



Japan Machinery Center

Japan Machinery Center for Trade and Investment

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JMC Response to the Public Consultation on the future of EU Japan trade and economic relations

Do you wish your contribution to be made public?

- Yes

a) What is the name of your organisation?

- Japan Machinery Center for Trade and Investment (JMC)

b) What type of organisation is it?

- NGO

c) What is your organisation's 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.

Q1. What should be the objectives and priorities of the future EU - Japan trade and economic relationship? How should the EU pursue these objectives?

Japan and the EU have so far been building a mature and stable trade and economic relationship, sharing many common values. It is important to draw on this relationship to create high level rules that can become a global standard to be disseminated widely throughout the world. As a framework to do so, there is a need to quickly create the Japan - EU Economic Integration Agreement (EIA) that is being proposed in the EU - Japan Business Round Table (BRT).

Q2. How could the effectiveness of regulatory and trade dialogue/cooperation between EU and Japan be improved?

The JMC has more than 10 years of experience in using questionnaire surveys to compile trade and investment barriers faced by Japanese companies in various countries and regional integrations, and we have been requesting improvements. From our experience, we found that there were more types of regulatory barriers faced by companies in countries and regions with closer trade and investment relations and greater corporate presence. Japan and the EU have

been involved in mutual trade and investment for a long time and companies have been developing business in various areas. In this context, Japan and the EU have been mutually identifying many problems involving regulatory barriers up to now, and have been requesting improvements. The JMC is aware that the EU and European companies have been facing many regulatory barriers in Japan and have been making many requests for improvements. We are also aware that Japanese regulations that differ from those in Europe have been identified as problems. On the other hand, according to a survey done by the JMC, Japanese companies have been facing many different trade and investment barriers in the EU, and have been requesting improvements through the regulatory reform dialogue between Japan and the EU and other channels. (Please refer to the following URL for a list of barriers: http://www.jmcti.org/mondai/top_e.html)

Needless to say, regulatory measures that are inconsistent with international rules should be promptly redressed in accordance with the WTO rules. At the same time, Japan and the EU need to mutually raise issues and make proposals for regulatory reform in order to promote even closer Japan - EU relations.

Merely having dialogue, however, would have little effect. If we are to have regulatory reform that entails a certain level of sacrifice domestically, we would not be able to hope for progress nor a high level of commitment including at the political level unless we have some form of treaty negotiations. For this reason, it is imperative to have broad-ranging discussions including regulations and trade in the EIA negotiations.

In the EIA, it would be effective to; 1) include high level disciplines for liberalization and facilitation over a broad area including trade and investment in goods and services, movement of people, standards and conformity assessment, 2) promote free and smooth movement of people, goods, and capital between Japan and the EU, and 3) have regulatory dialogue and cooperation in line with the economic reality by incorporating a mechanism for cooperation and improvement of business environment in the EIA.

Q6. Are you concerned by tariffs or measures of equivalent effect in your field of activity?

Firstly, it is important to eliminate the high tariffs remaining in specific sectors in the EU such as consumer electronics combining ICT and AV, copiers, automobiles, bearings, watches, and others.

Secondly, it is essential to exclude any arbitrary element from the application of tariff classification. For instance, for ITA related products, taxation based on any arbitrary classification should be discontinued in accordance with the rulings of the European Court of Justice and WTO panels, including the elimination of tariffs and other taxes and surcharge.

Thirdly, as a result of the duty drawback clause in the Korea - EU FTA, there will be an effect on competitiveness in the European market which may have an adverse effect on employment by Japanese companies in the European market. In the event that the Korea - EU

FTA goes into effect, Korean products that can use the duty drawback will gain a competitive advantage on the EU market if there is no FTA between the EU and the country of the non-Korean company. Companies, other than Korean companies, that have made investments in the EU for production mainly for marketing in the EU will be compelled to scale down their production in the EU due to a decline in sales arising from a loss of competitiveness. This will lead directly to a decline in local employment and decline in purchase of parts from local companies, causing serious damage to both the EU and other countries including Japan that have been contributing to the EU economy.

Fourthly, conversely, if many of the tariffs in the EU can be eliminated through the Japan - EU EIA, it will have a positive effect on local production by Japanese companies in the EU and we can expect to see greater employment in Europe.

Q9. Should the EU increase cooperation with Japan with a view to further simplifying and accelerating customs procedures?

Have a pilot test for customs and logistics facilitation using IT with the aim of greater simplification of customs procedures and speed up of supply chain operations for AEO (Authorized Economic Operator) based on the AEO mutual recognition between Japan and the EU. More specifically, the aim is to create an environment for customs procedure that is in accordance with the ACI Guideline (Customs Guideline on Advance Cargo Information) whose basic concept has already been made known in the WCO (World Customs Organization). In order to do so, we would need to consider; 1) the code system for the UCR (Unique Consignment Reference), the common shipment cargo code for the Japanese and EU customs, 2) development of a common risk database, and 3) data-sharing by the Japanese and EU customs authorities.

Q11. Should the EU increase cooperation with Japan with a view to improving the protection and enforcement of certain intellectual property rights?

It is important to cooperate in the Anti-counterfeit Trade Agreement (ACTA) and other fora for strengthening enforcement of IPR in third countries. EU is taking pro-patent policy, has a well-developed IPR system, and is taking stringent enforcement measures against counterfeit products. The EU should work with Japan that has a similar system for protection and enforcement of IPR to promote the harmonization and mutual use of various IPR systems. For instance, it would be effective for Japan, U.S. and the EU to harmonize and mutually use various application, search and examination practice such as the Patent Prosecution Highway. It would also be effective to cooperate with Japan and other countries in negotiating a Substantive Patent Legal Treaty (SPLT) to promote international harmonization of patent law. Cooperation in enforcement vis-à-vis third countries will also be effective. The Anti-counterfeit Trade Agreement (ACTA) for strengthening enforcement of IPR and

international harmonization is expected to be concluded soon with the participation of Japan, EU, and the U.S. However, developing countries are currently not forthcoming about participation in ACTA with the exception of some countries. We hope to have the EU cooperate with Japan and the U.S. to reach an early agreement to ACTA and have it go into effect as an Agreement. Japan, the U.S., and EU can then work together to urge China and other countries to join the ACTA.

Q18. In which ways could EU-Japan multilateral cooperation be enhanced in the coming years?

Tariff reduction/elimination for environmental goods that is now under discussion in the WTO DDA is not only important for promoting trade and investment in environmental goods, but also necessary for creating a sustainable society.

The EU has been taking innovative industrial policy from the perspective of environmental protection. EU 2020 also identifies sustainable growth as one of the pillars of its growth strategy. It has also been agreed at the EU Summit that priority will be given in the near term on energy policy and innovation policy based on this strategy. In energy policy, greater energy efficiency is particularly important, and many policy initiatives are being taken in that direction. Similarly in trade policy as well, the EU should work together with Japan and other countries for tariff reduction/elimination of environmental goods including goods with high energy efficiency and high energy saving performance.

Q23. Your comments

EU and Japanese economies have already been incorporated into the globalization process and have been seeking regulatory reform mutually from the perspective of a global market. Rather than only gathering problems regarding the Japanese market, since there are also improvements that ought to be made in the EU as well, we would be able to have a more constructive discussion if we gather, in parallel, views from Japanese and European companies and industries on improvements that need to be made in the EU.

Issues regarding tariff rates in Q6, services in Q12,13, and public procurement in Q15 are essentially issues for which improvements should be pursued in the WTO DDA negotiations and other fora. Since the DDA negotiations are stuck, however, the EIA is the only forum other than the WTO where any commitment can be made by the Japanese and EU economies on improvement of these issues.