

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## EC - JAPAN RELATIONS

(Communication from the Commission to the Council)

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Communication from the Commission to the CouncilEC-Japan RelationsSUMMARYI. Introduction

EC-Japan relations, and the problems they raise, must be dealt with in a more general context, characterized by the insufficient integration of the Japanese economy into the world economy, and also by the insufficient depth of EC-Japan relations compared with each partner's respective relations with the United States. It is therefore in the interest of both parties to strengthen and diversify their relations in order to achieve a better equilibrium in their economic and commercial exchanges, taking also into account the inter-relationship between the commercial, industrial, monetary and financial aspects.

To this end it is vital that the Community makes a global and sustained effort (paragraphs 1 to 6).

II. Economic Background

Japan's external imbalances will continue to grow over the next few years (current account surplus of \$49.3 billion in 1985, and a forecast of \$58 billion for 1986). The recent appreciation of the Yen has been more substantial against the dollar than against the ECU; its effects on external balances will largely depend on the economic policies which accompany it. The measures taken until now to stimulate internal demand do not seem likely to have much effect in the short term. The trade deficit of the Community with Japan is deteriorating when measured in ECU, forecast for 1985 of around 18 bio (paragraphs 7 to 10).

III. Political and Structural Factors

Mr. NAKASONE's government has displayed courage and imagination. Nevertheless, it remains to be seen whether it will be able to promote real structural reforms in Japan and whether, to this end, it can rely on a firm consensus of Japanese opinion, including that within its own party and the business community.

Japan's partners in general must also fully play their role in this process by adopting new dynamic export and investment strategies (paragraphs 11 to 14).

#### IV. Basic Considerations

The maintenance of a free-trade system would require that the Community's relations with Japan be improved whenever possible, and that their cooperation evolve on matters of mutual interest as well as on international problems where their views are often close. The risk of a multilateral trade conflict remains nonetheless acute (paragraphs 15 to 19).

#### V. Recommendations

##### A. Increased dialogue and cooperation.

- i) Make full use of existing structures for discussion and explore the possibilities of a new mechanism that obviates the problems resulting from the compartmentalisation of the Japanese administration.
- ii) Develop cooperation, where necessary by the conclusion of agreements, in the fields of science and technology, industrial cooperation, development aid, economic policy, monetary cooperation (paragraph 20).

##### B. Opening up Japanese markets.

- i) Follow up, and if possible accelerate, the implementation of the Action Programme.
- ii) Open discussions on particular products.
- iii) Align Japanese standards and certification procedures to international standards and drastic simplification of procedures.
- iv) Develop European investments in Japan (paragraph 21).

In any event, it will be necessary for Japan to pursue an exchange rate policy designed to balance its external account, and a stronger economic policy designed to stimulate domestic demand (paragraph 22).

The idea of an import objective, i.e. a formula which makes it possible to measure the progress made in boosting total imports of manufactured products, remains valid (paragraph 23).

C. Re-establishing a true balance of advantages

- i) In the framework of the GATT, and taking as a point of departure the Council Declaration on the imbalance of advantages (Conclusions of 19 March 1985), the Community will exercise all its rights and, in the context of the New Round, will not be willing to grant concessions as long as its imports remain low. The possibility of reactivating Article XXIII(2) will be examined.
- ii) The conditions under which European banks and other financial institutions can carry out their activities on the Japanese market must be examined to bring them to the same level as those faced by Japanese banks in Europe.
- iii) Member States' attitudes with regard to Japanese investments (in level as well as quality) should be the subject of an exchange of views within the Community framework so as to avoid over-bidding for those investments.
- iv) The surveillance of the export of certain sensitive Japanese products will be continued (paragraph 34).

D. Greater efforts on the part of the Community

The Community must increase its efforts at trade promotion and investment, and the Commission must have the necessary means of doing so (paragraph 25).

E. Working Procedures and Methods

Given the diversity and complexity of the areas in which the reflections and discussions must be carried out, an appropriate structure should be envisaged for a global and sustained effort at a Community level vis-à-vis Japan (paragraph 26).

## EC-JAPAN RELATIONS

### COMMISSION COMMUNICATION TO THE COUNCIL

#### I. INTRODUCTION

1. The Community's problem with Japan is not simply a matter of the persistent economic and trade imbalance; a similar phenomenon marks Japan's relations with most of its industrialized or industrializing trading partners and is symptomatic of a deeper-rooted problem, which is that the Japanese economy is not sufficiently integrated with the broader international economy. The problem is also that their relations are so slender. The United States, the Community and Japan are the three leading economies of the "western" world, but while the Community and the United States, and to a lesser degree perhaps the United States and Japan, have developed wide and diversified links, EC-Japan relations, the third side of the triangle, are still underdeveloped, owing partly to Japan's reticence and partly to European neglect.

2. Japan accounts for 10% of world GNP, coming third in the "western" world behind the United States (with approximately 30%) and the Twelve (approximately 21.7%).<sup>1</sup>

Japan today is undoubtedly a world power and front-ranking industrial, scientific and technological growth centre. It is thus in the interests of both the Community and Japan to develop a relationship sound and sustained enough to do justice to their respective positions.

Japan already plays a significant part in international discussions of trade, currency, financial and development issues. It should be encouraged to assume greater responsibilities in these fields.

3. Diversified relations with Japan on an equal footing would offer the Community a way to try and restore the balance on the economic and trade front within a wider context. Conversely, more balanced economic and trade relations would remove causes of friction and make it easier to establish more comprehensive and diversified ties. The very interrelatedness of competitive strength, exchange rates, development,

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<sup>1</sup> Source: World Bank Atlas of 1985. It does not include figures for the Soviet Union or other Eastern bloc countries.

the opening up of markets to the free movement of goods and services, and the growing international role of both the yen and the ECU mean that the Community stands a better chance of developing a harmonious, balanced relationship with Japan along these lines.

In Japan itself a similar recognition prevails at the highest level, as Prime Minister Nakasone's recent statements make clear.<sup>1</sup>

There is the same interest in improving the balance both of international economic relations and of the multilateral trade and payments system.

4. Nevertheless, in the last few years Japan has amassed ever-larger current account surpluses, part of a heavily lopsided pattern at the broader international level. This continuing trend is giving rise to serious problems in the monetary and trade equilibrium at world level. While Japan's external surplus is to some extent offset by the United States external deficit, it also reflects Japan's low level of manufactured imports and structural bias towards manufactured exports. This structure is characterised by strong ties within each of the large industrial groups operating in the major sectors of the economy and by a high degree of vertical integration; this has a strong impact on external trade and the domestic distribution system. The strategy pursued by Japan in its economic and commercial relations with the rest of the world - and from which it has had the greatest benefit - is largely based on this structure and now threatens to upset the whole international system of trade and finance, to the detriment not only of Japan's partners but of Japan itself.

5. Against this background the Commission now submits to the Council an analysis of the situation, followed by a number of recommendations aimed at:

- stepping up dialogue and cooperation with Japan (paragraph 20);
- encouraging Japan to open up its markets still further and seeking a genuine balance of advantage in trade (paragraphs 21, 22, 23 and 24);
- intensifying the Community's efforts to establish itself more strongly in Japan (paragraph 25).

6. Only if the Community is prepared to exert itself as a Community can it hope to influence the course of events at an increasingly critical juncture not only for EC-Japan relations but for the preservation of

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<sup>1</sup>In a speech on 21 January Mr Nakasone acknowledged that Japan, with its increasing strength, was expected to assume its responsibilities within the international community. It was up to Japan as a country with international aspirations and responsibilities to offer a sincere response to these expectations. On the economic front, Mr Nakasone pledged himself to take steps domestically as well as internationally to open up the market by establishing and implementing the Plan of Action, and to encourage a shift in the Japanese economy towards greater reliance on domestic demand.

the post-war multilateral consensus on international economic and trade relations.

## II. ECONOMIC BACKGROUND

7. Ever since Japan emerged as a power in international trade its growth has been largely export-led, leading to the build up over the years of surpluses on the external account.

The surpluses are expected to go on increasing for the next two years. The latest OECD forecasts point to an increase in the overall current account surplus from the \$35 billion reached in 1984 to \$45 billion in 1985<sup>1</sup> \$58 billion in 1986 and over \$62 billion in 1987, paralleled by the growth of the trade surplus.

Pursuant to the decisions taken by the Group of 5 on 23 September the Bank of Japan intervened decisively, along with other central banks, to push the yen up by some 20% against the dollar. In the long term a stronger yen should help bring down the trade and current account surpluses (though the short-term effect could be just the reverse). In the last analysis, however, the impact on external balances of an appreciating currency depends on the economic policies which accompany it. It should also be borne in mind that the yen has gained mainly against the dollar; its appreciation against European currencies has been modest (up 3% against the ECU).

8. Japan's current account surplus is partly due to a structural imbalance between domestic savings and investment. The huge savings surplus reflects weak domestic demand, caused in turn by the sluggish growth of household consumption, housing investment and public spending on social infrastructure, and by Japan's tax structure.

The measures announced by Tokyo in October and late December to stimulate domestic demand will have only a marginal effect on the external imbalances; the official government forecast is that the October measures will boost total imports (no doubt including raw materials and semi-manufactures as well as manufactured goods) by \$2 billion in 1986; Japanese private-sector institutes, however, put the figure at less than \$1 billion. No figures have been advanced for the December measures. The prospects for a real import stimulus look poor in the short term.

9. The three year Plan of Action to open up the Japanese market is a step in the right direction, but for the time being the effects are not certain. The Japanese authorities say they are not in a position to

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<sup>1</sup> Since then the actual figures show a surplus of \$49.3 billion.

guage its impact in terms of actual increases in the volume of imports, and add that no measurable effect on trade is to be expected in the ensuing twelve months.<sup>1</sup> Despite the intention of the Japanese authorities to speed up implementation of the programme, the judgment of the Council on 22 October that the practical effects were likely to be limited, and in any case slow to make themselves felt, remains valid.

10. The Community's structural trade deficit with Japan has continued to rise in ECU terms, growing from 14 billion ECU in 1983 to 16.5 billion ECU in 1984 and an estimated 18 billion ECU in 1985, 0.32% of Community GDP. There has also been a qualitative deterioration, i.e. a decline in the value-added level of Community exports. The gap could widen still further if Japan were to resume a more aggressive stance on the European market, as a result of a slowdown in US demand or the more marked rise in the yen against the dollar compared to its appreciation against European currencies.

### III. POLITICAL AND STRUCTURAL FACTORS

11. Prime Minister Nakasone personally, and other members of the Japanese Government, have displayed courage and imagination. Recent measures and procedures set in train are undoubtedly moves in the right direction, and should be welcomed unreservedly as such.<sup>2</sup> A Study Group on Structural Economic Adjustment for International Cooperation, chaired by a former governor of the Bank of Japan, is due to report to the Prime Minister in March with recommendations on domestic structural changes which would help reduce the chronic trade and payments surpluses. So the need for structural change is acknowledged in principle.

12. However, there is also in Japan - inter alia in the industrial and business community - a body of opinion either opposed to change, or simply tending to inertia or complacency. The roots of the problem within the system itself are not yet widely recognized, still less openly admitted by government and administration. There are still those in Tokyo who believe it will be enough for Japan to cut down visible barriers to trade and exhort businessmen to buy more foreign goods. They see no need for domestic policy and structural changes; it is up to the overseas exporter to make the effort to increase sales to what, in their view, is the "free" Japanese market. Japan can pride itself on having the "most open market in the world" - never mind about

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<sup>1</sup> However, the MITI Minister has just announced that he has succeeded in persuading 134 top Japanese companies to increase their overseas purchases by a total of \$7.4 billion in 1986 (as compared to total purchases abroad by the same companies in excess of \$103 billion in 1985).

<sup>2</sup>

Following an agreement reached in the International Energy Agency in July 1985, the Diet has adopted in 1985 a bill authorizing the importation of certain refined petroleum products into Japan for the first time.

the actual volume of imports. Others see a reduction of the surplus with the United States as the only real necessity.

13. Clearly there are limits to the ability of Japan's politicians to fulfil the expectations of international opinion unless they can rely on a sound, broadly-based national consensus reaching beyond government and administration to take in the parties, the main industrial and financial groups and public opinion as a whole. So far it cannot be said with certainty that a firm consensus of this nature exists. The uncertainty is further highlighted by the possibility of change in the country's overall political direction before the end of this year; a retreat to more insular, even nationalistic, attitudes cannot wholly be ruled out.

14. So far the Japanese government has not been willing to set a quantified import target or "vision" to serve as a yardstick by which to measure the sort of import growth needed for the balance and stability of the international trading system. Yet similar suggestions have been made within Japan itself (by a former minister, Saburo Okita, and some members of the Study Group on Structural Adjustments among others); there is confirmation that recent trade strategies have made use of indicative targets for national economic planning, as well as export "visions", and it seems likely that the administration would need firm guidelines to implement the programmes or procedural changes already announced or under consideration, which contain no quantified estimates. Again, statements by the Japanese authorities plainly acknowledge the need for concrete results. Having said that, however, there is always the familiar suspicion that Japan's trading partners will be offered procedural rather than substantive measures, policy statements rather than the prospect of real improvements.

#### IV. BASIC CONSIDERATIONS

15. Maintenance of a liberal system of world trade requires an improvement in the Community's relations with Japan wherever possible. Japan must become a partner in monetary and financial affairs as well. It is hardly acceptable that Japan, as the world's third largest economy, and the Community, with a population of 320 million, representing over a fifth of total world production, should continue to be separated by trade, industrial and financial conflicts and not cooperate more closely on most international economic problems.

16. Comprehensive, diversified cooperation between the two sides is needed in order to find ways of achieving more harmonious world economic growth, establishing a more stable and predictable international monetary system,

and preserving and strengthening the multilateral trading system. This bilateral relationship would form part of the wider cooperation between the three main "western" economic powers, the United States, the EEC and Japan; in other words, relations between the two last-named powers must become as strong and sustained as those which each of them enjoys with the United States.

To this end Japan and the Community need to coordinate their economic policies more effectively. They should collaborate in developing the international role of the yen and the ECU as payment and reserve currencies. If the multilateral trading system is to be preserved and strengthened, Japan must take effective steps to bring its bilateral surpluses under control, and that means paying more attention to the yen's rate against European currencies. Clearly, too, closer economic links would be helped by greater two-way penetration in the form of investment projects or exchange of technology, given a propitious environment.

Cooperation is also needed in the search for solutions to international problems of mutual concern, such as development aid, on which Japan and the Community often in fact have rather similar views.

17. It is the Commission's belief that such cooperation with Japan is in the interests of the Community.

As far as Japan, generally more reticent, is concerned, there has been evidence lately of a change in attitude at the top. In his speech on 21 January the Prime Minister said he intended to seek cooperation at a higher level, and wanted to find ways of cooperating more fruitfully with the Community.

18. The Community should therefore go on encouraging Japan in its efforts to integrate itself more fully in the multilateral trade and payments system, and should develop cooperation with Japan wherever it usefully can in order to achieve a better overall balance of relations.

19. The risk of trade conflicts, multilateral rather than bilateral, perhaps, may remain acute for some time, however, and could indeed increase over the next two years. Despite its huge surpluses, high growth rates, low unemployment and inflation and powerful manufacturing and technological base, Japan is still not playing an international role commensurate with its economic weight. The sense of responsibility and strong leadership evinced by the present government in Tokyo have not done away with the multilateral structural imbalance which threatens the foundations of post-war cooperation and represents a veritable time-bomb within the trading system.

## V. RECOMMENDATIONS

In the light of what has been said above, the Commission puts forward the following recommendations.

### A. Increased dialogue and cooperation

20. The Community must create closer relations with Japan and broaden the scope of these relations.

#### (i) Dialogue

(a) The Commission plans to put the existing framework and mechanisms on a permanent footing, namely:

- . the annual ministerial conference;
- . the high-level consultations (senior officials), also annual;
- . meetings and consultations between officials on specific or sectoral aspects of trade relations, cooperation on financial and monetary matters and on technical standards;

(b) In order to obviate the problems resulting from the compartmentalization of the Japanese administration, the Commission has also proposed to the Japanese authorities that a "monitoring group" be created, made up of personal representatives of the Japanese Prime Minister and the President of the Commission, whose remit would extend over the various ministries and which would be responsible for monitoring progress in relations, evaluating this progress and recommending appropriate action.

The aim of this proposal, the details of which have to be finalized in consultation with the Japanese authorities, is to introduce a new approach to the problems and should in no way lead to any form of procedural side-tracking.

#### (ii) Cooperation

The Commission intends promoting active cooperation with Japan in the fields of science and technology, focusing on thermonuclear fusion (consultations are already well under way here), biotechnology, new materials and exchanges of young researchers.

Industrial cooperation should also be stepped up by actively encouraging a greater two-way flow of investments and industrial technology. In this context, it is worth studying closely Japan's proposal to set up a cooperation centre in Tokyo. This proposal should not, however, be followed up unless it meets the real needs of European industry; associations representing industry are currently being consulted by the Commission.

Development assistance is another area where cooperation should be stepped up beyond the present minimum. An active coordination with Japan should be undertaken, particularly in the framework of priority action contemplated by the Community for the protection of natural resources and for the fight against desertification which calls for improved coordination with donor countries; in the short term this could aim at specific actions which fall within the scope of the Programme for rehabilitation and relief in favour of the countries most affected by drought being implemented by the Commission.

Finally, since both parties have a clear interest in seeing a more stable and better balanced monetary system set up, the possibility of monetary cooperation between Japan and the Community should be actively looked into, one example being the exchange rate between the Yen and the ECU.

- (iii) Finally, since the Community increasingly needs to speak with a single voice on the problems of North-South relations (including the indebtedness of the developing countries) particularly at western economic summits, it would also be logical to have more dialogue with Japan on these issues.

#### B. Opening up Japanese markets

21. The Commission also plans keeping pressure on the Japanese authorities as regards the problem of access to the Japanese market.

- (i) The Commission will be following closely the implementation of the three-year action programme and will be having consultations with the Japanese authorities on this. The aim is to ensure the full, precise and speedy implementation of the programme.
- (ii) The Commission believes it would be useful to start talks on particular products, with the aim of seeking the rapid abolition of obstacles not covered by the action programme. The sectors of alcoholic beverages and possibly of medical equipment could in this connection serve as a test of the political will of the Japanese Government to open effectively its market to all GATT trading partners. The results of these talks would be examined by the Council after 12 months.

#### (iii) Japanese standards and certification procedures

Japanese standards and certification procedures differ from the generally more liberal ones of its main trading partners; they have presented formidable non-tariff barriers to trade in respect of highly competitive exports from the Community. The Community must maintain pressure on Japan to align its standards

on international practice and greatly simplify its certification procedures. In the particular case of chemicals and pharmaceutical products, the negotiation of an agreement between the Community and Japan recognizing good laboratory practice in the Community would get rid of a major obstacle to our exports in these sectors.

(iv) European investments in Japan

One of the conditions for greater interchange between the economies of the Community and Japan is a higher level of European investment in Japan. This objective cannot be attained without, among other things, improving the environment for foreign investments in Japan as regards modalities of taking over Japanese companies, facilitation of joint ventures. For this to be possible, European investors will need an adequate network of European services (banks, insurance, legal consultants).

22. Whatever the case, a real opening up of Japanese markets and a real increase in Japanese imports will depend on fulfilment of the following conditions:

- that Japan pursues an exchange rate policy designed to balance its external account; this entails, among other things, adjustments in the Yen-ECU and Yen-dollar exchange rates;
- that Japan pursues economic policies designed to stimulate domestic demand even more vigorously so that the full effect of exchange rate adjustments will be felt; only a vigorous policy of support for domestic demand, going beyond the measures announced in October and December 1985 can help put world trading accounts in more satisfactory shape;
- that the Japanese Government, even taking into account its budgetary restrictions, take more energetic action to promote domestic demand; the key components of such a policy would be to bring about a better balance between the level of savings and that of investment, higher standards of living and housing, a substantial increase in public investment in social infrastructure and a continuing liberalization of Japanese financial markets.

23. The Community must make it known that it still wants the Japanese Government to set precise import targets or, if this is not possible, give estimates and its forecast for imports of manufactured products, in short a formula which makes it possible to measure the progress made in boosting total imports of manufactured and processed agricultural products.

Clearly, by thus giving itself a sort of "national priority", so concentrating minds and mobilizing energies, the Japanese Government would provide itself with the basis for a goal-oriented policy. The essential thing, as the Japanese authorities themselves recognize, is to get tangible results showing a reversal of trends.

C. Re-establishing a true balance of advantage

24. The Community has to try to put its economic and trade relations with Japan on a more balanced footing.

(1) GATT

In the context of the preparations for the New Round of trade negotiations under GATT, the Council noted on 19 March 1985 that there was an imbalance in the advantages obtained by Japan and its main trading partners.

The Community must naturally exercise all the rights available to it under GATT in its various trade disputes with Japan. Unfair practices (dumping, etc.) by a partner of Japan's importance and level of industrial development must be penalized with the full force of Community Legislation, in accordance with GATT.

As regards the New Round, the Community cannot allow a repetition of what happened in the past, when similar concessions did not lead to corresponding results. Therefore, the Community will not be willing to grant concessions of substantial benefit to Japan as long as its imports remain low. The Commission proposes to report to the Council in coming months on whether it is necessary to refer the matter of "nullified or impaired" concessions to the Contracting Parties to GATT under Article XXIII(2) for consideration by a GATT working party, either in the framework of the New Round or in parallel.

- (ii) Japanese banks and other financial institutions have steadily increased their activities on the Community market, thereby reinforcing the Japanese commercial effort in the Community. But the conditions under which European banks are required to operate in Japan<sup>1</sup> do not reflect the liberal conditions of establishment and operation enjoyed by Japanese banks in European financial markets. There is in fact little evidence of any change being instituted in the matter by the Japanese authorities despite repeated demands made by the Commission over the years. This has created an imbalance similar to that which has existed for a long time in trade in goods and which is out-of-place in relations between two of the world's largest trading partners. Whilst efforts which have so far been made on the national level to remedy this situation are wholly understandable, the degree of common interest and the link with Community trade and investments in Japan make it indispensable to ensure a Community approach to Japan in this sector. The Commission therefore intends to pursue discussions with Member States as a matter of urgency in order to identify precisely the difficulties encountered on the Japanese market, and to define our common objectives and the way in which these can be achieved in negotiations with the Japanese authorities. It will submit proposals to the Council (Eco Fin).

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<sup>1</sup> Over the last twenty years, less than 1% of all deposits and some 3.5% of all loans and discounts in Japan have been accounted for by foreign banks, with no improvement in the position despite the rise in the number of branches and offices. The levels achieved by Japanese banks in Europe, while varying from country to country, are clearly much higher.

(iii) Quantity and quality of Japanese investments in Europe

At present, only a fifth of Japanese investments in the Community are for manufacturing or assembly, and of this only a fraction involves a significant amount of value added locally. The remaining investments are directly linked to Japanese companies' export and trade thrust and the financial sector. In order to attract as much investment as possible in manufacturing, national and regional authorities in Europe have often been led into competition with each other, each offering bigger or more advantageous subsidies and other incentives. An exchange of views between the Member States at Community level would thus seem necessary to counteract the tendency of Japanese investors to exploit these attempts at outbidding. Japanese investments should be steered towards manufacturing activities with a high value added so that Japanese interests become inextricably linked with a market of 320 million consumers, which already buys more than 20 billion dollars worth of their finished products annually and is Japan's second largest market. Furthermore attention should be given to preventing investments limited to assembly operations in Europe of imported "components" being effected for the purpose of circumventing existing anti-dumping measures.

(iv) Surveillance of Japanese exports

The basic principle of Community policy is still to find a balance through an increase in Japanese imports of manufactured goods rather than restrictions on its exports. However, problems still remain as regards "laser beam" Japanese exports in certain well-defined sectors.

With the expiry of the arrangement on the moderation of Japanese exports of certain sensitive products, the Commission will continue its close surveillance of imports of these products from Japan. It will call for

consultations should problems arise in these sectors. The Japanese authorities have for their part indicated that they have started surveillance of a number of products: colour televisions and tubes, numerically controlled lathes and machining centres, cars and light commercial vehicles, lift trucks and video recorders.

D. Greater efforts on the part of the Community

25. The Community itself must also multiply its efforts.

- (i) The Community must increase trade promotion on the Japanese market. The Commission will present proposals to this end under the 1987 budget, proposals including stepping up Communities activities to promote exports and investment, putting emphasis on language training and back-up for firms, particularly small and medium-sized undertakings which do not have a foothold on the Japanese market. The aim will be to double these activities over the next two years.

There must also be more information for European business circles on industrial and technological trends (and especially a greater effort to collect and translate this information) and on opportunities on the Japanese market.

- (ii) Given that dossiers have to be prepared in great detail and that all aspects of relations with Japan are very "labour-intensive", the Commission must have the proper resources.

In addition to calling on experts from national administrations on temporary secondment, it will also seek progressively to equip itself with a body of young officials with specialist knowledge of Japan.

The Commission wishes to increase staff levels both in Brussels and in Tokyo and will present proposals to enable it to do so in the framework of the next budget.

E. Working procedures and methods

26. A suitable structure for coordinated talks is also needed.

It is clear that reflections and discussions on subjects such as the search for a better balance of advantages in the sphere of banking and financial activities (see point 24 above) or telecommunications illustrate the fact that trade policy discussions cover a more and more diversified field. Even in national administrations these areas are dealt with by different departments. The structure for discussion in the Council should therefore reflect the complexity of the areas covered and satisfy the need for a global and sustained effort at Community level vis-à-vis Japan.