

Seminar report:

BUSINESS OPPORTUNITIES IN JAPAN FOR CZECH COMPANIES

The impact of the EU-Japan EPA and Digital Innovation

Prague, 28 February 2020



More information

<https://www.eu-japan.eu/events/business-opportunities-japan-czech-companies>

In her introduction to the event, **Reiko Kimura** (Director-General of JETRO Czech Republic) noted that the level of Japanese investment in the Czech Republic is increasing – it rose by 24.5% between 2017 and 2018 and there are c. 270 Japanese companies operating in the country.

The first part of the event looked at opportunities for Czech companies under the EU-Japan Economic Partnership Agreement (EPA).

H.E. Shimazaki Kaoru (Japanese Ambassador to the Czech Republic) felt that as well as addressing the liberalisation of trade in services, high standards and IPR issues, the EPA has provided a platform for closer EU-Japan collaboration with the EU and Japanese Authorities working together to address problems linked to the EPA's implementation. Whilst the number of Czech companies with a physical presence in Japan is low, some Czech tech companies are present. JETRO and the Embassy can assist Czech firms looking to enter Japan. He hoped for a Czech presence at Osaka's [2025 World Exposition](#).

For **Zbyněk Pokorný** (Deputy of Deputy Minister for Digitalization and Innovations and Director of the Department for Investments and Industrial zones, MIT), Japanese companies are reliable and trustworthy partners. He hoped that the Czech-Japan balance of payments would improve and felt that there were opportunities in Japan for Czech digital economy companies. The Czech Republic wants to move its economy to a 'higher level' and is focusing on improving technical education and thereby build a cohort of high-quality researchers, promote the creation of start-ups and innovations.



During his presentation, **Marco Chirullo** (Deputy Head of the Far East Unit, DG Trade, EU Commission) noted that the EPA was a 'new generation agreement' going beyond tariffs to address non-tariff measures, liberalisation in services and other issues and gives the EU the most preferential treatment of all of Japan's partners. The EPA used a 'negative list' principle – i.e. tariffs on items not listed in the EPA/on the [market access database](#) were fully removed. Whilst other countries are moving away from common rules for international trade, Japan and the EU made a strategic choice to look to standards to allow their companies to operate in the other market in the same way they do in their home region. Thanks to [Japan's other EPAs](#), the EU-Japan EPA can provide EU industry with a stable entry point into Asia. This is the EU's first trade agreement with a [specific SME Chapter](#). [JETRO](#) and the [EU-Japan Centre](#) are disseminating information on the EPA and the [EU-Japan Centre](#) and [Japanese Government](#) have established contact points to answer queries.

So what impact has the EPA had? For DG TRADE good agreements have balanced long-term benefits – the first year has shown an increase of 6.3% in both EU exports to Japan and Japanese exports to the EU. Within a month of the EPA's entry into force, EU pork exports to Japan rose 50%. Textiles, apparel and shoes exports had been affected by historical trade barriers, but exports of these products are significantly up. Tariffs on chemical products were low, but their removal helps chemical companies' competitiveness. EU beer exporters now have a level playing field with Japanese beer producers.

Under the EPA, a [set of committees](#) was established to address its implementation and will meet annually. Mr Chirullo encouraged companies facing problems in their sector to raise the issue so it can be addressed by the appropriate committee. Rules of Origin had been an issue as the EU and Japan interpreted them differently, but within 3 months of discussion [it had been solved](#). Similarly, to address sectors undergoing rapid change or which are completely new, the regulatory cooperation committee seeks to avoid regulatory divergence and the emergence of new non-tariff issues.

The EPA has changed the business environment and has put the EU on the radar of Japanese business. For example, a French company believes that the EPA enabled it to establish a joint-venture with Japan even if the agreement does not have a specific chapter on energy issues. Over the coming year both authorities will continue to monitor closely what is functioning and what could be improved, and will continue to engage. Tariffs will continue to fall (some tariff reductions were phased under the agreement) helping boost exports.

Aiko Higuchi (Director – European Office, EU-Japan Centre for Industrial Cooperation) [began her presentation](#) with both a macro and micro-economic overview of the impact the EPA has had in its first year. Whilst EU food exports to Japan have increased as a whole – and some products have increased considerably – Japanese food exports to the EU have been flat. On average, during the first 8 months that the EPA was in force, the preferential utilisation rate for Japan’s imports from the EU was 51.9%. The EU-Japan EPA’s take-up rate by Japanese firms is quite high – according to a survey of almost 1,000 firms, the EU-Japan agreement was the second most-used FTA for their exports and the most used FTA for imports. A [survey by Eurochambres and the European Committee of the Regions](#) found that the EPA is the EU’s second most attractive FTA after the EU-Switzerland agreement and the three main when it comes to the EPA: insufficient practical information on how to use the agreement, cultural/language barriers, and complex rules of origin.



The EU-Japan Centre [EPA Helpdesk](#) answers [individual questions](#) about the EPA, has a [stack of FAQs](#), organises webinars and publishes information and practical guides about the impact the EPA is having on different topics and product types. There is also an archive of recordings of past webinars. The EU-Japan Centre also organises training courses on [how to do business in Japan](#), [matchmaking missions for clusters and SMEs](#) and can provide a [temporary hot desk](#) for SMEs looking for a temporary base in Tokyo. The EU-Japan Centre will also support the organisation of future [EU Gateway Business Avenue](#) activities for Japan.



[During his presentation](#), **Evžen Reitschläger**, (Vice Chairman, Association of Small & Medium-Sized Enterprises and Crafts of the Czech Republic) explained that 99% of Czech industry are SMEs and in fact 95% of it are micro companies. The AMSP believes that there is a lack of information about what the EPA can mean, given the fact that the EU is a strong market, few Czech SMEs are looking for ‘exotic’ export markets. By improving the marketing of the EPA (e.g. explain tariff reductions and what they mean), explaining opportunities in Japan (what is the potential demand for a particular product type) and providing examples of success stories this can change. Software/IT services, space industry, nano industry and energy industry are all examples of sectors where Czech tech companies could boost links with Japan.

The second part of the event looked at opportunities for Czech tech firms working in IT fields.

[The presentation](#) of **Marc Einstein** (ICT expert of ITR Corporation (Japan)) outlined the state of Japan’s ICT market. Whilst Japan has been in recession for a long time, the IT sector has remained resilient and continued to grow. 95% of respondents to a survey indicated that their company will continue to deploy IoT services. This is good news for Czech companies active in the sector. Demographics explain why Japanese firms are looking to AI/IoT solutions: the ageing population and labour shortages mean many vacancies go unfilled (e.g. only 3:10 vacancies for delivery drivers are filled). Whilst Japan has many smart factories employing industry 4.0 style technology, IoT is found in all sectors. Japanese convenience stores are open 24h/day. But whereas Tokyo *konbini* can be staffed with foreigners, this is not so easy in regions. By 2025, 7-Eleven wants to introduce technology so a single person can run a store.



As in 1964, when the Tokyo Olympics heralded new technology (e.g. high-speed trains), the 2020 Tokyo Games will launch new technology including 5G mobile networks, autonomous cars to transport athletes. Various socio-economic factors are driving the IT market – elderly people living in rural areas who can no longer drive due to eye issues could create demand for autonomous vehicles; labour shortage facilitates automation; translating earpieces will be very useful given the huge growth in foreign tourists coming to Japan (up from 800,000 in 2011 to 32m in 2018); aquaculture, clean tech

and natural disaster mitigation also provide opportunities for technology. Japan believes that 5G will see the end of the smartphone as the primary communication device – smart glasses are the future and companies are investing in virtual reality solutions for training, meetings, healthcare and tourism. AI will become increasingly important with companies looking to chat bots and HR technology to replace call centres. Many of ITR Corp.'s clients would be interested in working with foreign companies. Mr Einstein gave two examples of IT activities involving companies from Japan and Central and Eastern Europe – [ESET](#) from the Slovak Republic (IT security) and Japan's [Transcosmos](#) which has facilities in Poznan, Warsaw and Cluj-Napoca among other locations.



In his presentation, **Tomáš Janů** (Director – Go Local, AVAST) explained that AVAST provides freemium solutions to protect against cyber-attacks. Since 2016, its Japanese business has quadrupled in size partly thanks to AVAST opening a small Tokyo office in 2017 and having Japanese expats working in Prague and partly to its 4-step 'Go Local' approach:

- 1) *Content* – Japanese website must have a Japanese feel, avoid even slight mistakes and should be stable (do not change a successful web/app interface). A reliable web partner for Japan is essential.
- 2) *Campaigns* – Japanese campaigns are designed for Japan and so are unlike those it has elsewhere. Be committed long-term – Japanese consumers who trust your product will sign up for long contracts.
- 3) *Pricing* – Respect cultural norms when setting prices (avoid prices ending in 4 or 9, e.g. ¥99).
- 4) *Payment* – Would-be customers are able to pay for AVAST in *konbini* – this creates a sense of trust.

Mr Janů identified 5 success factors: Build a local team; pay attention to detail; build trust (have a local address and phone number); present a lot of technical content; expect loyal, long-term clients.

The event concluded with informal networking.

Main 'takeaways' from the event:

- Czech businesses are largely unaware of the business opportunities available to them in Japan.
- There needs to be a concerted awareness-raising exercise designed to :
 - o Overcome a perception that Japan is an 'exotic market';
 - o Explain tariff and other changes introduced by the EU-Japan EPA; and,
 - o Highlight success stories, sources of information and practical help.
- To succeed in Japan, companies need to promote their product or service in the same way that a Japanese competitor would. Recruiting local staff or working with reliable partners can be an effective strategy.
- Japanese customers are largely loyal, so once a company has built a positive image and become trusted it can grow its business.
- The IT sector is a promising sector with good opportunities for Czech tech companies looking to Japan.

Photos from the event and links to the presentations are available on the event webpage at <https://www.eu-japan.eu/events/business-opportunities-japan-czech-companies>

Report prepared by

