

Keynote speech by H.E. Mr. Yasushi Masaki, Ambassador of Japan to the European Union  
on the occasion of the 3rd EU-Japan EPA Forum (10-12 May, 2021)  
“Expanding Japan-EU cooperation: EPA and beyond”

Ms Sofie Nordstorm, Co-Founder of the EU-Japan EPA forum,  
Executive Vice-President Dombrovskis,  
Distinguished guests,  
Ladies and gentlemen,

Thank you very much for the invitation to participate at the 3rd EU-Japan EPA Forum today. I am pleased to have this opportunity to share my views and reflections on our bilateral economic relations with the EU, which are facing the most pressing issues of our time, such as the COVID crisis, evolving trade practices, and rising calls for green and digital transitions. These developments present us with challenges but also a chance to further expand our cooperation based on our solid relations established under the EPA.

First, let me touch upon our EPA.

The Japan-EU EPA has created the world's biggest free, open and fair economic space, which covered a population of 640 million, nearly 30 % of the world GDP, and almost 40% of global trade at the time of its entry into force. The UK's departure from the EU at the beginning of this year does not dilute its significance.

The Japan-EU EPA goes beyond ordinary FTAs. It realized not only tariff reductions but also expanded cooperation in various areas in which the two trade partners share common values and principles based on democracy, rule of law and human rights. It is therefore often described as a model EPA for the 21st century. Among these areas of expanded cooperation are the protection of agri-food products and, wine and spirits through the Geographical Identifications, the assurance of a level playing field for the activities of state-owned enterprises and for subsidy issues, a standalone chapter to commit to Trade and Sustainable Development, non-tariff measures such as cooperation on SMEs' activities, and regulatory cooperation.

Trade statistics show us how steadily our bilateral trade has developed under the EPA. According to Eurostat, in 2019, the first year of the EPA's implementation, trade in goods increased by 5.8% compared to the same period of the previous year. Agri-food exports from the EU to Japan grew by 16% and that made Japan the 3rd largest non-European export destination after the US and China. Likewise, Japanese statistics also tell us of the increase

in automobile exports to the EU by 17%, textiles by 20%, and beef by 35%.

Other significant figures are the EPA utilization rates. The EPA utilization rate for EU companies in 2019 was 53%, while that for Japanese companies was 34%, both of which are quite high ratios for the first year of the implementation. This is also the highest utilization rate for Japanese companies among all the EPAs we have concluded so far.

Unprecedented economic contraction brought by the COVID-19 pandemic has surely affected our bilateral trade. Let us be hopeful to see the recovery of trade and business activities in the coming months as the vaccine roll-out prevails to stimulate a corresponding global economic upturn.

On a daily basis, the Japanese government and the European Commission have been attentively supervising EPA-related operations, keeping in close communication to ensure their smooth running.

One example of improvements to the implementation is Japan's endeavor to adjust its domestic system to accommodate the EU's request to exhaust unused tariff quotas for agri-food products so that EU agri-food exports would be able to benefit from the allocated quotas in a more effective way.

Also, we remain committed to addressing the issue of SPS, which is essential to maintaining safe sanitary conditions for citizens of both sides when they have access to foreign agri-products. Japan strongly believes in the importance of scientific evidence and conducts its assessments and decisions accordingly. Recent progress include the lifting of the embargo on Spanish beef, Danish processed beef, and the resumption of imports of Hungarian pork – these are proof of our efforts to balance sanitary requirements on one hand and facilitate flows of agri-products on the other.

In relation to food security, I would like to emphasize our strong wish to lift all the remaining import restrictions against Japanese food products. Ten years have passed since the Great East Japan Earthquake in March 2011, but still the EU maintains several import restrictions on some Japanese food products despite required, scientifically-proven safety measures being ensured. I do hope to see concrete developments and the complete abolition of those restrictions this year.

Furthermore, although not directly linked with the issue of import restrictions, let me briefly refer to the recent announcement made by the Japanese government concerning the ALPS

treated water of the nuclear power plant.

According to the plan, the discharging of the treated water into the surrounding sea will begin two years from now after authorization is granted from an independent body, the Japanese Nuclear Regulatory Authority. In releasing the water into the ocean, we will ensure two points.

First, the release will be carried out in accordance with international regulatory standards as well as relevant international practice. The water will be further purified and sufficiently diluted in advance so that any impact to human health will be considerably small.

Secondly, Japan also continues to undertake environmental monitoring and publishes the outcomes in a timely and transparent manner in close cooperation with the IAEA.

As such, we do everything to secure the understanding of other countries.

Coming back to the EPA implementation, GI is another important element which exemplifies the high quality trade under our EPA. This year, we have successfully expanded the lists of GIs. To share a few examples of these additions: “Hiba Gyu”, a brand of beef from Hiroshima, “Nango Tomato” from Fukushima and “Hokkaido” wine from the Japanese side, and “Cassis de Dijon” from France and “Kasseri cheese” from Greece from the EU. The GI is an important safeguard for producers so that their products are not mistakenly or intentionally used by others. I do hope that this effort helps more Europeans get familiar with and become fans of high quality Japanese products.

Before finishing on the topic of the Japan-EU EPA, let me briefly touch upon Japan’s other bilateral trade relations in recent years.

With the US, Japan concluded two trade agreements with the previous administration and we are hoping to see the US return to the CPTPP in the near future.

In the context of Brexit, Japan concluded the Japan-UK EPA to maintain effective and safer trading circumstances for businesses and citizens even after the UK has left the EU. Let me underline that we are also carefully watching the effects of the post-Brexit period that may impact Japanese businesses in Europe.

The RCEP also contributes towards a free, fair and rules-based economic order in the Indo-Pacific region. The RCEP includes 15 member countries, including 10 ASEAN member

states, Australia, China, Japan, NZ, and the Republic of Korea. We will continue to play a leading role in this region encouraging India's return to the Agreement in the future.

Now, let me draw your attention to my next point: emerging areas of cooperation between Japan and the EU.

First, Green policy.

Japanese Prime Minister Suga declared last October that Japan will be carbon neutral by 2050, and last April, he further announced Japan's ambitious 2030 target of a 46% reduction of its greenhouse gas emissions by 2030 from its 2013 levels. With the US, our Prime Minister and President Biden announced the launch of the Japan-US Climate Partnership to fight climate change. I am hopeful that a similar cooperative framework will be launched between Japan and the EU.

Both Japan and the EU see this green policy not simply as an environmental strategy but also as a growth strategy. Japan has named it the "Green Growth Strategy" and multiple policy measures are to be in place to help fulfill it. These include the establishment of the Green Innovation Fund worth 2 trillion Japanese Yen and the introduction of tax incentives to promote green-oriented investment and research and development.

In more practical terms, we see a lot of ongoing Japan-EU business cooperation in green investment. Examples of such cooperation include 1) an offshore wind project by the trading company Sumitomo Corporation with European wind power companies, 2) the construction of a net-zero carbon emission steel plant by Mitsubishi Heavy Industries, and 3) fuel-cell battery projects by Toyota. These clearly show the huge potential of Japan-EU cooperation and our concerted green policies will produce big, positive synergies for both parties. I look forward to intensifying cooperation, including the active engagement of European companies in Japan.

Turning to the trade policy side, let me draw your attention to the recent proposal by Japan at the WTO Ottawa Ministerial Meeting held in late March. The proposal focuses on 1) the elimination of tariffs on products that contribute to the reduction of greenhouse gas emissions and 2) rule-making on regulatory issues to facilitate the spread of products and technologies that will contribute to the goal of carbon neutrality across the world. We are looking forward to deepening the discussion with other WTO members and we believe that the EU's cooperation is essential towards a successful MC12.

On the other hand, we are carefully watching with strong interest to see how the EU's Carbon Border Adjustment Mechanism will be presented next month, in particular its WTO consistency and possible impact on Japanese companies. Discussions on this matter need to be stimulated at the WTO to avoid future trade conflicts.

Digital transition is another important policy pillar for Japan and the EU, and it also plays an indispensable role in deepening our economic ties in the future. There is a pressing need for international rule-making in digital trade as COVID restrictions on social life required us to quickly adjust and adapt to a digitalized society.

Japan's guiding principle in its digital policy is Data Free Flow with Trust (DFFT), the importance of which was acknowledged by G20 members, including the EU, at past G20 Summits. Furthermore, Japan and the EU have already adopted decisions recognizing each other's personal data protection systems as equivalent to create the world's largest area of safe personal data transfers. We can build on this basis to further develop our cooperation in promoting free flow of data with the exception of personal data.

As agreed at the EPA Joint Committee in February, Japan and the EU are engaging in exploratory talks to reassess the need for an inclusion of provisions on the free flow of data to the existing EPA. I hope that smooth progress will be made so that we can see the formal commencement of negotiations in the not too distant future.

If we consider that safety and people's health in the context of trade context, equitable access to vaccines and medical products is far more urgently needed for the global economy. The discussion is ongoing at the WHO and WTO regarding both the principles governing export restrictions in emergency situations and the manufacturing and distribution mechanisms of vaccines to developing countries.

Today, we see various challenges regarding vaccine export restriction measures across the world. I believe that protecting open supply chain and the smooth and uninterrupted flow of vaccines over the world is absolutely essential.

With regards to the vaccine supply, Japan has actively committed to global vaccine distribution initiative for developing countries. Last autumn, Prime Minister Suga emphasized the resilience of supply chains as a key element of the connectivity strategy for ASEAN countries. In March, leaders from Japan, the US, Australia and India also reaffirmed their collective efforts to provide COVID vaccines to the Indo-Pacific countries. We are now considering necessary support to India facing with the very difficult situation. In addition, the

Japanese government will co-host the COVAX AMC summit together with GAVI in June to promote vaccine deployment in developing countries. We will work closely with the international community including the EU to deliver on our commitment.

For strengthening global health security, we agree with the purpose of the idea of the Pandemic Treaty proposed by the EU. Going forward, we look forward to engaging in relevant discussions with international partners including the EU.

Finally, I would like to point out a recent trend related to supply chains and in global trade.

There is a growing need for collaboration to keep supply chains stable, not only in the context of vaccines but also in the international trade flow in general. One of the important outcomes from the Japan-US summit last month was our partnership on sensitive supply chains, including for semi-conductors, and on promoting and protecting the critical technologies that are essential to our security and prosperity.

Keeping supply chains smooth and effective will be vital to safeguard free and fair trade, and in this regard, the cooperation with the EU is essential for us. We are also keen to see how the European idea of Open Strategic Autonomy will evolve over time.

And, Japan attaches high importance to the proper functioning of the WTO. In this respect, Japan and the EU have been advancing the WTO reform so as to address current trade issues, while ensuring the proper functioning of its dispute settlement mechanism. Japan is also ready to engage with the new US administration to intensify our cooperation on the WTO reform, including that of the appellate body.

Distinguished guests,  
Ladies and Gentlemen,

In today's challenging world faced with the COVID-19 pandemic and economic contraction affecting global trade, our strong cooperation is essential. We must ensure the proper implementation of our EPA and tackle together common issues to secure and expand free and fair economic spaces. Further cooperation on climate change and digital areas is also important to enhance our economic ties. Japan stands ready to work hard with its essential partners including the EU, and to take a lead in shaping a conducive trade environment that will improve our people's lives for the better.

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