Seminar Report

The Japan-EU Economic Partnership – its Implication for World Trade

26 November 2012

Event organised as part of the
Summary

Three days before the EU Member-States’ Governments were scheduled to decide whether or not to authorise the European Commission to launch free trade negotiations with Japan, Manabu MIYAGAWA from the Mission of Japan to the EU and Antonio PARENTI from the Commission’s DG TRADE debated what impact an EU-Japan Economic Partnership Agreement would have on world trade and responded to questions from the audience.

This event was organised by the EU-Japan Centre for Industrial Cooperation, as part of the 15th Japan-EU Conference on Japan-EU Cooperation in a Changing World: Approaches to Rules and Standards.

Seminar Outline

- **Date:** Monday, 26 November 2012, 13:30 – 14:30
- **Venue:** Fondation Universitaire, 11 rue d’Egmont, 1000 Brussels (Belgium)
- **Organised by:** EU-Japan Centre for Industrial Cooperation (EUJC) for the 15th Japan-EU Conference
- **Programme:**
  - **Moderator:** Ayako KAWAMURA, Director, EU-Japan Centre for Industrial Cooperation
  - **The position of the Japanese Government:** Manabu MIYAGAWA, Minister, Mission of Japan to the European Union
  - **The position of the European Commission:** Antonio PARENTI, Deputy Head of Unit in charge of Far East, Directorate-General for Trade, European Commission
  - **General discussion:** All participants

Major issues discussed

The event explored the evolution in EU-Japan trade relations and the impact that an agreement (often referred to as an Economic Partnership Agreement, EPA, or as a Free Trade Agreement, FTA) would have on the EU and Japanese economies, on the Asia Pacific region and on global trade. It also addressed specific issues raised by the Audience.
Ayako KAWAMURA, Director, EU-Japan Centre for Industrial Cooperation  

Opening Remarks

Ms KAWAMURA opened the debate with a brief introduction to the EU-Japan Centre – a 25 year-old joint venture created by the European Commission and by the Japanese Government. This is the fourth time the EUJC has collaborated with the annual Japan-EU Conference.

Manabu MIYAGAWA, Minister, Mission of Japan to the European Union

The position of the Japanese Government

Mr MIYAGAWA began by contrasting EU-Japan relations now and at the time of his first (1986) visit to Brussels when activity with Japan was handled by individual Member-States (for example Margaret Thatcher encouraged Nissan to invest in the UK) and Japan had a considerable trade surplus. In 2001, 10 years after the EU and Japan had begun institutionalised dialogues with annual discussions of long lists of points on deregulation and on better regulation, a mutual recognition agreement covering several sectors was agreed. Also in 2001, Mr MIYAGAWA was posted to Brussels. He began his new assignment there in October. At talks on 5 November, the Japanese PM NODA and EU Presidents VAN ROMPUY and BARROS O agreed that negotiations on the EPA should be launched as early as possible and hoped that the Member-States’ Trade Ministers would confirm the draft negotiating directive.

An EU-Japan EPA would be important because:
- it is ‘new’ (jointly, Europe and Japan would play an even more positive role in rule-making);
- it will provide a boost to the EU and Japanese economies (as is mentioned in the Commission assessment, the EPA would raise EU GDP by 1%, boost exports to Japan by ⅓ and create 420,000 jobs);
- it will enhance the quality of life, for example by providing wider selection of foods to consumers (in 2011, 11.5% of EU exports to Japan were food-related. In parallel with the effort to launch the negotiation, Japan has accelerated procedures to restart imports of French and Dutch beef imports);
- it will facilitate innovation by SMEs thereby also enhancing our quality of life. (the European Commission Impact Assessment report on Japan was quoted1).

The implications an EPA would have include:
- for regional trade – enabling European plants to enhance their Asian-Pacific activities using Japan as a gateway (Japan has continued to strengthen ties with the region through bilateral and regional FTAs and in 2011 discussed the possibility of a regional agreement with its neighbours);
- for world trade – the WTO may have good statistics about FTAs but is unable to require improvements to below-standard agreements and special treatments sought by negotiators make things hard. The WTO should improve its monitoring capability and the EU-Japan EPA should be as substantive as possible (the more comprehensive the agreement, the more liberalising it will be), should cover tariffs and the removal of non-tariff measures and encourage growth in world trade (the EU and Japan already account for ⅓ of world GDP and c. 40% world trade).

There is political will at the highest levels – a possible EPA has been discussed at the annual EU-Japan Summits since 2009, a European Parliament Resolution is in favour of opening negotiations and the conclusions of October’s European Council wanted talks to be launched in the “months ahead”. In July, the Japanese Government Cabinet agreed a 39-point deregulation package, of which 25 items related to EU requests. The decision will be fully implemented by all Japanese Government Ministries and Agencies. 2012 has been a challenging year for both Europe (eurozone crisis) and Japan (reconstruction). Citing Jean MONNET’s assertion that “Europe will be forged in crises, and will be the sum of the solutions adopted for those crises”, Mr MIYAGAWA ended by hoping that Europe and Japan will, together, be the sum of the solutions to the new crises.

---

1 “SMEs should gain from an EU-Japan FTA on a number of levels. Japan is a key (the 4th) target market for European internationalised SMEs which also consider Japan as a strong launch pad and testing ground for the Asian market”, page 41
Antonio PARENTI, Deputy Head of Unit in charge of Far East, Directorate-General for Trade, European Commission

The position of the European Commission

Mr PARENTI accepted that the relative ‘weights’ of Europe and Japan in the WTO may have declined, but that they still enjoy considerable power and that other emerging economies are not yet ready to assume the helm. An EU-Japan FTA would help develop the EU and Japanese economies and can sit in a fairly stable world trading system as it would go beyond what is in the WTO framework and disciplines (in areas such as procurement, NTBs and SPS) and would also address issues not normally part of the WTO (such as corporate governance, transparency, possibilities to foster industrial cooperation). The EU and Japan would also have to work with other nations to set acceptable standards. Industry must be able to take advantage of an EPA to integrate themselves more closely, confident that they will find an open market on both sides.

Both the EU and Japan are (considering) negotiating FTAs with other major economies, with a view to achieving the growth necessary to ensure that their own economies thrive. So a ‘web’ is emerging (e.g. with EU/Japan, EU/US and Japan/US talks) – this would bring about a major shift in the international trade system. Therefore, the EPA is a big responsibility. The fact that the option of opening negotiations will be considered by Thursday’s Foreign Affairs Council meeting, is the latest stage in a long process that began in 2010 with the creation of a High Level Group (2010) and led (in 2011) to a scoping exercise.

Mr PARENTI was impressed by the Japanese willingness to tackle issues highlighted by the EU. To forgo the 1% of GDP benefit of an EPA would be a big step and would outweigh the cost to the EU of an agreement (namely a reduction in the limited tariff income it receives). Thursday’s decision should be the beginning of the process. As two major economies and founding fathers of the WTO, Europe and Japan have an enormous interest in keeping the world trading system open and to open up other economies. He felt that they could be the driving force to ensure the WTO manages to conclude a multilateral agreement.

Questions & Answers

Various points were raised, during the Q&A discussion, including:

- If the LDP wins Japan’s 16 December General Election it is pledged to withdraw from any TPP discussions if all NTBs would have to abolished. What impacts would an LDP victory have on EU-Japan EPA discussions?
- What will be the role for the European Parliament (EP) and will Japanese Ministries be involved in the actual negotiations or just brought in afterwards?
- Welcoming the fact, that civil society should be involved with EPAs and, assuming the Council decides to open negotiations, how well prepared will be Japanese civil society?
- What is the predicted economic impact of an EPA for Japan?
- How long will it take to reach an agreement?
- Whether the 10 July Japanese Government Revitalization Unit (GRU) report is a watering down of Japanese commitments given during the scoping exercise and how the 420,000 likely new jobs would be divided by sector and by Member-State?
- Who will coordinate the European positions on the trade and general agreements and should things not go to plan, where might obstacles to an FTA be found?