

Japan



10 DOWNING STREET

Prime Minister

If you did not see Mr.
Sifton on weekend would last
Sunday you may like to glance
at the transcript.

A.S.C. $\frac{24}{2}$

BRIAN WALDEN

Mr Biffen, the Common Market has made a number of demands to the Japanese about Common Market, including our own of course, exports to Japan, and the various restrictions, usually of a non-tariff kind, that exist on them, and apparently there is a European feeling that the Japanese response to this has not been adequate. Now if that's so, and if you share that feeling, what do you think the EEC ought to do?

JOHN BIFFEN MP - Secretary of State for Trade

Well, I think that there is a general view, which I certainly do share, that the Japanese market has proved to be very tight and, if not inaccessible, unduly difficult for importers from the OECD countries. The Japanese have recently announced a fairly wide-ranging number of measures, about 67 of which are designed to liberalise their market. I think that em, I am clearly very sceptical about those measures, but I would like to see what impact they do have upon trade. One or two of them I think could have some very real and tangible benefit to the United Kingdom, like testing procedures for pharmaceuticals and, we have to see whether their proposal of an ombudsman for importers is one which does actually give rise to redress for complaints. But I am quite certain that we shall come back to this question of the difficulty of the Japanese market again and again.

BRIAN WALDEN

You say you're very sceptical about the measures that the Japanese have announced in order to meet Europe's case. Why are you sceptical?

JOHN BIFFEN MP

I think I'm sceptical on the advice that is proffered to me by those engaged in commerce who are trading with Japan.

BRIAN WALDEN

And their advice is that the Japanese are not doing the things that the Japanese say they're doing.

JOHN BIFFEN MP

Well, it would be ungenerous of me not to acknowledge the gesture, ungenerous of me not to acknowledge that that does indicate that the Japanese are aware of Western anxieties on this whole issue. But I hope that I am also realistic enough to say that I will believe in its virtues when I see it demonstrated by rising levels of Western exports in response to Japanese consumer demand.

BRIAN WALDEN

Let me press you about the end of the day. You see, obviously this process is going to take some time, and there are already estimates - Weekend World has one from a private research institute, European Research Associates - that our own deficit; Britain's deficit and also the EEC's deficit as a whole with Japan, is going to double in the next three years. Now with that acceleration of the trade deficit, all that you are suggesting, is that going to make a significant impact upon that deficit?

JOHN BIFFEN MP

I think that if the deficit is to proceed as your researchers have suggested, and I think you and I have a genuine regard for researchers and I don't in any sense disparage what they are suggesting, but it is at the end of the day a researchers judgement. If the trade deficit were to deteriorate in the way that they have suggested, then I think one would look immediately to see whether this was on account of increased Japanese exports to Western Europe, or that the Western European exports to Japan fell away. If it was the former, then I have no doubt there would be very strong pressures indeed to add to the existing formal trade constraints that we have on Japanese exports to the West.

JOHN BIFFEN MP (cont.d)

And I think that the attractiveness of import controls to the West is that at least that is something that they can do. They cannot compel the Japanese government to open up its market half as easily as they can place controls upon Japanese exports, but naturally I must accept the logic of that situation. And I don't want to sound in any sense unwilling to resort to these actions. Indeed, I was only too delighted a few months ago when we secured an arrangement with the Japanese on light commercial vehicles, in terms of restraint, which was a good deal tougher than had existed hitherto. But we would be unwise to suppose that the restraint of Japanese trade in Western Europe is the end of the matter; for I think it certainly would mean that they would then be more powerfully represented in third markets, where they would provide the most effective competition, and those are third markets which supply a great deal of business for manufacturers in this country, so I take account of that. But I do want to conclude, if I might, I'm sorry to have spoken for so long, saying that if the Japanese trade thrust has the dynamic about it that your researchers have suggested, then I have no doubt at all that the demand for more formalised import restraints will become irresistible.

BRIAN WALDEN

Well now you see, that really does pose all sorts of problems. Let me put one to you straight away. I think, but you'll correct me if I'm wrong, that you were suggesting that an alternative to such import controls might be, in effect to say to the Japanese, 'look, your surplus is too great, you are just too good at the game. Do not send. We don't deny that a lot of our consumers would prefer to buy your goods, but don't send so many here, get us off the hook that way, because that will preserve some of our industries and some of our jobs. Well, that's a strange appeal, in a way, for a free market man like yourself to make, but if it's ignored, and I think you would be the first to say it's likely to be, then you're in effect suggesting something which will not

BRIAN WALDEN (cont.d)

give the world freer trade, it will start a greater degree of protectionism.

JOHN BIFFEN MP

That's right, and that's why I very much hope that one will be able to avoid this final and ultimate confrontation, but of course, let's be clear, I'm devoted to the idea of open trade - not because of any personal political ideology, I don't carry those burdens particularly - but for a nation like Britain that exports 30% of its national product, then open trade is an obvious national interest, and then we'd be - I'm sorry - and that is why we have been conducting our relationships with the Japanese knowing that of course it modifies the concept of open trade, but look, what's the situation today? Already it's something like 20 - 25% of the British imports from Japan are subject to voluntary restraint arrangements. All I'm saying is that if they were to engage in an even more powerful trade drive over the next few years as suggested by your researchers, that disposition would be strongly intensified. I would not find it personally agreeable, but I would accept it as inevitable and quite within the logic of the situation, that is how the West would react, and for this reason. It is not necessarily related to the arguments of free trade or protection, but rather it is related to the pace of change that you will expect your own domestic industries to suffer at the hands of powerful competition. Now in my judgement, few of us live in the political world of absolutes, we live in the world of broad principle strictly circumscribed by relative circumstances, and I think the very factors which have led us to say, well, let's have voluntary restraint as far as trade with Japan is concerned in the past, those very factors would be strongly intensified if things were to go as your researchers have suggested.

BRIAN WALDEN

Mr Biffen, in view of what you've just said, how would you respond to a Japanese who said 'Well, I'm puzzled by all this. Mr Biffen seems to be very much in favour of free trade when it suits him. He's very much against free trade when we Japanese do very well out of it, and what he's effectively saying is that either by persuading us, which sounds to me as if it's going to be a bit of arm-twisting, or by physically keeping us out, he is going to prevent us from making better goods at more competitive prices than his people do, which we sell to his consumers who aren't compelled by him or us to buy them, they actually want to buy them. Mr Biffen isn't a free-trader at all. However much he may deplore regionalism and protectionism, he is basically a protectionist.' Now what would you say to that?

JOHN BIFFEN MP

Well, I thought it was a pretty perceptive judgement by the mythical Japanese who decided that most politicians lived a little bit in one world and a little bit in the other. Of course it's perfectly true that I've got a basic disposition for open trade, but that doesn't mean to say I believe in unconditional free trade, and the threat that is presented by the success of the Japanese economy, and I don't use any moral terms in this at all, is that it is intruding upon the Western economies at a speed which simply is not socially acceptable, and therefore one is seeking ways of accomodating this phenomena. Now, every nation that becomes a great nation, whether it was the United Kingdom in the last century by the precepts of free trade... If it is wise it is conscious of the consequences of its actions, and I think that the reason there is a growing resentment in North America and in Western Europe of what is now happening in respect of Japan, is that the Japanese, although they speak with concern about the present situation, seem remarkably unable or unwilling to respond.

JOHN BIFFEN MP (cont.d)

We're not asking for a construction of a protectionist world trading system. What we're saying is that the GATT, which provides the present framework for the open trade system for world trade, that allows protection in certain circumstances to deal with certain situations. We're not seeking much more than that.

BRIAN WALDEN

But some observers say, to again take up your phrase, that the Japanese appear to be unwilling or unable to do anything about their export penetration, to the extent that they've now got it. Some observers say well, the reason is of course, they're never threatened with anything. They are asked very nicely if they will agree to a voluntary restraint, when it suits them they do, they observe it when they do, but the deficit keeps rising, rising, rising, almost geometrically. It isn't until the rest of the world, and in particular Europe, actually comes along and puts something on the table and says, now look, if you do not get this down to an acceptable figure this is what we are going to do to you. It isn't until that happens that the Japanese will in fact prove willing and able to do something. Now how would you answer those observers?

JOHN BIFFEN MP

Well, I do appreciate that there are many who claim to understand the Japanese psyche, the Japanese psychology, and say that you have to adopt this threatening behaviour, or that kind of language. I don't feel that, in any sense qualified to comment upon that, but what I do believe is that the whole question of the rhetoric that is employed in this war of words is absolutely vital and important and that the Japanese should clearly understand the extent to which this has now become a major problem, not only economically for the West, but politically and with all the corrosive consequences that flow from that.

JOHN BIFFEN MP (cont.d)

Now of course, once you are engaged in this kind of discussion, this kind of representations, there are a whole series of issues, a whole series of weapons, if I may use that language, to which one can have resort. I don't think that it would in any sense be appropriate for me to speculate on how those weapons would be used or what those weapons would be, but one thing is quite clear. If your researchers are correct in their assessment of the deterioration in the trade balance, then I am quite certain that many of the arguments which at the moment are put to one side as being unnecessarily provocative in today's situation, would be examined to see if they had some relevant currency.

BRIAN WALDEN

Mr Biffen, thank you very much indeed.

The message from the government then, is clear. Ministers are prepared to wait and see what the impact will be of Japan's recent concessions on trade barriers, but they're pretty sceptical about the outcome, and if in any case the volume of Japanese exports continues to surge ahead, the government will implement formal controls. This will be done in agreement with the other signatories of GATT, so relief for those whose jobs are threatened by Japanese exports could be on the way, though only at the price of shutting such goods out of our market.

Well that's all for this week, until next Sunday, from all of us at Weekend World, Goodbye.