

The background features abstract, overlapping green geometric shapes in various shades of green, creating a modern and dynamic visual effect.

BJA Lunch

One year after the EU-Japan EPA: Where are we now?

At Steigenberger Hotel

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1 . To begin with: Let us recall what President Juncker said on Feb.1st, 2019

“More than anything, our agreement shows that trade is about more than quotas and tariffs, /// It is about values, principles and fairness //// our principles in areas such as labor, 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.”

2 . Japan and the EU as natural partners

Japan and the EU are unique and similar because they are both “postmodern” polities.

- EU : a supra-national politico-economic entity sui-generis embodied by the single market (the freedom of movement of goods, people, services and capital within the EU) and the EU’s reliance on NATO
- Japan: Japan’s post war Constitution embodies one of the essential features of postmodernism, namely, “forever renouncing war as a sovereign right of the nation as a means of settling international disputes”(Article9, Constitution of Japan) and its reliance on the US as a security alliance partner.

3. Two examples of Japan as a postmodern polity

Episode 1 . In the early 1960s, when the Japanese Prime Minister Ikeda visited France, the French president Charles de Gaulle sarcastically referred to him as the transistor salesman from Japan.

Episode 2. In the 1970s, an Oxford examination paper posed the following question on Japan: “Discuss the following statement: Japan is an economic giant but a political dwarf.”

4. Common Challenges facing both the EU and Japan

(1) Demographic change (declining and fast aging population)

Decline of Europe's share in population from current 10% (738 million) to 7% (707 million) by 2030, due to global population growth in less-developed countries

(2) Climate Change

(3) The center of gravity of the world economy is shifting east and south, away from the West.

(4) Continuing Globalization (how to shape or navigate globalization)

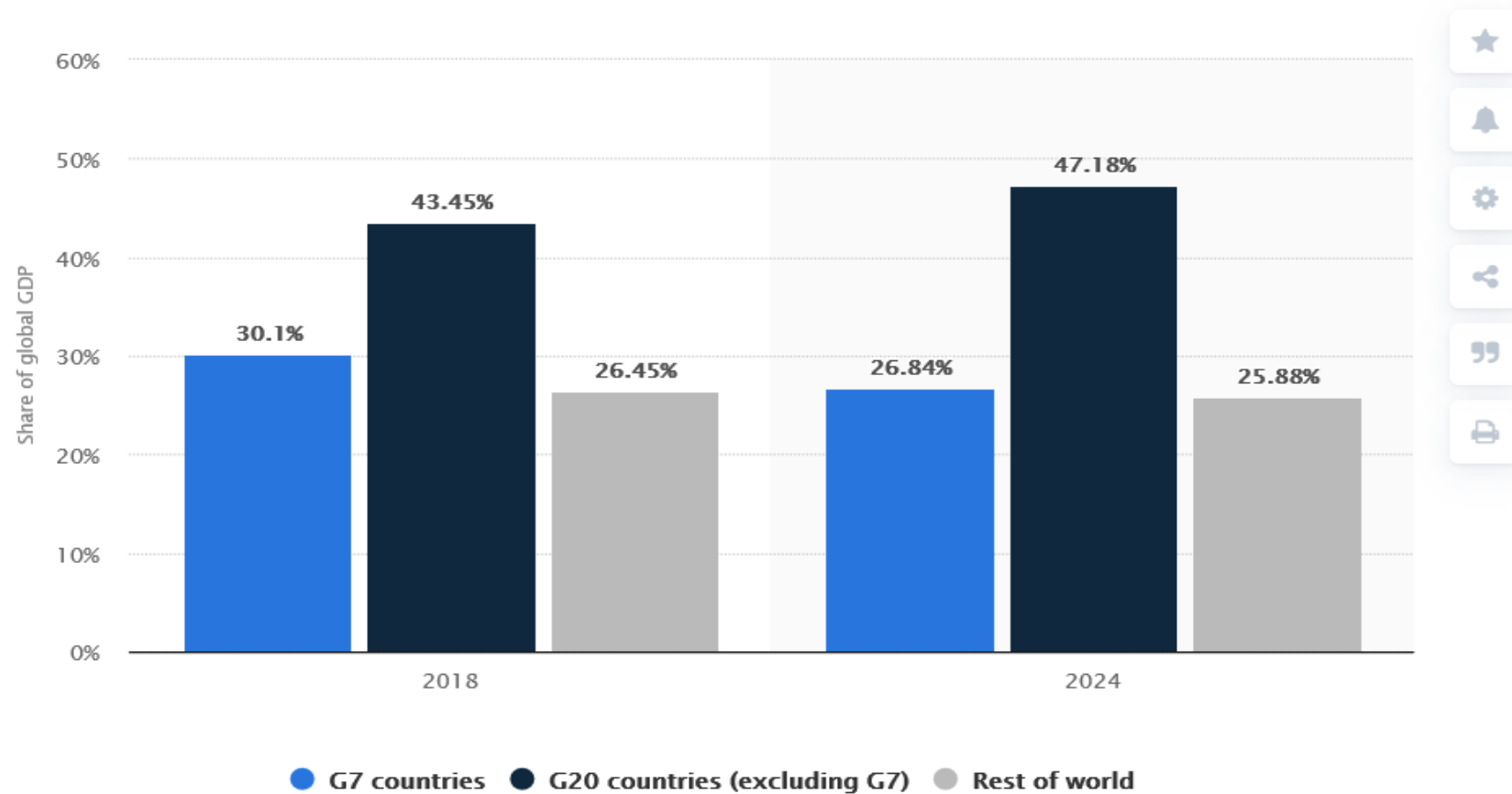
(5) The impact of digital technologies on productivity, income distribution, well-being and environment; by 2030 firms will be predominantly digitalized.

(6) While disparities across countries are expected to narrow, inequalities within EU member states and Japan may pose major political, social and economic risks in the coming years if they are not properly addressed.

(7) Values: A space of democracy and freedom continues to expand.

[Above (1) to (6) are from OECD Report “2016 An OECD Horizon Scan of Megatrends and Technology Trends in the Context of Future Research Policy”]

Share of global gross domestic product of G7 and G20 countries in 2019 and projections for 2024)

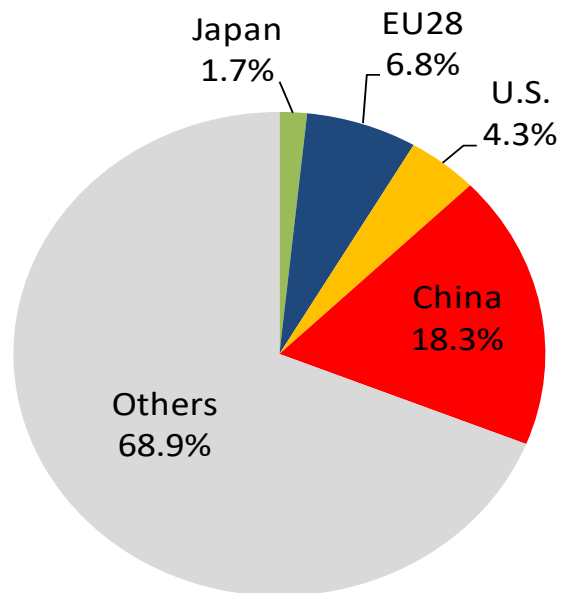


5. Economic Significance of the EPA

- Our EPA has created 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.

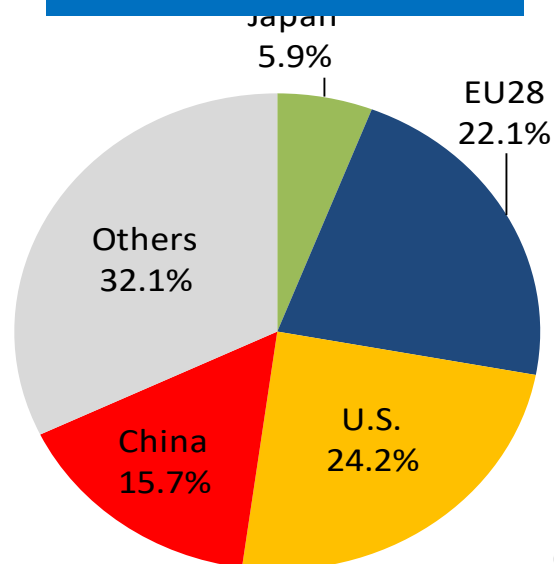
Population (2018)

Japan + EU = 8.4%



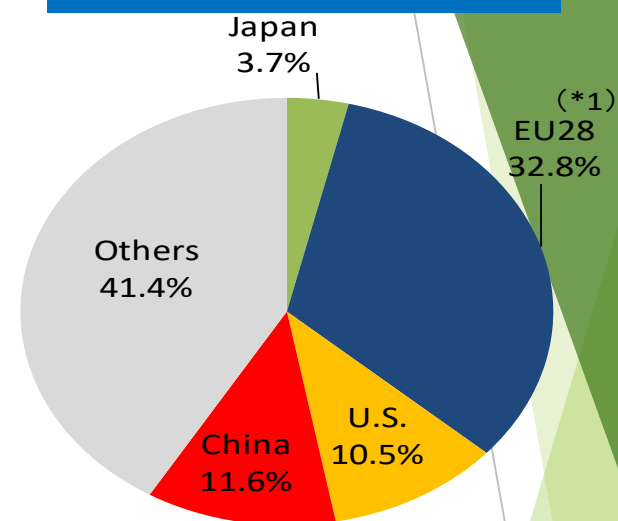
Nominal GDP (2018)

Japan + EU = 27.9%



Total trade (2018)

Japan + EU = 36.5%



(*1) Total trade within EU (8.2 trillion US dollars, 21.2% of world's total trade) is also included in EU total trade.

	Population (million people)	Share (%)
Japan	127	1.7%
EU28	513	6.8%
U.S.	327	4.3%
China	1,393	18.3%
Others	5,235	68.9%
World total	7,594	100%

(Source) World Bank, World Development Indicators, December 2019

	GDP (trillion dollars)	Share (%)
Japan	5.0	5.9%
EU28	18.7	22.1%
U.S.	20.6	24.2%
China	13.4	15.7%
Others	27.3	32.1%
World total	84.9	100%

(Source) IMF, World Economic Outlook Database, October 2019

	Total trade (trillion dollars)	Share (%)
Japan	1.5	3.7%
EU28 (*1)	12.7	32.8%
U.S.	4.1	10.5%
China	4.5	11.6%
Others	16.1	41.4%
World total	38.9	100%

(Source) IMF, Direction of Trade Statistics, January 2020

6. Tangible Economic Benefits of the Japan-EU EPA

(1) Overall pictures

● EU exports to Japan : up 6.6% compared to the same period the year before

(Feb. through Nov. 2019 compared to the same period the year before)

● Japanese exports to Europe : up 6.3% in the same period

(Source: European Commission)

(2) EU Export Items to Japan

- Meat exports up by 12%, with a 12.6% increase for pork exports, and frozen beef exports more than tripled
- Dairy exports up by 10.4% (including a 47% increase in butter)
- Beverages exports up by 20%, 17.3% growth in wine exports
- Leather articles exports up by 14% and apparel up by 9.5%
- Electrical machinery exports (including telecommunications equipment, storage devices and electronic circuits) up by 16.4%

(Source: European Commission)

(3) Japanese Export Items to the EU

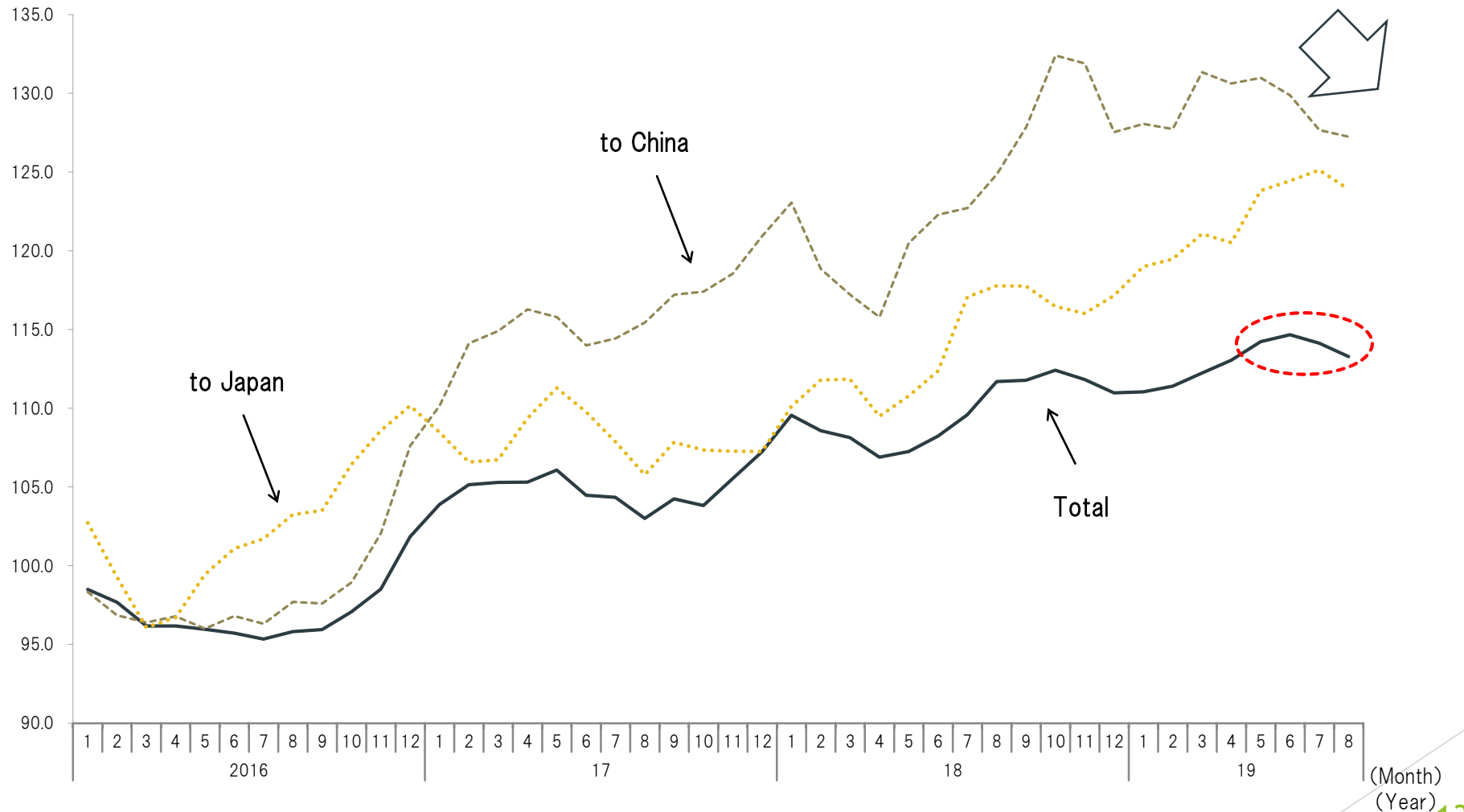
- **Motor vehicles up by 17%**
- **Apparel and clothing accessories up by 20%**
- **Beef exports up by 35%**
- **Sake exports up by 5%**

(Japan's exports to the EU from Feb. to Dec. 2019 in comparison to the same period the year before)

(Source: Trade Statistics of Japan)

(4) EU exports to the rest of the world

(average: year of 2015=100)



(reference) European Commission
Hong Kong

(* 1) Figures are calculated in 3-month moving averages (* 2) China's figures do not include

(5) EPA utilization rates

- Japanese Exports to the EU: 34% (source: EUROSTAT)
- EU Exports to Japan : 52% (source: Trade statistics of Japan (detailed version of imports))

- EPA utilization rate = A/B

A : Import value of the products under which preferential tariff rates were actually applied based on the EPA

B : Import value of the products under which preferential tariff rates are potentially applied based on the EPA

- In terms of its import value, it is the most utilized EPA among all EPAs that Japan has concluded worldwide.

(6) Early problems : Claim for preferential tariff treatment regarding the “rules of origin”

- For the EU, the main issue concerned the application of ARTICLE 3.16 (3) which allows the Japanese customs authorities to request the importers to provide additional explanations on the origin of imported products, to the extent that the importer can provide such an explanation,
- For Japan, the issues concerned a number of cases where the EPA was incorrectly implemented by the customs authorities of EU member states

- Following the first meeting of the specialized Committee under the EPA, it was agreed that further efforts should be made in a reciprocal manner to facilitate a smoother and more efficient implementation of the Agreement by each side implementing a list of actions.
- Japan agreed to simplify its customs procedures for cases when an explanation is required.
- The EU committed itself to engage with EU Member States Customs to ensure the uniform implementation of the EPA.

7. The Japan-EU EPA :a model for the 21st century EPA

- The promotion of regulatory cooperation includes: the automotive sector, medical devices, food additives, as well as the food safety and chemical sectors.
- Business Friendly EPA : In order to maximize the benefits for SMEs, the authorities of both sides nominated responsible offices which liaise with SMEs and provide useful online information.
- Commitment to paving the way for further two-way investment
- Protection of our safe, high-quality agricultural and food products : More than 50 Japanese Geographical Indications (GIs) are protected in the European market, while over 200 EU GIs are protected in Japan. The number of GIs will be increased over years.

● Importance of the Trade and Sustainable Development Chapter:

Under the TSD Chapter, both Japan and the EU strongly commit to cooperate in maintaining and promoting high standards on social and environment protection including labor rights and the Paris Agreement on climate change.

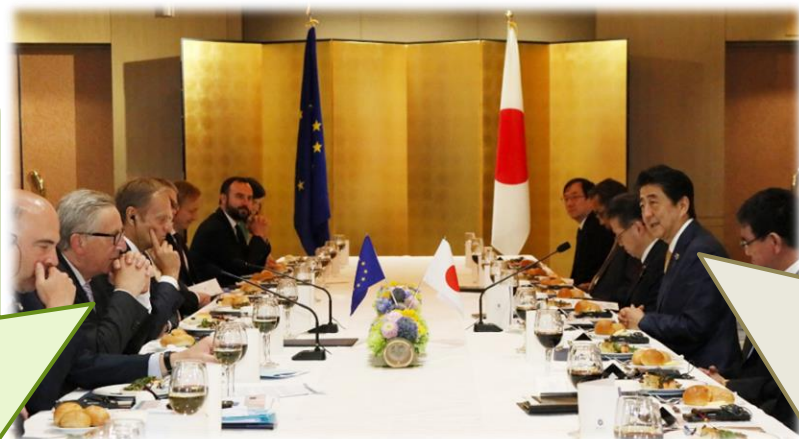
Article 16.4.4: The Parties reaffirm their commitments to effectively implement the UNFCCC and the Paris Agreement, concluded in Paris on 12 December 2015 by the Conference of the Parties to the UNFCCC at its 21st session

● This perfectly corresponds with the priorities of the new European Commission led by Mrs. von der Leyen and is the most eminent reason why our EPA is deemed as the 21st century model.

8. Import Restrictions on Japanese Food Products

(1) Exchanges on the matter at the Japan-EU Leaders Meeting (G20 Osaka Summit)

The Commission, on the basis of an in-depth analysis of the data provided by the Japanese authorities, is in a position to recommend further alleviation on the import measures on Japanese food products.



The recovery of the disaster-affected area is the first priority of the Japanese government. We welcome the actions taken by the EU for further alleviation of the import measures on Japanese food products, and request for the EU's cooperation towards the achievement of the timely lifting of the EU's import restrictions.



(2) The European Commission's Alleviation of Import Restriction Measures (entry into force on 14 November 2019)

Prefecture	Products that require attachment of radioactive substance analytical report
Fukushima	fish and fishery products(*), mushrooms, edible wild plants (bamboo shoot, <i>Aralia</i> spp, koshiabura, bracken , Japanese royal fern , ostrich fern , giant butterbur) , soybeans , (Japanese) persimmon (* except for yellowtail amberjack, Japanese amberjack, white trevally, Japanese seabream, greater amberjack, Pacific blue tuna, Pacific chub mackerel, crustaceans, and molluscs)
Miyagi	fish and fishery products , mushrooms, edible wild plants (bamboo shoot, <i>Aralia</i> spp, ostrich fern , bracken , Japanese royal fern , koshiabura)
Gunma	fish and fishery products , mushrooms, edible wild plants (bamboo shoot , koshiabura, <i>Aralia</i> spp)
Yamagata, Shizuoka, Yamanashi	mushrooms, edible wild plants (koshiabura)
Nagano	mushrooms , edible wild plants (Aralia spp, Japanese royal fern , ostrich fern , koshiabura)
Ibaraki	fish and fishery products , mushrooms , edible wild plants (bamboo shoot , koshiabura)
Niigata	mushrooms , edible wild plants (koshiabura)
Iwate, Tochigi, Chiba	fish and fishery products, mushrooms, edible wild plants (bamboo shoot, koshiabura)

Thank you for your attention.