

EU-Japan Business Round Table

Brussels Meeting, 6-7 July 2009 “Securing stability in difficult economic times”

Recommendations

Brussels, 6-7 July 2009

1. Introduction

On 6 and 7 July in Brussels, business leaders from the European Union and Japan met during their Annual Meeting of the EU-Japan Business Round Table (BRT). The meeting was co-chaired by Mr. Georges Jacobs, Chairman of the Board of Delhaize Group and Honorary Chairman of UCB, and Mr. Hajime Sasaki, Executive Advisor and former Chairman of the Board of NEC Corporation.

The BRT had the pleasure of welcoming high-level representatives of the European and Japanese Authorities, namely Mr. Günter Verheugen, Vice-President of the European Commission; Mr. Yoshifumi Matsumura, Parliamentary Vice-Minister for Economy, Trade and Industry; and Mr. Yasutoshi Nishimura, Parliamentary Vice-Minister for Foreign Affairs, and, representing the Swedish Presidency of the EU, Mr. Tim Brooks, Director for the International Secretariat at the Swedish Ministry of Enterprise. During a fruitful exchange of views, the BRT Members commented on the implementation by the Authorities of last year's Round Table recommendations and identified key bilateral or multilateral areas for further cooperation.

The challenges and consequences of the current global economic and financial crisis were the top item of this year's EU-Japan Business Round Table agenda. Business leaders had an in-depth exchange of views with Mr. Haruhiko Kuroda, President of the Asian Development Bank, and Mr. Peter Praet, Chairman of the Banking Supervision Committee of the European Central Bank and Executive Director of the National Bank of Belgium on the common responses that the EU and Japan could give in order to overcome the current crisis. Further issues of high interest to European and Japanese businesses that were discussed related to innovation and ICT opportunities, energy efficiency as an efficient tool to tackle climate change, and ways of identifying mutually beneficial initiatives for stronger trade and investment which could provide new potentials for large corporations and SMEs.

The BRT had interesting presentations from the work of its different working parties (WP) and adopted new detailed recommendations of how to develop further EU-Japan relations. Specific proposals for action were adopted and handed over to the European and Japanese Authorities in the areas of Multilateral & Bilateral Trade Relations, Investment, and Regulatory Cooperation (WP A); Life Sciences, Biotechnology and Healthcare (WP B); Information & Communication Technologies (WP C); Financial Services; Accounting and Taxation (WP D); and Innovation, Environment and Sustainable Development (WP E).

This year's Annual Meeting was the last one under the European Co-Chairmanship of Georges Jacobs. The BRT members thanked him for his strong commitment to the Round Table and all the work he had done over the years to strengthen EU-Japan relations. They warmly and unanimously welcomed Mr. Jean-Yves Le Gall, Chairman and CEO of Arianespace, a long-time BRT member, as his successor.

2. Overall priorities

a) Responding to global challenges

Business leaders from Japan and the EU are concerned about the hard impacts the financial crisis and subsequent economic crisis are having on trade flows around the world. The BRT strongly deplores some protectionist rhetoric and some very real protectionist measures around the globe that have had a chilling effect on the trade and investment strategies of companies. The Members of the EU-Japan Business Round Table underline their strong support to open markets and oppose any form of protectionism which aims to close world-wide markets, introduce restrictions on market access, investment or mobility of workers. They welcome the fact that the WTO has taken up the initiative of monitoring protectionist measures or new trade-hampering regulations around the world. Moreover, they call upon the WTO to strengthen its stance by requesting WTO members to explain the reasoning and compatibility with WTO law of their measures to the whole WTO membership.

The BRT remains committed to a successful conclusion of the ongoing Doha round (DDA) but regrets that a DDA breakthrough in 2008 could not be achieved – despite a clear agreement to finalise the round at the G20 meeting on 15 November 2008. A successful outcome of the Doha Round will be the best answer to any protectionist tendencies. However, European and Japanese businesses are very worried that the ambitious level of the objectives sought at the start of the Round will not be maintained in the final conclusions. They urge their Authorities to continue negotiations based on the current modalities and remind them that a successful outcome must provide substantial new market opportunities for European and Japanese businesses, in particular in highly competitive emerging countries.

Japanese and European business leaders are deeply concerned about the devastating impact the financial crisis is having on companies as the major drivers of growth which have been hit by limits on access to finance. This is leading to the breakdown of business activity across Europe and in Japan, hereby also affecting companies that were not linked in any way to the banking crisis.

The BRT calls upon the European and Japanese Authorities to establish the right framework that allows bank credit flows to companies at competitive rates. Business leaders also underline the need to reform global financial systems and to stabilise financial markets. They call upon the Authorities to undertake concerted efforts in monetary and fiscal actions in order to recover the global economy and realise continued economic growth and job creation. In that context, they urge them to ensure that money is well spent and the different stimulus plans do not lead to serious trade distortions. The BRT also reaffirms its commitment to a successful outcome of the international climate change negotiations and the upcoming Copenhagen Climate Conference (COP 15) in December 2009, despite the difficult economic and financial situation. European and Japanese leaders strongly recommend that governments involve ministers of finance directly in the negotiations to discuss how to move ahead on climate financing in the current constrained financial conditions.

b) Strengthening bilateral cooperation

This year's BRT Annual Meeting discussed in particular the benefits the stimulation of innovation and promoting new technologies could contribute to bringing solutions to global challenges including climate change. Moreover, BRT members advocated that their Authorities envisage mutually beneficial initiatives for stronger trade and investment which could provide new potentials for large corporations and SMEs.

The BRT welcomed the joint statement published on the occasion of the 18th EU-Japan Summit held on 4 May 2009 in Prague. BRT Members welcome in particular the announcement that Japanese and European Authorities agreed to strengthen their cooperation with a view to exploiting better the full potential of their economic relationship. BRT Members give their strong support to putting the focus on a few specific non-tariff issues which are expected to bring concrete outcomes in a mutually beneficial way and in a short-term period.

3. Immediate Action Items – Requests to Japan and the EU **Short summaries of working party reports**

Multilateral & Bilateral Trade Relations, Investment and Regulatory Cooperation

- Further advancement of governmental discussion at the highest political level to work towards an ambitious reduction of restrictions to trade and investment between the EU and Japan. This political will should be translated into concrete, measurable improvements in the business and trade environment. Focus should be set on a broad range of issues, such as harmonisation of regulatory processes, mutual acceptance of product standards and certifications, competition rules, services and procurement.
- In the current global economic crisis, Japan and the European Union should work together towards further liberalisation of trade and investment and the prevention of protectionism. The European and Japanese business communities urge their political leaders to adhere to their commitments of the London G20 meeting in order to prevent both the closing of world-wide markets and the introduction of new restrictions on investments, market access and mobility for workers. Moreover, the European and Japanese Authorities should give their strong support to the role of the WTO in the fight against protectionism and request all the WTO members and countries negotiating WTO accession to explain, justify or defend any future protectionist measures before the WTO monitoring system.

Life Sciences & Biotechnology, Healthcare & Well-Being

- To increase the cooperation between the EU and Japan and enhance global competitiveness, we suggest a number of actions that would strengthen a joint approach in the area of Life Sciences, biotechnology, healthcare and well-being:
- Eliminate barriers to the creation of innovative drugs and medical devices throughout the whole value chain, especially with regard to the appropriate evaluation of innovations and patient access to them in every national healthcare system.
- Promote the “public understanding of life sciences and biotechnologies” so that GMOs, biofuels, etc. are recognised as powerful and necessary technologies for achieving a sustainable society in the future.
- Increase spending for research on biotechnology and support the collaborative development of biotechnologies by international cooperation.
- Benchmark the EU and Japanese policy strategies and legislation/regulations in Life Sciences and Health in order to stimulate market introduction of biotechnology products made by innovative technologies and to use the positive aspects and advantages of both policies.
- Set up a common task force to analyse which global incentives could be worked out to stimulate or support the reconversion towards a bio-based economy.

Information & Communication Technologies

- Information and Communication Technologies (ICT) are key facilitators for economic recovery, and the EU and Japan have taken a leading role in deploying high-performance broadband infrastructures, with currently 40% of global broadband lines in the EU and Japan. Governments should promote Next Generation Networks as key drivers for economic recovery and to improve the long-term competitiveness of EU and Japan.
- ICT also can be instrumental in achieving a Low-Carbon Society. Studies from Japan and the EU show great potentials for the reduction of GHG by making all environmental activities measurable, reportable and verifiable. Governments should support the development of common metrics and processes for GHG reductions.
- To overcome the global issues, further utilisation of ICT is essential. The Round Table recommends the maintenance of the WTO's Information Technology Agreement (ITA), which has led to greater innovation, productivity, trade investment and economic growth worldwide. To expedite the advanced usage of ICT, we recommend further public private partnership in shaping collaborative policies to assure dependability and information security of new services and technologies such as Cloud Computing, and in advancing e-Government developments.

Financial Services; Accounting and Taxation

- While we agree that the EU countries and Japan should implement reforms based on the common principles upheld by the G20 Summit, we note that innovation is also important and that a careful balance must be struck between innovativeness and regulation.
- To mitigate the pro-cyclicality of bank's capital requirements, the G20 leaders agreed to raise the bank's capital buffer above the required minimum when the economy recovers and allow banks to decrease that buffer during economic downturns to sustain smooth lending. We need to be fully aware that a policy of raising capital buffers or minimum capital levels in response to the business cycle involves the risk of exacerbating the pro-cyclicality of capital requirements should such policy be implemented at the wrong time. We assert that the determination of when the economy is recovering should be made prudently.
- We support the trends toward the enhancement of the governance of the accounting standard setting bodies and the convergence of accounting standards, and look forward to the further developments.

Innovation, Environment and Sustainable Development

- Innovation is required to mitigate climate change and its consequences as far as possible. Key areas are improving energy efficiency, better technologies for energy supply and storage, development of products based on renewable resources, and innovative mobility concepts. Public authorities should give their strong support to the private sector in innovation projects related to climate change; also cooperation between industries and research institutions should be enhanced.
- It is vital to have all major emitting countries participate in the post-2012 framework in a responsible manner. Without the participation of major emitters, any international agreement will not be effective in reducing climate change and its fairness will be compromised as well. It is important to agree on the reduction volume for stabilising GHG concentration, based on scientific evidence and to share reasonable and feasible long-term targets of reducing and deterring GHG emissions. Dissemination of existing low-carbon technologies and development

of breakthrough technology is essential for significant GHG reduction in the long term. A public-private specialised function should be set to create an innovative framework to promote technology transfer, which ensures protection of intellectual property rights.

- To reduce GHG emissions, it is essential to promote reducing reliance on fossil fuels across the economy. Increased utilisation of renewable energy, such as solar, wind, hydro and biomass energy is essential. Nuclear power generation should be promoted among clean energies. Furthermore, the EU and Japanese Authorities should continue their “green policies” beyond the current economic stimulus plans.
