

**Recommendations
of the
EU-Japan Business Round Table
to the Leaders of the European Union and Japan**

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**Working Party 1
Trade Relations; Investment and Regulatory Cooperation;
Financial Services, Accounting and Taxation**

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List of Abbreviations

Abbreviation	Meaning
AEOs	Authorised Economic Operators
APA	Advance Pricing Agreement
BEPS	Base erosion and profit shifting
CbCR	Country by Country reporting
CLP	Classification, labelling and packaging
CSS	Chemical Strategy for Sustainability
DX	Digital Transformation
ECHA	European Chemical Agency
EFSA	European Food Safety Authority
EN	Européen de Normalisation de Normalisation (European Standards)
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
G7	Group of Seven
G20	Group of Twenty
GHS	Globally Harmonized System of Classification and Labelling of Chemicals
GPA	Agreement on Government Procurement
IEC	International Electrotechnical Commission
ISO	International Organisation for Standardisation
ITA	Information Technology Agreement
JAMA	Japan Automobile Manufacturers Association
METI	Ministry of Economy, Trade and Industry
MPIA	Multi-Party Interim Appeal Arbitration Arrangement
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PFAS	Perfluoroalkyl and polyfluoroalkyl substances
PFOA	Perfluoro Octanoic Acid
PFOS	Perfluoro Octane Sulfonicacid
PSE	Electrical Appliance and Material Safety Law
R&D	Research & Development
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
RoHS	Restriction of Hazardous Substances
SDS	Safety Data Sheet
SMEs	Small and Medium-sized Enterprises
SPS	Sanitary and Phytosanitary
SVHC	Substance of Very High Concern
UNECE	United Nations European Commission for Europe
WHO	World Health Organization
WTO	World Trade Organization
WP	Working Party

Introduction

The EU-Japan partnership is based on longstanding cooperation which has been strengthened with the recent geopolitical tensions, including the war in Ukraine. As close likeminded partners that share values and principles, the EU and Japan have strong trade and investment ties. This year marks four years since the EU-Japan Economic Partnership Agreement (EPA) entered into force. Over this period, it has proven to be the bedrock of the EU-Japan economic relationship and in 2022, trade in goods between the two reached a record level of 140 billion euros, and similarly for trade in services that reached 52 billion euros.

Working Party 1 stresses that despite the overall smooth implementation of the EPA, agreement must also address the specific concerns of European and Japanese businesses reflected in this and previous reports. With so much at stake, we urge the authorities on both sides to swiftly ensure that the necessary progress is made. Many reforms are required to secure a fair and competitive environment for business. They have been identified based on the extensive first-hand operational experience of Working Party 1 members in the Japanese and European markets. This report sets out concrete recommendations addressing the following key issues:

- Creation of a common regulatory environment, mutual recognition of regulations, standards and market authorisations to the extent possible, adoption of international standards and enhancing regulatory cooperation
 - Initiate discussions on how to facilitate the movement of people under pandemics
 - Further deepen and support initiatives leading to more collaboration on third markets
 - Ensuring fair competition and equal treatment of all companies, domestic and foreign – for both goods and services
 - Improving conditions for foreign direct investment
- and finally,
- Pursuing simpler, lighter and sensible tax systems, including the implementation of the BEPS Actions without additional administrative burden

To highlight priority issues in the text that follows, one asterisk (*) indicates “priority” recommendations. (e.g. WP 1/ # 01* / EJ to EJ)

Recommendations from both European and Japanese industries

WP-1 / # 01* / EJ to EJ **Strengthening the EU-Japan Economic Relationship Post-EPA**

The BRT praises both the European Commission, and the Member States, and the Japanese Government for the successful enforcement of the EU-Japan EPA. In parallel, the BRT would like to emphasise that the parties should be more ambitious in order to get the most out of the agreement and also to build on the agreement in order to profit further from synergies. The effective application of the EPA would prove even more important in ensuring the steadfast economic recovery of both sides following the COVID-19 crisis, as well as progress in developing sustainable connectivity, and quality infrastructure. It is also important for the EU and Japan as like-minded countries to strengthen our complementarity and competitiveness through the EPA so that disruptions in supply chains that have become apparent due to the COVID-19 and climate change crisis can be addressed. Hence the BRT recommends the following:

Enhancing Regulatory Cooperation

The BRT calls on the EU and Japanese Authorities to:

- Continue to strive further for free trade between the EU and Japan without obstacles by pursuing regulatory cooperation, harmonisation and mutual recognition of international regulations and testing procedures. It is important that this is done swiftly as to not lose the momentum that was built up during the negotiations.
- In the same vein, ensure that the EPA is continuously updated and that new aspects are added as they become necessary. For instance, new technologies, public health issues and cross-border flows of data, prohibition of data localisation requirement, especially usage or location of computing facilities in a jurisdiction's territory as a condition for conducting business in that territory, and non-discriminatory treatment of digital products. In addition to source code of software, requirements of the transfer or disclosure of, or access to an algorithm expressed in the source code should also be prohibited.
- Immediately consult with industry in order to set up working groups in sectors that would benefit from closer regulatory cooperation.
- Regularly consult companies of all sizes to ensure the best implementation of regulatory cooperation.
- The BRT welcomes the broad agreement¹ reached on data flows between the EU and Japan at the EU-Japan High-level Economic Dialogue on 28 October 2023. Such an agreement is vital for companies that are dependent on free data flows between our two regions. This should cover both personal and non-personal data. It is necessary, furthermore, that such an agreement is future proof.

¹ https://ec.europa.eu/commission/presscorner/detail/en/IP_23_5378

- Ensure that the EU-Japan Digital Trade Principles adopted in May 2023 are well implemented.

The BRT believes that:

- For regulatory cooperation to be successful, negotiators on both sides must be given the appropriate mandate so that the results of the talks can be properly implemented and enforced. There is a need for a follow-up to ensure this.
- Through regulatory cooperation new technologies can be shared and introduced on both markets with a minimum of delay. This in turn leads to more benefits for industry and consumers, hence to society as a whole. The Japan-EU Digital Partnership and the Digital Trade Principles are good tools that should be enforced
- Global solidarity, cooperation and effective multilateralism are more in need than ever, to come through the pandemic as well as to ensure economic recovery. It is therefore extremely important to develop the EU-Japan relationship even more, and in doing so to demonstrate to others that such cooperative relationships are possible.

Encouraging the use of EU-Japan EPA, particularly by SMEs

The BRT calls on the EU and Japanese Authorities to:

- Ensure that not only large corporations but also SMEs can make best use of the agreement.
- Proactively inform industry of the advantages of utilising the EPA. Call for the editing of practical guides for businesses that want to export or invest in the EU and Japan, to inform on rules to be implemented (tariffs, rules of origin, services regulations, single entry points, contact of licensing bodies, mobility of personnel requirements, etc.).

The BRT believes that:

- SMEs are an important and integral part of both the EU and Japanese economies. At the same time, they tend to face bigger difficulties in utilising a complex system due to lack of resources and sometimes even knowledge. Getting them on board is essential to ensure that trade between the EU and Japan reaches its full potential.

Joint investment in 3rd countries

The BRT calls on the EU and Japanese Authorities to:

- Continue to support EU and Japanese industry to invest jointly in 3rd countries, notably in the regions of the Western Balkans, Eastern Europe, including Ukraine, Central Asia, Indo-Pacific, as well as in Africa.
- Hold discussions on joint investment not only at high level, but focusing on practical and operational aspects, and companies on both sides should be able to take advantage of the resulting outcomes and implement them easily.
- Make good use of the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure to find synergies in investments and infrastructure projects.
- To better coordinate and ensure that ODA projects are not favouring suppliers from either region.

The BRT believes that:

- This support is particularly important in developing countries where investment can help the country in question to raise its standard of living significantly.
- It is furthermore important that the EU and Japan continue to play a leading role on the global stage to ensure enhanced competitiveness.
- The strengths on both sides should be more efficiently utilised and that where it is possible to cooperate, this should be commenced earlier in the process.
- The challenges of the current and future pandemics cannot be solved by the EU and Japan exclusively within their own countries. Therefore, it is important to step up EU and Japanese assistance to partner countries facing the impact of the pandemic, not only by providing short-term assistance but also by supporting them over the mid- to long-term.

Promoting the Free Flow of Data

The BRT calls on the EU and Japanese Authorities to:

- Pursue the negotiations to review and complete the digital trade chapter of the EPA to the highest standards, including language on cross-border data flows, as set in Article 8.81 of the EPA (three-year review clause) which reached the broad agreement² between the EU and Japan at the EU-Japan High-level Economic Dialogue on 28 October 2023.
- Conclude these negotiations as soon as possible to ensure a strong legal basis to the growing flow of data across the two borders. The agreement must be ambitious and establish modern rules for cross border data flows while ensuring the protection of personal data.

The BRT believes that:

- Data plays a key role in promoting and accelerating the digital economy. The free flow of data under the secured conditions, namely Data Free Flow with Trust between the EU and Japan will mutually be beneficial for creating business opportunities and strengthening the competitiveness in both economies.

WP-1 / # 02* / EJ to EJ Recommendations for an ambitious multilateral trade agenda toward the next WTO Ministerial Conference

Under the mounting pressure of protectionism in a post-COVID world, and the on-going geopolitical crisis causing the wide-spread disruption of international order, the EU and Japan support strengthening and reforming the WTO. Together with other WTO members, the EU and Japan should work to ensure the centrality of the WTO as the guardian of the multilateral trading system, and the value of WTO agreements as a basis of fair rules to maintain order in global trade, to assure the mobility of people, capital, goods and services so that we could revitalise the economic activities of the whole world and promote further liberalisation. It is necessary, therefore, that the WTO and its members ensure the relevancy of the multilateral trading system and further

² https://www.mofa.go.jp/press/release/press4e_003322.html

promote the reforms to improve the responsiveness to present and future challenges, while taking into account the concerns expressed against trade and globalisation.

To this end, BRT welcomed the adoption of the Ministerial Declaration at the Twelfth WTO Ministerial Conference held in Geneva which concluded on June 17th, 2022, and looks forward to the Thirteenth Ministerial Conference in late February 2024.

The BRT calls on the EU and Japanese Authorities to:

- Renew the moratorium on customs duties on electronic transmissions of the WTO and find agreement to make it permanent, noting that the custom duty-free distribution of electronic transmissions is at the core of technological innovation and the digital economy. The WTO must not be the venue that would allow the principle of raising customs tariffs on trade in services.
- Avoid continuing to waive the protection of intellectual property rights regarding COVID-19 related therapeutics and diagnostics.
- Reinforce the negotiating pillar of the WTO to better disseminate the benefits of global value chains. The EU and Japan must play a central role in this regard.
- Safeguard the proper functioning of the enforcement pillar of the WTO, its Appellate Body in particular. In this term, the BRT welcomes, and emphasises the importance of, attempts made by the 12th WTO Ministerial Conference in recognising the significance and urgency of responding to the challenges and concerns expressed against WTO's dispute settlement system, including the WTO Appellate Body, while proclaiming their commitment to build a dispute settlement system accessible to every member with perfect and superb functions, by 2024. The BRT also welcomes Japan's participation in the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) in March 2023. The BRT calls on both authorities to ensure that interim plurilateral frameworks for dispute settlement, such as MPIA, function effectively until a dispute settlement system accessible to every member with perfect and superb functions will be established.
- Reaffirm the importance of a market-oriented trade environment. Regarding WTO reform, supporting the continuation of trilateral cooperation among the US, the EU, and Japan, especially on efforts to strengthen WTO rules on industrial subsidies and technology transfer, and to improve compliance with notification obligations, as well as ensuring that all WTO members contribute according to their real economic power. The BRT also supports the development of rules on trade-related aspects of electronic commerce.
- Explore further topics that are essential for the smooth functioning of global value chains together with other WTO members. These could include, for example, industrial and green subsidies, the reduction of export restrictions, investment (facilitation) and competition. Also, the EU and Japan need to take the lead in building an export compliance framework that creates a level playing field and alleviates business uncertainty.
- Revitalise negotiations under the Joint Statement Initiatives, especially in the digital area and in climate and the environment. The participation of and progress made by the EU and Japan on the Joint Initiative on Investment Facilitation for Development is encouraging.

- Implement in full the Disciplines that have been agreed on 2nd December 2021 in Geneva on Domestic Regulation in Services in all relevant domestic regulation in the EU and in Japan to further improve transparency and ease of doing services trade and investment. Encourage the full implementation of the Reference Paper by all signatories, for instance by putting into place a notification system to the WTO Secretariat. Encourage other WTO countries to join the initiative. This is an agreement that shall benefit all WTO Members. The initiation of the certification procedure of a large number of signatories, including of the European Union and Japan, is a positive step.
- Lead the discussion on further expanding the product coverage and membership countries and regions for the Information Technology Agreement (ITA), as agreed in December 2015, given the current global circumstances such as the COVID-19 pandemic and the on-going geopolitical crisis disrupting supply chains. The ITA plays a significant role in maintaining and continuing negotiations on a plurilateral basis, given the difficulty of reaching an agreement among all WTO Members. Furthermore, the expansion of the ITA should enable citizens of Japan and the EU to benefit from the evolving IoT technology and DX, including AI.

The BRT believes that:

- The 13th WTO Ministerial Conference will be crucial in reaffirming the benefits of a rules-based multilateral trading system and will have to deliver a package of multilateral and plurilateral outcomes that could equip governments and business operators with modern and effective trade rules. At the same time, the upcoming Ministerial Conference needs to further promote the discussion on the reform of the WTO with the view to continue delivering concrete results for the future.
- On e-commerce, the upcoming Ministerial Conference should seek to make real progress towards an ambitious, comprehensive and commercially meaningful outcome, including rules to ensure cross-border flow of data. The E-commerce Agreement should prohibit data localisation measures, especially usage or location of computing facilities in a jurisdiction's territory as a condition for conducting business in that territory, and requirements for disclosure of source codes, algorithms, and proprietary information relating to cryptography ensuring the non-discriminatory treatment of digital products. Incorporating the value chain perspective when negotiating the liberalisation of goods and services under the auspices of the WTO is critical. This will effectively ensure a real impact, as global value chains play an increasingly important role in international trade. Liberalisation should also include environmental goods related to the Environmental Goods Agreement (EGA), so long as it does not discriminate unfairly between products and sectors and to expand these talks to environmental services, that are crucial to fight pollution and climate change. Moreover, in the follow up to the COVID-19 pandemic, the WTO should look into trade and health initiatives that will make the world more resilient in future crises.
- The decision to waive the protection of intellectual property rights regarding COVID-19 vaccines fails to address the current challenges of access to vaccines and risks undermining efforts to address future pandemics as companies will have less incentives to invest in R&D.
- From these perspectives, the BRT welcomes, and points out the importance of, the 12th Ministerial Conference agreeing to renew the discussion of the work program for e-commerce, and to make permanent the WTO moratorium on customs duties of electronic transmissions.

WP-1 / # 03* / EJ to EJ Applying international standards and enhancing regulatory cooperation

The BRT believes that regulatory cooperation is key to the economic prosperity of the two economies. Following the successful entry into force of the EU-Japan EPA in February 2019, it is now even more important than ever to ensure not only that new regulations do not nullify or impair the market access benefits which have been achieved under the agreement nor create new barriers to bilateral trade, but also to further expand and strengthen the regulatory cooperation between the two economies. This way the EU and Japan will be able to create a more favourable business environment and hopefully also expand such cooperation to other bilateral and multilateral relations.

General recommendations

The BRT calls on the EU and Japanese Authorities to:

- Building on the EPA, jointly pursue the harmonisation of rules, regulations and standards. While the EPA has certainly provided great success in this regard, the BRT believes that the work has to continue in order to deal with areas not covered by the EPA as well as new areas and technologies.
- Where international standards have not yet been developed, to accept the approval of the import, sale or use of products that have been approved on the basis of functionally equivalent requirements if it is possible and appropriate to do so.
- Study the possible impact of new regulatory developments on domestic and foreign business to avoid taking initiatives that might create barriers to trade and investment.
- To establish a close dialogue with industry regarding the harmonisation of regulations and standards by discussing concrete use cases and examples from business experience.

The BRT believes that:

- The EPA creates a perfect platform for regulatory cooperation, and it is vital that this is done without delay as to not lose momentum.
- A similar mind-set as was shown during the negotiations is now needed in order to achieve regulatory harmonisation which is capable of being enforced.
- Continued dialogue is necessary, but with goals clearly defined so as to avoid a dialogue without results.

1. Create a common chemicals regulation

The BRT calls on EU and Japanese Authorities to:

- Establish a common list of the hazard information of substances and a common approach to the evaluation and sharing of data, and the hazard classification.

- As a first step towards complete recognition set up a system where test results carried out in either the EU or Japan are recognised as carried out in the other region.

The BRT believes that:

- A common regulatory environment will not only benefit the industries through cost mitigation but also benefit users and consumers through lower prices and consistent protection.
- Before issuing regulations unilaterally, both Japan and the EU authorities should carry out appropriate public consultation processes to finalise them based on a multi-stakeholder approach.

2. Create a common resource efficiency policy

The BRT calls on the EU and Japanese Authorities to:

- Promote the concept of resource and energy efficiency, using the right incentives, standardised test methodologies, criteria and a common format of environmental products declaration between the EU and Japan and cooperate with each other so that such policies are internationally shared. The areas where regulatory harmonisation should be pursued are the areas of material recycling/re-use and energy recovery which are essential for both EU and Japan economies if they are to become circular.
- Work together at the multilateral level to promote international harmonisation of energy efficiency regulations, relevant labelling rules, environmental and carbon footprint schemes, traceability tool for information transfer in supply chain.

The BRT believes that:

- Only through a common approach can many of the energy and environment related issues be solved. It is therefore vital that the EU and Japan show leadership in the field at ISO and IEC level.

3. Expand the benefits of AEOs

The BRT calls on the EU and Japanese Authorities to:

- Aim at introducing further regulatory cooperation in order to give more concrete benefits to AEOs.
- Focus on introducing real advantages without increasing the administrative burden for companies by granting more freedom, simplification and responsibility to companies.

The BRT believes that:

- A smoother logistical system is necessary, which offers benefits to companies that can show that they have the capacity to properly trace each shipment.

- This will also benefit the authorities as they will be able to focus more on dealing with illegal shipments and supporting those companies that have less capacity regarding traceability.

4. Adoption of UN Regulations and promotion of regulatory cooperation in the automobile sector

The BRT calls on the EU and Japanese Authorities to:

- Continue to work and promote the UNECE as a forum for global harmonisation of the vehicle regulations.
- Furthermore, accelerate their adoption of the UN Regulations to lower the cost of regulatory compliance for both European and Japanese automobile manufacturers by extending the scope and benefits of mutual recognition.
- Work together to establish internationally harmonised technical standards and testing procedures that will encourage the development and smooth market adoption of environmentally friendly and safety vehicle technologies, such as electric, hybrid and fuel cell vehicles, carbon-neutral fuels, as well as autonomous and connected driving technologies.

The BRT believes that:

- A common regulatory framework will send a strong signal to the rest of the world that harmonisation and the UNECE is the adequate forum.

5. Sanitary and phytosanitary regulation

The BRT calls on the EU and Japanese Authorities to:

- Use the EPA to further harmonise the SPS framework. This should be done at a detailed level to avoid any divergence. The overarching principle should be that if a product is approved in one market it should be regarded as approved in the other market, without the need for additional testing or market approvals.

The BRT believes that:

- Harmonisation and mutual recognition are vital to achieving the goal of increasing exports of food and drink, which is a priority for both the EU and Japan and one on which considerable resources are expended.

6. Electrical goods

Both the EU and Japan have established systems to ensure the safety of electrical products for both professionals and consumers. The EU employs the CE marking system, while Japan utilises the PSE marking system. Unfortunately, these systems are not completely harmonised, often resulting in the need for re-testing in many cases.

The BRT calls on the EU and Japanese Authorities to:

- Harmonise the systems as far as possible to avoid re-testing. The BRT understands that there are some underlying differences that would make a complete harmonisation difficult, such as differences in voltage, as well as differences in plugs. However, the goal should still be the same.

The BRT believes that:

- With harmonisation companies will be able to introduce products faster and cheaper, and it would also help the authorities as they do not have to spend resources re-approving and checking products.

WP-1 / # 04 / EJ to EJ Avoiding double contributions on social security

The BRT welcomes the conclusion of social security agreements between Japan and 13 EU Member States. Negotiations or preliminary talks are under way between Japan and some additional EU Member States.

The BRT calls on the EU Members States and Japan to:

- Swiftly conclude bilateral agreements so that double pension payments are avoided.
- As an interim measure introduce regulation that either exempts employees and employers from pension premiums or returns the paid amount of both the employee and the employer when the person leaves the country.

The BRT believes that:

- With increased labour mobility and the need for companies to both transfer and recruit globally the demand for social security agreements will increase.

WP-1 / # 05* / EJ to EJ Achieve climate-neutrality

Because climate change is a global challenge, the BRT appreciates the fact that the EU and Japan have the common goal of climate-neutrality by 2050. The EU's effort to achieve the goal is well known as Fit for 55 Package initiatives and the REPowerEU plan which fast-forward the green transition by revising, for example, the EU's GHG emission reduction from 40% to 55% by 2030.

However, the road to climate-neutrality has various paths, and diverse technology options have a role to play in an effective transition to climate-neutrality. In addition, discussions on CBAM being concrete measures have taken place before the EU and Japan share the vision and image of the way-forward.

In this regard, the BRT calls on the EU and Japanese Authorities to:

- Demonstrate strong leadership and encourage the cooperation of all Governments in order to build transparent and fair international trade rules and systems related to climate-neutrality, that are consistent with international rules such as WTO.
- Discuss the way-forward to properly address the carbon leakage based on carbon intensity and for Carbon Border Adjustment Mechanism (CBAM), which entered a

transitional period on 1 October 2023, and eliminate disparities between domestic products and imports in reporting and procedures under CBAM obligation.

- Ensure close communication on the handling of carbon pricing to secure international harmonisation and WTO compliance.
- Massively scale-up investment in renewable energy and power networks, and streamline permit and regulatory processes while respecting a just transition, local communities, and environmental standards.
- Enhance regulatory cooperation in the field of green technologies such as offshore wind power and the production of renewable hydrogen and ammonia in order to help to accelerate deployment of these technologies.

WP-1 / # 06 / EJ to EJ Recommendation on BEPS Action Plan and Other Tax Issues

The BRT supports the creation of an internationally fair taxation framework and level playing field. At the same time, the BRT believes that taxation systems should be as simple and transparent as possible and should not create excessive administrative burden on businesses.

BEPS Action Plan

The BRT calls on the EU and Japanese Authorities to:

- Ensure that the implementation of BEPS Actions do not create additional administrative burden on businesses.
- Request to file CbCR only to MNE's top parent company but not to MNE's subsidiaries in accordance with the OECD suggested protocol.
- Aim at facilitating the conclusion of bilateral and multilateral APAs.
- Keep confidentiality of information concerning taxpayers as BEPS Action 13 demands.
- Give specific consideration to the global trading business model broadly conducted by the financial services industry in terms of Permanent Establishment ("PE") that the tax authorities in European Countries give utmost consideration before making any tax assessment based on the determination that a trader booking into an offshore booking entity under the global trading business should qualify as dependent agent.
- Give utmost consideration to the implementation requirements in other jurisdictions before implementing new tax rules, which may or not be BEPS Action 13 and 7 related.
- Avoid unnecessary uncertainty for compliant taxpayers and unintended double taxation as was agreed by OECD/G20 countries in 2013. Based on the statement to address the tax challenges arising from the digitalisation of the economy agreed by 138 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), EU should work together to create a harmonised tax system with other member countries and regions of OECD/G20.

Other Tax Issues

The BRT calls on the EU and Japanese Authorities to:

- Include all EU Member States and Japan in the mandatory binding MAP arbitration in their bilateral tax treaties which the commitment was made by 25 countries including Japan and 24 EU Member States as a mechanism to guarantee the resolution of treaty-related disputes within a specified timeframe.
- Pursue simpler, lighter and sensible tax systems which will lead to growth and innovation, and furthermore, reduce time and cost for both businesses to comply and tax authorities to enforce.
- Eliminate double taxation and modernise tax treaties between EU Member States and Japan to ensure that royalty, interest and dividend payments are exempted from withholding taxes to the greatest possible extent.
- Cooperate to establish a reasonable global framework regarding digital taxation currently discussed in the OECD in order to avoid economic confusions.

WP-1 / # 07* / EJ to EJ Economic Security

Globalisation is entering a new phase in which international trade is becoming increasingly interlinked with security considerations. The BRT recognises the security aspects of international trade and investment but believes that, if not applied proportionally and in a targeted way, state intervention, and in particular unilateral measures, can have a strongly negative impact on ordinary commerce or stifle growth and innovation. International cooperation and coordination on economic security can make measures more effective and help isolate security issues from general economic interests.

The EU and Japan are like-minded partners to cooperate on these issues, given they are similarly highly developed economies, with strong high-tech industries, and simultaneously heavily reliant on a rules-based international trade system.

The BRT, therefore, welcomes the section on economic resilience and economic security in the Joint Statement of the 29th EU-Japan summit on 13 July 2023, as well as the Joint Statement adopted by the G7 in Hiroshima on 20 May 2023. The BRT also takes note of the Memorandum of Cooperation on submarine cables for security resilient and sustainable global connectivity on the occasion of the EU-Japan Digital Partnership Council in Tokyo on 3 July 2023, as well as the Memorandum of Cooperation on semiconductors.

The BRT calls on the EU and Japanese Authorities to:

- Stand together and **coordinate responses to economic coercion**, preferably in G7 format, as sign of strength and solidarity for most effective deterrence.

- **Fully implement the EU-Japan Economic Partnership Agreement** to reduce trade barriers to encourage companies to diversify their supply chains into each other markets and reduce strategic dependencies.
- In order to secure diverse import and export partners, Japan and the EU should maintain and strengthen the free trade system on a regular basis, for instance, expand the scope of goods covered by ITA and its member countries and regions.
- **Cooperate on export controls** and restrictions to define shared security risks and ease the regulatory burden for companies by coordinating whenever possible on export control lists to minimise having to re-do administrative processes.
- Regarding **screening of foreign direct investments (FDI)**, discuss latest regulatory developments, exchange best practices and relevant information on FDI into each other markets while safeguarding business confidentiality.
- **Involve businesses** in the shared risk assessments, as proposed in the joint statement of the 29th EU-Japan Summit, that will address answers on economic security.
- Monitor and exchange expertise on **non-market economic practices**.
- Continue discussion on economic resilience and economic security at a high political level, preferably in the context of the High-level Economic Dialogue.

WP-1 / # 08* / EJ to EJ Human rights and supply chain

Both the EU and Japan have instituted policies requiring industry to respect human rights in their supply chain. This applies not only to the direct suppliers but also further up- and/or downstream. The BRT believes that this work is very important and fully supports the efforts of the authorities. Human rights are and should be at the forefront of every responsible business in both the EU and Japan.

However, it is important that there is no divergence in the adopted legislations of our two regions. Such divergence creates more burden especially for companies within the supply chain and make it difficult for companies to achieve the ultimate goal: a supply chain in line with human rights.

It is also of importance that clear guidance is issued on how to achieve compliance so that companies are more successful in their efforts in regard to human rights, both internally and the external relations with customers and clients.

The BRT calls on the EU and Japanese Authorities to:

- Commence discussions on coordinating the policies on human rights in the supply chain to avoid divergence of requirements by guaranteeing that any adopted or future legislation and according guidance is set-up and implemented according to provided international standards such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines.
- Issue guidance on how to be compliant with the requirements, and also what documentation might be needed. It is important to introduce measures that are transparent, highly predictable, and feasible for private companies.

Recommendations from European industry to Japan

WP-1 / # 09* / E to J Harmonisation & mutual recognition of standards and product certifications; acceptance of international standards where applicable

Industry still faces standards and products certifications that are not harmonised with international standards or regulations. Furthermore, some overseas approvals, despite having been issued in accordance with EN and/or ISO, are not recognised by the Japanese Authorities. This leads to delays in the introduction of innovative new products to the market and increases import costs. While accepting the need to safeguard consumer health and safety, the BRT urges Japan to promote the harmonisation of standards and certification procedures, the mutual recognition of product certification and, in areas where harmonised standards do not exist, the mutual approval of the import, sale or use of products that have been approved on the basis of functionally equivalent requirements, so that products certified for one market are automatically accepted in the other market. The EU-Japan EPA was a great catalyst for speeding up the harmonisation process in Japan, the BRT believes that this can continue to be achieved.

The BRT recommends the Japanese Government to place particular emphasis on:

Automobiles

The EPA agreement in principle ensures that “both Japan and the EU will fully align themselves to the same international standards on product safety and the protection of the environment, meaning that European cars will be subject to the same requirements in the EU and Japan, and will not need to be tested and certified again when exported to Japan”.

However, in this area a big gap has to be seen between the ambition of the Agreement and the reality. This is due to the transition periods of up to 7 years, several exemptions and specific provisions in some areas. All in all, the Agreement does not significantly change the current status to an improved situation.

It has to be feared that under the current provisions of the Agreement, improvements will be seen only gradually and slowly. Especially in the important area of emissions/fuel consumption, the discrepancy is expected to last.

The BRT calls on the Japanese Authorities to:

- Abolish its remaining unique regulations, including the standards for exhaust gases
- Promote further harmonisation in areas currently not covered by the agreement,
- Change optional to mandatory conditions regarding the approval of EU certificates, especially in the area of emissions/fuel consumption to ensure that – as intended by the EPA – vehicles will not need to be tested and certified again when exported to Japan,
- Use the Automotive Working Group to increase the benefits in this area by speeding up the envisaged changes and widen the harmonisation efforts.

Railways

Japan lacks a unified conformity assessment scheme, and does in principle not recognise overseas schemes or approvals. Consequently, this situation often necessitates the re-testing of products and services that have already been deemed safe in Europe. Although Japan does engage in international standardisation efforts, there are no clear indications that Japanese operators are actively implementing these standards or test methods.

The BRT calls on Japan to:

- To be more involved in introducing a national system for conformity assessment and to encourage mutual recognition of testing and certification. The BRT believes that a working group led by the Japan authorities including both domestic and foreign companies from all railway-related sectors should be established.
- Take extra care that standards and testing required by Japanese operators are communicated in a transparent manner so that European suppliers can meet and exceed these requirements.
- Should promote more off-the-shelf solutions instead of creating Japan specific solutions that are difficult to implement elsewhere.

The BRT believes that:

- A national testing scheme would lower the costs for suppliers and would at the same time make it easier for the authorities to make certain that railway related companies fulfil the proper safety requirements.

Processed food

While the EPA offers lower tariffs, the regulatory situation for companies still remains the same. This means that companies have to spend significant resources and money to fulfil requirements that are often unique to Japan.

The BRT calls on Japan in collaboration with the European authorities to:

- Recognise European approvals and test methods
- Harmonise with internationally approved food additives and enzymes
- Harmonise or mutual recognise regulations surrounding the need to test for radioactivity. We would like to note that the Europe decided to remove the need for radioactivity testing for products from Japan, while some products EU food products still have to be tested for the Japanese market.

The BRT believes that:

- With more recognition of European approval and test results, Japanese consumers will benefit from more and cheaper European products.

Electrical products

In Japan, compliance with the relevant legislation, often referred to as the Denan Act, is required for electrical products. Unfortunately, this legislation is rather intricate, lacks full harmonisation, and imposes significant administrative burdens.

The BRT calls on Japan to:

- Introduce more harmonisation with IEC standards.
- Simplify the legislation to provide clarity on the specific approvals required for individual products. For instance, requirements for lamp fixtures can differ depending on whether they are standalone or built-in types.
- Eliminate the requirement for paper originals and facilitate the use of digital certificates.

The BRT believes that:

- By recognising European approvals and test results to a greater extent, Japanese consumers will enjoy access to a wider range of European products at more affordable prices.

WP-1 / #10* / E to J Self-verification and risk assessment

Risk assessment and self-verification become more and more common as production cycles become shorter. This in order to offer a way to shorten the time to introduce a product to the market and at the same time ensuring that proper responsibility is taken by companies. While self-verification is used in Japan too, government or third-party approval is often the norm. Examples of products could be base stations, food contact materials, non-invasive medical equipment, electrical products etc.

The BRT calls on the Japanese Authorities to:

- Expand the use of self-verification while ensuring that proper care is taken to protect the safety of human life, as well as animals and plants.

WP-1 / # 11* / E to J Wind power

The development of wind energy is essential for Japan to reach its CO2 emissions targets and to achieve net-zero emissions by 2050. Modern and cost-efficient wind turbines now contain sophisticated technology that works well with established power grids of all kinds, ranging from large transmission systems to isolated local grids. The 6th Strategic Energy Plan announced last year is the Japan's roadmap toward carbon neutrality by 2050. Under this plan, the renewable energy is regarded as the prime source of power and the government declared its commitment to prioritise the enhancement of the renewables. In this context, the government is targeting to make the renewables represent 36 – 38% of power generation by 2030 and to install 5.7 GW of offshore wind farms by 2030.

The BRT calls on the Japanese Authorities to:

- Implement a drastic reform on the offshore wind farm certification process. The current setup has been inducing lengthy and unpredictable process which serves as a bottleneck for earlier financial closure and subsequent COD.
 - Duration for certification: The certification process should be completed in 1 - 1.5 years which is typical in Europe. It currently takes 3 - 4 years in Japan
 - Language: English language should be allowed in all communications.

- Document-based review process
 - Expand the use of international certifications and standards
- Japan should expand/upgrade the already-selected marshalling ports (Akita, Noshiro, Kashima and Kitakyushu) and/or develop additional marshalling ports and make them ready preferably by 2027 so that all or most of the round 2 and 3 projects would be able to start their offshore installation campaign from 2028 and to make the wind farms operational by 2030.
 - Enable the use of foreign registered vessels, as well as foreign crew on said vessels for projects related to offshore wind.

WP-1 / # 12* / E to J Automobiles

Kei cars and other motor vehicles continue to be subject to different treatments in terms of tax, insurance and parking rules. Although METI and JAMA have suggested reducing the level of discrepancy in taxation to the order of 1:2, for the time being, the discrepancy in the base level of taxation of *kei* cars and subcompact cars at 1:3.3 remains unacceptably wide.

The BRT calls on the Japanese Authorities to:

- Put *kei* cars and other motor vehicles on the same fiscal and regulatory footing.

WP-1 / # 13* / E to J Freight and logistics

Further to the WP-1 / # 03 / EJ to EJ, the BRT recommends that Japan revises its AEO system to introduce real benefits for operators regardless of whether they are forwarders, customs brokers or importers. Furthermore, the administrative load needs to be lessened if companies are to be truly attracted to the AEO status.

The BRT calls on the Japanese Authorities to:

- Allow a bonded warehouse to act as a port of first entry with regard to products covered by quarantine related regulations.
- Promote Electronic Delivery Order for ocean freight
- Take the lead in trying to digitalise the logistics industry as currently many Japanese companies, including large companies, are still using fax and paper orders.
- Allow smartboxes to be part of the container. Only in Japan does this has to be declared as part of the cargo, hence it has to be declared for import.
- Make it possible to have more than 100 entries on import declarations.

The BRT believes that:

- A more seamless and flexible transport sector will have a positive impact on the general flow of trade and better facilitate the improved market access offered by the EPA.

WP-1 / # 14 / E to J Aeronautics

Haneda D runway weight restrictions are an obstacle to the use of European-made aeroplanes and an obstacle to further development of international traffic at Haneda. These weight restrictions should be re-examined to allow the operations of new and larger aeroplanes such as Airbus-made A380 and A350.

The BRT calls on the Japanese Authorities to:

- Re-examine the weight restrictions to allow the operations of new and larger aeroplanes such as Airbus-made A380 and A350. This should be in line with the approval of the 747-8i which is in the same category as the A380 (code F aircraft).

The BRT believes that:

- If Japan is to re-open and return and exceed pre-COVID levels in regard to visiting tourists, due to limited numbers on slots on Haneda, aircraft such as the above mentioned will be vital.

WP-1 / #15 / E to J Equity compensation

Narrow exemptions of securities registration and prospectus requirement in Japan is an obstacle to the introduction of equity compensation plan by an EU company to its directors and employees residing in Japan. The securities registration requirement also leads to statutory disclosure requirement in Japan which is costly and burdensome for the EU company operating in Japan.

One of the current securities registration exemptions for equity compensation only applies to an EU company's 100% owned child or grandchild company while its other group companies are not eligible for the exemption. Another securities registration exemption applies only if a plan is available for less than 50 directors and employees in total.

These exemptions should be re-examined so that an EU company can attract, retain, and motivate its directors and employees in Japan more effectively.

The BRT calls on the Japanese Authorities to:

- Re-examine the exemptions of securities registration and prospectus requirement for equity compensation to allow more cases of EU companies in Japan to be exempt from securities registration and prospectus requirement in the case of equity compensation granted to its directors and employees in Japan.

The BRT believes that:

- Although they affect companies in all sectors, the current rules will affect digitalisation efforts as they make it hard for companies to recruit high-tech experts.

WP-1 / #16/ E to J Human resources

Japan is experiencing a severe lack of labour. This is true both for blue- and white-collar workers. Unfortunately, due to demographic challenges there are few signs that this will improve in the short term or the long term. The BRT would therefore like to suggest some regulatory changes that could address some of the shortcomings.

The BRT calls on the Japanese Authorities to:

- Abolish the ban on day-labour dispatch. Currently, it is not possible to dispatch day workers due to the annual income requirement of five million yen.
- Introduce legislation to protect the human rights of sexual minorities. This would make Japan a more attractive labour market for overseas talents.
- Revise the rules and thresholds for when tax, health insurance, and pension payments to incentivise part-time workers to transition into full-time workers.
- Eliminate the requirement for “Disclosure of information on margin ratio of temporary staffing agencies by business location.” This could disincentivise staffing companies from investing in their dispatched workers, as greater investment in human capital can lead to higher margins on paper.

The BRT believes that:

- Japan should explore all possible changes to address the labour shortage, which is one of the most significant obstacles for both domestic and foreign companies to continue thriving in the country.

Recommendations from Japanese industry to the EU

WP-1 / # 17 / J to E Chemical Regulations

CSS (Chemical Strategy for Sustainability)

The BRT calls on the EU Authorities to:

- The action plans including the revision of the REACH/CLP regulations under consideration to achieve the goal of “zero pollution” without hazardous substances in the Chemical Strategy for Sustainability (CSS) published by the EU Authority as one of the strategies of the European Green Deal, should be promoted based on appropriate risk (hazard x exposure) assessment of chemical substances.
- The BRT requests that this action plan will ensure that chemical substances, which can be used safely through appropriate risk management and are indispensable for realising a sustainable society, are not excluded from the market.

The BRT believes that:

- The EU Authority is considering proceeding the restriction and ban of chemical substances based on hazard rather than on risk, which is not in line with the principle of the REACH regulation, because the restriction and ban of chemical substances need to be more extensive and accelerated than before in order to achieve “zero-pollution” without hazardous substances.
- On the other hand, chemical substances are indispensable for all kinds of products and technologies, and if chemical substances are restricted or banned with emphasis on hazard, many related products and technologies without alternative substances will disappear, which could have serious negative impacts on society.
- While the EU Authority’s “zero-pollution” philosophy is understandable, chemical substances should be used with appropriate risk management, and the idea of restricting or banning chemical substances by focusing on hazard is unacceptable.
- In the EU Taxonomy, which was enacted to promote sustainable investment in the EU, “pollution prevention and control” was set as one of the environmental goals, and a hazard-oriented “List of substances of concern” was created to replace these substances with safer alternatives in order to reduce pollution. The manufacturing of these substances will significantly be discouraged, and the BRT is concerned that chemicals that are essential to realise a sustainable society and whose pollution can be avoided through appropriate risk management will be excluded from the market without scientific discussion.

The BRT calls on the EU Authorities to:

When assessing the health/environmental impact of each chemical used in multiple sectors, risk assessment should be made based on the exact exposure situation and the amount used in each sector, and regulations should be imposed in the laws governing each sector.

The BRT believes that:

- Establishment of a ‘One substance, one assessment’ process under action plan of CSS will possibly lead excessive restriction for specific sector on hazard assessment basis, especially in case that the use amount by each industry is largely different.

REACH

1. The BRT calls on the EU Authorities to:

- In recent years, restrictions or regulations have been considered and/or proposed to uniformly prohibit the manufacture, marketing, and/or use of many substances such as PFAS and microplastics etc. using a “grouping approach”. The proposed restrictions should be applied after risk assessment based on scientific findings for each individual substance.
- When a broad range of substances are to be restricted all at once, definitions and conditions applicable to a wide variety of uses and supply chains will become complicated, leading to confusion among businesses, Therefore, detailed guidelines should be published from the stage of considering legislation.

The BRT believes that:

- Attempts to group similar substances and make them subject to regulation may be effective in speeding up their evaluation and preventing “Regrettable substitution”. However, comprehensive regulation by grouping substances based solely on chemical structure, without considering the properties and risk of individual substances, lacks scientific rationality, and will lead to the loss of useful substances that can be used safely through appropriate risk management.

2. The BRT calls on the EU Authorities to:

- European Commission is planning to review the REACH regulations, and it includes the establishment of the registration rules for polymers. Polymer registration rules should be applied only for the polymers which have high concern for human health and the environment, and not applied for the low concern polymers, same as the other nation rules.
- For that reason, the EU should adopt the PLC (Polymer of Low Concern) concept in international alignment (harmonisation) and develop scientifically valid and clear criteria for the identification of PLCs to be exempted from registration requirements.
- The abolition of the current constitution monomer registration rules for imported polymers, instead of the introduction of the new polymer registration rules.

The BRT believes that:

- The monomers registration rules are not impartial system, because it is obliged only for companies which import polymers from outside of EU, and not necessary for polymer procurement from EU inside. In many cases, non-EU chemical manufacturers do not produce polymers by themselves but purchase from outside and prepare them, so they have to ask upward of supply chains for various kinds

of monomer information necessary for registration. It becomes a heavy burden for non-EU companies and acts as a kind of non-tariff barrier.

3. The BRT calls on the EU Authorities to:

- In the CSS, the European Commission stated that it will establish criteria for Essential Use so that the use of hazardous chemical substances is allowed only when their use is essential for the health, safety, or the functioning of society, and there are no acceptable alternatives from the standpoints of human health and the environment. In introducing Essential Uses into REACH in the future, the concept of socioeconomics in addition to protecting the environment and human health should be incorporated, and even after implementation, careful consideration should be given to whether a particular use of a chemical substance is an essential use.
- In the reform of authorisation and restrictions, risk-based and socio-economic assessments should remain.
- In expanding the application of the generic risk management approach (GRA) to professionals, use of these chemicals by professionals should be permitted if safe handling can be confirmed through appropriate risk assessment of the work environment, safety considerations from the design stage, and measures such as personal protective equipment and safety training.

The BRT believes that:

- Balancing the risk assessment based on the latest scientific methods and social usefulness of chemicals is the fundamental concept in chemicals management.
- It should not be important whether it is an essential use or not, but whether the risks can be managed and the magnitude of the benefits, and it is difficult to define essential use in terms of not only current substance and use information, but also foreseeable future social utility.
- Clarification and simplification of authorisation as well as maintenance of restrictions are considered the best proposals.
- While we acknowledge that the GRA is often effective in consumer applications, we believe that proposals to extend it to specialist applications could result in the loss of opportunities for specialist use of substances that are useful to society.

4. The BRT calls on the EU Authorities to:

- In the integration of the REACH registration tonnage range 1-10t/year and 10-100t/year, the increase in hazard information is an excessive demand including animal tests and maximum consideration should be given to reducing the burden.

The BRT believes that:

- The EU committee is refining REACH mainly to simplify the system for the following reasons: 1) Authorisation puts a heavy burden on businesses and authorities; 2) Restriction process takes too much time. However, the BRT believes that decisions based on scientific risk assessment and cost-benefit assessment are more important for building a sustainable society than expediting legal procedures or reducing the burden. In addition, it is important that the items listed in the REACH revision be designed based on current scientific standards and in consideration of international harmonisation of chemical management systems.

- Increased hazard information will not necessarily lead to protection of the environment or health. It would also have a significant impact on businesses in low tonnage areas.
- In reducing the risks associated with unintended exposure to mixtures, we consider it hasty to conclude that mixture assessment factors are the most appropriate approach in the short and medium term, simply because there is no globally accepted methodology for evaluation of combination effects.
- With regard to the provision of information on the environmental footprint of substances (e.g. impact on climate, natural resources, biodiversity), it is considered premature to incorporate such methodologies into REACH in the absence of standardised methods and global harmonisation.

5. The BRT calls on the EU Authorities to:

- There are many and well-reliable chemical data in the REACH, and the EU authorities have a privilege to take an initiative on the international actions for data sharing. Given this situation, they should encourage the REACH registrant to share the data with the applicants in the other chemical regulations outside of EU, for instance, by the preparation of the rules or guidance designated for the international data sharing.

The BRT believes that:

- For protection of human health and the environment, it is significant to utilise the physical and hazardous data of REACH registration for the chemical regulations in the other nations. In addition, from the viewpoint of animal welfare, it is important to avoid unnecessary animal studies by utilising them as much as possible. However, it is not clear with whom to negotiate for data sharing, and there are no rules for appropriate cost sharing, which may result in confusion in future registration under the UK REACH, Turkish KKDİK Regulation (Turkish REACH) and Taiwan Toxic Chemical Substances and Substances of Concern Control Act.

6. The BRT calls on the EU Authorities to:

- Once a substance evaluation has been completed under REACH, its conclusions have to be respected and should not be revised/overturned unless new findings or data become available.

The BRT believes that:

- If the conclusion of a substance evaluation officially finalised in the REACH process is later challenged and overturned, despite the absence of new scientific information, by a Member State due merely to differences in their ways of thinking, the dependability and predictability of regulatory decisions will severely be impaired.

CLP Regulation

The BRT calls on the EU Authorities to:

- The Commission Delegated Regulation introducing new hazard classes in the CLP Regulation has entered into force in April 2023. To ensure compliance throughout the supply chain and avoid confusion/difficulty in the logistics scene, the early publication of the guidance document is essential. Depending on the timing of the guidance document availability, the application of the regulation should be delayed accordingly.
- Regarding new hazard classes, until their introduction in the UN GHS is finalised after thorough discussions at the UN GHS and the consistency between new hazard classes in the CLP Regulation and in UN GHS is confirmed, Harmonized Classification, which is the official classification in EU leading to the application of regulations, should be withheld and only self-classification by the industry should be used.
- The definition of new hazard classes should be discussed and determined scientifically in public.
- The use of PBT substances with minimised risk should be allowed, as material durability is an important material property for sustainability. And PMT/vPvM concept should be introduced as a criterion to select substances to be monitored, instead of substances to be limited to use.
- We believe that it is still premature to adopt endocrine disruption because there are neither internationally agreed evaluation method nor judgment criteria. It is also noted that endocrine disruption is a mode of action, not a hazard.

The BRT believes that:

- New hazard classes (ED, PMT/vPvM, etc.) have been introduced in the CLP Regulation by the delegated act, but at present the classification criteria are not clear. The BRT is concerned that confusion may arise due to the classification difficulties or different interpretations when classification decisions are made by the authority and the industry.
- The draft guidance document on classification is scheduled to be issued in mid-2024, which means that there is not enough time to comply before the legal deadline (earliest, 1 May 2025).
- New hazard classes (ED, PMT/vPvM, etc) have been introduced in the CLP Regulation independently prior to their introduction in the UN GHS. In the future, based on the proposal of the EU, discussions will be held in the UN GHS on whether or not these hazard classes should be introduced in the UN GHS and their classification criteria, which may result in inconsistency between the CLP Regulation and the UN GHS.
- In such a case, in order to maintain international consistency, which is a basic principle of the UN GHS, and to avoid confusion in international logistics scene, it will be necessary to modify the CLP criteria in accordance with the UN GHS criteria. However, reversing regulations, such as designation as SVHC that was made based on the results of the official CLP classification, may cause a great deal of confusion conversely.

Appropriate approach to endocrine disruptors

The BRT calls on the EU Authorities to:

- When nominating a substance as an SVHC for suspected potential for endocrine disruption, the reasons for the proposal should be presented with scientific evidence.
- The Authorities of the EU should promote the action to make subjects about the low dose effect by endocrine disruptor clear with a tangible deadline.
- While the amendment to the CLP Regulation (Commission Delegated Regulation (EU) 2023/707) defines endocrine disrupting chemicals in a similar way to WHO (2012), there is a wide range of interpretations concerning the terms, “intact organism” and “adverse effect” among assessors. CLP guidance that is scientifically valid and accessible, especially to assessors, should be developed as soon as possible.

The BRT believes that:

- There have been cases of alleged endocrine disruptors being designated as SVHCs despite no clear scientific conclusion. For example, 3-benzylidene camphor, designated an SVHC in January 2019, was deemed an endocrine disruptor of concern for its adverse effects on humans and environmental organisms in general just because it has been found to have endocrine adverse effects on a small number of species. On the other hands, in reality, markets tend to eliminate the substances listed on the SVHC list before actual hazard level becomes clear, in case of the possibility to be added them to authorisation in the future.
- Issues related to dose and adverse effects with respect to endocrine disruption, such as whether or not a threshold for adverse effects from endocrine disruption exist and is measurable, remain open to scientific conclusion.
- Despite the clear distinction in the definition of “endocrine activity” in the CLP Regulations, some assessors make conservative judgments with ambiguous toxicological rationale, assuming that if “endocrine activity” is observed, then “adverse effect” is also existed. The evaluation of chemicals on a risk basis should be based on scientific knowledge.
- Attempts at open discussion on establishing risk-based assessment methods based on scientific knowledge, such as the “Opinion on the impact of non-monotonic dose responses on EFSA’s human health risk assessments” published in October 2021, are highly appreciated.

Fluorochemicals

The BRT calls on the EU Authorities to:

- The proposed restrictions submitted to ECHA by five countries including Germany in January this year indicate the direction to ban the use or placing on the market of all PFASs as a whole. However, PFAS includes various substances with different characteristics. After risk assessment of the effects on human health or the environment for each individual substance, based on scientific knowledge,

necessary regulations should be considered only when there is an unacceptable risk to human health or the environment.

- Even if restrictions are implemented, target substances and applications should be carefully selected based on careful assessment of socioeconomic impacts and availability of alternative substances, with maximum respect for opinions in public consultation.
- Necessary measures should be taken to allow exclusion from the restrictions or extension of the grace period if socioeconomic impacts become apparent after the introduction of the restrictions or if development of alternative substances or social implementation cannot be fully expected within the grace period.
- A threshold of 25 ppb has been proposed for all PFAS, which is set at a very low level and a value based on the risk assessment of PFOA and PFOS, which have clear hazards, but an appropriate threshold should be set based on the risk assessment for each individual substance.
- Internationally recognised analytical methods should be specifically specified to be able to determine if a wide range of PFAS contained in chemicals and articles are above or below threshold values.
- The use of manufacturing equipment and fixtures made of PFAS (e.g., PTFE) in manufacturing plants is essential from the standpoint of ensuring manufacturing safety, so their use should not be banned in manufacturing plants where the equipment and its operation are controlled. In addition, PFAS that may be unintentionally contained in chemicals in trace amounts as by-products or contaminants should be exempted from the restriction.
- The introduction of restrictions should proceed after careful consideration of the balance between the impact on supply chains and international trade and the need to achieve policy objectives and exhaustive discussions through the WTO/TBT Committee and other procedures, based on the premise of ensuring consistency with the Agreement on Technical Barriers to Trade (WTO/TBT Agreement) and other international rules.

The BRT believes that:

- For most PFASs there are insufficient data to adequately assess their effects on human health and the environment, and their persistent and high persistence properties make them hazardous. However, it has not been proved that these properties have adverse effects on human health or the environment.
- Note that Article 68, paragraph 1 of REACH also stipulates that new restrictions shall be introduced, or existing restrictions shall be amended, where there is an unacceptable risk to human health or the environment arising from the manufacture, placing on the market, or use of substances. However, we do not believe that most PFASs present unacceptable risks.
- PFASs possess various properties not found in other substances, such as heat resistance and chemical stability, and have therefore been used as essential materials in a wide range of applications including energy, semiconductor manufacturing, automotive components, machinery and devices of all kinds, telecommunications, healthcare, construction, cosmetics, and household goods. If the manufacture, placing on the market, and use of PFASs were to be uniformly banned, economies and societies could be severely impacted. In addition, there is concern that this will be a major barrier to the future implementation of the European Green Deal and to ensuring energy security and economic security.

- The exemptions and alternative periods for the proposed restrictions are also not appropriate. The Proposed Restriction allows a five-year derogation in the case of PFASs for which alternative substances are in the development phase or are not available in sufficient quantities, a 12-year derogation in the case of PFASs for which alternative substances have not yet been identified, and time-unlimited derogations, but only for a limited number of uses. Many of the alternatives are only available in their intended application, and few alternatives have been shown to be as available as PFAS in terms of required function, service life, supply, recyclability, or disposability. A grace period of 5 or 12 years with inadequate alternative technologies cannot be justified. On the other hand, even in the development stage, there are uncertainties in the realisation of social implementation, and the time required is longer than expected.
- The method of establishing exemptions for each application is not realistic, because the types of PFAS used and the situations in which they are used are too different, which ultimately leads to the creation of a huge number of subcategories. For example, it is impossible to comprehensively regulate resists used in semiconductor manufacturing, resins used in encapsulants, films used in displays, and light-emitting devices under a single category “electrical and electronic materials”. A more realistic approach would be to clarify the characteristics of each PFAS and regulate them, taking into account exposure or environmental releases.
- Also, the “repair as produced” principle should be introduced. Repairs of products need the same spare parts as those used in the first production of each product. Re-design of spare parts often also requires re-design of the products, because otherwise the original performance (i.e. safety and durability) cannot be guaranteed. In order to ensure the reparability and continuation of the lifetime of products, a full exemption for spare parts is needed. The reuse of used parts/used devices should also be exempted. If not, a large amount of waste is expected to be generated.
- The proposed restriction also has the problem that the situation of manufacturing sites handling chemicals, such as semiconductors, pharmaceuticals and cosmetics, as well as the chemical industry, has not been fully considered. For manufacturing processes that handle various types of chemicals, the use of manufacturing equipment and fixtures such as lining pipes and packing made of PFAS (PTFE, etc.), which has superior corrosion resistance, heat resistance, etc. to other materials, is essential for ensuring manufacturing safety. It is not realistic to ban these products, and because they are essential, no progress has been made in considering alternatives.
- As product supply chains expand globally, there is concern that the introduction of restrictions will have a significant negative impact on the supply chains and international trade of products in which PFAS are used. The content of the restrictions appears to create more obstacles to international trade than necessary to achieve the policy objectives and is inconsistent with Article 2.2 of the WTO/TBT Agreement, which states that “Technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create.” We believe that the introduction of restrictions, including from the perspective of consistency with international obligations, including the Agreement, should not be undertaken without careful scrutiny of the balance between the impact on supply chains and international trade and the need to achieve policy objectives.

RoHS

The BRT calls on the EU Authorities to:

- The Authorities of the EU should keep harmonised and consistent in the operation of RoHS and REACH and aim to do prior confirmation and adjustment to prevent confusion in the correspondence of supply chain, like the past case of the SVHC concentration criteria in the article which the multiple interpretations existed and became problems.

Nanomaterial

The BRT calls on the EU Authorities to:

- With respect to the REACH ANNEXES which newly specify the necessary subjects for registration dossier about nanoforms, the compliance of the Dossier should be evaluated considering that the relevant knowledge and tools, such as the OECD test guidelines and grouping tools, have not been fully available for the registrants.
- The EU Commission has issued a Recommendation on the definition of nanomaterial, and the relevant definition in each law will be revised in the future. In the revision, sufficient attention should be paid to the international harmonisation.

The BRT believes that:

- The test methods or tools of nanoforms which REACH ANNEX requests are under developing.
- In Commission Recommendation of 10.6.2022 on the definition of nanomaterial, nanomaterials were defined on the basis of length, diameter and aspect ratio. In applying this definition to the respective legislation, the impact caused by the new nanomaterial designation will need to be carefully considered in the future.
- It is expected that different individual sectors will update their internal definitions according to the revised definition after the new recommendation is implemented. The originality of the sector should be accepted, because the surrounding situations are totally different depending on sectors.

WP-1 / # 18 / J to E

Business in Europe: Framework for Income Taxation (BEFIT)

- The BRT hopes that the Member States will keep the tax system simple and sensible, and focus on fostering growth and investment.
- The BRT encourages the EU to aim at making the Best Practice corporate tax system in the world to which countries around the world would aspire.

WP-1 / # 19 / J to E Sustainable European Future

Policy on Corporate Sustainability and Responsible Business Conduct (RBC)

The BRT calls on the Authorities of the EU to:

- Ensuring policy coherence to achieve EU's objectives of sustainable development and a competitive social market economy and create an enabling environment to encourage the uptake of both individual and collective actions to maximise positive impacts while mitigating negative ones.
- Support inclusive dialogue with all stakeholders as a powerful tool to advance towards a sustainable future. BRT recognises that the Committee on TSD under the EPA will be a platform for the EU and Japan on sustainability. This committee should have an open and transparent nature and involve broad participation from the real economy across all sectors. It would be particularly beneficial to exchange best practices between Japan and the EU, and to gather views on the future policy trajectory in the two regions and globally.
- Involvement of all stakeholders is critical to ensuring that regulation is effective, proportionate, workable and supported by credible evidence. The benefits of full stakeholder participation are widely recognised as they bring everyone's expertise, perspectives and ideas into the policy-making process.

Disclosure and transparency (EU corporate sustainability reporting)

The BRT believes that:

- Corporate sustainability reporting is a communication tool of company's value creation process between the company and its stakeholders, as well as an internal management tool which enables companies to develop and evaluate their long-term business model and strategy. Therefore, it is our position that sustainability reporting should never become a tick-box exercise used by companies solely as a compliance tool. On the other hand, sustainability reporting standards must not impose excessive administrative burdens on companies, as this would hamper the broader efforts in creating and realising innovations essential for the achievement of the European Green Deal.

The BRT calls on the Authorities of the EU to:

- Promote the international interoperability when creating EU sustainability reporting standards to avoid double reporting for companies. EU reporting standards need to be aligned with ISSB's global base approach and allow companies to report only the ESRS's additional requirements, on top of what is already being reported based on international frameworks.
- Clarify the equivalence mechanism of EU standards and recognise ISSB as equivalence standards.
- Take reasonable consideration of the burden imposed on companies as well as the usability of data for users.
 - Adopt the prioritisation and phase in approach for making reporting more effective and more reliable.

- Recognise that companies have to deal with taxonomy disclosure requirements at the same time which is new and entails complex structured requirements.
- Emphasise dialogue as an equally valuable means for companies to strengthen the trust of their investors and stakeholders and leverage the improvement of companies' internal practices by incorporating dialogue into the PDCA management cycle. It is a powerful tool in fostering a culture of risk management and innovation, whereby companies across different cultures can exchange views on potential future risks as well as explore collaborative opportunities.

Corporate Sustainability Due Diligence and forced labour

The BRT underlines the need to acknowledge the diversity of stakeholders' interests, as stakeholder engagement is vital to incorporate sustainable corporate governance in practice. BRT supports the EU's ambition to enhance due diligence in corporate management processes and recognises the importance to encourage a 'culture of no harm'.

The BRT calls on the Authorities of the EU to:

- Make due diligence obligations implementable and bring a high level of legal certainty for companies.
- Ensure that the EU framework is aligned with international standards – including the UN Guiding Principles for Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines). International harmonisation is of paramount importance, as companies' operation and value chains are not limited to within the EU, but also deeply rooted in third countries.
- Ensure internal market harmonisation of legal requirements on due diligence. This is necessary to avoid fragmentation of the EU single market and ensure a level playing field. If the EU wishes its model to be used as a reference elsewhere in the world, it cannot rely on the limited harmonisation provided by the directive that would potentially lead to 27 different frameworks.
- Urge the governments to work with industries and other countries to solve the fundamental issues of supply chains. BRT asks the Commission to build up a credible database as well as to establish guidelines, and a helpdesk where companies can rely on expertise.
- Provide companies sufficient preparation and time to be equipped and resourced to comply with the new requirements. BRT believes that it would be more realistic if the application of such new requirements are gradually phased in, with regular review to ensure the effectiveness of the new requirements.
- Avoid blacklisting countries with EU self-classification rule, which is against WTO rules, in terms of forced labour legislation as it will discourage (often irresponsibly operating) companies to engage in high-risk markets, not solving root cause of forced labour issues throughout the global supply chain.
- Avoid requiring proof at customs clearance that products imported into the EU are forced labour free as such proof can hardly be prepared by companies alone.