



EU-Japan Business Round Table

## **JOINT RECOMMENDATIONS**

*"Paving the Way for a Renewed Industrial Partnership"*

27 & 28 April 2015, Brussels

### **1. Introduction**

The EU-Japan Business Round Table (BRT) held its Annual Meeting in Brussels on 27 and 28 April 2015 with the theme of "*Paving the Way for a Renewed Industrial Partnership*". The meeting was chaired by:

- Mr. Fabrice Brégier, President and CEO of Airbus SAS, and
- Mr. Kazuo Tsukuda, Senior Executive Adviser of Mitsubishi Heavy Industries, Ltd.

The BRT had the pleasure and honour of welcoming high-level representatives of the EU and Japanese Authorities:

- From the EU: *European Commission* – Mr. Carlos Moedas, Commissioner, Research, Science and Innovation; Mr. Daniel Calleja-Crespo, Director-General for Internal Market, Industry, Entrepreneurship and SMEs; Mr. Jean-Luc Demarty, Director-General for Trade; Ms Maria Åsenius, Head of Cabinet for Cecilia Malmström, Commissioner for Trade; and Mr. Zoran Stančič, Deputy Director-General, Directorate General for Communications Networks, Content & Technology.
- From Japan: Mr Yoshihiro Seki, Parliamentary Vice-Minister of Economy, Trade and Industry, Ministry of Economy, Trade and Industry; Mr Naoki Ito, Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs; and, Mr Kiyoshi Mori, Director-General for International Affairs, Global ICT Strategy Bureau, Ministry of Internal Affairs & Communications.

The meeting consisted of the following:

1. Discussion and adoption of general and sectoral recommendations to both sides' Authorities;
2. Discussions on (i) Progress Towards an EU-Japan Free Trade Agreement (FTA) / Economic Partnership Agreement (EPA), (ii) Developing Regulatory Cooperation, (iii) Energy and Climate Change (including the BRT's position on COP21), and (iv) Industrial Cooperation in the Transport Sector;
3. High-level discussions with representatives of the Japanese and EU Authorities.

The BRT Members unanimously agreed to submit their joint recommendations to Prime Minister Shinzo Abe of Japan, European Council President Donald Tusk, and European Commission President Jean-Claude Juncker.

## 2. Background

The BRT deeply appreciates the recognition that the May 2014 EU-Japan Summit Leaders gave to the BRT in their statement as follows:

“We recognize the active and continued contribution of the EU-Japan Business Round Table (BRT) to further development of bilateral economic relationship, and reaffirm our determination to promote cooperation with the business communities on both sides, notably through the BRT, in order to strengthen relations further.”

The BRT welcomes the priority assigned by the new European Commission to more economic growth, a European Energy Union and the reform of the Monetary Union, and welcomes the expansion of ‘Abenomics’ policy measures aimed at spurring private sector-led growth, including significant regulatory reforms positively affecting the investment climate.

The BRT sees 2015 as a critical step in the development of our bilateral economic relationship as well as in tackling climate change. This year, the EU-Japan business relationship will be framed by the increased joint efforts towards an early conclusion of the EU-Japan FTA/EPA negotiations and by the development of regulatory cooperation. In parallel, the EU and Japan will have to play a leading role on the way to an international agreement at the Paris Climate Change Conference (COP 21) in December, while securing our shared interests towards our economic recovery and sustainable growth.

At its 2013 Paris meeting, the BRT issued a Joint Statement welcoming the launch of the EU-Japan FTA/EPA negotiations. It urged that “the negotiations should be completed as early as possible and their outcome be compatible with the high level of the stated ambition”. In the BRT Recommendations adopted at the 2014 Tokyo meeting, the EU and Japanese business communities reiterated their support for the earliest possible conclusion of the negotiations of an ambitious agreement. Today the BRT reaffirms these past statements.

The BRT welcomes the determination of Prime Minister Shinzo Abe of Japan, and the European Commission President, Jean-Claude Juncker, on the occasion of their November 2014 meeting in Brisbane, to work for agreement in principle on a comprehensive and ambitious EU-Japan FTA/EPA during 2015 reflecting their joint economic strength and leadership. This strong ambition and political leadership was repeated during the ensuing meetings between Trade Commissioner Cecilia Malmström and Minister of Foreign Affairs Fumio Kishida and Minister of Economy, Trade and Industry Yoichi Miyazawa.

The BRT expresses its deep concerns on man-made climate change and its increasing disruption on our economies, and welcomes domestic and multilateral efforts to tackle climate change. The BRT views as essential the pursuit, in parallel, of sound economic growth, and strongly welcomes the efforts by the Authorities on both sides to promote economic recovery and growth. The BRT also hopes that Japan and the EU will adopt strong policies to spur their industry’s efforts to cooperate to achieve economic sustainability and a low-carbon, circular economy.

### **3. Calls and Recommendations**

The BRT welcomes and supports the Authorities' determination to work for agreement in principle on a comprehensive and ambitious EU-Japan FTA/EPA during 2015. The BRT restates its longstanding conviction that an EU-Japan FTA/EPA will boost trade and investment, promote job creation and accelerate growth in both economies, and that it will also help create new opportunities for global economic growth. The BRT reiterates its call for the EU and Japanese Authorities to step up their efforts to tackle and resolve the substance of outstanding issues and to conclude a comprehensive, ambitious, high-level and mutually beneficial FTA/EPA as soon as possible, and reaffirms its commitment to making efforts to achieve this objective, such as making industry expertise available.

The BRT believes that an aim of a speedy conclusion must come together with a high level of ambition. Should a sufficiently high level of ambition seem difficult to achieve on the basis of the technical negotiations, the BRT urges, for the sake of our economies, political leaders at the highest level to intervene to resolve the deadlocks and bring the negotiations to a timely and ambitious conclusion.

The EU-Japan FTA/EPA can, together with the TPP and TTIP, play a leading role in promoting global trade rule-making, regulatory cooperation and standards' harmonisation and achieve an open, seamless global business environment that will create growth opportunities for the EU, for Japan, and for the rest of the world, thus helping to revitalise trade liberalisation efforts at the multilateral WTO level as well.

The BRT calls on the Leaders of the EU-Japan Summit to ensure that the FTA/EPA provides a solid and comprehensive framework for regulatory cooperation to address the sector-specific concerns of the business community. In addition, the BRT welcomes the adoption of a Joint Document for Regulatory Cooperation at the EU-Japan Industrial Policy Dialogue between METI and DG GROW on 17 March 2015. As a long-standing advocate of regulatory cooperation, and recognising that this is a key issue for the future, the BRT hopes that this joint initiative will reinforce and complement the upcoming FTA/EPA and set the frame for a solid, forward-looking and long-lasting regulatory cooperation. The BRT is willing to support the EU and Japanese Authorities on regulatory cooperation matters.

The BRT also recommends that the EU and Japan initiate or facilitate new cooperation on a broad range of issues in innovation, energy, natural resources, environment and climate change, demography, financial markets, support for small and medium enterprises and human resources development, and also explore the many opportunities of cooperating together in or with third countries.

The BRT strongly supports the negotiation of an international agreement at COP 21 that concretely tackles climate change while ensuring fair competition in a stable and predictable business environment. The BRT states its support to the deployment of affordable existing solutions, and asks for enhanced public measures encouraging investment in innovative technologies in green energy and energy efficiency, areas where many BRT Member companies are already firmly engaged.

The BRT affirms the crucial role of energy in our economies, and asks the EU and Japan to promote policies to secure energy supplies and keep energy prices low while reducing GHG emissions. In this context, the BRT supports the restart of nuclear power generation in Japan subject to the agreement of the safety authorities, as well as the creation of a European Energy Union targeting the above-mentioned goals.

Finally, the BRT not only supports concluding bilateral FTA/EPAs with key third party economic partners, it also reaffirms its long-standing support to concluding the World Trade Organization's multilateral Doha Round as soon as possible. In that perspective the BRT applauds the decision reached by WTO Members in November 2014 to take forward the implementation of the Agreement on Trade Facilitation that was reached at the Bali WTO Ministerial Conference of December 2013.

The BRT calls on EU and Japanese Authorities to address the following issues.

#### **(A) Trade, Investment, and Regulatory Cooperation**

- Work for an agreements in principle during 2015 on a comprehensive and ambitious EU-Japan FTA/EPA, with the aim that a speedy conclusion must come together with a high level of ambition.
- Further make efforts to contribute to WTO's DDA negotiations, so as to vitalise and create momentum to move the negotiations forward.
- The BRT strongly supports the regulatory cooperation initiative and the application of international harmonised technical requirement and procedures for the testing and approval of products that are traded internationally, as to minimise re-certification.
- Support the timely development of business. Specifically, the BRT calls for expansion of the number of bilateral social security agreements that have been concluded and for liberalisation of the movement of intra-corporate transferees within the framework of an FTA/EPA.
- Develop measures that will promote and assist each other's SMEs within their own jurisdictions. The BRT also calls for cross-support, such as logistic support, various tax incentives, and other measures, to be included in the EU-Japan FTA/EPA negotiations.

Moreover, the BRT calls for the EU Authorities to speedily resolve the EU-specific issues identified in the Working Party A document by the Japanese Members of the BRT, and for the Japanese Government to resolve the Japan-specific issues identified in the Working Party A document by the EU Members of the BRT.

#### **(B) Life Sciences and Biotechnologies, Healthcare and Well-Being**

##### Introduction

- The EU and Japan should formulate concrete strategies and action plans in Life Sciences & Biotechnology, thereby focusing on measures to support the improvement of efficient healthcare practices, food security and supply and innovations in biotechnology.

#### General

- The EU and the Japanese governments should sensitively handle the approval/adaption of CDB/the Nagoya Protocol on Access to genetic resources and Benefit Sharing (ABS).

#### HealthCare (Pharmaceuticals, Medical Devices, Medicinal Gases, etc.)

- The EU government should reinforce its innovation policy to member states and clarify its healthcare policy, resulting in the appropriate evaluation of the value of pharmaceuticals and medical devices. In addition, MHLW should consult all key stakeholders with respect to any new HTA (Health Technology Assessment) issues.
- Japan should further support the implementation of new innovation-rewarding pricing systems for pharmaceutical products, including the abolishment of the rule of re-pricing by market expansion and the abolishment of the 14-day prescription rule. Such measures would enhance the pricing system's promotion of innovative products.
- National tests for vaccines should be eliminated or reduced to an absolute minimum.
- Japan should promote an innovation-rewarding pricing system for medical devices in order to move towards a product-based, market-oriented reimbursement pricing system for these products.
- The EU and Japan should improve the pharmaceutical and medical device business environments by proceeding with regulatory harmonization and further extension of "Mutual Recognition Agreements" in order to avoid redundant inspections of manufacturing facilities (e.g. injectable pharmaceuticals and APIs) and ensure recognition of quality management audit results for lower risk medical devices
- Japan should support the reinforcement of strict regulations for GMP on medicinal gases.

#### Animal Health

- Europe should introduce a 1-1-1 concept (one dossier – one assessment – one decision on marketing authorization) for all animal health products, thereby further harmonize the regulatory requirements for product registrations, shorten review times and recognize the GMP certification for veterinary products.
- Europe and Japan should promote the responsible use of antibiotics in Animal Health.
- Japan should clarify registration requirements and shorten the review process for introducing recombinant vaccines from Europe.

- Japan should promote animal welfare in animal drug administration by accepting more overseas data and an alternative approach.

#### Plant Protection & Biotechnology

- The EU and Japan - working closely with the private sector - should speed up research in Plant Protection & Biotechnology and inform the public regularly and accurately about the state of GMOs, based on sound scientific knowledge, thereby closely working with private sectors.
- The EU should shorten the review times for new applications / product registrations in both plant protection and biotechnology.

### **(C) Innovation, Information & Communication Technologies**

#### ICT

- The BRT expects that the EU regulations will be streamlined under the Digital Single Market Strategy to be released in May 2015.
- The EU and Japan should influence international negotiations by taking harmonized actions based on our common principles regarding internet governance, cybersecurity, privacy protection, data utilization, cross-border data flows and forced localization measures.

#### Innovation in General

- Initiatives under Horizon 2020 and Japan's forthcoming 5<sup>th</sup> Science and Technology Basic Plan should lead to further strategic R&D cooperation.
- Both sides' Authorities should favour joint R&D programmes with potential for standardisation, as in advanced manufacturing and the Internet of Things.

#### Aeronautics

- The BRT recommends the signature of a BASA between the JCAB and the EASA that would cover both type certification and maintenance activities.
- The BRT recommends a better bilateral cooperation at an increased level on navigation regulations for helicopters.

#### Space

- The BRT recommends that the newly established EU-Japan Space Policy Dialogue be used to discuss regulatory cooperation in space operations.
- The BRT recommends to bring about a mutual backup cooperation scheme of government launches using the EU and Japan's satellite launcher fleets.

#### Defence

- The BRT recommends to continue laying out official instruments of industrial cooperation between Japan and individual EU Member States.
- The BRT also recommends contacts between Japan and both the European Commission and the European Defence Agency.

### Railways

- The BRT recommends an open description of compliance requirements and processes, and transparency of certification procedures and their evolutions.
- The Authorities' commitments on transparency etc. should be implemented and result in significant improvements of actual market access conditions.

### **(D) Financial Services, Accounting and Tax Issues**

- The BRT requests that regulating bodies fully address the impact of reforms and new regulations on the real economy notably in the implementation phase and take a co-ordinated approach to reduce extraterritorial impact of rules introduced in one jurisdiction on other locations and to recognise substituted compliance.
- The BRT recommends that, as to the BEPS (base erosion and profit shifting) Action Plan, the authorities should carefully consider the risks of excessive disclosure requirements and anti-tax avoidance measures so as not to hamper multinational enterprises' business activities.
- The BRT maintains its serious concern over the EC's proposed financial transaction tax (FTT), particularly with respect to its wider application.
- The BRT urges the Japanese Government to devise a detailed roadmap towards its goal of primary-balance surplus by fiscal 2020.

### **(E) Energy, Environment, and Sustainable Development**

- The BRT supports the negotiation of new international climate agreement at coming COP 21 that will be an ambitious challenge in terms of reduction of worldwide GHG emissions. To achieve difficult and bitter reduction target applicable to all developed and developing countries with fair and transparent rules, positive commitments from major greenhouse gas emitting countries (including emerging countries) are inevitably crucial and every country should create and maintain a proper environment to achieve a cost-effective de-carbonation in the long-term.
- The BRT supports to call for the deployment of new sustainable and workable climate solutions, and also to study new effective policies and measures encouraging investment in innovative technologies in the field of green energy or energy efficiency where many BRT members are already firmly engaged.
- The BRT recognize that business sectors have the crucial role of energy issues as a player or a user in our societies.
- The BRT requests that the Authorities of the EU and Japan promote effective policies to support next generation advanced and competitive technology and to secure energy supplies and keep energy prices low while reducing GHG emissions. In this context, the BRT supports the restart of nuclear reactors in Japan subject to the agreement of the safety authorities, as well as the creation of a European Energy Union targeting goals.