

## **« Japan-EU Economic Partnership Agreement : Japan's political views »**

### **Introduction**

**Pierre-Antoine GAILLY,  
President of the CCI Paris Ile de France & CEFJ**

I am glad to welcome all the eminent Japanese speakers today: Mr. TANAKA from METI, Pr. WATANABE from Keiô University, Mr. MIYAKE President of the Japanese CCI in France, and Mr. TOMONAGA from Mitsui Corporation Benelux. I also thank Mr. BETBEZE who kindly accepted to participate in our meeting, and Dr. NICOLAS from IFRI who will animate the discussion.

We held last year a conference in collaboration with JETRO about the reconstruction of the areas devastated by the disaster in March 2011 in Tohoku regions of Japan. The aim was then to inform French companies about the initiatives proposed by the authorities for the reconstruction of the devastated areas of these regions and to encourage foreign investments in Japan. We all know that the cooperation between French and Japanese companies will be possible only if the situation is favorable. This means for example an open access to the market, and more specifically to the Japanese public market. A first step has already been taken with the French company Thales which has been selected through a procurement order in the sector of railways security.

The discussions about Japan-EU Economic Partnership Agreement are taking place in Brussels. The first step of the negotiations began about one year ago, and because of the complexity of this agreement which covers numerous sectors, they are progressing slowly. The next round of negotiations is scheduled to take place in April 2014, and we decided with JETRO to organize this conference so as our Japanese counterparts may express their point of view upon this matters.

Today, our countries share the same concerns and must face the same challenges: recovery of their economies, improving competitiveness, reducing the budget deficits. To face these difficulties, Japan, under the leadership of its Prime Minister Abe, has chosen to launch a proactive policy called « Three arrows ». At the same time, here in France, President Hollande decided to launch a major project with the « Pact of responsibility ». In this context of converging views on the economic situation, and following the official visit to Japan of President Hollande last June 2013, a visit to France of Prime Minister Abe has been set on the diplomatic agenda in May 2014 on the occasion of the 50<sup>th</sup> anniversary of Japan as a member of OECD. We hope that a meeting between business leaders of our two countries will be held at that moment.

**Tadayuki NAGASHIMA,  
Executive Vice President of JETRO**

Since the Prime Minister Abe took office 15 months ago, the government has set up an ambitious monetary policy and a flexible fiscal policy and also a growth strategy to promote private investment in order to bring the country out of the deflation and encourage the economic growth. The Japanese economy, driven by domestic demand, is progressively recovering thanks to these « three arrows ». As part of the growth strategy which represents the third arrow, the Japanese government considers that the Economic Partnership Agreement is the foundation of a global economic activity, and strongly encourages the negotiation of free trade agreements, starting with the EPA between EU and Japan. Other agreements such as the Trans-Pacific Partnership, the Trans-Atlantic partnership are currently being negotiated. And in next April, it will be the first year after the opening of negotiations between EU and Japan.

This seminar has been organized in this context of « mega FTA ». Contributions of this agreement to the development of trade and investment rules; analysis of the EPA in the perspective of economic development in Europe and Japan, these are the topics that will be discussed today by our speakers. It is important to create a good business environment for foreign companies to encourage further economic developments. We must therefore promote cross-investments between Europe and Japan, boost investment flows, and the way to achieve them is precisely this economic partnership agreement.

JETRO has started an English website to supply information related to Japan's public procurement, so as to facilitate the access by European companies to the Japanese market. Japanese market is open. JETRO intends to be a single contact point and to support foreign companies considering the possibility of establishing a location in Japan. During the last 10 years, JETRO has helped more than 60 French companies in their advances into the Japanese market. In concrete terms JETRO provides 6 offices which can be used for free for 50 working days, and also provides supports to foreign companies for commercial registrations, recruitment, etc. JETRO also opened last September a hotline for investments in Japan. JETRO receives requests for regulatory reform by foreign companies, transfers these requests to relevant ministries and feed back the results. On the occasion of the state visit of President Hollande in Japan last June, JETRO also concluded an agreement with influential actors as UBIFRANCE and AFII to strengthen cooperation between our two countries. Through this agreement, we endeavour to assist the French and Japanese SMEs for their export and internationalization efforts.

Driven by the Asian growth and by the effects of Abenomics' policy, the Japanese domestic demand is about to recover. This is the time for French companies to develop their business in Japan which could become a basis for their growth in global. We hope that the agreement between the EU and Japan will contribute to achieve this goal. I hope that this seminar will be an opportunity for both France and Japan to confirm the interest of the EPA between the EU and Japan.

**« New Era of Japan-UE economic partnership »**

**Shigehiro TANAKA,  
Director-General, Multilateral Trade System Department, METI**

Today I will broach three specific subjects.

Firstly, I would like to say a few words about the reality of the economic situation in Japan and in the European Union. Then, I would like to talk about the relationships between the Abenomics and the negotiations of the EPA between the EU and Japan. Finally, I will explain how the EPA could contribute to economic development in Asia and try to set the EPA in a larger context.

1. Economic relationships between Japan and the European Union

Japan and the EU occupy important positions in the world economy. Japan and the EU combined account for 30% of the world's GDP. Though China has recently surpassed Japan's GDP, Japan's consumer market remains larger than that of China. When I joined METI in 1985, Japan's trade surplus was huge and considered as a threat to European countries, but today our trades are almost balanced or rather negative for Japan as same as those with France and Germany. The economic exchanges between the EU and Japan have been dramatically changing from trade to direct investment. Investment flows between two regions play an important role in their respective economic growth. The EU is the largest investor in Japan in terms of amounts of direct investment, while Japan is the third largest investor in the EU. Japanese companies have contributed to creating employment representing more than 460.000 people in Europe.

Some people are afraid of the possibility that Japan increases its exports and thus accentuates the European deficit if the EPA is concluded. We faced similar criticisms in the context of the EPA negotiations between Japan and Mexico. We actually observed that the EPA has created more investments from Japan to Mexico. In the country with which we concluded the EPA, the direct investment policy takes precedence over exports. I think the conclusion of the EPA between the EU and Japan will strengthen investment to Europe. This was clearly observed after we concluded the EPA between Japan and Switzerland.

What is the situation between the EU and Japan in terms of transport equipment trade? In the railway sector, there is no real trade imbalance. The problem is rather that the level of trade in this sector is not large enough. Our aim is to develop trade in this sector. Concerning the automotive sector, the market share of Japanese vehicles in Europe accounts for about 12%, about 9% in France and in Germany. In the past, Japanese vehicles were mainly exported from Japan. Today, more than two-thirds of Japanese vehicles sold in the EU are locally manufactured. The era of export-oriented business is over in Japan. The EU production by Japanese automakers totaling 1,4 million units contributes to the job creation in France and many other countries in Europe. Japanese brand cars manufactured in France are even exported to the US. In terms of procurement, many EU companies such as Veolia waters for water supply, Siemens for medical equipment or GlaxoSmithKline for pharmaceutical products, have successfully entered Japanese market.

2. The relationship between the policy of Abenomics and the negotiations of the EPA between the EU and Japan

The Abenomics policy is formed by three arrows, and this is precisely the third one which has the greatest impact today. The third arrow's aim is to promote private investment through structural

reform. It is important to globalize the economy and ensure that Japan becomes the most business-friendly environment. Several measures have been adopted by the Japanese government according to this third arrow: creation of new markets, maximizing human resources, promotion of investment and global economic integration. These are the fundamental principles of the third arrow.

The creation of new markets begins with a reform of the market of the Electricity Power System. For electricity and gas, we will complete their liberalization by 2020. As part of this reform, we propose so to speak the unbundling. We believe this will create more business opportunities.

One of the other problems we have to face is the aging of the Japanese population. We face the challenge of an aging society and for that we need to develop the healthcare sector and pharmaceutical products. This is also a chance for our business expansion. During the extraordinary Diet session in autumn 2013, pharmaceutical affairs law was amended (as part of the regulatory reform in the field of healthcare). Most issues I am presenting now are also addressed in the context of the EPA negotiations between the EU and Japan. In the negotiations, a lot of NTM issues in which EU shows strong interest from the beginning have been discussed. Regulations concerning medical equipment have already been amended as one of the outcomes of Abenomics, and we are further tackling with global rule-making. All this, we do it for our own growth, not because we are asked to do by the EU.

In the automotive sector, there are problems in terms of harmonization of technical standards. Today, the EU and Japan are going to make rules cooperatively in the framework of the United Nations. The objective is not only to harmonize standards between Japan and the European Union, but also to provide global rules on motor vehicles including emerging countries. If we do not have this global approach, we cannot realize a fair competition. That is why we are working with Europe for regulations that are being negotiated within the United Nations. We have already adopted 35 regulations among the 47 existing, and for the other regulations we have established specific road-maps.

The second point I wanted to present is related to the human resources. The Japanese population is decreasing due to the aging of population, so it is important for Japan to invite highly-skilled professionals who have technical expertise from overseas including Europe. The reform of the labor market is also a challenge for France and Japan. We wish to reform the labor market to make Japan more attractive.

Concerning investment, we aim to revitalize Japanese economy by means of new players such as ventures or start-up businesses. We support these businesses including overseas' ones with new laws, tax regimes or budget. As you know, many companies have already invested in Japan utilizing these supportive measures. This will strengthen the relationship between Japan and the EU. JETRO plays an important role on foreign investment to Japan.

As for food security, I understand that France is concerned much about food export to Japan. Although the consumers' security is a sensitive issue in Japan as well, additional designation of food additives is also in progress.

R&D is one of the strong points of Japan with its highest ratio against GDP. A lot of private companies take advantage of this large budget. Building a partnership between French (European) and Japanese companies in order to develop cutting-edge technologies must be beneficial for both sides.

All these efforts should steadily be made in order to establish rules beneficial for both parties in our negotiations.

### 3. Global Economic Integration

In addition to the EPA with the EU, Japan is currently negotiating the Trans-Pacific Partnership in Asia, the Free Trade Agreement with China and Korea, and also the RCEP (Regional Comprehensive Economic Partnership) which also includes New Zealand, Australia, India, China, Korea (in other terms, the ASEAN + 6 countries). These negotiations are a major pillar of the strategy of Abenomics. By 2018, Japan would have 70% of the trade to be made under the FTA, and this is the political objective that has been presented by the government. To achieve this goal, we must further the negotiations and conclude all the agreements by 2018. Negotiations are therefore a priority for Japan.

The supply chain network in East Asia is highly improving. Globally speaking, the EU still has a highly sophisticated economic structure and NAFTA countries were next to the EU. But today, the commercial integration of ASEAN + 6 countries is higher than NAFTA countries. This was caused by Japan's investment to ASEAN countries. Companies in ASEAN countries and Japan established complex supply chains. Japan-EU EPA could bridge EU companies and these Asian supply-chains.

Japan has already signed FTAs and is in the process of its negotiations with South East Asian countries. On the other hand, the EU is going to start negotiations also. A high-level of Japan-EU FTA would provide a good solid platform to the EU. Our negotiations are not only related to Japan and the EU but also future business opportunities of European companies in Asia. The EU started negotiations with the US. Japan is also in negotiations with the US in the framework of TPP. The integration of these markets will contribute to global economic development. At the same time, Japan-EU FTA can lead the global rule-making along with TPP (Trans-Pacific Partnership) and TTIP (Trans-Atlantic Trade and Investment Partnership). These three Free Trade Agreements are considered as « mega FTA ». But this is not only negotiations between three economic zones. We also want to involve emerging countries which will have significant roles in the global economy. We want to ensure that all these countries could share common values such as those in human rights, rules of law, etc. to realize higher level of businesses. I believe Japan-EU EPA could be a model to create these global common values. It is expected that Japan and EU will solve domestic problems concerned, and the result will define our positions in the world. Japanese and EU leaders have already confirmed their commitment to concluding our EPA. We, negotiators, are trying our best to get good results as soon as possible. I would appreciate understanding as well as support from French industry and its related bodies.

**« The Japan-EU EPA and its potential contribution  
to the 21<sup>st</sup> century trade rules »**

**Pr. Yorizumi WATANABE,  
Faculty of Policy Management, Keiô University**

There are three « mega regions»: the EU, the NAFTA (Northern America Free Trade Agreement), the MERCOSUR (Southern Common Market), and also from several years a community called Pacific Alliance (Mexico, Colombia, Peru and Chile). And across the Pacific there is a third mega region with East Asia: the ASEAN composed by 10 countries. Japan proposed to include 6 additional countries with Australia, New Zealand and India. Therefore, there are three centers for inter-regional cooperation. Between East Asia and the US, there is the APEC (Asia Pacific Economic Cooperation) created in 1989. And between East Asia and the EU, there is ASEM (Asian Europe Economic Meeting). These agreements are not legally restrictive, in other terms these areas are not legally bound. Some restrictive elements are required as suggested by 4 member countries of APEC (Chile, New Zealand, Singapore and Brunei). Those 4 countries began the TPP (Trans-Pacific Economic Partnership Agreement). Between the UE and the US, there is the TTIP (Trans-Atlantic Trade and Investment Agreement) which began in July 2013 and reached the third round of negotiations by the end of that year. Now, Japan is negotiating the FTA with the EU.

Since 2001, Japan began to negotiate Free Trade Agreements, and we have already resulted in a dozen of EPA with twelve countries and in the ASEAN zone. An Economic Partnership Agreement always includes a free trade area, a program of access improvements in the goods market, services market and also in the government procurement. This also applies to bilateral cooperation projects, and also to investments which is a very important point. In all EPA we include a bilateral investment arrangement called ISDS (Investor-state disputes settlement), which is widespread in Europe now. This allows to help in particular Japanese companies that have made investments in many countries of Southeast Asia to deal with local legislative issues. ISDS helps to protect investments of these Japanese companies.

In the 70's/80's we faced trade friction issues caused by trade imbalances in favor of Japan. But after 1991, a joint declaration has been made to improve the situation and the cooperative relationship between Japan and Europe. Ten years later an action plan between Japan and the EU was launched. It was the second step to deepen our relationships. All this brings us to the pre-negotiation through a scoping exercise to determine the level of ambition and the scope of the Free Trade Agreement between Japan and the EU. Japanese companies are already quite present and dynamic in Europe. For example, in the manufacturing sector, there are more than 1,000 Japanese companies: 834 in Western Europe, 257 in Eastern Europe, and even 17 companies in Turkey. We are also preparing a free trade zone with Turkey as well. In the automotive sector, there are 13 production plants, 12 research and development centers in five countries, representing a total of 164,000 direct employees in those Japanese companies.

The government procurement is a rather difficult market to access. Historically, the government procurement was excluded from the negotiations via the 3<sup>rd</sup> article of the GATT. Paragraph 8 of Article 3 of the GATT stipulates that the government procurement is excluded from the application of the principle of most favored nation (national treatment). It is during the Tokyo Round (between 1973 and 1979) when the need to open government procurement which represents 10% of the GNP of each developed country was recognized. The Japanese government procurement is already a signatory to this agreement since 1979. Japan has always tried to respect the principle of government procurement agreement under the GATT as well as in the WTO.

Japan committed under the TPP (Trans (Pacific Partnership) to discuss a free trade area to the US and the EU also committed to the US under the TTIP (Transatlantic Trade and Investment Partnership). « Mega FTA » including the TPP, TTIP and Japan-EU EPA will give us the new momentum to accelerate the building of a multilateral world trade system.

**« Discussion on the progress of negotiations  
and the expectations from the Japanese industries »**

**Jean-Paul BETBEZE,**  
**President of Betbèze Conseil SAS, former chief economist at Credit Agricole**

I will start with a few questions and comments: As an economist, I was surprised that we had not yet talked about the exchange rate. The real problem is the Yen rate which changes around 50 or 60% in a year, and I was surprised that this problem was not mentioned. This question indeed relates to the first arrow of Abenomics policy which has been effective. Can we focus on the issue of 1% or 2%, while 60% of the value changes in a year.

The economy is increasingly determined by the non-tariff: how to deal with these elements which play an important role?

Services: two-thirds of the economy is services. Economic and financial services are strongly linked to industry. Goods and service industries should work together with non-tariff and money issues in the context of these agreements.

The agreements must be tested, reviewed, arranged: in such a fluctuating world as ours, is it possible, even if we think about it for a year before signing it, to consider that things are settled once the agreement is signed? It seems very important to me that these agreements include review clauses so that we can reduce the gaps in our world which is in crisis. This is extremely important in the tripolar world that is setting up to ensure that these tensions are identified and reduced in the long term.

Security: How to exchange information and strengthen our common security in a world of tension such as ours? Trade cannot exist in a context of conflicts. We should work more intensely on reporting mechanisms, surveillance, protection, and specifically on the military issue.

**Hiroyuki MIYAKE,**  
**President of the Japanese CCI in France (CCIJF) and President of Ajinomoto Europe**

As President of the Japanese Chamber of Commerce and Industry in France, I would like to present the activities of Japanese companies in France. The Japanese Chamber of Commerce and Industry in France was founded in 1963 and we celebrated its fiftieth anniversary last year. In last December, we organized a conference inviting Mr. Laurent Fabius, and hosted a reception at the residence of the Japanese Ambassador in October. We organized various events to forge even stronger ties among Japanese companies. Coinciding with the official start of negotiations on the EPA between EU and Japan, last year was truly an important and pivotal year for us.

The first part of the mission of the CCIJF is the promotion of Franco-Japanese economic relations and also to promote cultural exchanges between the two countries. Currently we have more than 200 member companies. In France we have about more than 60,000 direct jobs deriving from Japanese companies, that is to say 60,000 French people work in Japanese companies (about 490 in France). Japan is the sixth investor, and the first Asian investor, in France in terms of amounts. Japanese investment in France increased in 2013.

We have 30 board members and a council meeting is organized every month. In this Board, we have six committees which develop activities in their own field of specialization. The « prospective vision » committee is the most important of them, reflecting on the future of the CCIJF. Our second area of activities is managed by the Business environment committee. For example, we work with AFII and other related bodies in order to accelerate visa or residence permit issuance for Japanese businessmen. In October each year, we organize "Club Japon" to maintain strong links with AFII. We also have an association to allow the Japanese people to learn about French culture. In concrete terms, we organize tastings of wines, cheeses, etc. These activities provide our members with a place for good networking.

The objectives of our Chamber of Commerce are to represent Japanese companies in their claims, forward requests from Japanese companies to French authorities and share information. We provide assistance to our members in terms of legal, tax and accounting information. We also have relationships with outside organizations such as the IDF CCIP (Chamber of Commerce and Industry of Paris and Ile de France), the Committee of Franco-Japanese Exchanges, American CCI, Japanese school, Japanese residents association, etc. We are here to strengthen Japanese companies' network and to provide assistance to their French employees.

**Takahiro TOMONAGA,**  
**Director, Strategic Information and Research Department, Mitsui & Co., Benelux SA**

I would like to present the point of view of Japanese private companies about the EPA between the EU and Japan, as well as their expectations. Since the Meiji Restoration and modernization of Japan, we have always believed that trade was an important element, that is why we develop our investment and trade activities. We are present in 67 countries in which we have 147 offices and 410 subsidiaries and affiliates, and we have more than 45,000 employees. We are present in a wide range of activities: metal resources, machinery, infrastructure, chemicals, energy, « life style » (for example food and textiles), also in innovation and corporate development (investing in venture capital companies, etc.).

Concerning the EPA, as it has been described by Messrs. TANAKA and WATANABE, we approached a period of « mega FTA ». The year 2013 marked the start of a paradigm change in international trade, and was very important from the perspective of international relations in general. Japan, the EU and the United States account for over 54% of GDP in the world. The current period is particularly important for these three economic zones. Between 2010 and 2012, the EU facing the Euro crisis and the priority was to set up a growth policy. The free trade agreements play a key role in this context to develop economy. The situation is similar in Japan now, where we try to pursue an internationalization policy with the Abenomics. While tackling with an aging and declining population, we must preserve our mature markets and expand our business in international markets. It is what we call « internationalization policy strategy ».

The European market is very important for Japanese companies. In terms of price and quality it is



the most demanding market. This reference market is composed of 28 member countries representing 500 million consumers. It is to be noticed that the EU has adopted the Single Market Act (first and second component), but there are still areas where it is necessary to harmonize or ease regulations: these are the challenges of EU which is not yet fully a single market. Moreover, the Japanese market faces up the risk called Galápagos syndrome, in other terms a risk of isolated development, cut off from the world. This risk must absolutely be avoided. The Japanese market represents 120 million consumers. When these two economic regions are integrated, how can we address this market, what strategies can we put in place?

Japan and the EU are mature societies, mature economies, and in this respect we are facing up the same challenges. The aging population is one of those issues. Energy issues are also to be taken into consideration as well as the issues of natural resources and climate change. In this regard the EU, Japan and the United States set up a strong cooperation. How to take up all these challenges that we have in common? The solution is R&D investment. For this reason, creating a favorable environment for investment in both regions is a very important element.

Concerning partnerships, Mitsui & Co is conducting operations in partnership with British or French companies to develop our activities in the Middle East, South America or Africa. Such partnerships should be pursued to develop activities in third countries. We should encourage such initiatives and develop common rules in the field of energy, transport and urbanization for example. Finally, the most important point is cooperation and regulatory harmonization, which is also the core of negotiations. We should share these issues, resolve them together in order to establish a common basis, and this is essential to achieve a high level of agreement. And I hope that Japan and the EU will take the lead in developing common rules to boost business activities.

**Pr. Yorizumi WATANABE,  
Faculty of Policy Management, Keiô University**

I would like to comment the first two points raised by Mr. Betbèze, that is to say exchange rates and non-tariff barriers. Of course, we must not forget the exchange rate. But compared to the exchange rate between the Euro and the Japanese Yen before the Lehman Brothers crisis or before the economic and monetary crisis in Europe, the current exchange rate is not so bad nor manipulated. The Japanese Yen was a little too strong during the economic crisis. But, if you do an analysis on the basis of PPP (Purchasing Power Parity), you can observe that the level of the exchange rate between the Euro and the Japanese Yen is not unreasonable at all.

Concerning non-tariff barriers, at a conference organized in Germany two years ago, a former German Ambassador reminded that non-tariff barriers were an old topic in Europe. In 1979, at the closing of the Tokyo Round, there were three leaders, major international trade negotiators, Mr Haferkamp from the European Commission, Mr. Strauss from U.S.T.R. (U.S. Trade Representative), and Mr. Ushiba the Japanese Ambassador. At this time, Mr. Haferkamp told that even the Japanese language was a non-tariff barrier. Mr. Ushiba replied: If the Japanese language is a non-tariff barrier, then the Japanese themselves are living non-tariff barriers. I believe we should start by clearly define what the non-tariff barriers are.

**Shigehiro TANAKA,  
Director-General, Multilateral Trade System Department, METI**

I would like to give some comments about Mr. Betbèze's presentation. Firstly, the exchange rates. For companies, the stability of the exchange rate over a long period is a very important parameter. Over the past 10 years, the exchange rate has changed quite significantly. We expect a lot from the European economy, and we hope to see the rebirth of European economies through an adequate financial/monetary policy.

'Service' is quite an important sector for both Japan and Europe, which is being discussed carefully in our negotiations. The liberalization of this market would be achieved without much difficulty through the EPA. The EU and Japan are already the most opened markets in the world.

Concerning the non-tariff barriers, we should not forget that this is a problem of reciprocity. For example, there is a traditional Japanese liquor called « shochu », and it happens that we cannot export this alcohol. We have been selling it in bottles of 720 ml for years in Japan, but the EU does not accept imported liquor packaged in bottles of 700 and 800 ml and this blocks imports of « shochu ». All this to say that there also are non-tariff barriers in Europe. It is important that we have a balanced approach, that we try to mutually solve problems in our respective markets. Japanese firms are not satisfied with the regulations applied to their chemical products, which differ from country to country in the EU. These European NTMs are also being discussed in the context of our negotiations of the EPA.

Of course we must solve the current problems, but it is more important to work on the development of future common rules. This is what we call regulatory cooperation. Another important point is dialogues between Japan's and European industrial communities to deepen understandings. At the end of this month, in Brussels, a meeting will be organized by the European Commission about the railway sector. It will bring together professionals in the railway sector in order to help our governments and industry people to understand the situation in both areas and develop future business opportunities. To expand our businesses, it is not enough to make business rules in the context of the EPA. The most important is to do a fieldwork, to ensure better understanding on markets or businesses in both Japan and the EU. The EPA negotiations are not an end in itself. We must develop dialogues between the business communities at the same time in the field of textiles, chemicals, pharmaceuticals, medical equipment, digital products, semiconductors, leather goods, shoes, foods, beverages, services, metal industry, cultural industry, etc. In many areas, the approach has been launched between the two economic zones, and all the professional associations are in favor of the conclusion of the EPA between Japan and the EU.

Concerning the security and energy, these are important issues as evidenced by the current situation in Ukraine. We need to share the same value system, and have the same vision of society and politics. In all areas, we need to deepen our mutual understanding and develop our relationship.

## Questions & Answers Session

Question from Mr. Toshiya TAKAHASHI, Highbridge:

Through this EPA, we expect the political, economic and diplomatic relationship between Japan and the EU would be expanded. In concrete terms, I would like to talk about the rule harmonization related to JIS and CE marking between Japan and the EU. Our firm exports French medical equipment to Japan and imports Japanese auto accessories in France. Our findings are that it takes longer to obtain import permits in Japan than in France and that European standards and French decrees are slightly different. These cause risks to our activities. What is the definition of rule harmonization ? What is currently on the table and will be the outcome of negotiations concerning this ?

Answer by Mr. Shigehiro TANAKA:

We are now trying to identify concrete problems through the meetings held by Japanese and EU counterparts. Standard issues of a country does not only affect foreign companies, but also domestic firms which may suffer from certain limitations. This is why companies and the business community must be able to communicate in order to convey requests for making standards more flexible, or for harmonizing rules. I cannot answer to the specific points you raised, but this is the general approach we should adopt in the negotiations, involving companies themselves.

Question from Mr. Sumihiko SETO:

There is a slight difference between FTA for the EU and EPA for Japan.

Concerning The Trans-Atlantic Partnership Trade and Investment (TTIP) agreement which is under negotiations with the United States, I would like to know a little more about the state of negotiations.

Question from Mr. Patrick MESSERLIN:

We have spoken many times about government procurement, including public market in railways sector, and it highlights the interest and obligation of both parties to know each other well. How many Europeans know that the Japanese railway is completely privatized under the stock market, and operates without any link with the public authorities? So, we should not regard Japanese railway market as a public market.

We have harmonized European standards of the automotive sector. It happens that on January 1<sup>st</sup> 2013, a major company in the automotive sector, Daimler, has decided not to respect European standard which involved a greater risk of engine inflammation. Daimler absolutely wanted to protect consumers who could have implied its responsibility. Thus, we ourselves in Europe have difficulties in harmonizing our standards. Would these discussions between the EU and Japan be a good opportunity to open a door to the full recognition of the standards of the others? This could obviously not be possible in all sectors, but I believe we need a mutual recognition of our standards in specific sectors.

Answer by Mr. Takahiro TOMONAGA:

Japanese companies cannot talk about Africa without taking its relationship with Europe into account. Mitsui is doing natural resource business in Africa with European firms also.

We have only been supporting Africa, but now we must cooperate with European firms in order to set up industries there.

As for intellectual property rights. For example, Japan can participate in the 'Horizon 2020' EU programme which is an R&D project. This project has revealed that Europe and Japan do not share the same vision about intellectual property rights. I hope that a rule making for this field will be discussed in the EPA negotiations.

Answer by Mr. Shigehiro TANAKA:

Regarding the name of the agreements, Japan always used the term "Economic Partnership Agreement" (EPA) in all previous agreements, while the EU has rather preferred the name "Free Trade Agreement" (FTA). In the negotiations each country has its own customs and this is not a serious problem. Of course, when we will proceed to the final signing of this agreement, we will have to harmonize its denomination.

Concerning the negotiations for the TTIP and the TTP, it is to be noticed that the Trans-Pacific Partnership negotiations began several years ago, and Japan joined the negotiations in July 2013. We initially planned a conclusion of the negotiations by the end of the year, but we extended this deadline and the negotiations are going on. Ministerial meetings were held in February. In April, President Obama will visit Asia. We will aim at the conclusion of this agreement as soon as possible.

Concerning the railway sector and the public markets, there is the directive on public procurement and public procurement entities in Europe, and the definition of public procurement is much wider in Europe than in Japan. In Japan, the rules are different depending on whether the companies are private or public. JR East is a private listed company with no capital participation of the Japanese government. Almost 30% of its shareholders are foreigners. We must take all these parameters into account in the negotiations.

Concerning standards, especially those of automobile, Japan and the EU are participating in the international standard making in the United Nations. This is because the harmonization only between Japan and the EU is not sufficient today. The standards must be largely used by all countries including emerging and developing countries, and this will contribute to the interest of both Japan and the EU.