

# THE EU AND JAPAN – A NEW WAY FORWARD

## INDUSTRIAL TRANSITION TOWARDS GREEN AND DIGITAL ECONOMY

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### Summary report

***Covid-19 is a disrupter, creating challenges and opportunities – new ways of working that strengthen the green and digital transitions. Data transfers affect all sectors and society, so digitalisation will transform society and industrial structures. A global digital economy needs global rules. Reliable partnerships built on trust and interdependence – like the EU-Japan relationship – will be key as global rules are forged. To mitigate future crises, we must strengthen our collective resilience, diversify supply chains and strengthen partnerships. EU-Japan industrial and other cooperation will help in the fight against global challenges, promote cooperation and find innovative solutions.***

#### Regulatory Cooperation & Standards

##### *View from the Authorities:*

- Cooperation on setting rules and standards will be crucial. The EU and Japan should build a coalition with likeminded partners to set global rules (via the WTO) based on common principles including on new technologies such as AI.
- Japan and Europe often adopt complementary approaches in key policy areas such as green and digital issues<sup>1</sup>. These common approaches boost cooperation in areas such as renewable energy or the hydrogen society.
- EU-Japan G-to-G cooperation includes the AI Joint Committee's work to begin addressing the implementation of AI principles, actions to further improve business environments through the EPA, and WTO rule-making.
- Industry should feed, enhance and follow up on EU-Japan shared ambitions as they evolve or are agreed at EU-Japan dialogues such as those on Regulatory Cooperation or on Industrial Policy. Regulatory convergence and standards are essential for green, digital and other innovative technologies, and the Authorities should consult industry when they develop these common standards for the future.

##### *View from industry:*

- Diversity in regulation and standards hampers industrial development and growth as it fails to address new ways of working. The more that standards can be harmonised through deregulation or the adoption of new common standards, the easier it will be for companies to cooperate (e.g., on the decarbonisation of housing or the development of the hydrogen society). As much as possible, Japan and Europe should work through international forums (WTO, B20, G20, G7) to address this. EU and Japanese industry each bring their own strengths and experiences and can help the other region/country meet its goals.
- Long-term goals, e.g., in environmental areas, are key but must be underpinned by short-term ambitious milestones to ensure momentum. The EU and Japan should cooperate at G-to-G, B-to-B and G-to-B levels. Businesses play a role in identifying new visions for human society and collaborating with, and supporting, other partners in the ecosystem – particularly SMEs – and the authorities to achieve them.
- There is good potential for EU-Japan regulatory cooperation in green areas. The EU is working hard to develop rules and regulations on the circular economy<sup>2</sup>. Japan's green approach has shifted from a well-established 3R model that has brought about significant levels of recycling and waste reduction to a circular economy vision and partnership between industry and government.
- The robust EU-Japan data adequacy decision is a considerable achievement, providing certainty and predictability thanks to its careful preparation. The EPA needs to be updated to address industrial data flows in

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<sup>1</sup> E.g., using circular economies to help achieve carbon neutrality by 2050, or similarities between Japan's [Digital Platforms Act](#) and the EU's [Platform-to-business Regulation](#)

<sup>2</sup> E.g., the creation of an [ISO circular economy standard](#)

a similar way. Trust is the key: we should develop: common rules on AI (risk-based, addressing high risk areas, not all AI uses); common cybersecurity response (on the exchange of information and a recognition of the importance of collective defence across borders); and common data governance approaches. New business models must operate in a fair and competitive way. Regulatory cooperation and ensuring we have similar, not diverse, rules will ensure this.

## Technology and innovation

*View from the Authorities:*

- We must ensure our economies emerge from the crisis greener, more digital and resilient, on a climate neutral 'path'. Bilateral cooperation (e.g., on innovative low-emission technologies, on blue and green hydrogen, on humancentric AI cooperation or on secure 'beyond 5G' technologies) is essential. Policy tools should be used to support innovation and realise a virtuous circle of economy and environment.

*View from industry:*

- Collaboration in R&D is the key – that is where many of the building blocks for regulation and innovation are harmonised, creating a common focus on the same technologies and innovations. Green *is* linked to digital – the circular economy needs digital tools to work.
- Achieving carbon neutrality will take major growth in renewable energy and truly clean technology (hydrogen procured in CO<sub>2</sub>-free ways) being used in power generation and manufacturing. EU firms may have considerable experience (e.g., offshore turbines), but Japan is likely to drive future growth in the sector as it installs a lot of capacity, creating new opportunities for cooperation. In mature renewable energy areas, future EU-Japan cooperation should focus on related topics (e.g., for PV – addressing racking systems). We must learn from each other and exchange best practices and how to bring the best and quickest sustainable products and services to the market.
- The digital ecosystem, and data, are integrated parts of all sectors and any kind of innovation. Covid-19 has forced companies to reinvent themselves and their activities. Digitalisation empowers SMEs (and others) to seek new opportunities and markets, and big companies can leverage their skills to unlock digital opportunities for their partners. The ability to collect and process huge quantities of data instantly using AI creates huge value, 'total optimisation' and can transform society. With policy instruments and recovery funds targeting digital and green transitions, the opportunities for EU-Japan collaboration are strong.

## EU-Japan cooperation on the global scene

*View from the Authorities:*

- EU-Japan business cooperation in third countries can drive innovation<sup>3</sup>, and support decarbonisation at a global level (e.g., in ASEAN or Africa) but must ensure that EU and Japanese SMEs can benefit and that EIB/IBIC co-financing of joint industry projects is operational. The EU and Japanese Authorities recognise<sup>4</sup> the importance of EU-Japan action in other regions.

*View from industry:*

- Collaborations between the EU and Japanese private and public sectors can ensure data utilisation and digital technology can create values to address social issues, improve infrastructures<sup>5</sup> and support lives in developing countries.
- We must bring along the rest of the world, albeit at different speeds, with a common vision of an open market that does not discriminate but enhances reciprocity and market access
- Moreover, with future economic growth mainly coming from outside the EU or Japan, by developing a joint approach in Africa, Asia or Latin America, EU-Japan business will benefit from it.

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<sup>3</sup> E.g., NEC working with Gavi and a British scanner company to develop fingerprint authorisation for new babies

<sup>4</sup> Japan's [Foreign Minister Motegi attended virtually](#) the recent EU Foreign Affairs Council meeting.

<sup>5</sup> E.g., for the first time, the EU took part in the [Japan-US Industrial Control Systems Cybersecurity Week for the Indo-Pacific Region](#) and Japan, the US and Europe collaborated on a cybersecurity training programme for young ASEAN people.