

# Europe and Japan: Forging Closer Links

By Jean-Pierre Leng

**T**he European Community and Japan are the two success stories of the latter half of the 20th century. Both started from the ruin and upheaval caused by World War II. Both achieved growth, prosperity and bright prospects for their future development within a framework of liberal democratic values and free markets.

The Community is a unique entity where the member states are pooling resources, markets and now political sovereignty. This is necessarily a gradual process involving much negotiation and persuasion. But the process of European integration has taken a major step forward with the Single Market Program. Despite difficulties, it is expected that the ratification of the Maastricht Treaty will be achieved by the end of the year.

The EC is emerging not only as a much stronger economic entity, with its own monetary personality, but is also becoming politically a major player on the world stage.

As the lead player in the Group of 24 in lending assistance to the Central and East European countries, as well as a prominent provider of aid to the former Soviet Union, the EC is contributing to a new kind of partnership in Europe.

We have signed an agreement with the EFTA countries to establish a European Economic Area, which effectively extends our common market to the EFTA group. To the east we have signed so-called Europe Agreements with Hungary, Poland and the Czech and Slovak republics which, in addition to trade and technical cooperation, provide for political dialogue. Negotiations for the same type of agreement have just got under way with Romania and Bulgaria. We have also concluded similar though less far-reaching agreements with most of the other countries in the region. Seven countries have already formally applied for membership of the EC and 10 more could apply in the future.

These developments clearly point to

the emergence of some kind of European grouping that will, by the end of this century, be the world's largest economy and a prominent player on the international stage.

But there will be no Fortress Europe. We have consistently made clear our intentions to play by the rules of free trade and competition and to help build a stronger multilateral trading system.

## Open markets

There has been much talk recently about the development of trade blocs, although the EC is actually aiming at the political union of Europe. Of course, trade and investment flows will probably develop faster within particular regions and among countries which are geographically close or which have complementary economies – I mean principally Europe, the Pacific Rim countries and North America. Regional integration may be given an institutional form. But it is not our intention that these regions develop into economic zones insulated from each other. Europe for its part will remain

open. The Community at present accounts for over 20% of world trade. We welcome foreign investment. We seek more open markets in services generally and in financial and professional services in particular.

Likewise, Japan has accumulated enormous economic strength and this in turn gives it a very large, potential political influence and a corresponding level of responsibility. Internally, Japan is hotly debating how to improve the quality of life for the ordinary citizen and how in other ways to distribute to people generally the fruits of economic success. Externally, Japan is now prepared to make a contribution more in line with its economic strength, as is witnessed by the PKO bill, the rising ODA budget and its support for the multilateral financing institutions.

In view of the growing economic and political weight of the EC and Japan, our bilateral relationship can no longer be based disproportionately on bickering about trade problems, but should be made more wide and deep with a strong political dimension. When Jacques Delors, president of the Commission of the



A reception welcoming Jean-Pierre Leng when he took up his post as the EC ambassador to Japan.

Photo: EC Delegation in Tokyo



The EC headquarters in Brussels.

European Community, visited Japan last year and met with Emperor Akihito and then-Prime Minister Toshiki Kaifu, the purpose of his visit was to shift the development of EC-Japan relations into a higher gear. The result was the joint declaration agreed on at The Hague last July between the EC and Japan which established the foundation for building a new partnership.

Our desire for stronger links with Japan has to be seen in a broad international context. The collapse of the communist system in Europe and the ending of the Cold War have created challenges that none of us can cope with separately. A vast reconstruction effort is needed in Eastern Europe and in the former Soviet Union. Twenty new countries are jostling for recognition. But problems of nuclear proliferation and military brinkmanship persist.

In the economic arena the need to secure free trade through a successful conclusion to the Uruguay Round, promote development and tackle indebtedness remain as pressing as ever. These have been joined on the international agenda by major new problems which are not of a purely economic or security dimension such as resource depletion, the environment and emigration.

The international community has to find ways of cooperating effectively to

deal with immediate problems and at the same time work toward new political and systemic arrangements that will lead to a balanced world partnership in the 21st century. The EC and Japan together with the United States have a special responsibility in pushing this work ahead by reason of their great economic and political weight.

Let me say, however, that I see two immediate dangers to the development of a strong and close relationship between the EC and Japan.

### Evidence of change

One is the danger of introspection. The EC is very much absorbed in pushing ahead with integration, faced with its enlargement problem and coping with the dramatic developments in Central and Eastern Europe and in the CIS. Japan is also preoccupied with domestic political and economic problems. A large part of my task as EC ambassador to Japan is making sure the Community remains fully aware of this region and correspondingly making sure that Europe has its rightful place in Japanese public consciousness.

Second is the danger of allowing trade and investment imbalances to persist. In particular, Japan's trade surplus with the EC has risen steeply recently. This is not

necessarily an argument for limiting Japanese exports. Rather, it points to the need to increase Japan's imports and therefore to make markets more open. Liberalization and deregulation will benefit not only foreign exporters, but also Japanese consumers and businesses by lowering costs. This mutuality should be the keystone of our commercial relations in the future. I note with interest that the new five-year macroeconomic plan takes this into account.

But it is important to understand that Japan will be judged not by the number of plans, programs and studies which it launches, or even by the number of reforms it introduces. It will be judged by the effect of these measures, by what EC Vice President Sir Leon Brittan has called the evidence of change, and here the latest trade figures make gloomy reading.

Of particular importance also is a commitment to multilateralism. One of the most damaging signals of recent times has been the evidence that Japan is willing to strike bilateral side deals, particularly with the United States. Whatever Japan's protestations that such arrangements are designed to include all foreign trading partners, it is hardly surprising that they provoke suspicion and very great concern elsewhere in the world. Japan's market must be open to all, on the basis of comparable opportunities. Once again, we shall be watching the development of our trade in the relevant sectors with the closest attention.

The problem, I know, is not just for Japan. European companies must redouble their efforts to be present in the Japanese marketplace, and they must invest money and time to ensure that they are producing what the Japanese customer wants. Europe has much to learn, too, from Japanese management and production methods.

So there is much work for Europe as well as Japan. What neither of us should doubt is the urgency and importance of that work. ■

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Photo: Kyodo News Service