Ladies and gentlemen, it is a great honour to be the guest of the General Assembly of the Nihon EC Gakkai. When I read about your organization, which was, I think officially created exactly a year ago, I was impressed to see in how many places in Japan, the studies of EC matters are now undertaken. And I was glad to see that you have joined hands to have even more effective academic activity in this field.

Before I start my exposé, I should like to salute very respectfully Professor Kenji Katayama, who as everybody knows, is the pioneer of EC studies in Japan, and to your Chairman.

The theme of my conference is, as you know, Japan – EC relations and the framework of the EC external policies. Now I shall try in an academic milieu, to treat the subjects as academically as I can. But you will forgive me if sometimes a personal note will slip in, because for me the subject is not a subject of academic study but a part of my own life.

If you agree, we shall organize things in such a way that we keep
some twenty minutes for questions and discussion at the end. If
that's alright with you, I shall try now, in a short outline, to show to
you how, over a period of nearly thirty years already, the relation-
ship between Japan and the EC has grown from a very little small
flame into, I think, quite a big light. Although it is not yet as
big as I would like it to be. I shall deal successively with three
distinct phases of this relationship, three periods. The first is what
I would like to call the period of initial contacts between the EC
and Japan, and Japan and the EC. That period started more or less
in the 1960's. So the period of initial contacts, starting in the early
1960's, is the first period.

Then we have the period of what I would call the wider ap-
proaches which begins more or less in 1969; and finally the third
period, which I call the period of the global framework, is the
period which started in 1973, and in which we are still engaged today.

You all know that the first European Community creation was the
European Coal and Steel Community, as you have just recalled. Now,
when this Community was created, it certainly did not aim at all at
playing an international role. In reality nobody thought of that.
People do not only not aim at that, they did not even realize
that the realities of life would bring about a certain international
role of even that first Community.

This Community was indeed essentially created to put our own
European house in order, and by way of establishing a common
market with free flow of goods and free competition, and to en-
hance the economic performance and economic strength of the
partners. It was not at all meant to become a power in the
world. You can see that clearly from the fact that the European Coal and Steel Community, at least formally, did not and does not even have a common outer tariff. The tariffs of the member countries, the customs duties, remained different. So initially, there was no common position required toward the outside world. There was no common policy toward the outside world, there were only internal policies to establish the common market and to make it function correctly.

At that period, the international trade in steel did play a very little part only in Europe. It was a marginal phenomenon, and people were not much preoccupied about imports of steel as about getting enough steel for the reconstruction of European countries. Nevertheless, quite some diplomatic activity developed around this first European Community already right in 1952. But not for reasons which had to do with economic policy. It was rather, as I said, a diplomatic activity. We had strong support from the American authorities, and the Americans established a diplomatic mission at the headquarters of this Community. We had, of course, contacts with the European countries who were not members of the community, the United Kingdom in the first place. But it was really not so much about pressing economic problems, but because this was such a new phenomenon politically, the people were interested to keep close contact.

The first time that we had real international economic problems to deal with in the Coal and Steel Community was in the period of the recession in the early sixties. And you will see that there is nothing new under the sun. It was also in that period that we had our first
contacts with Japan which had become a very important steel producer in the meantime, and the recession that hit the world steel market in the early sixties brought us together.

The situation was that Japan, as well as the European countries, exported quite a sum of steel to the United States, and that this had given rise in the recession to bitterness and complaints from the American side. You see that there is nothing new under the sun and even less new, if I tell you that the gentleman, who came to visit us from Japan and toured the European countries was the same Mr. Inayama then, as a representative of the Japanese steel industry, who just a month ago toured the European countries as chairman of Keidanren.

We had, from our side, through the Japanese diplomatic mission to the Communities at that time headed by Ambassador Shimoda, taken contact with the Japanese government, because we were as worried as Mr. Inayama about the possible consequences of a chain reaction in the United States, perhaps leading to protectionist measures. This lead to the visit of the President of the High Authority of the Coal and Steel Community to Japan, and for me personally, it was the first occasion I had to visit your fascinating country.

It was a time when, in Tokyo, the first really very high building was under construction, and people pointed out to us that this new technique of flexible steel and concrete construction would allow to build really high for the first time in history, notwithstanding earthquake risks. Quite a different time from nowdays, when we see the skyscrapers all around in Tokyo.

At that time also, the old Imperial Hotel was still as a jewel in
the centre of the city, and we enjoyed very much staying there. The discussions we had with the Japanese government and the Japanese steel makers were to the effect that we should both try, by common action, to alleviate the tension on the American steel market so as to avoid protectionist measures. Exactly the same concept Mr. Inayama had in mind, so we could agree on those matters. It was when Mr. Sato was Prime Minister and Mr. Shiina was Foreign Minister in your country, and these were, I think, the first ever really substantial discussions which had taken place in the early sixties, as I said, between the EC and the Japanese authorities and business circles. We then also agreed with the Japanese authorities that, apart from this particular question, we would remain in regular consultation about matters of the steel market, and in that way I had the occasion to come back regularly to your country and to get acquainted with many Japanese friends. You see that the pattern of things, as it was established at that time, is really very much the same on which we have built later to establish the framework of consultations and also the spirit of consultations as we still have it today.

In the meantime in 1958, the European Economic Community, the general common market, had been launched, and that created a different and new situation. I shall now leave the Coal and Steel Community and press on to what happened with the common market in Brussels. I said that created a new situation, and I meant in saying that, that this time a customs union was being established, which meant that the outside world was directly affected. Because the customs duties, the tariffs of the member countries, had to adopt to the common tariff, there was a direct repercussion on the trading
partners of the members of the Community.

On top of that there would be a common agricultural policy with common rules for import and export, and the bases was laid for a general common commercial policy. All this meant that the countries outside the Community, whether in Europe or elsewhere in the world, had direct interest in the implementation of these provisions, because it affected their trade. And it is no wonder that the creation of the common market, the general common market, has fired off an incredible list of negotiations with neighbouring countries in Europe, with countries in the Mediterranean, with countries in Africa, with the United States, down to Latin America—practically negotiations with the whole world.

On top of all those individual negotiations, with individual countries or groups of countries, the first really big world trade negotiation was launched in the form of the Kennedy Round. This negotiation really became possible and was launched because the Community had been set up. Indeed, for the first time ever, the United States, which until then had been a totally dominant trading power in the whole world, had found a negotiating partner who commanded not as big, but still a mass of products and trade of the same order of magnitude, more or less comparable to that of the United States itself. This meant that concessions made on one side could be more or less equilibrium with concessions made from the other side.

President Kennedy convinced the American Congress to pass the Trade Expansion Act, which for the first time permitted the American administration to make tariff concessions across the board in a linear way, and this was reciprocated by the Community, so that
in the Kennedy Round between 1963 and 1967 we had an enormous progress in liberalization of world trade.

I now come back to the EC - Japan relationship against this background. I must apologize if I say at this juncture that, at that moment, Japan did not yet play a very central role in this whole context of world negotiations. Japan was in the meantime a member of GATT also, but there was still a number of special regulations which were dated back from the period just after the world war, and Japan itself, although already economically very powerful, all sorts of reasons, did not come very much to the forefront in this period. Nevertheless, Japan and the Community got acquainted because they were partners in these general negotiations. And they had also to come to terms with each other in the framework of the Kennedy Round.

Apart from the contacts in the multilateral framework, efforts were also made to get more close bilateral relationships. The then commissioner for Foreign Relations in the European Community, Jean Ray, visited Japan. He tried very hard with our Council of Ministers to get negotiating directives, because he wanted very much already to engage in a direct Community negotiation with Japan. But I'm afraid that, at that moment, neither the European governments nor perhaps the Japanese government, were very keen on it. The occasionslipped—I personally regret it. But that is a history, that is how it happened, and Jean Ray did not succeed in bringing about a direct negotiation bilaterally Japan - EC. Notwithstanding the fact that there would have been several things as I've said, that could have been negotiated, because we still had these leftovers from the
period after the war, which had not been cleared out totally yet.

A new attempt was made when the three Communities proceeded to the merger of the institutions in 1967, and the new Commissioner for external Trade, the Frenchman, Jean François Deniau, the same who, in the last government under President Giscard d'Estaing, was back in France, Minister for Foreign Trade, got with some trouble, the approval of the Council of Ministers to offer trade negotiations to Japan. This was '68-'69.

I had the honour to accompany Mr. Deniau on a visit to this country in 1969. I had then become Director General for external trade, and we discussed the matter with Japanese authorities. But I'm afraid our negotiating instructions would perhaps have been very nice, if we had negotiated five years earlier, but we were simply late and we didn't manage to come to find common ground, and again the occasion slipped. Nevertheless, the visit was a useful one.

It now became a regular pattern of visits and contacts, and the EC-Japan relation had its own place in the external relations of the Community by now.

We must of course, consider that even at that moment, the trade of the Community with Japan and the trade of Japan with the Community, for both sides, was a small factor. Much smaller than, for instance, the Japanese American trade relation. In those years we spoke about Community exports about one billion dollars, a figure which today sounds ridiculously small. We wouldn't be excited today about one billion dollars. At the time we were, because even then the structural deficit of the Community vis-à-vis Japan began to emerge. Because, indeed, Japan exported to the Community two
We now come to the third period of EC - Japan relations, the period which I have suggested we call the global framework period in which we still live. The period started after the Community had been enlarged with the United Kingdom, Denmark and Ireland, and when clearly the emergence of this new, even bigger entity on the world economic scene would lead to new discussions and new negotiations. When the leaders of the now nine European Community member countries held their summit conference at the end of 1972 in Paris, under the chairmanship of President Pompidou of France, they agreed several things concerning external relations. One was that they would pay special attention to relations with developing countries. I leave that aside because we do not discuss that today. The other two points concerned relations with industrialized countries. The first point was that they declared the Community ready to engage in new global negotiations, and the second point was that they declared that the Community was ready and desired to enter into regular meaningful consultations with the United States, Japan, Canada and other industrialized countries at large.

The implementation of these two declarations of policy was swift indeed. In September 1973, I had the honour in my new capacity as Director General for external relations to accompany Sir Christopher Soames, now Lord Soames, to Tokyo. On that occasion three things happened, three important things, on the one hand for the world, on the other hand for the EC - Japan relations. The first thing was that the Tokyo declaration was adopted, which led to the Tokyo Round of trade negotiations on a worldwide basis. We all know that not-
withstanding the economic difficulties which erupted soon afterwards, the Tokyo Round of trade negotiations has been a great success for which the basis was laid in Japan, which in a way symbolized that Japan began to properly occupy its responsibility in world economic relations.

Two other things which happened in September 1973 during that visit to Tokyo, were that the proposal was made to Japan to initiate these official high level regular consultations twice a year. And the proposal was accepted by the late Mr. Ohira, who was then Foreign Minister of Japan. The Third point was that we settled in September 1973 with Minister Ohira, that the Community would open its own delegation, the EC delegation in Tokyo, accredited to the Japanese government.

Since that moment, we are engaged in what I call the global framework, since that moment, the EC-Japan relation is not any more an item more or less in itself. It has become part of the world system of international economic relations and this world system rests on the triangle US-Japan-EC. If world economic problems can lead to consensus in this triangle, the system works; if we fail to reach consensus, the system suffers, or is even in danger. That is the significance today of EC-Japan relations as part of this global structure, and that brings with it enormous responsibility. Now, in that triangle the Japan-EC side is, economically speaking, the weakest because EC-Japan trade and Japan-EC trade is much smaller than US-Japan trade, which again is smaller than EC-US trade. The smallest side is the EC-Japan one. The Japan-EC side of the triangle is not only the smallest, it is also the narrowest,
in the sense that, until now, consultations are mainly about, or only about, trade problems—whereas EC-US relations cover a much wider political field, and Japan-US relations also. And because of the smallness and narrowness, we risk that some trade problems can unduly exacerbate the relationship, because all the light falls on those trade imbalances.

This came out very clearly, I think, in the symposium which took place yesterday and the day before, at the initiative of the Japanese Ministry for International Trade and Industry. And if one conclusion can be drawn from this impressive symposium which was attended by a great number of very influential businessmen from both sides, as well as by representatives of governments and EC institutions, I think the lesson is that it is important, not only to correct the imbalances that exist in the trade relation, but also to broaden the relationship with more cooperation and wider diversified field of topics of consultation.

This is the more necessary because at present in Europe we go through a severe recession which is not always realized in its full scope by our Japanese friends. And periods of recession always create danger, protectionist pressures develop, governments are under pressure, and in general, such a situation is not conducive to wise behaviour.

In such a symposium, one hears very often people spelling out the differences between Japan and the EC. And of course there is no doubt that there are great differences. I think it is for once useful to underline also the enormous similarities which exist between the two poles, EC and Japan. The similarities exist in the geopolitical
structure and place of the two regions. I invite you to go through a short list of characteristics of a geopolitical nature. Both Japan and the EC are situated on the outer fringe of a huge continent, the Eurasian Continent. Both have, compared to giants like the United States and the Soviet Union, very limited territory. Even the ten states of the European Community together have comparatively very limited territory. These territories border on the sea or lie in the sea, and therefore the sea links are, for both, of extreme vital importance. Both sides are very densely populated. They have a skilled population and they are totally dependent on the exchange of goods and services with the rest of the world, the developed world as well as the developing world, because they have an enormous deficit in the resources. Some countries have a practically total deficit like Japan and the Federal Republic of Germany—very similar situations. Others are partially deficit but always such a deficit that they have to make it up by international trade of great intensity.

None of our countries could, even for a moment, think of autarky as a system, as a policy. And we are both, for our wellbeing dependent on the ability to create added value, which in the large part has to be exported to pay for the imported raw materials. We are, therefore, Japan and the EC, vitally interested in technological advance in ever improved techniques of production in order to be able to produce this value added which we need for our well being. And summing all that up, one could say that we both have vested interest in good international political and economic relations. If the international relations suffer, our place
in the world is immediately in jeopardy. I think that the striking similarities in geopolitical positions are not always sufficiently realized in our countries. They should, logically, permit us to find a good basis for cooperation because our interests go on the same direction. Although we are, of course, competitors on each other's markets, and on world markets, but fundamentally we depend on the same kind of system. We should be able to cooperate fruitfully in the framework of the triangle, and I think we should redouble our efforts to do so.

May I, in conclusion, say that it was a great honour to be able to address your association and that with everything that remains to be done, I personally, whenever I come to your country, feel a certain satisfaction that it has been given to me to try to contribute a little bit to the strengthening of the EC-Japan side of the triangle I spoke about.

Thank you very much gentlemen.

(This is the text of a speech given by Mr. E. Wellenstein at the second annual convention of the Japan Society of EC Studies, reproduced from the tape. Editor is responsible for the inadequate expressions, if any.)