

## **Internal Market, Industry, Entrepreneurship and SMEs DG**

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**SPEECH (Check against delivery)**

Ladies and Gentlemen,

It is a great pleasure to see many Japanese and European companies here in Milan today, and I am pleased that the Universal Exposition, Milano Expo 2015 offers us the opportunity to bring you together for the Conference and also for the Business to Business session of this afternoon which I hope will be fruitful.

The conditions are promising:

*EU- Japan broad relationship context*

Together the EU and Japan account for more than a third of the world's GDP, Japan is the EU's second biggest trading partner in Asia, after China. EU is Japan's third trading partner after China and the US. Japan remains a major trade partner for the EU and Europe is a very important market for Japan.

Imports from Japan to the EU are dominated by machinery, electrical machinery, motor vehicles, optical and medical instruments, and chemicals.

EU exports to Japan are dominated by motor vehicles, machinery, pharmaceuticals, optical and medical instruments, and electrical machinery.

Obviously, there is still a great potential for the agri-food sector.

The trade relationships between the EU and Japan have been traditionally characterised by big trade surpluses in favour of Japan.

But, trade figures have become much more balanced in recent years, to illustrate this recent statistics indicate that a 2008 Japan trade surplus of more than 30 billion € almost completely disappeared by 2014. Japan continues to be a country where, due to the specific features of the Japanese society and economy, doing business or investing is often challenging.

This is why the EU-Japan Free Trade Agreement which is currently negotiated offers huge new opportunities.

More open trade will boost demand for our exports on both sides whether for our cars and machinery, or for cosmetics or food. In 2014, total EU exports to Japan reached the value of more than 53 billion € of which 5,3 billion was covered by agricultural products (10%), 77,7% by industrial goods.

The Free Trade Agreement once concluded should give a significant boost to both our economies.

#### *The internal market opened to foreign investors*

While EU investment in Japan is steady, Japanese direct investments in Europe are rapidly increasing by about 10 billion € a year, and amount to about 160 billion in total, almost twice as high as EU investment in Japan (2012 figures).

This shows that EU and Japan have a close investment relationship. Innovative Japanese companies have created jobs in Europe and form part of our economic environment.

The environment created by the internal market is attractive for foreign investors.

Encouraging foreign investment, the growth of our enterprises and innovation are the priorities in Europe. This necessitates creating predictable and fair market conditions for business to thrive.

This is what the internal market offers:

Foreign direct investment is now supported at EU level, this EU-level policy improves the treatment of foreign investors in the EU. It ensures that they benefit from uniform and optimal conditions across the internal market through:

- Focussing on long-term investment, generating stable employment and growth,
- Improving market access and ensuring that foreign investors are treated like domestic ones,
- Fostering transparency by clarifying the regulatory framework,
- Freeing the flow of payment and investment-related capital movements
- Facilitating the movement of investment-related persons (key personnel).

The EU ensures equally protection of intellectual property rights and patents.

In a nutshell, there are multiple benefits of the EU single market for Japanese investors: To name a view:

- Trade within the EU has become much easier as there is no more border bureaucracy.
- The mutual recognition principle means that in most cases, companies once registered in one of the EU Member States can do business across the whole EU Single Market.
- EU Directives and regulations offer a harmonised and single regulatory framework.

*The EU welcomes foreign direct investment but must as well support the internationalisation of its enterprises*

In fact as 90% of world growth is expected to happen outside the EU in the coming 10-15 years, there is a huge potential for EU economy and businesses in fast growing third country markets.

Already today, about 30 million jobs in the EU are export-focused.

However, despite their technological leadership and high quality standards, only a small fraction of EU companies are doing business outside the EU, in particular as far as SMEs are concerned.

Only 13% of EU SMEs are exporting outside the EU and only 2% are active in foreign direct investment.

This has also an impact on their innovation capability and competitiveness.

The European Commission provides financial support and technical assistance to help EU companies to start, grow, innovate, invest, import, export, expand at the international level and create jobs.

Programmes such as the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME - planned budget of €2.3 billion of funding available over 7 years - 2014 to 2020) and HORIZON 2020 (the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available over 7 years - 2014 to 2020) serve such purposes.

In the EU, encouraging the internationalisation of the EU's SMEs is a key element of policy strategies at both national and European level. The majority of Member States have implemented or reinforced measures to help their SMEs to export, including additional means for trade financing and provision of market information.

Some countries have opted for a very comprehensive approach, by coordinating all relevant public resources. However, so far, the results are mixed.

This is why initiatives such as the today EU-Japan Day are important and must be encouraged.

I wish you great success in your business contacts this afternoon.

I give now the floor to my Japanese counter-part in our EU-Japan Industrial Policy Dialogue, my friend, Vice Minister Ishiguro.