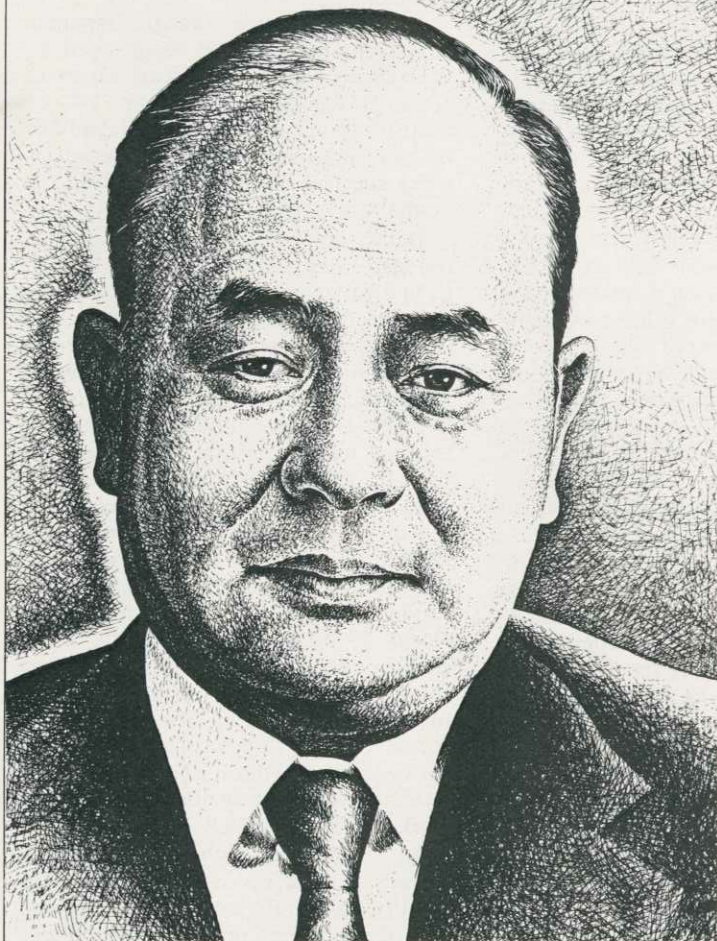


Five Steps To Progress

Public discussion on Japan's external trade often focuses on the U.S., with Europe taking a back seat. In this article, Kazuo Wakasugi, vice-minister for International Affairs of the Ministry of International Trade and Industry, presents his views on Japan-EC relations, now enjoying a period of calm, and what needs to be done to improve them. He is impressed by Europe's determination to resolve problems in trade and other areas, and by the anti-protectionist mood prevailing.

Kazuo Wakasugi.



By Kazuo Wakasugi

During a two-week visit to Europe late last year, I met with more than 20 officials – government representatives of Britain, Belgium, West Germany, and France, and leaders of the EC Commission, the International Energy Agency (IEA), and the OECD – and attended the annual Japan-EC Industrial Cooperation Talks as Japan's representative. Aside from its other benefits, the trip reinforced my conviction that Japan-Europe relations must be strengthened. The revitalization of the European economy is important both to the world's economic development and to the maintenance of world peace, and it is in this spirit that I would like to suggest five major steps that would go a long way toward achieving this end.

Five steps:

(1) Promoting industrial cooperation

First of all, I would like to emphasize the importance of actively promoting industrial cooperation. Most of the Japanese manufacturing companies investing in Europe produce such items as automobiles, VTRs and color televisions. These are areas requiring highly developed parts suppliers. These companies need the support of a broad-based parts industry if they are to survive and grow. Yet European industries are not necessarily strong in this area. Those on the European side who are aware of this point wish to expand industrial and technological cooperation with Japan in the parts industry. The investing Japanese companies share this hope. As industrial cooperation with Japan has increased, Europeans have gradual-

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Victor Company of Japan's video equipment production plant in England

ly come to realize that there is much they can learn from Japanese corporations, both large and small, and they are increasingly eager for technical tie-ups and cooperation. Japan and Europe must work together for broad-based cooperation.

(2) Creating a technological data bank

The second step is to create a technological data bank in Europe. A trilateral framework for patent information exchange already exists among Japan, the United States and Europe, but Europe has not taken full advantage of this system. This patent exchange framework was intended not simply to facilitate patent application examinations but also, and just as importantly, to encourage patent information use by private industry. Here, again, however, European industry is not benefiting as it could. Recognizing the importance of such information exchanges, Europe should make greater efforts to establish a central technological data bank or clearing house to improve the flow of information.

(3) Establishing high technology colleges in Europe

There is a conspicuous need for an ambitious Europe-wide program for human resource development in the high technology and information fields. Individual countries have sensed this need, and have already made tentative moves in this direction. But frankly speaking, these programs are not necessarily as effective as they could be. A comprehensive program for all of Europe is needed, and there might be ways for Japanese industrial circles to cooperate with the establishment of such European high technology colleges if requested to do so.

(4) Expanding the European presence in Japan

I have repeatedly stressed the vital need for a greater European presence in Japan to promote high-technology exchange and closer Japan-EC trade and economic rela-

tions. A growing awareness of this same need in U.S.-Japan relations has recently prompted an increasing number of American businesses to open information-gathering and parts-procurement offices in Japan. European companies, on the other hand, open offices in Japan only after the decision has been made to enter the market. The time has come for Europe to increase its presence in Japan, not only to do business but also for such purposes as parts procurement, information gathering, and product development.

(5) Abolishing discriminatory import restrictions

Many European countries maintain discriminatory trade barriers against specific Japanese export products — even though these restrictions have long since lost their *raison d'être*. Nuts and bolts come to mind here, as do ceramics. These restrictions detract from broad Japanese-European exchange, and I have most strongly urged that they be abolished. In response, Europe has put the matter under consideration, and although no timeframe has been established for a decision, this appears to be an indication of understanding and I hope that it will lead to the discriminatory restrictions' abolition.

Now I would like to report on the talks I had in Europe for it was these fruitful discussions which helped me to crystallize my proposals.

New mood in Europe

Japan-EC relations are relatively tranquil at the moment. The economic recovery in the United States has helped to improve Europe's trade balance, and the region's current account is in the black. This has sparked a slow but definite improvement in the European economies, and the strong yen (*vis-à-vis* European currencies) is correcting the trade imbalance with Japan somewhat. Between January and November 1984, European exports to Japan went up by 16% while imports from Japan increased very

little. This has been the principal factor in the recent serenity in Japan-EC relations.

In addition, there is a general perception in the EC that cooperation with Japan will help Europe promote the healthy development of high-technology fields, particularly telecommunications and electronics. This realization has spurred increased Japan-Europe industrial cooperation over the past few years, and it is another factor contributing to better Japan-EC relations.

The EC's major industrial concerns today are those of promoting high-technology industries and effecting smooth adjustment for such traditional core industries as steel and shipbuilding. The EC-wide ESPRIT program is already doing much in the area of high-technology research, and West Germany has launched an ambitious five-year program to invest DM3 billion (\$1 billion) in promoting the electronics and information industries. As for industrial adjustment, comprehensive efforts involving all of the EC member nations are being made in the steel, coal, and shipbuilding industries.

I sensed on this trip a renewed determination to establish uniform regulations on standards, environmental protection and other areas in order to make the European market truly open.

I was also impressed by the intensity of European concern with American economic trends. Knowing that the recent improvement in the European economies is tied directly to the American economy, and having experienced trade friction with the United States in such areas as steel, Europe is very sensitive to American economic directions and any protectionist moves in that country.

Positive consensus

Japan-U.K. industrial cooperation is progressing smoothly and the good results thus far have whetted the appetite for even wider cooperation. While both an oil-producer and an oil-consumer, the U.K. seems to have no interest in going along with the actions of any cartel, and takes a markedly passive attitude toward talks between oil-producing and oil-consuming nations. The U.K. acknowledges that the small volume of its oil production — vis-à-vis the world as a whole and even other non-OPEC oil producers — dooms any attempt to control oil prices artificially.

Belgium has always been a proponent of free trade, and we were quick to come to an agreement on this point. Here, too, there is a strong demand for increased industrial cooperation in electronics and other frontier fields.

In West Germany, Dr. Bangemann, Economics Minister, stressed the need to maintain free trade and expressed concern over American protectionism. He went on to state that West Germany does not favor "voluntary self-restraint" in exports, and predicted that environmental concerns would join macro-economic management and the need to roll back protectionism at the top of the agenda for the Bonn Summit.

Mrs. Cresson, French Minister for Industrial Redeployment and Trade, was enthusiastic about Japan-France industrial cooperation, but expressed strong concern about France's trade imbalance with Japan. She expressed strong hopes for Japanese government orders for such leading-edge French high-technology products as jet aircraft and

nuclear technology. Mr. Sautter, deputy secretary general to the President, also reiterated France's basic support of free trade and urged that the two-way trade between our countries move in the direction of expanding rather than diminishing equilibrium.

While in Europe, I also met with EC, IEA and OECD officials. My talks with Mr. DeClercq, commissioner for External Relations and Commercial Policy of the EC Commission, and Mr. Narjes, vice president of the EC Commission were especially fruitful, and I came away greatly encouraged by their staunch support of free trade.

Asked by IEA Secretary General Mrs. Steeg to clarify Japan's position on talks between oil-producing and oil-consuming nations, I noted that formal talks with participants aligned on opposite sides of a negotiating table tend to be less productive than informal bilateral talks or multilateral roundtable exchanges of information and opinions for mutual understanding.

In my meeting with Mr. Paye, secretary general of the OECD, I emphasized that the high-tech and service sectors create new job opportunities and spawn new sub-sectors. The need for industrial adjustment is self-evident, and new industries are essential to this adjustment. Without new industries in these frontier fields, it will be impossible either to solve the unemployment crisis or to stem the protectionist tide.

In addition, the development of these industries is the key to the world's social and economic future, and there is an obvious need for OECD policy studies and recommendations in these fields. Most governments are aware of the need to promote these industries, but protectionism is not the way to go about it. Indeed, protectionism would have an effect exactly opposite to the one intended. This was the message which I trumpeted at every possible opportunity during my trip, and I was gratified by the positive response it evoked.

Japan-EC Industrial Cooperation Talks

The focus of the second Japan-EC Industrial Cooperation Talks was, as usual, a review of the exchanges effected to date, and the consensus was that we are progressing in a direction satisfactory to both sides. The EC representatives asked for more technological exchange and more Japanese direct investment in Europe, not only in manufacturing plants but also in research laboratories for technological development.

Noting that there are, in fact, many Japanese research organizations wanting to establish operations in Europe, I suggested in response that Europe would do well to consider establishing product development centers in Japan in light of the speed with which Japan develops new goods. I also asked for clarification of the EC's contentious rule of origin, since industrial and technical cooperation will be otherwise constantly hobbled by these requirements. Setting unreasonably high local content ratios and demanding too-segmented adherence to these standards would, I noted, engender cost and quality competitive disadvantages. Flexible policies are needed if the Japanese companies willing to establish cooperative operations in Europe are to have a chance of succeeding. ●