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The New EU-Japan Partnership: What Lies Ahead?

# Japan's Trade and Investment Policy and the Japan-EU Economic Partnership Agreement

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# Structure of Today's talk

1. Japan's FTA Policy

2.  
JEEPA

3. Japan's  
Trade and Investment Policy

# 1. Japan's EPAs/FTAs

## (1) Overview

- ▶ Economic Partnership Agreements (EPAs) / Free Trade Agreements (FTAs)
  - ▶ *signed or ratified* by Japan by today



### FTAs in effect

Singapore 2002

Mexico 2005

Malaysia 2006

Chile 2007

Thailand 2007

Indonesia 2008

Brunei 2008

ASEAN 2008

Philippines 2008

Switzerland 2009

Viet Nam 2009

India 2011

Peru 2012

Australia 2015

Mongolia 2016

TPP 7 2018

EU 2019

## (2) Analysis

- ▶ **Global supply chain**

- ▶ Southeast Asia

- ▶ Missing pieces

- ▶ **China** and **South Korea**

- ▶ **Mega FTAs**

- ▶ TPP and JEEPA

- ▶ Free Trade Area of the Asia-Pacific (FTAAP)

- ▶ Limited trade liberalization in Agriculture

- ▶ **“Sacred Five”**

- ▶ **Broad economic partnership**

- ▶ Trade, investment, intellectual properties, and more

## 2. Japan - EU Economic Partnership Agreement (JEEPA)

### (1) History

- ▶ March 2013
  - ▶ Launch of negotiations
- ▶ **July 2018**
  - ▶ **Signing** of the Agreement
- ▶ December 2018
  - ▶ Approval by Japanese Diet
  - ▶ Approval by European Council and European Parliament
- ▶ **February 2019**
  - ▶ **Entry into force** of the Agreement

## (2) Implications for Japan

### 1. Market access

- ▶ Remove competitive disadvantages against Korea
- ▶ Liberalization of trade in agriculture

### 2. A model of economic order in the 21st century

- ▶ State-owned enterprises, electronic commerce, regulatory cooperation, etc.
- ▶ Harmonization of domestic regulations
- ▶ Sustainable development

### 3. Fight against protectionism/unilateralism

- ▶ US withdrawal from TPP



### (3) Specific issues

#### a. Market access

- ▶ EU: overall tariff elimination rate 99%
  - ▶ Automobiles 10% → 0 (8<sup>th</sup> year)
  - ▶ Auto parts 2.2% ~22% → 0 (immediately, except a few exceptions)
- ▶ Japan: overall tariff elimination rate 94%
  - ▶ “Sacred Five”: dairy products
  - ▶ Agricultural processed products: pastas & chocolates
  - ▶ Wine

## b. Geographical indications

### ▶ JEEPA

- ▶ Geographical indications of a Party **listed** in Annex 14-B **shall be protected**
- ▶ Each Party **shall establish or maintain a system for the registration and protection** of geographical indications in its territory.

### ▶ Implementation in Japan

- ▶ June 2014: Enactment of the **Geographical Indication (GI) Act**
- ▶ November 2018: Amendments to the GI Act
  - ▶ **86 Japanese products registered**
  - ▶ **71 European products designated**







## c. Electronic commerce



### ▶ JEEPA

- ▶ No customs duties
- ▶ Prohibition on access requirement of source code
- ▶ Consumer and personal data protection
  - ▶ Adequacy decision
  - ▶ Reassessment within three years of the need for inclusion of provisions on the free flow of data
- ▶ Future negotiations of an agreement
  - ▶ Exploratory work in WTO
  - ▶ Data Free Flow with Trust (DFFT) in “Osaka Track”

## d. investment

### ▶ JEEPA

- ▶ No investment protection provisions
- ▶ No investor-state dispute settlement (ISDS)

### ▶ Implications

- ▶ Fast ratification; fast entry into force
- ▶ Limited protection of investors and investment

### ▶ Prospects

- ▶ Japan-EU bilateral negotiations
  - ▶ Investor-state arbitration or a standing investment court?
- ▶ UNCITRAL Working Group III



# 3. Japan's Trade and Investment Policy

- ▶ United States
  - ▶ Japan - US Trade Agreement and Japan - US Digital Trade Agreement
  - ▶ Unilateral measures under Section 232
- ▶ China
  - ▶ Belt and Road Initiative
- ▶ Korea
  - ▶ Trade and other disputes
- ▶ **WTO reform**
  - ▶ Electronic commerce
  - ▶ Dispute settlement
- ▶ **ISDS Reform**
  - ▶ Arbitration or a permanent court?

# Conclusions

## JEEPA

- ▶ Trade liberalization
- ▶ A **model of economic order** in the 21st century
- ▶ Legal and non-legal impact on Japan
- ▶ Disagreements
- ▶ **Deeper and broader cooperation**

