



EU-Japan Business Round Table

## **RECOMMENDATIONS**

"Unlocking Growth Potential in EU-Japan Business"

3 & 4 April 2012

Tokyo, Japan

### 1. Introduction

The EU-Japan Business Round Table (BRT) held its Annual Meeting in Tokyo on 3-4 April 2012 under the theme "Unlocking growth potential in EU-Japan business". The meeting was chaired by Mr. Hiromasa Yonekura, Chairman of Sumitomo Chemical Co., Ltd., and Dr. Jean-Yves Le Gall, Chairman and CEO of Arianespace.

The BRT had the pleasure and honour of welcoming high-level representatives of the Japanese and EU authorities: Mr. Yukio Edano, Minister of Economy, Trade and Industry of Japan, Mr. Seishu Makino, Senior Vice Minister of Economy, Trade and Industry of Japan, Mr. Ryuji Yamane, Parliamentary Senior Vice-Minister for Foreign Affairs of Japan, and Mr. Tetsuo Yamakawa, Vice-Minister for Policy Coordination (International Affairs), Ministry of Internal Affairs and Communications of Japan, as well as Mr. Antti Peltomäki, Deputy Director General for Enterprise and Industry of the European Commission.

The meeting addressed the following subjects:

1. Discussion and adoption of general and sectoral recommendations
2. Special discussions on (i) EU-Japan FTA/EPA opportunities and challenges, (ii) EU-Japan cooperation in energy-related issues, and (iii) Growth strategies and re-industrialisation of advanced economies
3. Discussions with Japanese and EU authorities
4. Informal discussions on additional subjects of special interest: (i) Implications of financial issues for business, (ii) Value chain safety, (iii) Human resources development, and (iv) Corporate strategies for the greening of industry.

In addition to the issue of a EU-Japan FTA/EPA and a political and cooperation agreement, major matters of great mutual interest that were discussed at the

meeting were the development of bilateral industrial cooperation, cooperation on international standards, and the future direction of multilateral trade frameworks.

BRT members agreed to jointly submit their recommendations to Prime Minister Yoshihiko Noda of Japan, European Council President Herman Van Rompuy, and European Commission President José Manuel Barroso later this month.

## 2. Background

As major advanced economies and major global traders and investors, the EU and Japan can do more to unlock the enormous growth potential which their bilateral economic relations can offer. They are now working on enhancing bilateral trade, investment and cooperation and building a closer relationship. As both strive to overcome global financial instability and economic uncertainties, it is crucial that they join forces in tackling common challenges in order to attain a long-term, sound and stronger growth.

2011 saw economic uncertainty in the EU. Concerns about the sustainability of government debt in some EU Member States caused financial market instability and damaged the confidence of businesses, investors and consumers. Business made clear that the euro was essential to investment and the growth of the EU economy. EU leaders improved economic governance, but efforts must continue to build on the recent momentum and deliver the necessary structural reforms.

Japan continues its strenuous efforts to achieve full recovery from the disaster of the March 2011 Great East Japan Earthquake and rebuild its economy. Japanese companies were recovering faster than expected from the aftermath but more recently the pace is slowing as they face significant challenges such as weak domestic demand and prolonged deflation, as well as signs of slowdown in some emerging market economies.

Under these challenging circumstances, the EU and Japan have been working proactively during the past year to further deepen and strengthen their political and economic cooperation, with particular attention to boosting growth. At the EU-Japan Summit of May 2011, the EU and Japanese authorities agreed to start discussions with a view to defining the scope and level of ambition of a deep and comprehensive

EU-Japan FTA/EPA as well as the scope and level of a strong political and cooperation agreement. In September 2011, the BRT's "Joint Statement Towards an EU-Japan FTA/EPA" requested the EU and Japanese authorities to seek a high level of ambition and consider removing all the commercially significant obstacles to trade and investment in all areas of shared business interest while leaving no room for misunderstanding in the scoping process, lest the outcome of the scoping would fail to live up to the expectations of business. The BRT also recommended conducting any future negotiations in full transparency and in close cooperation with the business community. Also, the BRT called on the EU and Japanese communities to discuss the issue of non-tariff barriers (NTBs) bilaterally on the basis of an adequate understanding of each other's interests and concerns and work out, on a sectoral basis, concrete and realistic solutions in order to support the governments' efforts. Some promising results were presented in this Annual Meeting.

### 3. Calls and Recommendations

The BRT calls on the European Commission and the government of Japan to expedite the remaining efforts necessary to complete their scoping activities on ambitious terms. The BRT also urges the European Commission and the Council of the EU to expedite their respective work on the mandates to authorise the European Commission to negotiate an FTA/EPA and a political and cooperation agreement with Japan on the basis of a successful scoping and keeping in mind the high level of ambition shown at the May 2011 EU-Japan Summit and supported by the BRT in its September 2011 "Joint Statement Towards an EU-Japan FTA/EPA". The EU-Japan FTA/EPA would have to be ambitious, balanced, mutually beneficial and comprehensive and tackle major outstanding issues, such as tariffs, non-tariff, barriers, public procurement, investment, and harmonization/mutual recognition of regulations and standards, to develop and unlock the growth potential of EU-Japan economic relations.

The BRT is strongly convinced that the EU and Japan, two of the world's largest and most advanced economies, can achieve sound and stronger growth together and contribute to the sustainable development of the global economy by promoting more open and free trade and investment, accelerating regulatory and standards harmonisation, encouraging small and medium enterprises to realise their growth potential in trade, while enhancing bilateral cooperation in a range of growth areas

such as life science, biotechnology, healthcare, ICT, aerospace, energy, and the environment.

The BRT supports a strong multilateral trading system and calls on the WTO to break the current deadlock in the Doha Development Agenda negotiation and demonstrate strong leadership in advancing trade liberalization as the world's only international organization to create rules and set standards on trade at the multilateral level.

The BRT also makes the following calls to the EU and Japanese authorities:

(A) Trade, Investment, and Regulatory Cooperation

- The BRT calls on the European Commission and the government of Japan to expedite the remaining efforts necessary to complete their scoping activities on ambitious terms. The BRT also urges the European Commission and the Council of the EU to expedite their respective work on the mandates to authorise the European Commission to negotiate an FTA/EPA and a political and cooperation agreement with Japan on the basis of a successful scoping and keeping in mind the high level of ambition shown at the May 2011 EU-Japan Summit and supported by the BRT in its September 2011 "Joint Statement Towards an EU-Japan FTA/EPA". The EU-Japan FTA/EPA would have to be ambitious, balanced, mutually beneficial and comprehensive and tackle major outstanding issues, such as tariffs, non-tariff, barriers, public procurement, investment, and harmonization/mutual recognition or regulations and standards, to develop and unlock the growth potential of EU-Japan economic relations.
- The EU and Japan should jointly call for a breakthrough in WTO Doha Development Agenda negotiations and for a statement of strong support for the fight against protectionism. The WTO should focus more on its core functions, namely trade liberalisation and rule-making, advancing on a case-by-case basis. This will showcase the advantages of comprehensive market access negotiations and prevent weakening of the multilateral trade system.
- Both the EU and Japanese Authorities should apply international standards and enhance co-operation in the promotion of new global standards. They should mutually recognise products certified under similar and equivalent

product standards and cooperate in efforts to harmonize regulations and systems where possible.

- Japan and the Member States of the EU should make further efforts to expand the network of Social Security Agreements. They should also introduce an interim measure, by which a host country either exempts contributions to pension funds unilaterally or refunds the contributions in full when expatriates return to their home country. Both Authorities should also promote international frameworks enabling secure movement of personal data within business organisations.
- The EU and Japan should aim for "Better Regulation" through an improved information exchange focusing on both existing and future regulation.
- The EU and Japanese Authorities should develop measures to promote and assist SMEs to explore and seize business opportunities in each other's market. Should negotiations for an FTA/EPA begin, specific consideration should be made to establish measures for SMEs within the framework of negotiations.

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

### General

- The BRT recommends to the Japanese Authority that they should formulate concrete strategies and action plans in Life Sciences & Biotechnology for the governments "National Strategy / Policy for the Rebirth of Japan", thereby focus on measures to support the improvement of efficient healthcare practices, food security / supply and innovations in Biotechnology.

### HealthCare

- The BRT asks both Authorities to 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 in Japan. Both Authorities should enhance competitive pricing systems in order to promote innovative products.
- The BRT recommends to both Authorities that they support to improve the pharmaceutical and medical device business environments by proceeding with regulatory harmonization 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.

- The BRT calls for harmonization regulatory standards for the approval of non-invasive diagnostics between EU and Japan.
- The BRT asks the Japanese Authorities to support the reinforcement of strict regulations for GMP on medicinal gases.

#### Animal Health

- The BRT recommends to both Authorities that they should introduce a 1-1-1 concept (one dossier – one assessment – one decision on marketing authorization) for all animal health products, thereby further harmonize the regulatory requirements for product registration, shorten review times and recognize the GMP certification for veterinary products.
- The BRT recommends to both Authorities that they should promote the responsible use of antibiotics in Animal Health.

#### Plant Protection & Biotechnology

- The BRT recommends to both Authorities that they should enhance the acceptance of GMO's by educating people about the efficiency and safety of GMO's based on scientific knowledge considering world food supply and demand prospects in cooperation with the private sector.
- The BRT asks the Japanese Authority to implement concrete action plans for a higher food self-sufficiency of Japan.
- The BRT recommends to the EU Authorities that they should shorten the review times for new applications / product registrations in both plant protection and biotechnology.

#### (C) Innovation, Information & Communication Technologies

##### ICT

- Both authorities should execute respective growth strategy and ICT strategy.
- Both Authorities should coordinate trading principles of ICT services.
- Both Authorities should build trusted and safe online environment.
- Both Authorities should build robust critical infrastructure supported by ICT.
- Both Authorities should deploy Next Generation Broadband Networks.
- Both Authorities should continue efforts for ICT usage towards social challenges.

- Both Authorities should balance personal data protection and innovation in the cloud computing era
- Both Authorities should expand product coverage and membership of ITA
- Both Authorities should harmonise M2M communication and ITS regulations.
- European Authorities should conduct fundamental reform of the Private Copying Levy System and apply reduced VAT rate to e-Books

#### Innovation in general:

- Both Authorities should enhance cooperation on 21st Century societal challenges.
- Both Authorities should strengthen business cooperation between EU and Japanese clusters.

#### Innovation in aeronautics, space and defence:

- Authorities should significantly upgrade bilateral industrial cooperation.
- Authorities should broaden bilateral cooperation on environmental issues.
- Aircraft certification authorities should make a full bilateral agreement.
- Authorities should upgrade their cooperation on low altitude IFR routes and satellite based navigation regulation for helicopters.
- Authorities should establish a dialogue on satellite technology cooperation.
- Authorities should establish mutual backup of government launch missions.
- Authorities should establish a close cooperation between the EU's Galileo and Japan's Quasi-Zenith Satellite System.
- Authorities should spearhead a global effort of active space debris removal.
- Authorities should expand agreements to exchange classified information.
- In relaxing the three principles of arms exports, Japan's Authorities should give the EU industry opportunities equal to that provided to the US industry.
- Japanese Authorities should facilitate the re-export of Defence equipment imported to Japan for demonstration purposes.

#### (D) Financial Services, Accounting and Tax Issues

- Regulation should be implemented looking ahead the broader economic implication; otherwise the financial sector may be safer but not able to fulfil its role to support economic recovery. Moreover, excessive 'ring-fencing' in each jurisdiction and duplication of regulations have to be avoided with effective supervision and international coordination.

- The BRT calls on Japan to review the proposed 2012 tax reform limiting deductible interest to 50% of taxable income (after adjustments for interest and depreciation). The reform will curb foreign investment into Japan as it will cause double taxation of interest income in both the foreign investor's home country as well as in Japan.
- In the perspectives of coping with today's prevailing credit crisis, the European governments should cautiously make a decision when and how to introduce tighter regulations in order to minimize potential economic slowdown and avoid worsening the current situation.

## (E) Energy, Environment, and Sustainable Development

### Natural Disasters and Safety Measures

- The earthquake and the tsunami who struck Tohoku, and the Fukushima nuclear power plant situation demonstrate the need for a more flexible approach to allow a swift acceptance of support from overseas to facilitate the international support in case of disaster.

### Alternative and Renewable Energies

- The drivers (long term price competitiveness, energy independence, climate change and energy security) for using alternative and renewable energies, including nuclear, will remain. The development of rechargeable batteries and its multiple applications, from EV to smart cities and smart grids is a particular area where Japan and EU should provide support and seek harmonization of infrastructure and regulation.
- In the wake of the Fukushima accident, the rising expectations for nuclear energy call for a strengthened nuclear safety framework. Japan and the EU should cooperate to promote "world safety standard" and capacity building, and encourage skilled and independent safety authorities.

### Global warming issues

- It is urgent to reduce Green House Gas emission. It is therefore necessary that Japan and the EU engage all large emitting countries in a new, fair and effective international framework. At the same time, Japan and EU shall encourage the widespread use of existing energy efficient and low carbon products and technologies, support an effective technology transfer process and cooperate in developing innovative solutions.



## Securing Supplies of Rare Metal Resources and other Raw Material

- Japan and the EU should promote actions in international for a to establish a set of rules on access to raw material, as a way to manage in a fair way the pressure on price and availability of these resources stemming from a growing demand and in some cases on limitation of supply.

The above bullet points are summarised excerpts of the BRT's five much more complete and extensive sets of BRT Recommendations attached hereto.