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FUTURE OF EU-JAPAN RELATIONS: BUSINESSEUROPE RECOMMENDATIONS ON THE SUCCESSOR TO THE OUTGOING EU-JAPAN 10-YEAR ACTION PLAN

Context

On 28 April 2010, European and Japanese leaders will meet for the 19th bilateral EU-Japan Political Summit. During that meeting, discussions will be launched on a successor to the outgoing Ten-Year Action Plan (2001-2010), to be agreed at the 20th bilateral Summit in 2011. This position paper lays down the expectations of BUSINESSEUROPE for the new bilateral framework.

Accounting for close to 40% of global GDP, the size as well as the economic and political importance of the EU and Japan underline the need for close cooperation between these two global economic blocs. BUSINESSEUROPE has a strong interest and calls for ambitious efforts to boost economic ties. At the same time, both sides have to be realistic about expectations and targets, and need to focus on deliverables for business.

Assessment of outgoing Ten-Year Action Plan

A thorough assessment of the 2001-2010 Action Plan and the existing cooperation structures should be conducted before engaging in discussions on a new framework. The evaluation should give clear answers why insufficient progress has been made on the bilateral agenda. It should also examine where the real barriers to bilateral trade and investment lie and clearly analyze how they should be addressed. This would be beneficial to better understand the EU-Japan bilateral relationship, provided an assessment would also be made on existing cultural differences and their impact not only on bilateral trade and investment, but also on consumer preferences. From BUSINESSEUROPE's point of view, cultural differences cannot be an excuse for lack of progress in removing market access barriers.

Multilateral and bilateral trade negotiations

BUSINESSEUROPE is a strong supporter of the multilateral approach and therefore calls upon the EU and Japan to fully utilize the potential to rapidly close the Doha round negotiations. From that perspective, any joint efforts that might have a harmful effect on the multilateral trade negotiations should be avoided. An ambitious and successful conclusion of the Doha Round should be the priority of the EU's and Japan's bilateral trade agenda.

While bilateral free trade negotiations can be a vital complement to the multilateral approach, their potential benefits need to be carefully assessed on a case-by-case basis before any individual negotiations are initiated. It is important to underline the fact that the EU's decisions to launch bilateral negotiations should always be made on



the basis of direct benefits to the EU's businesses, and not designed to disadvantage any third country. From that perspective, any existing or currently negotiated / finalised EU agreements, like the EU-Korea FTA, are not a valid basis for the launch of new FTA negotiations.

EU businesses remain very cautious about proposals for an Economic Integration Agreement (EIA) or an Economic Partnership Agreement (EPA), as both are having a comparable coverage of broadly scoped FTAs. BUSINESSEUROPE is not convinced that these approaches would find an acceptable balance between different interests from the EU and Japan in the areas of tariffs, regulatory and non-tariff barriers.

Suggestions to launch discussions on the feasibility of a broad and binding trade and investment agreement, as currently explored by the authorities, are considered inappropriate by BUSINESSEUROPE in case they are perceived to be preparing the way for a blueprint for the launch of EIA or EPA negotiations. However, BUSINESSEUROPE would welcome an assessment of the existing bilateral cooperation structures in terms of their achievements and shortcomings under the 2001-2010 Action Plan, as outlined above.

Proposal for a future bilateral framework

Non-tariff barriers and regulatory divergence are the major obstacles limiting the potential of EU-Japan trade. Moreover, dealing with cultural barriers will be essential in order to remove existing barriers to trade and investment. To address these issues, Japanese ministers and EU Commissioners responsible for regulatory issues (transport, telecoms, health, financial regulation, industry) should work together to drive regulatory convergence forward.

As a successor to the outgoing EU-Japan Ten-Year Action Plan, BUSINESSEUROPE favours the setting-up of a new institutional structure and advocates the creation of a high-level EU-Japan Economic Partnership Council (EUJ-EPC) to strengthen and deepen EU-Japan relations. The EUJ-EPC should focus on issues of common interest to the European Union and Japan: regulatory cooperation in goods and services; standards; investment; public procurement; intellectual property; energy; climate change and environment; financial services; trade and security; and innovation. It could also agree to extend cooperation on further non-tariff issues and should prepare decisions for ratification at EU-Japan summits.

The EUJ-EPC should be led by a high ranking Commissioner on the European side and on the ministerial level in Japan. Priorities should be set and coordinated via the European Commission services and the Japanese Ministry in charge. They should include potential concrete deliverables to be achieved within reasonable short timeframes and be assessed on an annual basis. In order to keep up momentum, the timeframe for overall strategic work programmes should not go beyond five years.

The European Parliament and the Japanese Diet should also be adequately involved and consulted throughout the process. Moreover, BUSINESSEUROPE and Nippon Keidanren should play a role in defining the business priorities for the EUJ-EPC in close consultation with the EU-Japan Business Round Table.



Conclusion

BUSINESSEUROPE sees a lot of growth potential in a further strengthening and deepening of bilateral relations between the EU and Japan. A focus should be set on the elimination of non-tariff measures, as well as dealing with cultural barriers as this will be essential in order to remove existing barriers to trade and investment. Before engaging into negotiations of a new bilateral framework, a thorough assessment needs to be made of the achievements and shortcomings of the outgoing Ten-Year Action Plan.

BUSINESSEUROPE does not consider the concepts of an EIA, EPA or FTA the appropriate formats for future bilateral relations as there are strong doubts that these approaches would lead to an acceptable balance between different interests from the EU and Japan in the areas of tariffs, regulatory and non-tariff barriers.

As a successor to the outgoing EU-Japan Ten-Year Action Plan, BUSINESSEUROPE favours the setting-up of a new institutional structure and advocates the creation of a high-level EU-Japan Economic Partnership Council (EUJ-EPC) to strengthen and deepen EU-Japan relations. The EUJ-EPC should focus on a large number of issues of common interest to the European Union and Japan and should prepare decisions for ratification at EU-Japan summits.
