



EU-Japan Business Round Table

## JOINT RECOMMENDATIONS

*“EU & Japan – Taking strides towards a common sustainable future”*

20 April 2016, Tokyo

### 1. Introduction

The EU-Japan Business Round Table (BRT) held its Annual Meeting in Tokyo on 20 April 2016 with the theme of *“EU & Japan – Taking strides towards a common sustainable future”*. The meeting was chaired by:

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

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

- From Japan: Mr. Junji Suzuki, State Minister of Economy, Trade and Industry; Mr. Yoji Muto, State Minister for Foreign Affairs; Mr. Tsuneo Kitamura, Parliamentary Vice-Minister of Economy, Trade and Industry; Mr. Yasuo Sakamoto, Vice-Minister for Policy Coordination, Ministry of Internal Affairs and Communications.
- From the EU: Ms Elżbieta Bieńkowska, Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs, European Commission; Mr. Antti Ilmari Peltomäki, Deputy Director-General, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission; Mr. Philippe Duponteil, Head of the Far East Unit, Directorate-General for Trade, European Commission; Mr. Jonathan Hatwell, Deputy Head of Delegation, Delegation of the European Union to Japan

The meeting consisted of the following:

1. Discussion and adoption of general and sectoral recommendations to both sides' Authorities.
2. Discussion of (i) EU-Japan Free Trade Agreement/Economic Partnership Agreement (FTA/EPA) and regulatory cooperation (ii) Circular economy (iii) Improving the investment environment in the EU and Japan.

### 3. High-level discussions with representatives of the EU and Japanese 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 economies of both the EU and Japan remain challenged by a slowdown in global growth and trade, turmoil in currency, oil and other markets, low consumer confidence, demographic issues, and geopolitical problems. Up to now, these uncertainties have disincentivised companies from leveraging their profits and cash holdings to increase investments and wages in order to benefit the general economy, and themselves, in the long run.

The BRT recognises and welcomes the efforts of both sides' Authorities to step up multilateral cooperation and coordination in order to improve market stability, consumer confidence and global growth. The combination of these efforts with new domestic policies holds the promise of shoring up the tightly intertwined global and local economies and defeating the threat of secular stagnation.

Determined to keep recession and deflation at bay, Japan adopted strong growth strategies such as Abenomics' "Three New Arrows" (initiatives for Strong Economy, Child Care Support and Social Security) and negative interest rates; steady implementation of those policies is necessary. Likewise, the EU is working to increase growth and employment through updated competition, innovation and SME policies, and through instilling market confidence. Yet, more can be achieved, especially in relation to the implementation of the social aspects of the Stability and Growth Pact, and the exploitation of the economic potential of the single market. In addition, the potential exit of the U.K. from the European Union casts a shadow on both the EU's economy and Japan's interests in Europe.

As advanced economies, the EU and Japan are both responsible for promoting sustainable, global growth. Currently, the global economy faces great uncertainty. The growth in the volume of world trade is lower than the growth of global GDP. This underlines the need to facilitate global trade and investment flows. The EU and Japan should conclude an EU-Japan FTA/EPA as soon as possible, in order to provide an impetus to the global economy, as well as to their own markets. The EU and Japan are two of the world's biggest economies, and the EU-Japan FTA/EPA provides a unique opportunity to deepen economic cooperation and stimulate growth.

The BRT considers that the Trans-Pacific Partnership (TPP) reached last year, and the EU-Canada Comprehensive Economic and Trade Agreement (CETA), may help to spur the EU-Japan FTA/EPA negotiations.

At the 2015 BRT, both Authorities undertook to make utmost efforts to address important concerns in the negotiation of the FTA/EPA by drawing on the expertise of the private sector. In this connection, the BRT appreciates the recognition given to its work by the 2015 EU-Japan Summit. But concerned that the FTA/EPA negotiations have not shown satisfactory progress, the BRT again offers to support the Authorities in any way it can as they strive to bring the negotiations to a swift, comprehensive, ambitious and mutually-beneficial conclusion.

The BRT welcomes the undertaking of Prime Minister Shinzo Abe and EU Commission President Jean-Claude Juncker when they met in Antalya in November 2015, to instruct their respective chief negotiators to accelerate the FTA/EPA negotiations and to continue to do their utmost efforts to reach agreement in principle at the earliest possible time in the course of this year.

### **3. Requests & Recommendations**

#### *EU-Japan FTA/EPA*

Nine years have elapsed since the BRT “*committed [itself] to creating the necessary conditions to deepen the full potential of EU-Japan economic relations, which are far from being fully exploited*”<sup>1</sup> and proposed the creation of a taskforce to assess the feasibility of an agreement. Since then, the BRT has been supportive at every stage of the process.

The BRT is therefore concerned that not only has no framework agreement been reached, but one still seems to be a long way off. The BRT recognises and welcomes the progress that the negotiators have made in many areas under discussion, but is concerned that momentum will be lost as time passes without an agreement. In view of the political calendar in 2017, the BRT considers it difficult to maintain momentum beyond the end of 2016. The BRT stresses that 2016 represents the best window of opportunity for concluding the negotiations of the EU-Japan FTA/EPA.

For this reason, the BRT reiterates its call from last year, that “*[t]he 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*

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<sup>1</sup> Part 1 – 2007: [http://www.eu-japan-brt.eu/system/files/joint\\_recommendations\\_june07.pdf](http://www.eu-japan-brt.eu/system/files/joint_recommendations_june07.pdf)

*the deadlocks and bring the negotiations to a timely and ambitious conclusion”<sup>2</sup>.*

The BRT is strongly convinced that the EU-Japan FTA/EPA will lead to an expansion of trade and investment, job creation and acceleration of growth in both economies, as well as contributing to the creation of new opportunities for global growth. The BRT highlights its request to the highest Authorities of the EU and Japan to focus on addressing the remaining obstacles to the conclusion of a comprehensive, ambitious, high-level, and mutually-beneficial FTA/EPA as early as possible.

The Working Party Recommendations presented at this year’s meeting indicate the areas where the BRT can help facilitate the FTA/EPA negotiations.

An EU-Japan FTA/EPA, along with TPP and TTIP, will complement WTO rules to facilitate international trade, and deepen regulatory cooperation, not only to promote the harmonisation of standards between the EU and Japan, but also to act as a catalyst for regulatory harmonisation on a global scale.

#### Multilateral Cooperation

The BRT hopes that the Authorities of the EU and Japan will also continue to cooperate within the scope of the G7 and G20 to undertake measures for cybersecurity and cross-border data flows. In particular, in order to ensure the coherence of data privacy and data free flow between the EU and Japan, the BRT hopes that the Authorities of both the EU and Japan will start their work on establishing a framework as soon as possible, recognising the EU-US frameworks, so-called ‘EU-US Privacy Shield’.

#### Bilateral Cooperation

The BRT recognises that the upgrading of global value chains requires the adoption of global rules to eliminate non-tariff measures which may obstruct trade, and calls on both governments and businesses to further promote regulatory cooperation, as the BRT has advocated for many years. The BRT welcomes the fact that in the joint press statement of the EU-Japan Summit in 2015, all Leaders expressed great expectations for further progress in regulatory cooperation between the EU and Japan, while noting that cooperation will also need to be dealt with via the FTA/EPA negotiations.

The BRT also recognises the importance of measures to promote resource efficiency/circular economies, and calls on the Authorities to cooperate further to promote such policies in a manner consistent with fostering economic growth.

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<sup>2</sup> Part 1 – 2015: <http://www.eu-japan-brt.eu/system/files/Part%201%20Final.pdf>

The BRT further encourages the transfer of information and business skills through the growth of FDI by European and Japanese companies and financial institutions in the EU and Japan, thereby contributing to improvements in social infrastructure, technological innovation, job creation and economic growth.

At the same time, the BRT seeks to address various global challenges through expanded and deeper cooperation between the EU and Japan. In particular, it seeks opportunities for cooperation and investment in life sciences, biotechnology, healthcare, innovation, energy, natural resources, environmental protection, climate change, demographic challenges, financial markets, support for SMEs, and human resource development.

Finally, the BRT requests the Authorities of the EU and Japan to address the following issues:

**(1) Trade relations; investment and regulatory cooperation; financial services, accounting and taxation**

The BRT calls on the EU and Japan to:

- Work for the conclusion of a comprehensive, ambitious, high-level and mutually beneficial FTA/EPA as early as possible. 2016 represents the best window of opportunity to conclude the negotiation.

Furthermore the BRT:

- Expects further progress in WTO's DDA negotiation to reach a new stage, which should result in a mutually beneficial outcome for both developed and developing countries.
- Strongly supports the regulatory cooperation to eliminate barriers to trade and investment, and the joint development and application of international harmonised technical requirement and procedures for the testing and approval of products so as to minimise re-certification.
- Supports 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.
- Recommends developing 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.
- Supports the creation of an internationally fair taxation framework and level playing field. However implementation of BEPS Action Plan should not

create additional administration burden on business. The BRT moreover recommends pursuing a simpler, lighter and sensible tax system and eliminating double taxation.

- Maintains serious concern over the European Commission's proposed financial transaction tax.

Moreover, the BRT calls for the EU Authorities to speedily resolve the EU-specific issues identified in the Working Party 1 document by the Japanese Members of the BRT, and for the Japanese Government to resolve the Japan-specific issues identified in the Working Party 1 document by the EU Members of the BRT.

## **(2) Life sciences and biotechnology, 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 Japanese Authorities should set up a clear framework to implement the Nagoya Protocol on "Access to Genetic Resources" including the necessary coordination with industries.

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

- The EU should reinforce its innovation policy for member states and clarify its healthcare policy, resulting in the appropriate assessment of the value of pharmaceuticals and medical devices. In addition, MHLW should consult all key stakeholders before and throughout the trial introduction of cost-effective HTA (Health Technology Assessment).
- Japan should further support the implementation of new innovation-rewarding pricing systems for pharmaceuticals, including revision or reversal of the proposed changes to the market expansion rules, moving towards eventual abolition of those rules, and the abolition of the 14-day prescription rule. Such measures would enhance the pricing system's promotion of innovative products.
- 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.

- Japan should not adopt a yearly revision of reimbursement, which would have a negative impact on the motivation of both pharmaceutical and medical device companies to make investments for the introduction of new products to the Japanese market.
- The EU and Japan should improve the pharmaceuticals and medical device business environments by proceeding with regulatory harmonisation 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.
- National tests for vaccines should be eliminated or reduced to an absolute minimum.
- Japan should support the reinforcement of strict regulations for GMP on Medicinal Gases.

#### Animal Health

- The EU should introduce a 1-1-1 concept (one dossier – one assessment – one decision on marketing authorisation) for all animal health products, thereby further harmonising the regulatory requirements for product registrations, shortening review times and recognising GMP certification for veterinary products.
- Japan should shorten the review times for new applications/product registrations in animal health.
- The EU 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 the EU.
- Japan should promote animal welfare in animal drug administration by accepting more overseas data and alternative approaches.

#### Plant Protection & Biotechnology

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

### **(3) Innovation, information & communication technologies**

#### ICT

- The EU and Japan should lead global rule making by taking coordinated actions based on common principles to fully exploit the potential of social transformation by digital technology (cross-border data flows, cybersecurity, protection of intellectual property and technology on business, etc.).

#### Innovation in General

- Given the critical roles of digital technology, such as Internet of Things (IoT), in supporting other sectors, the BRT urges both sides' Authorities to mobilise all necessary tools for development and deployment of innovative solutions and products.

#### Aeronautics

- Joint technology and project development are necessary to maintain technological leadership and competitiveness. More government-led cooperation and support are needed.

#### Space

- Open markets and cooperation are key for the EU and Japan to achieve their goals in space and for industry to reach its potential. The EU-Japan Space Policy Dialogue should bear concrete fruit from industrial cooperation.

#### Defence industries

- We urge a continuation of the progress now being made between Japan and individual EU member states. We also recommend discussions between Japan and the European Commission and the European Defence Agency.

#### Railways

- The EU and Japanese railway industries can together continue setting world standards with implications for expanded cooperation in third country markets. Safety is a promising cooperation area, as well as harmonisation of technical requirements and mutual recognition of standards.

### **(4) Energy, environment, sustainable growth**

- The EU and Japan support the 2015 COP21 Paris Agreement as a fair and effective framework adopted by consensus of all participating countries. To ensure that all major emitting countries ratify this agreement, as well as to enhance its fairness and effectiveness, it will be imperative to establish a system with which the promises made by each ratifying country and their fulfilment can be reviewed internationally.

- There are invariably advantages and disadvantages to the adoption of every energy source, and there is no form of energy that provides complete satisfaction from both a stability and economic standpoint. In view of this, a multi-layered energy supply structure capable of functioning not only during times of peace but also in emergencies should be established.
- Although fossil fuels emit greenhouse gases, they excel in terms of economic efficiency and output stability. On the other hand, there is keen interest in nuclear power generation from the viewpoint of promoting measures against global warming and stably securing energy that is less susceptible to fluctuations in fossil fuel prices. Renewable energy is expected to play a major role in countermeasures against global warming, and there have been recent signs of improvement in their cost aspect, which had been considered an issue against the use of renewable energy. There are various options for renewable energy, including wind, solar, hydro, geothermal, tidal, and biomass. Also, there are remaining economic, efficiency, and stability issues that need to be addressed, pointing to the need for further discussions.
- Energy conservation is an initiative aimed at fulfilling the need for economic efficiency, environmental compatibility, and energy security, and industries in the EU and Japan should make every possible effort to develop and promote the use of energy conservation technologies.
- Although resource prices are declining in the short term, resource constraints are likely to inhibit economic growth over the medium to long term. This is why it is imperative to improve the efficiency of resource use. Actions to recycle or reuse for circular economy implemented by business sectors accelerate resource efficiency. On the other hand, the pursuit of resource efficiency through exceedingly regulatory approaches could inhibit economic growth. Therefore, it is desirable to choose an approach that will lead to economic growth, such as promotion through voluntary efforts by stakeholders.