



**EU-Japan Centre**  
for Industrial Cooperation  
日欧産業協力センター

# JAPAN – THE LAND OF THE RISING BUSINESS OPPORTUNITIES

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Business opportunities in the FTA

In association with:



Proud to support



# The benefits

- Progress
  - Despite difficulty of the issues relating to domestic regulation
  - Reform process in Japan has facilitated this
  - Benefits require reform on both sides more likely with FTA on scale of Japan – EU
- Complementary
  - Much trade is intra-industry
  - But increased trade from FTA will also be complementary
- Safe harbours
  - EU and Japan mature economies
  - Slower growth
  - But high disposable income
- Smart sustainable and inclusive growth
  - Jobs and output without environmental damage possible
  - With correct negotiating priorities

# The necessity

- Not just good idea but essential for EU and Japan
- For EU
  - Asian market is vital
  - EU is relatively weak and arguably losing ground
  - Japan is hub of supply chains and production networks in Asia
  - TPP, if ratified
  - Results in trade diversion
  - Less EU say in shaping of trade rules in key region
  - FTA needed to maintain existing position
  - Need to be ambitious and seek TPP plus measures
- For Japan
  - Similar arguments apply to TTIP
  - TTIP further down the road a rougher road

# Sectors (some examples)

- Processed foods (and drink)
  - Significant potential for EU in processed foods
  - High value added products
  - Japan facilitating – new GI legislation
  - Benefits for SMEs in many regions
  - Needs to be ambitious
- Automotive
  - Benefits for Japan (econometric modelling)
  - Investment led strategies mean no real impact on EU employment
  - EU export gains in high end market (not kei cars)
  - Car parts EU also investment led
  - Commercial vehicles potential for EU but challenging (test cycle, type approval)

# Sectors (cont.)

- Other transport
  - Railways has been controversial but is now resolved
  - Benefits for RPS (rail passengers services) need more consideration
  - Scope for cooperation on third markets for RSI (supply industry)
- Life sciences
  - Demographics and health care costs mean growth
  - Mutual gains through technical collaboration
  - Can help contain health care costs
  - SMEs strong presence and will benefit
  - But 'device lag' (approval process needs to be addressed)

# Sectors (con't)

- Financial services
  - EU is relative more profitable for Japanese suppliers but limited presence
  - For EU considerable interest in insurance and need to match US access, enhanced through TPP
- Retail services
  - Potential for growth
  - Needs to address regulatory issues but also links with goods supply
- Professional services
  - Recognition of qualifications
  - Mode 4 i.e. access for business people (and spouses)

# Horizontal issues

- Regulatory cooperation
  - Market opening and reform is an ongoing process
  - TPP limited in scope
  - EU and Japan to shape international trade rules
  - Maintain impetus on TBT and SPS issues
- Public procurement
  - GPA plus options (thresholds for construction in Japan – utilities in EU)
  - Transparency through central electronic portal
- Customs and rules of origin
  - Trade costs disproportionately high for SMEs
  - Facilitate e-commerce
- Investment
  - FTA likely to confirm de facto norms (more balanced between investor protection and right to regulate)
  - Rather non-issue in Japan – EU (unlike TTIP or TPP)

# Conclusions

- Scope for 'smart sustainable and inclusive growth'
- Adjustment costs are limited
- Need for ambition to do more than maintain EU position in market
- Japan and EU share many interests and can jointly shape trade and investment rules