

1984—A Year of German-Japanese Partnership

In reviewing his country's relations with Japan, Bonn's chief envoy to Tokyo, Dr. Klaus Blech, suggests ways in which the two nations can help alleviate pressing global economic problems and pinpoints issues that need to be addressed in the context of trade problems.

Ambassador Blech, who has just completed his third year of service in Japan, also reviews German economic and cultural initiatives planned for Japan this year. But he concludes by stressing that German challenges will take place within the framework of traditionally friendly German-Japanese ties.



Dr. Klaus Blech,
West German
Ambassador to Japan

A patch of blue over the economic horizons, fortunately, seems to be the general theme of forecasts for 1984 in a number of important countries. In the Federal Republic of Germany, as in the United States and Japan, the signs of recovery have become clearer and more solid in recent months. A real growth rate of the gross national product of 1%, the likely overall result for the German economy in 1983, may still be a modest figure. But it is important that this figure reflects a marked turnabout of economic movement in the course of the second half of 1983, which put an end to protracted recessive trends that had plagued our economy, like others, in these past years.

Encouraging fundamentals

In a preliminary evaluation 1983 may be said to have been a year of economic consolidation. In our country the elections for the Federal Parliament on March 6 were generally perceived as a clear endorsement of the economic policies of the coalition government formed in October 1982 by Christian Democrats and Liberals under Federal Chancellor Helmut Kohl and Vice-Chancellor Hans-Dietrich Genscher.

The main emphasis of this policy is to resolve the cru-

cial problem of unemployment by encouraging a soundly-based, lasting recovery by means of creating more favorable conditions for private investments. Progress has in particular been made in a consolidation of public finances by the adoption of a Federal Budget for 1984, the increase of which has been limited to no more than 1.6% over the 1983 Budget, and a restructuring of fiscal provisions with a view to favor investive rather than consumptive expenditure. With a containment of the inflation rate at about 2.6%, with the upswing now taking place in industrial production as well as in private demand and with a balanced current account situation, the fundamentals of the German economy make it possible, as of now, to expect a real GNP growth in 1984 of 2.5–3%.

Domestic recovery— a chance for international solutions

It is indeed to be hoped that the positive trends visible not only in industrialized countries but also in important newly-industrialized and developing nations may set the stage in a brighter light for the efforts to resolve the structural imbalances in various fields of the world economy, which still represent heavy burdens and considerable risks for a much needed solid global recovery. Germany and Japan, as the world's second and third largest trading nations after the United States, bear special responsibility to play an active part in helping to restructure the world monetary system, in seeking ways to deal with the problems of indebtedness in which so many countries regrettably find themselves, in safeguarding the liberal world trade system and, finally, in an improvement of the international economy by pursuing at home a stability-oriented policy for growth. I am confident that both the German and the Japanese governments will cooperate in these fields in the spirit of closeness, understanding and partnership, which have for many years marked the bilateral relationship.

It is in this spirit of partnership that we will continue to seek solutions also for the imbalance which has occurred in our bilateral trade. Japanese exports (customs clearance figures) to the Federal Republic of Germany exceeded, from January to October 1983, German deliveries to Japan by US\$2.7 billion, widening the gap by 22% if compared to the same period in 1982. It could be argued that for the German overall trade balance, which in 1983 is estimated to show a surplus of approximately DM 46 billion, this bilateral imbalance would hardly seem to be a critical factor in quantitative terms as our trade with Japan amounts to no more than about 2.3% of our foreign trade. Also, it has rightly been pointed out that in a multilateral trading system a purely bilateral analysis of trade statistics would be misleading.

However, we do see problems in the structure of Japanese trade with its major partners, i.e. the excessive concentration of its exports on a limited number of products. This concentration has been perceived in a number of countries as a "laser-beamed" trade offen-

sive and, at times, as a disruption of the continuous development of national economies. Such perceptions unfortunately give rise to protectionist pressures which could result in restrictive measures detrimental to the free trading system as a whole.

I acknowledge that the responsibility which, against this background, falls upon Japan to safeguard the free international trade system may imply the delicate task of conducting—on the one hand—a reasonable and moderate strategy of exports which would take the internal situation of the partner-countries into account without resorting—on the other hand—to the creation of government-influenced export controls or quasi-controls. No doubt, this is a rather narrow path between liberal trade virtues and protectionist sin. In our view, the primary responsibility for such an anticipatory policy of export-moderation should rest with the private enterprises. Government-regulated or even negotiated measures of self-restraint must, if anything, remain an exception as they, especially if pursued as a rule over a number of years, may well turn out to be tantamount to protectionist restriction of trade. The Federal Government will continue to oppose such distortions within the multilateral trading system from a principle point of view.

We Germans believe that we have fared well by allowing our own industries to be challenged by Japanese competition on our home markets. On the whole, it may be said that this "Japanese challenge" has proved to be an incentive for innovation, for measures of further enhancement of productivity and for restructuring our industry over the past couple of years, a process which was an essential prerequisite to maintaining our competitiveness in world markets. The modernization of production technique in our automobile industry may well be cited here as a case in point.

German exports to Japan — problems and perspectives

Attempts to resolve bilateral imbalances by trade-restrictions will lead us nowhere and they only tend to aggravate the global economic trade problems. The Federal Government therefore has pursued for a number of years a strategy aimed at the expansion of our trade with Japan. We consider that there is still a large potential to increase our own exports to Japan.

A comparison of, firstly, our competitive position on third markets and, secondly, of our trade with Japan strongly suggests that our exports to this country have not nearly reached the level which they might fairly be expected to have reached between two leading highly industrialized countries.

Much of this discrepancy between the German international trade position in general and the results in our bilateral exchange of goods may be still attributed to a "self-sufficiency" which, it may be argued, was unfortunately still maintained when Japan had long become a strong partner in the international economic system—last not least as a result of the tremendous opportunities offered to Japanese exporters by the openness of for-

eign markets. It is to be highly welcomed that, after a considerable decrease of tariff barriers in the 1970s, the Japanese government has committed itself to removing a number of remaining non-tariff barriers in the framework of four market-opening packages from 1981 to 1983. Now it is of vital importance that these measures bear fruit and that at least a clear trend toward more balanced trade relations will soon furnish proof that an alleviation of trade friction through trade-expansion is indeed possible.

Free trade and internal adjustments

As administrative barriers are progressively removed, the sensitive issue of internal structures and their influence in trade will become more and more acute. It is our own German experience, as our economy became more and more closely integrated into the world economy and in particular the European Common Market, that a high intensity of trade raises, with all due respect to social and cultural differences and valuable traditions, invariably the question of the compatibility and harmonization of internal structures in the individual countries. Looking at recent discussions, for example about Japan's industrial policy and agricultural imports, it is evident that against the background of bilateral trade frictions Japan already faces expectations of major trade partners which touch upon delicate fields of internal policy. The time may have come to consider in which form social, cultural, structural divergencies in major trading nations, their influences on trade and possible policy consequences could be addressed, without immediate linkages to trade problems, in more depth, in a spirit of partnership and growing interdependence, and in a forward-looking manner. Such discussions, which might involve academics, politicians, administrators and businessmen, should by no means focus on new demands to be put to Japan but certainly include the adjustment processes which in the open trading system, the Japanese economic challenge after all necessitates in its partner countries. They would aim at bringing out more clearly the medium and long-term perspectives for a harmonious economic relationship of the democratic industrialized countries.

Objectives of the EC

The Federal Republic of Germany is one of the founding members of the European Community and it is fully committed to the concept of European unification. German-Japanese relations—economic and political—today must, therefore, be seen against the wider background of the comprehensive relationship between Japan and the European Community, which has become Japan's negotiating partner in the field of trade policy, as well as a partner in political consultations. I am well aware of the fact that in Japanese eyes the European Community is often enough perceived as an

institution which is forever putting forward demands. I am therefore particularly concerned to draw attention to the positive and constructive part which the European Community plays for us in Europe and also in world trade. Current frictions are resulting not from the closedness of the European markets to Japanese products but rather a consequence of the comparatively open trade policy of the European Community. The fact that Japan has greatly profited from the overall liberal trade policy of the European Community should not be lost sight of. Furthermore, the international tensions in recent times have underlined the positive role of the European Community in preserving peace and stability not only on our European continent but also on an international scale.

German-Japanese partnership

For the Federal Republic of Germany, 1984 will be a year of particular importance in its relationship with Japan. From April 23 through May 6, the German Exhibition will be held here in Tokyo under the general theme "Made in Germany—Yesterday—Today—Tomorrow." The purpose of this exhibition, which will not only include displays of a wide range of industrial enterprises but will also be accompanied by a series of technical and scientific events, is to demonstrate to the Japanese business world and to the general public the technical standards and efficiency of German industry, and the opportunities for trade and cooperation with our country. It is intended to foster the traditional climate of good-will toward products "Made in Germany" and to further develop the positive image which they have for many years now enjoyed in Japan.

This exhibition—the first of its kind and dimension to be held in an industrialized country—reflects the emphasis which German business puts on an expansion of our trade with Japan and its resolution to make use of the new opportunities for importers which the Japanese government has recently created. The exhibition is also a proof of the intention of German firms to compete fairly and strongly with companies of other countries, including Japanese enterprises. Economy and culture in our nations are closely linked and reflect upon each other. Therefore, parallel to the industrial German Exhibition, the "German Festival in Japan 1984" will be held. It will offer the Japanese public a most comprehensive display of cultural life in our country. Throughout the year a number of opera, ballet and theater companies, symphony and chamber orchestras, choirs and soloists, who already enjoy a high reputation in Japan, will perform in Tokyo and other Japanese cities, amongst them highlights like the Hamburg State Opera, the Ballet Ensemble of the Württemberg State Theatre Stuttgart, and the Berlin Philharmonic Orchestra. There will, furthermore, be a series of art and documentary exhibitions, scientific lectures and symposia.

The German Exhibition and the German Festival will both bear witness to our traditional friendly ties with Japan and our resolution to further develop our relationship in a spirit of closeness and partnership. ●