

# **EU-Japan Business Dialogue Round Table**

**Tokyo Meeting 17-18 July 2000**

## **Joint Recommendation**

The importance of the EU-Japan Summit of 19 July 2000 for the future development of EU-Japan relations has led the Members of the EU-Japan Business Dialogue Round Table to issue the following Joint Recommendation to the Chairmen of that Summit.

"Developing a New Paradigm in the Business Relationship  
Between the EU and Japan"

*A Report from the EU-Japan Business Dialogue Round Table  
to the EU-Japan Summit Meeting*

Whilst business relations between the EU, Japan and the United States are both the engine of the world economy and the main factor in its stability; economic relations between the EU-Japan are yet to realise their true potential.

We, the EU-Japan Business Dialogue Round Table, see however, a new opportunity for achieving that potential emerging before us, with the recent development of a knowledge-based society and globalisation, as well as corporate innovations in management and structure. We are confident, that by seizing this opportunity, we will be able to develop a new paradigm in our business relationship and advance the EU and Japanese economies.

In this context, the EU-Japan Business Dialogue Round Table, a forum of 44 CEOs of leading European and Japanese companies, met in Tokyo on 17-18 July 2000 and issued specific recommendations for action by their governments in order to improve the business climate and promote further trade and investment between Europe and Japan.

"The Members also issued a strong policy statement supporting the multilateral system and the launch of a comprehensive WTO New Round, as well as further liberalisation and the elimination of obstacles to trade and investment".

### Need to Improve the Business Environment in the EU and Japan.

Currently the globalisation of business activities is accelerating, a trend which is clearly seen in the increase of direct foreign investment world-wide. Multinational companies investing in foreign countries will demand an improved business environment in the EU and Japan, which will also drive these countries to reform

their economic structures. This development is also being accelerated by the IT revolution and the rapid emergence of e-commerce.

The regulatory framework of these countries, however, is not fully able to comply and respond to today's corporate needs. The most crucial policy issue we face today is the updating and opening-up of the business environment surrounding us, whilst ensuring real competition and an open market.

An improved environment will attract more foreign investment, which will in turn launch the advancement of structural reforms and result in a more attractive business environment. This positive cycle will contribute to economic growth and help deepen our bilateral economic relationship.

### Recommendation towards the Mutual Prosperity of the EU and Japan

We largely believe that the future of economic relations between Europe and Japan is now strongly influenced by the evolution of foreign direct investment. We therefore urge public authorities to take the necessary steps, in the shortest possible timescale, in order to ensure the rapid establishment of an open environment favourable to the development of bilateral direct investment. We would also encourage the expansion of the exchange/training programmes for EU-Japan businessmen in order to provide them with a better understanding of market conditions and mentalities.

To achieve this goal, the following three-level approach is recommended:

#### *1. Improvement in Business Environments of EU-Japan*

##### *-To Develop Mutual Direct Investment and Trade-*

There is a crucial need for the early adoption of rules and systems suitable for global corporate activities in the current age, including consolidated tax systems, corporate regulatory reform, a transparent regulatory environment and trade facilitation, standardisation, MRAs, etc.

#### *2. Establishment of International Rules*

##### *-Promoting Global Business Activities-*

Government initiatives and support are needed to establish international rules in such areas as the achievement of a world-wide accounting standard (IAS) and transfer pricing taxation.

#### *3. Development of IT Industry / Electronic Commerce*

##### *-Building a New Era Economy-*

New digital technologies are creating a new and promising future, building a network society whose impact is far greater than we anticipated.

We aim to realise a global unified and secure electronic commerce environment, developed through cooperation between industry and government. Successful development of electronic commerce is strongly dependent on competitive access to telecommunications infrastructure at cost-oriented prices and on secure e-commerce transactions. Electronic commerce-related policy issues, such as Business Model Patents and taxation, must be resolved by international consensus. The present GBDe activity in areas such as notice and takedown, IPR protection and Trustmark, receives our full support.

Furthermore, we attach great importance to the development for this sector of all kinds of cooperation between the EU and Japan.

The mutual prosperity of our economies will be achieved only through cooperation between government and industry. Therefore, we call for the support of responsible authorities to realise our recommendations.

### Key Points in the Joint Recommendation

#### *1. Improvement of Business Environments in EU-Japan*

##### *-To Develop Mutual Direct Investment-*

#### (1) Early Adoption of Rules / Systems Suitable for Corporate Activity

- Early introduction of consolidated tax system.

This system is necessary in the EU and Japan for the removal of barriers to M&A and local corporate restructuring

- Corporate regulatory reform

-In the forthcoming changes of the Japanese commercial code, targets for corporate governance (protection of investor rights etc.) should be developed by the Government

-Unification / harmonisation of business rules / systems in the EU market are called for to facilitate EU-wide operations (e.g. the adoption of the Statute on European Companies)

- Labour and immigration laws

Revision is needed to enable companies to allocate efficiently human resources

- Improvement of the application procedures for work permits and visas

- Promotion of social agreements to avoid double payments of social security costs.

#### (2) Increase Transparency and efficiency of the Regulatory Environment

- Increase efficiency in the product approval process
- Increase competition in the market (Telecommunications etc.)

### (3) Trade Facilitation

- Conclusion of the EU-Japan MRA (Mutual Recognition Agreement) as soon as possible. After the implementation of this agreement, other sectors (such as medical equipment) could be considered for inclusion in future MRAs.

#### *2. Establishment of International Rules*

##### *-Promoting Global Business Activities-*

### (1) Government Initiatives to Establish International Rules

- IAS (International Accounting Standards) should be accepted soon for cross-border listings in capital market.
- Transfer price taxation: Introduction of standard rules based on the fundamentals of transfer price practice common to international transactions, and a worldwide introduction of an effective APA (advanced pricing agreement) system .
- Patents: We invite EU and Japan authorities to study together, in close cooperation with the private sector and IPR experts, Intellectual Property Rights issues including the problem of ‘first-to-invent’ vs. ‘first-to-file’ policies.

### (2) Promotion of International Standardisation/Harmonisation and of Standardisation Projects by the Private Sector Initiative

ex. Next-generation mobile communications system (IMT-2000)

#### *3. Development of IT Industry / Electronic Commerce*

##### *-Building a New Era Economy-*

#### 1. Access to infrastructure

Encouraging governments to examine their local access policies covering both unbundling of the local loop and time-based interconnection charges to ensure speedy development of electronic commerce.

#### 2. Support of the GBDe’s activities

Ensuring that GBDe policy recommendations are fully taken into account by governments to solve pending issues in such areas as Notice and Take-down procedures, Trustmark and ADR procedures for consumer confidence and IPR protection.

### 3. Patents (Business Model Patents)

Establishment of international systems to avoid non-beneficial disputes on patent infringement; harmonisation of patent examination and approval procedures, and patent databases.

### 4. Taxation

Taxation rules for e-commerce should arise out of international consensus at the OECD in order to ensure neutrality, simplicity, fairness and consistency.