

# The Japan-EU EPA and Its Potential Contribution to the 21<sup>st</sup> Century Trade Rules

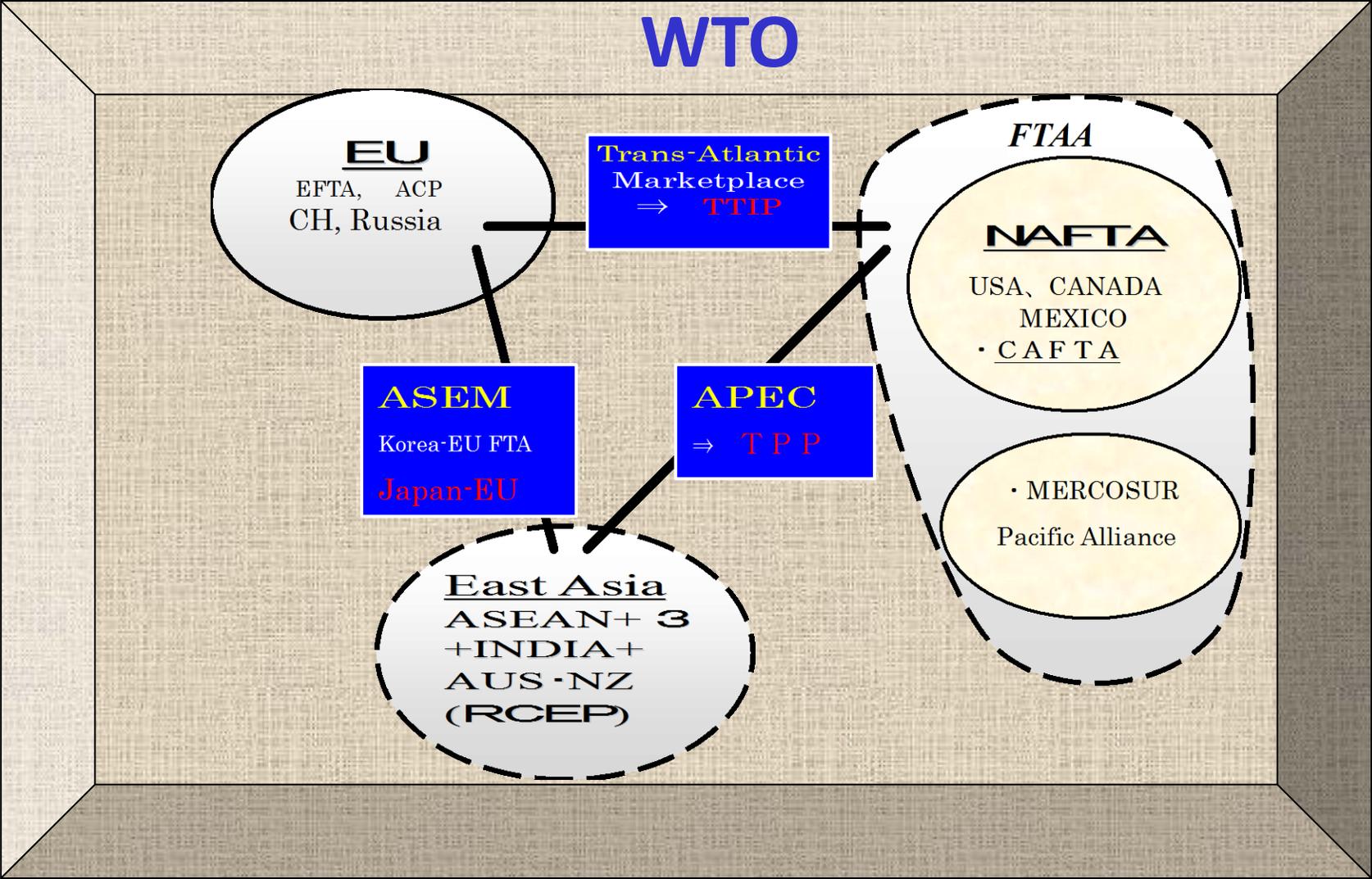
Brookings Seminar on Mega Trade Agreements

Washington DC, December 16 2013

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# WTO & 3 Mega-regions



# Bilateral and regional FTAs/EPAs and their Importance to Japan (MOFA)

## EPA·FTA in Japan (July, 2013)

### ● Concluded ▶ 13

Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, Philippines, Switzerland, Viet Nam, India, Peru

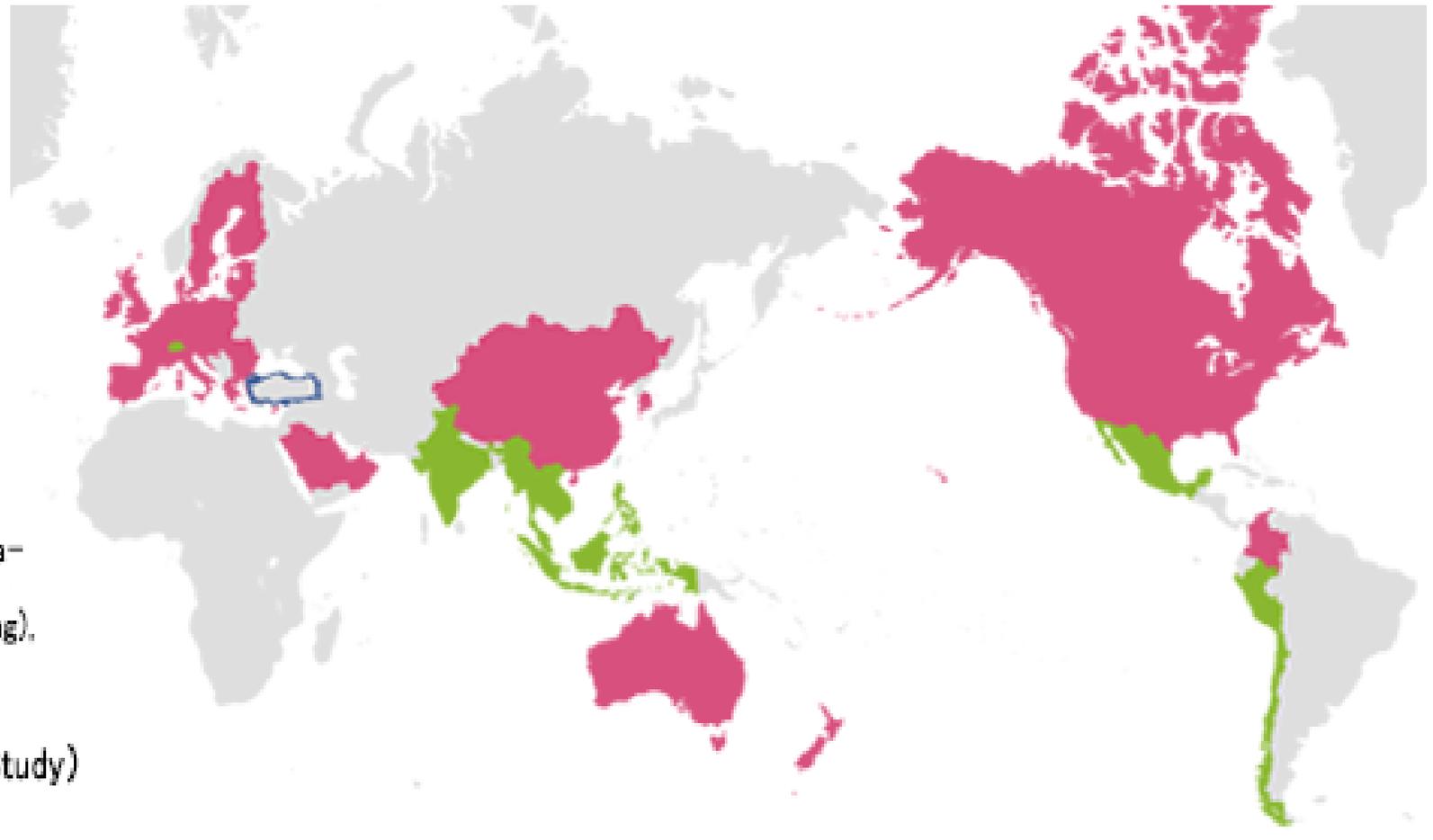
### ● Negotiating ▶ 10

(Include Countries unsigned)

Australia (Negotiating), Mongolia (Negotiating), Canada (Negotiating), Colombia (Negotiating), Japan-China-ROK (Negotiating), EU (Negotiating), RCEP (Negotiating), TPP (Negotiating), GCC (Negotiation postponed), Korea (Negotiation suspended)

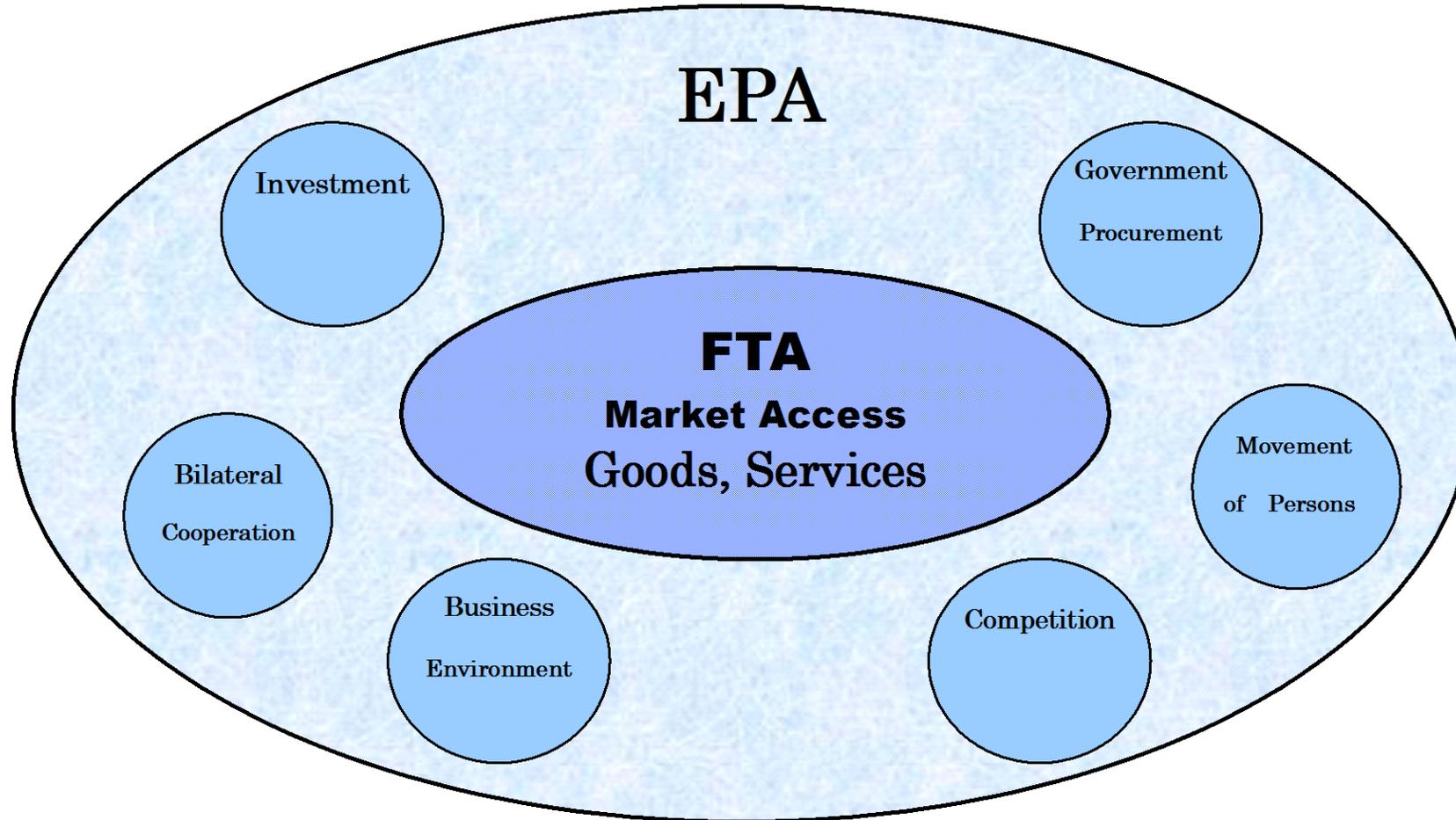
### ○ Pre-Negotiating (ex. Joint Study)

Turkey



# Economic Partnership Agreement

## EPA: Japan's FTA Strategy



# Substance of Japan's EPA

	Trade in goods			Trade in service				Investment				Government Procurement	Intellectual Property	Competition	Improvement Of Business Environment	Cooperation	Energy and Mineral Resources	
	Market Access	SPS/TBT	Mutual Recognition	Market Access	National Treatment	MFN Treatment	Movement of Natural Person	National Treatment	MFN Treatment	Prohibition of performance requirements	Dispute Settlement between state and investor							
ASEAN	Vietnam	○	○		○	○		○			○				○	○		
	Philippine	○		○	○	○	○	○	○	○			○	○	○	○		
	ASEAN	○	○													○		
	Brunei	○			○	○	○	○	○	○	○	○			○	○	○	○
	Indonesia	○			○	○	○	○	○	○	○	○		○	○	○	○	○
	Thailand	○		○	○	○	○	○	○	○	○	○		○	○	○	○	○
	Malaysia	○	○		○	○	○	○	○	○	○	○		○	○	○	○	
	Singapore	○		○	○	○		○	○		○	○	○	○	○			
Latin America	Chile	○	○			○	○	○	○	○	○	○	○	○	○	○		
	Mexico	○	○			○	○	○	○	○	○	○	○	○	○	○	○	
Europe	Switzerland	○	○		○	○	○	○	○	○	○	○	○	○	○			

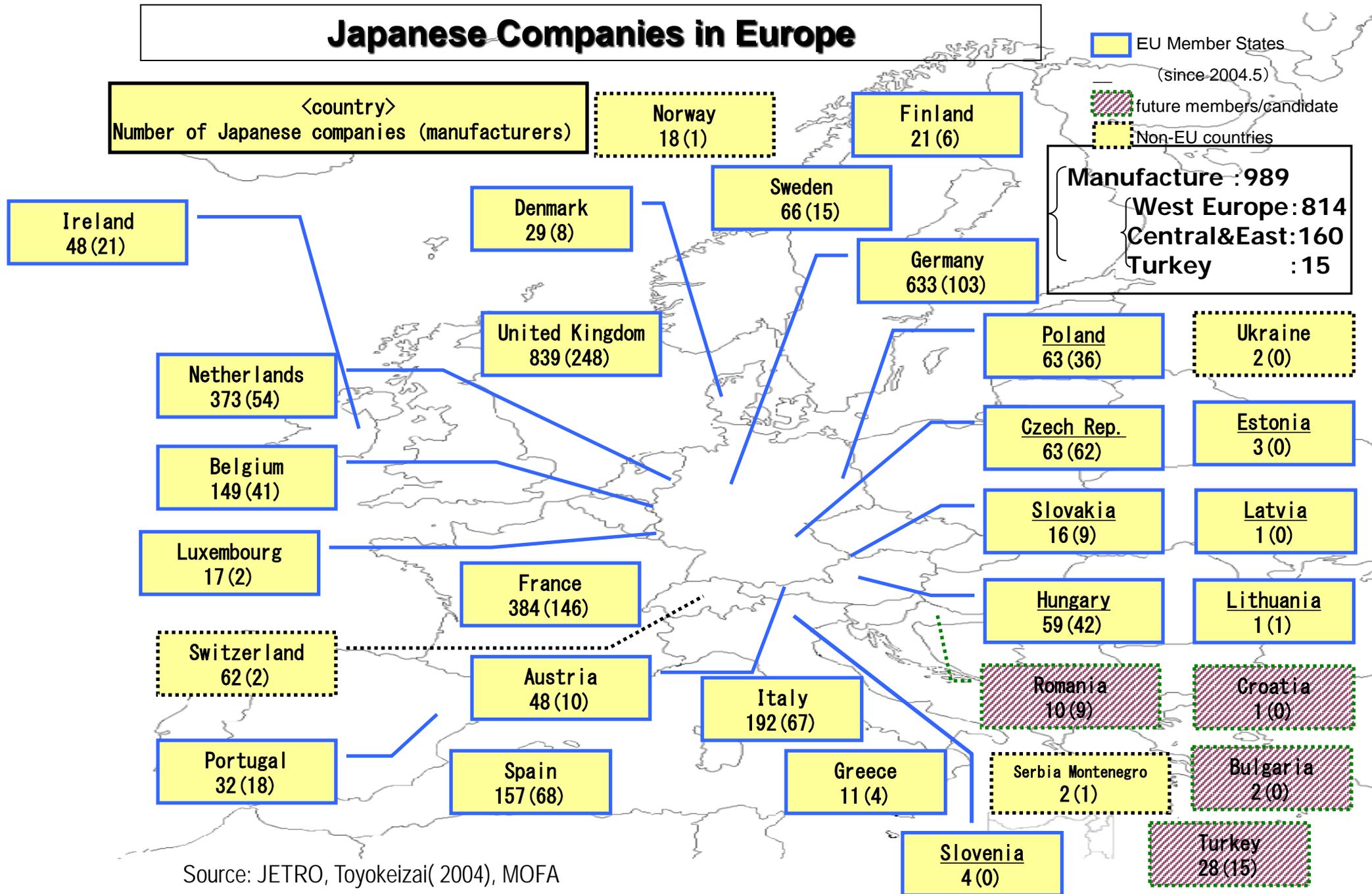
# Japan's FTA/EPA: Achievement so far

- Japan-**Singapore** EPA (in force since 2002.11)
- Japan-**Mexico** EPA (negotiations started in 2002.11, in force since 2005.4)
- Japan-**Malaysia** EPA (in force since 2006.7)
- Japan-**Chile** EPA (negotiations started in 2006.2, in force since 2007.9 )
- Japan-**Thailand** EPA (agreement in substance 2005.9, in force 2007.11)
- Japan-**Indonesia** EPA (negotiations started in 2005.7, in force 2008.7)
- Japan-**Brunei** EPA (negotiations started in 2006.6, in force 2008.7)
- Japan-**ASEAN** EPA (negotiations started in 2005.4, in force 2008.12)
- Japan-**Philippines** EPA (agreement in substance 2004.11, in force 2008.12)
- Japan-**Switzerland** EPA (negotiations started in 2007.5, in force 2009.2)
- Japan-**Vietnam** EPA (negotiations started in 2007.1, in force 2009.10)
- Japan-**India** EPA (negotiations started in 2007.1, in force 2011.8)
- Japan-**Peru** EPA (negotiations started in 2009.5, in force 2012.3)
  
- Japan-**Korea** EPA (negotiations started in 2003.12, suspended in 2004.11)
- Japan-**GCC** EPA (negotiations started in 2006.9)
- Japan-**Australia** EPA (negotiations started in 2007.4)
- Japan-**Mongolia** EPA (negotiation started in 2012.6)
- Japan-**Canada** EPA (negotiation started in 2012. 10)
- Japan-**Colombia** EPA (negotiation started in 2012. 12)

# Impact of the Japan-EU EPA: 32% of the world GDP, 36% of the world trade

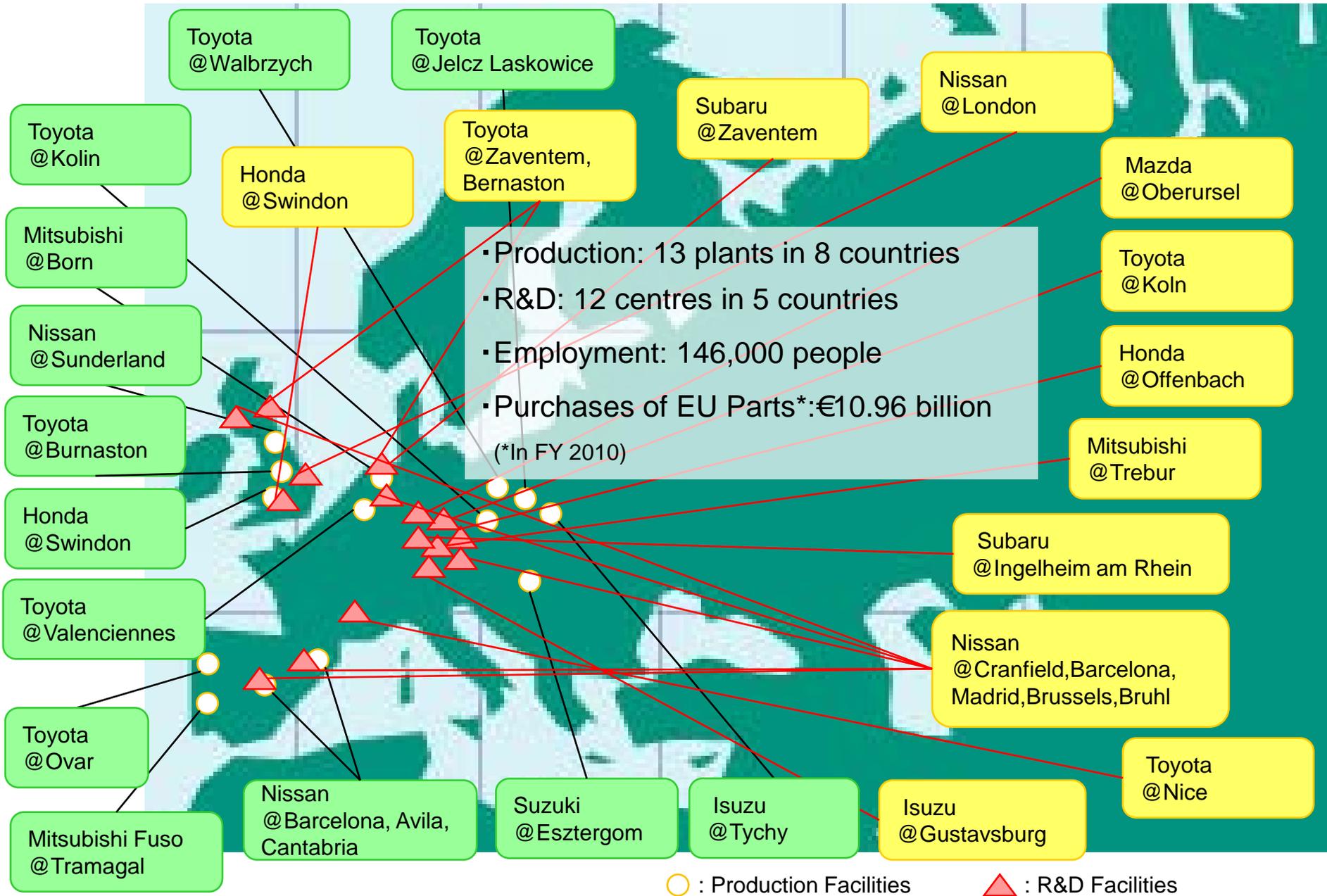
	European Union	Japan	TPP/11
Population (6.87 billion)	7.3 %	1.9%	11.5%
GDP (\$ 69.7 trillion)	25.2%	8.4%	29.8%
Trade with Japan (\$1,674 billion)	10.5% The 3 <sup>rd</sup> largest trading partner for Japan	----- The 6 <sup>th</sup> largest trading partner for the EU	26.4% The US is the 2 <sup>nd</sup> largest trading partner for Japan
Investment	The EU is the largest investor to Japan	The EU is the 2 <sup>nd</sup> largest destination for Japanese investment	The US is the largest destination for Japanese investment and the 2 <sup>nd</sup> largest investor to Japan

# Japanese Companies in Europe



Source: JETRO, Toyokeizai( 2004), MOFA

# Japanese Automakers' Production/R&D Facilities in the EU



# Japan and the EU: from conflicts to cooperation

- 1976-1990: **Trade Frictions** caused by trade imbalances in favour of Japan
- **The Japan-EC Joint Declaration** (1991): the first step towards cooperation
- **The Japan-EU Action Plan** (2001): the second step to build a solid platform for cooperation
- **“The Scoping Exercise”**: to determine the level of ambition and the coverage of EPA/FTA negotiation (May, 2011-April 2012)
- The EU Foreign Ministers’ Council adopted the Draft Directive for the EU-Japan FTA (November, 2012)
- Decision to start negotiations by the Heads of State Japan/EU(March,2013)

# Interests of the Parties

- **Japan**

- Elimination of Industrial Tariffs (10% on cars, car-parts, 14% on TV, electronics)
- Trade in Services
- Investment

- The European Union

- Non-tariff Measures (NTMs) in auto, processed food, food additives, pharmaceuticals etc.  $\Leftrightarrow$  70% of the EU Export to Japan is already duty-free
- Government Procurement
- Railway Equipments
- Trade in Services

# Agenda for Negotiation (14 areas)

- General Principles
- Trade in Goods
- TBT (Technical Barriers to Trade)/**NTMs**
- Rules of Origin
- Customs Procedures and Trade Facilitation
- SPS (Sanitary & Phytosanitary Measures)
- **Trade in Services**
- Investment
- **Government Procurement**
- Intellectual Property Rights
- Competition Policy
- Dispute Settlement
- Trade and Sustainable Growth
- Other Issues

# Central Objectives of Japan in the Rule Area

- **Auto**
- UNECE Regulations on Technical Standards on Safety and Environment
- International Whole Vehicle Type Approval (IWVTA) to be introduced in 2016
- “Zoning” (Allocation of Maintenance Shops in Residential Zone)
- **Railway Equipment (Public Procurement)**
- Clarification of Safety-exception
- Transparent Application of the Safety-exception Clause
- Procurement Rules on Privatized Entities that “graduated” from the application of the WTO/GPA

# EU-Japan trade balance in railway products

- ◆ The EU had a trade surplus with Japan in railway products from 2001 to 2010.
- ◆ Japan mainly imported railway carriages, maintenance equipment and electronic parts.

Trade balance in railway products between Japan and the EU

year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	total	average
France	-811	-490	-528	-44	-330	-892	111	-3,394	-236	-164	-6,778	-678
Germany	-2,150	-2,645	-2,405	-834	-1,308	-2,325	-2,380	-3,455	-248	-318	-18,069	-1,807
Spain	-1,846	-1,508	-1,847	-302	-971	-1,986	-1,722	-2,667	-173	-246	-13,168	-1,327
Italy	-1,556	-27	-733	-2,493	-1,285	-2,815	-608	-899	-1,314	-2,146	-13,876	-1,388
UK	-572	-284	-582	-322	-513	-1,523	5,555	14,975	14,026	-54	30,706	3,071
Austria	-1,258	-1,225	-1,078	-679	-3,622	-5,312	-4,619	-4,598	-5,908	-4,953	-33,252	-3,325
EU total	-5,639	-4,868	-3,527	-1,666	-7,628	-14,477	-3,613	2,141	6,202	-8,375	-41,451	-4,145
world total	50,214	36,507	32,145	77,940	127,812	69,685	57,899	81,443	55,797	47,998	637,440	63,744

Source: Trade statistics of the Ministry of Finance , Japan (in JPY million)

# Examples of European Companies that Participate in Government Procurement in Japan

Veolia Water Japan  
A Japanese corporation under a French company (environment)

Succeeded in signing contracts with five local governments (more than 19 billion yen)

Main example: Contents of the contract with Matsuyama City, Ehime Prefecture

- Contract period: Five years from 2012
- Contract value: Around 1.3 billion yen
- Order contents: Entrusted management of institutions, including a water purification plant in Matsuyama City

Other examples

- Signed similar contracts with Hiroshima City, Saitama Prefecture, Chiba Prefecture, and so on (more than 19 billion yen in total since 2006)

Siemens Japan  
A Japanese corporation under a German company (industrial machinery)

Received orders for expensive medical instruments from institutions, including national university hospitals (more than 4 billion yen)

Main example: An order for medical instruments from a Japanese national university hospital

- Time of order: July 2011 (Bid)
- Contract value: Around 700 million yen
- Order contents: Radiotherapy systems

Other examples

- Received orders from national university hospitals throughout the country (More than 4 billion yen in total since 2010)

GlaxoSmithKline (Japanese corporation)  
A Japanese corporation under a British company (pharmaceuticals)

Received a large order for an anti-influenza drug for government stock (more than 5 billion yen)

Main example: An order for medicine from the Ministry of Health, Labour and Welfare of Japan

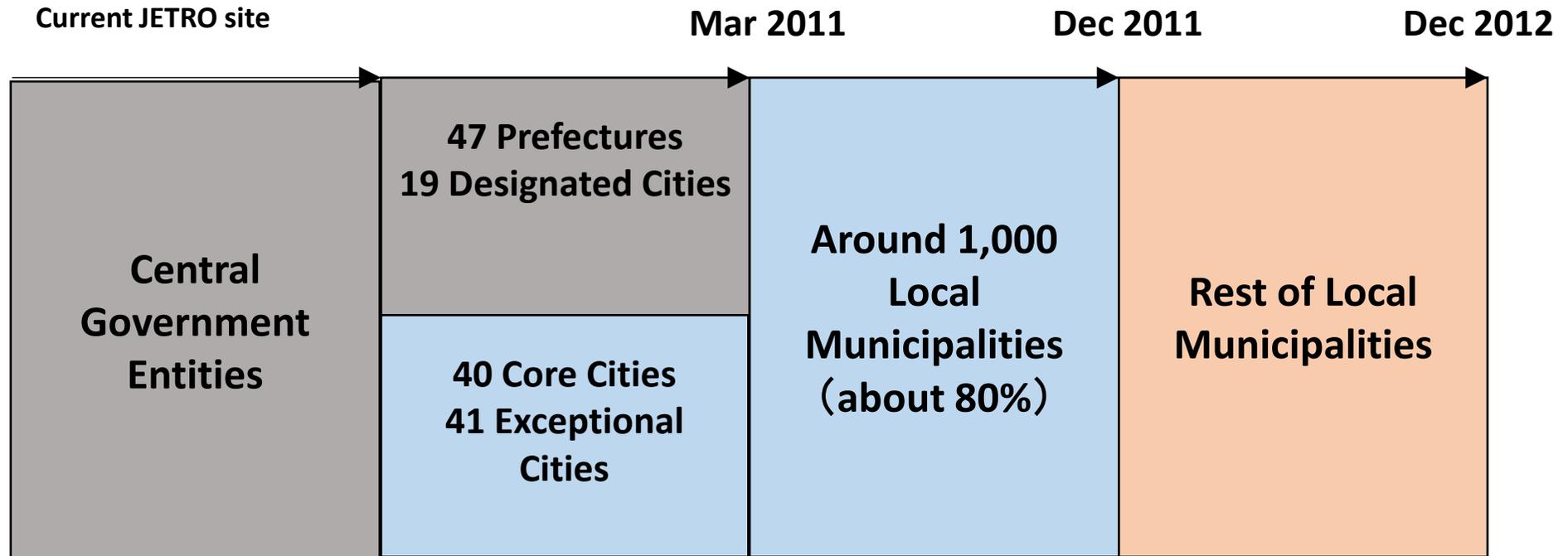
- Time of order: March 2009 (bid)
- Contract value: Around 3.7 billion yen
- Order contents: Anti-influenza drug

Other examples

- Received orders for Relenza from the Ministry of Foreign Affairs, Osaka Prefecture, Yamanashi Prefecture, and so on (more than 5 billion yen in total since 2009)

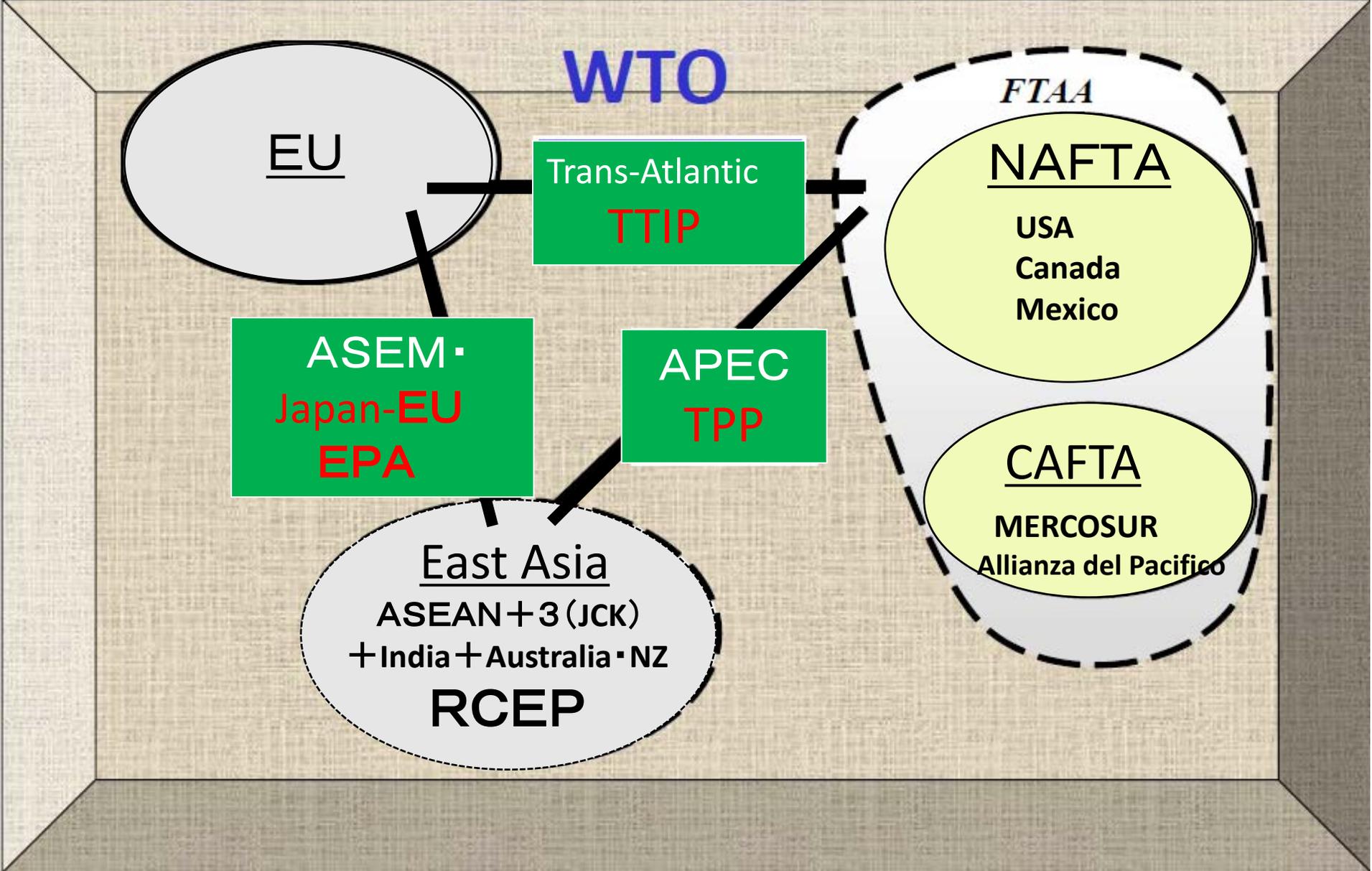
# More procurement information available in English

Providing tender information from all relevant government entities in English



# Other Rule Areas

- **Investment**: The EU has never taken the negative-list approach
- **Competition**: Beyond the Anti-monopoly Cooperation
- **Geographical Indication**: Japan to play an intermediary role between the EU and the US
- **Trade Facilitation**: a follow-up of the WTO/MC9 Agreement



# Multilateralizing Regionalism

- **Convergence of Liberalization Efforts** in 3 Mega FTAs, i.e. TPP, TTIP, and the Japan-EU EPA
- **A New Momentum** to reinforce the Trade Multilateralism embodied in the WTO
- **Japan, the EU, and the US should work together** for Multilateral as well as Inter-regional Trade/Investment Liberalization

Thank you for Your Attention  
--- Free Trade for a Better Future ---

