

barriers in general are widely available. To this end it is essential to keep an active record of users, with their associations participating in a synergic fashion alongside research institutes, industry, administrative authorities and social bodies.

8. In order to make the TIDE scheme more effective, a special coordination group should be set up to provide

systematic linkage between the various types of measures taken in the different Directorates-General.

9. On a more specific point, the Committee draws the Council's attention to the need for the Commission to send the evaluation of TIDE's results not only to the Council and Parliament (Article 4), but also to the Committee.

Done at Brussels, 30 June 1993.

*The Chairman
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the European Community's relations with Japan

(93/C 249/13)

On 20 October 1992 the Economic and Social Committee, acting under the third paragraph of Article 20 of the Rules of Procedure, decided to draw up an Opinion on the European Community's relations with Japan.

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 16 June 1993. The Rapporteur was Mr Romoli.

At its 307th Plenary Session (meeting of 30 June 1993), the Economic and Social Committee unanimously adopted the following Opinion.

SUMMARY

The Opinion sets out to consider the medium and long-term guidelines for economic and political relations between the European Community and Japan, which have already improved considerably since the Joint Declaration of 18 July 1991.

The Opinion recommends that the EC and Japan should not aggravate short-term trade frictions but should investigate the causes thereof and find ways of restoring the trade balance.

It also calls for thorough consideration of the scale of the Japanese trade surplus and of the opportunities which the use of the resulting financial surpluses might offer.

It might in fact be possible to embark on a new phase in joint ventures between EC and Japanese firms, both within the Community and elsewhere, as part of the wide-ranging economic and political cooperation suggested by a recent report from the Japanese Ministry of Foreign Affairs.

The Opinion warmly approves this approach and urges that rapid steps be taken to give substance to the statements of intent that have been made.

Of key importance, however, is the need to improve mutual understanding and cultural and social dialogue between the European Community and Japan.

EC-JAPAN RELATIONS: TOWARDS A NEW STAGE IN COOPERATION

1. Introduction

1.1. At its Plenary Session on 25 April 1991 the ESC adopted an Opinion on relations between the United States and Japan and between the European Community and Japan⁽¹⁾.

1.2. The Opinion ended with some ideas and recommendations for improving EC-Japan relations, and in particular for a greater understanding of each other's cultural and social values.

1.3. Two years on, the Committee feels it useful to take up its analysis, in order to check on the results achieved and to assess the more immediate prospects in the light of the recession which has hit the international economy.

1.4. The Committee also proposes to contribute some further ideas concerning the medium and long-term guidelines for EC-Japan relations, as these relations will be vital for international stability and progress.

2. The improvement in EC-Japan institutional relations

2.1. On 18 July 1991, a few months after the adoption of the ESC Opinion, the EC and its Member States formally approved a Joint Declaration with Japan which gave their relations a new political dimension, setting out general principles for future dialogue and cooperation.

2.2. The Declaration defined the objectives of bilateral and international economic cooperation, and of scientific and technological cooperation. The parties would promote joint projects and cooperate on social and cultural problems of common interest, in order to improve understanding and dialogue between their respective peoples.

2.3. The Declaration also laid down procedures for strengthening existing consultation mechanisms, and for adopting other consultation and cooperation initiatives and instruments at both government and technical levels.

2.4. As a result of the Joint Declaration, cooperation between the two parties has been stepped up.

2.5. A much better understanding of each other's problems and needs has been established, and this has led to a considerable improvement in relations.

2.6. EC-Japan relations are clearly not as close and healthy as Japan-US relations, which have been firmly established for a long time, but there has been encouraging progress which gives grounds for optimism about the future.

2.7. Heads of government and ministers—and technical cooperation committees—have met at the agreed intervals.

3. The contribution of the European Community

3.1. The Commission has been extremely active in bilateral contacts, drawing up studies and discussion papers which have helped set the problems in context.

3.2. Mention should here be made of the Commission Communication of 21 May 1992 entitled 'A consistent and global approach: A review of the Community's relations with Japan'. This Communication highlighted economic policy trends on the two sides and pinpointed a series of structural and behavioural obstacles which have sometimes impeded the desired cooperation.

3.3. The Communication formed the basis for the Political Declaration 'Relations with Japan: Council Conclusions', approved by the European Council in Luxembourg on 15 June 1992.

3.4. This Declaration invites the EC institutions and national governments to 'follow a consistent and global approach' in their relations with Japan, as this is the only way to achieve mutually satisfactory results.

3.5. The European Parliament has also considered the general and sectoral aspects of EC-Japan relations, on which it has issued two major resolutions containing detailed analyses:

— report issued by the Committee on Foreign Affairs and Security on 22 April 1992, on political relations between the European Community and Japan (Rapporteur: Mr Gianni Baget Bozzo);

⁽¹⁾ OJ No C 159, 17. 7. 1991, p. 63.

— report issued by the Committee on External Economic Relations on 1 December 1992, on trade and economic relations between the European Community and Japan (Rapporteur: Mr James Moorhouse).

4. The Japanese contribution

4.1. The Japanese too have analyzed current problems and future prospects in considerable detail.

4.2. In the period under review, Japanese representatives have stated their position on various general and specific topics.

4.3. Thus a body of opinion has been built up which culminated in the Japanese Foreign Ministry's Official Declaration of 22 June 1992 on the Japanese Government's fundamental policy towards the European Community.

4.4. This reaffirmed Japan's commitment to develop political and economic relations with the EC as part of its growing presence on the world stage; cooperation with the EC is deemed vital here.

4.5. Japan also intends to expand its cooperation with the EC in the fields of culture, science and technology and the environment.

4.6. At the beginning of 1992 the Japanese Foreign Ministry acted on its concern that Japanese attention was focused on relations with the United States and tended to neglect the EC. It instructed a group of experts (academics, businessmen, financiers and journalists) chaired by Teruhiko Mano, advisor to the President of the Bank of Tokyo, to draw up a report on the medium to long-term outlook for Japan-EC relations.

4.7. The report, entitled 'Japan-European Community economic relations: a proposal for tomorrow' (known as the Mano Report), is dated December 1992 but has only been made public recently.

4.8. It argues that a qualitative leap is needed in EC-Japan relations, and calls for a wide-ranging political and economic dialogue rather than focusing on trade relations as has been the case hitherto.

4.9. In both its approach and its aims, the report considers future relations between the EC and Japan in

entirely new terms, arguing strongly for a 'genuine partnership' in line with the 1991 joint declaration.

4.10. The report outlines a number of possible initiatives covering political dialogue and cooperation in a variety of areas. Although these are only sketched out in general terms, they are of considerable interest.

4.11. A second report, drafted by the MITI (Japanese Ministry for International Trade and Industry) and entitled 'Europe-Japan cooperation package' (or 'MITI package' for short), was presented at the inter-ministerial meeting held in Brussels on 15 January.

4.12. This report makes a number of concrete proposals regarding trade, investment and cooperation in third countries. To a large extent, these echo the stance taken by the Community.

5. EC-Japan relations in the light of the world economic recession

5.1. During 1992 the economic situation in both Europe and Japan deteriorated sharply. Both are now in the throes of a cyclical and an underlying structural crisis whose causes are complex and as yet unclear.

5.2. In both Europe and Japan, production has slumped and profits have fallen, resulting in operating losses and related tensions on the employment front.

5.3. These developments have had a serious psychological impact in Japan which, after decades of uninterrupted growth and full employment, has had to face new social problems caused inter alia by the advent of unemployment.

5.4. At the same time, the mechanism of 'domestic demand-led growth'—which the Japanese Government was painstakingly seeking to usher in as an alternative to export-led growth—has been stopped dead in its tracks.

5.5. There has been a sharp fall in Japanese imports, particularly of non-essential European luxury goods for which demand is highly elastic.

5.6. In the face of growing domestic problems, Japanese firms have again looked to exports to maintain their production levels.

5.7. The effect of this has been immediate: the Japanese trade surplus has again begun to shoot up,

despite the hardening of the yen against the dollar and the European currencies.

5.8. In 1992 Japan's trade surplus with the EC exceeded 31 000 million dollars (total imports worth 31 000 million dollars compared with total exports of 62 000 million dollars)⁽¹⁾.

5.9. The situation has not been helped by the worsening general climate in international trade, caused partly by the new US Administration's uncertain stance on trade with other industrialized nations.

5.10. The EC and Japan have recently faced increasing accusations of unfair trade practices, with concrete threats of unilateral retaliation by Washington. Only in the last few weeks have there been signs of a relaxation in this trend.

5.11. The prospects for unblocking the General Agreement on Tariffs and Trade (GATT) Uruguay Round also now seem to be improving. After a period of deadlock and pessimistic forecasts, it now appears that the negotiations proper could be concluded by the end of the year, thanks to the US Administration's more amenable stance.

5.12. However, the many disappointments of the past suggest that extreme caution is needed, particularly as important issues and differences of opinion still have to be resolved.

5.13. For all these reasons the Committee feels that at this extremely delicate stage it is vital that the EC and Japan are careful not to aggravate trade frictions and endeavour to reach agreement on balanced solutions to the economic differences which divide them.

5.14. If the EC and Japan adopt a responsible and moderate attitude, while also jointly defending the multilateral principles of the GATT, they can influence the uncertainties and isolationist leanings of the US and persuade it to adopt a more positive and constructive stance and restore an acceptable international monetary order.

6. Ways of restoring the trade balance

6.1. The persistent imbalance in trade has long been considered the main problem besetting EC-Japan relations.

6.2. The Committee shares the view expressed at recent ministerial meetings, that the causes of the imbalance have to be tackled at source.

6.3. The Committee therefore welcomes the move to instruct a group of experts to analyze EC-Japan trade flows in both directions and pinpoint the measures needed to remove the still remaining obstacles to market access, the aim being to secure a further increase in the overall volume of trade and investment in both directions.

6.4. The aim should be to identify existing distortions (such as the breakdown of European exports to Japan compared with European exports to other industrialized nations) and to decide what provisions are needed to remove the various obstacles which still block access to the Japanese market (particularly as regards provision of services, investment and the capital market).

6.5. The most important point here would seem to be systematic consultation and coordination of the policies which the two sides have so far pursued independently.

6.6. For its part, the Community has stated that it wishes to do more to encourage European firms to focus more attention on the Japanese market. This is a market which should offer considerable potential as an outlet for European products.

6.7. The Commission intends to continue to encourage European firms to make new productive investment in Japan.

6.8. At the same time, the Japanese Government has said that it intends to review the measures which still restrict access to the various sectors of its market, and to make a fresh effort to boost domestic demand.

6.9. However, the real novelty is the Japanese Government's announcement of its intention to adopt new measures to encourage imports and make it easier for EC firms to set up production plants in Japan.

6.10. The package includes promotional measures, financial incentives and preferential tax measures, information and support campaigns in the EC Member

⁽¹⁾ The Japanese trade surplus with the United States in 1992 was 44 000 million dollars (total imports worth 52 000 million dollars compared with total exports of 96 000 million dollars). The Japanese trade balance with all the nations of the Organization for Economic Co-operation and Development (OECD) showed a surplus of 136 800 million dollars in 1992, and a surplus of 153 800 million dollars is forecast for 1994.

States, setting-up of advice centres, establishment of 'free zones', and other measures listed in the MITI package.

6.11. The appropriate institutional forum for joint discussion of the problems raised by the desire to strengthen and broaden economic relations is obviously the periodic contacts and meetings between the Commission (DG I and the other relevant DGs) and the corresponding ministerial bodies in Japan.

6.12. At some of these meetings the need to open negotiations in specific sectors has been recognized⁽¹⁾.

6.13. Another interesting development is the recent move to hold periodic meetings between the MITI and the EC Commission's Directorate-General III (responsible for the internal market and industrial affairs), to discuss industrial policy and economic cooperation.

6.14. Mention should also be made of the bilateral initiatives and the associations for study and cooperation with Japan which have sprung up in certain Member States (UK, France, Spain, etc.).

6.14.1. The Committee endorses the proposals made by the Mano Report and by the Miti Report to organize seminars on Japan's official development assistance programme and policies. These seminars would inform and involve EC business people with a view to promoting joint projects in developing countries, Eastern Europe and the former Soviet Union.

6.15. Finally, the Committee considers that if the abovementioned initiatives are pursued vigorously, they can secure significant improvements in the volume and quality of EC exports to Japan.

7. The Japanese trade surplus: a negative situation but one which also offers an opportunity

7.1. It is generally agreed that greater coordination of both sides' economic policies could significantly improve the imbalance in their trade, avoiding recourse to protectionist restrictions or forms of managed trade.

7.2. At all events, it seems unrealistic to expect Japan's trade surplus with Europe (or indeed with the US) to be eliminated in the short or even medium term.

7.3. Accordingly, a more detailed consideration is needed of the scale of the Japanese trade surplus⁽²⁾ and its consequences and of the opportunities offered by it.

7.4. The Committee firmly believes that the priority here should be to develop activities in which the two areas can play a complementary role and integrate further, as part of a medium to long-term strategy which should also cover the various forms of financial interpenetration.

7.5. To this end, the focus must be on the use of the financial surpluses created by the trade surplus.

7.6. It may be recalled that this question arose some years ago, in US-Japan relations, when massive subscription to US Government securities⁽³⁾, a substantial rise in productive investment ('transplants') by Japanese firms on US territory, and property investment provided a threefold outlet for the large Japanese surplus.

7.7. Viewed in this light, Japan's trade surplus with the EC could offer openings for cooperation with a vast growth potential.

7.8. This is the key to the offers of a more sophisticated and 'genuine partnership'—the most original and innovative aspect of the Mano Report's Proposal for Tomorrow which was recently submitted to the EC.

7.9. One of the main strands of the proposal is the firm belief that a strong boost for manufacturing, financial and technological cooperation between EC and Japanese firms could play a key role in relaunching the European economy and making it more technologically advanced, and could also help implement the ambitious projects scheduled for the internal market.

7.10. The Committee endorses this open outlook which encourages Japanese firms to be active in the EC. However, it must point out the crucial need for European industry to become more competitive both

⁽¹⁾ An agreement has recently been reached on the Community's import of motor vehicles from Japan. This supplements existing agreements and is designed to rectify the serious position faced by this sector. For further details about the special circumstances of the car industry, and other key sectors in EC-Japan trade, see the European Parliament's Moorhouse Report of December 1992.

⁽²⁾ Doubts remain about the accuracy of the methodology used to determine the trade surplus/deficit, and a committee of experts has been set up to clarify the matter.

⁽³⁾ Japan is currently the country with the highest lending to the United States. This obviously has an impact on relations between the two countries.

internally and internationally in order to avoid the economic and psychological dangers of being over-reliant on firms whose decision-making centres are in third countries.

7.11. In the Committee's view, the medium and long-term objective should be to bring the balances of payments between Japan and the EC into equilibrium.

7.12. The report explicitly mentions the need for joint ventures between EC and Japanese firms to tackle the huge task of guiding the countries of central and eastern Europe and the CIS towards a market economy. This will also require the cooperation of the governments concerned.

7.13. The Mano Report also invites the EC to play an active role in the development of Asia, and particularly South East Asia, which is already the world's most dynamic centre of economic development⁽¹⁾.

7.14. There are plans to mobilize the financial and insurance instruments of the Export-Import Bank of Japan to support these initiatives.

7.15. At a later stage, the Community and Japan should set up a centre to devise concrete ways of addressing the grave problems—hitherto neglected—of the developing nations which make up the bulk of the world population⁽²⁾.

7.16. It is desirable that the United States and all the other G7 nations should also be involved in this if they so wish.

8. Towards a new stage in EC-Japan cooperation

8.1. The Committee notes that the Mano Report's recommendations broadly tally with the guidelines contained in the July 1991 Joint Declaration which introduced a new political dimension and broader perspectives for dialogue between the EC and Japan.

8.2. On many, if not all, points the Report is in keeping with the 'consistent and global approach' presented in the Commission Communication of May 1992.

8.3. The main difference—and this is where the Report offers something new—is the special emphasis given to political dialogue and economic cooperation: matters which are of common interest not only as regards both sides' areas of influence but also at international level.

8.4. The Committee warmly approves this approach and considers that it merits the utmost attention from all the EC institutions, starting with the Commission and Council.

8.5. The Committee trusts that this new approach will soon be translated into a clear political commitment and an action programme for the near future.

8.6. The Commission and its Japanese counterparts should take rapid steps to create the conditions and instruments needed to give substance to these statements of intent.

8.7. EC-Japan relations should thus enter a new stage, aptly described by our Japanese partners as a 'genuine partnership'.

8.8. This important opportunity must not be let slip.

8.9. The Community and the Member States could seek inspiration in the ideas and proposals of their Japanese partners when they finally define their long-term political guidelines⁽³⁾.

8.10. The first task is to decide how to secure the balanced, sustainable development—in economic, social and environmental terms—that the people of Europe so deeply desire. The second task is to identify the position and role of the EC on the international stage of tomorrow.

8.11. The Committee intends to contribute actively to these discussions and recommendations.

9. The need to improve mutual understanding and cultural and social dialogue

9.1. At the present stage in the framing of a new policy, the Committee wishes to draw attention to a point which it feels is of key importance.

⁽¹⁾ A further reason for paying particular attention to relations with South East Asia is the EC's marked trade deficit with these countries.

⁽²⁾ For example, the Community might benefit considerably from holding discussions with Japan on joint initiatives in China.

⁽³⁾ Research on 'the future European identity' has been under way for some years in Commission DG XIII's FAST department, which in 1991 held a conference on 'Europe as a province of the world' and at the beginning of June 1993 held a conference in Wiesbaden on 'Europrospective III—Science and technology for the eight billion people of the planet by 2020'.

9.2. If our aim is to move on to closer political cooperation and joint ventures with our Japanese partners, we must first take steps to improve our understanding of our respective peoples' cultures, values and aspirations.

9.3. This will mean launching a wide-ranging programme of conferences, note-swapping sessions and proposals for research on topics of common interest.

9.4. The Commission should get together with its opposite numbers in Japan and take urgent steps to draw up an inventory of the many initiatives that have sprung up spontaneously in all Member States and in Japan itself in the fields of culture, economic cooperation, trade and cooperation on research in the broad sense.

9.5. One major instance of closer cultural links between Europe and Japan is the joint initiative of the Fast/Monitor Programme and the Japan Council on International Affairs, which has already held two conferences. The first of these took place at Nagai, Japan in 1991 and the second in Essen in March 1993, and both yielded very worthwhile practical proposals.

9.6. The proposals included the setting-up of a 'Euro-Japan Institute', envisaged as an open, indepen-

dent and decentralized body which will provide a point of reference for researchers, universities, economic operators and socio-occupational groups.

9.7. It was also proposed that a 'Europe-Japan newspaper' be published as a vehicle and debating forum for the two parties' reflections and proposals and the most important studies published by the specialist international press.

9.8. In its analyses of EC-Japan relations, the Committee has often noted that when viewed in a medium to long-term perspective the socio-economic and environmental problems of the two areas have some very interesting points in common.

9.9. The 1991 Opinion suggested some possible topics for joint research.

9.10. In tandem with the present Opinion, the Committee has drawn up an Appendix outlining some key topics which could be examined, with a view to making proposals, by joint committees set up by the Commission and its Japanese opposite numbers. The committees would comprise not only official representatives of the respective governments, but also academics and socio-economic operators.

Done at Brussels, 30 June 1993.

*The Chairman
of the Economic and Social Committee*

Susanne TIEMANN
