



EU-Japan Business Round Table

“EU-Japan Business Cooperation: Growth for the Future”

Recommendations

Rome, 28 & 29 April 2011

Summary / Key Points

- *On the occasion of its annual meeting in Rome on 28 and 29 April 2011, the EU-Japan Business Round Table (BRT), a forum of some 50 CEOs and senior executives from leading European and Japanese firms, expressed the views of the business community regarding the future of EU-Japan economic relations, and agreed on policy recommendations to the European Commission and the Japanese Government.*
- *The combined EU-Japan economy accounts for 35% of global GDP and for 22.4% of global trade, and the EU and Japan increasingly share similar interests and face common challenges. Nevertheless, bilateral economic and trade flows are stagnating; as in previous years, BRT Members point to the enormous untapped growth potential in EU-Japan trade and economic relations.*
- *In this context, the BRT renews its call from last year on the Authorities to:*
 - *strengthen significantly EU-Japan cooperation in the common priority areas identified to drive future growth, while addressing global challenges;*
 - *start negotiations on a balanced and mutually beneficial bilateral agreement, as soon as the EU and Japanese Authorities agree that the right conditions are met, in order to promote an ambitious development of trade and investment between the EU and Japan.*
- *During the past year, important and cooperative political efforts have been made between the EU and Japanese Authorities, including the work of the High-Level Group. The BRT regards these efforts as elements of progress and as steps in the right direction.*
- *Reciprocity and mutual trust are keys to the success of any further cooperation and market opening between the EU and Japan. BRT Members call for stronger top-level political commitment and leadership on both sides to make the best use of the current momentum at the next annual EU-Japan Summit.*



1. Introduction

The EU-Japan Business Round Table (BRT) held its annual meeting in Rome on 28 and 29 April 2011. The meeting was co-chaired by Dr. Jean-Yves Le Gall, Chairman and CEO of Ariespace, and Mr. Hiromasa Yonekura, Chairman of Sumitomo Chemical Co., Ltd.

The BRT had the pleasure and honour of welcoming high-level representatives of the European and Japanese Authorities, Mr. Antonio Tajani, Vice-President of the European Commission, Mr. Chiaki Takahashi, State Secretary for Foreign Affairs, and Mr. Hideichi Okada, the METI Vice-Minister for International Affairs.

The BRT Meeting took place at an exceptional time, only a short period after the earthquake that struck Japan on 11 March and the tragedy that followed. BRT Members wish to extend their deepest condolences to the victims of this tragedy. They are dedicated to supporting the Japanese Government in its relentless efforts to contain the crisis and are confident that under its leadership, and with the full support and solidarity of the international community, Japan will soon recover from this hardship.

The 2011 BRT Annual Meeting programme can be summarised as follows:

- Discussion and adoption of general and sectoral recommendations.
- Special discussion on cooperation between EU and Japan industries.
- Discussions with EU and Japanese Authorities on: 1/ Sectoral recommendations, 2/ The potential and conditions for strengthening EU-Japan cooperation 3/ The future framework for EU-Japan relations.
- Informal discussions between Members on subjects of special interest to business on both sides.

The BRT agreed to hand over this set of recommendations to President Herman Van Rompuy, President José Manuel Barroso and Prime Minister Naoto Kan, on the occasion of this year's EU-Japan Summit.

2. Overall Priorities

Although the global economy is growing again, business leaders from the EU and Japan are still extremely concerned by the persistent and often aggravating imbalances threatening recovery. Sovereign risks related to high debt levels both in the EU and Japan are a key issue that requires strong and ambitious budgetary and fiscal consolidation policies from Governments. Sharp currency fluctuations increasingly affect trade flows. Global issues continue to prevail such as environmental and energy concerns, food shortages and rising commodity prices, increasing worldwide social tensions related to rising inequalities within growth patterns, and unemployment. Emerging economies are playing an ever-increasing role, nurturing global growth but increasing the pressure on natural



resources, challenging the competitiveness of the European and Japanese economies, but also offering huge trade and investment opportunities.

As in previous years, all BRT Members again point to the enormous untapped growth potential in EU-Japan trade. The combined EU-Japan economy accounts for 35% of global GDP and for 22.4% of global trade. The BRT urges both sides' Authorities to strengthen the EU-Japan relationship. In the current global context, where the EU and Japan face increasingly similar challenges to overcome together, this call is more relevant than ever.

Members accordingly call on the Authorities to strengthen their cooperation framework and they believe that many opportunities lie ahead for developing fruitful cooperation between EU and Japanese businesses. BRT Members welcome the parallel release in 2010 of "growth through trade" strategies in the EU (the "Europe 2020" strategy and its related flagship initiatives) and in Japan (the "New Growth Strategy" and the "Japan Comprehensive Economic Partnership Policy") and note approvingly that in both documents the EU and Japan recognise one another as vitally important investment and trade partners. BRT Members wish to highlight the similarities in the priority sectors identified to support future economic growth, notably "green technologies" in the areas of energy and environment, network infrastructure related to transport, water and energy, new health and social needs related to the ageing of populations, and "frontier industries" such as aerospace. They also note the focus both sides' Authorities attach to support for innovation, information and communication and next-generation technologies, and to regulatory convergence and the international harmonisation of technical standards, as ways of improving long-term industrial competitiveness. The BRT calls on the Authorities to build on these shared vision and similarities to foster mutual trade and cooperation between the EU and Japan, while addressing global challenges.

Secondly, the BRT reaffirms the importance of opening further markets, enhancing investment and encouraging, through a renewed and adequate framework, the development of mutual trade, based on fair and transparent competition, between the EU and Japan.

In the past year, several developments have taken place between the EU and Japan Authorities.

At the 2010 EU-Japan Summit, in line with previous BRT recommendations, leaders from both the EU and Japan stressed that the EU and Japan, as like-minded global partners and major economies, should systematically aim to work more closely together, both bilaterally and globally. They decided to establish a High-Level Group to conduct a joint examination of the ways to comprehensively strengthen and integrate the EU-Japan economic relationship, addressing all issues of interest to both sides including, for instance, all tariffs, non-tariff measures, services, investment, intellectual property rights and government procurement. The BRT notes that both sides agreed on the conclusion of "a few specific non-tariff issues" under paragraph 34 of the Joint Press Statement of the 2009 EU-Japan Summit. The BRT urges the Authorities to ensure an effective implementation of the agreed texts.

Recently, other developments have taken place. On 24 and 25 March, 2011, the European Council concluded that the forthcoming summit must be used to strengthen the relationship and bring forward our common agenda, including through the potential launch of negotiations for a free trade agreement on the basis that Japan is willing to tackle, *inter alia*, the issues of non-tariff barriers and restrictions on public procurement. The Government of Japan has committed to opening up Japan and to addressing any non-tariff measures within the context of free trade agreement negotiations, as stated in the Cabinet decision of "the Basic Policy on Comprehensive Economic Partnerships" (November 2010).

Japanese business is very much encouraged by these developments and believes that now is the time for the EU and Japan to launch negotiations for an EU-Japan Economic Integration Agreement.

In this context, the BRT renews its call from last year on Authorities to start negotiations on a balanced and mutually beneficial bilateral agreement, as soon as the EU and Japanese Authorities agree that the right conditions are met, in order to promote an ambitious development of trade and investment between the EU and Japan.

Considering the above, the BRT regards the efforts made between both sides' Authorities during the past year as elements of progress and as steps in the right direction.

BRT members believe that fairness and reciprocity are keys to the success of these endeavours, as well as mutual trust in the effective implementation of new rules. There must be a balance in concessions made by both parties in the opening of markets in the EU and Japan for Japanese and EU companies respectively. The BRT therefore calls for stronger top-level political commitment and leadership on both sides to make the best use of the current momentum at the forthcoming EU-Japan Annual Summit.

3. Immediate Action Items – Request to the EU and Japanese Authorities

• Working Party A: Trade, Investment and Regulatory Cooperation

- Strengthen the EU-Japan Economic Relationship.
 - o Start negotiations on a balanced and mutually beneficial bilateral agreement, as soon as the EU and Japanese Authorities agree that the right conditions are met, in order to promote an ambitious expansion of trade and investment between the EU and Japan.
- Support the WTO Doha Development Agenda.
 - o Prevent the closing of world markets and cooperate to achieve a rapid and ambitious conclusion of the Doha Round.
- Apply international standards and enhance co-operation in the promotion of new global standards.

- Support the timely development of business.
 - Cooperate in the area of climate change and environment.
 - Aim for better regulation.
- **Working Party B: Life Sciences and Biotechnologies, Healthcare and Well-being**
 - General: Continue to formulate concrete action plans for Japan's "New Growth Strategies" in Life Science & Biotechnology, thereby focus on the improvement of efficient healthcare practices, food security / supply and innovations in Biotechnology.
 - Health-Care: Finalise the implementation of a new innovation-rewarding pricing system for drugs and pharmaceutical products in Japan, including the abolishment of special price cut at first generic launch, and the abolishment of the rule of re-pricing by market expansion.
 - Health-Care: Improve the pharmaceutical and medical device business environments by proceeding with regulatory harmonisation and a further extension of the "Mutual Recognition Agreement" in order to avoid redundant inspections of manufacturing facilities (e.g. injectable pharmaceuticals and APIs) and establishing more competitive pricing systems to promote innovations.
 - Plant Protection & Biotechnology: Fulfill people's acceptance of GMOs by educating people about the efficiency and safety of GMOs based on scientific knowledge, considering world food supply and demand prospects in cooperation with private sectors.
 - Plant Protection & Biotechnology: Implement concrete action plans for a higher food self-sufficiency of Japan. Shorten the review times for new applications / product registrations in both plant protection and biotechnology.
 - Animal Health: Introduce a 1-1-1 concept (one dossier – one assessment – one decision on marketing authorisation) for all animal health products, further harmonise the regulatory requirements for product registration, shorten review times and recognise the GMP certification for veterinary products.
 - Industrial Biotechnology: Enhance the cooperation between the EU and Japan in order to stimulate the market introduction of bio-based products.
 - **Working Party C: Innovation, Information & Communication Technologies**

Information & Communication Technologies:

- Implement detailed action plans with specific targets and use PDCA cycles to monitor the status of each item under ICT strategy.
- Provide the necessary stimuli to industry to encourage the provision of high-speed fixed or mobile broadband services in the areas where deployment by private sector investment is difficult.
- Prioritise budget allocation for innovative ICT projects in areas such as healthcare, education, central and local government.

- The Round Table recommends the harmonisation of regulations for cloud computing usage in the EU and Japan, application of reduced VAT to eBooks, reviewing the copyright Levy system and the maintenance and joint review of the WTO's Information Technology Agreement (ITA).

Innovation (General):

- Support flagship projects and innovative solutions to common societal challenges through deregulation and inviting investment and expertise from EU and Japanese industry.
- Allocate strategic budgets for innovation investment particularly on education in science, technology, engineering and mathematics fields, and on developing competent human resources in Science & Technology, R&D and test-bed projects.
- Periodically review rules and regulations.
- Continue investment on R&D Infrastructures in national laboratories and universities.
- Strengthen business cooperation between EU and Japanese clusters.

Innovation in aeronautics, space and defence:

- Significantly upgrade the scale and funding of EU-Japan industrial cooperation in civil and defence aeronautics and space.
- Establish broad bilateral cooperation on environmental issues in aeronautics, from noise to emission, at all aircraft speed.
- Aircraft certification authorities should establish cooperation.
- In civil satellite technology, space authorities should establish a mechanism for a formal and permanent dialogue towards cooperation.
- Japan and the EU Member States should establish a regular dialogue aimed at sharing experience on defence purpose satellites.
- Authorities should establish a mutual backup scheme for all government launches using their respective satellite launcher fleets.
- Japan and the EU Member States should make official agreements for government and industry to exchange and protect classified data pertaining to joint development.
- Japan should relax the three principles on arms exports to allow Japan to join in R&D and production of defence equipment with NATO countries.
- Japanese Authorities should make it easier to import and re-export defence equipment for the purpose of trade fairs and other demonstrations.

• **Working Party D: Financial Services, Accounting and Tax Issues**

- While we agree that financial reforms based on the G20 summit common principles need to proceed, we wish to point out that a careful balance between innovativeness, risk appetite and regulation must be struck, and that the characteristics of each country and region should be fully considered.
- We support the trends towards accounting standard convergence and the enhancement of standard setter's governance. We wish to point out that the

view of a company's management is also important when setting standards. Changes in accounting standards have impact on corporate activities and thus on the economy.

- Removal of double taxation is still an important issue and it is important to ensure an arena for wide-ranging dialogues between the tax authorities. We also believe that the transparent and fair taxation are extremely important for global companies, and thus hope that transparent and fair tax reform and its execution are continued.

- **Working Party E: Environment and Sustainable Development**

Natural Disasters and Safety Measures:

- The earthquake and the tsunami which struck Tohoku, and the Fukushima nuclear power plant situation demonstrate the need for independent assessment of risks and consequences as well as the need of a more flexible approach to allow a swift acceptance of support from overseas.

Alternative and Renewable Energies:

- The drivers (climate change, energy independence) for using alternative and renewable energies, including nuclear, will remain. The development of rechargeable batteries and its multiple applications, from EV to smart cities and smart grids is a particular area where Japan and EU should provide support and seek harmonization of infrastructure and regulation.
- In the wake of the Fukushima accident, the rising expectations for nuclear energy call for a strengthened nuclear safety framework. The EU and Japan should cooperate on promoting "world safety standard" and capacity building, and encourage skilled and independent safety authorities.

Securing Supplies of Rare Metal Resources and other Raw Material:

- The EU and Japan should promote actions in international fora to establish a set of rules on access to raw material, as a way to manage in a fair way the pressure on price and availability of these resources stemming from a growing demand and in some cases on limitation of supply.

Global warming issues:

- It is urgent to reduce greenhouse gas emission. It is therefore necessary that the EU and Japan engage all large emitting countries in a new, fair and effective international framework. At the same time, the EU and Japan shall encourage the widespread use of existing energy efficient and low carbon products and technologies, support an effective technology transfer process and cooperate in developing innovative solutions.