

Information pack: EU-Japan economic partnership agreement

As at: 16 November 2018

1 Lines to take

- ➔ The EU-Japan economic partnership agreement is the most significant bilateral trade agreement the EU has ever concluded. The economic area it covers accounts for almost 40% of world trade. By increasing exports significantly, the agreement will help to push down prices, create jobs and generate economic growth.
- ➔ In an era of increasing protectionism, moreover, it will send out a much-needed message in support of rules-based, free and fair trade.
- ➔ For the first time in the history of the EU, an economic partnership agreement includes an official commitment to the Paris Agreement on climate protection and to other key aspects of sustainable development, in particular the environment and employment protection.
- ➔ Lastly, the process of negotiating the economic partnership agreement with Japan has been much more transparent than for previous trade agreements.



Data source: [World Bank](#), [European Commission](#).

Key facts

- ➔ **Stage reached in the negotiations:** The negotiations between the EU and Japan on an Economic Partnership Agreement (EPA) were concluded on 8 December 2017. On 17 July 2018, the EU and Japan signed the EPA, and the Strategic Partnership Agreement, at the EU-Japan Summit in Tokyo. Negotiations on a separate investment protection agreement (focusing on compensation claims brought by firms against States) with Japan are still ongoing.
- ➔ It is **the most significant bilateral trade agreement ever concluded by the EU**, covering nearly a third of world gross domestic product (GDP), almost 40% of world trade and more than 600 million people.
- ➔ During turbulent times for the global trading order, the EPA sends out **a message in support of rules-based, free and fair trade** and of multilateralism. In addition, it demonstrates that the EU and Japan stand for the same fundamental values in the areas of human rights, democracy, the rule of law and sustainability.
- ➔ The value of trade in goods and services between Japan and the EU is more than EUR 150 billion per year. The EPA is **predicted to lead to a significant increase in exports between the two regions (EU exports: +34%, Japanese exports: +29%)**. This in turn will be reflected in the availability of a wider range of goods on the respective markets, new jobs and economic growth.
- ➔ The **duties** on 97% of the goods exported from the EU to Japan will be abolished, generating annual savings of roughly EUR 1 billion. The impact will be felt most strongly in the agricultural sector (in particular exports of alcoholic beverages, cheese, beef, veal and pork).
- ➔ Important agreements have been reached in the area of **non-tariff measures** as well, for example in the automotive sector and as regards food additives, the labelling of foodstuffs, cosmetics, medicinal products and the labelling of textiles. Japan has agreed to bring its automotive standards even more closely into line with the international standards (UNECE regulations) which apply to EU car manufacturers.
- ➔ As regards **public procurement**, Japan has agreed to grant access to the procurement markets of 48 core cities and of many independent local administrative bodies (universities, hospitals and public energy companies). In addition, the ‘operational safety clause’ which thus far has denied firms in the European railway industry access to the Japanese market is to be lifted.
- ➔ Lastly, the EPA contains an array of new provisions, e.g. a **commitment to the Paris Agreement on climate protection** and **specific chapters on corporate governance and SMEs**.

EU - Japan trade: facts and figures



€86 billion

EU **exports to Japan**, the EU's second largest export market in Asia



74,000

EU **companies** export to Japan



600,000

jobs tied to EU exports to Japan



Trade deal could boost EU exports to Japan up to:

+180%

for processed food

+22%

for chemicals

+16%

for electrical machinery

Source: European Commission



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General Secretariat

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Proposed responses to typical criticisms made in letters from members of the public

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- ➔ **Non-democratic and non-transparent nature of the negotiations:** Since the start of the negotiations on the free trade agreement with the USA (TTIP) and with Canada (CETA), the Commission and the German Government have taken a series of measures to enhance transparency. At every stage, the Commission has kept the **EU Member State governments** informed about the progress of the negotiations (a total of 41 meetings). Immediately after political agreement on the EPA was reached on 6 July 2017, all the relevant chapters were published on the Commission website, as were the draft Council decisions on the EPA of 18 April 2018, including the text of the agreement. The Commission also published more detailed information on its website.
- ➔ **Mandatory privatisation of water resources:** It is true that the EPA does not rule out the privatisation of the water supply industry. Water supply and sewage disposal will nevertheless continue to be regarded as basic public services and every local authority will be free to decide whether to provide these services itself or to outsource them. The EPA will bring one change with it, however: if local authorities decide to outsource water supply services, in future Japanese firms will be able to take part in EU-wide public procurement procedures, in addition to firms from the EU, South Korea and Canada, which can already submit tenders. Local authorities which have decided to outsource water supply services will still be able to bring those services back into the public sector at any time. Decision-making power in this area rests, and will continue to rest, with local authorities. Local authority monopolies, future re-monopolisation decisions and the freedom to favour domestic tenderers in the area of water supply services (and the provision of basic services in general) are thus unaffected. The EU has stipulated this clearly in Reservation No 21 (Annex 8 B-II).

- ➔ **Shortcomings in the area of sustainable development:** The EPA reaffirms both parties' commitment to a broad range of multilateral agreements in the area of labour and the environment, as well to the United Nations Agenda 2030 for Sustainable Development (Chapter 16). More specifically:

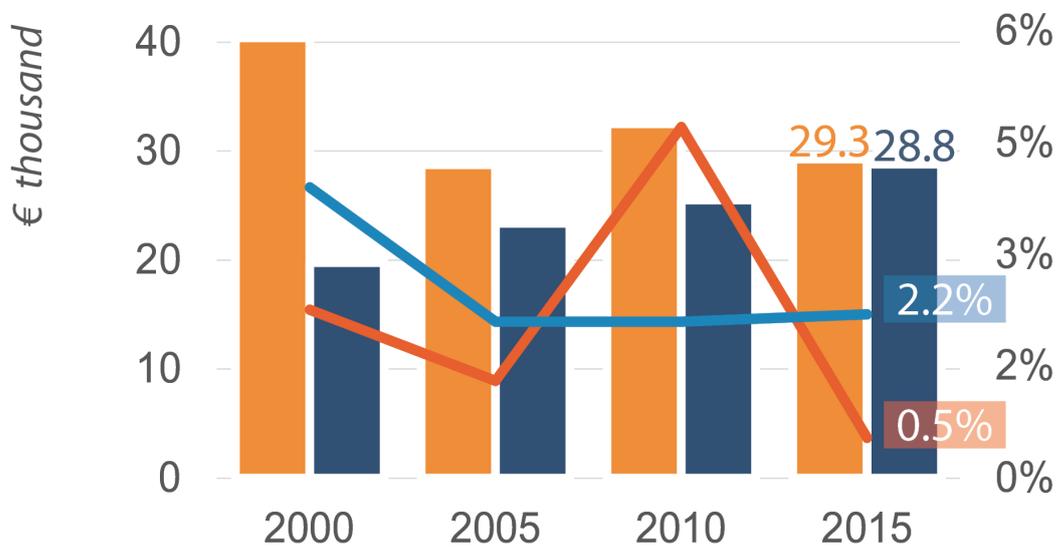
- ➔ **Environmental protection:** Both parties commit themselves to the effective implementation of the Paris Agreement on climate protection and other multilateral environmental agreements (Article 16.4), including agreements to conserve and sustainably manage natural resources (fisheries, biodiversity and forestry). The agreement provides, in particular, for enhanced cooperation in fighting illegal logging and illegal, unreported and unregulated fishing. The EPA contains no special provisions on whaling, since whaling and the trade in whale meat are already comprehensively regulated by the International Whaling Commission (IWC) and the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Whaling and the import of whale meat are banned in the EU. The EPA will change nothing in this respect. What is more, the EU plays an active role in discussions in the IWC, the most appropriate multilateral forum in which to raise the issue of Japanese whaling.

- ➔ **Employment protection:** Japan has not yet ratified two ILO core conventions, namely No 105 on the abolition of forced labour and No 111 on discrimination in employment and occupation. However, the EPA incorporates a requirement to move forward the process of ratifying all ILO core conventions. Japan has therefore already set up an inter-ministerial working party with the task of expediting ratification of the two conventions in question. In the EPA, Japan also gives an undertaking to ensure that its laws, rules and procedures are consistent with the substantive provisions of all ILO conventions, regardless of whether it has ratified them or not.

- ➔ The EPA takes proper account of the EU's **precautionary principle**. It is explicitly enshrined in Article 16.9 with regard to environmental and employment protection measures which have a bearing on trade or investment. What is more, Article 6.4 refers to the obligations under the WTO agreement as regards sanitary and phytosanitary measures (SPS Agreement), under which the precautionary principle applies in the area of food safety and SPS measures. After all, the precautionary principle is enshrined in EU primary law (Article 191 TFEU) and cannot be abolished by means of an agreement concluded under international law, such as the EPA with Japan.

- ➔ **Penalties imposed in order to enforce the labour, social and environmental standards laid down in the chapter on sustainability:** As it stands, the EPA does indeed make no provision for mechanisms of this kind. By means of a review clause, however, the chapter on sustainability does create scope for future changes to the dispute resolution mechanism. The precondition is that the Committee on Trade and Sustainable Development should discuss possible changes and put forward proposals. In that respect, the EPA does allow scope for discussion of the use of penalties to safeguard sustainability standards and for corresponding changes to the text of the agreement.

GDP per capita (€) and annual growth (%) in Japan and the EU-28



GDP per capita (left axis) ■ Japan ■ EU-28

— Japan — EU-28 GDP growth (right axis)

- ➔ **Failure to take account in the negotiations on the EPA with Japan of the reservations entered by Germany concerning CETA ('CETA minus')**: This claim is unfounded. In substantive terms, the two agreements offer the same high level of protection; they differ only in their structure. For example, Annex II to CETA lays down two reservations for environmental services - one for waste management (waste water) (classification code CPC 9401), waste disposal (CPC 9402) and sanitary services (CPC 9403), and one for soil management (CPC 94060). The same exceptions apply in the EPA with Japan. They are merely combined in a single reservation (Annex 8 B-II, Reservation No 15). As regards geographical designations of origin, the EPA protects 205 designations and thus goes significantly further than the CETA, which protects 'only' 143.

- ➔ **Amendment of the EPA without the involvement of the parliaments**: It is true that the parties can agree to amend the EPA. The consent of the European Parliament is required, however. The consent of the national parliaments is not required if the Member States do not become parties to the agreement as a result of the amendment or addition concerned.

- ➔ **Watering down of existing protection standards by means of regulatory cooperation**: The cooperation on regulatory matters between state representatives of both parties provided for by the EPA is intended only to enhance transparency as regards authorisation procedures, rules in force and competent bodies, to foster exchanges of research findings and harmonise technical requirements (e.g. in the context of authorisation procedures). This cooperation is voluntary and thus does not curtail parliaments' freedom to lay down rules applicable in their own country, because the competent cooperation committees cannot create or amend material law. The requisite steps would first have to be taken to amend EU law.

- ➔ **The EPA has been wrongly classified as 'EU only'**: The decisive legal criterion which is applied in order to determine whether an agreement can be classified as mixed, meaning that it requires the consent of the Member States, can be summarised as follows: does the EU have powers in every single area covered by the agreement? In particular, provisions on investment protection can make Member State involvement mandatory. As the EU-Japan EPA does not contain such provisions, its classification as 'EU only' is not open to challenge.

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Foreseen timeline

Vote in plenary
11-13 December 2018

Further information:
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