

Minutes of the 12th Annual Meeting of the EU-Japan Business Round Table
19 & 20 April 2010, Tokyo (JP)

Annual Meeting, 19-20 April 2010
Four Seasons Hotel, Tokyo at Chinzan-so

Day 1, Monday, 19 April 2010, 13:30 - Opening Session,
including brief presence by Japanese Minister of Foreign Affairs

Co-Chairmen:

Tadashi OKAMURA, Advisor to the Board, Toshiba

Jean-Yves LE GALL, Chairman & CEO, Arianespace (participated in the Opening and Closing Sessions by video link, but absent from the other sessions due to the disruption of air traffic caused by clouds of ash from an Icelandic volcano dispersed over European airspace).

Denis DUVERNE, Member of the Management Board – Strategy, Finance & Operations, AXA, takes charge of the EU-side Co-chairmanship.

Mr OKAMURA announces that Mr Katsuya OKADA, Minister of Foreign Affairs of Japan, has joined the Opening Session. He expresses thanks to Mr OKADA for joining the BRT despite his busy schedule.

He emphasises the BRT as an organisation that brings together representatives of European and Japanese industries on an annual basis, where issues which promote the development of the respective business environments of the EU and Japan are discussed. Mr OKADA has the floor.

Mr OKADA

- ➔ Japan and EU share similar values such as democracy, market economy and advanced technology, which has allowed both to have a close partnership for a long time.
- ➔ Now Japan and the EU are on a new path, with changes on both sides since last year. Japan saw a change in government, and in the EU the Lisbon Treaty came into effect with a new EU President.
- ➔ Japan is making efforts to proceed with economic integration in East Asia but at the same time wants to strengthen the relationship with the EU, because it will enable Japan to promote well-balanced economic relations.
- ➔ Japan and the EU should never settle for the current situation of trade and investment relationship. Promoting cooperation with the EU boldly will benefit us as well as the world economy. Therefore, conclusion of an EU-Japan EPA, including not only tariff issues but also relaxation of regulations and harmonisation of standards and systems in non-tariff areas, is valued not only for strengthening trade and investment between Japan and the EU, but also for contributing to Japan opening its door to the outside world and stimulating its economy.
- ➔ PM HATOYAMA and Mr. OKADA are now using all kinds of opportunities to speak with the EU and its Member States. At the EU-Japan Summit next week, Japan will further make effort to launch a joint study as the initial step toward the conclusion of an EPA. In the joint study, Japan intends to address the non-tariff issues, which are big interests of the EU. With the rise of emerging countries it is necessary to strengthen the business partnership and industrial cooperation between Japan and the EU, and for facilitating the improvement of such a business environment, it is important to realise an EU-Japan EPA. The BRT is expected to take initiatives in promoting further business cooperation between Japan and the EU.
- ➔ The set of BRT Recommendations to be presented at the EU-Japan Summit is expected to be a contributory factor for the outcome of the Summit.
- ➔ It is hoped that this BRT meeting will become a step towards new economic relations between Japan and the EU.

The subsequent BRT discussions were held *in camera* and so are not minuted here.

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Day 2: Tuesday, 20 April 2010, 9:00 Joint Session with the EU and Japanese Authorities

Mr OKAMURA begins by emphasising the importance of the dialogue between the Authorities and industries and summarises the Working Party (WP) sessions and Recommendations to be presented to the respective Authorities.

Please refer to the [WP Recommendations documents](#).

Extra remarks by Mr OKAMURA are as follows

- ➔ The EU and Japan should carry out strategic research on cloud computing and next-generation networks.
- ➔ Careful balance must be struck between innovation and regulation.
- ➔ WP E is responsible for drawing up recommendations from industry with regard to innovation, environment and sustainable development; in the past this WP dealt mainly with global warming, whereas this year its members came up with a wide range of issues of global dimension.
- ➔ Imbalance of energy consumption - 20% of world population consumes 80% of energy; we must make efforts to overcome this imbalance. Everybody should have assured access to safe water supply; EU-Japan technical collaboration and common standards are important to overcome these issues.
- ➔ At the end of yesterday, both sides agreed that these Recommendations can be submitted to the leaders at the EU-Japan Summit next week.

Mr DUVERNE adds 3 points

- ➔ When looking at WPs B, C and E we should be impressed by the quality of foresight over the next 20 years in the fields of Life Sciences, Biotechnology and ICT, as well as global warming and water problems; these foresights provide governments with extremely valuable advice.
- ➔ We are coming to the end of the 2001-2011 EU-Japan Action Plan and, speaking of foresight, we believe it is time to prepare the next Action Plan. The Authorities are asked to reset the EU-Japan relationship and to set priorities for the successor to the current Action Plan.
- ➔ Both Authorities should start negotiations on a balanced and mutually beneficial bilateral agreement as soon as the EU and Japanese Authorities agree that the conditions are met. To promote an ambitious expansion of the economic relations, the time is right for the next steps and this common agenda.

Q&A&C:

C: Mr MATSUSHITA from METI

- ➔ Offers congratulations to the opening of the Authorities and private business meeting at the BRT of 2010.
- ➔ Appreciation of the insightful Recommendations and the preparatory work for them. Japan and the EU constitute 40% of world's GNP together, and as the EU and Japan share the same values such as freedom and democracy, they are very important partners. They will take the Recommendations very seriously and would like to be able to work on them; especially the three important ones (reset EU-Japan relationship, take new action to move forward to promote bilateral relations and go forward with an EIA).
- ➔ PM HATOYAMA is determined to promote an EIA in addition to East Asia's EIA; an EU-Japan EIA would be another important pillar of Japanese policy. An EIA going beyond a traditional EPA that not only covers the trade of goods but also includes environment, innovation, security, cooperation towards third countries; constitutes a very comprehensive economic integration at a very high level.
- ➔ The EU-Japan Summit on 28 April 2010 should see an agreement between both sides on the start of the Joint Study on a possible EIA. Referring to the Recommendation "as soon as the conditions are met", well-balanced work needs to be carried out in order to realise an EIA on both sides. It is hoped that this work will continue and the EU-Japan Summit sees progress.

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C: Mr TAKEMASA from MOFA

- Japan and the EU have experienced severe trade frictions from the 1970s to the 1990s, but their relations have expanded as dialogues between the two have been facilitated, which has helped to promote trade and investment in recent years.
- The EU is not only a source of FDI in Japan and a destination for Japanese FDI, but also a partner of Japan to lead the efforts in regard to global issues.
- Through Regulatory Reform Dialogues the business and legal environment between Japan and the EU has improved e.g. agreements on standards, certification, competition and customs. The BRT has played an important role as a government-private dialogue. All these efforts have made big contributions to the promotion of trade and investment between Japan and the EU.
- However, there is rising concern that the Japanese and EU economies have been declining and their economic relations have been stagnating in light of increasing globalisation of the world economy as well as the economic progress of emerging countries. It is important to put an end to this situation on the basis of the relationship already built between Japan and the EU. An EU-Japan EPA is very important for strengthening EU-Japan economic relations, as well as for improving the environment to further promote business cooperation. The EPA should cover a wide array of matters such as tariffs and NTBs, so that it not only can strengthen the trade and investment relationship between Japan and the EU, but also open Japan to the outside world and revitalise the Japanese economy.
- Japan has already promoted EPAs with ASEAN and Central/South American countries. Japan would like to promote an economic framework in East Asia and the Pacific Region, and at the same time a strengthened economic partnership with the EU.
- MOFA has established promotion headquarters for EPAs and WTO, and politicians are taking the leadership in internal consultations with other relevant ministries on these issues at political level. Japan will make further efforts to launch a joint study towards an EU-Japan EPA at next week's EU-Japan Summit.
- Japan does not deny that the conclusion of an EU-Japan EPA would avoid the disadvantages created by the EU-Korea FTA. However, its main purpose is to expand economic relations between Japan and the EU as well as to improve the environment for promoting business activities of both. We hope to have input from the private sector about what kinds of improvement on the business environment are needed.
- The joint study is to seek a mutually beneficial agreement by taking concrete measures on both tariffs and non-tariff issues, on the basis of which Japan intends to discuss the next step with Japanese and EU business sectors. Japan hopes to have support from BRT members to promote a public-private partnership.

C: Mr TERASAKI from MIC

- ICT, sustainable growth, cloud computing, and a low-carbon society are all important issues as Japan and the EU become driving forces in the world. With regard to sustainable growth and a low-carbon society, a MIC taskforce has been discussing the use of ICT power for CO₂ reduction, for example, and the promotion of low-energy consuming green data centres and optical routers. Moreover, there is a need for Smart Grid Intelligent Transport Service and Teleworking. It is important to carry out demonstration tests to penetrate these technologies.
- Cloud computing will improve the quality of people's lives and international compatibility. It is also important for local governments. At present, under the leadership of Senior Vice-Minister NAITO, there is the Smart Cloud Study Group trying to gather issues which need to be promoted in this field. Issues such as standardisation, R&D, cloud technology and the importance of international consensus building. We believe we can put together a strategy plan for Smart Clouds.
- We will continue to cooperate with the other ministries and agencies on these issues, and we must have competition to have a balanced service base.
- As for the next-generation network, we will continue discussions on new competitive policies and continue to promote cooperation between the EU and Japan.

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C: Mr RICHARDSON from the European Commission

- ➔ Political change in both the EU and Japan (Lisbon Treaty, new Commission, new DPJ Government) has allowed putting in place a stable structure for the construction of a new sustainable social market economy on the authority side. This cannot be achieved in isolation, so globalisation issues will remain one of the main drivers of European dynamism. In this context all instruments of external policy, such as trade and macro-economic policy coordination need to be deployed. The BRT 2010 Recommendations go into the right direction. For economic recovery and also in order to remain big global players, strengthened EU-Japan relations are important.
- ➔ Important to reset the EU-Japan bilateral relations and work for the ambition of a bilateral Action Plan.
- ➔ The revision of the EU-Japan Action Plan should be widened to peace and security, cooperation in global and societal changes, cultural exchanges and requires discussion among Japanese partners and all the stakeholders.
- ➔ Priorities of the BRT are the priorities of the Commission, such as: transparency, predictability of regulatory environment, completion of Doha Round of negotiations, fight against protectionism, importance of ICT to support a low-carbon economy; accounting standards convergence, importance of securing access to raw materials; development and use of international standards and enhancing global competitiveness of the bio-based economy.
- ➔ A need for political will in order to strengthen the bilateral relations cannot be denied. PM HATOYAMA heavily emphasises the need to open up Japan to Asia and to the world, which would create a potential win-win situation with more mutual gains than losses, and should prevail over protecting domestic, specific defining interests.
- ➔ To the members of the Round Table, thank you very much for the work you have once again achieved. The Commission is interested in reading the specific BRT Recommendations which are a useful input for the Commission when defining public policies.

Q&A&C:

Q: Mr MARESCA from Finmeccanica

- ➔ Is there any reflection or plan within the new Japanese Government to lead Japanese industry towards international cooperation?

A: Mr MATSUSHITA from METI

- ➔ It is 7 months since the new Japanese Government took power and started to promote the HATOYAMA initiative to address the global environmental issues, and to try to promote new economic growth strategies to be announced in June, as well as to discuss how certain technologies made in Japan can contribute to world development.

A: Mr TAKEMASA from MOFA

- ➔ For further internationalisation, Japan intends on building a platform to maximise the capability of the business sector, which leads to the PM HATOYAMA's policy: "to open the nation".

Q: Mr KULLBERG from EBC in Japan

- ➔ What is the GOJ's plan to increase the attractiveness of FDI in Japan, bearing in mind that Japan is the 2nd largest economy in the world, but still at the bottom of countries with incomes from FDI?

A: Mr MATSUSHITA from METI

- ➔ Growth in Japan has literally been very sluggish in the last 20 years, and what we need now are new efforts to introduce the Japanese manufacturing technology to the rest of the world; the world will, by doing so, be attracted to Japan (new economic growth strategies to be officially announced by PM HATOYAMA in June 2010).

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- ➔ Issues of agriculture in Japan still remain as well as ensuing trade negotiations, Japan needs to work on these issues and reform the sector of Japanese agriculture.

A: Mr TAKEMASA from MOFA

- ➔ We would like to accelerate the investment to Japan through promoting the conclusion of agreement on taxation, investment, and social security. Naturally, it is most important to promote the conclusion of an EPA, EIA or FTA.
- ➔ In fact the Diet has ratified the protocols amending tax conventions with Luxembourg and Belgium the other day.
- ➔ One target of the growth strategy set by the HATOYAMA administration is to double the inflow of people, money and goods into Japan. The growth strategy, attaching importance to such areas as tourism, environment and the medical/health sector, is to be materialised in April and May, which leads to opening Japan to the rest of the world.

Q: Mr FUKUSHIMA from Airbus

- ➔ Last year Airbus logged 54% of worldwide sales and 0% of sales in Japan. As it was mentioned that an EIA would rather be an FTA and that an agreement may include NTB issues; what NTBs more concretely would be reduced or eliminated under an EU-Japan EIA?

A: Mr TAKEMASA from MOFA

- ➔ MOFA, METI, MAFF and MOF (4 ministries) have repeatedly held minister-level and vice-minister level meetings to discuss the EIAs, FTAs and EPAs or WTO, together with MHLW and MLIT when needed. With regard to NTBs the EU requests a single access point for government procurement and sees government procurement related to railways based on the safety standards in Japan as a problem. The issues are currently under close consultation among the relevant parties.

A: Mr MATSUSHITA from METI

- ➔ The expansion of trade and investment requires the set-up of a joint study; and the EU and Japan would discuss to proceed with non-tariff issues.

Presentation of “Study of 10 years of BRT Recommendations / Progress Reports”

by Mr GUERRIER

- ➔ Refer to the [PowerPoint presentation](#); other relevant comments written below.

Mr OKAMURA

- ➔ These results can be very important insights and useful for the future work of the BRT. I would like to hand over this detailed data on the study presented by Mr GUERRIER to both Authorities.

Presentation of “Administrative / Political processes leading to Change”

by Messrs KULLBERG and HIRAI

- ➔ Refer to the [PowerPoint presentation](#); other relevant comments written below.

Mr HIRAI from Toray

- ➔ Japan has opened up after the black ships of Commodore Perry, then opened up as a member of the international community for a second time after the end of World War II; Japan is now on the verge of a third opening-up of the country to the rest of the world, and an EU-Japan EIA could be the key for this.
- ➔ Urges the EU and Japan to establish a study group on an EIA.

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- ➔ In compliance with WTO rules Japan and the EU must strive for liberalisation. In addition, an EIA should allow new mechanisms of integration to contribute to the advancement in areas such as global climate change, innovation and security of society.
- ➔ Referring to a think-tank study on investment barriers between the EU and Japan, the outcome shows that the removal of tariff and non-tariff barriers by an EIA would dramatically increase trade and national income between the two areas.
- ➔ An EU-Japan EIA taskforce was established by both sides and presented a joint report at the 2008 BRT Annual Meeting in Tokyo. In the report it was stressed that both Authorities take cooperative steps in areas such as deregulation, innovation, environment and trade and investment facilitation and start work where they can involving relevant government officials. This has yet to be implemented. Last May 2009 in Prague, EU-Japan Summit leaders agreed to deal with a few specific NTB issues to boost the economic potential and decided to deal with things where they can. A report on this will be presented at the upcoming Summit next week. It is hoped that huge benefits will be achieved.
- ➔ Someone from Europe mentioned earlier they are less interested in tariffs. But the elimination of tariffs is the most fundamental challenge in EU-Japan trade and investment relations. This will bring about a better environment and innovation for industries and facilitates business between the EU and Japan.
- ➔ A roadmap for the realisation of an EU-Japan EIA must be part of the new EU-Japan Action Plan.
- ➔ Authorities at high level are urged to establish a tripartite study group as soon as possible to promote a better economic relationship.

Q&A&C:

C: Mr LACHAUSSEE from Merial

- ➔ Mr. GUERRIER's presentation is also an illustration of what Mr KULLBERG said.
- ➔ In item 14 of WP A (2002, refer to the PowerPoint presentation of Mr GUERRIER) the abolishment of the toxicity study for mycelia (feed grade) products was solved. This positive decision by the Ministry of Agriculture was welcomed, but on the other hand, there are other items which are unsolved, for example, the mutual recognition of Good Manufacturing Practice. The situation worsened with the implementation of the New Pharmaceutical Law in 2005 in Japan which requests an accreditation of each European manufacturing site thereby entailing a huge additional workload. Looking back to what happened in the past 10 years of negotiation with the Ministry of Agriculture, there is some progress but also drawbacks. To summarise: we really need to tackle NTB issues, and Good Manufacturing Practice is an item that can be quite easily harmonised between the EU and Japan.

C: Mr DUVERNE

3 comments on the presentations by Mr GUERRIER and Mr KULLBERG

Comment 1:

- ➔ Not much has been achieved in WP D in the last 5 years and the presentation by Mr GUERRIER invites us to modesty; we are too much constrained by our political correctness.
- ➔ On the other hand, we shouldn't be inclined to too much wishful thinking but should recognise the complicated political landscape on both sides. For example, social security, such as taxes, is a national and not EU matter. Sometimes we Europeans make similar mistakes with Japan.
- ➔ Suggests evaluating the quality of the responses of the Authorities to see if progress has been made; have own internal annual evaluation on the feedback.

Comment 2:

- ➔ There are new challenges from the political sides of the EU and Japan, and we wait for signals with regard to development of the EU-Japan trade and investment relationship from the new Authorities.

Comment 3:

- ➔ Great business leaders can set the strategy and manage change; what creates the need for change is the expression of dissatisfaction about the current situation which triggers a need to act; then we need to set a timetable and define priority areas (because the scope of change required is very wide), e.g. for

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public procurement alone, in the EU 30 years were needed to achieve results; let's hope that the EU and Japan don't need that amount of time to achieve results on this issue.

C: Mr RICHARDSON from the European Commission

- As a reminder, from last year's EU-Japan Summit held in Prague, in paragraph 34 of the Summit's conclusions 4 areas were identified as being potential subjects for change and the removal of NTBs: namely, car safety standards, government procurement, wood products and medical equipment. A year later we have not had any progress on any of these issues; despite identifying priorities, this absence of progress is the root of the scepticism which exists in Europe about Japan's ability to deliver.

Presentation of "Recommendations for the Successor to the 2001-2011 EU-Japan Action Plan"

by Messrs OKAMURA and LE GALL (replaced by Mr DUVERNE):

- Refer to the PowerPoint presentations ([OKAMURA](#) / [LE GALL](#)); other relevant comments written below.

Mr OKAMURA

- Want to reflect on the last 10 years to transform the future.
- As we see a decline in mutual interest it is all the more important for Japanese industry to coordinate with the EU as we are partners who share similar values.
- Maintain and develop business environment through the EU-Japan Regulatory Reform Dialogue.
- Some negotiations have experienced delays; especially on the dialogue on economic cooperation.
- GOJ's New Growth Strategy of December 2009 promotes cooperation between public and private sectors in order to trigger strategic measures for innovation in areas such as environment and lifestyle, technological development and creation of jobs – the EU 2020 Strategy is heading in the same direction. Both economies can act as forerunners in the global economy.
- In order to improve competitiveness free and open competition is of utmost necessity for EU-Japan bilateral growth.
- Global warming can be dealt with in cooperation on standards and cultivation of new and innovative fields of technology. The EU and Japan must utilise their globally advanced levels of science and technology to lead the world in strategies for international standardisation, which is vital for innovation and development of new industries.
- To achieve the next 10 years of cooperation, industry must help remove or curtail tariffs and NTBs in a comprehensive package.
- For the EU, the relationship with Japan will serve as a means to deepen its ties with high-growth-potential Asian economies. This relationship will also serve as a tool to a stable business environment in Asia in line with international rules.
- All these issues should be brought up and focused on at the next EU-Japan Summit meeting.

Mr DUVERNE

- I will reserve my final points for the conclusions.

Q&A&C:

C: Mr MATSUSHITA from METI

- It is time for action and change in the Authorities; at the same time we have to assess why we are not making progress; as mentioned by Mr. GUERRIER we have to look at the examples of past failures and successes and learn from the past and understand what efforts were made in order to create a win-win-relationship. We must also understand the reasons for the barriers and failures to progress and assess how to change in the future and reach an agreement on such an approach with the Working Parties looking at the details.

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C: Mr TAKEMASA from MOFA

- ➔ The new administration will advance administrative reform at the initiative of the government, along with growth strategy. In addition, we encourage the European business sector to have a pro-active approach toward Members of the European Parliament which has become more involved regarding international agreements.

C: Mr RICHARDSON from the European Commission

- ➔ Under the Lisbon Treaty the new European Parliament will have a role to endorse the trade agreements, which will change the dynamics of negotiation of any possible future EU-Japan bilateral trade and investment agreement.

C: Mr DUVERNE (final comments)

- ➔ Thanks to the three Vice-Ministers for coming to the table today and supporting us in the conclusions.
- ➔ It was a good initiative from Mr LE GALL and Mr OKAMURA to re-schedule the BRT and make it happen before the EU-Japan Summit of next week (9 months' preparation instead of 12 months).
- ➔ We should avoid protectionism as a result of the financial crisis, and we know that reducing trade barriers is an important step in solving crises like this.
- ➔ Thanks to Mr MELCHER for agreeing to take charge of the BRT after the break, and thanks to Mr OKAMURA for co-chairing the BRT.

Further BRT discussions were held *in camera* and so are not minuted here.

Report prepared by Fabrizio MURA, Susanne STOELTING and Hilary JONES
EU-Japan Centre for Industrial Cooperation, tel.: +81 (0)3 3221 6161; roundtable@eu-japan.gr.jp

Please note: Whilst every care has been taken to ensure accuracy, for reasons of brevity it is not possible to give a verbatim account. Please contact the Centre should you have any comments.