



EU-Japan Centre
for Industrial Cooperation

日欧産業協力センター

Seminar Report

Japan – the land of the rising business opportunities

Tuesday, 22 March 2016



Event co-organised with



Summary and major issues discussed

This EU-Japan Centre seminar was organised with the support of the Polish Confederation Lewiatan and addressed current and possible future Polish-Japan (EU-Japan) business opportunities. It considered the likely impacts of the FTA/EPA that the EU and Japan are currently negotiating, strategic reforms that the Polish Government is in the process of making and emphasised the importance of innovation. 100 people took part in the event.

More photos and links to available presentations can be found on the event web page:
<http://www.eu-japan.eu/events/japan-land-rising-business-opportunities-poland>

Seminar Outline

- **Date:** Tuesday, 22 March 2016
- **Venue:** Hotel Bristol, Warsaw, Poland
- **Programme:** for the full agenda see the event webpage



Opening Session

The Opening Session considered Poland-Japan economic links from two perspectives – a bilateral one and as part of the EU-Japan relationship. It assessed the benefits that the EU-Japan free trade agreement under negotiation will bring and addressed investment policy and other reforms proposed by the Polish Government.

Henryka Bochniarz, President, Polish Confederation Lewiatan

Dr. Bochniarz explained that Japan has a special place in her heart – she is President of the Polish-Japanese Economic Committee. There have been good times and bad times, but today Japan is ‘closer’ (given the new direct flight), but we can complain about ourselves given the potential room to improve cooperation between our countries particularly given the closeness of reaching a free trade agreement (FTA/EPA). Lewiatan and BusinessEurope are very happy that we are approaching a formal agreement that definitely will help Polish firms enter Japan.



She had been part of [President Komorowski’s 2015 mission to Japan](#) and was surprised how many private companies were active in Japan and do not have any ‘complexes’. Understanding different cultures and how to find a way to get there is important for companies looking to enter other markets and this shows how Polish firms have developed over the last 26 years.

H.E. Shigeo Matsutomi, Ambassador-designate of Japan to Poland



Ambassador Matsutomi reviewed Poland-Japan economic ties – Poland-Japan business relations have expanded in size and density with the value of bilateral trade in 2015 being zł 10 billion (€2.3 billion, ¥ 294 billion), a 4-fold increase since 2004, but he wanted more. Japanese investments in Poland are diversifying – previously they focused on the manufacturing sector and exported to other EU markets, but as the Polish economy grew with strong consumption, Poland has become a targeted market and a central hub in the region. As a result, Japanese investments have diversified and cover many non-manufacturing sectors. Joint business endeavours in third countries have also started. He saw the next steps as more collaboration in both business ventures and joint R&D facilities and Japan now regards Poland as an important investor in Japan. Business collaboration is one of the most important pillars for bilateral ties, but this also has to be seen from the perspective of bilateral EU-Japan relations. The FTA/EPA will be a very important tool – negotiations began in 2013 and, he hoped, would conclude as soon as possible. Having arrived in Poland on the first direct flight, and having attended a Poland-Japan event in Tokyo, he detected a strong interest between Polish and Japanese businesses and hopes that the new traffic of people will develop new active interaction between many people.

Turning to investment, he noted the Polish Finance Minister's announcement of reviewing all Poland's Bilateral Investment Treaties (BITs), particularly those with other EU member-states. Although there is no Poland-Japan BIT he thought it was an interesting decision reflecting a new Polish attitude towards investment and a new division of the investment 'mandate' between the EU and Poland. Having been an OECD investment expert in the 1990s, and being involved with the [failed proposal for a Multilateral Agreement on Investment](#), he said he would watch the situation with interest.

Dr. Bochniarz echoed the Ambassador's questions – while Lewiatan welcomes the Government's proposals to coordinate actions to promote economic cooperation, it worries to what extent this completely new structure can bring something positive.

Katarzyna Kacperczyk, Undersecretary of State for Economic Diplomacy, the Americas, Asia and Europe, Ministry of Foreign Affairs



Minister Kacperczyk welcomed the fact that the event went beyond pure Poland-Japan ties including what Japan can offer to Polish investors, and instead placed them in the context of the EU and the EU-Japan FTA/EPA negotiations and hoped that the seminar would raise issues that could be taken up by the Polish Government and implement them both in the bilateral and broader EU contexts.

She noted that Poland's excellent relations with Japan are now at the level of a 'strategic partnership' and adopted a very good agenda for cooperation and excellent projects. There is huge interest on both sides to explore new possibilities for cooperation. The [2016 mission to Japan led by Radosław Domagalski-Labędzki](#), Vice-Minister of Development, reinforced this. The Government promises to maintain this strategic partnership and to try to fill it out with concrete proposals. Japan is a key Asian partner – in the year to January 2016, trade with Japan rose 50% and she hoped that this tendency would be maintained. The direct flight provides an important impulse to exchange business, investors and tourists and will promote business opportunities. With LOT and ANA discussing code-shares and deeper cooperation, this can be intensified and she hoped that the Government of Japan would help strengthen LOT/ANA cooperation. Poland and Japan have strong investment ties – Japan has become a destination for Polish investors and she welcomed the significant level of Japanese investment in Poland – over the past 25 years, 300 Japanese firms have invested in Poland with 80 in manufacturing linked to a high-level of technological development. The Government of Poland hopes that its new [Plan for Responsible Development](#) (aka the Morawiecki Plan) will also be an additional stimulus for attracting new investments with new financial instruments and structures.

Minister Kacperczyk has followed the FTA/EPA issue for a while, helping prepare the Commission's negotiating mandate. The Polish EU Presidency showed that Poland has always supported the talks and wanted an ambitious agreement – the focus should be securing a good and effective agreement that will serve Polish, Japanese and European companies, not on the timing. Many issues offer huge potential.

Tariffs are very important, and the FTA/EPA will ensure *real* market access in both directions. Agriculture and sanitary & phytosanitary (SPS) measures are key issues for Poland and public procurement is an important aspect for both sides as it would boost investments in both directions. She hoped that with the completion of the TPP negotiation, Japan would bring new energy and motivation to push the EU-Japan FTA/EPA talks to close. FTAs create many expectations. Businesses need to know that these agreements themselves will not make any change to business – instead, the important issue will be how to use these agreements. The Polish Government and Lewiatan will work together on explaining the opportunities the EU-Japan FTA/EPA can offer Polish businesses. There are many areas where we can strengthen and deepen our cooperation – e.g. agriculture – Japan has guaranteed Polish beef and pork access to the Japanese market, enabling Polish meat producers to increase exports to Japan. On energy, we have an excellent dialogue on traditional and renewable energy and joint mining projects in third countries. Another area for cooperation, currently overlooked, in our business and investment agenda is innovation – Poland will invest heavily in innovation and in innovative products and there is a huge opportunity for Japanese investors, researchers and technical schools. We should look beyond strict business cooperation to build consortia involving investors, research centres, etc.

Silviu Jora, European Commission / EU Delegation to Japan

Silviu Jora explained the importance the European Commission attaches to economic growth – searching for new sources of growth is the new ‘mantra’ for business leaders and policy-makers. [Agenda 2020](#) – the Commission’s main strategy – is about growth and one aspect encourages companies to venture beyond the EU’s internal market. Japan is ‘the land of rising business opportunities’ and offers huge potential to EU companies given the sheer size of its market and its investment potential – the level of the EU’s outward FDI in Japan is 1/6 that of its inward FDI from Japan.



The Abenomics reforms – particularly the ‘[Third Arrow](#)’ making Japan more globally competitive and more open to investment – and the FTA/EPA that could raise EU exports to Japan by 30%. The Commission has put in place measures focusing on the internationalisation of SMEs (the most dynamic type of company in the EU and the ones that encounter the greatest number of difficulties to internationalise). 13% of EU SMEs venture outside the Single Market, but the rates vary between EU Member-States – Poland’s 1.6% is less than half the EU average (3.5%). The [COSME](#) programme provides €70m/year of access to market support mechanisms to help SME internationalisation through various measures. Such EU support is but a drop in the ocean – help is also offered at member-state and regional levels. On investment, Ambassador Matsutomi raised a very important issue. Member-states are responsible for *investment promotion*, whilst *investment protection* is an exclusive EU competence and forms part of the EU’s new ‘economic diplomacy’ role.

The motivation for organising this event in Poland is to show Japan that the EU is not just about the economic crisis and stagnation – instead it is about economic growth and possibilities, and Poland is a showcase for the opportunities offered by the enlarged EU – it is no surprise that Poland has attracted Japanese investment. It is time for Polish companies to venture into the Japanese market – the potential is there and support is on offer – but it is for companies to plan their own strategies for Japan.

Session 2 – Polish-Japan Trade and Business Opportunities through an EU-Japan Free Trade Agreement

This session placed the EU-Japan FTA/EPA in the context of a global ‘race’ to conclude bilateral FTAs, addressed why the Japan-Poland relationship is important and emphasised the importance of innovation.



Aiko Higuchi, Director, EU-Japan Centre for Industrial Cooperation

Moderator

Aiko Higuchi outlined the history of the current EU-Japan FTA/EPA negotiations for a comprehensive and ambitious agreement. Launched in 2013, the FTA will secure economic growth in both the EU and Japan. There have been [15 rounds of negotiations](#) thus far.

Maciej Falkowski, Deputy Director, Department of Economic Cooperation, Ministry of Foreign Affairs



Maciej Falkowski explained that Poland is looking forward to having the FTA/EPA in place as soon as possible. Besides the agri-food sector (Poland is Europe’s ‘food basket’ and is looking for opportunities to export its quality foods to Asian markets), R&D and innovation can benefit the most from more liberal trade rules. The Morawiecki Plan will provide a better scheme for investing in R&D, innovation and the creative industry in Poland and Japan will be a prime partner for this, with Poland supplying billions of złoty and intellectual capital resources. This creates a unique opportunity for companies and research centres in Asia looking for new perspectives and new sources of growth. American, German, Taiwanese and Israeli investors have shown increased interest and Mr Falkowski looked forward to seeing such interest from Japan.

There is good collaboration in the mining industry with big contracts. In addition to the pure joint venture for copper mining in Chile, he hoped that Japanese companies would help modernise Polish energy facilities – already one Japanese company has agreed to invest zł 6 billion (€1.4 billion, ¥ 173 billion) in a new power plant. As part of the central Europe global value chain, Poland benefits from German, French and British investment – particularly in the automotive and medical sectors. The Government hopes to see a big increase in the pharmaceutical sector (a Polish growth area). These sectors will benefit if non-tariff barriers (NTBs) such as standards or technical barriers can be minimised.

Hosuk Lee-Makiyama, Director, European Centre for International Political Economy



During his presentation, **Hosuk Lee-Makiyama**¹ explained that although the EU and Japan share common values in a very unstable world, this could be derailed by short-sightedness in trade. In the absence of global trade rules FTAs are inevitable – we are therefore part of a friendly, but competitive race with the rest of the world. Parallels can be drawn between Europe of the 1950s and the Asia-Pacific region today (the economies are becoming integrated, increased levels of growth and the level of trade has doubled in the last 15 years). Both the USA and the EU have decided to conclude as

many FTAs as possible. Opening up trade *is* important. Some agreements have not gone so well. The race happens with or without us – [TPP](#) is the biggest trade agreement not involving Europe. TPP’s trade

¹ Lead author on the [“Trade Sustainability Impact Assessment](#) of the Free Trade Agreement between the EU and Japan” report for DG TRADE

diversion aspects will eliminate all the gains Europe has made from all its existing FTAs. If you care about Europe's global competitiveness, we will lose out if we do not conclude FTAs.

Why seek an FTA with Japan? China's economy may have overtaken Japan's, but 82% of Japan's economy is consumption (42% of China's). The FTA/EPA's key sectors are ones in which we are beginning to lose out against the global competition (food & beverages; machinery; electronics – we are increasingly partnering with Japan, not competing with it; retail). NTBs affect many issues and include non-discrimination and openness, technical protocols, IPRs, investment. But this is not just about ways of opening up trade and increasing JVs and industrial cooperation, but both Japan and the EU (and the USA) are declining powers – the rest of the world is getting stronger and holds very different views about what the rules should be.

Previously, Mr Lee-Makiyama had been responsible for investment issues (as part of the [Article 113 Committee](#)). Whereas, at the time Poland had not been very active, it is now one of the 'big 4' member-states when it comes to commercial policy. Polish exports to Japan are very diversified – pork products, fruit juices and tobacco are major export products as are high-end graphite and porcelain. Poland even exports smart phones to Japan. Although the FTA is bound to happen given the way Europe is being 'squeezed', the 2016 political commitment does not amount to much. TPP ratification is the key. We will get to the EU-Japan FTA/EPA eventually. The crash of the Chinese economy will speed this up. In the last quarter, EU trade with China has fallen 10%. Japan's highly sophisticated demand with a unique consumer culture means it is the way we will go – even local British cheeses, Polish ham and chocolate can be found in Japanese department stores.

Professor Jan Bossak, Warsaw School of Economics, Polish-Japan Economic Committee

Jan Bossak argued that the EU-Japan negotiations are not for a classic free trade agreement, but given the breadth of issues to be covered would amount to an economic partnership or strategic partnership agreement, including ones not covered by WTO. Given we are talking about globalisation, we should look at financial and current accounts, consider social security aspects and environmental standards. It is important that an agreement be concluded as it will reduce risks, ensure transparency and stimulate entrepreneurship.



Both Japan and Europe have problems with dynamics – Japan's expansion of the late 1950s to 1970s gave way to deflation and Europe has problems with high levels of unemployment. Liberalisation will stimulate entrepreneurship, investment and innovation is crucial. Trade diversion, trade creation and spill-over effects are also important. Prof. Bossak did not feel that the USA and Japan were 'sunset economies' – whilst this might be true for traditional sectors, they are still very strong on innovation, IPR and other issues and control transnational corporations and networks.

So why is Japan important for Poland? Japan invests 6-7x more in Spain than in Poland. Japan does provide a lot of exports, but also takes imports and is trying to subcontract systems to Polish SMEs. Japanese transnational corporations are very specific – trading-houses (*keiretsu*) have an active role to be played developing cooperation both bilaterally and to third markets. Polish exports to Japanese *keiretsu* are much larger to third countries than to the Japanese market. In the 1970s / 1980s, many projects were carried out through subcontracts to the Middle East – they were 3x more important (in terms of exports) than Polish-Japan bilateral relations at the time. We should look to *keiretsu* and *sogo soshas* as potential partners – 10 are already located in Warsaw. You cannot be a winner in today's world economy without cooperating with transnational corporations and particularly those interested in sub-contracting. We can expect Japanese investment in Poland to bring more added-value and innovation – until recently investments focussed on cheap labour. Japan is the second most innovative country (after the USA). The FTA/EPA can only provide an institutional background. There are big asymmetries – Poland is at a lower level of development, so areas of fruitful cooperation include power/energy sector and cleantech – Japan leads in such technologies. There is huge potential – the agreement will address rules of the game, reducing systemic risk and transaction costs and providing pressure for more entrepreneurship, investment, innovation, modernisation and new possibilities of cooperation with Japan. Japan is very different to the USA and the EU – if Poland wanted to develop a nuclear power sector, France would be the only European country that could provide technology, although both the US and Japan could too. The FTA will open new possibilities to enable public procurement, to finance such projects and will create lots of new possibilities through systemic change.

Q&A

- **Unique consumer culture** – consumerism in Japan is very domestic with a brand loyalty towards Japanese products more than South Korea where more foreign companies come in and do business.

For Mr Lee-Makiyama, at a macroeconomic level it is very true that Japan has a very low import penetration from Europe – there are a lot of foreign products coming in, but they do not come from Europe and it is not only down to Japan's historical links to the USA. China has a higher rate of imports but that is because it does not have its own tertiary sector and so has imported a lot of technology and parts. He would argue that brand loyalty – buying local products – is stronger in Europe and Korea than in Japan.

- **On innovation and R&D** – whereas Japanese companies (particularly home appliance ones) used to conduct R&D in-house, they now looking to outsource it, establishing networking with foreign entities often start-ups trying to sell niche ideas. But there does not appear to be many Polish start-ups selling niche ideas to foreign companies – are there any constraints in Poland to start such a business?

For Mr Falkowski, it is hard to talk about concrete impediments preventing young people from starting their own businesses. The issue is the eco-system, but the Government and public agencies are addressing this and the situation will approve. An invitation, to US and German financial experts to support the National Centre for R&D and create new financial instruments, was a turning point. Financial support and agencies exist, but somehow they do not translate into start-ups. Foreign companies are establishing R&D centres in Poland benefiting from talents and capital, but original Polish start-ups are yet to emerge. The Government will support the process, but we still need to wait for this change.

For Mr Lee-Makiyama, it is important to bear in mind the fact that the EU is primarily an export-led economy (Europe, in fact, exports far more than China). Japan, on the other hand, has transferred into investment and R&D-related trade, focusing on collaboration not exports. We should also consider our own deficiencies – our export dependency and lack of jobs and lack of capital – we need this 'smart money' (FDI that is linked to R&D) and how good 'the match' is, is important.

For Prof. Bossak, Japan imported technologies and knowhow from late 1950s to 1970s and appeared to be a very innovative country with many of products being commercialised and risks being taken. This partly explained Japan's success, but 95% of Japan's innovation was on imported technologies not based on Japanese academic research. Today, Japan spends 4% of GDP on innovation and has fewer successes. By importing technology it closed the gap, modernised itself and later became engaged in its own research and commercialising that research. Poland today, is in the same situation – spending less than 1% on GDP so should focus on 'closing the gap' before becoming 'more original'.

Session 3 – Polish Success Stories with Japan

This session heard the stories of two Polish companies that have established strong relationships with Japan.



Henryka Bochniarz, President, Polish Confederation Lewiatan

Moderator

Dr. Bochniarz thought the two case study companies would be able to provide positive and negative aspects of being active on the Japanese market. One company is extremely traditional and representative of how Poland is perceived from abroad – as a provider of agricultural products and another specialising in wastewater treatment.

Andrzej Mróz, Vice President and Chief Technology Specialist, INWATEC SP. Z O.O

Andrzej Mróz began [his presentation](#) (in Polish) explaining how, and why, his company began working with Japan:

- 11 years ago, following a doubling in the price of a floater device it used, his company decided to develop a better solution and discovered that [Nikuni](#) produced a device that would be its dream solution. Making the first contact was challenging, but 8 months later it got its first Nikuni device – and it is still working! No one believed that the Japanese solution (a small bubble) would work better (than a big bubble), but now the technology is understood and seen as being more energy efficient.
- Another encounter with Japan came at a trade fair in Munich, there Mr Mróz saw a Japanese device – the exhibitors told him what it did but he was able to explain to them how it was built. This device worked better than any centrifuge and is used by Poland's largest pig slaughter company.
- His company uses [Kuraray Aqua's](#) 4-µm technology for cleaning wastewater. It needs to be transported in water. Inwatec is waiting for a Belgian company to start producing this technology.
- In 2011, Mr Mróz took part in an EU-Japan Centre course in Japan. Coming after the Great East Japan Earthquake, he found the homestay part of the course quite challenging, but later found it much easier to establish contacts with his company's partners. Whilst in Japan he learnt some mistakes that people make – if you are a Vice-President in a company and write to a Japanese Vice-President, your letter might be opened by a much lower-ranking person and can take a while to rise up. Instead, he now writes to the low-ranking person (but without revealing his own rank) and can get a response directly.



His company now competes with other companies and works together with its Japanese partners in third markets – such as Australia where Nikuni put his company in touch with one of its clients who wants to clean strawberries (including for export to Japan). His company has also helped modernise a Norwegian salmon breeding farm. Inwatec is helped by some Polish expats in Tokyo and cooperates with its Japanese partners with whom it has very good relations. Mutual respect is the key – respect for your partner is essential, but you also need to offer the highest quality of product.

One challenge is IPR protection – it can hamper technology transfers to Poland as in many cases, patent-protected technology can be copied. His company imports genuine Volute presses from Japan for assembly, but illegal copies manufactured in Korea, China and Russia are also available in Poland.

Sławomir Łysakowski, Export Specialist, Animex Foods

During [his presentation](#), Sławomir Łysakowski explained that although his company is mainly concerned with meat products, for 40 years it has cooperated with Japan supplying quality goose down for use in luxury bed linen, sleeping bags and jackets. Japan is its key market – accounting for 2/3 of its sales. Japan is the strictest market in the world, but a huge market for goose down and other luxury goods and is willing pay an 'adequate price'. Animex listens attentively to its Japanese partners' needs and has studied the consumer market and business culture.



The secrets to its success are its focus on quality (and keeping improve it), service, culture, (building) trust and *kaizen* (continuous improvement of all process and at all organisational levels). The laboratory and quality control are at the heart of it. Japan is meticulous at checking – Animex meets all of its requirements. When problems arise, his Japanese partners want to help solve and eliminate them – if you find a partner and show it respect and that you take care of its business, it will not be interested in giving up the relationship. He travels to Japan twice a year, and also meets people at trade fairs. Any business servicing is done in Japanese (Animex tried using English but found that limited business opportunities). Gestures are important – so when his company receives a visit from Japan, it flies a Japanese flag and lists the names of its visitors on a welcome board. Offering *omiyage* (small, traditional gifts) is important. Traceability is also very important in Japan – Animex's clients have visited its premises to see where the product comes from.

Q&A

- **What were the most positive and negative surprises you had?** Mr Mróz had various surprises – the significance of mutual respect – it took two years of travelling to Japan to build; the importance of travelling to Japan (even briefly) – the [EU-Japan Centre's services](#) can help; the fact that if something is planned, there is no way it can be changed; and the fact that when key suppliers disappeared as a result of the 2011 tsunami, companies reduced but maintained production. Mr Łysakowski identified the high level of service but cautioned that it was important to know Japanese culture (e.g. arrive early for appointments).
- **The size of their market shares in Japan** – it has taken Inwatec 10 years to build trust and work with Japan in third markets, only now is it beginning to think about entering the Japanese market (e.g. for fruit cleaning), and only at a small scale. The devil is in the detail – start working with Japan – it is strong on details. Polish graphite is the biggest in the world, but is not profitable, as Poland does not know how to commercialise it – Japanese partners could help with this. Animex's market for goose down in Japan is worth \$10m.
- **Payment culture** – For Mr Mróz, delays in payment are unthinkable for Japanese companies. For Mr Łysakowski, payment dates are set in contracts and are always on time for large amounts but can take a little longer for very small amounts.
- **Are simple customs procedures the real issue confronting EU exporters to Japan – not issues such as tariffs, environmental regulations or even ISDS?** For Animex, neither price nor (customs) barriers are a problem. The challenge for new entrants is to know your market and why you should sell to Japan – know-how is more important than tariffs or documentation.
- **Have you 'imported' efficiencies/benefits you got from Japan to your other clients?** Animex also buys from Japan (bedding and fabric) and its production staff have visited its clients and take excellent ideas back with them – things change between visits so the learning opportunity is there. Mr Mróz said that, 10 years ago, it was not easy to transfer Japanese technology to Poland given the costs of solutions. But Japanese equipment can now compete very successfully and so the general opinion in Poland about Japanese equipment is now very good and so people are prepared to pay a premium and Inwatec has established a local supply of spare parts.

Session 4 – Support For Doing Business in Japan

The EU-Japan FTA/EPA is a necessity for both sides. Support programmes exist to help Polish-Japan ties.



Naofumi Makino, Director General, JETRO Warsaw

[JETRO Warsaw's presentation](#) was given (in Polish) by Małgorzata Szmidt, Research & Project Coordinator at JETRO Warsaw. JETRO Warsaw was established in 1975. JETRO's original aim was to support Japanese businesses (investors and exporters), but now supports foreign investments into Japan.



Naofumi Makino noted that there is interest in small investments in Japan – JETRO Warsaw supports 10 Polish companies in Japan (including LOT airlines and a tourism company). The FTA/EPA is not just about tariffs and regulation but can also be a wake-up call. The problem is about a lack of knowledge of the Japanese market – the FTA/EPA will show Japan is more open to foreign markets.

Dariusz Karwowski, Chief Project Manager, Polish Information & Foreign Investment Agency, PAIiZ

Dariusz Karwowski (speaking in Polish) saw Japan as a market of the future. PAIiZ and JETRO signed an MoU in 2013, co-organised various activities and agreed an action plan in 2015. The current Polish support structure (19 organisations offer help) is confusing. PAIiZ will support the development fund part of the Morawiecki Plan and an agency for the internationalisation of Polish companies will be established as an export support agency, but patience is needed. The Polish Government will focus on the internationalisation of Polish industry and is very fond of the Japanese investments in Poland. The 2003 agreement that led to Toyota's investment in Poland was followed by Suzuki and others. Now there are 13 Japanese projects in Poland, worth 300m and accounting for 4,000 jobs.



Pawel Widel, President, Automotive Employers' Association of Poland

Pawel Widel explained that the automotive industry was supportive of FTAs and global agreements, but wanted equal rights and opportunities – the [EU's FTA with Korea](#) was imposed despite the sector's objections. There has been good progress in the EU's negotiations with Japan on the automotive sector. Tariffs is not the issue. However, as far as NTBs are concerned, the devil is in the detail with country-level regulations, regional regulations and a new wave of global regulations. Two problem areas are Japanese support for *kei cars* (a small segment of the market without external competition) and the future of the industry given hydrofluorocarbon regulations etc. ACEA (the industry's European umbrella organisation) is generally 'quite satisfied'. There has been good progress on zoning issues. There is no option, but to sign an FTA.



Mr Widel fully supported the idea of eliminating NTBs, particularly on technical regulations. The industry's objective is that once a car is approved for sale on the EU market it should be considered approved for the Japanese and US markets too. He welcomed the competition offered by the Japanese car industry. If the EU, Japan and the USA agree regulations, they will set standards for the world; if not, China and South America might.

In terms of cars, Poland has a huge trade deficit with Japan – it imported \$500m of cars from Japan in 2014, but exported only \$63m to Japan. Japanese companies manufacture cars and components in Europe. Therefore, even if Japanese cars are not produced in Poland, his industry manufactures components for the rest of Europe (e.g. Toyota manufactures modern engines in Poland) and this affects the balance of trade. The trade deficit for motorcycles is more severe (\$69m worth were imported by Poland from Japan, but \$0m were exported to Japan). The automotive sector accounts for a significant share of Japanese investments in Poland. A good, balanced and fair FTA/EPA is the only viable option.

Silviu Jora, General Manager, EU-Japan Centre for Industrial Cooperation

During [his presentation](#), **Silviu Jora** outlined the activities offered by the EU-Japan Centre – a joint-venture between the European Commission and the Japanese Ministry of Economy, Trade & Industry. Following two decades of trade friction, in the 1980s, the two Authorities decided to start the Centre to explain the opportunities and provide information and training because Japan is different. The Centre offers [business support services](#), [R&D activities](#) and [policy analysis activities](#).



Concluding Remarks

Silviu Jora, General Manager, EU-Japan Centre for Industrial Cooperation



Silviu Jora was inspired by the discussion about the FTA/EPA: Japan's appetite for new products from less-known countries is welcome. With China slowing down, Japan is back and could be a new alternative in Asia – its growth rate may be lower than China's, but it offers other benefits. Costs of doing business in Japan are falling, but they are rising in the rest of Asia, so Japan could act as a hub. Once your product has been accepted by the Japanese consumer it has got a certificate of quality and can easily be exported to other Asian markets.

The two case studies were from very different companies, but the cultural pattern was clear – with an emphasis on time, trust and cost. Gaining trust takes time and cost – so the initial expense can be high, but the returns are commensurate. Japanese partners are risk adverse, preferring a focus on *kaizen* (incremental changes) rather than disruptive changes, and demanding 'perfect' products. Finding the right partner is the key.

The final session looked at investment support from JETRO, and the help that the revitalised Polish agency and strategy will offer, and he was encouraged by the 'tone of optimism' shown by the Polish automotive industry to the FTA/EPA.

Following the concluding remarks there was a networking lunch and a separate cross-cultural masterclass.

This report was prepared by the
EU-Japan Centre for Industrial Cooperation

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