

PUBLIC CONSULTATION ON THE FUTURE OF EU-JAPAN TRADE AND ECONOMIC RELATIONS

1. Priorities for a forward-looking trade relationship with Japan

1- What should be the objectives and priorities of the future EU- Japan trade and economic relationship? How should the EU pursue these objectives? (optional)

Japan is one of EU's traditional markets and we have common views on many Trade and Economic issues. Despite the fact that we have similar views on many Trade related matters our Trade relations are relatively modest and have not shown many signs of development in recent years. In 2005 Japan accounted for 5,70% of Extra-EU T&C Exports while in 2009 the share was reduced 4,38%. This trend is valid both for Textile and Clothing products although in Apparel is even more visible: from a 8,87% share in 2005 we have come down to 6,50% in 2009.

EU Exports to Japan 2005-2009 Year to date 07/2009-07/2010

European Union Euros								
Commodity	Calendar Year					Year To Date		
	2005	2006	2007	2008	2009	07/2009	07/2010	% Change
TEX&CLO	1.887.027.860	1.841.439.760	1.694.866.970	1.569.875.950	1.331.044.900	843.975.190	825.316.880	- 2.21
TEX50-60+63	635.738.350	614.985.820	560.561.930	519.426.870	395.709.390	235.443.850	262.415.940	11.46
TOTCLOTH	1.251.289.510	1.226.453.940	1.134.305.040	1.050.449.080	935.335.510	608.531.340	562.900.940	- 7.50
TC%/EU	5,70%	5,23%	4,64%	4,33%	4,38%	4,69%	4,27%	
T%/EU	3,35%	3,10%	2,82%	2,75%	2,48%	2,52%	2,43%	
C%/EU	8,87%	7,97%	6,82%	6,05%	6,50%	7,01%	6,62%	

As for Imports, even if the share of Japan in Extra-EU Imports is very small, the trend is slightly different. Japan has managed to increase its Exports to the EU over these last years especially in Textiles. The exception is 2009 but this was an atypical year due to the economic crisis and 2010 is a clear indication that Japan is increasing once more its Exports.

EU Imports from Japan 2005-2009 Year to date 07/2009-07/2010

European Union Euros								
Commodity	Calendar Year					Year To Date		
	2005	2006	2007	2008	2009	07/2009	07/2010	% Change
TEX&CLO	567.926.360	596.903.680	619.464.750	620.380.540	457.101.520	287.821.920	323.835.040	12.51
TEX50-60+63	522.134.530	549.758.400	568.648.620	571.784.040	412.090.640	261.597.650	296.686.510	13.41
TOTCLOTH	45.791.830	47.145.280	50.816.130	48.596.500	45.010.880	26.224.270	27.148.530	3.52
TC%/EU	0,82%	0,77%	0,77%	0,77%	0,61%	0,64%	0,70%	
T%/EU	2,65%	2,56%	2,55%	2,71%	2,33%	2,51%	2,35%	
C%/EU	0,09%	0,08%	0,09%	0,08%	0,08%	0,08%	0,08%	

Considering the development level and purchasing power of Japan it is clear that Trade, as well as Investment flows, are far from what should be desirable. The reasons are mainly related to the complexity of the market as well as to the cultural differences. Japan is a heavy regulated society and because of the cultural differences it is sometimes difficult to find common grounds of understanding, mutual recognition and possible harmonization. This should remain a priority area for the future

cooperation between EU and Japan. Public Procurement should also be a key area. As stated before the EU and Japan share common views on several trade related matters. In this context we should foster cooperation in areas like Raw Materials, Sustainability and IPR. To pursue these priorities it is important to have a high level commitment from the EU and Japan, including the political institutions as well as the business community from both sides.

2. EU-Japan bilateral economic and regulatory dialogues

The EU-Japan cooperation in the sphere of trade takes place in the framework of an Action Plan (http://ec.europa.eu/external_relations/japan/docs/actionplan2001_en.pdf). This Plan was designed for a ten year period, and will elapse in 2011. The EU and Japan have a range of bilateral dialogues on economic, trade and regulatory issues, for example, the EU-Japan industrial cooperation and industrial policy dialogue, the EU-Japan Regulatory Reform Dialogue, the EU-Japan High Level Trade Dialogue. These dialogues were set up with the aim of strengthening transparency on each side's regulatory policy. In some cases, the dialogues also aim to remove regulatory and non tariff measures with a negative impact on trade and investment.

2: How could the effectiveness of regulatory and trade dialogue/cooperation between EU and Japan be improved? (optional)

We believe that the effectiveness could be improved by building on the existing areas of dialogue/cooperation and ensuring a strong political and business commitment to achieve tangible results. In parallel we should promote new areas of cooperation to deal with subjects of common interest for the EU and Japan, i.e. Raw Materials Access.

3: Are there any priority sectors on which regulatory cooperation should focus? (optional)

If yes, please explain, including specific areas or issues to be addressed. (optional)

Apart from the area mentioned above it is evident that a strengthened cooperation on Regulatory issues should be a priority. There is an overall trend to increase legislation in areas related to Consumer Protection and Safety. In this area we should seek harmonization and mutual recognition trying to avoid this type of measure of becoming an administrative burden and an extra cost for companies especially SMEs. An early warning system as well as increased cooperation between business operators and decision makers could be a way to improve the legal and business environment.

3. Tariffs and non tariff measures (NTMs)

A recent survey shows that three quarters of firms perceive the Japanese market as being more difficult than other markets. Besides possible differences in consumer preferences, this is due to technical requirements and related mechanisms to ensure compliance, as well as other regulatory and administrative issues (including Sanitary and Phytosanitary (SPS) related measures. These and other non-tariff measures (NTMs) are perceived by EU economic operators as the main obstacle to the development of trade between Japan and the EU, more than customs tariffs, due to the fact that they reduce the variety of goods that they supply to the Japanese market and significantly increase the costs of exporting to Japan. Another obstacle in many cases is the issue of cross-shareholding practices which remains strong in the Japanese market. Also, variable enforcement of law or changing interpretation of the law by authorities can play a disturbing role for foreign companies.

4a: Are you concerned by regulatory hurdles in Japan in your field of activity in Japan? (optional)

It is a fact that Tariffs are not the major problem to access the Japanese Market as duties are similar to the EU in what concerns T&C. This said some fashion companies are also exporting Leather Articles, namely footwear, and in this case the Tariffs are quite high. According to our information the duties are close to 40%. There is a Tariff Quota (duty of 20%) but it covers only a part of our Exports. Regarding NTBs in our sector the major problems come from the language and cultural differences. This is evident in what regards **Labelling** -care instructions and composition- has different standards and criteria. Moreover changes in the legislation (already in 2010) are not in the sense to make it more business friendly.

Regulatory hurdles

If yes, please specify whether they arise from:

- a) *Divergent standards (optional)*
- b) *Technical regulations (optional)*
- c) *Conformity assessment procedures (including technical specifications, testing and certifications) (optional)*
- d) *SPS related barriers (optional)*

As far as Technical Regulations and Standards in T&C Japan has been doing an effort to follow the EU. We are aware that new legislation is in preparation in what concerns Safety and Consumer Protection. As said before cooperation between business and decision makers is fundamental in this area, as well as early warning systems which can prevent future trade disruptions.

e) *Others (optional)*

If yes, how should the EU address these specific non tariff barriers with Japan? (optional)

As stated above further cooperation should be envisaged between business operators and decision makers from the EU and Japan. This cooperation should focus on promoting harmonization and mutual recognition avoiding the implementation of legal provisions or standards that in practice generate barriers to trade.

4b: If removed, do you think that there would be a significant increase of market access? (optional)

In the current economic and business environment it's not easy to make a direct connection between the removal of barriers and an increase in trade and business flows. However we believe that an improvement in the conditions to access the Japanese market could at least reverse the tendency for a decrease in our Exports to Japan.

If yes, could you estimate the market value of achieving better access.(optional)

As said before it is difficult to evaluate. In our sector the target could be to achieve the Export levels of 2005-2006.

5: In your field of activity, how significant would the remaining barriers be, for instance those related to cultural preferences and behavioural patterns (for example long-term relationship in business) that cannot be easily changed by law on a scale of 1-10? (optional)

The cultural barriers and behaviour patterns are evidently important. All the EU companies doing business with Japan consider these issues as critical and one of the major reasons justifying the difficulties of doing business in this market. We must not forget as well that Japan is located in one of the busiest and fast developing areas in the World and consequently the Trade and Business Patterns of Japan are also influenced by this reality- i.e. China is clearly assuming an increasing importance in detriment of other trade partners.

6: Both the EU and Japan have low tariffs on goods in general except on agricultural products, with average tariff rates of 3.8 % for both partners. The trade weighted tariff protection in Japan for EU exports is 1.7 %, while the rate for Japan's exports to the EU is 3.4 %. This is because the EU has tariffs on products that have large trade volumes, whereas Japan's tariff peaks are generally on products that the EU is not exporting to Japan in any large volumes. Nevertheless, tariffs remain high on agricultural products. Japan's trade-weighted tariff on European food and beverage export is on average 34.7% with several tariff peaks above 500%, while the EU's trade-weighted tariff is on average 12.4%. Are you concerned by tariffs or measures of equivalent effect in your field of activity? (optional)

If yes, how should the EU address these tariff barriers with Japan? (optional)

4. Mutual Recognition Agreement

The EU-Japan Mutual Recognition Agreement (MRA) permits acceptance of conformity assessments conducted by either the EU or Japan according to the regulations of the other in four product areas (telecommunications terminal equipment and radio equipment, electrical products, Good Laboratory Practices for chemicals and Good Manufacturing Practices for pharmaceuticals.

7: Do you consider that this Agreement has been successful in facilitating market access and

promoting trade between the EU and Japan in the sectors covered?

Telecommunications terminal and radio equipment (optional)

Electrical products (optional)

Good laboratory practices for chemicals (optional)

Good manufacturing practices for pharmaceuticals (optional)

8: Should the scope of the agreement be extended to other sectors? (optional)

If so, to which sectors. (optional)

5. Customs procedures, border enforcement and trade facilitation.

The EU - Japan Agreement on Co-operation and Mutual Administrative Assistance in Customs Matters (CCMAA) provides the legal framework to promote trade facilitation for reliable traders, to improve the fight against fraud and to enhance cooperation on the protection of Intellectual Property Rights. The EU and Japan have also recently established mutual recognition of Authorised Economic Operators. Mutual recognition offers enhanced trade facilitation by customs to certified trustworthy traders on both sides who have invested in securing their supply chain.

9: Should the EU increase cooperation with Japan with a view to further simplifying and accelerating customs procedures? (optional)

Although no major problems exist in this area the documentation and information required by Customs could be simplified and rendered more business friendly.

If yes, what should be the EU priorities for the years to come? (optional)

6. Protection of Intellectual Property Rights (IPR)

The EU and Japan share a common interest in addressing IPR infringements in third countries. Cooperation in this field was established in 2003 and re-enforced in 2007 under the framework of the EU-Japan IPR Dialogue where issues of concerns for EU right-holders are raised.

10: Are you concerned by problems of protection and enforcement of IPR in Japan in your field of activity (optional)

If yes, please explain, including specific areas or issues to be addressed. (optional)

We don't have any particular complaints in this areas. However and considering that part of our Industry is fashion oriented the Design Protection is of critical importance. For us it is vital to obtain immediate protection for the Designs even before official registration. This was already recognised in the EU through the protection of the Unregistered Design. We would like that, under the framework of the increased cooperation between EU and Japan, EU Authorities take the opportunity to evaluate with their Japanese counterparts which way it would be possible to obtain the unregistered protection, or at least to extent the protection of the EU unregistered design into the Japanese territory.

11: Should the EU increase cooperation with Japan with a view to improving the protection and enforcement of certain intellectual property rights? (optional)

Yes. See the previous answer.

If yes, what should be the EU priorities for the years to come? (optional)

Apart from the stated before it is obvious that the EU and Japan share common goals when it comes to IPR Protection and fight against counterfeiting and piracy in Third Countries. Cooperation to improve worldwide fight against IPR breach should be considered as a priority. In this framework the Anti-Counterfeiting Trade Agreement (ACTA) is a good example of how best practices in this field can be shared, agreed upon and implemented, provided the Agreement is signed and ratified.

7. Trade in services

The EU exports around €20 billion of services to Japan per year and runs a trade surplus of net €6 billion. Nevertheless, the EU's export of services to Japan appears to be below its potential

compared to other developed countries. Japan's import penetration is particularly low in business services and communications (telecommunication and post) services as well as in financial services, transport and distribution. Certain sectors such as construction are almost totally closed to foreign companies. Difficulties in securing market access to Japan are holding back significant business opportunities for EU services and manufacturing companies.

12: Are you concerned by barriers to trade in services in your field of activity? (optional)

Yes.

If yes, which ones? Please clarify whether: a) They affect your ability to establish physical outlets in the country and supply services through these outlets b) They discriminate in favour of domestic service suppliers c) They affect the price of the services you provide d) They have other restrictive impacts (please specify) (optional)

Even if it is not the major problem it is a fact that the Distribution in Japan is organized differently and that a few large companies are controlling the channels. The system implies that you need to have a local partner and a foreigner operator will have very little chances of success on its own. This system is more burdensome for SMEs who usually have more difficulties to penetrate the market and sell their products.

13: How should the EU address these restrictions to trade in services with Japan? (optional)

The only way will be through High Level Bilateral Dialogue since there are no Bilateral Trade Negotiations with Japan at this stage.

8. Investment

Over the past few years, the EU has become a major investor in Japan in flagship FDI projects. However, foreign investment in Japan remains the lowest among OECD members. In terms of actual value of EU investment, figures are equally striking: EU's FDI stock in Japan is around €75 billion out of the EU's total FDI stock of almost €3 trillion: a mere 2.8% of all outward EU FDI. One important explanation for the low level of FDI is the low number of mergers and acquisitions transactions in Japan. The Japanese government has recognised this problem and proposed a programme for the acceleration of foreign direct investment in Japan which has shown mixed results so far. Further, the rights of minority shareholders are very limited and a hostile takeover is almost impossible.

14a: Are you concerned by barriers to investment in your field of activity? (optional)

If yes, what are the barriers to investment? (optional)

We did not receive any particular complaints in this field. However considering the economic importance of Japan and the fact that we are not foreseeing for the moment a FTA with this country it might be sensible to negotiate an Investment Agreement in the framework of the new EU competences in this area following the Lisbon Treaty approval.

14b: Do you consider that there is a need for the EU to contribute to facilitating EU direct investment in Japan? (optional)

In the line stated in the previous answer.

If yes which avenues should the EU pursue? (optional)

9. Public procurement

The public procurement market in Japan is an area where European firms report difficulties. These difficulties can be split into four categories: a) limited coverage under the WTO Government Procurement Agreement, leading to restricted access to some strategic areas like construction services or local procurement (the threshold for construction services is set at 15.000.000 Special Drawing Rights (SDR) versus 5.000.000 SDR in the EU and most other GPA parties b) obstacles due to a distortive interpretation of Japan commitments under the Agreement on Government Procurement (GPA) or to regulatory or administrative burdens (extensive interpretation of the

operational safety clause to block the access to the railways procurement market or heavy registration procedures for candidates) c) difficult access to notices on call for tenders due to a lack of a single point of access and the scarcity of information in languages other than Japanese d) procurement practices implying advantages for domestic suppliers (award of contracts on the basis of the lowest price or unlimited liability in the procurement for public works).

15: Are you concerned by restrictions in public procurement in your field of activity? (optional)

Yes in particular in the field of Technical Textiles. The legislation in Japan is rather complex, scattered and difficult to interpret. This situation leads to uncertainty and renders applications much more difficult for foreign companies. Possible clarifications or information requests are also difficult to obtain which discourages applications especially from SMEs.

If yes, what strategy should the EU develop to open up Japan's public procurement market? (optional)

Foster cooperation aimed at simplifying procedures, increasing transparency and promoting better information exchange.

10. Competition issues

The European Union and Japan signed an Agreement concerning cooperation on anti-competitive activities on 10 July 2003. The Agreement provides a legal framework for cooperation and coordination between the competition authorities of the European Commission and Japan (Fair Trade Commission). Under the Agreement, the competition authorities of each side are under an obligation to notify the other side of any competition enforcement activities that may affect important interests of the other side. The Agreement provides arrangements (such as regular meetings) to improve mutual understanding of each other's policy and to facilitate cooperation on individual investigations.

Cooperation on removal NTBs

16a: Are there fields (anti-trust/mergers/liberalisation/state aid) where the EU should seek to increase cooperation with Japan with a view to pushing for the removal of non-tariff barriers in Japan?

16b: What should the EU priorities be for the years to come? (optional)

11. Multilateral cooperation

The 2001 Action Plan foresaw a reinforcement of the cooperation between the EU and Japan on multilateral trade and economic issues, standards, the trade financial system and, development. Key to achieving these objectives is close cooperation to strengthen the multilateral trading system through successful completion of the Doha Development Agenda (DDA) and to facilitate the accession and integration of emerging and developing countries into the WTO. In addition, the EU and Japan have been cooperating on regulatory and economic and financial issues in other multilateral fora such as the UN, G-8, G-20 and the OECD.

17: Do you find the results of the EU-Japan multilateral cooperation in these policy areas to be: (optional)

Rather limited.

If insufficient, please indicate why (optional)

The World has changed a lot in recent years and the cooperation between EU and Japan has to reflect these changes. On one hand, as underlined before, Asia is increasing its economic and trade power. It is thus understandable that Japan shifts its focus from the more traditional partners- EU and US- to other Emerging Asian countries, particularly China. On the other hand we are now facing challenges that in the past seemed less critical- Climate Change and Sustainability, Access to Raw Materials, surge in protectionist measures as a consequence of the Economic crisis, just to mention a few. These subjects are now high on the Multilateral Agenda and should also be part of our bilateral cooperation. Moreover we should try to enhance cooperation with Japan in the areas where we might have a mutual interest and could find a common ground of understanding also in the multilateral arena (precisely the ones mentioned above).

18: In which ways could EU-Japan multilateral cooperation be enhanced in the coming years? (optional)

As said in the previous point, apart from the Doha Round, subjects like Access to Raw Materials, Barriers to Trade and Sustainability could be points to develop in the future EU-Japan Multilateral Cooperation.

12. Sustainability

Environmental concerns – whether of a purely domestic or transboundary/global nature (e.g. fight against climate change and adaptation to its consequences, biodiversity loss and natural resource depletion) - pose a threat to the prosperity and well-being of people in rich and poor countries alike. Similarly, all countries, in an increasingly globalised economy, have a shared responsibility to achieve social cohesion, to combat unemployment and to tackle rising inequalities. Trade policy should to the extent possible support green and inclusive growth around the globe. This could for instance be done by pursuing the opening up of trade in environmental goods and services, via the use of incentives and schemes promoting social and environmental protection, or through enhanced labour and environmental commitments to underpin growing international economic interdependence and integration.

19: How could the EU and Japan seek to better integrate sustainable development considerations in their discussions on the various topics relevant to their trade and economic relations, from trade in natural resources to technical regulations and standards for goods and from investment to government procurement, among other issues? (optional)

This is an area where an agreement on common principles and rules could maximize the positive impact on environment as well as on trade and at the same time prevent protectionist and discriminatory measures ranging from NTBs (i.e. Consumer Protection and Safety Regulations, Standards) to Public Procurement.

20: What are the likely environmental effects – both positive and negative – that you expect to emerge in the context of an enhanced EU-Japan Trade Cooperation? Which issues would require specific attention? (optional)

21: In your field of activity, do you think that the employment situation in the EU could be affected, positively or negatively in the context of an enhanced EU-Japan Trade Cooperation? (optional)

We believe that an enhanced cooperation could be an efficient tool to promote market access and eliminate trade and investment hurdles. Although our sector still depends considerably on the EU market (80% Exports) we believe that business and trade development will come utmost from Exports to Third markets. Thus we should focus on improving our export performance by creating the best business environment for our companies.

22: Given the importance of commitments on labour rights and environmental protection as underlying elements for international economic relations, how could the EU and Japan cooperate to further promote adherence to internationally recognised principles, rights and agreements on labour and environment? (optional)

Cooperation should be done in the framework of existing international organizations and forum- i.e. ILO, WTO, G8 and G20.

13. Other issues

If there any other issues that are not mentioned in this questionnaire that you would like to address, please use the space below to set them out.

As stated before the area of Access to Raw Materials is of increasing importance to several EU Industries including T&C. Since both the EU and Japan are dependent on Third Countries to access a considerable number of Raw Materials (i.e. Cotton, Silk) a common strategy could be envisaged to tackle some of the existing problems, in particular in what concerns restrictive measures taken by Third Countries but also, whenever possible, in the development of common projects promote alternative sources or materials.

23: *Your comments. (optional)*

Useful links

Read the privacy policy statement:

http://trade.ec.europa.eu/doclib/docs/2010/september/tradoc_146467.pdf

Go to the EU-Japan bilateral trade relations page:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/>

Background documents:__