

The significance of the EU- Japan EPA from an East Asian perspective

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Some Background Information

- EU-Japan EPA entered into force in February 2019
- World trading system in distress:
- (1) World Trade Organization was facing a number of problems: (i) no progress in multilateral trade negotiation, (ii) little progress in setting new rules, (iii) dysfunction of dispute settlement mechanism

- (2) Rising protectionist and market-distorting measures: (i) US-China Trade War since 2018, (ii) application of subsidies in non-transparent fashion, violation of intellectual property protection, forced technology transfer, etc
- (3) Emergence and growth of new international economic activities, which are not covered by international rules: e-commerce, digital trade, investment, etc

Significance of EU-Japan EPA: Japan's and East Asia's Perspectives

- Japan's perspectives:
- (1) EPAs are important policies under Abenomics (3rd arrow, growth strategy): CPTPP
- (2) Economic magnitude: EU-Japan account for 30% and 40 % of world GDP and trade. For Japan, EU accounts for 11.6 % (exports, no.3), 12.4 % (imports, no.2), 27.2% (outward FDI stock, no.2), 38.6% (inward FDI stock, no.1) (all figures for 2019)

- (3) Comprehensive and high quality EPA:
- (i) Coverage: 23 chapters covering trade in goods, services, investment, e-commerce, IPR, state-owned enterprises, competition policy, subsidies, etc
- (ii) High level: trade in goods liberalization (tariff elimination rates: Japan -> EU (app. 100%), EU->Japan (app. 94%, agricultural products app. 82%, non-ag. Products 100%), State-owned enterprises: no-discrimination vis-à-vis firms from the other party; services and investment: negative list

- (4) Expected economic impacts:
- GDP (1% increase), Employment (0.5%, 270,000 employment increase)
- FTA(EPA) utilization rates: Japan->EU 34%, EU->Japan 52% (Feb-Sep 2019)
- (5) Establishment of a good relationship with an important partner that shares common values such as democracy, rule of law, and basic human rights: EU-Japan Strategic Partnership Agreement

- Japan's and East Asia's Perspectives:
- (1) Establishment of an open, free, transparent, rules-based trade/economic environment: reverse increasing protectionism/market-distorting measures
- (2) Momentum toward reforming the world trade/economic system
- (3) One step toward an establishment of East Asia and EU EPA