

Summary of the webinar on Sept. 17, 2021
(Documents responsibility of the secretariat)

-Japan's position and expectations for the EU-Japan partnership-

1. Date and Time: September 17, 2021 (Friday) 16: 00-17: 00 Tokyo
9: 00-10: 00 Brussels
2. Language: Japanese only (no English interpreter)
3. Theme: Japan's position and expectations for the EU-Japan partnership
4. Presenter: Mr. Shigehiro Tanaka, Advisor to the Cabinet Office and to the METI (Previous vice minister of METI and former director general of trade policy bureau of METI)

On September 17, we invited Mr. Shigehiro Tanaka, former Vice Minister for International Affairs of METI to a webinar entitled "Japan's Position and Expectations for the EU-Japan Partnership" which took the form of a fireside chat. Mr. Tanaka gave us an invaluable view of the EU and his views on EU-Japan relations, based on his experience in international relations and relations with Europe during his 36-year career. Mr. Tanaka's main messages were as follows.

1 Basic view of the EU, recognition of Japan-EU relations

There are US-China conflicts and economic security (geo-economic) movements in the world. Among them, the EU is an alliance for Japan, sharing values such as liberalism, democracy, and multilateralism. In government relations, EU officials are worried about the same issues as ours and thinking carefully about them. It is a partner we can consult frankly. We do not have many such relationships in the world. Moreover, the EU occupies a large position in the world's multilateral institutions and has a strong voice, so it is necessary for us to cooperate. In addition, the EU's policy-making process makes decisions through coordination among 27 member countries, so it is transparent, excels in agenda-setting and public messaging. Therefore, the EU is a policy-making professional, from whom Japan can learn much. For the industry, EU is one of the largest quality markets with cultural values, tends to pioneer global regulations, has a large two-way cumulative investment with Japan and is therefore

has natural connection. It is a partner to which we should attach great emphasis.

2 Partnership in the "Digital" field

Japan and the EU are facing similar challenges in the digital field. Like Japan, the EU feels it has suffered a "digital defeat". The EU once encouraged e-commerce and aimed to accelerate EU integration. However, no EU equivalents of GAFAM emerged. Similarly, in the telecommunications field, whilst the EU promoted the standardization of GSM (2G) and once swept the world in the mobile phone field, like Japan it now finds itself behind its competitors.

Digital has the character of changing society and the economy as a whole, and affects personal dignity, privacy, and ethics. Beyond technology and economy, it is an area related to social values, a sweet spot area for the EU, and it has a strong desire to take the initiative on digital matters by utilizing its agenda-setting and policy-making abilities. Endeavors in AI and GDPR legislation are good examples.

The EU has the strength of having a deep R & D strength, a strong manufacturing base, and a wealth of data. The same is true for Japan. I would like to see a partnership that leverages the strengths and commonalities of both parties. On the other hand, trilateral coordination between the United States, which is strong in digital, and Japan and the EU is also important. The EU has made it difficult to utilize data in the industrial world because it has created too good a mechanism, and in this respect, Japan and the United States may approach the EU together. On the contrary, what is lacking in the United States needs to be explained to the United States by Japan and the EU working together. An example would be the AI principles. In any case, it is necessary to form a good partnership among the three parties.

3 Partnership in the "Green" field

I have seen several desperate faces of EU officials on climate change issues. They are seriously thinking what has to be done to achieve their extremely ambitious climate goal. The CBAM proposal shows the seriousness of the EU. They feel that even if they make serious efforts to respond to climate change, industry will not be protected and

employment will be lost unless other countries make similar efforts. The EU's aim is to seek equal efforts from other countries including China to reduce emissions.

This was the case with the ETS – a system which has been in operation for over 10 years and has been successful despite some criticism.

Furthermore, the EU is trying to expand the ETS to new fields such as buildings and shipping. The ETS is not introduced at the US federal level, but both China and South Korea have introduced it as a legal system.

The EU has given a huge budget to its Reconstruction Fund and links the allocation of funds to responses in the green and digital fields and thus try to support the transition of fossil fuel dependent countries such as Poland.

Also, the EU is trying to promote the installation of charging facilities to popularize EVs. Such EU funding rights are groundbreaking.

The EU is also trying to involve the financial community and promote investment in the green sector, which is why it is leading the effort on "taxonomy". As a result, the financial sector's behaviors have changed.

These EU efforts are also helpful for Japan, and Japan needs to cooperate further with the EU to advance its agenda. Through mutual discussion, the EU decided to form the first partnership in this area with Japan. The challenge is how to materialize this EU Green Alliance in the near future.

4 Partnership in new industrial strategy

In recent years, there has been a movement to strengthen industrial autonomy in several countries. The EU's approach toward "open strategic autonomy" does not aim to separate itself from the global value chain that we have built so far. This view is similar with Japan, and we have been working together to strengthen the supply chain to address the issues of rare earth and critical mineral procurement.

There is a movement to review the role of industrial policy in Europe, Japan and the United States in the industrial sector. However, policy transparency should also be emphasized in this area. Economies led by state-owned enterprises tend to lack transparency and the issues is addressed in the context of strengthening WTO subsidy rules, including the discussion among the trilateral, Japan, EU and the US. There is no difference between Japan and the EU in that they have a history of utilizing industrial policy as a tool to solve several policy issues. For

example, we are monitoring EU's policy on the batteries sector with interest. The EU and Japan are expected to cooperate in the area of technology development, procurement and/or standardization.

5 Regulatory and standard partnerships

Regulation and standardization are familiar policy methods in the process of EU market integration and are essential like air to the EU. Japan should think how to utilize these approaches. Recognizing that there are various government forms, market characteristics and regulatory differences in the world, standardization is an approach that has wider universal implications compared to a rigid regulatory approach. China is already aware of its importance and is working on standardization with industry and academia. Japan also needs to strengthen its standardization efforts by the industry, academia, and the government.

Regarding regulations, the US tends to take a market-oriented approach, the EU prefers a regulatory approach and Japan is somewhere in between. Japan should clarify its thinking of what is the best approach promoting its thinking aggressively.