The Japan-EU EPA and Its Potential Contribution to the 21st Century Trade Rules

JETRO Seminar on the Japan-EU Economic Partnership Agreement
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Keio University, Tokyo, Japan
March 2014
WTO & 3 Mega-regions

WTO

EU
EFTA, ACP
CH, Russia

Trans-Atlantic Marketplace ⇒ TTIP

ASEM
Korea-EU FTA
Japan-EU

APEC
⇒ TPP

East Asia
ASEAN+ 3
+INDIA+
AUS•NZ
(RCEP)

FTAA
USA, CANADA
MEXICO
• CAFTA

NAFTA
• MERCOSUR
Pacific Alliance
Bilateral and regional FTAs/EPAs and their Importance to Japan  (MOFA)
Economic Partnership Agreement
EPA: Japan’s FTA Strategy
## Substance of Japan’s EPA

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

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

Note: Number of Japanese companies as of Oct. 2012, No. of Manufacturers as of End 2010.

Source: MOFA, JETRO
Japanese Automakers’ Production/R&D Facilities in the EU

- Production: 13 plants in 8 countries
- R&D: 12 centres in 5 countries
- Employment: 164,000 people
- Purchases of EU parts*: €11.75 billion
  (*in FY 2011)

Source: JAMA
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.
    ⇔ 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
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.

### EU-Japan trade balance in railway products

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<th>year</th>
<th>2001</th>
<th>2002</th>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>total</th>
<th>average</th>
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<tr>
<td>France</td>
<td>-811</td>
<td>-490</td>
<td>-528</td>
<td>-44</td>
<td>-330</td>
<td>-892</td>
<td>111</td>
<td>-3,394</td>
<td>-236</td>
<td>-164</td>
<td>-6,778</td>
<td>-678</td>
</tr>
<tr>
<td>Germany</td>
<td>-2,150</td>
<td>-2,645</td>
<td>-2,405</td>
<td>-834</td>
<td>-1,308</td>
<td>-2,325</td>
<td>-2,380</td>
<td>-3,455</td>
<td>-248</td>
<td>-318</td>
<td>-18,069</td>
<td>-1,807</td>
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<td>UK</td>
<td>-572</td>
<td>-284</td>
<td>-582</td>
<td>-322</td>
<td>-513</td>
<td>-1,523</td>
<td>5,555</td>
<td>14,975</td>
<td>14,026</td>
<td>-54</td>
<td>30,706</td>
<td>3,071</td>
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<td>Austria</td>
<td>-1,258</td>
<td>-1,225</td>
<td>-1,078</td>
<td>-679</td>
<td>-3,622</td>
<td>-5,312</td>
<td>-4,619</td>
<td>-4,598</td>
<td>-5,908</td>
<td>-4,953</td>
<td>-33,252</td>
<td>-3,325</td>
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<td>EU total</td>
<td>-5,639</td>
<td>-4,868</td>
<td>-3,527</td>
<td>-1,666</td>
<td>-7,628</td>
<td>-14,477</td>
<td>-3,613</td>
<td>2,141</td>
<td>6,202</td>
<td>-8,375</td>
<td>-41,451</td>
<td>-4,145</td>
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<td>world total</td>
<td>50,214</td>
<td>36,507</td>
<td>32,145</td>
<td>77,940</td>
<td>127,812</td>
<td>69,685</td>
<td>57,899</td>
<td>81,443</td>
<td>55,797</td>
<td>47,998</td>
<td>637,440</td>
<td>63,744</td>
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Source: Trade statistics of the Ministry of Finance, Japan (in JPY million)
## Examples of European Companies that Participate in Government Procurement in Japan

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<th>Company</th>
<th>Description</th>
<th>Examples</th>
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| 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) |

Source: JETRO
More procurement information available in English

Providing tender information from all relevant government entities in English

- Central Government Entities
  - 47 Prefectures
  - 19 Designated Cities
- Core Cities
  - 40 Core Cities
  - 41 Exceptional Cities
- Around 1,000 Local Municipalities (about 80%)
- Rest of Local Municipalities

Current JETRO site
Mar 2011
Dec 2011
Dec 2012

Source: METI
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 ---