

Japan-EU Free Trade Agreement

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Content

- I. JAPEU: Strategic Importance – Public Ignorance?
- II. Japan-EU: Declining Trade Relationship
- III. Why a Japan-EU FTA?
- IV. Difficult To Penetrate Japanese Import Market
- V. Contentious Negotiation Issues

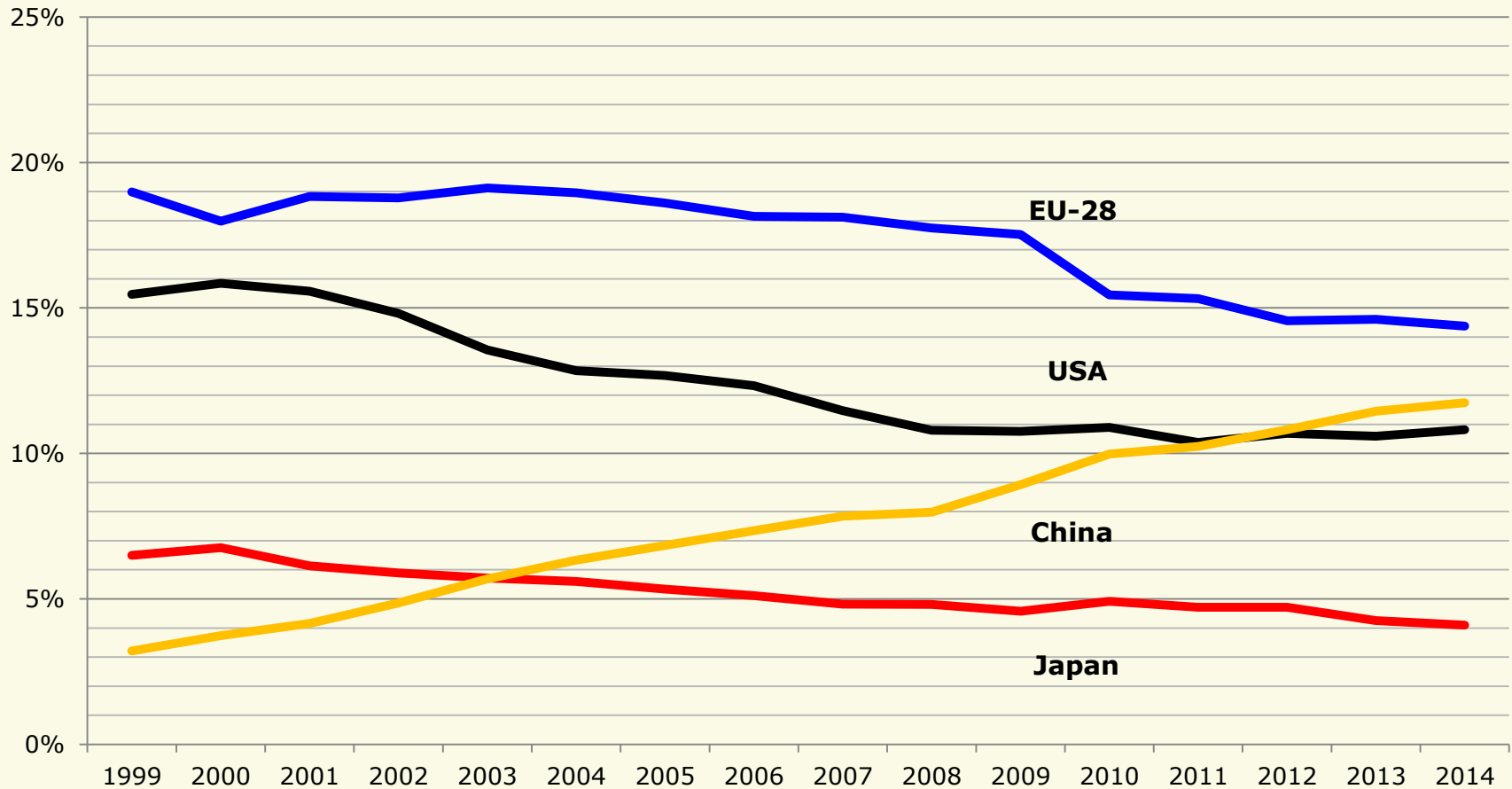
JAPEU: Strategic Importance – Public Ignorance?

Strategic Importance:

- Major Trading Powers (No. 1 + 4)
- Major Markets and Suppliers for each other
- Major Outside Investors for each other
- No. 3 FTA-Zone worldwide (potentially)

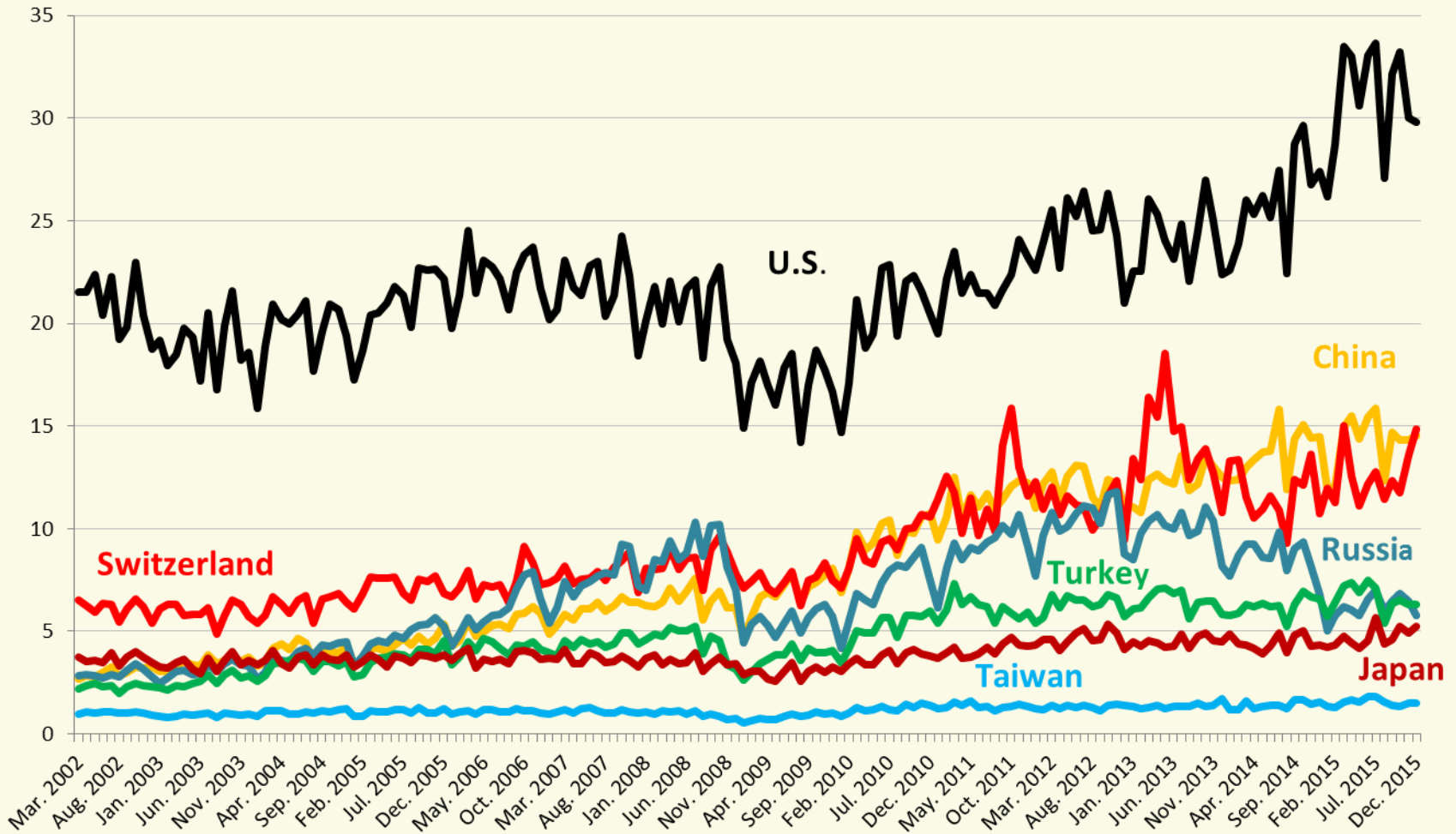
EU, USA, China and Japan in World Trade

Trade Share: EU28, Japan, USA, China 1975-2014



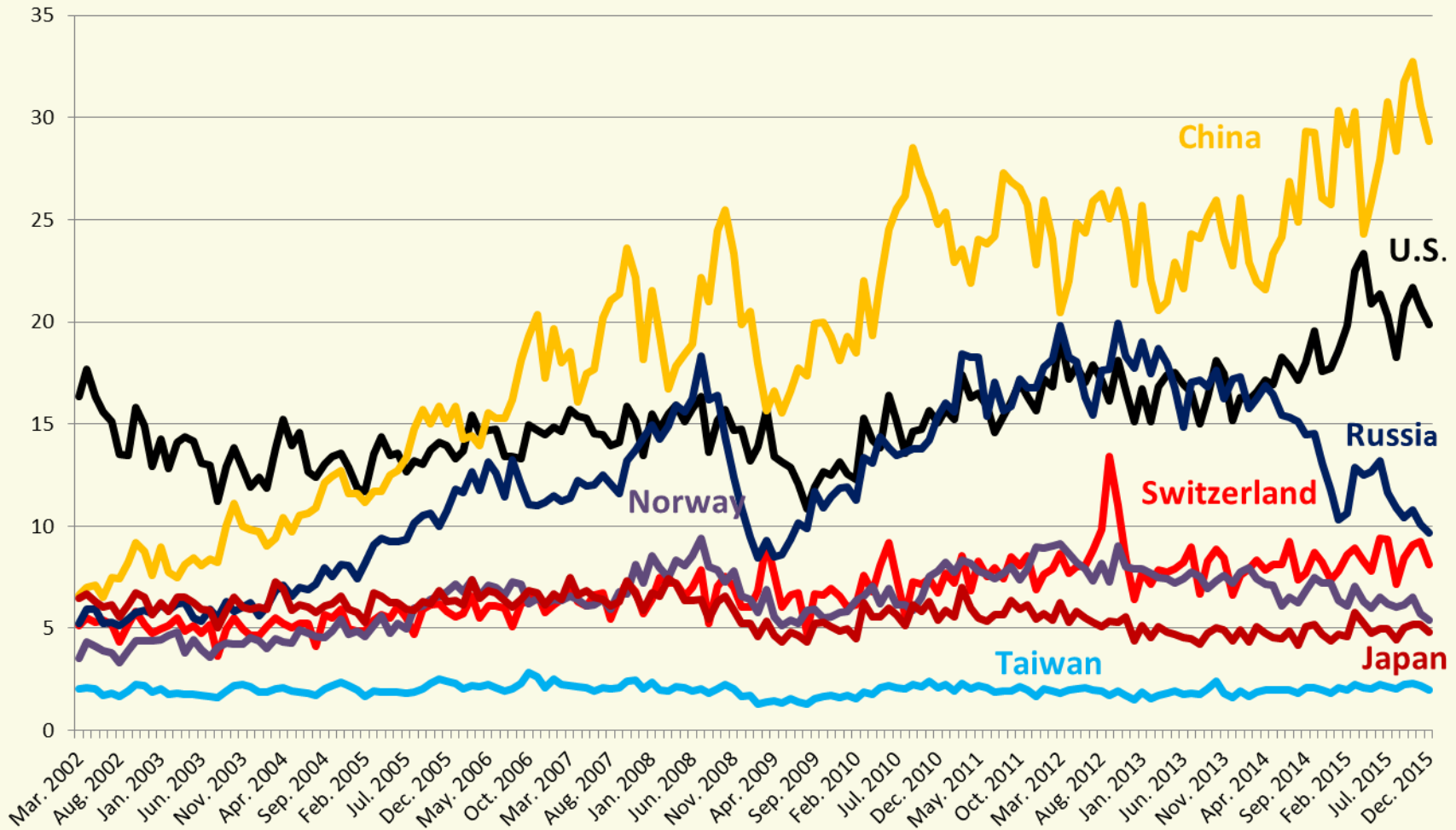
EU World Trade: Main markets

Euro, bn. **EU-28 Exports (all products): 2002-2015**



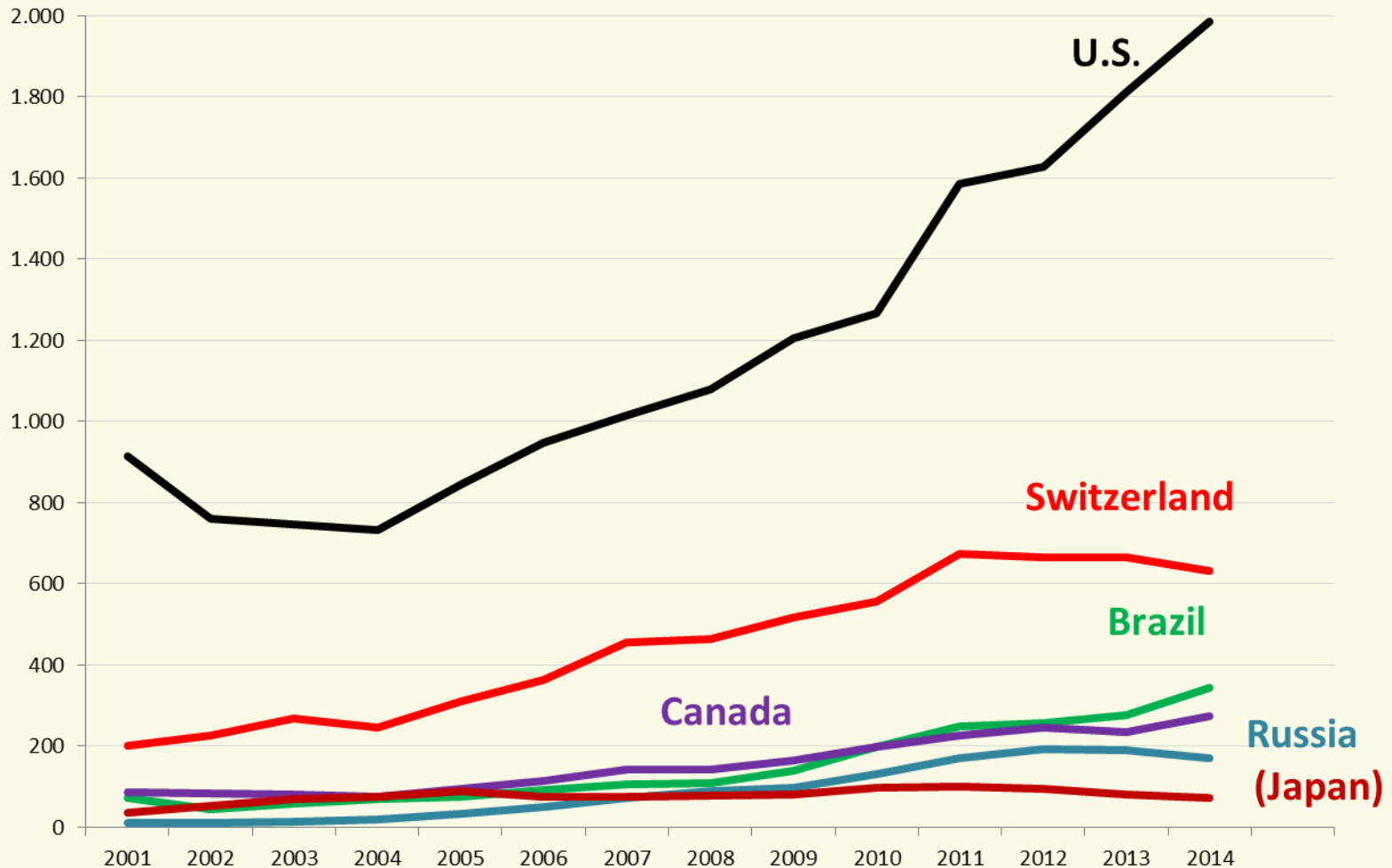
EU World Trade: Main suppliers

Euro, bn. **EU-28 Imports (all products): 2002-2015**



EU Foreign direct investment: Main destinations

EUR, bn. **Top 5 FDI (stocks) Recipients from EU-28: 2001-2014**



Weight of TPP, RCEP, CJK, TTIP, JAPEU in the global economy 2014 (in %)

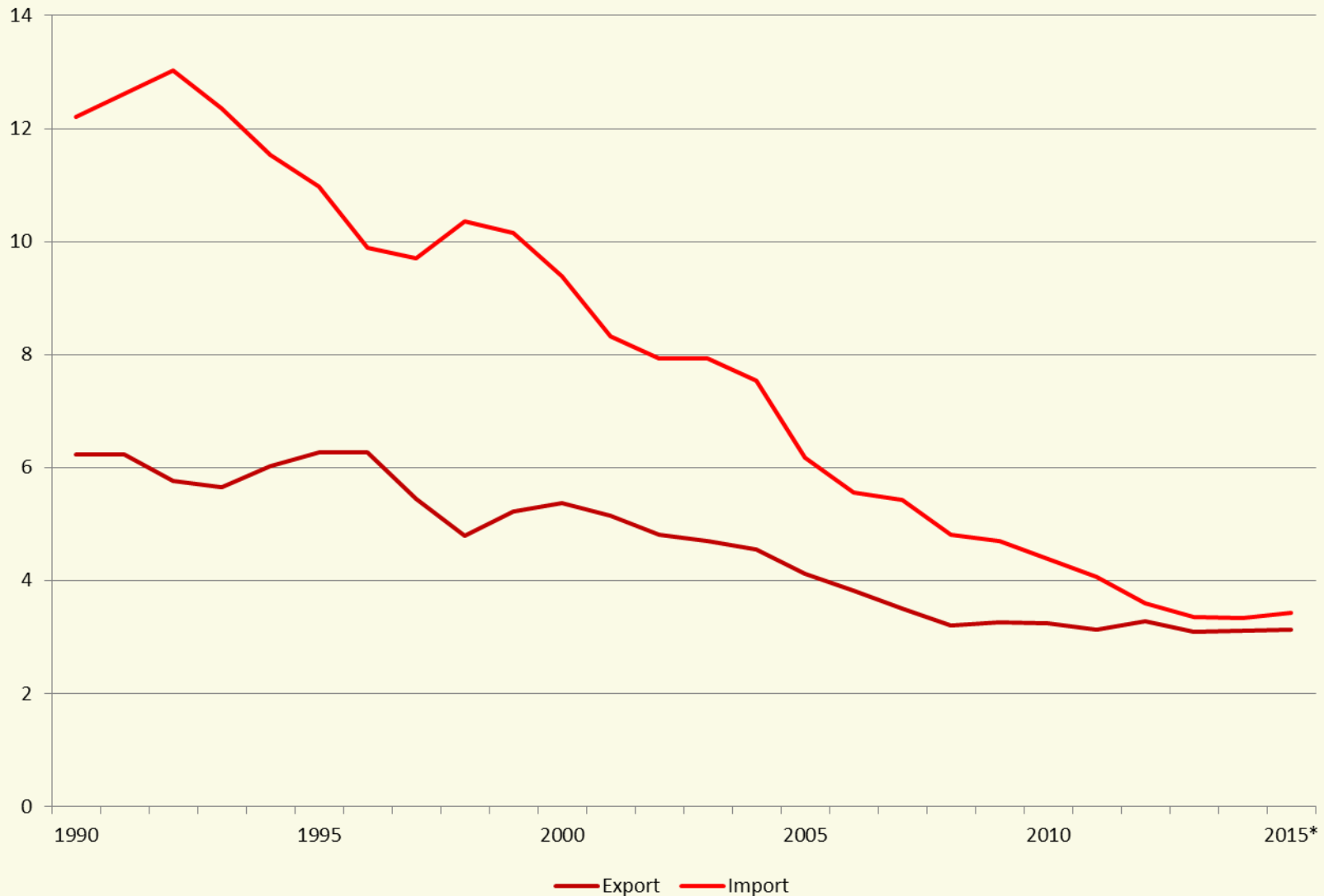
	<i>TPP</i>	<i>RCEP</i>	<i>CJK</i>	<i>TTIP</i>	<i>JAPEU</i>
Global population	11,3	48,7	21,7	11,6	8,9
Global production	36,2	29,2	21,2	46,4	29,9
Global Trade	25,6	28,8	18,4	53,5	36,4
of which intra-trade	10,9	12,2	3,5	25,4	21,2

JAPEU: Strategic Importance – Public Ignorance?

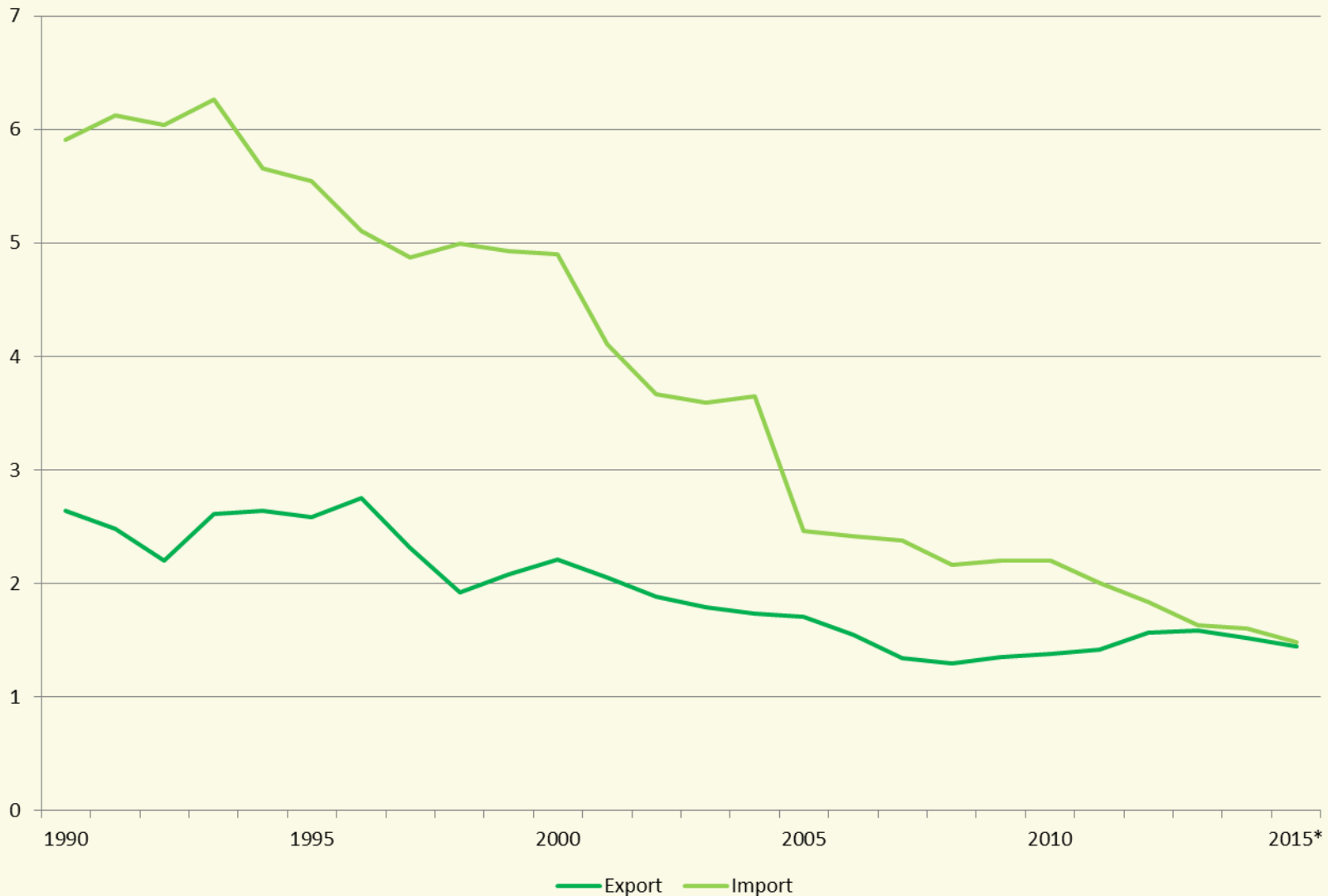
Public Ignorance?

- Japan + EU: Lack of political support and media coverage for JAPEU
- Japan: Political Priority for TPP
- EU: Political Priority for TTIP

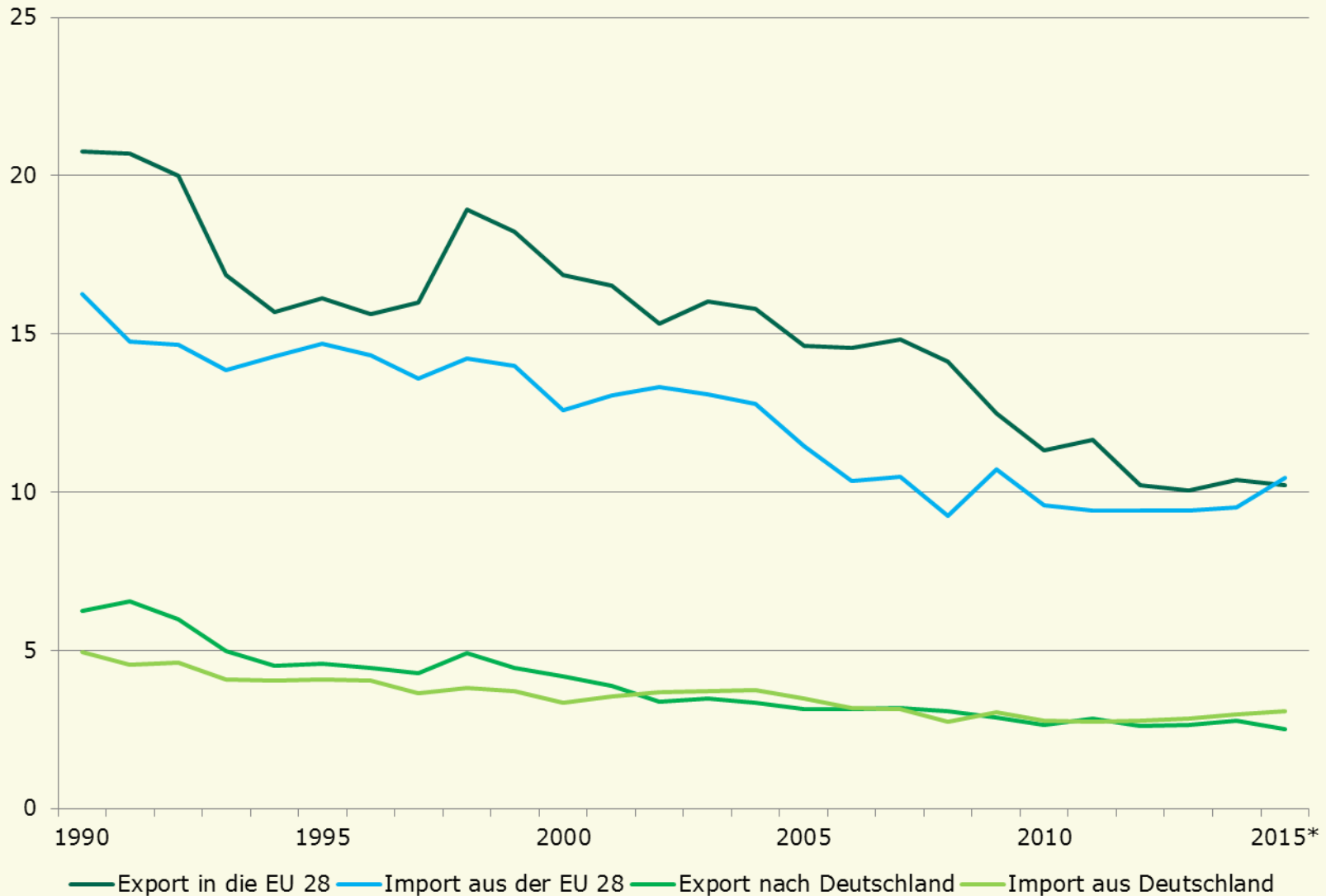
Declining Share of Europe's Trade with Japan (1990-2015)



Declining Share of Germany's Trade with Japan (1990-2015)



Declining Shares of Japan's Trade with the EU and Germany (1990-2015)



Why a Japan-EU Free Trade Agreement?

1. Reverse the trend of declining bilateral trade shares
2. Huge potential of trade expansion between mature economic entities with sophisticated industrial production and differentiated consumer markets
3. Consolidate and deepen the political relationship of like-minded parties
4. Sizeable trade and income effects can be expected

JAPEU: Trade and Income Effects

Estimates by European Research Institutes:

	Trade: Tariff=0	Trade: Reduction NTBs	Income Effects
Copenhagen Economics			
EU to Japan	14.1 bill. €	27.8 bill. €	0.14 % of GDP
Japan to EU	25.2 bill. €	43.4 bill. €	0.31 % of GDP
Ifo Institute for Economic Research			
EU to Japan	6.7 bill. US-\$	74.9 bill US-\$	0.21 % of GDP
Japan to EU	6.8 bill. US-\$	76.5 bill. US-\$	0.86 % of GDP

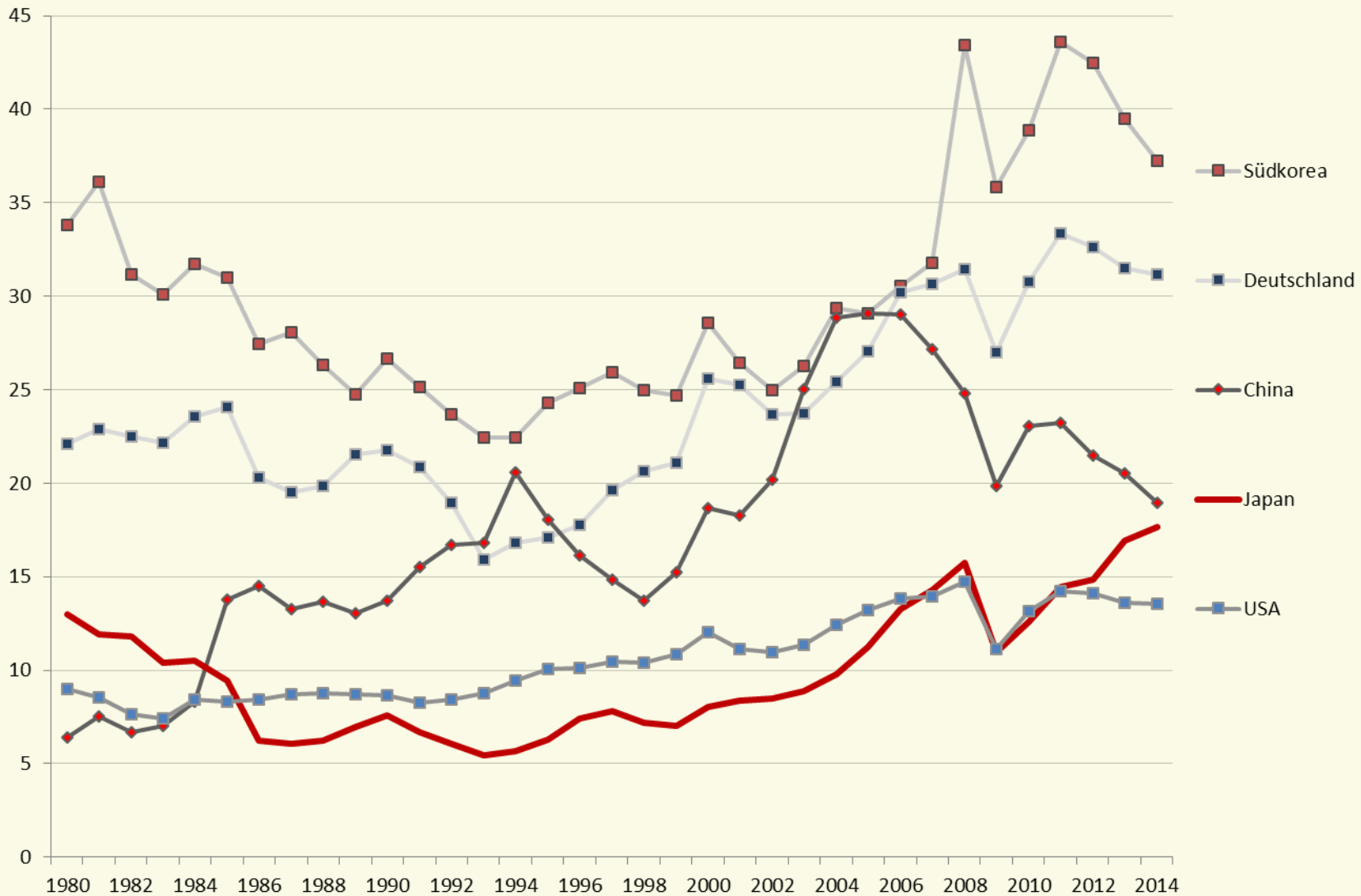
Estimates for sectors (Copenhagen, Prognos):

- Winners Japan: Automotive, Electronics, Machinery
- Winners Europe: Food Processing, Chemicals, Pharmaceuticals

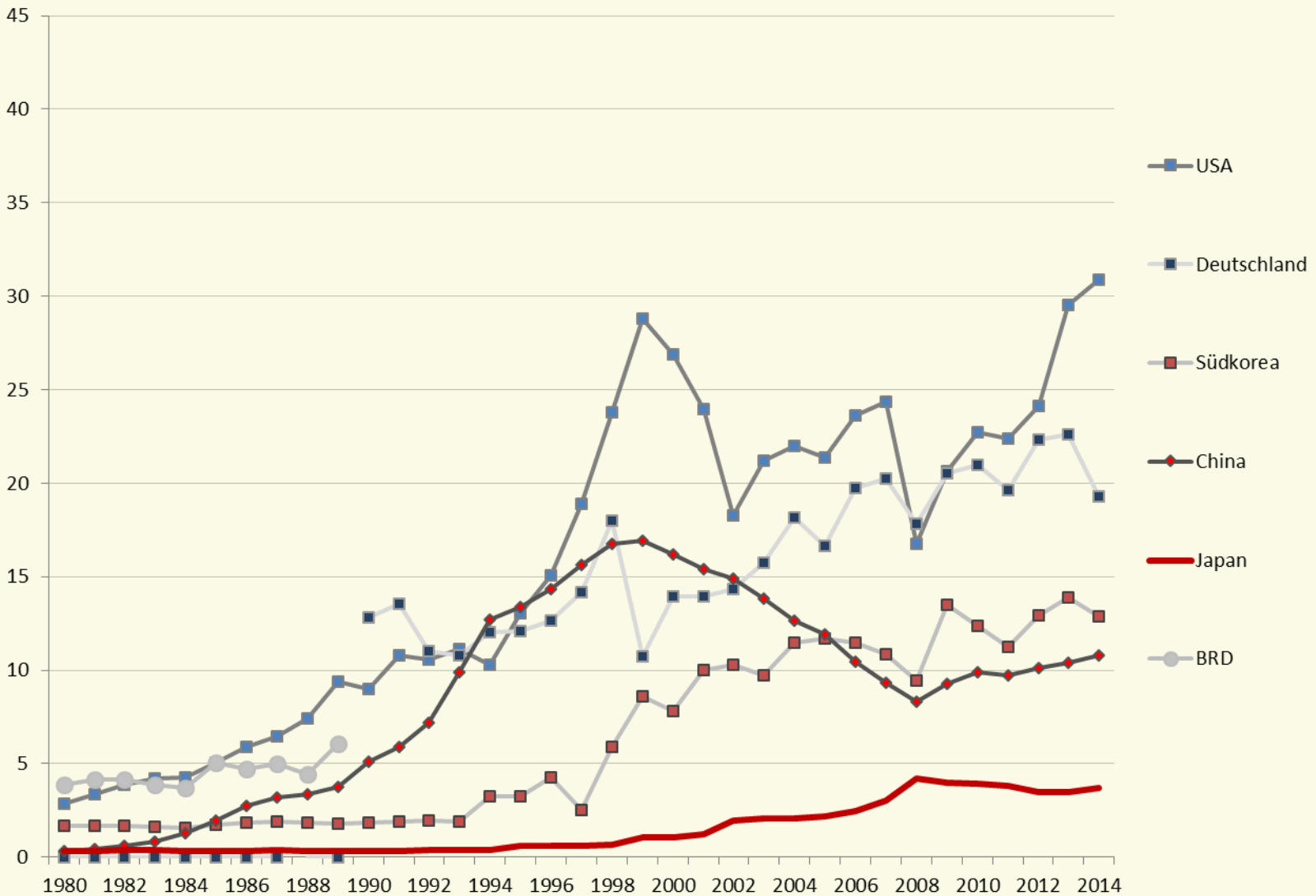
Difficult to Penetrate Japanese Import Market

1. Tariffs (mainly agriculture)
2. Non-Tariff-Barriers: Regulations, high fees at ports and airports, standards, Licensing, business restrictions etc.
3. Informal Barriers: Legal system, weak competition law, Japanese business culture, time and finances needed to break into domestic markets, discrimination of outsiders etc.
4. High Costs of Market Entry and of Doing Business in Japan

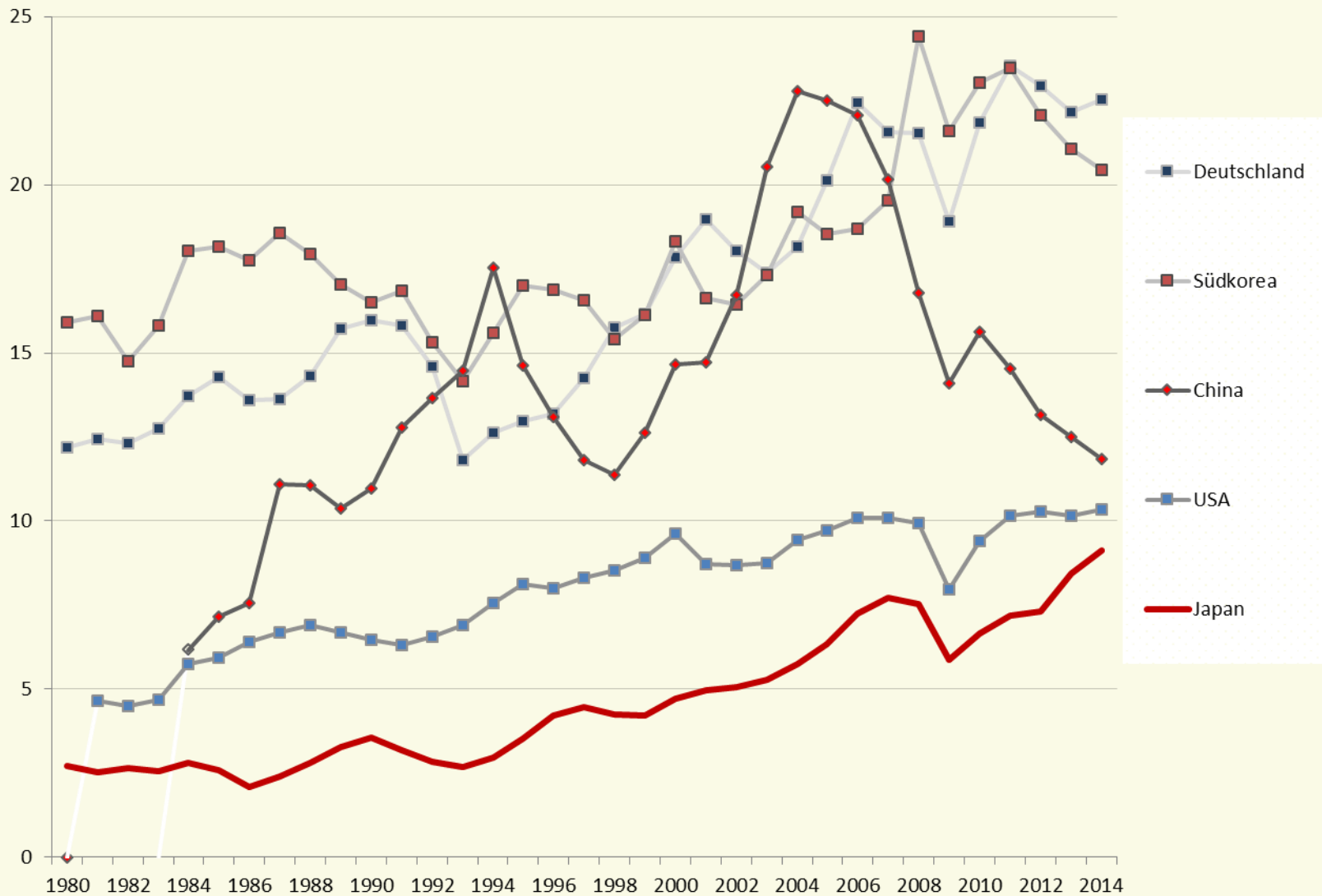
Share of Imports in GDP



Share of FDI in GDP



Share of industrial goods imports in GDP



Main Negotiation Interests

Japan

- Tariffs (automobile 10%, electronic devices 14%)
- Regulatory issues (automotive, chemicals)

EU

- NTBs (automotive food safety, medical devices, pharmaceuticals)
- Public procurement (railway, energy, post, telecom)
- Geographical indications
- Investor State Dispute Settlement
- Services (financial services, transport, postal)
- Competition (anti-trust, subsidy code)

Negotiation Scepticism

Japan:

- High advance payments for one-year review seemingly not recognized by the EU
- Perception of European ambiguity: Under what conditions will EU lift tariffs?
- JAPEU taken hostage by TTIP negotiation?

EU:

- Unfavorable asymmetrical negotiation setting
- Little potential seen for market access in Japan
- Lack of trust (Japan Fatigue)
 - Disappointing market openings in the past
 - Disappointing one-year review, as perceived by some business groups
 - Fear of new barriers after FTA conclusion
- JAPEU taken hostage by TPP ratification?