



**EU-Japan Centre**  
for Industrial Cooperation  
日欧産業協力センター

## Seminar Report

### 18<sup>th</sup> Japan-EU Conference

Standards, Governance and the Rule of Law  
– Opportunities for EU-Japan Cooperation

16 November 2015



*Event co-organised by*



UNIVERSITÉ  
LIBRE  
DE BRUXELLES





## Summary and major issues discussed

The 18<sup>th</sup> annual Japan-EU Conference addressed major geopolitical issues as well as other key themes in the developing EU-Japan bilateral relationship. It included sessions on Humanitarian Assistance and Emergency Relief Cooperation and Development Assistance after the UN World Conference on Disaster Risk Reduction in Sendai; Enhancing the Rule of Law at Sea; Progress Made on the EPA/FTA and SPA Negotiations and Regulatory Cooperation and the Impact on Industry.

Links to available presentations can be found on the event web page:  
<http://www.eu-japan.eu/18th-japan-eu-conference>

## Seminar Outline

- ❑ **Date:** Monday, 16 November 2014, 09:00 to 17:45
- ❑ **Venue:** Fondation Universitaire, 11 rue d’Egmont, 1000 Brussels (Belgium)
- ❑ **Programme:** for the full programme of the Conference [click here](#)



### Opening Session

#### Axel Goethals, CEO, European Institute for Asian Studies

#### Opening Remarks

**Axel Goethals** noted that Japan and the EU have been strengthening their partnership and cooperating together to address global challenges. The Japan-EU relationship is still one of the vital axes of global order. However, significant “untapped potential” remains in various fields of both bilateral and multilateral cooperation: FTA/SPA negotiations, environment/climate change, renewable energy, nuclear safety, and Research and Innovation were noted as examples.

Since last year’s Japan-EU conference, regular high-level meetings have taken place frequently including FTA/EPA and SPA negotiations. Moreover, the 70<sup>th</sup> anniversary of the end of World War II recalled the importance of both sides’ contribution toward international peace, stability and prosperity. The EU-Japan Summit in May reaffirmed further joint cooperation in areas such as crisis management, humanitarian assistance, emergency relief and human security. As like-minded civilian powers, closer EU-Japan cooperation was expected to contribute to various international challenges through the formulation of common rules and the harmonisation of regulatory cooperation.

**H.E. Keiichi Katakami, Ambassador, Mission of Japan to the EU****Keynote address (1)**

**H.E. Keiichi Katakami** noted that Japan and the EU have shared a long-distance relationship over the last decades. The relationship has become much closer through frequent high-level meetings and substantial events. Collaborative projects have brought the EU-Japan relationship remarkably closer in the past 20 years, enhancing a relationship based on common values and shared principles.

The 20<sup>th</sup> EU-Japan Summit in May in Tokyo reaffirmed that the EU and Japan were credible and reliable partners. Untapped potential has been progressively unleashed, including in cyber and outer space issues as well as expert meetings on humanitarian assistance. At the 3<sup>rd</sup> UN World Conference on Disaster Risk Reduction (DRR) at Sendai in March, Japan announced a strong determination to DRR measures and global cooperation. Japan and the EU will continue a close exchange of expert practices and views on humanitarian assistance and emergency relief.

Regulatory cooperation and convergence are also crucial issues when two large economies have become closely interconnected with each other.

The completion of the Strategic Partnership Agreement (SPA) and Economic Partnership Agreement (EPA/FTA) are crucial. SPA encompasses the entire bilateral relationship with a legally binding framework, in the field of security, economic and business and even social issues such as technology, innovation, sports and culture. As natural partners having similar challenges and interests, the EU and Japan can show joint leadership in addressing global challenges. For example, over the last year Japan has contributed to EU Common Security and Defence Policy (CSDP) operations in Niger and Mali. In October this year, Japan participated in joint naval exercises with the EU off the coast of Somalia. In the process of ensuring the rule of law in global commons, namely cyber, outer space and the sea, the EU and Japan continue seeking further development cooperation.

The 13<sup>th</sup> round of EPA/FTA talks has just completed in the beginning of November. EPA/FTA negotiations have accelerated since the EU-Japan Summit in May. Currently negotiations are progressing well, and are aimed at finalising early next year. With a full potential of boosting economic growth and business competitiveness, EU-Japan EPA/FTA will further consolidate and strengthen its bilateral relationship in the future.

In September, the Japanese Diet passed a new security and peace legislation. The policy of “Proactive Contribution to Peace” shows Japan’s strong determination to contribute to peace and stability of the international community. Sometimes misguided views on the new legislation can be seen, however, there has been no change in Japan’s basic posture for the past 70 years; it was and will remain a peace-loving nation. It is also strongly expected that the new legislation will allow Japan to strengthen its contribution to CSDP missions. Moreover, last month, the Trans-Pacific Partnership (TPP) was agreed among 12 Asia-Pacific countries, covering 40% of the world economy.

The EU-Japan relationship is no longer merely economic but extends to a wide range of policy-making cooperation on global arena. The relationship has already played a vital role in promoting peace, stability and prosperity of the international community. To achieve a closer relationship, mutual admiration and respect were addressed as key factors from the lesson of long history of successful cooperation as two of the world’s leading actors.

**Prof. Mario Telò (ULB & LUISS)****Keynote address (2)**

**Mario Telò** began his opening keynote expressing a deep sympathy toward recent tragic events in Paris on 13<sup>th</sup> November, which could enhance joint EU-Japan efforts in counter-terrorism.

Looking back to the historical relationship, Japan-EU strategic relations became more important after the world becoming multipolar in the aftermath of the Cold War. The first annual EU-Japan conference was held in 1989, and since then, Japan and the EU have tackled various challenges in global governance. With the continuous renewal of a shared agenda, the EU and Japan need to deepen mutual understanding and strengthen their strategic partnership for future cooperation.

After the UN conference on Disaster Risk Reduction (DRR) with the adoption of the Sendai framework in March, the EU and Japan showed strong determination to extend cooperation on humanitarian assistance and

emergency relief as two of global pre-eminent civilian powers. Regarding the Law of the Sea, the 20<sup>th</sup> EU-Japan Summit in May underlined the need for all parties to seek peaceful and cooperative solutions to maritime claims and solve disputes through legal-binding mechanism. In East Asia, territorial disputes in the East and South China Sea remain highly sensitive. However, some important events also took place this year. In early November, the Japan-China-South Korea trilateral meeting was held in Seoul. Leaders of North East Asia agreed that the summit would be held on an annual basis to strengthen trilateral cooperation. Moreover, in November, China and Taiwan held a historical meeting - the first in 66 years. With a consideration of these important events, mindful policies in the regional security environment need to be delivered.

Today's global trade system is characterised by a proliferation of bilateral and regional trade agreements. Today bilateral trade agreements go beyond traditional FTAs, emphasising the importance of a variety of regulatory harmonisation such as government procurement, SOEs, and Intellectual Property Right. Non-tariff barriers still remain a challenge for Japan and the EU, and Japan-EU FTA/EPA also endeavours to facilitate regulatory cooperation. For example, in March 2013, the European Commission and Japanese government agreed on mutual vision of regulatory framework on areas such as robotics and construction in order to facilitate the production process. Seeking a new momentum to enhance trade liberalisation, Professor Telò noted that the EU and Japan need to show leadership by adopting an inclusive approach to FTA negotiations.



**Policy Panel 1: Japan-EU Cooperation – Humanitarian Assistance and Emergency Relief Cooperation and Development Assistance**



**Takako Ueta, International Christian University (ICU)**

**Moderator**

**Takako Ueta** pointed out that EU-Japan cooperation in the field of disaster management and humanitarian aid brings a meaningful positive contribution to the overall bilateral relations. Disaster Risk Reduction (DRR) is at the core of Japan's development agenda, and the EU and Japan are both extremely interested in accelerating cooperation at the global level and in enhancing cooperation in the field of disaster resilience and response. The initiative of an EU-Japan Joint Cooperation on Humanitarian assistance and disaster risk reduction stems from the tragic events that hit Japan in March 2011. Further steps in deepening their cooperation were taken in 2013 at the EU-Japan Summit where the main pillars of their cooperation were established: (i) learning from each other's governance, (ii) learning from each other's training tools, and (iii) exchanging knowledge and expertise. The UN World Conference on Disaster Risk Reduction, hosted by Japan in Sendai in March 2015, further boosted the implementation of EU-Japan cooperation in humanitarian assistance and disaster risk reduction, and deepened their strategic partnership through joint engagement in capacity-building and disaster relief in third countries.

**Yves Dussart (European Commission – DG ECHO, Policy Officer, Civil Protection Policy Unit)**

**Yves Dussart** argued that EU-Japan cooperation in disaster management was sealed in the aftermath of the devastating earthquake and tsunami that struck Japan in March 2011. By outlining the common efforts and convergent interests in the field of cooperation in disaster preparedness, prevention and response, Mr Dussart summarised DG ECHO's complimentary tools and objectives, and presented the EU Civil Protection Mechanism, which includes humanitarian aid and civil protection. These measures, which intervene in case of natural and manmade disasters, have their mandate both inside and outside of the EU, and comprise 32 participating states (28 EU Member States, plus Norway, Iceland, Montenegro, Serbia, the Former Yugoslav Republic of Macedonia, and Turkey).

Mr Dussart also highlighted the milestones reached by the EU-Japan Cooperation on humanitarian assistance and emergency relief. During the post-2011 relief efforts, both the EU and Japan decided to deepen their dialogue on humanitarian assistance and emergency relief operations, and committed to enhance cooperation during the post-disaster recovery and reconstruction phases – as stated in the Joint Press Statement at the 20<sup>th</sup> EU-Japan Summit in 2011. The evolution of the EU-Japan cooperation is also based on an [exchange of letters](#), which took place in March 2013 between Commissioner Georgieva and the [Minister of Land, Infrastructure, Transport and Tourism](#) (MLIT) of Japan, Akihiro Ohta. Giving continuity and further impetus to the joint work on Disaster Risk Reduction (DRR), on 18 March 2015, the Sendai Framework for DRR 2015-2030 was adopted at the 3<sup>rd</sup> UN World Conference in Sendai, Japan.

The EU-Japan common efforts and convergent interests in the field of cooperation on disaster management are also demonstrated by the progression of their engagement, which sets an optimistic tone for future prospects. The 4<sup>th</sup> technical meeting on EU-Japan Cooperation on Disaster Management and the expert meeting on humanitarian assistance and emergency relief will be held respectively on 3 & 4 December 2015 in Tokyo. Importantly, it was also noted that the EU-Japan Strategic Partnership Agreement, which is currently under negotiation, includes specific provisions regarding disaster management and humanitarian action.

Lastly, Mr Dussart pointed out DG ECHO's response to the refugee crisis, explaining that the way forward ought to include a strong political leadership, the promotion of in-kind solutions, a close

support of humanitarian aid partners (UNHCR, IOM, IFRC), the use of all available funding instruments and new funding allocations, and a powerful presence of DG ECHO in the regions involved.

### **Yoichiro Yamada (Embassy of Japan to the Kingdom of Belgium)**

**Yoichiro Yamada** started his intervention with a quote from the [EU Resilience Compendium](#), “the increasing frequency and intensity of disasters and humanitarian crises poses a major threat to long-term development, prospects of sustainable growth and poverty reduction of the poorest and most vulnerable people in developing countries. [...] Crises and shocks worsen already precarious livelihoods and negate opportunities to escape from poverty. The cost of disasters and humanitarian crises is rising, as climate change generates more severe weather related events and the world faces new hazards and pressures such as population growth, urbanization, depleted eco-systems and scarcity of natural resources, as well as complex conflicts.”

Mr Yamada emphasised the devastating human and economic impacts of disasters, and the massive scale migrations caused by global changes. He illustrated that over 80 per cent of hazards are weather-related (droughts, tropical storms and rising sea levels), adding that a factor to keep in mind in the increasing number of disasters is the world’s fast-paced population growth, which prompts more people to settle in areas unfit for habitation and, also, in disaster-prone regions.

At the 3<sup>rd</sup> World Conference on Disaster Risk Reduction (DRR) in March 2015 in Sendai, Prime Minister Shinzo Abe announced the “Sendai Cooperation Initiative”. This document outlines Japan’s cooperation for DRR from 2015 to 2018 through a triple approach, which combines (i) non-material assistance, such as human resource development and institutional development, (ii) material assistance centring on the development of quality infrastructure, and (iii) the promotion of global and region-wide cooperation. Moreover, three important pillars of the government’s involvement in DRR activities are: (i) focusing on preventive investment, (ii) ‘Building Back Better’, and (iii) establishing fruitful collaborations between the central government and the local communities.

A successful example of preventive investment in DRR was carried out by Japan in Thailand, and consisted in the construction of the resilient Bangkok Metro Blue Line, which withstood the historic floods in July 2011. In reality, however, many donors and governments are reluctant to invest in disaster prevention, which constitutes only 4 per cent of investment activities, preceded by a 25 per cent dedicated to reconstruction and rehabilitation, and 71 per cent dedicated to emergency response. Another very important factor in DRR measures is the local community component. The role of local initiatives in training an education is crucial in every stage of DRR, from prevention, to preparedness and recovery. Illustrated as a case of resilient emergency solutions, Mr Yamada brought the attention to a practical example of resource-efficient sanitary facility: the so-called ‘green toilet’, which represents a solution to the serious health and safety problems of many communities in developing countries, while also being of benefit for local agriculture, jobs and economy.

In conclusion, better balance between economic activities and environmental protection is needed, international agreements on better tax regimes and global coordination are necessary, and good governance with sound judgement is the way forward.

---

**Expert Panel 1: Enhancing the Rule of Law at Sea****Prof. Tsutomu Kikuchi (Aoyama Gakuin University)****The East and South China Seas**

**Tsutomu Kikuchi** gave an overview of the current maritime issues in Asia. The ongoing militarisation, mutual distrust, increasing nationalism and the involvement of many regional and international players have created a hotspot with global consequences. Because of these disputes, the rule-based maritime order is at stake. There are ongoing efforts to reduce tensions and settle disputes, through regional negotiations on establishing a Code of Conduct in the South China Sea.

According to Prof Kikuchi, the idea of a Cold-War type of confrontation between the US and China competing for hegemony should be abandoned. Both countries have many internal and external vulnerabilities. As a consequence, the US is not a full-fledged hegemon and China is not a full-fledged rising power. Therefore, the importance of the “rest of Asia” should not be underestimated, as their policies will have grave impacts on Asia’s future. ASEAN is a critical player in this regard. One of its pressing tasks on maritime security is the need to share and sustain universal rules and norms regulating maritime affairs, in accordance with UNCLOS. Also, the Code of Conduct in the South China Sea should comply with these international rules and the principle of freedom of navigation.

Japan recognises the importance of ASEAN and its member countries, illustrated by a “pivot” to Southeast Asia through several policies. First, Tokyo wants to strengthen ASEAN-based regional institutions with joint operations on anti-piracy and natural disasters. Second, it wants to enhance its bilateral cooperation with the region, including training and joint exercises. Third, Japan’s alliance with the US provides common goods for regional peace and stability in Asia and might include more cooperation with ASEAN and ASEAN countries in capacity building. Fourth, its strategic use of ODA provides coast guard ships, training programs and seminars to ASEAN countries. Sixth, Japanese defence diplomacy includes military joint exercises and high-level defence talks with ASEAN countries. Seventh, a network of like-minded countries in the region could be constructed. Eighth, Tokyo relaxed its arms export ban policy on equipment for peaceful and humanitarian purposes.

**Prof. Yurika Ishii (National Defense Academy of Japan)****International Territorial Disputes and Confrontations in the South China Sea from a Legal Perspective**

**Yurika Ishii** introduced the legal framework applicable to the South China Sea. The UNCLOS deals with disputes on an undelimited maritime area. States need to make every effort to enter into provisional arrangements and should not jeopardise or hamper the reaching of a final agreement. Moreover, unilateral activities should not risk irreparable prejudice to the position of the other party (e.g. by causing physical damage) and should not be provocative or threatening. However, for disputes that regard the territorial sea surrounding an island or rock of which the territorial title is disputed, there is no specific provision in UNCLOS, although general provisions and international law principles apply. In any case, the obligation to cooperate and the obligation of the peaceful use of the sea applies even when the coastal state is not determined. Furthermore, the UN Charter Article 2-4’s principle of the non-use of force should also be taken into account. According to Professor Ishii, the PRC’s nine-dash line and its unilateral actions in the South China Sea (e.g. harassments against Vietnamese or Filipino fishing vessels and China National Offshore Oil Corporation’s Oil Rig 981) are not in line with international law.



**Prof. Philippe Gautier (Registrar, International Tribunal for the Law of the Sea and Professor, Université catholique de Louvain)****Rule of law and settlement of disputes in maritime matters**

**Philippe Gautier** stated that UNCLOS procedures are compulsory, as the consent of the other party is not required. Limitations and exceptions include cases related to scientific research, fishery and military activities. In case of a dispute, states have the choice of forum by making a written declaration, be it the International Court of Justice, the International Tribunal for the Law of Sea or arbitration. The Tribunal for the Law of Sea consists of twenty judges from all over the world and next to its task of settling disputes, it may also give advisory, non-binding opinions on a legal question. Prof Gautier clearly underlined that states have the duty not to jeopardise the conclusion of an agreement. Therefore, activities such as drilling, the construction of an oil platform, the use of force or threatening to do so would clearly be prohibited.

**David Fouquet (Senior Fellow, EIAS)****Discussant**

**David Fouquet** took the opportunity to discuss the topic using a more political approach, stating that states and individuals have taken the law into their own hands for decades and centuries, by changing facts on the ground and in the water. For some time, individual countries, claimants or others, changed the facts by taking possession of islands, reefs or even introducing their military capabilities. These changing conditions are circumstances that dispute settlements and governments have to deal with. The most recent events were the freedom-of-navigation missions, but the question remains “freedom of navigation for whom?” For those who have guided missile destroyers, B52’s and amphibious landing capacities, or also for smaller countries with less military capabilities? According to Mr Fouquet, there is on the one hand no military solution to these problems, despite the fact that all the countries in the region are increasing and modernising their military capabilities. On the other hand, it is doubtful whether there is a legal solution to the situation, as it is more likely seen as a step for political warfare rather than military warfare. Therefore, a more rational discussion about how to proceed is necessary, not only focusing on resolving issues but also on learning to live with them. In the past for instance, countries involved were talking about jointly developing a disputed area instead of trying to actually solve the issue.

**Questions & Answers on a wide range of issues, including:**

- The rejection of the Japanese government to the Russian proposal to jointly develop the Kuril Islands. (Which, according to Prof Kikuchi, might be caused by a different understanding what ‘developing’ means in this context. Mr Fouquet did not see a clear solution the situation.)
- The fact that the Chinese MoFA no longer claims sovereignty over the Neptun Islands – is this a friendly gesture or are there other interpretations? (Prof Kikuchi does not see any other interpretation than the fact that China’s 9 dash line overlaps with other countries’ EEZ.)
- The declaration of the permanent court of arbitration in the Hague, issuing an award on jurisdiction and admissibility over several claims by the Philippines against China – will the shadow of law influence the parties involved in their negotiations? (It will be difficult for the Philippines to gain leverage from this situation in bilateral negotiations, although it might impact the international political scene, according to Prof Gautier. Prof Ishii states that there were 15 claims of which only 8 were part of the jurisdiction.)
- The Arctic Ocean as the new frontier (According to Dr Reiterer, the region is of strategic interest, as the statement after the last EU-Japan Summit mentioned cooperation in the Arctic area.)
- The lack of support from other ASEAN countries to the Philippines (which was explained by professor Kikuchi due to a variety of factors taken into consideration by every country, including economic elements or even possible retaliation)
- The possible consequences if the Philippines wins the case against China (According to Prof Gautier every party has the right not to appear in a case, but that does not prevent a tribunal or court to make a judgment, as it is their call to decide on their jurisdiction. Without this deeply rooted mechanism, there is no peaceful settlement of disputes in international law possible).

**Policy Panel 2: Progress Made on the EPA/FTA and SPA Negotiations****Erik Famaey (Senior Associate, EIAS)****Moderator**

**Erik Famaey** noted that the EU started its FTA negotiation with Japan before Japan had initiated TPP discussions with the US. However, the TPP was concluded in October, while the Japan-EU FTA is still being negotiated. It seems Japan prioritised TPP negotiation over Japan-EU FTA discussion. TPP is likely to cause comparative disadvantages for EU companies against their US counterparts if it enters into force before Japan-EU FTA. The conclusion of Japan-EU FTA would be necessary at this moment to expand the trade volume between the two parties. Since both Japan and the EU are facing economic recessions, the new trade agreement would be beneficial for both sides.

**Mauro Petriccione (European Commission – DG Trade, Director for Asia and Latin America)**

**Mauro Petriccione** felt that based on the pre-negotiation analysis, the potential gain from Japan-EU FTA is outstanding and the benefit would be indeed mutual. The conclusion of TPP is not necessarily bad news for the EU. This strongly indicates that Japan is capable of real trade liberalisation. Previously, the most ambitious trade agreement concluded by Japan was with Australia, which does not contain strong provisions to liberalise trade. Concerning the detail of Japan-EU FTA, there is a need to tackle agriculture, Non-Tariff Barriers (NTB) and public procurement. In spite of several difficulties, the discussion with Japan is mature and the conclusion of the trade agreement can happen within a few months. Considering that political will is essential to speed up the negotiation, a favourable atmosphere has been created as Prime Minister Abe and European Commission President Juncker acknowledged the importance of the bilateral trade agreement at the G-20 Summit in Turkey last weekend.

**Tsutomu Koizumi (Minister, Mission of Japan to the EU)**

**Tsutomu Koizumi** noted that it is true that there is positive political will from the two parties, which was confirmed again at the G-20 Summit in Turkey. Moreover, Japan and the EU have built trust, especially by holding an annual bilateral EU-Japan Summit that takes place every May. In fact, the two sides are speeding up the negotiation as they meet each other for the FTA negotiation rounds every month, instead of every two months. If concluded, the new trade agreement would promote not only economic cooperation but also strategic partnership in security and other policy areas. However, we should not forget that there are many agendas to be discussed in Japan-EU FTA. The doubt raised by the Chair that Japan might have prioritised TPP negotiation over Japan-EU FTA discussion is a misunderstanding, according to Mr Koizumi. The fact that the TPP conclusion occurred first is pure coincidence. The Japanese government did not attach any preference to one agreement over the other. Japan aimed at concluding both TPP and EU-Japan FTA negotiations at the same time.

**Julian Wilson (EEAS – Head of Division, Japan, Korea, Australia & New Zealand)**

**Julian Wilson** argued Japan and the EU have long built the strategic partnership as they have cooperated together in various fields in the past 30 years. We can conclude that the partnership has been successful so far. However, this is not the reason to stop developing the strategic partnership further. As we face more complex and transnational challenges, it is necessary to strengthen the cooperation in various policy areas such as security, space discovery and cyber security. More achievements can be made when both sides act together. This is the reason why the EU is pursuing to conclude the Strategic Partnership Agreement (SPA) to share the common goals and values and to focus on specific sectors. Against this background, the conclusion of the FTA is necessary not only to enhance cooperation in trade and investment but also to initiate the deepened partnership. 10 rounds of negotiation have taken place and no major obstacles are detected to complete the negotiation. The political will is going to be decisive for the conclusion of the trade agreement, especially when approaching the finishing line.

**Expert Panel 2: Regulatory Cooperation and the Impact on Industry****Prof. Yorizumi Watanabe (Keio University)*****Increasing Regulatory Coherence between the Mega-FTAs – a case for the TPP and the Japan-EU EPA***

**Yorizumi Watanabe** started his presentation by pointing to Japan’s FTA policy to multilateralise regionalism, and mentioned several of the agreements involving Japan, including TPP (the ultimate FTA with the ultimate partner, the United States), the Regional Comprehensive Economic Partnership (RCEP) between ASEAN and the six countries with which ASEAN has FTAs (New Zealand, Australia, Korea, China, Japan and India), the proposed Japan-China-Korea FTA and the Japan-EU FTA. In particular, Prof. Watanabe sees Japan as a pivotal centre between TPP & RCEP.

Terming TPP an “agreement of substance”, with tariff elimination on 99.9% of industrial products and 97.1% of agricultural products, Prof Watanabe explained that TPP introduces new rules for SOEs (regulations on non-commercial assistance by governments), labour and environment (subject to dispute settlement procedures) and government procurement (with obligations extended to non-WTO/GPA signatories). Prof. Watanabe highlighted the user-friendly rules: rules of origin, trade facilitation, SMEs-related provisions, investment (ISDS). TPP provides a momentum to free trade arrangements such as RCEP, Japan-China-Korea FTA and the realisation of the ASEAN Economic Community.

In the absence of WTO/DDA developments on rule-making, Prof Watanabe conclude that the TPP rules could become “model rules” in areas such as Investment, Competition, and Government Procurement. Japan is interested in high-quality rules as well as high-level market access liberalisation with the European Union as well as across Asia-Pacific.

**Luisa Santos (Director, International Affairs, BUSINESSEUROPE)*****Regulatory cooperation – what business is looking for in the EU-Japan FTA?<sup>1</sup>***

**Luisa Santos** started by asking what are the expectations from both sides. While Japan prefers a multilateral approach to trade negotiations, the EU supports a bilateral approach. She highlighted that the two economies are very similar, with advanced market structures but with persistent low growth rates, both economies focused on innovation, very low duty rates, etc... But the main problem is regulatory coherence. In negotiations with Japan, the EU wants higher standards than those agreed between Japan and the United States in TPP. Japan-US standards as agreed via TPP is not enough for the EU.

She highlighted the need to conduct sector-to-sector dialogues before starting FTA negotiations: chemicals, ICT, pharmaceuticals, automotive, to find out hurdles and what could be done in the regulatory arena to boost exports.

<sup>1</sup> Lars Brückner (Vice Chairman, Japan Business Council in Europe (JBCE) / Director, EU Public Affairs Office, NEC Europe Ltd), was scheduled to give the JBCE’s view, drawing on its [Shaping the Future of EU-Japan Regulatory Cooperation report](#) from a [JBCE Seminar to mark its 15 years in Brussels](#), but owing to ill-health was unable to take part.

Ms Santos mentioned that, vis-à-vis the EU-Korea FTA, the EU-Japan FTA is less technical and more focused on sustainable development and labour standards. She highlighted the need to be ambitious in negotiations, addressing the maximum amount of barriers as possible.

### **Prof. Patrick Messerlin (IEP-Paris)**

**Patrick Messerlin** predicted that a lot of regulatory cooperation would take place after the signing of the EU-Japan FTA, with rail procurement set to become one of the biggest issues. Prof Messerlin warned about misinterpretation – EU agreed on regulatory convergence 5-6 years ago, but it has not been implemented because of technical, environmental issues.

The last Japan-EU Summit made a clear call for further progress in regulatory cooperation between both sides. This has been welcomed by industries of both sides. As any modern economy, Japan and the EU need high-quality regulations. But, as the EU and Japanese economies have evolved in a different economic and legal context during the six last decades, their regulations are often different. Improving or consolidating the quality of the regulations at stake while minimising the costs of these differences is the core objective of the Japan-EU regulatory cooperation agenda. This is a difficult task but the Japan and the EU are like-minded partners and there is a high trust between them. In particular, they share the same approach—to start from and to develop what exists at the international level. This feature makes regulatory cooperation with Japan much more promising for the EU than the ones with any other EU large partners (much less willing or capable to adopt this approach).

Regulatory cooperation could first be achieved by harmonising the partners' regulations via the adoption of international standards enhancing the competitiveness of the industries and encouraging third countries to adopt these international regulations leading to safer and higher quality products. However, harmonisation as an option for regulatory cooperation faces severe limits. The high demand for diversity in goods and services can only be met with a wide variety of regulations. When harmonisation is impossible, the Japan-EU regulatory cooperation agenda boils down to a key question: despite to being different, are the European and Japanese regulations “equivalent” in their effect?

The regulatory cooperation agenda of Japan and the EU is not of the same nature than the ongoing negotiations on a free trade agreement between these two economies. Rather, it pertains to the “living economic partnership” between Japan and the EU to be developed over time.

### **Closing Keynote Address**

#### **Lowri Evans (Director-General, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission)**

**Lowri Evans** noted that the EU-Japan relationship matters, making reference to the huge amount of investments from both sides. FDI from Japan to Europe stands at EUR 160 billion, which is twice as high as EU investments in Japan, and this amount is increasing at around EUR 10 billion per year.

Ms Evans highlighted the single market as one of the EU's biggest achievements. Market integration has successfully created new job opportunities and boosted economic and business competitiveness. However, one of the challenges is that single market does not function sufficiently well for the services sector. The share of service sectors under intra-EU trade only accounts for 6% of GDP while the share of goods stands at 22% of GDP.

The single market must adopt to a changing environment. One of the new business models considered was to support SMEs and start-ups more vigorously. Due to the size of economies, SMEs easily face competitiveness issues while there are not sufficient helpful schemes for start-ups in Europe. SMEs and start-ups have great possibilities in boosting economic competitiveness if they are able to access capital more easily. To support entrepreneurs, two measures were suggested: removing administrative barriers such as NTBs and improving the condition of regulatory cooperation including government procurement and service investment.

Divergence of regulatory frameworks is also an issue the EU needs to tackle. To create a compatible business environment in practice, an increase in standardisation cooperation would be indispensable, leading to greater cross-border cooperation, and the conclusion of the FTA/EPA.





**EU-Japan Centre**  
for Industrial Cooperation

日欧産業協力センター

This report was prepared by the European Institute for Asian Studies (EIAS) and is published by:

The EU-Japan Centre for Industrial Cooperation

Shirokane-Takanawa Station bldg 4F  
1-27-6 Shirokane, Minato-ku,  
Tokyo 108-0072, Japan

Tel: +81 (0)3 6408 0281

Fax: +81 (0)3 6408 0283

URL: [www.eu-japan.eu](http://www.eu-japan.eu)

December 2015