EU/Japan Economic Partnership Agreement

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PURPOSE: to conclude the Economic Partnership Agreement between the European Union and Japan.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: Japan is the world’s third largest economy outside of the EU in terms of GDP, yet only EU's seventh largest trading partner. It has a population of over 127 million inhabitants with a very high purchasing power. It is a key market for European Union exporters, services providers and investors.

On 29 November 2012, the Council authorised the Commission to enter into negotiations for a Free Trade Agreement (FTA) with Japan. The Free Trade Agreement with Japan was renamed the "Economic Partnership Agreement" (the EPA) at the time of the conclusion of an agreement in principle on 6 July 2017.

On the basis of the negotiating directives adopted by the Council in 2012, the Commission has negotiated with Japan an ambitious and comprehensive Economic Partnership Agreement with a view to creating new opportunities and legal certainty for trade and investment between both partners. The texts of the EPA after the finalisation of the negotiations were published in December 2017.

CONTENT: the Commission called on the Council to adopt the Decision to conclude the Economic Partnership Agreement between the European Union and Japan.

In line with the objectives set by the negotiating directives, the Commission notably secured the following:

- **Liberalisation of imports**: Japan will liberalise 91% of its imports from the EU at entry into force of the Agreement. At the end of the staging period 99% of its imports from the EU will be liberalised, while the remaining imports (1%) will be partly liberalised through quotas and tariff reductions (in agriculture). In terms of tariff lines, Japan fully liberalises 86% of its tariff lines at entry into force, going up to 97% after 15 years. Major positive achievements for the EU include full liberalisation at entry into force for wines and sparkling wines, full liberalisation of other major agri-food exports (hard matured cheeses, pasta, chocolate, confectionery) over a transitional period; very significant concession achieving almost liberalisation for pigmeat over time; substantial improvement of market access conditions for EU exports of beef and all the other cheeses; as well as liberalisation of all European industrial exports, including old-standing priorities such as footwear and leather products.
- **Public procurement**: EU companies will be able to participate on an equal footing with Japanese companies in bids for procurement tenders in the 48 so-called 'core cities' of Japan with around 300.000 to 500.00 inhabitants. The agreement also removes existing obstacles to procurement in the railway sector.
- **Removal of trade barriers**: the removal of technical and regulatory trade barriers to trade is proposed in goods such as duplicative testing, in particular by promoting the use of technical and regulatory standards used in the EU in the sectors of motor vehicles, electronics, pharmaceuticals and medical devices as well as green technologies.
- **Trade in services**: the EPA includes a chapter on Trade in Services, Investment Liberalisation and Electronic Commerce and the related schedules of commitments, which go significantly beyond

both parties' WTO commitments. The chapter includes cross-cutting rules on domestic regulation and mutual recognition, and sector-specific rules designed to ensure a level playing field for EU businesses.

- **Corporate governance**: for the first time in an EU trade agreement, there will be a specific chapter on corporate governance. It is based on the G20/OECD's Principles on Corporate Governance and reflects the EU's and Japan's best practices and rules in this area.
- **Intellectual Property Rights (IPR)**: the EPA sets out a high level protection of intellectual property rights, including with regard to the enforcement of these rights and including detailed provisions on copyright, providing for improved copyright protection.
- **Geographical Indications (GIs)**: it aims to ensure a high level of protection for EU GIs, with TRIPS Article 23 protection, for more than 200 foodstuffs and wines and spirits.
- **Sustainable development**: the EPA includes all the key elements of the EU approach on sustainable development and is in line with other recent EU trade agreements. It includes a comprehensive chapter on trade and sustainable development, which aims at ensuring that trade supports environmental protection and social development and promotes the sustainable management of forests and fisheries. The chapter also sets out how civil society will be involved in its implementation and monitoring. It also includes a commitment to implement the Paris Agreement on Climate Change as well as a dedicated review mechanism.
- **SMEs**: a specific chapter will enable smaller companies to benefit fully from the agreement, notably through increased transparency.
- **Wine exports**: the EPA also includes a comprehensive section on the mutual facilitation of wine exports with the approval of several oenological practices including priority additives of each side.

Joint committee: the EPA establishes a Joint committee that has as its main task to supervise and facilitate the implementation and application of the Agreement. It shall be comprised of representatives of the EU and of Japan who will meet once a year or in urgent cases at the request of either side.

BUDGETARY IMPLICATIONS: the EPA will have a financial impact on the EU budget on the side of the **revenues**. It will lead to an estimated loss of duties of EUR 970 million at the entry into force of the Agreement.

After the EPA is fully implemented (after 15 years from its entry into force) the yearly loss of duties is estimated to reach EUR 2.084 billion. This estimation is based on a projection of the evolution of trade for the next 15 years without any agreement. On the other hand, the EPA is not expected to have a financial impact on the EU budget on the side of the expenditures.