

“The Japan-EU EPA from Japan’s perspective”

Remarks by H.E. Mr. Kazuo Kodama, Ambassador of Japan to the EU,
on the occasion of the “EU-Japan Economic Partnership Agreement Seminar”,
Organized by AWEX, BI&E and FIT, on Wednesday 3 October, 2018.

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Mrs. Pascale Delcomminette, CEO of AWEX, *Agence wallonne à l'Exportation et aux Investissements étrangers*,

Mr. Jean-Luc Demarty, Director General of DG Trade of the European Commission,

Distinguished guests,

Ladies and Gentlemen,

Introduction

First of all, thank you very much for the invitation to this event today. I am very honored to have this opportunity to present Japan’s perspective on the Japan-EU EPA. It is a great pleasure of mine to share with you, our important business partners from all over Belgium, our perspective on its significance for strengthening the economic ties between Japan and Europe.

The strategic importance of the Japan-EU EPA

Before getting into the Japan-EU EPA *per se*, I would like to briefly describe the strategic importance of our agreement. Japan and the EU are strong supporters of multilateralism, free trade, and, more importantly, a rules-based world order. We also are important partners which share the common values of human rights, democracy and the rule of law. However, we see today that our common values and the existing global order are confronted by various challenges such as unilateralism and protectionism. In such a world, our cooperation has never been more important. It is therefore natural that Japan and the EU pursue ways of strengthening their economic and strategic cooperation. The Japan-EPA, together with the Strategic Partnership Agreement (SPA), is one of the

answers to such demands for closer Japan-EU cooperation in order to tackle those challenges.

Japan's key trade policy and the EPA

For Japan, the EPA with the EU is an important part of “*Abenomics*”, and of our external trade policy, alongside other mega FTAs such as the TPP-11, the Regional Comprehensive Economic Partnership (RCEP) comprising 16 Asia-Pacific countries, and more recently, the future Trade Agreement on goods with the US. Of these agreements, the significance of the Japan-EU EPA is particularly remarkable. It creates the world's biggest free, open and fair economic space, comprising more than 640 million people and one third of the world's GDP. According to a preliminary estimate, the economic effect of the EPA is expected to increase Japan's GDP by about 1%.

Beyond tariffs

However, the impact of our EPA cannot be fairly represented by this figure alone. Because the most noteworthy feature of the Japan-EU EPA is the fact that it is the world's most advanced FTA. It is a model EPA for the 21st-century world. The Japan-EU EPA goes well beyond a simple free trade agreement. It is a vehicle for Japan and Europe, to lead the world in promoting an open, fair and balanced rules-based economic system.

Of course, the Japan-EU EPA will have one of the highest levels of tariff elimination in the history of FTAs. It will eventually ultimately remove 100% of tariffs on industrial products in both directions. Overall, more than 95% of tariff lines will be duty free both ways. However, tariff elimination alone is not enough to improve market access in many cases, nor to create more favorable conditions for further expansion and development of our trade relations and industrial cooperation. It is equally important to address non-tariff measures (NTMs), which may hamper trade. Whilst respecting established regulatory practices, the Japan-EU EPA will render our economic relations more efficient, transparent and predictable; in a nutshell, more business friendly. Since Japan and the EU already share to a large extent the same regulatory philosophy, an enhanced mutual understanding between our regulatory

authorities will lay the groundwork for further meaningful regulatory cooperation. Priority areas include the automotive, medical devices, food additives, food safety and chemical sectors among others. Here, I see some key areas which have potential for developing our economic relations with Belgium.

Investment and services

The achievements of the Japan-EU EPA regarding trade in goods are outstanding. But I should also say that investment is another important achievement for our two economies. The EU is the largest FDI provider in Japan, whilst Japan is by far the largest investor in the EU market. I am proud of the fact that Japan's FDI contributes to creating more than half a million jobs in the EU. The Japan-EU EPA commits to paving a way for further two-way investment, including investment by SMEs. On services, a commitment to facilitating the free movement of natural persons including investors, corporate transferees and their dependents in the Member States, should be highlighted here as important achievements which will improve the FDI climate in the EU from the Japanese point of view.

Trade in goods

As we have one of the EU's lead negotiators here today, I do not want to get into the details. But let me briefly touch upon the direct market access benefits which are the core of our bilateral trade agreement. Japan and the EU represent the fourth and the second biggest economies in the world respectively, and are also amongst the most developed and sophisticated. However, I have to say that today's trade levels do not properly reflect this fact. The Japan-EU EPA, as I have noted earlier, will drastically open both markets for Japanese and EU traders. I would like to remind you of the fact that Japan's domestic consumption remains the largest of all Asian countries, and that Japan is perhaps the only Asian market which is as sophisticated as the European market. Japanese people are looking forward to seeing and having access to high-quality European industrial and agricultural products in the Japanese market very soon. A wide range of Belgian chocolates, biscuits and beers will be among them.

Agriculture

Talking about agriculture, the Japan-EU EPA is our first EPA to have a chapter on agricultural cooperation. There is a lot of scope for mutually beneficial cooperation between our relevant authorities and producers to jointly respond to the growing global demand, not least in the Asia-Pacific, for our high quality and safe products. Our safe, high-quality agricultural and food products will be protected by the EPA's recognition of more than 200 EU Geographical Indications (GIs) in Japan and of more than 50 Japanese GIs in the European market. "*Jambon d'Ardenne*" and "*Beurre d'Ardenne*", are good examples of this, and the number of protected GIs is certainly expected to be increased in the future. Let me assure you that Japan's commitment to protecting GIs is at least as high, if not even higher than, any of our EU partners.

This improved market access in the agricultural and food sector may benefit EU producers more than Japanese producers, at least at the early stages. However, Japan is in the process of transforming its agricultural sector to make it more competitive, and export interest is growing. We welcome more competition from the EU. I hope that the elimination by the EU of tariffs on agricultural and fishery products will lead European consumers to more easily discover and enjoy Japan's high-quality food products in the near future.

SME- friendly

Another remarkable aspect of the Japan-EU EPA is that it is "SME-friendly". I often hear remarks from business managers such as "A Japan-EU FTA? That's great but it has nothing to do with me. It is only for global giants. It will never benefit SMEs like mine". I reply "No, that's not true". We want to maximize the benefits of the fruit of our EPA for SMEs. That is why the Japan-EU EPA stipulates that both sides' authorities shall nominate responsible offices which shall liaise with SMEs and provide useful information online including notices on the provisions for the SMEs in the EPA.

In relation to Belgium

The other day, I had an opportunity to attend the 45th anniversary celebrations of the Japanese Chemical producer Daikin at their European headquarters in Oostende. I was very impressed by their presence in Belgium, which has created more than 5,000 jobs. In addition to Daikin, you may also have heard of another Japanese chemical producer called Kaneka which also has an active presence in Belgium, as it is well known that Belgium has a very competitive chemical industry. I am very much encouraged by the fact that we already have a solid foundation for further developing economic ties between Japan and Belgium. Our bilateral economic relations are complimentary rather than competitive. I strongly believe and hope that our mutually beneficial Japan-EU EPA will be an engine that raises our economic cooperation onto the next stage.

Conclusion

The Japan-EU EPA, which was signed by our leaders on 17 July this year, is now undergoing the ratification process. The European Parliament held its first discussions on the EPA last week on 27 September. Both the Japanese government and the European Commission are expecting the EPA to enter into force as soon as possible so that all of our citizens can benefit from the far-reaching outcomes of the Japan-EU EPA, which serves as a model for the 21st-century economic order. Therefore, it would be highly appreciated if you could express your support for our EPA to the European Parliament in order to assist its smooth and swift ratification.

Thank you very much for your attention.

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