



EU-Japan Business Round Table

RECOMMENDATIONS

"Opening a New Chapter in EU-Japan Relations"

29 & 30 April 2013

Paris, France

1. Introduction

The EU-Japan Business Round Table (BRT) held its Annual Meeting in Paris on 29 & 30 April 2013 with the theme of "Opening a New Chapter in EU-Japan Relations". The meeting was chaired by Dr. Jean-Yves Le Gall, former Chairman and CEO of Arianespace, and by Mr. Osamu Nagayama, Chairman and CEO of Chugai Pharmaceutical Co., Ltd.

The BRT had the pleasure and honour of welcoming high-level representatives of the Japanese and EU Authorities: Mr. Kazuyoshi Akaba, State Minister of Economy, Trade and Industry of Japan, Mr. Masaji Matsuyama, Parliamentary Senior Vice-Minister for Foreign Affairs of Japan, Mr. Soichiro Seki, Director-General for International Affairs, Global ICT Strategy Bureau, Ministry of Internal Affairs and Communications of Japan, Mr. Daniel Calleja Crespo, Director General for Enterprise and Industry of the European Commission, and Mr. João Aguiar Machado, Deputy Director General for Trade of the European Commission.

The meeting consisted of the following:

1. Discussion and adoption of general and sectoral recommendations;
2. Discussions on (i) the negotiations on a deep and comprehensive Free Trade Agreement (FTA) / Economic Partnership Agreement (EPA) and a political and cooperation agreement between the EU and Japan, (ii) EU-Japan cooperation including business with / in emerging economies, and (iii) resources issues;
3. Discussions with the Japanese and EU Authorities.

The BRT Members agreed to submit their joint recommendations to European Council President Herman Van Rompuy, European Commission President José Manuel Barroso, and Prime Minister Shinzo Abe of Japan.

2. Background

In the EU, there are tentative signs that the European economy is starting to regain a little of the confidence that it lost over the last couple of years. But there is much more to do before businesses fully regain the confidence they need to put in place private investment, which is the real driver of growth and employment. But Europe must remain cautious as the virtuous circle of greater financial market stability, and

improving confidence that the Euro Area is starting to benefit from, can quickly be reversed if political leaders become complacent and ease off on reforms.

In addition to the EU-Japan FTA and a number of on-going FTA negotiations, the EU has recently launched discussions with the United States of America for an ambitious and comprehensive free trade agreement. European businesses welcome these initiatives as expansion of free trade, and opening markets for investment, services, public procurement and raw materials are an opportunity for Europe.

In Japan, the Liberal Democratic Party and New Komeito won the general elections last December. New Prime Minister Shinzo Abe has set out his policy for reviving the economy and fighting deflation, consisting of “three arrows”: “bold monetary policy,” “flexible fiscal policy” and “growth strategy.” His Cabinet has implemented measures to promote cooperation between the Government and the Bank of Japan on monetary policy and put forth a national budget aimed at stimulating economic growth and strengthening the nation’s infrastructure against natural disasters.

In addition, as part of its initiatives to spur economic growth, the Cabinet is stepping up efforts to establish economic partnership agreements with Japan’s major trading partners. The Government will soon officially join the TPP negotiations, subject to the completion of the TPP member states’ domestic processes; it has also started talks on a Japan-China-South Korea free trade agreement. Negotiations for an RCEP, a regional comprehensive economic partnership agreement between Japan, China, South Korea, Australia, New Zealand, India and the ten ASEAN member states, will be launched soon. The market has responded positively to these policy measures, and business and consumer confidence has been improving.

The EU and Japan are two of the world’s most advanced economies. They share common values. Together they account for some 30% of global GDP and 40% of world trade. Further enhancing EU-Japan cooperation will help create new growth in the EU and Japan and will contribute to meeting such pressing challenges as improving their international competitiveness; promoting trade by strengthening and enforcing multilateral trade rules; and preparing for the indispensable shift to a sustainable world economy taking into account climate, energy, resources and demographic challenges.

In its Joint Statement of April 2012, the BRT urged the European Commission and the Council of the EU to speed up their respective work on the mandates to authorise the European Commission to negotiate an FTA / EPA and a political and cooperation agreement with Japan, whilst also calling on the European Commission and the Government of Japan to expedite their efforts to complete the scoping activities. On 25 March 2013, following the conclusion last year of the scoping exercise, the EU and Japanese leaders decided to launch negotiations for an agreement covering political, global and sectoral cooperation (“Cooperation Agreement”) and an Economic Partnership Agreement (EPA) / Free Trade Agreement (FTA) and expressed their commitment to the earliest possible conclusion of these two agreements. The EU and Japanese Authorities held the first round of negotiations from 15 to 19 April.

3. Calls and Recommendations

The BRT welcomes the decision made by the EU and Japanese leaders to open a new chapter in EU-Japan bilateral relations.

In the expectation that a deep and comprehensive FTA / EPA and a Cooperation Agreement between the EU and Japan will boost EU-Japan trade and investment and promote job creation and economic growth in both economies, the BRT recommends that the FTA / EPA negotiations should be completed as early as possible and their outcome be compatible with the high level of their ambition. The BRT calls upon both Authorities to ensure that the negotiations will be undertaken in a transparent manner in order to enable industry to take possible outcomes into account in future business strategies. The BRT also reiterates its call that the resulting EU-Japan FTA / EPA should be ambitious, balanced, mutually-beneficial, comprehensive, and tackle major outstanding issues such as tariffs, non-tariff barriers, public procurement, investment, services, competition, IPR, regulatory cooperation including harmonisation and the mutual recognition of regulations and standards. In addition, addressing elimination of tariffs and non tariff barriers in parallel in the negotiations is necessary to guarantee a successful outcome.

The Cooperation Agreement should provide support to the development of stronger EU-Japan relations, commit to a broad dialogue on many forms of political cooperation, joint research and common undertakings, as well as common rules in bilateral collaboration, as befits two of the world's most advanced democracies.

The BRT also believes that, as the sole organisation of its kind consisting of European and Japanese business leaders, it can play an important and useful role in supporting those negotiations, and calls on the EU and Japanese Authorities to take full account of proposals and recommendations from the BRT as they work towards concluding an FTA / EPA and a Cooperation Agreement.

The BRT is a strong supporter of the multilateral trading system and expects that this year's 9th WTO Ministerial Conference, scheduled in Bali in December, will conclude an ambitious agreement on trade facilitation. Further progress must be achieved in other key areas, such as on non-tariff barriers. The BRT also follows with interest the recently launched negotiations for an international services agreement and calls for its design to be anchored within the WTO system. The WTO should also make progress on plurilateral sectoral agreements, and work towards clearer WTO guidelines on the coherence between bilateral / regional / multilateral trade agreements and the WTO system. Finally, the WTO should explore other topical issues such as the relationship between trade and investment, competition, energy and raw materials.

The BRT also makes the following requests to the EU and Japanese Authorities:

(A) Trade, Investment, and Regulatory Cooperation

The BRT calls on the EU and Japan to:

- Conclude negotiations on the EU-Japan FTA/EPA as early as possible, while ensuring that the agreement is ambitious, comprehensive and mutually beneficial. The agreement should tackle major outstanding issues such as tariffs, non-tariff barriers, public procurement, investment, services, competition, IPR, regulatory

cooperation including harmonisation and the mutual recognition of regulations, standards and market authorisations. In addition, addressing elimination of tariffs and non tariff barriers in parallel in the negotiations is necessary to guarantee a successful outcome.

This should promote an ambitious expansion of trade and investment leading to deeper economic integration between the EU and Japan.

- Provide greater mutual support of the WTO Doha Development Agenda to ensure that the WTO remains a leader in the creation of rules and setting of standards on trade at the multilateral level, encouraging its members to see the advantages of trade liberalisation.
- Strive to mutually recognise products certified under similar and equivalent product standards and to cooperate on harmonising regulations and systems where possible. They should also aim for enhanced cooperation in promoting new global standards.
- Support 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 EPA/FTA
- Aim for better regulation by improving information exchange between the two Authorities and with business, and focusing on both existing and future regulation.
- Develop 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.

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

(B) Life Sciences and Biotechnologies, Healthcare and Well-Being

General

- 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 / supply and innovations in Biotechnology.

Health care

- The EU Authorities should reinforce its innovation policy to Member States and clarify its healthcare policy, resulting in the appropriate evaluation of the value of pharmaceuticals. In addition, the MHLW should initiate the HTA (Health Technology Assessment) dialogue among stakeholders.
- Japan should further support the implementation of new innovation-rewarding pricing systems for pharmaceutical products, including the abolishment of special price cuts

at first generic launch, and the abolishment of the rule of re-pricing by market expansion. Enhance competitive pricing systems in order to promote innovative products.

- Japan should promote an innovation-rewarding pricing system also for medical devices in order to move towards a product-based, market-oriented reimbursement pricing system.
- The EU and Japan should improve the pharmaceutical 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.
- Japan should support the reinforcement of strict regulations for GMP on medicinal gases.

Animal Health

- Europe should introduce a 1-1-1 concept (one dossier – one assessment – one decision on marketing authorisation) for all animal health products, thereby further harmonise the regulatory requirements for product registration, shorten review times and recognise the GMP certification for veterinary products.
- Europe and Japan should promote the responsible use of antibiotics in animal health.

Plant Protection & Biotechnology

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

(C) Innovation, Information & Communication Technologies

ICT

- ICT is a driver of economic growth. The Authorities should uphold the balanced multi-stakeholder approach that enabled the success of internet.
- The BRT requests both Authorities to work intensively on the trade liberalisation of services over the internet and ITA expansion.
- To further promote cloud computing the BRT calls for a review of the harmonisation of legal instruments such as cross border data flows.
- To sustain a free and global flow of information, the internet environment must be trusted by society and industry. Both sides' Authorities should cooperate on building a safe and secure society by enhancing cyber security while protecting privacy and involving both the public and private sectors.

Innovation in General

- Both sides' Authorities should increase their bilateral cooperation on common challenges. The EU and Japan should improve their bilateral STI cooperation arrangements and complement them with actions such as increasing the reciprocal access to each other's research facilities.

Aeronautics

- The BRT requests that the Authorities establish a permanent dialogue to upgrade significantly the scale of EU-Japan industrial cooperation in aeronautics. They should also establish a broad cooperation on environmental issues. Cooperation between both aircraft certification authorities should be upgraded.

Space

- The BRT requests that the Space Authorities' bilateral meetings should involve not only the ESA and JAXA but also the European Commission and Japan's Cabinet Office. The Authorities should significantly upgrade the scale of industrial cooperation in space. They should establish a formal and permanent dialogue on satellite technology.

Defence

- The Authorities should, on the basis of bilateral agreements to exchange and protect classified information, take advantage of the relaxation of Japan's three Principles on Arms Exports to develop strong ties in joint development and other cooperation. Export control systems should be harmonised.

Railways

- The Authorities should promote a dialogue focusing on safety, innovation to foster the modal shift to rail, and life cycle costs optimisation in railway transportation.

(D) Financial Services, Accounting and Tax Issues

- On global financial market reforms:
 - The BRT recommends avoiding excessive 'ring-fencing' in each jurisdiction and duplication of regulations by ensuring effective supervision by the home country and international coordination, because any constraint on flow of global banking services could cause negative effects on corporate business activities.
 - The BRT requests that any financial market reform should fully address its impact on effective functioning of relevant financial and capital market activities, particularly for liquidity in the markets, before being introduced.
- The European and Japanese Authorities and industries should continue to unite their efforts to ensure an internationally consistent and level-playing field implementation of US regulations while preventing excessive extra-territorial and other prejudicial application thereof.
- The BRT expresses serious concern over the recently released EC's draft Council Directive implementing enhanced cooperation in the area of financial transaction tax (FTT), particularly with respect to its wider application and extraterritorial impact. If imposed, the FTT will increase trading costs and result in reduced volume of financial transactions and decreased liquidity, could impair legitimate hedging activities by business corporations and impact primary markets eventually.

(E) Energy, Environment, and Sustainable Development

Natural Disasters and Safety Measures

- The BRT requests that European and Japanese authorities adopt necessary measures to optimize pre-crisis, crisis and post-crisis management: identification of risks and associated impact (human, environmental, technological, etc.), facilitating international support during crisis, and strengthening collaboration towards an efficient and speedy recovery.

Alternative and Renewable Energies

- The BRT requests that Japan and EU further extend their collaboration on energy issues and work together to promote a long-term strategy on a stable, safe, competitive yet sustainable energy supply, addressing more specifically the following issues: development of renewable energies, remodeling of energy systems, nuclear safety and international standardization, nuclear fuel cycle, development of smart cities and standardization of equipment used in smart grids (EV, batteries, etc.)

Global Warming Issues

- European and Japanese authorities should promote together a post-Kyoto framework on greenhouse gas emissions reductions
- The BRT requests European and Japanese authorities to set CO₂ emissions targets in full transparency, fairness, and through dialogue with stakeholders.

Energy Efficiency and Energy Savings

- The BRT requests that Japan and EU continuously refine their regulations and incentives to promote energy efficiency and energy savings, including building and housing insulation standards.

Raw Materials and Resources use

- The BRT request that European and Japanese authorities enhance their collaborative actions on raw materials supply issues: mitigation of price commodity volatility, R&D on recycling and material substitution, supporting countries to fulfill EITI's principles, etc.

(A) - (E) summarise the BRT's detailed regulatory and sectoral Recommendations.