

*Remarks by H.E. Mr. Kazuo Kodama, Ambassador of Japan to the European Union,
on the occasion of the CEPS Seminar*

*“EU-Japan Economic Partnership Agreement & Reforming the Multilateral
Trading System”,*

on 4 June, Tuesday, 2019

Mr. Karel Lanoo, CEO, CEPS

Mr. Antoine Kasel, EU Sherpa for the G20, Cabinet of the President of the
European Commission

Distinguished guests,

Ladies and Gentlemen,

Introduction

Firstly, thank you very much for today’s invitation. I am delighted to have an opportunity to deliver some remarks at this interesting and important seminar titled *“EU-Japan Economic Partnership Agreement & Reforming the Multilateral Trading System”*.

In the year when our Economic Partnership Agreement, creating the World’s biggest open and fair economic space, has entered into force, and during which Japan has assumed the G20 Presidency for the first time, hosting the G20 Summit in Osaka on June 28th and 29th where ‘trade issues’ will be one of the major priorities, I cannot imagine any other themes which could be more interesting and appropriate to discuss with our European partners than today’s topic.

Today, I would firstly like to highlight how important the Japan-EU EPA is, not only for strengthening economic ties between Japan and Europe, but also for further enhancing our bilateral cooperation at a truly global level.

Then I will move onto Japan’s expectations for a successful G20 Osaka Summit, and take stock of the ongoing discussions pertaining to the issue of WTO reform. Close cooperation and coordination between Japan as the Chair of the G20 and

the EU is one of the most important keys to achieving both of these goals.

Japan-EU EPA in bilateral context

The Japan-EU EPA, which entered into force on the 1st of February of this year, has already delivered a tangible impact in our bilateral economic relations.

According to statistics published by the Japanese customs authority, during February and March the import of cheese, wine and pork meat from the European Union significantly increased by 14%, 32%, and 10% respectively, in comparison with the same period last year. A senior official from Tokyo who recently visited Brussels told me: “Cheese and wine used to be my standard souvenirs when I made business trips to Europe. But Ambassador, this time my wife said to me – you don’t have to buy cheese or wine for me anymore. Just choose other things which are difficult to find in Japan. After the EPA, everyone can easily find high-quality and reasonably priced European cheese and wine throughout Japan!”

Now, the EPA also means a win-win, two-way market liberalization for the EU and Japan. In this respect, another good news story is that there was an increase of auto exports from Japan to the EU in February and March of this year by 14.3%, in comparison to the same period last year.

Broader significance of the EPA; world’s biggest free, open and fair economic space

The Japan-EU EPA is one of Japan’s biggest achievements in its key trade policy, along with the CPTPP, Comprehensive and Progressive Agreement for Trans-Pacific Partnership, better known as TPP11. TPP11 entered into force on the 30th of December 2018 to create an important free trade zone in the Asia-Pacific region which covers about 500 million people and 13% of the world’s GDP. However our EPA, the Japan-EU EPA, creates the world’s biggest free, open and fair economic space which comprises almost 640 million people, covers about 30% of the world’s GDP and nearly 40% of global trade. Given its unprecedented scale, the impact and significance of this EPA is obvious, not only for our bilateral trade relations but also for the entire global trading system.

The Japan-EU EPA; beyond an FTA

Furthermore, I would like to point out the fact that the Japan-EU EPA is named an Economic Partnership Agreement, and not an FTA, free trade agreement. Why? Because it goes far beyond ordinary FTAs.

On this point, I could not have agreed more with President Juncker when he spoke as it came into force, and in his words fully identified the nature of our EPA, and I quote, *“our agreement shows that trade is about more than quotas and tariffs, or millions and billions. It is about values, principles and fairness. It makes sure that our principles in areas such as labour, safety, climate and consumer protection are the global gold-standard. This only happens when you work with the most natural of partners, separated by thousands of kilometres but united in friendship and values”*.

EPA’s strategic importance; strong message for free, fair and rule-based trade

Japan and the EU strongly support multilateralism, free trade, and, above all, a rules-based world order. We are important partners that share common values such as human rights, democracy and the rule of law.

In today’s world, where our common values are confronted by various challenges, such as unilateralism and protectionism fueled by populism or nationalism all over the world, the strategic importance of Japan-EU cooperation has never been more vital.

With the entry into force of the EPA, Japan and the EU are sending a powerful message to promote free, fair and rules-based trade, and to discourage protectionism. The EPA demonstrates the firm political will of Japan and the EU to the rest of the world to keep the flag of free trade waving high and to powerfully advance free trade.

Japan's Priorities in G20 Osaka Summit

Ladies and gentlemen,

This year, Japan has assumed the G20 Presidency for the first time and will host the G20 Osaka Summit three weeks from now. The G20, as the "premier forum for international economic cooperation," brings together top leaders of developed and emerging economies with a growing presence in the international economy. Of course, the EU is one of the members.

As downturn risks appear to be on the rise and as trade tensions have started to have a negative impact on the real economy, it is all the more incumbent upon G20 leaders to address the risks and challenges of the global economy and be ready to respond effectively. Against this backdrop Prime Minister Abe intends to chair the G20 Osaka Summit in accordance with the following three agenda items. The first is the most important issue facing us right now: working to maintain and ultimately strengthen the free and fair order for international trade. The second point is regarding the digital economy. While digitalization of the economy has made unique and unprecedented business models possible, we are at the same time also facing new challenges, such as double-taxation for multinational companies. We are called upon to search out ways of resolving such issues one after the other, on the basis of international cooperation.

Here, Prime Minister Abe advocates for the building of a 'data free flow with trust', or DFFT, system. This is an approach that attempts to allow the free flow of data according to rules we can all count upon. He will call upon G20 leaders to prepare rules so that the benefits of the digital economy spread to everyone, and needless to say, that the advantages come to all people the world over. The process for doing that is what we call the Osaka Track, which we hope to launch at the Osaka G20 Summit.

The G20 and WTO Reform

It goes without saying that points one and two which I mentioned above are entirely inseparable from reforms to the WTO. A quarter century has passed since the WTO came into being. During that time, the world economy has changed at amazing speed, including in terms of digitalization. The WTO, however, has failed to keep up with this. And the adverse effects of this are becoming increasingly apparent as time goes on. What should we do to make the WTO relevant again as a guardian of the free and fair global trading system? The Prime Minister strongly hopes to blow a new breeze into the WTO at this juncture through the 'Osaka Track'.

Although the G20 is not a negotiating forum, the G20 can and should provide strong political impetus for a better functioning WTO, attuned to rapidly changing global trading environments such as explosive growth in e-commerce.

In the context of data governance, negotiations in the WTO on e-commerce will be at the centre of the discussions. In Osaka, it is expected that strong momentum will be created for the negotiations on electronic commerce within the framework of the WTO.

System reform needs to be underpinned by efforts to tackle persistent market-distorting trading practices. Representing 80% of the global economy, G20 members have to assume special responsibility by keeping their markets open and refraining from such practices.

The third point is the importance of innovation. The Prime Minister intends to link the discussion on the power of innovation, through developments such as IOT and AI, to addressing global challenges such as the SDGs, marine plastic litter, Africa, climate change, and quality infrastructure.

WTO Reform and Japan-EU-US Trilateral Cooperation

In parallel with the G20 process, Japan and the EU together with the US are intensively discussing WTO reform through a series of Trilateral Meetings of Trade Ministers, in which Ambassador Lighthizer, United States Trade Representative, Ms. Malmström, European Commissioner for Trade, and Mr.

Seko, Minister of Economy, Trade and Industry of Japan participate. The very first Trilateral Meeting was held in Buenos Aires on December the 13th 2017.

The 6th and latest Ministerial Meeting was held recently on 23 May in Paris, and here Ministers took stock of the progress of the discussions. As the Joint Statement which was published after the Meeting says, we can observe considerable outcomes in a variety of issues including; nonmarket policies and practices, market-oriented conditions, forced technology transfer policies and practices, industrial subsidies and state-owned enterprises, WTO reform, and digital trade and e-commerce.

As the Presidency of the G20, it is encouraging to see the three like-minded players having very concrete discussions to achieve WTO reform. On the Steel Excess Capacity issue, the Ministers even expressed their expectations for further cooperation during the G20 Ministerial Meeting on Trade and the Digital Economy to be held on 8-9th June at Tsukuba, Japan.

Japan-EU Cooperation for G20 Summit and Beyond

Prime Minister Abe in his Davos speech, declaring his determination to ensure the success of Japan's G20 presidency, cited the Japan-EU EPA and the importance of ever closer cooperation between Japan and the EU.

This message has been reaffirmed by our leaders in the Joint Statement adopted at the 26th Japan-EU Summit held on the 25th of April this year, which reads; *“We welcome the entry into force of the Japan-EU Economic Partnership Agreement (EPA) as one of the greatest achievements in Japan-EU relations. The EPA is the model of high standard rules in the 21st century to promote free, open, rules-based and fair trade and investment”*.

The leaders also reiterated their commitment *“to keeping markets open and to strengthening the rules-based multilateral trading system with WTO as its core. ... We confirm our intention to continue working to advance WTO reform. Japan and the EU will work together to improve the current WTO rules to address global trade challenges”*.

We also agreed on continuously working to enhance the monitoring function in WTO regular committees and to cooperate in order to also ensure the proper functioning of the Appellate Body.

Conclusion

Ladies and gentlemen,

To conclude my remarks, let me say; Trade is back to the leaders' agenda. The World has never needed closer cooperation between Japan and the EU more than today. We have gained a robust legal basis for that.

Thank you very much for your attention.

[END]