

## **Resilient supply chains in times of geopolitical tensions (Secretariat summary)**

**July 4, 2023 (Tue) 17:30-19:00 Tokyo**

**Venue: Auditorium of the Delegation of the European Union to Japan**

Manuel Hubert, EU-side Managing Director of the EU-Japan Centre for Industrial Cooperation, initiated the seminar. Commissioner Breton from the EU commission had a scheduling conflict, resulting in Shujiro Urata, Chairman of RIETI delivering the opening remarks.

- Summary of remarks made by Shujiro Urata, Chairman of RIETI:  
Chairman Urata emphasized the need for the EU and Japan to diversify procurement and strengthen supply chains through the Critical Raw Materials (CRM) club initiative. This involves increasing inventories, diversifying supply chains, and identifying potential bottlenecks in the supply chain process. Maintaining open communication between the two parties is crucial to facilitate high-level trade and investment utilizing the Japan-EU EPA. He continued to highlight Japan's successful history of overcoming supply chain resilience challenges, and expressed confidence in Japan's potential contribution to the EU's Green Deal, a global frontrunner in sustainability efforts. He further expressed his hope that today's discussion will further deepen the cooperative relationship between the EU and Japan.
- Summary of remarks by Commissioner Breton of the EU Commission  
Commissioner Breton highlighted the profound challenges faced by global supply chains, brought to the forefront by pandemics, climate change issues and Russia's aggression against Ukraine. These events have exposed vulnerabilities in supply chains, with economic interdependence even being weaponized in recent times. To address these emerging risks, Commissioner Breton stressed the necessity of implementing countermeasures such as economic resilience, strategic autonomy, and economic security. He explained that the Critical Raw Materials Act aims to facilitate the discovery, processing and recycling of critical and strategic raw material in Europe. Simultaneously, he expressed a desire to strengthen cooperation with strategic and resource-rich partnerships through mutually beneficial partnerships, including like-minded partners such as Japan.



*Co-funded by the European Union and the Ministry of Economy, Trade and Industry (METI). Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union, the METI or the European Innovation Council and SMEs Executive Agency (EISMEA). Neither the European Union nor METI, nor the granting authority can be held responsible for them.*

The seminar moved to a panel discussion, where moderator Kaori Iida (NHK News Department) led the discussion. At the beginning, four panelists made presentations.

- Presentation by Takahara, President of JOGMEC  
JOGMEC has traditionally pursued its business by providing financial assistance to private companies to secure resources. However, recently, it is shifting to a stance of securing resources itself. Since there is no organization like JOGMEC in the EU, I think there are opportunities for cooperation and we are open to receiving requests for collaboration.
- Presentation by Boltze, Representative of thyssenkrupp Japan  
As a company, we recognize the necessity to take action in several key areas: (1) developing human resources, (2) responding to the Green Deal/CN, (3) addressing rising energy prices, (4) stabilizing the value chain, and (5) responding to geopolitical risks. The areas in which Japan and the EU can cooperate are (1) how to import and export energy that has no means of transportation, such as solar and wind power generation, (2) how to find alternatives for essential minerals in battery production and (3) how to produce steel products in a clean method.
- Presentation by Watanabe, Executive Vice President, Panasonic Energy  
Within our company the automotive battery business accounts for 70% of our operations, with a 10% share among the group companies. While North America is currently the priority region, raw materials are procured mainly from Asia. The problems for our company for the moment are (1) dealing with varying regulations in the US, China, and the EU, necessitating different strategies for each market, (2) U.S. IRA laws limit material sourcing, leading to inflation and (3) uncertainty regarding the party responsible for bearing the costs of the EU's CFP.
- Presentation by Kleiner, EU Commission  
The notion of the globalization of democracy, as stated by Francis Fukuyama in "The End of History" back in 1992, has become untenable. In an era where it is impossible to trust the entire global value chain, we have to find partners for cooperation and cultivate self-reliance. I think that the EU and Japan can collaborate effectively in this context.

After each presentation, the discussion proceeded with questions from Kaori Iida, the moderator. The main topics of discussion were as follows (see recorded video for details).

- How will the EU achieve self-sufficiency in relation to raw materials law?
- What is the impact of China's announced restrictions on gallium and germanium exports?
- Who should bear the cost of CFP? making that rule.
- How has things changed in your supply chain from a year ago to now?
- What is the difference between the concepts of derisking and decoupling? Is derisking possible as a company?
- Japan and the EU have different experiences, but what can we do if we cooperate with each other?

Finally, Tanabe, Managing Director Japan Side of the EU-Japan Centre for Industrial Cooperation, made a remark that he would like to continue further discussions on strengthening the supply chain, and closed the meeting.

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