

# **BDRT 2006 Recommendations**

## **PART I**

<b>1 Introduction</b>
-----------------------

The EU-Japan Business Dialogue Round Table (BDRT) held its annual meeting in Tokyo on 13 and 14 July 2006 under the co-chairmanship of Mr. Yotaro Kobayashi and Mr. Georges Jacobs in the presence of Mr. Toshihiro Nikai, Minister of Economy, Trade and Industry (METI), Mr. Yasuhisa Shiozaki, Senior Vice-Minister and Mr. Kiyohiko Toyama, Vice-Minister for Foreign Affairs (MOFA), and Ms Noriko Furuya, Vice-Minister for Internal Affairs and Communications (MIC); and from the EU, Mr. Günter Verheugen, Vice-President, Member of the Commission for Enterprise & Industry.

The annual meeting took place after the important bilateral Summit on 24 April 2006. At that meeting it was agreed that in the current new environment the EU and Japan, which are global partners, should intensify their close mutual cooperation on bilateral as well as multilateral levels.

The EU-Japan Summit leaders shared the view that energy markets are becoming more integrated and that energy security has become an important element in policy-making. They also confirmed the importance of reaching agreement on opening markets for goods and services, as well as strengthening rules in the context of the Doha Development Agenda (DDA).

Therefore this year's BDRT meeting focused all its attention and devoted a major part of its time to a profound, open and practical exchange of opinions between private and public sectors in the presence and with the full participation of the EU and Japanese Authorities.

The following four points were the focus of discussion:

1. Global Competition: Common Difficulties and Experience
2. IPR and Counterfeiting Issues
3. Global Resources Issues, including Energy problems
4. Mergers, Acquisitions and Regulatory Environment

## **2 EU-Japan Actions Immediately Requested**

Since the start of the 10-Year Action Plan for EU-Japan Cooperation in 2001, progress has been made concerning Economic Dialogue, Promotion of Two-Way Investment, Intellectual Property Rights (IPR), Information & Communication Technologies (ICT), the Changing Energy Climate, Regulatory Reforms, and Global Environment Issues. The last EU-Japan Summit, which was held in April 2006, reviewed implementation of the Action Plan with satisfaction.

The BDRT respects the increase of the dialogues between the EU and Japan on major economic issues, which have contributed toward creating better business conditions between the EU and Japan. However, the BDRT strongly feels that concrete actions beyond dialogue by the experts of both sides are needed to create business opportunities in certain areas, in which the BDRT has made Recommendations.

(1) Work on avoiding double taxation and reducing compliance costs associated with transfer pricing taxation

- All out-dated treaties between Japan and EU Member States should be revised, using the new UK- Japan treaty as the model.
- The EU Authorities should support that EU Member States form a joint forum with the Japanese Authorities, which would be similar to the Joint Transfer Pricing Forum established among EU Member States.

(2) Smooth translation of “Innovation” in Life Sciences and Biotechnology to real “social benefits”

- Develop a plan incorporating multiple perspectives based on cooperation from academia, authorities and industry to promote the public understanding of LS/BT, and implement the plan through the strong initiatives of authorities.

- Establish a mechanism for dialogue between the authorities and industries to facilitate innovation in healthcare bio such as medicines by improvement of research and development (R&D) environments as well as pricing policies reflecting their values under officially controlled pricing systems.

### (3) Information and Communication Technologies

- Promote dialogue to enhance security and reliability of ICT systems indispensable to critical social infrastructure, deploying security measures such as biometric technology.
- Approaches to common issues to the EU and Japan such as overcoming social problems by utilising ICT and promotion of education of children for the future generations.
- Further partnership between the EU and Japan concerning R&D and international standardisation in ICT areas such as the next generation network and digital home.
- Development of a regulatory environment by the EU and Japan such as deregulation for promotion of digital convergence, open access to markets, and further competition by businesses.

### (4) IPR and Counterfeiting

- Establish an international rule for IPR protection enforcement especially on non-proliferation of counterfeits and pirated.
- Collaborate to strengthen measures against IPR infringements in Asian countries, and to establish a balanced policy for the content protection and private copying with its fair compensation.

### (5) Joint R&D

- Demonstration projects such as bio-chemicals, bio-materials and/or bio-fuels.

The BDRT is prepared to work closely with the Authorities and other experts to design and implement the work programmes, and the BDRT would request that the Authorities take the necessary initiatives immediately.

## **3 Towards a Broader, Deeper and More Dynamic Cooperation**

At the last EU-Japan Summit, priority actions to be taken by the next Summit were agreed upon, where strengthening the Economic and Trade Partnership utilising the Dynamism of Globalisation for the Benefit of All is one of the objectives.

The BDRT recommended in 2003 that negotiating a Foreign Direct Investment (FDI) Enhancement Agreement, establishing a framework for mutual efforts to promote and facilitate an increase in FDI, and focusing on the following four areas are effective and practical steps to solve the pending issues.

- 1) Eliminating tax-related investment barriers such as withholding taxes on dividend payments between parent companies and subsidiaries and on interest and royalty payments among affiliated companies;
- 2) Facilitating business development through the smooth movement of human resources;
- 3) Facilitating tax-neutral cross-border corporate reorganisations; and
- 4) Promoting regulatory reform.

The BDRT's ultimate goal is to set up a broader, deeper and more dynamic cooperation between both regions. Therefore, the BDRT believes that the time has come to proceed to a mid-term review of the EU-Japan 10-Year Action Plan in order to better take into account the new world economic situation and the outcome of the Doha Development Round. The private sector should clearly be involved in this process in order to reflect the many challenges faced by today's industries.

The first step taken by the BDRT towards its main objective is the setting-up of a working party whose mandate would be to deal with these issues, looking into the background of or reasons for those recommended items under the proposed FDI Framework Agreement which have not shown good progress so far. Based on the results of that survey, the BDRT will consider all possible ways to reach a new era of EU-Japan relations which implies a new scope of cooperation. This includes the possibility of initiating discussions between the EU and Japan on alternative forms of economic integration consistent with commitments to the WTO.

In addition, the BDRT is of the view that the successful conclusion of the WTO Doha Development Agenda is an urgent and top trade priority. It has made Recommendations every year requesting the Authorities to make utmost efforts to reach a satisfactory conclusion.

The BDRT would like to ask both Authorities to give strong support in order to carry out these Recommendations.

#### **4 Longer-Term Perspective**

In the 20<sup>th</sup> century, we achieved tremendous economic development. However, in the 21<sup>st</sup> century, we are facing challenges that could threaten our sustainable development in the future, namely:

- Emerging new economic power called BRICs (Brazil, Russia, India and China)
- Environmental concerns and global warming effect
- Sharp rise of oil price
- Uncertainty of world trade and investment regime and deployment of FTA (Free Trade Agreement), RTA (Regional Trade Agreement) and EPA (Economic Partnership Agreement)
- Lack of consideration for intellectual property value
- Proper usage of Information Technology
- Widening gap between rich and poor
- Increase of security concerns for both business and people
- Conflict of culture around the world

Major world institutions have not changed since WWII. BDRT members feel there is a need to address an institutional deficiency to cope with the new global challenges. The BDRT believes the consideration might be given to establishing a Study Group comprising of officials, academia, and the business community to make concrete proposals within a three-year period.