

Economic Partnership Agreement & Strategic Partnership Agreement, what is the future for relations between France and Japan?



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[Abstract] Economic Partnership Agreement & Strategic Partnership Agreement between the European Union and Japan are a complex subject, even from a legalistic point of view. The aim of this presentation is to analyze several key themes in order to better understand these agreements. First of all, we need to clarify the concept of Economic Partnership Agreement and Strategic Partnership Agreement. Second, it will be necessary to determine their multiple issues and, then, their key principles. After that, it will be useful to present the next steps that these agreements will have.

The purpose of today's conference is twofold: the Economic Partnership Agreement and the Strategic Partnership Agreement, both signed by the European Union (EU) and Japan. I believe that these are both key agreements which mark an important turning point in the relations between Japan and the EU. For convenience, I will refer to the Economic Partnership Agreement with the initials EPA and to the same with the Strategic Partnership Agreement with the initials SPA. These two agreements are naturally different in their spirit and content: the EPA deals with economic aspects while the SPA addresses political and diplomatic issues. But these two agreements are directly related because they both show the strong will to cooperate more strongly with the EU and Japan.

A few words first on the SPA. This agreement is based on much older political relations between the EU and Japan. The EU and Japan share common fundamental values such as democracy, the importance of law, the market economy, all for the benefit of citizens. But the idea of the SPA is to develop and strengthen these relations by promoting political cooperation and joint actions. Very concretely, this agreement tries to find to answers to some great contemporary challenges: cyber-crime, disaster management, energy security, climate change, ageing populations, preventing the proliferation of weapons of mass destruction. On these and other issues, the purpose of this agree-

ment is to help the EU and Japan to become more prosperous.

But peace and prosperity cannot exist without a sufficient level of economic prosperity for the people. And that's where the other agreement, the EPA, plays a very important role. EPA is the culmination of a long process started 5 years ago. Indeed, it was in 2013 that the EU Member States instructed the European Commission to enter into negotiations with Japan. In 2017, the EU and Japan reached an agreement in principle on the main elements of the EU-Japan Economic Partnership Agreement. They signed this agreement at an EU-Japan Summit in July 2018. I summarize 5 years of negotiations in a few seconds but of course, the subject is complex and cannot be explained in its totality today, so I propose to address several key theme in order to provide a better understanding:

- First, we need to clarify the concept of EPA
- Second, it will be necessary to determine its issues
- Then, its key principles
- Before we finish with the next steps that this agreement will have

So let's start by clarifying the concept of EPA

In reality, we must distinguish between the general concept of EPA and the EPA specific to European Union law. The two notions are closely related but deserve to be explained Separately.

General concept of EPA

In a general sense, the EPA is an economic agreement that goes beyond the single case of the European Union. It frames economic relations between two or more countries. The goal is to eliminate barriers to the free movement of goods, services, and investment between countries. This agreement can be considered an intermediate step between free trade area and the single market in the process of economic integration.

Economic partnerships are sometimes described as high standard variants of free trade agreements. One example is the Japan-Mexico Economic Partnership Agreement in 2004 or the Japan-Malaysia Gold EPA (entered into force in July 2006). If I try to give you a simple definition, I will say that the EPA is an intensive alliance, signed by two or more countries, which provides for reciprocal economic integration and participation. The EPA is, of course, not a type of agreement specific to European Union law even though, of course, the EU uses it regularly.

Specific concept in the case of the EU

In European Union law, EPA is a scheme to create a free trade area between the European Union and other areas that can be of several types:

- It can be countries, obviously like Japan for example,
- It can also be country unions, as may have been the case with the African, Caribbean and Pacific Group of States (ACP) who signed the Cotonou Agreement in 2000 (all ACP countries have signed this agreement except Cuba).

In reality, the difference is minimal between the general EPA and the EPA of the EU because the goal is the same, it is only the territorial actors who change.

As the concept of EPA is clarified, we must now determine what are its issues.

It would be wrong to think that this agreement between the EU and Japan creates economic relations between these two territories. In fact, economic cooperation was already very strong before this agreement:

Japan is:

- The EU's 2nd biggest trading partner in Asia after China
- The EU's 6th most important trading partner worldwide

Europe is:

- Japan's 2nd biggest trading partner worldwide

Some statistics to understand the importance of these relationships:

- The value of EU exports to Japan is 58 billion euros
- The value of EU exports to Japan is 28 billion euros
- 600,000 jobs tied to EU exports to Japan
- 550,000 people employed by Japanese companies in the EU
- The value of tariffs paid by EU exporters to Japan is 1 billion euros a year

These economic relations have been favored by numerous agreements before the EPA was signed:

- The EU-Japan Mutual Recognition Agreement which entered into force on 1 January 2002, allows for conformity assessments in four product areas: telecommunications terminal equipment and radio equipment, electrical products, laboratory practices for chemicals and manufacturing practices for pharmaceuticals.
- The Agreement on Co-operation on Anti-competitive Activities - adopted by the EU Council on June 2003) - aims to facilitate EU-Japan trade and investment by securing a level playing field between insiders and outsiders.

These agreements are based on different cooperation bodies or programs:

- The EU-Japan Business Round Table: allows for a dialogue and an exchange of views between EU and Japanese businesses.
- The Executive Training Program and the EU Gateway Program: encourages European companies to penetrate the Japanese market and give them assistance.
- The EU-Japan Center for Industrial Cooperation promotes all forms of industrial, trade and investment cooperation between the EU and Japan by helping the EU and Japanese business-

es exchange experience and know-how.

Beyond the economic relations, the European Union and Japan cooperate a lot as can shown by other types of agreements signed:

- The Science and Technology Agreement between the EU and Japan was signed on November 2009.
- The Agreement on Co-operation and Mutual Administrative Assistance (CCMAA) between the EU and Japan entered into force on 1st February 2008.

So, why this EPA if economic relations were already strong?

Despite the fact that Japan is the world's third largest consumer market, it is only Europe's seventh biggest export market before the signing of the EPA. European companies could export more to Japan if it was easier to do so. In fact, European companies face barriers to trade when exporting to this country. It is therefore difficult for them to be competitive:

- The trade relations between the EU and Japan have usually been characterized by big trade surpluses in favor of Japan.
 - Some examples of high Japanese customs taxes: nearly 40% on beef, up to 30% of chocolate, 15% on wine, up to 40% on cheese.
- There are some awkward rules, for example Japan has long and costly procedures to approve each variety of fruit. In fact, this discourages EU exporters from trying to get all the necessary approvals.

Trade figures have recently become more balanced, but Japan continues to be a country where doing business or investing is often challenging due to features of the Japanese society and economy. But Japan is also subject to difficulties, especially on customs duties, for example in the automotive industry? The goal of the EU-Japan EPA is therefore simple: to favor imports and exports in both directions in the hope of a win-win agreement.

The benefits are therefore mutual:

- The EU wants Japan to remove unnecessary barriers to European imports so that European companies can export more.
- Japan mainly wants the EU to remove tariffs on imports of Japanese products, such as cars and car parts.
- Both the EU and Japan want to:
 - Define the rules of international trade in accordance with their high standards and common values of democracy and the rule of law;
 - Send a strong signal that two of the world's largest economies are rejecting protectionism.

In the end, this allows the creation of an economic zone of almost 600 million people. And the expected effects of this agreement are very important:

- The predicted increase of annual EU exports to Japan is over 13% or an additional 13 billion euros.
- The predicted annual increase of EU exports of processed foods to Japan is 51% or just over 1

billion euros; exports of dairy products are predicted to increase by 215% or 729 million euros.

- The predicted annual increase of EU exports of chemicals to Japan is 6.9% or an additional 1.6 billion euros.
- The predicted annual increase of EU exports of textiles to Japan is 220% or an additional €5.2 billion.

Finally, this agreement will promote bilateral trade and economic growth between the EU and Japan by eliminating most tariffs and reducing non-tariff measures that businesses face when trading goods and services and investing.

These issues being clarified, what is the content of this agreement, what are its key principles?

Spirit of the EPA: for open, fair and win-win trade It's the biggest ever negotiated by the European Union. As I said before, it creates an open trade zone covering over 600 million people and nearly a third of global Gross Domestic Product (GDP). It will remove the vast majority of the 1 billion euros of duties paid annually by EU companies exporting to Japan, and has led to the removal of a number of long-standing regulatory barriers, for example on cars. It will also open up the Japanese market of 127 million consumers to key EU agricultural exports and will increase EU export opportunities in a range of other sectors.

The main elements of the agreement

More precisely, the EPA provides, for example,

- The elimination of customs duties on almost 90% of EU products exported to Japan,
- Mutual recognition and the possibility of using the European "Registered Exporter System" interchangeably, as well as the Japanese device for proving preferential origin.
- It also provides for the possibility of covering several identical consignments with a single certificate of origin over a period of up to 12 months.

In concrete terms, for example in relation to the agricultural exports from the EU, the agreement will:

- Eliminate duties on many cheeses such as gouda and cheddar (currently 29.8%) as well as on wine exports (currently averaging 15%);
- Enable the EU to significantly increase its exports of beef to Japan. In the case of pork, there will be duty free trade for processed meat, while fresh meat will be almost exempt;
- Protect over 200 quality European agricultural products in the territory of Japan, namely geographical indications (GIs), but also guarantee the protection of a selection of Japanese geographical indications in the EU.

The agreement also opens up service markets, in particular financial services, e-commerce, telecommunications and transport. Furthermore, it:

- Ensures EU companies' access to Japan's major public procurement markets in 48 major cities and removes barriers to procurement in the railway sector, which is of great economic importance at national level;
- Deals with specific hot spots in the EU, for example in the automotive sector, with transition periods before market opening.

The agreement also contains a comprehensive chapter on trade and sustainable development, sets the highest standards for labor, safety, the environment and consumer protection, reinforces the EU and Japan's actions in sustainable development and the fight against climate change and fully preserves public services. This content and these principles being defined, all is not settled since next steps are yet to be announced?

NEXT STEPS

The agreement has been approved by the Council, which represents the Member States, and was signed on 17th of July. But now, the European Parliament and Japanese Diet are expected to vote upon it. Once procedures are finalised both at the EU level and in Japan, the agreement will enter into force in 2019. At the same time, negotiations with Japan continue on investment protection standards and investment protection dispute resolution. The firm commitment on both sides is to reach convergence in the investment protection negotiations as soon as possible. Well, that's what I could tell you quickly about these agreements, thank you very much for your attention.