



5 November 2010

PUBLIC CONSULTATION ON THE FUTURE OF EU JAPAN TRADE AND ECONOMIC RELATIONS

This public consultation is intended to enable the gathering of key views relating to the future of the EU's trade and economic relationship with Japan. This work will help to shape the Commission's position in the coming months. The EU and Japan decided at their Summit in April 2010 to work more closely together on issues where a common approach is likely to be beneficial for both countries and for the functioning of the global architecture. They therefore established a joint High Level Group (HLG) to identify options to strengthen all aspects of EU-Japan relations. On trade and economic issues, the HLG is examining ways to further integrate the two economies, by addressing, for instance issues such as tariffs, non tariff measures, services, investment in services and non services sectors, intellectual property and public procurement. The HLG will table recommendations to EU and Japan leaders ahead of the 2011 EU-Japan summit which will be held in the spring. This consultation is designed to provide input into that process.

1. Priorities for a forward-looking trade relationship with Japan

1: What should be the objectives and priorities of the future EU- Japan trade and economic relationship? How should the EU pursue these objectives? (optional)

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.

However, by comparison with other OECD countries the level of import penetration of manufactured products and FDI in Japan is low. This is due to a large number of non-tariff barriers that effectively hamper European companies to fully exploit their potential on the Japanese market. But even with the removal of non-tariff barriers, it is not clear if this would solve the market access problems EU companies face. Those are a combination of regulatory problems and attitudes, incl. the habitual buying behaviour. Overcoming these barriers would require changing Japanese preferences which would be a longer-term process as it would require changes in a number of fields such as education or immigration.

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.

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 and to show political willingness on both sides to negotiate on a broad range of issues. The EUJ-EPC should focus on issues of common interest to the European Union and Japan, in particular addressing non-tariff barriers: regulatory cooperation in goods and services; standards and certification processes; investment; public procurement; intellectual property; energy; climate change and



environment; financial services; trade and security; access to raw materials; 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 at Minister 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.

2. EU-Japan bilateral economic and regulatory dialogues

The EU-Japan cooperation in the sphere of trade takes place in the framework of an Action Plan (http://ec.europa.eu/external_relations/japan/docs/actionplan2001_en.pdf). This Plan was designed for a ten year period, and will elapse in 2011. The EU and Japan have a range of bilateral dialogues on economic, trade and regulatory issues, for example, the EU-Japan industrial cooperation and industrial policy dialogue, the EU-Japan Regulatory Reform Dialogue, the EU-Japan High Level Trade Dialogue. These dialogues were set up with the aim of strengthening transparency on each side's regulatory policy. In some cases, the dialogues also aim to remove regulatory and non tariff measures with a negative impact on trade and investment.

2: How could the effectiveness of regulatory and trade dialogue/cooperation between EU and Japan be improved? (optional)

BUSINESSEUROPE has supported the EU-Japan cooperation dialogues already in place. These dialogues have made some progress in removing obstacles to trade, but their current structures have not delivered enough tangible and binding results. To truly deliver on binding regulatory cooperation, a new initiative – like the above described high-level EU-Japan Economic Partnership Council – is needed to carry it to a higher level which should also review and streamline the existing cooperative arrangements.

Currently the dialogue also focuses mainly on legislation already in place and therefore require quite a bit of change management. It might therefore be wise to put some additional focus on matters concerning new and upcoming regulations (eg nano-technology) where both sides can together develop and then adopt legislation which is comparable in effectiveness.

3: Are there any priority sectors on which regulatory cooperation should focus? (optional)

Yes.

If yes, please explain, including specific areas or issues to be addressed. (optional)



Japanese and European policy-makers should increase mutual understanding of existing and upcoming regulations on each side to exclude unwittingly taking initiatives that create barriers to trade. This issue needs to be tackled in a pro-active way by agreeing to a set of clear guidelines in a binding regulatory cooperation agreement. The chemical sector including cosmetics and pharmaceuticals with its complex regulatory facets and resulting barriers may serve as an interesting area to investigate further in this respect.

Through this agreement, both sides should commit to exchanging annual legislative work programmes at the earliest stage to prevent regulatory divergence and new trade barriers. In addition, the two sides should agree to an early warning system for draft legislation in order to make the dialogue effective.

The EU and Japan should also develop a joint strategy to promote the better regulation agenda. Authorities in the EU and in Japan should learn from each other's experience to adopt a common system of good governance. Currently the views of businesses in Japan and the EU are not sufficiently taken into account in the regulatory process. The better regulation approach, based on transparency, early public consultation, impact assessment, public access to draft regulations or administrative measures, could lead to a reduction of administrative burden, which would be to the benefit of the Japanese and European economies as a whole.

3. Tariffs and non tariff measures (NTMs)

A recent survey shows that three quarters of firms perceive the Japanese market as being more difficult than other markets. Besides possible differences in consumer preferences, this is due to technical requirements and related mechanisms to ensure compliance, as well as other regulatory and administrative issues (including Sanitary and Phytosanitary (SPS) related measures. These and other non-tariff measures (NTMs) are perceived by EU economic operators as the main obstacle to the development of trade between Japan and the EU, more than customs tariffs, due to the fact that they reduce the variety of goods that they supply to the Japanese market and significantly increase the costs of exporting to Japan. Another obstacle in many cases is the issue of cross-shareholding practices which remains strong in the Japanese market. Also, variable enforcement of law or changing interpretation of the law by authorities can play a disturbing role for foreign companies.

*4a: Are you concerned by regulatory hurdles in Japan in your field of activity in Japan?
(optional)*

Regulatory hurdles

If yes, please specify whether they arise from:

- a) Divergent standards (optional)*
- b) Technical regulations (optional)*
- c) Conformity assessment procedures (including technical specifications, testing and certifications) (optional)*
- d) SPS related barriers (optional)*
- e) Others (optional)*

Representing businesses from all sectors, BUSINESSEUROPE is concerned of the large number of hurdles in many different areas. These hurdles effectively hamper European companies from fully exploiting their market potential. As these hurdles



typically increase the costs to enter the Japanese market, they are especially harmful for SMEs with specialized low-volume niche products.

Besides the direct specific input from businesses within the scope of this survey and issues raised within the market access strategy process, BUSINESSEUROPE recommends consulting the study conducted by Copenhagen Economics (2010) "Assessment of barriers to trade and investment between the EU and Japan" which contains a large list of non-tariff measures which hamper access for European companies to the Japanese market. Overall these barriers are a mixture of divergent standards and certification processes, technical barriers to trade, SPS related barriers, lengthy and complex conformity assessment procedures, and others.

As mentioned above, the impact of attitudes, incl. the habitual buying behaviour, in the overall regulatory framework is another important problem to be tackled in a future bilateral framework. Communication and language issues play a central role here where a lot of improvement can be made by simple means (e.g. regulatory issue database projects).

If yes, how should the EU address these specific non tariff barriers with Japan? (optional)

Non-tariff barriers and regulatory divergence are the major obstacles limiting the potential of EU-Japan trade. The EU and Japan should adopt international product standards and take the lead in promoting new international standards where needed. They should mutually recognize products certified under similar and equivalent product standards and cooperate in efforts to harmonize regulations and systems where possible. 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. Moreover, dealing with attitudes, incl. the habitual buying behaviour will be essential in order to remove existing barriers to trade and investment. It must also be ensured that there is a factual openness of the Japanese market, and that this openness not only exists legally.

As mentioned already above, 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 address these issues (see response to question 1).

4b: If removed, do you think that there would be a significant increase of market access? (optional)

Yes, however it is very difficult to anticipate in figures how much it would be helpful to increase the market share for EU products, but a removal of non-tariff barriers would certainly be helpful to facilitate market access for European companies, in particular and as pointed out before for SMEs with limited own resources. This being said, one also needs to take into account and better understand existing attitudes, incl. the habitual buying behaviour, in the EU-Japan bilateral relationship and their impact not only on bilateral trade and investment, but also on consumer preferences. Mutual market opening will create a win-win-situation by creating additional trade, based on fair and transparent competition.



If yes, could you estimate the market value of achieving better access. (optional)

5: In your field of activity, how significant would the remaining barriers be, for instance those related to cultural preferences and behavioural patterns (for example long-term relationship in business) that cannot be easily changed by law on a scale of 1-10? (optional)

BUSINESSEUROPE considers these informal aspects as very important barriers to trade and would place them in the upper range on a scale of 1-10. Considering Japan's history as a closed society, addressing them through formal negotiations will be very difficult as they will require a change of societal mindset and openness, and not a legal agreement.

6: Both the EU and Japan have low tariffs on goods in general except on agricultural products, with average tariff rates of 3.8 % for both partners. The trade weighted tariff protection in Japan for EU exports is 1.7 %, while the rate for Japan's exports to the EU is 3.4 %. This is because the EU has tariffs on products that have large trade volumes, whereas Japan's tariff peaks are generally on products that the EU is not exporting to Japan in any large volumes. Nevertheless, tariffs remain high on agricultural products. Japan's trade-weighted tariff on European food and beverage export is on average 34.7% with several tariff peaks above 500%, while the EU's trade-weighted tariff is on average 12.4%. Are you concerned by tariffs or measures of equivalent effect in your field of activity? (optional)

In general, by far the major concern for Europe is on non-tariff measures. This being said, some high tariffs also exist in Japan, notably in the agri-food sector.

If yes, how should the EU address these tariff barriers with Japan? (optional)

An ambitious and successful conclusion of the Doha round should be the priority of the EU's and Japan's trade policy. BUSINESSEUROPE is a strong supporter of the Doha round and calls for ambitious results namely in the areas of non-agricultural market access, services and trade facilitation. Bilateral cooperation between the European Union and Japan should reinforce the multilateral trading system.

The Japanese government and business community have expressed their strong interest to remove existing EU industrial tariffs through free trade negotiations with the EU and this remains an option under discussion in the High Level Group. BUSINESSEUROPE remains very cautious about proposals for a free trade agreement because it will be very challenging to achieve a balance of concessions from the EU and Japan in tariffs, regulatory and non-tariff barriers. Tariffs can easily be removed whereas non tariff barriers are notoriously difficult to address – even more so in the Japanese context. An EU-Japan framework to foster cooperation on commercial issues must be balanced, provide full reciprocity and serve the interests of both side.

Suggestions to launch a study on the feasibility of a broad and binding bilateral trade 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. This should be an outcome of the current discussions in the High-Level Group.



4. Mutual Recognition Agreement

The EU-Japan Mutual Recognition Agreement (MRA) permits acceptance of conformity assessments conducted by either the EU or Japan according to the regulations of the other in four product areas (telecommunications terminal equipment and radio equipment, electrical products, Good Laboratory Practices for chemicals and Good Manufacturing Practices for pharmaceuticals.

7: Do you consider that this Agreement has been successful in facilitating market access and promoting trade between the EU and Japan in the sectors covered?

Further cooperation should go beyond the 2002 EU-Japan Mutual Recognition Agreement.

Telecommunications terminal and radio equipment (optional)

Electrical products (optional)

Good laboratory practices for chemicals (optional)

Good manufacturing practices for pharmaceuticals (optional)

8: Should the scope of the agreement be extended to other sectors? (optional)

Yes.

If so, to which sectors. (optional)

The pharmaceutical and medical technology business environment should be improved by proceeding regulatory harmonization and further extension of “Mutual Recognition Agreement” in order to avoid redundant inspections of manufacturing facilities and establishing more competitive pricing systems to promote innovations. The MRA on Good laboratory practices for Chemicals should be followed by the next logical step and include a mutual recognition of tests necessary for a chemical registration of a product/substance which have a similar scope and purpose (e.g. accept a toxicology test conducted according to one of the OECD approved methods for that purpose). Other sectors might also have an interest of being included in the scope of the mutual recognition agreement. In parallel, an equivalence agreement should be considered to facilitate trade in foodstuffs.

5. Customs procedures, border enforcement and trade facilitation.

The EU - Japan Agreement on Co-operation and Mutual Administrative Assistance in Customs Matters (CCMAA) provides the legal framework to promote trade facilitation for reliable traders, to improve the fight against fraud and to enhance cooperation on the protection of Intellectual Property Rights. The EU and Japan have also recently established mutual recognition of Authorised Economic Operators. Mutual recognition offers enhanced trade facilitation by customs to certified trustworthy traders on both sides who have invested in securing their supply chain.

9: Should the EU increase cooperation with Japan with a view to further simplifying and accelerating customs procedures? (optional)



General border procedures (e.g. customs valuation, classification and clearance) and product-specific customs procedures (e.g. health inspections) impose costs and delays on some exporters. Therefore the cooperation should be increased.

If yes, what should be the EU priorities for the years to come? (optional)

BUSINESSEUROPE has welcomed very much the recent agreement to mutually recognise the respective secure shipper programmes (AEO – Authorised Economic Operator). Both sides now should aim for a rapid and effective implementation of the agreement which will considerably reduce costs for companies on both sides.

6. Protection of Intellectual Property Rights (IPR)

The EU and Japan share a common interest in addressing IPR infringements in third countries. Cooperation in this field was established in 2003 and re-enforced in 2007 under the framework of the EU-Japan IPR Dialogue where issues of concerns for EU right-holders are raised.

10: Are you concerned by problems of protection and enforcement of IPR in Japan in your field of activity (optional)

If yes, please explain, including specific areas or issues to be addressed. (optional)

There are no specific problems but in some areas cooperation could be strengthened.

11: Should the EU increase cooperation with Japan with a view to improving the protection and enforcement of certain intellectual property rights? (optional)

Yes, basically in the areas of patent cooperation, and IPR protection in third countries. The recently finalized partnership agreement between Japan and India without any IPR coverage, while the EU is pressing for one in its FTA negotiations with India, proves the point for an urgent need for increased cooperation.

If yes, what should be the EU priorities for the years to come? (optional)

Enhanced cooperation among Patent Offices is key in order to avoid unnecessary duplication of work. BUSINESSEUROPE believes that the Patent Cooperation Treaty is the most appropriate platform for work-sharing: it integrates timeliness and quality, it is global and has a track record of success. Further improvements to the functioning of the Patent Cooperation Treaty should be envisaged to facilitate its use. The Patent Persecution Highway can be helpful in case it is structured in a way to be compatible with the Patent Cooperation Treaty and does not dilute its value as the main international framework for enhanced cooperation.

The EU and Japan should foster their cooperation with a view to protecting IPR against infringements in third countries. Strong and effective protection of intellectual property rights (IPR) is key for Europe's and Japan's innovation and international competitiveness. According to the OECD, global trade in counterfeit and pirated tangible goods reached over €180 billion in 2007 and continues to grow. The EU and Japan should jointly address the scourge of counterfeiting and piracy in their bilateral relations with key countries like China, Russia, India and Brazil. They should also aim



for the adoption of the highest standards of IPR protection in their domestic legislations.

BUSINESSEUROPE is a strong supporter of the Anti-Counterfeiting Trade Agreement (ACTA) and calls upon the EU and Japan to rapidly conclude the agreement, striving for its rapid implementation.

7. Trade in services

The EU exports around €20 billion of services to Japan per year and runs a trade surplus of net €6 billion. Nevertheless, the EU's export of services to Japan appears to be below its potential compared to other developed countries. Japan's import penetration is particularly low in business services and communications (telecommunication and post) services as well as in financial services, transport and distribution. Certain sectors such as construction are almost totally closed to foreign companies. Difficulties in securing market access to Japan are holding back significant business opportunities for EU services and manufacturing companies.

12: Are you concerned by barriers to trade in services in your field of activity? (optional)

Yes.

If yes, which ones? Please clarify whether: a) They affect your ability to establish physical outlets in the country and supply services through these outlets b) They discriminate in favour of domestic service suppliers c) They affect the price of the services you provide d) They have other restrictive impacts (please specify) (optional)

There are a number of barriers, like restrictions to establish a commercial presence (or chose the legal form of the presence) (a) which are in place in legal services and other professional services, in construction services, in banking services, in telecommunication services. Exporting services to Japan requires the possibility to provide services across the border without having a physical presence in the country (so-called GATS Mode I), but this is not possible in many services sectors in Japan (residency requirements are in place for most of the professional services; subsidiaries are compulsory to provide insurance and insurance related services). All these obligations to foreign services providers have an impact, since some small European providers will consider it too expensive and too complicated to establish a presence in Japan. For those which would do so, these obligations have an obvious impact on the price of the service delivered.

As regards the mobility of services providers to Japan on a temporary basis (GATS Mode IV), there are still a lot of difficulties and long delays in obtaining work permits. These administrative burdens considerably slow down the possibility for European firms to deliver in time the right services by the right expert, and sometimes lead to the loss of the market.

13: How should the EU address these restrictions to trade in services with Japan? (optional)

Japan has made a reasonably good revised offer in the Doha Services negotiations and seems to be willing to deliver ambitious commitments in this framework. In its offer, Japan is willing to bound most of the autonomous reforms that it has undertaken



since the conclusion of the Uruguay Round, including the GATS telecommunication and financial services in 1997.

From BUSINESSEUROPE's point of view the multilateral approach through the WTO is the most appropriate way to address these issues. Substantial and meaningful improvements in key services sectors (information and communications technology services, transport, postal and courier services, energy and environmental services, financial services, legal services) and modes of supply are needed to create the new business opportunities essential for economic growth, development and job creation. On the temporary movement of skilled personnel (Mode IV), there is need for further liberalization in developed and emerging markets.

Given that Japan has not signed any significant FTA in which commitments in services sectors have been taken – despite the large number of FTA signed by Japan since 15 years – the EU should properly assess how these barriers could be removed in the most appropriate way.

8. Investment

Over the past few years, the EU has become a major investor in Japan in flagship FDI projects. However, foreign investment in Japan remains the lowest among OECD members. In terms of actual value of EU investment, figures are equally striking: EU's FDI stock in Japan is around €75 billion out of the EU's total FDI stock of almost €3 trillion: a mere 2.8% of all outward EU FDI. One important explanation for the low level of FDI is the low number of mergers and acquisitions transactions in Japan. The Japanese government has recognised this problem and proposed a programme for the acceleration of foreign direct investment in Japan which has shown mixed results so far. Further, the rights of minority shareholders are very limited and a hostile takeover is almost impossible.

14a: Are you concerned by barriers to ~~trade in services~~ investment in your field of activity? (optional)

Yes.

If yes, what are the barriers to investment? (optional)

To date, legislation concerning investment does not recognise the importance and size of EU-Japan investments. BUSINESSEUROPE calls for the implementation of strong bilateral investment rules between Japan and the European Union as part of a future framework. Japanese triangular merger and acquisition rules remain complex and should be revised in order to provide greater legal certainty for companies operating in the two regions and help Japan reach its foreign investment targets.

14b: Do you consider that there is a need for the EU to contribute to facilitating EU direct investment in Japan? (optional)

Yes.

If yes which avenues should the EU pursue? (optional)



The EU and Japan should open negotiations on a bilateral investment agreement. An ambitious agreement would provide legal certainty from both sides seeking to promote cooperation on trade and investment. It should aim to preserve and further promote an open and predictable investment environment by guaranteeing legal certainty and the best possible protection for European investments.

The negotiation of ambitious investment provisions is an important tool to further the investment interests of European companies. These provisions should be of the highest standard and include a broad definition of investment, covering all sectors of business. Negotiations should start from the assumption that all sectors are included.

Furthermore, these provisions should guarantee the application of the three principles of national treatment, most favoured nation treatment, and fair and equitable treatment of European investments. To guarantee their effectiveness, relevant enforcement mechanisms such as an investor-to-state dispute settlement system should be incorporated. In addition, such an agreement should include provisions to carve each other out of any future legislative restrictions on foreign investment, including in the services sector. It should establish a framework that provides one-stop-services for investment information, and promote the development of small and medium-sized enterprises (SMEs) in Japan and the European Union. Finally, a dialogue on investment promotion and facilitation could complement the agreed provisions.

9. Public procurement

The public procurement market in Japan is an area where European firms report difficulties. These difficulties can be split into four categories: a) limited coverage under the WTO Government Procurement Agreement, leading to restricted access to some strategic areas like construction services or local procurement (the threshold for construction services is set at 15.000.000 Special Drawing Rights (SDR) versus 5.000.000 SDR in the EU and most other GPA parties b) obstacles due to a distortive interpretation of Japan commitments under the Agreement on Government Procurement (GPA) or to regulatory or administrative burdens (extensive interpretation of the operational safety clause to block the access to the railways procurement market or heavy registration procedures for candidates) c) difficult access to notices on call for tenders due to a lack of a single point of access and the scarcity of information in languages other than Japanese d) procurement practices implying advantages for domestic suppliers (award of contracts on the basis of the lowest price or unlimited liability in the procurement for public works).

15: Are you concerned by restrictions in public procurement in your field of activity? (optional)

BUSINESSEUROPE shares the above described problems for European companies in the Japanese procurement market. Although the European Union and Japan have acceded to the plurilateral General Procurement Agreement (GPA), the Japanese legal framework for procurement effectively frustrates access for foreign businesses through its complex system of diverse statutes and regulations, scattered across many different legal texts. The difficulties created by different tendering rules at central and local levels are aggravated by the fact that not all prefectures are subject to the GPA rules. Further complications of the procurement process for domestic and foreign companies are poor dissemination of procurement information in Japan and the absence of a single point of access.



If yes, what strategy should the EU develop to open up Japan's public procurement market? (optional)

European and Japanese authorities should seek to secure reciprocal market access with binding and simplified rules, guaranteeing equal treatment of foreign and domestic suppliers. Both sides should jointly increase efforts to improve transparency, endorse simplification of complex procedures for becoming registered as a “qualified supplier” and promote equal treatment and fair competition. In the current GPA revision by major trading partners, the EU should also press for the suppression of unjustified exemptions and derogations of GPA rules, such as Japan’s “safety clause” in railway procurement.

10. Competition issues

The European Union and Japan signed an Agreement concerning cooperation on anti-competitive activities on 10 July 2003. The Agreement provides a legal framework for cooperation and coordination between the competition authorities of the European Commission and Japan (Fair Trade Commission). Under the Agreement, the competition authorities of each side are under an obligation to notify the other side of any competition enforcement activities that may affect important interests of the other side. The Agreement provides arrangements (such as regular meetings) to improve mutual understanding of each other's policy and to facilitate cooperation on individual investigations.

Cooperation on removal NTBs

16a: Are there fields (anti-trust/mergers/liberalisation/state aid) where the EU should seek to increase cooperation with Japan with a view to pushing for the removal of non-tariff barriers in Japan?

Yes.

16b: What should the EU priorities be for the years to come? (optional)

See replies under item 3

11. Multilateral cooperation

The 2001 Action Plan foresaw a reinforcement of the cooperation between the EU and Japan on multilateral trade and economic issues, standards, the trade financial system and, development. Key to achieving these objectives is close cooperation to strengthen the multilateral trading system through successful completion of the Doha Development Agenda (DDA) and to facilitate the accession and integration of emerging and developing countries into the WTO. In addition, the EU and Japan have been cooperating on regulatory and economic and financial issues in other multilateral fora such as the UN, G-8, G-20 and the OECD.

17: Do you find the results of the EU-Japan multilateral cooperation in these policy areas to be: (optional)

There are overall good bilateral relations but cooperation should be improved.

If insufficient, please indicate why (optional)



The EU and Japan share common views on a number of positions (access to raw materials, Doha round, IPR), but unfortunately this does not result in a sufficiently active partnership. Despite both sides engagement and frequent meetings in a number of international fora (G8, G20, WTO, climate change, etc.), there is some concern that the mutual interest of both sides has diminished. One reason is certainly the rise of large emerging countries like the BRICs, which has shifted each side's focus towards these new markets. Given the large number of areas where the EU and Japan should cooperate closely, both sides should put much more emphasis and investment in the development of their bilateral relationship.

18: In which ways could EU-Japan multilateral cooperation be enhanced in the coming years? (optional)

In the framework of the Doha round negotiations, both sides should intensify their efforts to jointly push for a more ambitious outcome. Both the EU and Japan have an interest that key emerging countries, in particular Brazil, India and China, will have to make contributions according to their economic and political weight. Specific sectoral agreements in goods (chemicals, machinery, gems and jewellery, footwear, renewable energy) and services should be part of an ambitious Doha outcome. Given their dependence on external raw materials supply, the EU and Japan should also strongly make the case for a prohibition of export taxes.

12. Sustainability

Environmental concerns – whether of a purely domestic or transboundary/global nature (e.g. fight against climate change and adaptation to its consequences, biodiversity loss and natural resource depletion) - pose a threat to the prosperity and well-being of people in rich and poor countries alike. Similarly, all countries, in an increasingly globalised economy, have a shared responsibility to achieve social cohesion, to combat unemployment and to tackle rising inequalities. Trade policy should to the extent possible support green and inclusive growth around the globe. This could for instance be done by pursuing the opening up of trade in environmental goods and services, via the use of incentives and schemes promoting social and environmental protection, or through enhanced labour and environmental commitments to underpin growing international economic interdependence and integration.

19: How could the EU and Japan seek to better integrate sustainable development considerations in their discussions on the various topics relevant to their trade and economic relations, from trade in natural resources to technical regulations and standards for goods and from investment to government procurement, among other issues? (optional)

Many goods and services can contribute to environmental improvements including the fight against climate change and have the potential to create huge business opportunities. The EU and Japan should foster these developments through a favourable business climate and, wherever possible, through a liberal trade policy. A joint EU-Japan strategy in this area should include strict opposition to protectionist measures, the highest level of intellectual property rights protection, the elimination of tariffs on a wide range of goods, the removal of barriers to services and investment, the elimination of restrictions on key raw materials, open regulatory policies and standards, and liberal public procurement policies.



20: What are the likely environmental effects – both positive and negative – that you expect to emerge in the context of an enhanced EU-Japan Trade Cooperation? Which issues would require specific attention? (optional)

Global warming is a global challenge which is high on the political agenda of the EU and Japan. Although Japan and Europe still have relatively high per-capita emissions, their relative share in global greenhouse gas emissions is steadily decreasing while it is increasing substantially in emerging countries. Over the next decades the world will drastically have to change the way it produces and uses energy in order to save resource and contribute to limiting global warming to 2° Celsius in this century. This will require a wide range of low-carbon solutions. Work done by McKinsey (cost curves which analyse the cost and potential carbon savings of different technologies) indicates that much of the required emission savings need to come from more efficient energy use in homes, in business and in transport. Many European and Japanese companies are leaders in such low-carbon solutions. The EU and Japan should work together, for example through common standards and fostering industry cooperation, to advance these technologies and create bigger markets for them.

21: In your field of activity, do you think that the employment situation in the EU could be affected, positively or negatively in the context of an enhanced EU-Japan Trade Cooperation? (optional)

BUSINESSEUROPE believes that liberalisation is the most effective way for trade to create jobs, improve productivity and boost growth. The EU's trade policy main aim must be to generate long-term growth and employment in the European economy. The main objective should be to enhance market access and advance regulatory convergence. Europe's most successful industries are in export-oriented sectors. It is clear that the interest of citizens and employees is best served by further market opening, within the EU and in third countries.

22: Given the importance of commitments on labour rights and environmental protection as underlying elements for international economic relations, how could the EU and Japan cooperate to further promote adherence to internationally recognised principles, rights and agreements on labour and environment? (optional)

BUSINESSEUROPE accepts that the EU seeks to foster cooperation with more international trade partners on this issue provided it is based on a shared understanding. The EU and Japan should also continue their cooperation with the International Labour Organisation in order to raise awareness about and make best use of positive effects of trade on societies in different regions and countries.

13. Other issues

If there any other issues that are not mentioned in this questionnaire that you would like to address, please use the space below to set them out.

The European Union and Japan are largely dependent on imports of raw materials from third countries. In the case of some commodities, the EU at present imports 100% of its industrial raw materials. It is therefore crucial that, externally, the objective of a level playing-field for access to natural resources and unfettered trade is pursued. BUSINESSEUROPE is concerned about the proliferation of trade and investment



restrictions around the world. Today this is especially affecting trade in critical resources from China (rare earths), Ukraine, Russia, the Gulf States and some African countries.

The EU and Japan should identify actions to be taken in international fora such as the OECD and WTO, and promote a coherent set of rules on access to raw materials in their bilateral relations as well as WTO accession negotiations. Together, with the support of business, they should pro-actively pursue the removal of export taxes and other forms of trade or investment restrictions imposed by foreign governments. The EU and Japan should also foster cooperation in R&D to develop resource efficient technologies to reduce the demand of economically critical raw materials and to find alternative solutions for those used in key technologies.

23: Your comments. (optional)

Useful links

Read the privacy policy statement:

http://trade.ec.europa.eu/doclib/docs/2010/september/tradoc_146467.pdf

Go to the EU-Japan bilateral trade relations page:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/>

Background documents:__