



EU-Japan Centre
for Industrial Cooperation
日欧産業協力センター

Seminar Report

17th Japan-EU Conference

Japan and the EU :
Avenues to Strengthen the Economic and Strategic Partnership
17 November 2014



Event co-organised by



Summary and major issues discussed

The 17th annual Japan-EU Conference addressed major geopolitical issues as well as other key themes in the developing EU-Japan bilateral relationship. It included sessions on the emerging new regional order in Asia-Pacific and the role of the EU; a briefing on the progress of the EU-Japan FTA/EPA and SPA; population, investment and trade dynamics. It also addressed specific issues raised by the audience.

Seminar Outline

- ❑ **Date:** Monday, 17 November 2014, 09:30 to 17:00
- ❑ **Venue:** Fondation Universitaire, 11 rue d'Egmont, 1000 Brussels (Belgium)
- ❑ **Part of:** 17th Japan-EU Conference : Japan and the EU : Avenues to Strengthen the Economic and Strategic Partnership
- ❑ **Programme:** for the full programme of the Conference [click here](#)



Opening Session

Axel Goethals, CEO, European Institute for Asian Studies

Opening Remarks

Axel Goethals noted that since last year's event, there have been many positive developments in the Japan-EU relationship and progress in the FTA/EPA and SPA negotiations has been remarkable. The process has entered a second phase. Despite there still being hurdles to overcome, both sides have worked positively. Closer cooperation with Europe will help Abenomics reinforce Japan's economic recovery. Despite ongoing political tensions with its neighbours, Japan has been proactively engaging in regional affairs, thus closer Japan-EU relations will be important for the region. The [EU-Japan Summit](#) established more than 20 years ago is a key pillar for cooperation in the increasingly important bilateral EU-Japan relationship.



H.E. Keiichi Katakami, Ambassador, Mission of Japan to the EU**Keynote address (1)**

Japan and the EU have shared common values for many decades. In recent years, this relationship has grown remarkably and become much closer. There are now frequent contacts between the political leaders of the EU and Japan – PM Abe has met his counterparts seven times in the past 12 months – most recently [meeting the new Commission President Juncker yesterday](#) in Brisbane¹. The FTA/EPA and SPA will provide the long-term foundation for our future relations. Japan and the EU see each other as credible, reliable partners sharing fundamental values and contributing to global peace and security. Both accords will be the vehicle for raising the level of cooperation.

Economic ties are essential for both sides – the EU is Japan’s third biggest trading partner (after the USA and China) and c. €51 billion is traded each year in both directions. With its 2,600 Japanese firms, the EU has received the second biggest amount of Japanese investment (after the USA). The FTA/EPA will deepen this and is an integral part of Abenomics. As the centre of the global economy shifts eastwards, EU businesses are looking to Asia. Precisely because transparent rules are not applied throughout Asia, it is essential that Japan and the EU work to improve the business environment and play an active role in standards-making.

The 7th round of FTA/EPA talks addressed many issues with both sides clarifying their respective stances and seeking solutions to the issues on which they differed. The round fostered the necessary momentum to accelerate the process with a view to achieving a high-level agreement in principle by the end of 2015. The next round will take place in Tokyo in early December – the high-pace schedule is proof of the enthusiasm on both sides. Japan attaches equal significance to its talks with the EU and those under the TPP. PM Abe has emphasised this at successive Summit meetings.

There is a great, as yet, untapped potential for Japan and the EU to work on humanitarian and security issues. Cooperation will be expanded in the security arena – Japan has strengthened its partnership with the EU’s Common Security and Defence Policy, cooperating on a recent [counter-piracy exercise](#) following which the EU’s Force Commander stated that, “we are very much global partners, sharing common values of democracy, maritime trade and freedom of navigation”.

Last month, the EU and Japan launched [cyber](#) and [space](#) dialogues. Japan and the EU can work together to promote global rule-making. Together, the SPA and FTA/EPA will help achieve a strategic partnership. As Japan depends a great deal on peace and security, it will work more actively to pursue peace and security in the region and elsewhere, within respect for international law. Japan welcomes the EU’s active role and statements regarding the region. Our commitment to respect fundamental and shared values is unshakable – a multi-dimensional EU-Japan relationship will achieve global peace and security.

Petr Ježek, Chair, Delegation for Relations with Japan, European Parliament**Keynote address (2)**

The next 5 years will be crucial for the EU-Japan relationship. The European Parliament’s [Delegation for Relations with Japan](#) (D-JP), established in 1979, is one of the oldest Delegations. Annual inter-parliamentary meetings (IPMs) are held with the Japanese Diet alternately in Tokyo and Brussels/Strasbourg – the 35th one will be held in Brussels in February/March 2015. The IPM is supported by working-level visits to Japan for MEPs and members of staff.

While trade issues dominated initial discussions, more recently general political and security issues have been addressed as have issues of global import (the Middle East, financial reform and reforms of fora such as the G7, G20 or WTO, and scientific and political cooperation). MEPs have addressed the 2011 tsunami and Fukushima disaster on several occasions, expressing their support for Japan. Nuclear energy, renewable energy and climate change have also been discussed.

The FTA/EPA is a key issue and the negotiations address key EU concerns (including market access, non-tariff measures, public procurement). An agreement should increase EU GDP by 0.6-0.8% and could create up to 400,000 jobs. EU exports to Japan would be expected to increase by 1/3 and Japanese exports to the EU would rise by 1/4. Japan has made it clear that concluding an FTA with the EU is as important as concluding the TPP.

The SPA will cover cooperation in 30 areas including sectoral agreements and on forward-looking issues and will be the basis for many future cooperation agreements (such as on science and technology,

¹ Footage of the event can be found on the [EC Audiovisual Service website](#)

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fusion energy research or on legal systems). The D-JP is committed to seeking the earliest possible conclusion to the FTA/EPA and SPA negotiations and calls for the process to be accelerated. Conclusions of both accords will be important for both sides as both sides want to go beyond the now-expired 2001 [EU-Japan Action Plan](#). There is a clear need for Parliamentary monitoring of the process. The IPM could play this role – Parliamentarians need to explain to the public the advantages agreements would bring – the D-JP will play its part.

All this is happening as the world becomes increasingly difficult – the financial crisis has harmed a hitherto long period of well-being in Europe, and there has been a rise of new, alternative (and sometimes populist) political movements. It is hard to adapt social systems to address the challenges of an ageing population and competition from countries with lower wages and standards. There is an unprecedented rise in brutality and insecurity – world democracies must stand together to uphold international law and take account of the environment. Addressing the students in the audience, Mr Ježek noted that the conference was taking place on the 25th anniversary of the Velvet Revolution and marked the occasion by presenting Ambassador Katakami with a commemorative medal.

Questions & Answers

Two questions were asked:

- which human rights-related topics the EU wanted to raise with Japan (the promotion of international law and human rights); and,
- whether the discussions during the Abe/Juncker bilateral meeting would have an impact on the FTA/EPA talks (the Ambassador had not yet heard the contents of their discussions but imagined that PM Abe would have restated the target date of the end of 2015 for achieving an agreement in principle).

Session 1 –**The Emerging New Regional Order in the Asia-Pacific and the Role of the EU****Takako Ueta, International Christian University (ICU)****Moderator**

Takako Ueta pointed out that a regional security framework is not sufficiently institutionalized in Asia, whereas European countries have been able to establish security institutions such as the EU, NATO and the OSCE. In the dynamic security environment in Asia, a bilateral security framework will not be adequate to stabilize the region. In this context, as addressed in Japan's National Security Strategy 2013, Japan has been engaging in the development of multi-layered cooperation frameworks for regional stability. To this end, Japan's cooperation with the EU would facilitate security building in the region, especially given the EU's experience in regional integration. Particularly, the EU's continuous interest and involvement in the East Asia Summit, which could function as a cooperation framework in security realm, would be a positive factor to promote peace and security in Asia.

Ambassador Shigeo Iwatani, Secretary-General, Trilateral Cooperation Secretariat

Shigeo Iwatani introduced and promoted the concept and role of the Trilateral Cooperation Secretariat (TCS). Among Northeast Asian countries, traditionally, vertical relations are more developed than



horizontal relations. Under such circumstances, cooperation among China, Japan, and the Republic of Korea (CJK) has been undergoing a slow process of development. Against this background, the first trilateral summit between CJK was held in the side-lines of the ASEAN+3 Summit in 1999. Following the progress of meetings among the three countries, a cooperation road map for 2020 was adopted in 2010 and the TCS was established in 2011. Despite these developments, the structure of trilateral cooperation has not been sufficiently institutionalized yet.

Nonetheless, the trilateral cooperation has made several achievements. In the political sphere, it has provided a space for CJK leaders to discuss traditional as well as non-traditional security issues including cyber security and water management. The TCS is promoting the creation of think-tank networks in the region. In the economic sphere, the trade volume and the total FDI inflow among CJK have been constantly increasing for the last 10 years. CJK has also achieved the multilateralization of the Chiang Mai Initiative. Furthermore, trilateral cooperation is also promoting people-to-people exchanges. The total number of visitors among the three countries during the last 10 years has been steadily increasing. The enhancement of student exchange programs has been also discussed for facilitating mutual understandings between younger generations in the three countries.

The TCS has been working to facilitate cooperative projects and promote understanding of trilateral cooperation, while, for example, holding forums and seminars for trilateral cooperation and organizing journalist exchange programs.

There are several challenges in the further development of trilateral cooperation, most notably the lack of a solid conflict management mechanism, the fluctuation of top leaders' views on regional integration as well as historical and territorial disputes. In order to overcome these difficulties, it is necessary to enhance mutual understandings by increasing people-to-people exchanges, tackling sensitive issues in political and security affairs, and facilitating on-going dialogue and cooperation in economic, environmental and non-controversial areas. Accordingly, institutionalization of trilateral cooperation in a more systematic and integrated manner would help mitigate negative impact and strengthen the cooperation. In this regard, the experience of the EU in confidence building mechanisms could provide useful insights to the TCS.

Marialaura de Angelis, Executive Manager and Deputy Director, Polint

Political clearance is needed for the progress of economic cooperation among China, Japan and South Korea. Moreover, good relations among the three countries would ease the construction of positive relations with other countries. Ongoing dynamics are changing the security order in the region and the Democratic People's Republic of Korea (DPRK) has a huge impact in it. The DPRK is currently trying to recover its economy and to overcome the political impasse. In so doing, the country is – from some perspectives – opening up and therefore creating potential for security developments in North-East Asia. As DPRK's relations with Republic of Korea (ROK) and its traditional ally, China, are steadily worsening, North Korea is now seeking new strategic partnerships and the EU and Japan could be its new interlocutors. In fact, the DPRK's attitude towards these two actors, even if still rigid and non-transparent, has recently changed, considering for example the decision to resume the dialogue on human rights. DPRK's potential trigger could benefit Japan as a regional and global actor and push EU and Japan to cooperate in building a unique dialogue with North Korea. The EU as a global actor could potentially have a significant impact on the Northeast Asian region through its engagement with Japan as a regional actor. As the humanitarian crisis in North Korea is protracted, it would require deeper engagement of China, Japan, and ROK to improve the situation. This would provide an opportunity for them to enhance their cooperation for this mutually shared goal.

Mario Telo, Université Libre de Bruxelles

Discussant

There have been developments of bilateral relations in the Asia-Pacific region. It might be possible for these relations to evolve into a wider regional cooperation. China and Japan have strong common interests for regional cooperation. Regionalism would function to boost conflict management and prevention, resulting in regional stability. Furthermore, China and Japan's leaders both need regional stability as a condition to achieve their domestic goals. Therefore, the two countries' shared objectives could represent a major driving force in enhancing the bilateral dialogue, and, more generally, regional integration in Northeast Asia. For this reason, China and Japan need to shape their own regional cooperation mechanisms without external interference. Even though the EU can be regarded as the most successful example of regional cooperation, Asian countries cannot simply copy the mechanisms of the EU. East Asia can learn from the EU's long experience, but it will have to find an alternative path to their own regional cooperation. In this respect, the East Asia Summit would be able to provide room for rule making.

Session 2 – Briefing on the Progress of the EU-Japan FTA, EPA and SPA



Erik Famaey, Senior Associate, European Institute for Asian Studies

Moderator

Ambassador Katakami has asserted that Japan is not linking its EU and TPP negotiations. As trade and investment are greatly affected by both currency fluctuations and technological advances, the FTA/EPA should also address technological cooperation, not just trade barriers and tariffs. A 2012 European Commission [Impact Assessment report on EU-Japan trade relations](#) exists.

Gerhard Sabathil, Director, North-East Asia & the Pacific, European External Action Service (EEAS)

The Strategic Partnership Agreement (SPA) discussions have been held in parallel with the FTA/EPA negotiations so they can address similar issues, but avoid duplication, and must be concluded as a package – one cannot be concluded without the other. Japan is a natural long-standing partner, willing to contribute to international peace and security and we have common values and beliefs.

The EU is seeking an agreement that builds on this and takes it to a new level and has two goals:

- Establishing a comprehensive framework for ongoing cooperation which strengthens what has already been achieved (e.g. following the [Science and Technology Agreement](#), many Japanese researchers took part in FP7 and received c. €9m funding); and,
- Developing partnerships and ‘intensity’ in key areas (the SPA will include an article on cyber cooperation, building on the new [EU-Japan cyber dialogue](#)).

So far, [6 rounds of discussions](#) have taken place and 14 of the 47 chapters have been closed. The last round agreed drafts on a further 5 issues and there is now progress towards common ground on issues such as fisheries, maritime, culture and justice & home affairs. However, issues remain and the aim of reaching an agreement by the end of 2015 is ambitious – the substance of any agreement is more important. Good progress has been made, but must be maintained. Future rounds will address more difficult topics including human rights issues (such as capital punishment). Nonetheless, Dr. Sabathil was confident that an SPA can be agreed, enabling the EU to extend its cooperation with Japan.

Peter Berz, Head of Unit, Far East, DG Trade, European Commission

Each [Trade Commissioner](#) has set different priorities – Lamy favoured the multilateral approach; Mandelson wanted to [open up a bilateral track](#) to boost jobs and growth and had three targets for FTAs with Asia – the ASEAN, South Korea and India; and under De Gucht, [negotiations with Japan began](#) (he recognised that Japan was a key trading partner, needed to open up and was in desperate need for more jobs and growth). PM Abe also recognised Japan needed to trade more. FTAs are a cost-free engine for EU growth.

Following the decision to start preparations, a scoping exercise assessed whether the EU and Japan had similar expectations; the impact assessment was made; the Member States gave the Commission a negotiating mandate; and talks began. There are 14 working groups and there have been [7 rounds of talks](#) thus far. It was not easy to persuade all Member States to launch the negotiations and some industry sectors were sceptical. A [1-year review](#) assessed that Japan had delivered on a number of

predetermined issues and the Commission's recommendation of continuing the talks was agreed. Abe wants a political commitment to be agreed by the end of 2015 – it is too early to assess whether December's general election in Japan will affect this goal.

Any agreement will need to address market openness (including agriculture) and access; public procurement; investment provisions; sanitary/phytosanitary issues; IPR including GIs; transparency; sustainable development (including minimum protection for the environment). Mr Berz felt that the negotiations still had a long way to go, but hoped that good news could be given to the 18th conference.

Tsutomu Koizumi, Minister, Japanese Mission to the EU

In some areas, Japan has introduced reforms even before the conclusion of the agreement – this has helped industry on both sides. Other areas will have to wait for any agreement – it is therefore essential that an agreement is reached as soon as possible and with as 'rich a content' as possible. At the last round of discussions it was clear that both sides have begun thinking about a possible 'landing zone' rather than just defending their own position. The 8th round will take place in December. [Yesterday's bilateral meeting between Messrs Abe and Juncker](#) emphasised the importance of both the FTA/EPA and SPA and reaffirmed the political commitment to conclude both negotiations during 2015 and pledged to exercise their leadership to achieve this. Mr Koizumi felt that the goal of reaching an agreement is indeed ambitious, but is also achievable.

Questions & Answers

Questions were asked regarding a wide range of issues, including:

- the closure of 'discriminatory treatment' for [kei cars](#) (Japanese regulations are transparent and non-discriminatory – foreign manufacturers producing eligible cars will get the same benefits);
- whether there will be [ISDS provisions](#) in the FTA/EPA (the [EU is competent](#) to negotiate full investment chapters and is seeking a 'state-of-the-art' chapter which will include ISDS);
- whether Turkey wants to be associated with the FTA/EPA² (Turkey should align itself with EU trade policy; the EU encourages its negotiation partners to seek similar agreements with Turkey);
- whether the Japanese agricultural sector will be ready for trade liberalisation by 2015 (too early to say what the final outcome will be on agriculture – may be clearer by next year's event);
- how barriers that go beyond the scope of the FTA/EPA and SPA (e.g. cultural ones) will be tackled (trade facilitation measures in the FTA/EPA will help SMEs – but if the EU asks Japan to publish public procurement notices in a language other than Japanese, it will ask the EU to publish notices in Japanese. EU activities such as the [EU Gateway to Japan](#) and [ETP](#) have supported SMEs for more than 20 years. Japanese stakeholders must make more of an effort to be understood and to create opportunities for foreign producers to enter the Japanese market); and,
- whether the [Juncker I Commission](#) will change things (too early to say – the new Commission is preparing its work programme for 2015. Traditionally trade policy has seen continuity but with a bit of tweaking – Commissioner Malmström could bring forward new ideas in a year, for example, but a major change is not expected).

² Under any FTA, Japanese goods could enter Turkey without paying customs duties, but Turkish exporters would not enjoy from the same reductions as EU exporters to Japan. See [Diplomacy & Foreign Affairs](#) for an explanation

Session 3 – EU-Japan Population, Trade and Investment Dynamics**Midori Okabe, Sophia University*****The Issues on International Migration and Territoriality in Japan
– with Special Reference to European Pasts and Presents***

Midori Okabe affirmed that Japan is not a strictly closed society regarding immigration. Immigration control is part of the state sovereignty, which can be regarded as an act of balancing by the state. In terms of economic migration, Japan has adopted immigration programs to tackle the demographic challenges including points-based preferential immigration treatment for highly skilled foreign nationals, technical intern training programmes, and nurses and caregivers' recruitment through EPA. In spite of these measures to accept immigrants, due to the complex selection process, and strong protest against immigration by domestic nurses, an increase of immigrants has been out of the question. Regarding political migration, Japan already had a refugee policy before signing the Geneva Convention, even if the number of refugees in Japan is remarkably small. Moreover, bogus refugees can easily take advantage of the asylum procedure. The Japanese Government is also reluctant to use refugee acceptance as a foreign policy tool. Despite insufficiency of the policy scheme and internal controversies about immigration, Japan is gradually shifting its migration policies towards a more open approach.

Ken-ichi Ando, Shizuoka University***European and Japanese Multinationals and the Trade of Their Subsidiaries***

Ken-ichi Ando noted that Free Trade Agreement (FTA)/Economic Partnership Agreement (EPA) will be more beneficial for European Multi-National Enterprises (MNEs), unless Japanese MNEs increase their competitiveness. Although trade friction due to Japan's trade surplus as well as the EU's high tech and main industries' weaknesses in the 1980s led to the Single European Market programme, there has been relative decline in the bilateral trade in the last decade. However, there has been a constant increase of FDI inflow between Japan and the EU. In the last decade, for example, inward-FDI into Japan increased approximately JPY 3 trillion, and FDI into the EU increased approximately more than JPY 10 trillion. It can be found out that FDI, both in Japan and the EU, is complementary with trade, as the trade of the MNEs' subsidiaries grows constantly. The complementarity between the FDI and trade justifies the EPA, since they stimulate each other. In order to take advantage of the EPA, the MNEs also have to strengthen their own competitiveness, this is especially true for Japanese MNEs.

Sofia de Koning, Consultant, Automotive

Sofia de Koning looked at the EU-Japan FTA from the automotive sector perspective. Although the number of cars exported to Japan from Europe is just slightly higher than the number of cars exported the other way around, the value of export to Japan is higher than the one to Europe. In both the EU and Japan, production overwhelms sales leading to overcapacity and high competition. There is a 10% tariff added to a vehicle produced in Japan and imported to Europe, but there is no tariffs on imported vehicles to the Japanese market. However, in the case of Japan, there are Non-Tariff Measures (NTMs) creating additional trade costs estimated to 10% for European manufacturers entering the Japanese market. As such, there are challenges for the European automotive sector to benefit from the trade with Japan, notably Japan's NTMs, and a wide market share of Japanese kei cars on the Japanese market. Regarding these points, some measures have been taken recently with the Japanese Government's support, which would increase the capacity of the Japanese market. From a global perspective of the FTA, the EU, USA and Japan make up 40% of global production and global sales. If the three actors can agree on standards and regulations, therefore, the rest of the world will have to

follow these rules. The goals of FTA are mutual recognition of standards, elimination of tariffs and NTMs, fair competition and equal treatment. If these goals are achieved, not only the economies in the EU, Japan and the USA will benefit, but so will global trade as a whole. This would create more jobs and set global standards for the automotive industry forcing other countries to follow suit. Ultimately, this would reduce costs for the consumers, whether based in EU, USA or Japan.

Wolfgang Pape, Associate Research Fellow, Centre for European Policy Studies (CEPS)

Wolfgang Pape emphasised the importance of Small and Medium-sized Enterprises (SMEs) in relation to the EU-Japan FTA. 99% of European and Japanese enterprises are SMEs, which provide 67.4% of all private employment. However, relatively small attention is directed to SMEs in FTA negotiations. Indeed, bilateral FTAs increase trading transaction costs particularly for SMEs, and just 26% of all exporters use FTAs, including only 15% of exporting SMEs. Moreover, in order to successfully realise FTA with Japan, there are other challenges apart from Non-Tariff Barriers (NTBs), most notably the socio-cultural gap between Europe and Japan, and Japan's defensive uniqueness. In addition, despite the increase of FTAs among Asian countries, there is little increase of intra-regional trade in Asia. In conclusion, in order to benefit from EU-Japan FTA, the EU should proactively support its SMEs in the FTA, and Japan should dig deeper to root out its NTBs. In spite of these difficulties yet to be solved, we should welcome the fact that after 40 years of diplomatic relations now for first time EU-Japan are on the path towards a comprehensive trade agreement.

Frederik Ponjaert, Université Libre de Bruxelles

Discussant

In relation to the topics presented in session 3, it can be mentioned that the Japan-EU relationship, which is shaped by external factors, will have an impact beyond the merely bilateral relations. Regarding the immigration issue, Japan and the EU could cooperate to accept refugees as burden sharing. A more organised structure for migration can be introduced, especially in today's context of companies and universities becoming more open. Mr Ponjaert underlined how the relationship between FDI and trade – presented as complementary by Prof. Ando – is also deeply controversial. He also questioned what, apart from competitiveness, should be taken into account to re-organize it. The Japan-EU FTA, together with TTIP and TTP, have also some geopolitical implications, mainly related to the containment of China. By looking at Japan-EU relations from several different perspectives, it can be realised that there is a significant potential in their constructive cooperation. Mr Ponjaert also commented on the role of Europe in setting standards which are globally recognised and the consequent responsibility Europe should take in involving all sectors of the society in setting the standards.

Links to available presentations can be found on the event web page:
<http://www.eu-japan.eu/17th-japan-eu-conference>



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