

Joint Report EU – Japan Taskforces

1. Background

The annual meeting of the EU-Japan Business Dialogue Round Table (BDRT) was held in June 2007. In light of the commitment on both sides to create the necessary conditions to deepen EU-Japan relations and acknowledging that both Japan and the European Union (EU) have an important role to play in resolving global issues, the BDRT recommended, amongst others, to establish “a taskforce with business support to explore the feasibility of a Japan-EU Economic Integration Agreement (EIA)”.

Following this recommendation, a European and a Japanese taskforce were created for this purpose. Mr. Erik Bergelin, Chairman of BUSINESSSEUROPE JAPAN NETWORK leads the EU Taskforce. Chairman of Japan-EU EIA taskforce is Mr. Michio Ohkawa, counselor of Toray Industries, Inc. and Japan External Trade Organization (JETRO) serves as secretariat.

During these discussions, various existing bilateral approaches such as FTA (Free Trade Agreement), EPA (Economic Partnership Agreement) and PCA (Partnership and Cooperation Agreement) were considered.

After these discussions of the taskforces of each side, joint meetings were held and the taskforces jointly report as follows.

2. Structure of the report

Both sides have a strong interest in developing and strengthening the economic ties between the two economies. They agree that the jointly elaborated recommendations have to be seen independently and cannot be classified within one of the above mentioned models, because these recommendations deal with various areas which are not covered by these models. Both sides wish an ambitious outcome which sets a new horizon for bilateral co-operation and agree to give concrete and realistically achievable recommendations for action. Therefore these recommendations are focused on binding targets which could be achieved over the short-medium term and include discussions on long-term issues. Both sides underline that this is the start of a process of co-operation which they hope to build on increasingly in the future.

3. Joint Report

a) EU-Japan trade relations

The size, as well as the economic and political importance of both the EU and Japan, underline the need for close cooperation between these two global economic blocs.

Together, the EU and Japan account for close to 40% of global GDP. Trade between the two areas amounts to more than € 150 billion (Yen 20,561 billion) a year. In 2005, the EU imported goods worth € 76.5 billion (Yen 10,486 billion) and services worth € 11.8 billion (Yen 1,617 billion). The EU exported € 44.7 billion (Yen 6,127 billion) in goods and € 19.9 billion (Yen 2,728 billion) in services. In addition, mutual investments have increased over the last few years, with the EU today being Japan's largest source of foreign investment.

The EU and Japan are facing similar internal and external challenges. Internally issues as an ageing population, skills for the future or energy efficiency, and on the global scale challenges like competition with emerging economies, the fight against climate change or the need to strengthen the WTO based multilateral trading system. In order to effectively tackle these common challenges, both taskforces recommend that the European Union and Japan should strengthen their joint future efforts in the areas of regulatory cooperation, innovation, environment, safety, and improvement of the trade and investment environment.

b) Issues of interest to both sides

I. Innovation

- i. International harmonization of patent laws.
- ii. Strengthening of the enforcement of Intellectual Property Rights (IPR).
- iii. Further cooperation towards technological standardization.

II. Environment

- i. Cooperation towards formulation and harmonization of environmental regulations and environment-related rules.
- ii. Cooperation in the management of chemical substances.
- iii. Engagement into global cooperation on climate change.
- iv. Support an international climate change agreement with fair burden sharing.
- v. Exchange views on principles that may help business develop its work in climate change field. Encourage further development of sectoral approaches.
- vi. Encouragement of technology transfer through existing Kyoto measures like the "Clean Development Mechanism" and the "Joint Implementation".

III. Investment

- i. Implementation of existing strong bilateral investment rules.
- ii. Agreement to carve each other out of any future legislative restrictions on foreign investment, including in the services sector.
- iii. Establishment of a framework that provides one-stop-services for investment information.
- iv. Support the development of Small and Medium-sized Enterprises (SMEs) in Japan and the European Union.
- v. Strengthen the cooperation on access to raw materials.

IV. Services

- i. Development of market opportunities in respective services markets.
- ii. Establishment of common competition rules.
- iii. Encouragement to adopt international standards for service providers in the financial, legal, telecom, construction and accounting services sectors, whenever available.

V. Regulatory cooperation

- i. Realization of stable legal environments in the EU and in Japan.
- ii. Effective implementation of recommendations of existing key regulatory dialogues: "Ten-year Action Plan for EU-Japan Cooperation" and "Two-way Regulatory Reform Dialogue".
- iii. Improvement of the existing regulatory dialogues.
- iv. Establishment of new regulatory dialogues in further services sectors involving respective competent regulatory authorities, if not covered by other mechanisms.
- v. Exchange of annual legislative work programmes at the earliest stage and establishment of an early warning system for draft legislation.
- vi. Expansion of coverage of mutual recognition to other areas such as medical devices.
- vii. Promotion of better regulation agenda.

VI. Mobility

- i. Ensure free movement of people in connection with investment and services activities.
- ii. Encouragement of student-to-student exchanges.

VII. Security and safety

- i. Introduce mutual recognition of the AEO (Authorized Economic Operator).
- ii. Establish common principles for food safety enforcement, and cooperate on ensuring safety standards of food and consumer goods from emerging countries.
- iii. Expansion to global application of UNECE regulations.

VIII. Public Procurement

- i. Secure reciprocal market access with binding and simplified rules, guaranteeing equal treatment of foreign and domestic suppliers.
- ii. Ensure effective implementation of the plurilateral "WTO Government Procurement Agreement (GPA)".

c) Trade negotiations

Both sides affirm their continuing support for a successful completion and implementation of commitments of the Doha Development Round of the World Trade Organization (WTO). However, they recognize that there are different views about bilateral tariff elimination. In the areas of non-tariff barriers (NTBs), both sides underline the huge possible gains from enhanced cooperation on the above-mentioned issues.

4. Next steps

The taskforces jointly recommend putting the cooperation between Japan and the EU on a higher level. In this regard, they propose to establish a new institutional structure led respectively at a high Commission level in the EU and high ministerial level in Japan, involving various interested departments. It should start from issues of common interest between the EU and Japan.

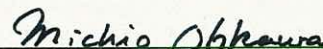
At the meetings, both authorities should explore ways of stimulating the economic relationship between the EU and Japan. Both taskforces recommend that the agenda of the meeting should start with the issues as enumerated under point 3b) of this joint report. Both taskforces urge the EU and Japanese authorities to focus on delivering binding results in the short and medium-term keeping in mind longer term issues.

In view of the interest of the private sector in this process, the taskforces jointly expects that business associations from both sides should be included by closely involving NIPPON KEIDANREN for Japan and BUSINESSEUROPE for the EU, and with the opportunity for review of progress in the course of the annual convening of the BDRT.

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