

Japan-EU FTA/EPA: Time to move

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Building a 'Bridge' between the Asia Pacific and the EU
The Strategic Significance of the EU-Japan FTA/EPA

Wednesday, February 10th, 2016, Paris

Three key points ... plus one

- EU weakening economic relations with Japan need urgent repair.
- The strategic impact of the Trans-Pacific Partnership (TPP).
- Trade negotiations should be driven by the “national interest”, not by a few private vested interests.
- Japan: A key “aircraft carrier” in Asia Pacific markets

EU weakening relations with Japan

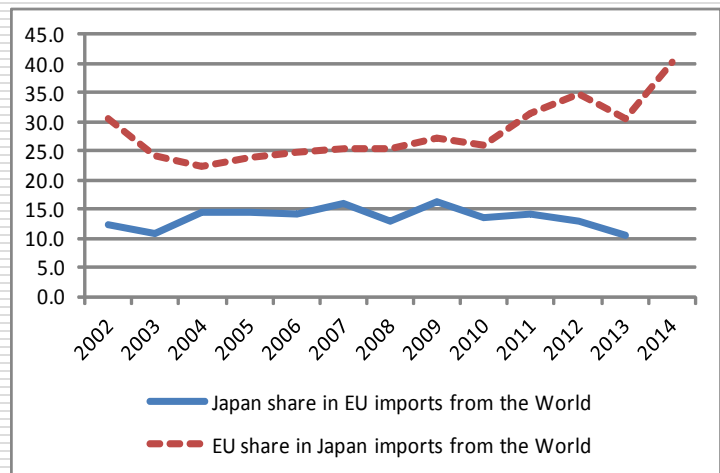
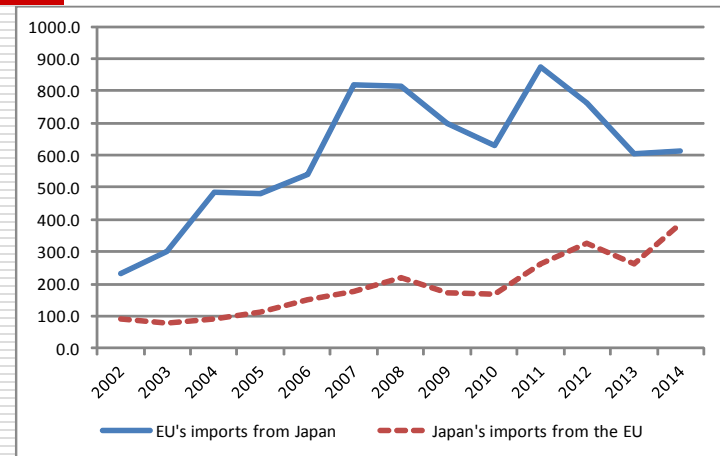
- ❑ Japan will be the world's third largest national market for 2/3 decades at least.
- ❑ Japan: high rate of imports (23% of total consumption), compared to France (23 % **intra**-and-extra-EU) or to USA (19%).
- ❑ Japan: high rate of consumption (81.7%) compared to 79.5% for France.
- ❑ Yet, Japan is only the seventh EU largest trading partner. EU exports are underperforming compared to the US.
- ❑ Japan: major source of FDI (8.4% global outflows).
- ❑ **In such circumstances, delaying the conclusion of the negotiations will be particularly costly: the EU would get benefits from the JEU FTA/EPA much too late.**

The strategic impact of TPP

- The two key points for a realistic assessment of TPP impact.
- The core **economic** value of TPP: trade liberalization Japan-US.
 - TPP introduces a strong “trade diversion” element on the top of the current EU weakening situation.
 - TPP opens the perspective of very deep market access of US goods to Japanese markets in the long run.
 - Tariff/barrier cuts between TPP countries and Japan will make the life of EU firms in Japanese markets much more difficult.
- The **geo-political** aspect: Japan and the US are the two largest economies with whom the EU has NO preferential access.
 - Success in TPP already puts the US in a strong negotiating position with respect to the EU in the TTIP (EU-US) negotiations.
 - No success in EU-Japan with Japan would weaken further the EU negotiating position in the TTIP (EU-US) negotiations.

National interest or private vested interests? (1/2)

- JEU negotiations: a perfect example of a few EU (French) private vested interests blocking the conclusion of an agreement at the detriment of many other EU (French) interests—in short at the detriment of the **national interest**.
- An illustration centered on France: rail equipment producers, farm and food producers, and rail passengers services operators.
 - EU rail equipment firms oppose the JEU FTA as long as regulations designed for public procurement markets are not imposed on private Japanese rail passengers services operators (JR-East, JR-Central and JR-West).
 - Japan more open to the EU than often said—in both bilateral trade (top) and in world trade (bottom).



National interest or private vested interests (2/2)

- An illustration centered on France (end). **If there is no JEU FTA:**
- **EU farm and food exporters** to Japan are in great danger to lose large market shares in Japan (-5 to -25%, depending the level of substitutability between EU and Japanese products). Why?
 - Japan's high barriers on farm and food imports (from 20 to more than 150% in many cases).
 - TPP includes very efficient agricultural exporters (Australia, Canada, Chile, New Zealand, US) who will get tariff-free access to Japanese markets, thanks to TPP.
 - And no risk from Japanese agricultural sectors (often niches).
- **EU rail passengers services operators** (the SNCF, DB, etc.) will not get better and/or more affordable equipment because there is not enough competition in the EU rail equipment industry. Makes the life of these operators—hence of all of the EU/French train commuters—more difficult because subsidies in public railways are cut down.
 - A matter of jobs? Get a broad view: 160,000 jobs in rail equipment vs. 1,050,000 jobs in rail passengers services operators.
 - Shooting in the foot in the TTIP context? Probably yes. US vested interests will be happy to use the argument against the EU former state-owned enterprises.
 - The third option: “industrial cooperation” on third rail equipment markets (China, ...).

Thank you for your attention

