

“Japan-EU EPA: A political introduction”

***Remarks by H.E. Mr. Kazuo Kodama, Ambassador of Japan to the European Union,
on the occasion of***

***“Extending Japan-EU cooperation: new opportunities for Croatian EU Presidency,
Panel 2: Japan-EU Economic Partnership Agreement and Croatia- towards socially
just and environmentally friendly trade, investment and innovation”***

on the 19th of November 2019, Zagreb, Croatia

Dr. Sanja Tišma, Director, IRMO,

Mr. Mario Antičić, State Secretary, Ministry of Economy of Croatia,

Ms. Ines Obradović, Director for International Affairs and EU Sector, Croatian
Chamber of Commerce,

Ms. Anny Brusić, Director for Association of Small and Medium Enterprises,
Croatian Employers Association,

Dr. Nevenka Čučković, Senior Research Advisor, IRMO

Distinguished guests,

Ladies and Gentlemen,

Introduction

Thank you very much for inviting me to this interesting event today. After my arrival at Zagreb yesterday, I had some time to stroll around the city of Zagreb. I found a perfect combination between the taste of Central European culture and the cozy and open breeze of the Adriatic Sea at every corner of the city. I've become instantly fond of this charming city. In recent years, Croatia has been becoming a more and more popular destination for Japanese tourists who love European history and culture. On top of this positive trend, as the Japanese Ambassador to the European Union, I am proud that Japan and the EU together built epoch making monuments this year: the Japan- EU Strategic Partnership Agreement, SPA, and the Japan-EU Economic Partnership Agreement, EPA.

Today, I am delighted to present the Japan-EU EPA from a Japanese perspective to our important business partners in Croatia. My speech will highlight how important the Japan-EU EPA is, not only for strengthening economic ties between Japan and Europe, but also for consolidating our bilateral cooperation at a global level.

The Japan-EU EPA; world's biggest free, open and fair economic space

I mentioned the EPA as an epoch making monument for Japan-EU relations. In order to prove that this is not an exaggeration at all, let me first briefly describe the economic significance of the EPA.

Given its unprecedented scale, the significance of the Japan-EU EPA is obvious. Our EPA which was signed in July 2019, after 5 years of comprehensive negotiations, creates the world's biggest free, open and fair economic space which comprises almost 640 million people, covers about 30% of the world's GDP and nearly 40% of global trade. It is one of Japan's biggest achievements in its key trade policy, along with the CPTPP, Comprehensive and Progressive Agreement for Trans-Pacific Partnership, better known as TPP 11 in the Asia-Pacific region.

The Japan-EU EPA; beyond an FTA

The Japan-EU EPA is named an Economic Partnership Agreement, not an FTA, free trade agreement, because it goes beyond ordinary FTAs. The level of tariff elimination realised by the Japan-EU EPA is one of the highest in the world. It will eventually remove 100% of tariffs on industrial products and more than 95% of all tariff lines will be duty free in both directions, when it is fully applied. We should be proud of this great achievement.

This fact alone, however, does not qualify the Japan-EU EPA as an Economic Partnership Agreement. I could not have agreed more with President of the European Commission Mr. Juncker when he spoke as it came into force, fully identifying the nature of our EPA, and I quote, *“our agreement shows that trade is about more than quotas and tariffs, or millions and billions. It is about values, principles and fairness. It makes sure that our principles in areas such as labour, safety, climate and consumer protection are the global gold-standard. This only happens when you work with the most natural of partners, separated by thousands of kilometres but united in friendship and values”*.

Key features of Japan-EU EPA

I do not want to enter into the details of the EPA today, but instead I would like to briefly touch upon some of its features.

If I were to define the Japan-EU EPA, I would describe it as *“the world’s most advanced FTA”*. It can be and should be a model EPA for the 21st century. As I previously mentioned, the Japan-EU EPA goes well beyond a simple free trade agreement. It is a vehicle for Japan and Europe to lead the world in promoting an open, fair and balanced rules-based economic system.

I will highlight some key aspects of the Japan-EU EPA;

- In addition to tariff elimination, the EPA equally addresses non-tariff measures (NTMs), which may have hampered trade. The promotion of regulatory cooperation was agreed in order to expand market access. Priority areas include: the automotive sector, medical devices, food additives, as well as the food safety and chemical sectors.
- Secondly, by keeping itself efficient, transparent and predictable, the EPA remains business friendly. In order to maximize the benefits for SMEs, the authorities of both sides nominated responsible offices which will liaise with SMEs and provide useful online information.

- Thirdly, the Japan-EU EPA also commits to paving the way for further two-way investment.
- And fourthly, our safe, high-quality agricultural and food products will be protected by the EPA. More than 50 Japanese Geographical Indications (GIs) are protected in the European market, while over 200 EU GIs are protected in Japan. The number of GIs is set to increase every year.

Trade and Sustainable Development

Furthermore, our EPA contains a highly advanced TSD, Trade and Sustainable Development, Chapter. Under the TSD Chapter, both Japan and the EU strongly commit to cooperate in maintaining and promoting high standards on social and environment protection including labour rights and the Paris Agreement on climate change. The Japan-EU EPA is the first EPA which mentions the Paris Agreement. This perfectly corresponds with the priorities of the new European Commission led by Mrs. Von Der Leyen and is the most eminent reason why our EPA is deemed as the 21st century model.

Tangible effect of the Japan-EU EPA;

After its entry into force on the 1st of February this year, the Japan-EU EPA has already delivered a tangible impact in our bilateral economic relations and maintains an up-ward trend in trade relations between Japan and the EU under the current difficult world trade environment. The increase of imports of cheese, wine and pork meat from the European Union after the entry into force of the EPA was especially remarkable. According to statistics published by the Japanese customs authority, the import of these high-quality European agri-food products between February and September this year significantly increased by 9%, 16%, and 14% respectively, in comparison with the same period last year.

At the same time, the export of automobiles, auto parts and other machineries from Japan to the European Union is steadily growing as expected. In a nutshell, we are in a win-win situation.

EPA in Japan-Croatian context

I learned that the export of wine or cheese from Croatia to Japan is still very limited or almost non-existent. But I strongly believe in the potential of Croatian agri-food products because I know that Croatian farmers produce high quality wine and cheese. Another product with much potential is tuna. Adriatic black tuna from Croatia is already popular in Japanese restaurants and among Japanese consumers. It would be worth mentioning that under the EPA, the import tariff on frozen tuna fillets to the Japanese market will be eliminated in 4 years.

Besides, more and more Japanese manufacturing companies are becoming interested in the potential of Croatia as an investment destination. YAZAKI would be a good example. Under the Investment Facilitation Chapter of the EPA, we can expect more consolidated economic relations between Japan and Croatia in this direction too.

SME- friendly

I am well aware of the doubts of some SMEs on the benefit of the EPA. I often hear remarks from business managers such as *“A Japan-EU FTA? That’s great but, Ambassador, it has nothing to do with me. It is only for global giants. It will never benefit SMEs like mine”*. I categorically reply *“No, that’s not true”*. Another remarkable aspect of the Japan-EU EPA is that it is *“SME-friendly”*.

Most of the trade between Japan and the EU is conducted by SMEs. In other words, the success of our EPA largely depends on how much SMEs utilise it and are satisfied with it. We want to maximize the benefits of our EPA for SMEs. That is why the Japan-EU EPA has a specific Chapter dedicated to SMEs and stipulates that both sides’ authorities shall nominate responsible offices which shall liaise with SMEs and provide useful information online including notices on the provisions for SMEs in the EPA.

Simplified rules of origin

It would be worth mentioning in this context that the rules of origin agreed in the Japan-EU EPA are very simplified. The EPA adopts a “*self-declaration system*” in regard to the rules of origin for importers, exporters, or producers. This means that under the EPA, a “*Statement on Origin*” which should be submitted by exporters or producers is required to be based on self-declaration, whilst self-declaration by importers is expected to be done according to “*Importer’s Knowledge*”.

JETRO/ EU-Japan Centre for Industrial Cooperation’s support

In addition to the mechanism enclosed in the EPA, JETRO, the Japan External Trade Organisation, and the EU-Japan Centre for Industrial Cooperation, a body co-funded and co-managed by DG GROW and METI, are supporting the activities of SMEs under the Japan-EU EPA. For example, JETRO launched the “*Japan EU EPA Special Program*” under which it invites European buyers to local regions in Japan to explore the potential for future trade between European and Japanese SMEs. The EPA helpdesk is a remarkable example of the EU-Japan Centre’s support for SMEs. The EPA helpdesk established in January 2019 set up an info desk to answer individual queries and provide useful information such as Factsheets and Guidelines. Both European and Japanese SMEs can take maximum advantage of the Japan-EU EPA through the support activities of these organisations.

EPA’s strategic importance; strong message for free, fair and rule-based trade

Ladies and Gentlemen,

Today, our common values are confronted by various challenges, such as unilateralism and protectionism fueled by populism or nationalism all over the world. In such a world, Japan and the EU strongly support multilateralism, free trade, and, above all, a rules-based world order. We are important partners that also share common values of human rights, democracy and the rule of law.

The importance of the Japan-EU EPA was appropriately expressed by our Prime Minister Shinzo Abe when he made his speech at the World Economic Forum at Davos, this January: *“Japan is determined to preserve and committed to enhancing the free, open, and rules-based international order.... I call on all of you..., to rebuild trust toward the system for international trade. That should be a system that is fair, transparent, and effective in protecting IPR and also in such areas as e-commerce and government procurement. TPP11 and the EU-Japan EPA both aim at achieving those goals. Let us begin here”*. In declaring his determination to ensure Japan’s successful G20 presidency, Prime Minister Abe cited the Japan-EU EPA and the importance of ever closer cooperation between Japan and the EU.

Conclusion

I can say that the Japan-EU EPA is a natural consequence of our cooperation and partnership. With the entry into force of the EPA, Japan and the EU are sending a powerful message to promote free, fair and rules-based trade, and to discourage protectionism. Japan and the EU are also closely cooperating in WTO reform. The EPA demonstrates the firm political will of Japan and the EU to the rest of the world to keep the flag of free trade flying high and to powerfully advance free trade. The impact of our EPA does not only concern Japan-EU bilateral trade relations but goes beyond to the entire global trading system.

In today’s difficult world, it is increasingly challenging for one country alone to tackle major problems. Cooperation between like-minded countries and people has never been more vital. Japan wants to elevate its relationship with Europe on a global scale in order to achieve our common goals. Croatia and its people are central to cooperation between Japan and Europe. We are very much looking forward to working together under the Croatian presidency in the first half of next year.

Thank you very much for your attention.

[END]