



19 September 2012

## **TOWARDS A FREE TRADE AGREEMENT WITH JAPAN?**

### **EUROPEAN PARLIAMENT INTA COMMITTEE WORKSHOP**

#### **ADDRESS BY REINHARD QUICK, CHAIRMAN OF BUSINESSEUROPE'S FTA WORKING GROUP**

**19 SEPTEMBER 2012**

Thank you Chairman, thank you for your invitation to this Workshop today.

I would like to share with you BUSINESSEUROPE's view on the current situation regarding the launch of trade and investment negotiations with Japan. I appreciate very much that the Parliament is examining this issue so closely as it is both economically important and politically sensitive.

At BUSINESSEUROPE we strongly support open markets for trade and investment. Studies show that more trade between the EU and Japan would bring substantial economic benefits to both sides. However, an agreement would have to have a comprehensive scope and tackle the full range of obstacles to trade and investment for both parties to truly benefit. In particular, there would need to be effective and comparable market access for European companies on the Japanese market to make these negotiations a success.

In May, the scoping exercise was concluded and it outlined a number of priorities identified by European business. On this basis, a draft mandate is currently being discussed by EU Member States.

I will not hide that the prospects of an EU-Japan FTA continue to be the subject of intense discussions among our member federations. There are issues concerning tariffs, NTBs and regulatory barriers, investment and procurement. However the main concern is the balance between tariff concessions and the effective removal of non-tariff measures in Japan given that Japan has very low industrial tariff levels. Although there are some high peaks in e.g. dairy products, clothing, cereals, food and drink, leather, etc, most Japanese tariffs are quite low.

Possible ways to tackle these issues could be matching tariff dismantling with NTB elimination.

Concerning NTBs, the main issues are the divergent standards and certification processes; the technical barriers to trade and SPS related barriers; the lengthy and complex conformity assessment procedures and transparency of the regulatory process. Possible approaches to address these issues are the adoption of international product standards, the mutual recognition of products certified under similar and equivalent product standards and regulatory convergence and stricter transparency



requirements. Japan's ability to deliver on NTBs depends very much on the success of the Government Revitalisation Unit to deliver on substantive sector regulation reforms.

As to investment, Japan has the lowest FDI stocks (as GDP percentage) of all OECD members; a high degree of limits on foreign ownership, screening requirements and restrictions on foreign personnel and operational freedom; high labour costs and taxes; and finally a triangular merger scheme that makes investments / merger-acquisition very difficult. We would need ambitious investment provisions, granting free market access, non-discrimination, national treatment, greater transparency, full pre- and post-investment protection, a mechanism for investor-to-state dispute settlement and restrictions only on the basis of national security.

Finally, public procurement has clearly been identified as one of the key non-tariff barriers where little progress has been made. There is a complex system of diverse statutes and regulations at central and local level, poor dissemination of information and absence of a single point of access.

The rail sector represents a longstanding problem. BUSINESSEUROPE expects that the recent agreement on rail will provide reciprocal and effective market access with simplified rules (equal treatment of foreign and domestic suppliers), for improved transparency and dissemination of information, for the suppression of exemptions and derogations of GPA rules ("operational safety clause" in railway procurement).

As I have stated, we are having intense discussions. I will not hide that some business groups remain sceptical about the ability of the Japanese administration to deliver and question whether the right time for the launch of negotiations has come. It will be important for the negotiating directives to take full account of these concerns to keep all industries behind the Commission in this delicate negotiation. Otherwise, it will be a major challenge for Member States to grant the Commission a mandate.

For my industry, the chemicals sector, we are confident that Japan and the EU can find a win-win agreement that will boost growth and jobs. However, and this will be important for all industries, the Commission should work closely with BUSINESSEUROPE to keep companies informed of the state of negotiations and the difficult issues so that we may work constructively toward solutions. I hope that the Parliament will also encourage the Commission to cooperate closely with business.

I would highlight that the Japanese industry (Keidanren) is a close partner of BUSINESSEUROPE and that we intend to cooperate closely with them in the future to boost economic cooperation between our two economies.

To conclude, I thank the Parliament once again for its interest in these negotiations and look forward to working closely with you throughout the process.

Thank you

\* \* \*