



EU-Japan Business Round Table Annual Meeting

JOINT RECOMMENDATIONS

“EU-Japan – The Dawn of a New Relationship”

11 July 2017, Brussels

(Final Version)

1. Introduction

The 19th annual meeting of the EU-Japan Business Round Table (BRT) took place at the Palais d’Egmont in Brussels on Tuesday, 11 July 2017.

The meeting was held just five days after the 24th EU-Japan Summit in Brussels at which it was announced that an “agreement in principle” had been reached for an EU-Japan Economic Partnership Agreement (EPA).

The 2017 BRT meeting gave the Round Table’s member companies and organisations the opportunity to react to this news and also to address two other key issues for EU-Japan business – the digital economy and EU-Japan cooperation on science, industrial technology and innovation. The BRT Members were pleased to welcome representatives of the EU and Japanese Authorities to the Annual Meeting at which both Members and Authorities engaged in high-level discussions. The BRT adopted and submitted these 2017 Joint Recommendations, also containing key recommendations from the BRT’s Working Parties, to the European Commission and will subsequently submit them to the Government of Japan and to the European Council.

2. Economic and Global Context

Europe and Japan are among the largest economies in the world. The past year has seen mixed economic news with Europe and Japan benefiting from the cyclical recovery in global manufacturing and trade that started in late 2016¹. However, growth predictions are low and inflation levels in Japan and parts of the euro area have not seen much improvement. Japan benefited from strong net exports and some euro area countries, including Germany and Spain, benefited from strong domestic demand. The IMF has predicted 1.2% growth for Japan and 1.7% for the euro area in 2017, with lower growth rates in 2018 (0.6% and 1.6, respectively)². More open trade could boost demand for exports on both sides. This is the reason why the conclusion of the EU-Japan EPA will play a crucial part in this economic renewal.

¹ <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/exesum.ashx>

² <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/c1.ashx>

Three intergovernmental dialogues – the G7 Summit in Taormina, the EU-Japan Summit in Brussels and the subsequent G20 Hamburg Summit – gave opportunities for Europe and Japan to demonstrate global leadership and engagement.

In another example of EU-Japan engagement, the CeBIT trade fair highlighted the mutually beneficial roles that Europe and Japan can contribute to digital transformation. Following the event, at which Japan was this year's Partner Country, a Japan-EU Joint Press Statement on Facilitating the Free Flow of Data³ called for a "strengthening of the dialogue on the data economy and other issues" such as the EU-Japan ICT Policy Dialogue and the EU-Japan Industrial Policy Dialogue. The press statement further noted the signing of a Memorandum of Understanding for IoT cooperation between the Japanese IoT Acceleration Consortium and the European Alliance for Internet of Things Innovation. The joint press release also "committed [the EU and Japan] to a continuous exchange of views, using such opportunities as the EU-Japan Business Round Table."

The significance of the momentum that the EU and Japan have established at the present time cannot be overstated. This momentum must be maintained, strengthened, and solidified.

3. Evolution of the EU-Japan Economic Partnership Agreement

Ten years ago, 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" and called for the feasibility of a bilateral to be considered. The BRT welcomed the formal opening of EPA negotiations in 2013 as "a new chapter in EU-Japan bilateral relations" to deepen the relationship between EU and Japan and called for their completion as early as possible and with an outcome compatible with the high level of their ambition. The BRT's initial optimism became tempered with concern given the pace of the negotiations. Throughout the past four years the BRT has emphasised that the final outcome should be "comprehensive, ambitious and mutually-beneficial".

With the past year seeing uncertainties caused by geopolitical issues such as the UK's Brexit vote and the change in priorities for the USA, an ambitious EU-Japan EPA would transform EU-Japan relations; deliver tangible benefits; and provide the certainty that companies look for when making investment and other strategic decisions.

An EU-Japan EPA will also help ensure that the EU and Japan play key roles in harmonising rules by using international standards, being the leading voices in establishing global trade rule-making, deterring protectionism, and, last but not least, providing a much-needed impetus to our economies.

³ http://www.meti.go.jp/english/press/2017/0321_002.html

It is therefore with considerable delight that the BRT welcomed the news that the EU and Japan have reached an “agreement in principle” on an EPA. The BRT recognises that this development is a considerable achievement and means that the EU and Japanese business communities can be optimistic that a final agreement will be reached in the near future. In the meantime, the BRT wishes that the negotiating momentum is maintained and urges the EU and Japanese Authorities to bring the negotiations to a successful conclusion and to resolve the remaining questions for the benefit of both parties. The BRT pays tribute to the negotiators for their diligence and hard work up to this point. Along with other industry and other stakeholders, the BRT awaits the opportunity to study the text of the final agreement.

4. Strategic/Key Topics: Digital Economy, and Cooperation on Science, Industrial Technology, and Innovation

In addition to holding a detailed discussion on the EPA negotiations and its exchanges with high-level representatives of the EU and Japanese Authorities, the BRT’s annual meeting addressed two already important areas for EU-Japan collaboration which would undoubtedly be strengthened by an EPA:

Digital Economy

Digitalisation has ushered in a new industrial revolution, delivering societal, economic and other benefits. EU-Japan cooperation on artificial intelligence (AI), Internet of Things (IoT), and connected industries, underpinned by standardisation, interoperability, free flow of data, and future-proof regulatory frameworks will deliver many additional benefits and offers opportunities for all sectors of the economy. Dialogues on digital issues between the EU and Japan are welcome and can provide an invaluable opportunity to ensure EU-Japan cooperation and coordination. However, some significant challenges remain. It is important that the Authorities, industry, researchers and other stakeholders work together to find appropriate, timely and effective solutions.

Science, Industrial Technology and Innovation Cooperation

EU-Japan cooperation in science, industrial technology, research and development and in innovation can provide breakthrough technologies that draw on the complementary expertise and know-how of EU and Japanese researchers, and provide economic and non-economic benefits. Most BRT member companies have international research activities. The BRT has identified three areas with good prospects for closer EU-Japan cooperation – AI & IoT, future technology linked to aeronautics, and 5G. Memorandums of Understanding and coordinated and joint research calls would complement existing private-funded research activities and lead to a convergence of industrial standards.

5. BRT’s Recommendations for the Future

Now that an agreement in principle has been reached on the EPA, the BRT urges the EU and Japan to begin looking beyond the EPA agreement and towards establishing a new high-level cooperation framework, which befits this innovation and digital age.

Firstly, industry seeks a voice in any post-agreement monitoring mechanism to enable industry to identify potential issues that may arise during implementation of the Agreement. Even more critical will be how to handle new issues that arise after the EPA has been concluded and pre-existing issues that were not covered in the EPA. A monitoring mechanism for all these issues (non-tariff measures (NTM), tariffs, etc.) should be addressed in a binding manner within the overarching EPA framework giving way to concrete outcomes and not just addressed through official 'dialogues'.

To ensure transparency and an effective implementation of the agreement, the BRT calls on both Authorities to make public items as they are implemented and assess their impact on business, showing how the implementation addresses the particular issue raised in the EPA and how it might address other related issues including those not discussed in the EPA. We recommend that the respective lists be updated regularly.

Secondly, the BRT reiterates its view that the upgrading of global value chains and securing the fruits of innovation require not only the adoption of global rules to eliminate non-tariff measures which may obstruct trade, but also forward-looking creative regulatory cooperation including a convergence of standards.

For these reasons, the BRT calls on the Authorities of the EU and Japan to initiate creative regulatory cooperation across the board and ensure the substantial participation of industries from the EU and Japan in the process. We are ready to contribute and provide input for the initiative.

Thirdly, in the realm of data security and data flow, the BRT emphasises the need for resolute action and measures in order to ensure the coherence of data privacy and the free flow of data between the EU and Japan.

In this regard, the BRT sincerely welcomes the Joint Declaration on the free flow of information by Prime Minister Abe and President Juncker on 6 July in Brussels⁴ in which data flow, data protection, and the convergence of EU and Japanese legislation were emphasised as representing the cornerstones of the digital economy. The BRT also expects that the inaugural high level meeting and the expert meeting on Data Economy will be repeated, and hopes that the Authorities of both the EU and Japan will work on establishing a framework in the near future based on the dialogues.

Finally, the BRT calls on the Authorities of the EU and Japan to continue their efforts to conclude an EPA in the near future, by building on last week's agreement in principle and maintaining the momentum that both sides have worked hard to achieve.

Additional recommendations, prepared by the BRT's four Working Parties, can be found in the Appendix.

⁴ http://europa.eu/rapid/press-release_statement-17-1917_en.htm