

# Public Consultation on a future trade policy

## About you

a. Please enter the name of your organisation

Japan Machinery Center for Trade and Investment

b. What type of organisation is it?

NGO

c. In which country are you based?

Japan

d. What is your organisations main area of activity?

Japan Machinery Center for Trade and Investment (JMC) is a non-profit organization that represents Japan's major electronics and machinery manufacturers, trading companies and engineering companies. JMC's activities emphasize multilateral trade and investment rules, bilateral free trade agreements, environmental protection regulations, national industrial policies, trade related security measures, and trade insurance. The Japanese machinery sector accounted for over 70 percent of total Japanese exports in 2009 to the EU.

## 1. Introduction

*1. Now that the new Lisbon Treaty has entered into force, how can we best ensure that our future trade policy is coherent with the EU's external action as a whole and notably in relation to the EU's neighbouring countries?*

The principal focus of EU trade policy is stimulating growth, creating jobs and increasing prosperity for EU citizens. On 3 March 2010, the European Commission launched the [Europe 2020 strategy](#) which sets out a blueprint for achieving and securing smart, sustainable and inclusive growth. The Europe 2020 strategy acknowledges the important role that trade has to play in ensuring these ambitious objectives. Over recent decades, the EU's prosperity has to a large extent been built on the internal market, economic integration between the Member States and open markets at home and abroad for trade and investment. However, Europe's prosperity is not only linked to its (open) internal market but also to the markets of other countries and regions, many of which enjoy much faster economic growth. Current forecasts suggest that by 2025, the volume of trade could double compared with 2005, with a bigger share of exports coming from emerging market economies (more than 30 % as against 20 % in 2005). The EU may no longer be the world's largest exporter. In today's global economy, production will increasingly be organised along global supply chains. They have become an important factor in ensuring competitiveness on domestic as well as global markets. Around two thirds of the EU's imports are inputs to other products. As a result, open trade helps embed local companies in global production chains, makes them more competitive and creates more jobs. Trade and investment flows are complementary, create jobs and promote transfer of technology. While people may be wary about the impact of all this on their job security and income, the crisis has clearly shown that protectionism is not an option. People are equally wary about the environmental impacts of the way we do business, for instance in terms of resource use and climate change. All major economies are today in the same boat; if one of them closes its markets or pursues unsustainable policies, all will suffer. The global financial crisis and its effects on the real economy have underscored the importance of sound regulation and the need to avoid major global imbalances. Trade flows were dramatically affected, although protectionism did not spread as widely as feared thanks to coordinated international efforts in G20 and WTO. The current initiatives (both at EU level and as part of the G20 mechanism) envisage a number of solutions to prevent similar crises from happening in the future. They should be part of an integrated coordinated approach: *2. Given the importance of boosting growth, creating more jobs and ensuring a more resource efficient and greener economy, how can EU trade policy help? What should the new trade priorities be in the light of the Europe 2020 Strategy?*

## 2. Multilateral trade negotiations

*3. In addition to continuing to push for a successful conclusion to the Doha Round, how can the EU best pursue overall EU trade policy objectives in the WTO?*

An important role for the EU and other developed countries is to take leadership in ensuring the credibility of the WTO by complying promptly with the recommendations from the dispute settlement procedure.

### 3. Bilateral trade negotiations

*4. Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?*

Over the last decade, the EU has also consistently engaged with its major strategic trading partners (such as the US, Japan, China and Russia) in regulatory dialogue and other forms of economic and trade cooperation. Our economic weight, notwithstanding current conditions, makes the EU an attractive partner for many countries, but this has not always translated into real progress in terms of a level playing field for EU companies, or new opportunities to do business and invest in these important markets: *5. Should the EU now try for closer economic integration and cooperation with such partners? What is the best way to further facilitate trade and investment, overcoming regulatory differences that may have the effect of barriers to trade and deepening our trade relationships with these important economies?*

With increasing globalization of the world economy spurred by greater FDI and rise of emerging economies, companies from the EU and other countries/regions including SME are becoming more deeply embedded in global production and distribution chains. These companies are strongly calling for the conclusion of a network of FTAs with various countries and regions. The EU ought to conclude, as soon as possible, FTAs with as many countries/regions in Asia including Japan to further liberalize and facilitate trade and investment, and thereby support corporate productive capability and global linkage of consumer markets through a network of FTAs stretching across the EU, Asia, and Japan. As indicated by Business Europe, the negative effect on third countries needs to be carefully taken into account when concluding an FTA. While an FTA without any negative effect is essentially desirable, whenever there is such a concern, FTAs with other countries should be promptly considered to remove such concerns. In the case of the Korea-EU FTA which includes a duty drawback clause, if FTAs are not concluded with other Asian countries, Asian companies other than those from Korea that have invested in Europe for production mainly for the European market will be compelled to scale down their production in the EU as a result of declining sales associated with the decline in competitiveness in the EU. This will result directly in a decline in local employment and parts procurement from local suppliers, seriously damaging both Japan and other Asian countries that have been contributing to the EU economy and also damage the EU as well. For this reason, the conclusion of FTAs with other Asian countries including Japan is strongly called for. What is required essentially is the enhancement and revision of WTO rules for multilateral, non-discriminatory liberalization and facilitation of trade and investment. There is, however, the concern that Round negotiations take time and may not be able to address the needs of the real economy and the speed of change. Accordingly, it is advisable for both developed and developing countries to conclude FTAs with as many countries as possible as soon as possible to promote economic integration and thereby promote trade and investment liberalization and facilitation bilaterally and regionally. In the conclusion of FTAs and economic integration, it would be advisable that priority be given to countries/regions with which a country has close trade and investment relations. For Japanese companies, Asia, the US, and EU are main partners in trade and investment. For the EU as well, Japan is an important partner along with the US, China and other Asian countries. Furthermore, Asia, including ASEAN, China, and India, is becoming a driver of global economic growth as a world growth center. Japan has concluded FTAs with ASEAN as a whole as well as with individual ASEAN countries. We have ongoing negotiations with India, and the creation of a sub-regional FTA including China, Korea, India, ASEAN, Australia, and NZ is under consideration. If the EU can reach an early conclusion to FTAs with Japan and other Asian countries/regions, numerous companies with operations in the EU, Japan, and Asia will be able to incorporate the rapidly growing production capability and consumer markets of Asia, tapping on the FTA networks linking the EU, Asia, and Japan both directly and indirectly. This will enable us to ensure the dynamism of economic growth in the entire area of EU·Asia·Japan. An FTA has meaning precisely when it can be put to use by private enterprises. In order to develop user-friendly rules, systems, and procedures, Japan and the EU need to hold symposiums and create other opportunities with the major Asian countries/regions to enhance closer communication and mutual understanding, with the aim of convergence to a more user-friendly system of bound tariffs, country of origin, certification, and others. These need to be incorporated into the conclusion /revision of the respective FTAs of these countries. Harmonization of preferential rules of origin to develop a more simplified, clear, and user-friendly system will be beneficial for both the customs authorities of the country in question as well as the manufacturers that are in a position to comply with the Rules of Origin (RoO). The EU-Korea FTA includes less stringent RoO compared to FTAs concluded by the EU up to now. The EU has also made a proposal in the direction of less stringent RoO for GSP. We look forward to a continued effort on the part of the EU for a further relaxation as well as harmonization of their rules of origin.

Regulatory differences are nowadays often a more important source of trade hindrances than tariffs, especially between developed countries, with low tariffs but sophisticated regulatory systems resulting in additional compliance costs for cross-border activities. Reducing these costs can generate significant trade and economic benefits. In today's world of global production chains, increased regulatory convergence at global level, for instance through the promotion of international standards or by other means such as the development of mutual recognition/equivalence of regulatory systems may help EU companies do business successfully abroad. The precise nature of the model to advance towards regulatory convergence will, however, depend on the specifics of the economic sector concerned: *6. How can the EU improve the effectiveness of regulatory dialogues? How can the EU promote the establishment of and greater recourse to international standards without compromising legitimate public policy choices?*

Chronological regulations account for a considerable part of regulatory dialogues among developed countries. It is considered, however, that the possibilities are slim for these regulations to be eliminated in a short period of time. It would, therefore, be effective to address this issue in a different forum and promote mutual deregulation through bilateral FTAs.

Securing a reliable and sustainable supply of raw materials is crucial for EU industry. Taking into account development policy and environmental sustainability concerns, securing this supply from third countries requires a coordinated approach regarding EU external relations and trade policy: *7. How can the EU, and in particular trade policy, help to secure a reliable and sustainable supply of raw materials by third countries?*

#### 4. Services

*8. Should the EU aim for more trade in services, and if so, how? Multilateral and bilateral negotiations have only partially succeeded in opening trade in services so far, so would a renewed focus on trade in services among key trading partners (plurilateral approach) offer a useful alternative avenue?*

Liberalization of trade in services should be pursued through bilateral FTA negotiations between developed countries in areas such as logistics services that will be helpful in facilitating trade and investment. This should also provide a model for a plurilateral agreement in trade in services in the future.

#### 5. Investment

*9. Given that the Lisbon Treaty gives the EU greater competences in international investment policy, how should we contribute to facilitating cross-border direct investment (both outward and inward)? What are the key issues to be addressed in agreements governing investment?*

First of all, the EU should use the investment policy competences it has been given under the Lisbon Treaty to conclude investment agreements with countries with which it does not yet have an investment agreement. FDI brings the benefit of promoting economic growth and job opportunities. Since there had already been existing bilateral investment treaties (BITs) between the Member States and the third countries, the investment chapter in FTAs the EU has concluded so far merely confirms the existing agreements in most cases. In moving into negotiations of their own for a high level BITs and investment chapter in FTAs which include investment liberalization, the EU can make the best use of the leverage of its newly gained competences by targeting large FDI countries like Japan that have not yet concluded investment agreements with EU Member States. This will also have a large economic as well as employment effect. It is advisable that an investment agreement to be concluded by the EU with other developed countries like Japan include high level provisions such as investment liberalization, investment protection, investment facilitation, and arbitration in a single agreement.

#### 6. Sustainable trade

*10. How can trade policy best support green and inclusive growth around the globe including through Sustainability Impact Assessments?*

The discussions in the WTO DDA on tariff reduction /elimination for environmental goods would not only be important for promoting trade and investment in environmental goods, but would also be necessary for building a sustainable society. The EU has been adopting advanced industrial policies from the perspective of environmental protection. Furthermore, sustainable growth has been placed as one of the pillars of strategic growth in the Europe 2020 strategy. It has also been agreed at the Summit Meeting to focus on energy and innovation policy as priority policies in the near term, pursuant to the Europe 2020 strategy. In energy policy, greater energy efficiency is particularly important, and numerous policy initiatives are being taken to meet this objective. In trade policy as well, the EU should work together with Japan and other countries for tariff reduction/elimination on environmental goods including goods with high energy efficiency and high energy-saving performance.

The EU is a major market for agricultural imports from developed and developing countries. The EU is also a key producer and exporter of processed food and other high value agricultural products: *11. Given the forthcoming revision of the Common Agricultural Policy and the continuing need to foster a sustainable agricultural sector in Europe, how should EU trade policy develop in this area consistently with the overall objectives of the Lisbon Treaty?*

#### 7. Inclusive trade

*12. How can EU trade policy ensure that the benefits of global value chains are shared by European producers, consumers and jobholders?*

The gains from trade are not evenly distributed, and adjustments can lead to short-term costs in the form of unemployment, retraining the workforce and converting production structures. The EU has a number of instruments available to address the problem of adjusting to new global trade patterns, such as EU Structural Funds, the European Social Fund (ESF), and the European Regional Development Fund. In addition, the EU launched the European Globalisation Adjustment Fund (EGAF) in 2007, which offers a general response in terms of managing the negative employment effects of globalisation. The EGAF is designed to provide one-off individual support for a limited period to workers who are 'severely and personally affected by trade-adjustment redundancies'. In the longer term, the aim is to help redundant workers find and hold on to jobs: *13. Are existing 'flanking' policies*

*sufficient to ensure that the benefits of trade are shared among different people and across different regions and markets in the EU? And how can the EU best ensure, where necessary, that trade and other policies play their part in helping people, sectors and communities adjust?*

## 8. Trade and Development

*14. How can the EU best strengthen the issue of trade and development in its trade policy? Should the EU pursue a more differentiated approach in its trade relations to reflect the level of development of particular partners? How should the EU approach the issue of trade preferences in relation to the generally low level of EU Most Favoured Nation (MFN) tariffs, which will further be eroded following the possible conclusion of the Doha Round?*

## 9. 'Smart trade'

*15. What initiatives could the EU take and which EU trade policy instruments could we mobilise to complement and reinforce the 'smart' dimension of the Europe 2020 strategy and facilitate trade in high-tech goods and services?*

## 10. Enforcement and dealing with unfair practices

*16. How can the EU best safeguard its firms or interests against trading partners who do not play by the rules? Are the existing tools and priorities sufficient to address unfair competition from third countries?*

It is commendable that the EU has been generally administering trade defense instruments in conformity with WTO rules up to now. Under the current realities of global supply chains, however, industries located in various different parts of the world are closely interlinked. Any trade defense measures, i.e. the imposition of AD duties, will immediately have an effect on industry on a global level (from raw materials to parts suppliers). For this reason, there should be certain limits on recourse to trade defense instruments. We urge the EU to work for further strengthening of disciplines in the current DDA rules negotiations.

Many partner countries still give limited access to their markets, for example to their procurement markets by giving national preferences to their enterprises. The EU is also looking into new areas such as access to raw materials and energy (see question 7 above). Furthermore, the EU has developed a comprehensive [Market Access Strategy](#) which uses a variety of formal and informal tools to make sure that European companies can make use of the market access opportunities which have been negotiated in trade agreements. Following the recommendations of the Europe 2020 Communication, an annual trade and investment barriers report identifying ways to improve market access and regulatory environment for EU companies will be presented to the Spring European Council starting in 2011: *17. How can the EU best safeguard its firms or interests against major trading partners who maintain an asymmetric level of openness and resort to protectionist measures? Are the existing tools and priorities sufficient to address practices such as keeping EU suppliers out of government procurement markets, market access restrictions, restricted and insecure access to energy and raw materials?*

Unilateral retaliation measures would not be the answer to a lack of openness. The current focus of EU policy, namely, market access, non-discriminatory procurement practices, and securing access to energy/raw materials, should be sufficient to protect the interests of EU industry. Cooperation among EU industry, the EU delegation in the country in question, and EU market access officials will make it possible to promptly identify market access issues and address the issue quickly to find a solution. There is no need for any other additional tools or procedures in this area.

One important factor in promoting 'high-quality' growth is innovation, for which the Europe 2020 strategy also has a number of initiatives. Ideas and innovation need to be protected through effective protection of Intellectual Property Rights (IPR), including geographical indications (GIs). This is why the Commission in November 2004 put in place a strategy for enforcing IPR outside the EU. The strategy is currently being evaluated, and an Enhanced IPR Protection and Enforcement Strategy in third countries is due to be launched in 2011. Cooperation is also underway with major partners in order to promote better respect of IPR rules in third countries. Other issues such as access to medicines in developing countries need to be taken into account: *18. What else can EU trade policy do to further improve the protection of IPR in key markets?*

The EU, which is taking a pro-patent position, has a well-developed IPR system, and also has been taking stringent measures against counterfeiting, should harmonize IPR systems with Japan, the US, and others countries and promote mutual use. For instance, it would be effective to harmonize various applications/search/examination including the creation of a Patent Prosecution Highway and promote mutual use among Japan, the US, and EU. It would also be effective to work together with Japan and other countries to pursue negotiations for a SPLT to promote international patent harmonization Furthermore, it would be effective to cooperate in enforcement against third countries. Anti-Counterfeit Trade Agreement (ACTA) is currently under negotiation for stronger enforcement and international harmonization of IPR systems. Except for some countries, however,

developing countries are currently not forthcoming in joining the ACTA. It would be advisable for the EU to cooperate with Japan and the US for an early agreement of ACTA and have the treaty go into effect. It would then be possible for Japan, the US, and EU to make a coordinated effort to urge China and other countries to join the treaty.

## 11. An open approach to shaping trade policy

*19. What more should the Commission do to ensure that trade policy becomes more transparent and to ensure that a wide variety of views and opinions is heard in the policy-making process?*

With economic globalization and global development of corporate activity, Japanese companies also have more opportunities of becoming involved in activities as a European citizen. When we take this into account, it is becoming increasingly important for the European Commission to listen to the views and opinions of a wide range of non-EU stakeholders. From this perspective, efforts by the European Commission to invite views and opinions in their public consultation is highly commended. We hope to see this practice continued. Even better communication with the market will become possible if explanations can be given to the views and comments submitted.

## Others

*20. Are there additional priorities in relation to trade policy that the Commission should pursue?*

*21. Do you oppose publication of your contribution? If yes, please provide the specific reasons for which you consider that your interests would be harmed if it was put in the public domain*

## Meta Informations

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