boats. Discussions will continue at expert level.

"We have also asked the Japanese to look at the possibility of promoting European exports of processed agricultural produce. The problem here is usually quotas, possibly combined with high customs duties or internal taxes. Agriculture is an important sector of European trade, where an immediate and substantial increase in EC exports to Japan is possible. A special meeting of experts to discuss EC requests has been scheduled for mid-July.

"It is of course true that European exporters will have to make greater efforts if they are to sell more on the Japanese markets. This is quite well understood in Europe. But if European exporters are to make the necessary effort, they must be confident that the Japanese market is open to imports.

"Here I must be very frank. In the past there does seem to have been an inbuilt resistance in the Japanese economy to large-scale imports of products that compete directly with the products of Japanese industry. The open world trading system, to which we are all committed, implies acceptance of a growing inter-dependence between the industrialized countries. Yet unlike the other industrialized countries, imports of industrial goods into Japan amount to only 20%, as opposed to more than 50% in the case of the European countries. However, I am glad to say, after my talks at the Keidanren, that there does now seem to be a genuinely more open attitude to imports on the part of Japanese business.

"To conclude, the present situation cannot be changed overnight, but I am convinced that it is in the mutual interests of the Community and Japan that we should achieve a better balance in our mutual trade. I am also convinced that protectionist measures are not the solution. With good will we should be able to find satisfactory solutions to our present difficulties since we both want the same thing: to preserve free trade."

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For a more detailed account of EC-Japan trade relations see Background Note #15 of June 1977 "A Review of EC-Japan Trade Relations - Community's Growing Trade Deficit Becoming Major Political Problem".