

VI. TRADE DISPUTES AND CONSULTATIONS

(1) Dispute Settlement under the General Agreement

1. Between January 1993 and March 1995, the EU was involved in seven dispute settlement cases under Article XXIII:2 of the General Agreement (Table VI.1). Four cases related to the policies of the EU or its member States, concerning bananas (two cases), apples and subsidies to oilseed producers. The three cases initiated by the EU concerned actions by the United States related to restrictions on tuna imports, taxes on automobiles, and the use of imported tobacco. EU policies were indirectly involved in a dispute between India and Poland about Poland's duty exemptions for automobiles originating in the EU.¹

2. In five instances, EU policies prompted trading partners to request consultations (bovine semen, scallops, lemons, canned tuna and pelts). Conversely, the EU requested consultations with Japan concerning measures affecting telecommunications equipment, and Chile regarding taxes on distilled spirits.

(i) Disputes concerning EU policies

(a) Panel cases

3. The banana import régimes of individual EC member States were examined by a panel established in February 1993 on the request of Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela after consultations and the use of the GATT Director-General's good offices had proved unsuccessful.² The Panel concluded that the quantitative restrictions maintained by France, Italy, Portugal, Spain and the United Kingdom on imports of bananas were inconsistent with Article XI:1 (elimination of quantitative restrictions) and not justified by Article XI:2(c)(i) (government restrictions on marketing of domestic products), Article XXIV (free-trade areas), or grandfather clauses in the member States' protocols of accession to GATT. The Panel further concluded that the tariff preference accorded by the EU to imports of bananas originating in ACP countries was inconsistent with Article I (m.f.n. treatment) and that a legal justification could not emerge from an application of Article XXIV, but only from an action (waiver) of the CONTRACTING PARTIES under Article XXV.³

¹In May 1993, India requested consultations with Poland under Article XXII:1 concerning Poland's duty exemptions for automobiles originating in the EC. India questioned as discriminatory increases in Poland's m.f.n. tariffs on automobiles just before the entry into force of a duty-free quota for EU products. As the consultations were unsatisfactory, a panel was established in November 1994 at India's request. The EU reserved its right to participate in the panel deliberations.

²See WTO (1995b) for further details.

³GATT Focus, June 1994.

Table VI.1
Cases under Article XXII and XXIII of the General Agreement, January 1993-March 1995

Description of case	Raised by/against	Actions taken
Panel cases		
Subsidies to oilseed producers and processor	US/EU	Renegotiation of concessions (Feb-Jun/93).
EU import régime for bananas	Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela/ EU	Individual import régimes: report to the Council by the Director-General (Feb/93), request for a panel (Feb/93), report of the Panel (Jun/93, not yet adopted). ----- EC Common Organization of the Market in Bananas: request for consultations (Feb/93), request for a panel (Apr/93), report of the Panel (Feb/94, remains unadopted), withdrawal from the dispute of some complainants (Feb-Mar/94).
EU restrictions on imports of apples	Chile/EU	Request for consultations (Mar/93), request for a panel (Jul/93), settlement reached (Jun/94).
U.S. restrictions on imports of tuna	EU/United States	Report of the Panel (Jun/94, not yet adopted).
U.S. Taxes on automobiles	EU/United States	Request for a panel (Mar/93), report of the Panel (Oct/94, not yet adopted).
U.S. legislation concerning the use of imported tobacco	EU and nine others/ United States	Request for consultations (Sep/93), report of the Panel (Aug/94), report adopted (Oct/94).
Consultation stage		
Italian regulations affecting the sale of imported bovine semen	Canada/EU	Request for consultations (Jul/93).
French regulations concerning trade description of scallops	Canada/EU	Request for consultations (Aug/93).
EU countervailing charges on lemons	Argentina/EU	Request for consultations (Aug/93)
EU restrictions on imports of canned tuna and sardines	Thailand/EU	Request for consultations by Thailand (Feb 94), request joined by the United States and Philippines (Mar, Apr/94), conclusion of consultations (Jul/94).
EU prohibition on imports of pelt and manufactured goods of wild animals	Canada/EU	Request for consultations (Mar/94).
Japan's measures affecting imports of certain telecommunications equipment	EU/Japan	Request for consultations (Oct/94), Finland and Sweden participate in the consultations (Dec/94).
Chile's taxes on distilled spirits	EU/Chile	Request for consultations (Nov/94).

Source: WTO Secretariat.

4. The Panel recommended that the import restrictions be brought into conformity with the EU's obligations under the General Agreement. The same should apply to the tariff preferences for ACP countries unless authorization was given by the CONTRACTING PARTIES to maintain the scheme. The report was considered at various Council meetings, starting in August 1993, but has not yet been adopted.⁴

⁴In December 1994, the CONTRACTING PARTIES granted the waiver requested by the EU and ACP parties to the dispute concerning the provisions of Article I:1 (m.f.n. treatment) for the preferential treatment the EU offered to ACP products. This followed the failure of a working party to reach a consensus on the GATT (continued...)

5. The EC import régime for bananas introduced in July 1993, was examined by a new panel established in June 1993 on the request of Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela. The Panel concluded that, inter alia, the specific duties levied on EU imports of bananas were inconsistent with Article II (tariff reductions), the preferential tariff rates on bananas accorded to ACP countries were inconsistent with Article I (m.f.n. treatment) and could not be justified under Articles XXIV (free-trade areas) or XX (general exemptions). The allocation of import licences under the tariff quota was found inconsistent with Articles III (national treatment) and I and could not be justified by Articles XXIV or XX. The Panel thus recommended that the EC bring its tariffs and the allocation of tariff quota licences into conformity with its GATT obligations.⁵

6. In February 1994, Colombia and Venezuela notified their intention to accept an amended offer on bananas contained in the Communities' Uruguay Round Schedule and to withdraw their complaints. In March 1994, the EC concluded a Framework Agreement on Bananas with four complainants, which included preferential tariff quotas.

7. In March 1993, Chile requested consultations under Article XXII:1 concerning EC restrictions on imports of apples. The issue revolved around special surveillance of apple imports introduced by the EU in February 1993. In June 1993, Chile requested consultations under Article XXIII:1 to address EC regulations introducing a countervailing charge on Chilean apples. At the GATT Council meeting in July 1993, the EU indicated that the conclusion of the Uruguay Round would resolve the problem and stressed the importance of reaching a negotiated solution. Although a panel was established in September 1993, further negotiations resulted in the suspension of the Panel proceedings. In June 1994, the Panel was informed that Chile and the EU had reached a mutually satisfactory settlement.

8. The EC-United States oilseeds dispute, examined in a 1992 Panel Report, was settled bilaterally in 1993 under the "Blair House Agreement" (Chapter V(1)(i)).

(b) Consultations

9. In July 1993, Canada requested consultations under Article XXIII:1 on regulations affecting the sale of bovine semen in Italy that were considered to disadvantage imported semen. At the GATT Council meeting in October 1993, the EU referred to draft legislation establishing a uniform import regime for bovine semen which would solve the issue. Consultations ensued and, following further Canadian complaints, the EU indicated in November 1994 its willingness to raise the matter with the Italian authorities.

10. In August 1993, Canada requested consultations with the EU under Article XXII:1 concerning French regulations on the description of scallops that restricted the use of the description "*noix de coquille Saint-Jacques*".

11. EC countervailing charges on lemons were the subject of consultations requested in August 1993 by Argentina under Article XXII:1, followed by a request for Article XXIII:1 consultations under urgency procedures. In October 1994, Argentina informed the Council that a constructive consultation process was under way.

⁴(...continued)

consistency or otherwise of the fourth ACP-EEC Convention of Lomé. The waiver will expire with the Convention in February 2000.

⁵GATT Focus, June 1994.

12. In February 1994, Thailand requested consultations under Article XXII:1 concerning the EC quota régime on imports of canned tuna and sardines. The United States and Philippines subsequently requested the right to participate in the consultations; having had its request turned down, the United States sought consultations under Article XXIII:1 in April 1994. In July 1994, the EU, Philippines and Thailand informed the CONTRACTING PARTIES of a satisfactory conclusion. The quota system in question is due to be terminated on 31 December 1996.

13. In March 1994, Canada requested bilateral consultations with the EU under Article XXII:1 with respect to prohibitions on imports of pelts and manufactured goods of wild animals. Canada was concerned about new interpretations of EU regulations, which appeared to bar Canadian exports of those products.

(ii) Initiatives by the EU

(a) Panel cases

14. Work resumed in February 1993 on a panel requested by the EC and the Netherlands (on behalf of the Netherlands Antilles) to examine the U.S. restrictions on imports of tuna. The Panel concluded that the United States import prohibitions on tuna and tuna products under the U.S. Marine Mammal Protection Act did not meet the requirements of the Note ad Article III (national treatment), contravened Article XI:1 (elimination of quantitative restrictions), and were not covered by any of the exceptions listed in Article XX (general exemptions). Discussions on the report were held at several Council meetings in 1994, but the Panel Report has not yet been adopted.

15. In March 1993, the EU requested the establishment of a panel to examine U.S. taxes on automobiles, in particular "gas-guzzler" and luxury taxes and Corporate Average Fuel Efficiency (CAFE) payments. A panel established in May 1993 examined, among other things, whether the incidence of those schemes on imported cars, in particular cars imported from the EU, was contrary to the principle of national treatment. The Panel concluded that the luxury tax and the gas-guzzler tax on automobiles were not inconsistent with Article III (national treatment) but that the CAFE regulation was inconsistent with Article III and could not be justified under Article XX (general exemptions). Adoption by the GATT Council is still pending.

16. U.S. legislation concerning the use of imported tobacco was addressed in consultations under Article XXIII:1 requested in September 1993 by the EU and other Council members. At issue were minimum national requirements for U.S. manufacturers and fees imposed on certain tobacco imports. As the consultations remained inconclusive, a panel was established in January 1994. It found that various aspects of the U.S. legislation were inconsistent with national treatment obligations under Article III of the GATT. The Council adopted the Panel Report in October 1994. The United States undertook to modify its concessions on tobacco under Article XXVIII.

(b) Consultations

17. In October 1994, the EU requested consultations under Article XXII:1 with respect to Japan's measures affecting imports of certain telecommunications equipment, in particular the agreement reached between the United States and Japan in March 1994 (the IDO-Monitoring Agreement). In November 1994, the EU requested consultations under Article XXII:1 with respect to Chile's taxes on distilled spirits, which it considered to contain discriminatory elements.

(2) Issues Raised under Tokyo Round Agreements

18. Between January 1993 and March 1995, the EU participated in several consultations and eight cases involving panels and requests for conciliation under the Tokyo Round Agreements. Of these, five concerned the Subsidies Code and three the Anti-Dumping Code.

(i) Subsidies code

19. The EU raised two cases leading to panel reports, concerning Brazil's countervailing duties on milk powder and on U.S. countervailing duties on steel products. Consultations were held with Australia (on glacé cherries) and with the United States (on steel products), while the United States requested conciliation regarding EC subsidies to thyristors. The EU also held consultations under the Subsidies Code on a number of countervailing cases initiated by third countries against EU products (Table VI.2).

Table VI.2
Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement
(Subsidies Code), January 1993-March 1995

Description of case	Raised by/against	Actions taken since 1993
<u>Cases leading to conciliation or panels</u>		
Provisional and definitive countervailing duties on milk powder and certain types of milk	EU/Brazil	Request for a panel (Dec/92), report of the Panel (Jan/94), report adopted (Apr/94).
Definitive and preliminary affirmative countervailing duty determinations concerning certain steel products	EU/United States	Lead and bismuth carbon steel products: request for consultations (Feb/93), request for conciliation (Apr/93), request for a panel (Jun/93), report of the Panel (Nov/94). ----- Carbon steel and corrosion-resistant steel products: request for consultations (Jul/93), request for conciliation (Oct, Nov/93), request for a panel (Apr/94).
Countervailing duties on imports of glacé cherries from France and Italy	EU/Australia	Panel established (Nov/92), proceedings suspended (Jun/93), complaint withdrawn (Oct/93).
Subsidies used in connection with the production of thyristors	United States/EU	Request for consultations (Apr/93), request for conciliation (Oct/93).
<u>Consultations</u>		
Olive oil from the EU	EU/Argentina	Consultations (January 1994).
Wheat from Germany	EU/Brazil	Consultations (July 1994).
Canned tomatoes from Italy	EU/Australia	Consultations (July 1994 and February 1995).
Bulk brandy from France	EU/Australia	Consultations (September 1994).
Wheat from Germany and Denmark	EU/Bolivia	Consultations (November 1994).
Beef from the EU	EU/Mexico	Consultations (September 1994 and January 1995).
Sugar from the EU	EU/Canada	Consultations (March 1995).

Source: WTO Secretariat.

20. Brazil's provisional and definitive countervailing duties on milk powder and certain types of milk were examined by a panel set up in January 1993. The Panel concluded that Brazil's imposition of duties was inconsistent with the Code and recommended that Brazil be requested to bring its measures into conformity with its obligations under the Agreement; the report was adopted in April 1994.

21. In February 1993, the EU requested consultations with the United States concerning U.S. definitive and preliminary affirmative countervailing duty determinations concerning several steel products originating in several EU member States.⁶ After consultations and conciliation failed to produce a mutually acceptable solution, a panel was established in June 1993 at the request of the EU to deal with the definitive determinations in the lead and bismuth carbon steel case. The Panel concluded that the United States had in various aspects acted inconsistently with the Code and recommended that the Committee request the United States to bring the measures into conformity with the Agreement. The report has not yet been adopted.

22. In July 1993 the EU requested consultations, and in October and November 1993 it asked for conciliation with the United States to obtain detailed information concerning countervailing duties on certain steel products. At issue were the U.S. definitive countervailing duty determination on certain steel products and material injury findings regarding several of these products.⁷ As consultations and conciliation did not produce a solution, the EU requested the establishment of a panel in April 1994. The Panel proceedings were suspended in early 1995.

23. In June 1993, the EU requested that the Panel examining Australia's countervailing duties on imports of glacé cherries from France and Italy, established in November 1992, suspend its proceedings.⁸ In October 1993, the EU withdrew its complaint.

24. EC subsidies related to the production of thyristors were the subject of consultations requested in April 1993 by the United States, arguing that subsidies provided to SGS-Thompson in connection with the production of thyristors were causing injury to the U.S. industry. As no mutually satisfactory solution was achieved, the United States requested in October 1993 conciliation under Part VI of the Code. No further action has followed.

(ii) Anti-dumping code

25. Since January 1993, EU anti-dumping actions have led to the establishment of two panels, concerning audio tapes from Japan and cotton yarn from Brazil, while EU refunds of anti-dumping

⁶The definitive affirmative determinations were against exports from France, Germany and the United Kingdom and concerned certain hot-rolled lead and bismuth carbon steel products; the preliminary determinations affected supplies from Belgium, France, Germany, Italy, Spain and the United Kingdom and concerned certain cut-to-length carbon steel plate products, certain hot-rolled carbon steel flat products, certain cold-rolled carbon steel flat products, and certain corrosion-resistant carbon steel flat products.

⁷Countervailing duty determinations were made against producers in Belgium, France, Germany, Italy, Spain and the United Kingdom concerning certain cut-to-length carbon steel plate products, certain hot-rolled carbon steel flat products, certain cold-rolled carbon steel flat products and certain corrosion-resistant carbon steel flat products. The EC requested that consultations on the International Trade Commission (ITC) findings of material injury were considered as consultations under the Subsidies and Anti-Dumping Codes, as the ITC made one combined injury determination for both the dumping and the subsidy cases.

⁸GATT (1993), Chapter VI(2)(i).

duties have been addressed in consultations with Singapore under Article 15:2 of the Code (Table VI.3). The EU raised four cases in consultations: two with the United States, one concerning steel and the other photographic paper, one with Canada regarding steel products and one with Brazil in relation to peaches.

Table VI.3
Agreement on Implementation of Article VI of the General Agreement
(Anti-Dumping Code), January 1993-March 1995

Description of case	Raised by/against	Actions taken since 1993
Audio tapes in cassettes from Japan	Japan/EU	Clarifications to establish Panel (Apr/93).
Steel plate and flat products from EU member States	EU/United States	Request for consultations (Mar/93), request for conciliation (Oct/93).
Cotton yarn from Brazil	Brazil/EU	Request for consultations (Sep/93), conciliation meeting (Dec/93), request for a panel (Apr/94).
Various steel products from EU member States	EU/Canada	Request for consultations (Oct, Nov/93).
Refund of anti-dumping duties collected on ball bearings	Singapore/EU	Request for consultations (Jan/94).
Peaches originating in Greece	EU/Brazil	Request for consultations (Feb/94).
Photographic paper from the Netherlands	EU/United States	Request for consultations (Jun/94).

Source: WTO Secretariat.

(a) Disputes concerning EU policies

26. The Committee on Anti-Dumping Practices approved in September 1993 the terms of reference for a panel to examine EC anti-dumping duties on audio tapes and cassettes from Japan. The dispute related to the imposition of definitive anti-dumping duties on Japanese and Korean exports of these products in May 1991. While the Panel was established in October 1992, EU reservations about its mandate required further bilateral consultations, which resulted in "clarifications" transmitted to the Panel's Chairman in April 1993. Various contracting parties expressed concern about the nature of these clarifications and the time taken to agree on the terms of reference. At the time of writing, the Panel Report was under preparation.

27. EC anti-dumping duties against cotton yarn from Brazil were addressed in consultations requested by Brazil in September 1993. At issue was the way the EU had arrived at dumping and injury determinations and its apparent failure to take account of Brazil's status as a developing country. Consultations were held in October 1993, followed by conciliation, but no mutually satisfactory solution was reached.⁹ A panel requested by Brazil was established in April 1994, and was continuing its work in 1995.

28. EC refunds of anti-dumping duties collected on ball bearings from Singapore were the subject of consultations requested by Singapore in January 1994. They concerned the EU's partial rejection of applications for duty refunds. No new developments had occurred as of March 1995.

⁹The EU reviewed the regulation used to impose the duties, but in Brazil's opinion this did not solve the problem.

(b) Initiatives by the EU

29. In March 1993, the EU requested consultations with the United States on U.S. anti-dumping determinations concerning carbon steel products from several EC member States, followed by a request for consultations to obtain detailed information on a case-by-case basis.¹⁰ In October 1993, the EU requested conciliation under Article 15:3 of the Code, raising questions in relation to the information and methods used in the U.S. enquiry. The GATT Committee on Anti-Dumping Practices held conciliation meetings in October and November 1993.¹¹

30. The EU made two requests for consultations in 1993 in relation to Canada's anti-dumping actions concerning steel products. A request made in October concerned definitive dumping and injury determination affecting exports from various EU member States;¹² and a request in November 1993 was intended to obtain information on the initiation of an anti-dumping investigation of imports from, inter alia, Italy and Spain.¹³ No further developments have taken place since.

31. The EU requested consultations in February 1994 regarding Brazil's anti-dumping duties on certain peaches from Greece, considering that Brazil had failed to carry out a preliminary investigation and give proper notification of the action. In June 1994 the EU requested consultations in relation to U.S. anti-dumping determinations against photographic products manufactured in the Netherlands by a Japanese-owned plant.¹⁴ At issue was the computation of the dumping margin based on Japanese market data, although most of the production of the Dutch plant was sold on the European market.

(iii) Government procurement code

32. Discussions continued in 1993 and 1994 on a dispute involving the procurement of a multibeam sonar mapping system by the U.S. National Science Foundation, the subject of a 1992 Panel Report.¹⁵

(3) Dispute Settlement in the Context of Preferential Trade Agreements

33. Although dispute settlement provisions are integral to the Union's trade and co-operation agreements, the EU tends to emphasize, and rely on, political dialogue rather than legal proceedings to address bilateral frictions. Competent bodies are the Joint Committees under the Europe Agreements

¹⁰The products involved were hot-rolled lead and bismuth carbon steel products from France, Germany and the United Kingdom, and certain cut-to-length carbon steel plate products, certain hot-rolled carbon steel flat products, certain cold-rolled carbon steel flat products and certain corrosion-resistant carbon steel flat products from Belgium, France, Germany, Netherlands, Italy, Spain and the United Kingdom.

¹¹See also the two cases concerning steel products under the Subsidies Code, Chapter VI(2)(i).

¹²The cases involved certain cold-rolled steel sheet and flat hot-rolled carbon steel sheet products from Germany, France, Italy and the United Kingdom and certain hot-rolled carbon and alloy steel plate from Belgium, Denmark, Germany and the United Kingdom.

¹³The products involved were certain hot-rolled carbon steel plate and high-strength low-alloy plate.

¹⁴The products concerned were colour negative photographic paper and chemical components thereof from the Netherlands.

¹⁵GATT (1993), Chapter VI(2)(iii).

or the EEA Agreement.¹⁶ Given the EEA participants' acceptance of the "*acquis communautaire*" across a wide range of trade-related policies, the scope for external (multilateral) dispute settlement mechanisms would in any case be very limited. Pointing to the political nature of any bilateral settlements under trade and co-operation agreements, and the absence of wide external ramifications, the European Commission feels that conflicts are inconceivable between such settlements and WTO panel proceedings.

34. Recent consultations under the EEA Agreement revolved around the adoption by the European Commission of minimum import prices for certain fish species, and the introduction of veterinary and hygiene controls on imports of fish into France. The cases were referred to the EEA Joint Committee and successfully concluded in mid-1994. An EU countervailing duty action on gearboxes produced by General Motors Austria, imposed in December 1993, has been referred by the firm to the European Court of Justice.

(4) Other Initiatives to Address Trade Frictions

(i) Initiatives affecting the EU

35. The new EC import régime for bananas was subject to a recent enquiry under Section 301 of the U.S. Trade Act. The United States announced in January 1995 a preliminary decision maintaining that the régime discriminated against U.S. marketing and distribution companies. Bilateral discussions were held in early 1995.

36. Claiming provisional compensation for the commercial effects caused by the accession of Austria, Finland and Sweden, Canada indicated in February 1995 its intention to raise import duties on certain EU products. Negotiations were taking place in early 1995.

(ii) EU actions under the "New Commercial Policy Instrument"

37. The "New Commercial Policy Instrument" (NCPI) has been used sparingly since its inception in 1984.¹⁷ Cases under consideration during the period since January 1993 concerned alleged pirating of Community sound recordings in Thailand, and Turkey's imposition of an import levy and higher customs duties on EU exports of polyester fibres. An examination concerning illicit commercial practices in connection with Japan's Harbour Management Fund was terminated in June 1993 (Chapter V(3)(v)(d)).

38. The NCPI was replaced in 1 January 1995 by the "Trade Barriers Instrument" (TBI).¹⁸ Mirroring provisions of the NCPI, the TBI can be applied only in conformity with the European Union's international obligations, particularly those under the WTO. However, unlike under the NCPI, complaints may not only be lodged by an industry as a whole or by member States but also by individual enterprises.¹⁹ To decide whether an examination is justified, complaints are to be considered by an Advisory Committee consisting of representatives of each member State and the Commission. If accepted, examinations are announced, with a notification given to the country affected. Where

¹⁶GATT (1993), Chapter VI(3).

¹⁷For details on the NCPI see GATT (1993), Chapter VI(4)(ii).

¹⁸Council Regulation 3286/94.

¹⁹"Industry" includes producers, providers, processors or consumers of products and those services for which the EU has competence to conclude international agreements on the basis of Article 113 of the EEC Treaty.

necessary, investigations are carried out in the territory of third countries, provided their Governments do not object within a reasonable period. A report should normally be presented within five months of the initial announcement.

39. Possible measures under the TBI include the suspension or withdrawal of concessions, the increase or introduction of import charges and the introduction of quantitative restrictions. They would have to be decided by a qualified majority of the Council. The decision could be taken only after the discharging of procedures for consultation or dispute settlement under the EU's international obligations and taking account of the results.

40. The TBI is part of a series of modifications made to the Communities' commercial policy instruments following the Uruguay Round. They are intended "to set the stage for fair trade to happen - a level playing field - enabling real comparative advantage to play its course" and to ensure that "European firms can profit from better trading opportunities, in the same way as their competitors abroad benefit from the openness of the Union's market".²⁰

(iii) Dialogue with m.f.n. trading partners

41. The EU and the United States agreed in February 1994 to set up an "early warning system" to identify and address potential Trans-Atlantic trade disputes. Over recent years, efforts have also been made to enhance trade relations between the EU and Japan, notably by intensifying and broadening the dialogue between the two partners. The Commission highlights its low-key approach to bilateral trade disputes, which it contrasts with tactics pursued by other trading partners (Box VI.1).

²⁰Speech by Sir Leon Brittan before the annual Conference of Toy Manufacturers (Europe, 29 October 1994).

Box VI.1 EU-Japan dialogue

Regular contacts between the EU and Japan take place within the framework of an EU-Japan Industrial Policy and Industrial Cooperation Dialogue established in January 1993. It includes annual high-level meetings at Director-General and Director levels. The first "dialogue" took place in May 1993. In June 1994, it was agreed to extend EU-Japan industrial co-operation to auto parts and office equipment, create a new Working Group on Information Policy, and establish a regular Industrialists' Round Table (whose first meeting took place in February 1995).

In the area of competition policy, annual high-level consultations are held between the Japanese Fair Trade Commission and the European Commission, Directorate General IV. Contacts were also established in 1991 between the Commission and Japan's Ministry of Finance on macroeconomic issues and financial services; only one meeting has taken place, in July 1994. According to the Commission, these contacts should, in principle, allow both sides to "better understand the economic situation in the respective areas" and provide an opportunity to solve market access problems, particularly in the field of financial services.

Lower level (Head of Unit) meetings are also an important aspect of the EU-Japan relationship, including meetings in the context of a "trade assessment mechanism". It is charged with monitoring trade flows and analysing the underlying factors. Sectors are identified where EU exports are underperforming, even though they are considered to have a comparative advantage in the Japanese market. The approach is based on a comprehensive examination, at the four and six-digit HS levels, of trade flows and market developments. The results are discussed within the framework of the EU-Japan Industrial Policy and Industrial Cooperation Dialogue.

The Commission believes that the low-profile environment in which the trade assessment mechanism takes place has enhanced effectiveness and produced better results than more aggressive tactics. This reflects the Union's overall approach to trade policy concerning Japan which, according to the Commission, is aimed at obtaining concessions through constructive dialogue, and persistent and consistent pressure for change. A Commission Communication to the Council, dated March 1995, presents various options to strengthen and widen bilateral relations in a framework embracing both political and economic aspects. The paper sets out a series of measures and guidelines aimed, *inter alia*, to institute a permanent political dialogue, improve the climate for foreign investment, strengthen competition policy and open markets (including the possibility of European companies joining "Keiretsu" associations).

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