

**EU-Japan Business Dialogue Round Table
Tokyo Meeting 20-21 June 2004**

Press Release

***“Giving a New Impetus to EU-Japan Relations
and
Addressing New Sectors”***

The EU-Japan Business Dialogue Round Table (BDRT) held its annual meeting in Tokyo on 20 and 21 June 2004 in the presence of Mr. Nakagawa, Minister for Economy, Trade & Industry, Mr. Tabata, Senior Vice-Minister for Public Management, Home Affairs, Posts & Telecommunications, Mr. Aisawa, Senior Vice-Minister for Foreign Affairs, Commissioner Lamy and Commissioner Liikanen, under the co-chairmanship of Viscount Etienne Davignon and Mr. Yotaro Kobayashi.

The BDRT participants were very pleased to hear the latest information from the representatives of the Authorities. It was clear from their speeches that there is a clear political will and commitment to improve EU-Japan relations, and that they will take into account the BDRT's Recommendations.

1. Summary of Discussions

The BDRT is pleased with the general improvement of EU-Japan relations.

The EU and Japan are important partners, in particular in the economic field, which have an influence not only on their respective development but also on a global basis. Therefore, further strengthening mutual direct investment is crucial to economic development for the EU and Japan, as stressed by both leaders at the last Summit meeting.

The BDRT welcomes the 1 May 2004 EU enlargement, which is an event of great significance for Europe and also is expected to bring important trade and investment opportunities for the EU and Japan.

(1) The Economy in the EU and Japan

The Japanese economy has been recovering after a long recession, thanks to what is called the “digital economy” and the high economic growth in China and the U.S. 3% of economic growth is expected in 2004, after 3% growth in FY 2003.

The economic recovery in the EU is strengthening, and growth in the first quarter came in stronger-than-expected at an annualised rate of 2.5%. Growth in the remainder of 2004 should be supported by a further pick-up in private demand.

The BDRT believes that both the EU and Japan should continue to implement structural reforms in order to assure sustainable development.

(2) The EU and Japan in the World Economy

The EU and Japan, which account for approximately 40% of world GDP and around 28 % of world trade, should make an active contribution to build a better world economic infrastructure. To launch the Doha Development Agenda, negotiations would be the top priority agenda in this context.

The participants unanimously noted the profound changes in the world economy. In particular, they underlined that the rapid expansion of the Chinese economy makes it not only an important market but also a determining factor of the global economy, notwithstanding the issues this country still has to overcome. The EU and Japan should promote bilateral cooperation in a positive manner to realise sustainable development of China. Among others, the most important in the near future in the relation with China would be the WTO compliance to which China committed. The EU and Japan should closely monitor this and take necessary action. In this regard, how EU and Japan can cooperate to help create a better world economic environment among the major players is definitely an important subject to be pursued between the EU and Japan.

In East Asia, the sense for the importance of community building has emerged for the first time in history through the academics, politicians and citizens. In this sense, the experience and lessons from the 50 years’ history of the European Union are quite valuable, and there will be a lot to learn from the viewpoint of building the Asian community.

2. Recommendations

(1) Trade and Investment – Call for a FDI Joint Statement

The BDRT proposed in its Recommendations for 2003 that the Authorities of the EU and Japan negotiate an “FDI Enhancement Agreement” establishing a framework for mutual efforts to promote and facilitate an increase in foreign direct investment, focusing on the following four areas of issues:

- a) Eliminating tax-related barriers to investment such as withholding taxes on dividend payments between parent and subsidiaries and on interest and royalty payments among affiliated companies;
- b) Facilitating business development through the smooth movement of human resources;
- c) Facilitating tax-neutral cross-border corporate reorganisations; and
- d) Promoting regulatory reform.

In 2004, the BDRT calls for a FDI Joint Statement by the leaders of the EU and Japan, for which it repeats most of its Recommendations made in 2003 with respect to the enhancement of mutual direct investment between the EU and Japan.

(2) Accounting and Taxation

The BDRT stresses the importance of the adoption of common international accounting standards -as early as possible- for the development of international comparability and transparency. These standards will be implemented in the EU in 2005, with a few exceptions.

The BDRT notes that the Japanese Government and the EU are presently negotiating on this matter, taking into account the question of timing and quality of standards.

From the industry’s point of view, the BDRT asks that the European Commission and the Government of Japan strive to remove obstacles in capital market rules as quickly as possible for the promotion of mutual investment between the EU and Japan.

The BDRT asks the European and Japanese Authorities to take all necessary steps to achieve convergence of international standards of accounting, auditing and disclosure.

The governments of the USA and Japan reached an agreement in November 2003 to revise the Tax Treaty between their two countries. The main feature of the revision is the reduction or elimination of certain withholding taxes. We welcome this decision and hope that it can be replicated in relations between the GOJ and the EU in order to realise fully the benefits of the single market.

(3) ICT-Information Communications Technology

The BDRT considers that both the EU and Japanese Authorities should promote further development of the ICT environment aiming at effective and increased utilisation of the broadband networks and applications. Especially, in areas such as employment and labour, medical services, education and public services, the Authorities' role is critical to enhance broadband utilisation.

Both Authorities should cooperate towards the establishment of a secure and reliable network environment. To confront cyber terrorism and other new challenges due to the expansion of networks, cooperation on a global basis is indispensable. Both Authorities should cooperate to address immediately not only technological issues but also institutional issues, while respecting the law related to the freedom of communications.

Regarding VOIP, given the non-geographic nature of any IP-based services, it raises a number of policy and regulatory questions that could be usefully addressed by both the EU and Japanese Authorities in a coordinated fashion.

(4) WTO

The BDRT continues to believe that the successful conclusion of an ambitious Round can help to improve global efficiency and international economic integration, and to provide meaningful answers to the challenges of sustainable development in the global economy. The BDRT believes that the coming WTO General Council in Geneva in July is possibly the last chance to launch the new negotiation under the original timeframe, taking into consideration the political circumstances among the major countries.

The BDRT welcomes the renewed political will of WTO Members to take advantage of the window of opportunity that has opened in recent months to reach a basic agreement on the framework modalities for further negotiations by July 2004. Therefore, the EU and Japan should make every effort to ensure that the negotiations are successful, with greater flexibility in the key areas of difference.

Discussions have shown the crucial need to regularly inform the public in order to highlight the exact impact of these important negotiations and the positive effects of globalisation for all participants. Their success will contribute to expand world trade in a smooth way that will be beneficial to all economies. But some developing countries still need to be convinced of the negotiations' benefits because of huge existing disparities which could be lessened by them.

(5) New Working Fields

The BDRT is pleased to report that two new Working Parties, "Life Sciences & Biotechnology" and "Sustainable Development", commenced and presented their Recommendations, which should greatly contribute to the expansion of business relations between the EU and Japan.

A) Life Sciences & Biotechnology

The BDRT recommends to implement with urgency and follow up the Action Plans of the Strategic Guidelines issued by the EU in 2002 and also by Japan in 2002, through strong initiatives by both Authorities. Most important current issues include the enhancement of public acceptance towards biotechnology, promotion of innovation in Life Sciences & Biotechnology by removing regulatory barriers, by harmonising regulations and by providing strong incentives to facilitate the commercialisation of innovative technologies.

B) Sustainable Development

Sustainable Development and Corporate Social Responsibility aim at setting the right balance between economic, social and environmental goals in a true "win-win" relationship with every stakeholder.

The BDRT (1) stresses the importance of voluntary actions from both industry and individuals above any additional regulations and (2) requests the Authorities to consult with the industries if any new regulation is considered.

Joint research projects in some sustainable development areas, including technology development of alternative energy, should be supported by the Authorities. Implementation of the current Kyoto Protocol and Post-Kyoto protocol should receive special attention to secure the competitiveness of the industry, especially if countries like the USA and Russia do not ratify the Protocol.

(6) EU Enlargement

Industrialists from new EU Member States should be invited to every opportunity which the BDRT can provide in such areas as ICT, Life Sciences & Biotechnology, and Sustainable Development, where new business alliances are expected.

Transparency during the transitional period relating to regulations that affect business activities should be maintained to realise trade and investment opportunities.

In order to avoid a situation where the enlargement may hamper non-EU traders and investors including those of Japan, the EU Authorities should monitor the process in accordance with WTO rules, and in close cooperation with non-EU members.

For the first time, Arianespace participated in the Annual Meeting and presented a paper on “Europe-Japan Cooperation on Satellite Launch Services”, recommending the reinforcement of the cooperation between the EU and Japan.

The next BDRT annual meeting will take place in Brussels in early summer, 2005.

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