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DOCUMENT 1-189/82

Report

drawn up on behalf of the Committee on Economic
and Monetary Affairs

on the ~~state~~ of the market for electronic products
in Europe and on the consequences for employment

Rapporteur: Mr F. HERMAN

On 15 September 1980 the motion for a resolution (Doc. 1-346/80) tabled by Mrs Gaspard and Mr Balfe on the state of the market for electronic products in Europe and on the consequences for employment, was referred to the Committee on Economic and Monetary Affairs as the Committee responsible, and to the Committees on External Economic Relations and Social Affairs and Employment for their opinion.

At its meeting on 23 September 1980 the Committee on Economic and Monetary Affairs appointed Mr Herman as rapporteur.

The Committee considered the draft report at its meeting of 27-28 April 1982 and adopted it by a unanimous vote with one abstention.

The following took part in the vote: Mr J. Moreau, chairman; Mr Macario, vice-chairman; Mr Herman, rapporteur; Mr Albers (deputizing for Mr Wagner), Mr Beazley, Mrs Desouches, Mr Estgen (deputizing for Mr Collomb), Mrs Forster, Mr Giavazzi, Mr Leonardi, Mr Nyborg, Mr Papantoniou, Mr Purvis, Sir Brandon Rhys Williams, Mr Rogalla (deputizing for Mr Schinzel), Mr Ruffolo, Mr Seal (deputizing for Mr Rogers), Mr Van Rompuy, Mr Welsh (deputizing for Mr Hopper) and Mr von Wogau.

The Committee on Social Affairs in its letter of 11 June 1981 confirmed that it would not draw up an opinion, but that its position on the matter was that expressed in its previously adopted report on the repercussions of energy problems and technological developments on the level of employment in the Community (Doc. 1-164/81), rapporteur: Mrs Salisch.

The opinion of the Committee on External Economic Relations is attached.

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A

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement.

MOTION FOR A RESOLUTION

on the state of the market for electronic products in Europe and on the consequences for employment

The European Parliament,

- (a) in view of the increased trade deficit in electronic products between the Community and third countries, and in particular with Japan,
 - (b) in view of the considerable danger of the Community falling further behind its major commercial rivals in the development of the new electronic technologies,
 - (c) recognizing that there is a consequent serious threat to employment in the electronics sector within the Community but that there are also opportunities for major new job creation and for increased Community competitiveness if the Community is able to respond in a more coherent and coordinated way to the challenge of the new microelectronics technologies,
 - (d) recalling its resolutions of May 1981¹,
 - (e) having regard to the motion for a resolution tabled by Mrs Gaspard and Mr Balfe (Doc. 1-346/80),
 - (f) having regard to the report of the Committee on Economic and Monetary Affairs, and the opinions of the Committees on External Economic Relations and on Social Affairs and Employment (Doc. 1-189/82),
1. Again calls for a broad and effective Community response with regard to the new electronic technologies, in those sectors in which the Community can compete with Japan and the United States with greater coordination of the existing disparate national efforts, greater Community support for the necessary research and development and, where appropriate, encouragement of greater cooperation between Community firms in these sectors;

¹ OJ No. C 144, 15.6.1981, p. 69 and 71

2. Recognizes that executive action and financial support by the Commission can have a valuable effect on attitudes but stresses that the only Community response that would have the substantial effect required to meet the challenge posed must be based on making a reality of the common market itself; stresses that the Council must recognize that in this sector the purchases by national authorities, especially in the defence and telecommunications fields must be coordinated for research and development efforts to be effective and for the structures of the supplying industries to evolve in a manner which will ensure their competitiveness in Community and world markets;
3. Calls, with regard both to the more traditional electronic products and to the new electronic technologies, for a careful examination at Community level of the trends in both trading and investment patterns between the Community and third countries;
4. Warns of the danger of growing protectionism but again insists on the coordination of national commercial policies within a proper Community-wide context;
5. Points out that the emphasis at Community level should not be on protecting existing jobs in the electronics sector at all costs, but on promoting the necessary adjustment between subsectors in decline and subsectors with high promise for the future;
6. Further underlines that any policy aimed at slowing down the development of the new electronics technologies in order to protect jobs in the short run, could well result in the loss of a greater number of jobs in the long run;
7. Insists, in this context, on the importance of strengthening Community industrial and social policies to provide as smooth a period of adjustment as possible and to facilitate the necessary re-training of employees and development of new skills; if they are to be effective these policies must be based on a social consensus which could best be achieved by means of consultation and increased cooperation with manual and clerical workers, professional organizations and trade unions;
8. Stresses the importance of appropriate and effective anti-monopoly legislation ensuring that sectoral productivity gains are passed on to the consumer and result, through increased spending, in higher national output and employment;
9. Instructs its President to forward this resolution to the Commission and the Council of the European Communities.

EXPLANATORY STATEMENTIntroduction

1. The impacts on employment of current developments in the electronics industry have two main elements, firstly the effects on what might be called the more "traditional" sectors of the industry caused by accentuated competition from third countries, and most notably as a result of the great increase in imports from Japan (concern for which is expressed in the motion for a resolution 1-346/80), and secondly those impacts, positive and negative, caused by the spread of the new microelectronic technologies.
2. These two differing aspects are highlighted in the responses of the Committees on External Economic Relations and on Social Affairs on the subject matter of this report. The opinion of the former focused on the competitive threat from Japan and its implications for employment within the Community while the Social Affairs Committee referred instead to its previously adopted report on the repercussions of energy problems and technical developments on the level of employment within the Community (Doc. 1-164/81), which concentrated, in this context, primarily on the impact of microprocessors.
3. The present report focusses primarily on the latter aspect, the employment impact of the new electronic technologies. It re-emphasizes strongly the call made in Parliament's resolution of May 1981 (on the basis of a report from the Committee on Economic and Monetary Affairs Doc. 1-137/81, rapporteur: Mr Leonardi) for a Community-wide strategy with regard to the new electronic technologies, both to help promote their development and to face up to their social impacts. The present report lays particular emphasis, however, on the need for a positive rather than negative approach towards the promotion of the new technologies and it argues that fears about job losses in the short term should not lead to deliberate hesitation about the introduction of new technologies, which could only lead to more losses in the long run.

4. The other aspect of the problem, that of job losses in the more traditional sectors, raises issues about trade imbalances, particularly with Japan, which are covered specifically in the opinion of the Committee on External Economic Relations and more generally in the report of the latter committee on Trade Relations between the EEC and

Japan (Doc. 1-240/81, rapporteur: Sir John Stewart Clark). The present report does not go into this issue in detail but does emphasize strongly, in the motion for a resolution, the need for careful monitoring of trading and investment trends with third countries, warns against the dangers of protectionism but again insists on the need to coordinate individual national commercial policies within a proper Community-wide context. It also calls for the strengthening of Community industrial and social policies to deal with problems of adjustment that will continue to occur.

Definitions

5. It is not easy to define the exact scope of the electronics sector.

Initially all appliances, equipment or systems using low-voltage current were classified as electronic.

This included all radio and television sets, computers and a significant proportion of domestic electric appliances. Today this sector comprises essentially computers, micro-processors and, generally speaking, all equipment whose main or essential components consist of transistors or micro-processors.

Under these circumstances it is clear that the definition of this concept for statistical purposes may vary from one country to another.

For the purpose of this report we have taken electronics to cover all new information technologies which essentially means computer systems including software, telecommunications, integrated circuits (micro-processors and data-banks).

This choice was dictated by the idea that the impact on employment cannot be properly analysed unless all the phenomena relating to electronics are studied as a whole.

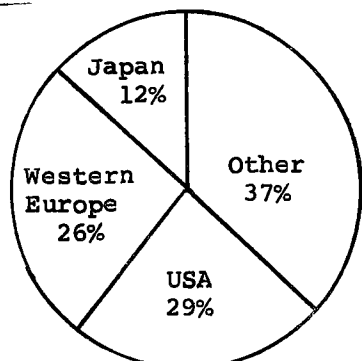
6. As table 1 shows, the world market for new information technologies is growing at a very rapid rate of 15% a year on average.

While the European market offers enormous potential, its share of production activities is not satisfactory in relation to its needs, and there is a risk of its position deteriorating further in the face of Japanese and American competition.

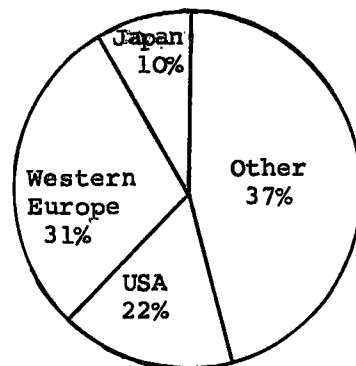
TABLE 1	World market.	Growth rate	European share
Telecommunications	526,6.10 ⁹ vec (1977)	8% per year	30%
Computer systems	53.10 ⁹ vec (1978)	17% per year	26%
Data-banks	2.10 ⁹ vec	22-23% per year	15%
Integrated circuits	5.10 ⁹ vec (1978)	25% per year	10%

Average growth of the world market for new information technologies:
15% per year.

Table 2 shows clearly what is at stake for Europe: the world market for electronics products will treble in size over the next ten years and Europe will soon constitute the largest market in the world in this sector. It is important therefore to catch up with our competitors.



1980 : 246.10⁴ Dollars



1990 : 765.10⁹ Dollars

7. The United States: the leading supplier of the international data-processing market. The United States is well ahead in all areas for a number of reasons. The vast orders from the Federal Government, notably for the NASA space programme, have given an enormous boost to R and D work on new technologies. The Federal Government alone accounts for one third of the country's data-processing potential. In addition, the size of the American economy, the free movement of goods within the United States, the dynamism of American companies and the large share of the market held by firms such as IBM have helped to give the United States its present lead in the data-processing sector. The Federal Government intends that it should keep its favourable position. The Department of Defense for example has committed \$200 million to a six-year programme for the development of very large scale integrated circuits.

8. Japan: While the position of the Japanese industry is not yet comparable with that of the American industry, it is nevertheless making spectacular progress. Japanese production, which in 1960 was estimated at 2,000 million yen, had increased to 415 million in 1976. Since 1967, when a very ambitious government project, the 'plan for the information society', the aim of which was to make the whole of Japan an information society within a short time-scale, was launched, the government has aggressively developed the national data-processing industry in a bid to catch up with the United States. It has granted export aids and large subsidies for research; it has protected these industries against imports by an effective system of national preferences for public sector procurement. Since 1979 the government, in cooperation with the country's largest firms has invested \$360 million for the development of very large scale integrated circuits. Its aim is to capture the lead from the United States in this field.

9. The Community: The position of Europe is very weak in the face of Japanese and American competition. European firms provided only 14.4% of European facilities in 1975, whereas IBM alone accounted for 51.8%.

European weakness varies according to the areas concerned:

- In the case of peripherals (terminals, magnetic tape, etc.) the European share of the world market fell from one third in 1973 to a quarter in 1978.

- In that of components (transistors, semi-conductors, integrated circuits), a key high-growth sector, European industry supplies only 10% of its own market. By comparison the United States is totally self-sufficient and Japan satisfies 50% of domestic demand. In 1979 Europe bought integrated circuits worth \$1,6.10⁹, of which only \$476.10⁶ from its own manufacturers.
 - In the area of large data-processing systems (large computers), the European position is better although the leading European firm is scarcely more than a 20th the size of IBM.
 - In the case of software (programs to make computers work) and telecommunications, Europe is relatively strong, but the fact of lagging behind in one sector threatens to have a negative impact on the whole data-processing sector.
10. It is indispensable therefore for Europe to make up lost ground if it wishes to remain in the forefront of the whole range of new technologies. Otherwise, as a market 'follower', it will become increasingly dependent on Japanese and American industries.
11. One positive factor is that the three Community 'majors' have recently embarked on data-processing development programmes:
- The United Kingdom: The British Government has invested more than \$800.10⁶ in a general programme designed to develop its data-processing industry and promote research and education in this field. \$95.10⁶ have been invested in the development of microprocessors.
 - France: The French Government has invested \$500 to \$600.10⁶ to help French firms in the micro-electronics sector. France has made remarkable inroads in the field of telecommunications in recent years as a result of special efforts.
 - Federal Republic of Germany: The German Government granted aid totalling DM 1,574.10⁶ to its national industry over the period 1976-1979.
12. The countries of the Community together invested \$2,2.10⁹ in their data-processing industries which may at first glance appear impressive in comparison to the figures quoted above for Japan and the United States.

13. How then can Europe's relative backwardness in this field be explained?

A number of factors are at work:

- Despite the large sums of money spent by the Member States in recent years, Europe still spends relatively little on research and development as a whole. In 1976 the US Government spent twice as much per inhabitant as European governments on research and development in all fields. In the private sector the size of American firms such as IBM enables them to make very large scale investments which are out of the question for the much smaller European firms.
- National strategies are very often too broad. Instead of concentrating on a specific area, European governments have tried to develop the data-processing industry right across the board. Despite relatively high levels of investment, the results have been disappointing in many areas.
- The countries of the Community have only advocated cooperation on rare occasions. Instead of uniting to combat American and Japanese competition, each country has based its programme on national interests.

14. The result is that the Community has ten different strategies based on ten different philosophies and ten different technologies which are often incompatible with each other and all too frequently lead to contradictory approaches.

15. It is now clear that the disadvantages of casting too wide a net should induce the European countries to engage in closer cooperation thus allowing the limited resources they have available to be put to better use.

16. Telematics, like any important technological change, brings consequences which are for the most part beneficial in the long run but also short-term difficulties which cannot be overlooked.

17. Generally speaking the introduction of micro-electronics proposes four types of threat to employment:

18. - By simplifying the internal mechanisms of certain products it increases productivity at the assembly stage and makes possible a reduction in working hours. As an example take the case of Standard Electric Lorenz, a subsidiary of ITT, which currently produces telex equipment in which a single micro-processor has replaced 986 electro-mechanical components, which took 75½ man hours to manufacture; the new machines can now be made in 17.7 hours. Unless output is increased substantially, employment in the firm will have to be reduced.

19. - By introducing new production processes it eliminates certain traditional skills. The arrival on the market of the electronic watch for example has revolutionized the nature of the product and employment of labour with traditional skills has fallen very sharply. The German watchmaking industry had to cut its labour force by 40% in 1975. Micro-electronics will however bring an increase in supply and demand which may offset job losses resulting from increased productivity.

Assuming that the cost of manufacturing a product falls as a result of innovation, two things may happen:

- if the price of the product falls, the consumer will reinvest the resulting gain in the economy by purchasing other goods or by saving;
- the price does not fall, the manufacturer will receive a higher profit margin which he can then reinvest in the economy or redistribute to labour or capital or both.

The injection of additional capital (resulting from innovation) into the economy will eventually lead to the creation of new jobs which may offset the job losses brought about by the introduction of new technology.

20. - It brings with it radical changes in the structure of employment as a result of the transformation or the disappearance of certain traditional products and services and the creation of new products and services to replace them. A study carried out by the Rand Corporation estimates that, by the year 2000, 2% of the working population of the United States will be able to produce all the manufactured goods currently available on the American market (some 20% of the working population are required at present to produce these same goods). Even if this forecast is not entirely correct, it is clear that new jobs will have to be found for a large number of workers.

It is important therefore that new products and services are quickly developed so that their positive effect on employment can offset other job losses. This will depend very much on an economy's capacity to produce its own technologies instead of importing them, specific practical applications for new technologies, the capacity to deal with change and the capacity of society as a whole to integrate these new products and services into its economic and social life.

21. - It calls for very rapid innovation and development in the face of competition from third countries.

If we do not innovate as fast as other countries we will have to increase our purchases from them, thus boosting their employment levels and incomes at a loss to our own.

Innovation is taking place at breathtaking speed in the data-processing sector. Firms which are not able to keep up with this rate and lower their prices as quickly as their competitors will rapidly disappear from the market. The abovementioned case of the German watchmaking industry provides dramatic proof of the consequences of an inability to innovate.

22. Most of the Member States of the Community and the social partners directly involved have had estimates made of the employment effects of the introduction of the new electronic technologies. These estimates are very difficult to produce and often reflect subjective considerations; they must therefore be treated with caution. Nevertheless they all indicate a profound change in certain branches of the economy.

23. Some industries will be particularly seriously affected. In services, for example, automation has made it possible to increase productivity. IBM estimates that the use of new office equipment improves the productivity of a typist by 150%.

According to a French report, the number of secretarial jobs in France could fall by 20 to 25% by 1990. In public administration it is estimated that 75% of jobs could be standardized and 38% automated in the next ten years. This trend will mean a reduction in unskilled jobs, offset by an increase in the number of semi-skilled and highly-skilled jobs.

24. In the banking sector a large number of jobs will be automated. Automatic data storage, using terminals and data banks, the automatic distribution of bank notes, electronic transfers between banks came on the scene in the 1970's and are becoming increasingly common.

25. Present trends however point to stabilization of employment in the banking sector provided the banks continue to increase the number of customers and extend the range of services offered still further. Nevertheless the ratio of unskilled to skilled jobs will decline.

26. In industry automation of production has been accelerated by recent developments in micro-electronics and is bringing about a reduction in employment in this sector.
27. In printing, for example, the switch from molten metal (in the traditional system with hand composition) to computer composition has already had a significant impact on employment. In the United Kingdom the number of workers dropped from 259,000 to 196,000 between 1967 and 1976. In the Federal Republic of Germany there has been a loss of 35,000 jobs since 1972. New technology allows the composition of 8 million characters an hour as against 25,000 previously.
28. The examples given above show the extent of the social change that new information technologies are likely to bring bearing in mind the speculation involved.

They do not however mean a reduction in overall employment levels. While it is just possible, with a wide margin of uncertainty, to estimate the impact in terms of job losses which the advances in new information technologies may have, it is virtually possible to make even an approximate guess as to the jobs that will be created by the expansion of the new information technologies sector. With this it can be claimed that 60% of occupational categories will be affected.

Conclusions

29. Like all previous technological innovations, the widespread use of micro-processors will have a positive impact on economic growth, welfare, social progress and, in the longer term, on employment, even though job losses will probably outweigh new jobs in the short term.
30. This positive impact will not be experienced in Europe however unless three conditions are met:
- a. Europe will have to master production and marketing techniques for the whole range of new information technologies. This will require coordinated research efforts and the creation of a European market for new information technologies.
 - b. As the new jobs created will not be of the same quality and type as the jobs lost, a major effort will be required to adapt, mobilize and retrain the labour force.

c. Productivity gains resulting from widespread application of new information technologies should be distributed in the form of a reduction in working time rather than direct or indirect increases in earnings.

31. A policy of opposing new information technologies out of fear for jobs would be suicidal for the European economy and fatal for employment.

We have no choice. The United States, Japan and the countries of South-East Asia will not wait for us.

tabled by Mrs GASPARD and Mr BALFE

pursuant to Rule 25 of the Rules of Procedure
on the state of the market for electronic products in Europe
and on the consequences for employment

The European Parliament,

- having regard to the Venice Summit of the leading industrialized nations,
 - noting that consultations take place between these countries in the industrial sector,
 - noting also that equipment manufactured in Europe is gradually being replaced by imports from Japan in the electronic sector,
 - regretting in particular the loss of 50,000 jobs in Europe in the PHILIPS concern over a period of 6 years,
 - concerned at the prospects for thousands of workers in the colour television sector of this group in plants at BRUGES, LE MANS, CROYDON, LOWESTOFT, KREFELD and EINDHOVEN and, in the tubes sector, at AACHEN, DURHAM and SIMONSTONE, DREUX, MONZA, LEBREING and BARCELONA, EINDHOVEN and STADSKANAAL since these workers are regularly placed on short-time working and threatened with redundancy in all these plants,
1. Views with strong criticism the deliberate dismantling of European plants in the electronics sector with particular reference to those operated by the multinational concern PHILIPS;
 2. Denounces the lack of concern of the governments of the industrialized countries which have implicitly consented to these measures;
 3. Demands that an ethical basis be provided for the terms of the marketing and production contracts concluded between the EEC and the industrialized third countries;
 4. Demands the immediate and obligatory inclusion in all these trans-national operations of a 'social clause' designed to protect wage-earners and to safeguard their employment, for the benefit of all European workers in the electronics industry and of those in the PHILIPS concern in particular;
 5. Instructs its President to forward this resolution to the Council and Commission of the European Communities and to the Governments of the Member States.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr H. M. RIEGER

On 25 February 1981 the Committee on External Economic Relations appointed Mr RIEGER draftsman of an opinion.

The committee considered the draft opinion at its meetings of 14 April and 20 May 1981 and adopted it on 20 May 1981 unanimously with one abstention.

The following were present: Sir Fred Catherwood, chairman; Mr Rieger, draftsman; Mr de Courcy-Ling (deputizing for Lord O'Hagan), Mr Deschamps, Mr Irmer, Mr Lemmer, Mrs Lenz, Mr Majonica, Mr Konstantino Nikolaou, Mr Pelikan, Mr Seeler, Sir John Stewart-Clark and Mr Vandewiele (deputizing for Mr Giummarra).

I. Introduction

The motion for a resolution by Mrs GASPARD and Mr BALFE (Doc. 1-346/80) on the state of the market for electronic products in Europe and the consequences for employment touches on an important problem of the European Community in regard to trade policy: the huge deficit in bilateral trade with Japan, in conjunction with considerable penetration by Japanese goods into sensitive sectors of the European market and the inaccessibility of the Japanese market. 1980 saw a further aggravation of these problems. The trade deficit with Japan rose to some \$10,700 million and Japanese exports to the Community increased by about 31%. The rates of growth are even higher for certain electronic products, machine tools and - in some Community markets - cars.

II. Japanese competition in the electronics industry

The state of the market for electronic products is determined by these developments. Some examples are given in the following table:

Community imports from Japan of major items of electronic equipment

	Jan - Dec				Jan - June				
	1978		1979		1979		1980		
	1,000 EUA	as a % of imports from third countries	1,000 EUA	as a % of imports from third countries	1,000 EUA	as a % of imports from third countries	1,000 EUA	as a % of imports from third countries	
SITC									
TV sets	761	166,638	34.6	154,365	30.9	74,201	32.1	70,533	27.3
Radios	762	427,138	52.4	418,484	44.7	180,906	45.3	163,371	36.1
Gramophones, dictaphones etc.	763	481,508	67.4	636,216	72.8	265,727	72.6	349,977	76.0
Other telecommunica- tions equipment	764	357,898	30.5	419,597	30.9	180,330	29.3	232,004	29.0
Transistors, valves, tubes, etc.	776	193,633	17.4	220,981	16.7	103,495	17.0	154,031	18.0
Total		8620,810	4.8	9656,572	4.4	4660,694	4.7	5700,400	4.2
As a % of all Japanese imports		18.9	-	29.2	-	17.3	-	17.0	

Source: Tables showing breakdown of foreign trade - Eurostat

Protective measures in the electronics sector would therefore of necessity have to be primarily directed against Japanese imports, unless Japan is itself prepared to limit its exports to the Community.

III. Possible protective measures for the Community

1. 'Non-protectionist' measures

In the view of the Committee on External Economic Relations, the protective measures which may prove necessary do not mean that the committee supports protectionism. It would be better for the European electronics industry, faced with the Japanese challenge, to develop a positive strategy for itself. In this connection, attention is drawn to the report on the proposals from the Commission of the European Communities to the Council (Doc. 433/76) for a four-year programme for the development of informatics in the Community, drawn up on behalf of the Committee on Economic and Monetary Affairs by Mr COUSTE (Doc. 235/77), which contains a number of useful suggestions.

2. Protective measures

The Committee on External Economic Relations draws particular attention to

(a) possibilities arising from the Treaty of Rome

- Article 113 calls for the implementation of 'a common commercial policy ... based on uniform principles, particularly in regard to ... measures to protect trade such as those to be taken in case of dumping or subsidies'
- Articles 108 and 109 provide a safeguard clause in the event of a balance of payments crisis in a Member State

(b) the safeguard measures contained in Article XIX of GATT.

The Committee on External Economic Relations has devoted special attention to this problem (see the report by Lord BRIMELOW on behalf of the Committee on External Economic Relations of 24 January 1978 - PE 50.277 fin.). It considered that the article contained latent possibilities which should be reinforced and improved. Although its application is neither automatic, strict or unilateral, the article does make provision for cases

where 'any product is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers ... of like or directly competitive products'.

3. Anti-dumping activities

The position of the Committee on External Economic Relations on the powers which the Community has in this area under the terms of Regulation 3017/79, which replaced Regulation (459/68) and the improvements which could be made to these, is described in the preliminary report on the Community's anti-dumping activities (PE 68.342) drawn up on behalf of the committee by Mr WELSH.

IV. Recommendations of the Committee on External Economic Relations

The trade problems in the electronics sector can only be resolved as part of a comprehensive policy on trade relations with Japan, which in turn must have regard for the existing world trade problems with the other major industrialized countries. The Committee on External Economic Relations would reiterate the recommendations made in the draft report by Sir John STEWART-CLARK (6 February 1981 - PE 68.474) on trade relations between the EEC and Japan:

1. Steps to be taken by the governments of the Member States and by European industry:

- (a) National governments must coordinate their trade policies as far as possible to ensure that the Member States speak with a single voice in their dealings with Japan.
- (b) European industries must strive to rationalize their production and to step up their activities in the field of research and development so as to develop new products. Not only should there be increased cooperation between government and industry at national and Community level, but the system of sub-contracting should also be developed.
- (c) Government and industry must recognize the need for long-term planning and adapt themselves better to cyclical fluctuations.

2. Steps to be taken by the Council and Commission of the European Communities

- (a) The Council must authorize the Commission to negotiate an agreement with Japan which will enable the Member States to speak with a single voice and will provide for reciprocal measures on the part of Japan in respect of any concessions which may be granted by the Community to Japan. These negotiations must include specific quantifiable restraints in sensitive sectors and full reciprocity of banking and investment facilities.

- (b) The Commission must pursue and intensify its current programme for instructing European businessmen and industrialists on the best means of penetrating the Japanese market with the cooperation of Japan herself.
- (c) The Council must be prepared to allow the Commission sufficient finance and staff for a service to investigate allegations of concealed protectionism and of barriers to trade, as well as for the setting up of a joint EEC/Japan Investment Bureau.

3. Steps to be taken by the Japanese Government

- (a) The Japanese Government must take all the necessary steps to eliminate non-tariff barriers and must demonstrate greater willingness to open up its markets to imports.
- (b) The Japanese must be prepared to accept specific quantifiable restraints in respect of exports in sensitive sectors.
- (c) The Japanese must facilitate access to investment and banking services to provide foreign investors with the same facilities as Japan enjoys in the Community.
- (d) Japan must accept the need to work towards monetary stabilization by aligning or linking the yen with the European Monetary System.

