An introduction to the EU-Japan Economic Partnership Agreement

Opening up Japan’s market to European exports

Japan – a major market for European exports

Japan is the world’s fourth largest economy. With a population of 127 million, its economy is about one third larger than Germany’s. Japan is the EU’s second biggest trading partner in Asia after China.

EU firms export over €58bn of goods and €28bn of services to Japan every year. Yet although Japan is the world’s third largest consumer market, it is only Europe’s seventh biggest export market.

...with even greater potential

European firms often find it difficult to export to Japan because of:

- High Japanese tariffs on some products
- Costs of compliance with Japanese rules and regulations when they differ from international standards
- Technical barriers to trade such as blocking foreign firms from bidding for government contracts in some sectors
- Slightly different standards for cars and car parts so that it cost more to make a car for export to Japan than one for sale in the EU.

The EU wants the EU-Japan Economic Partnership Agreement to get rid of such unnecessary obstacles to European exports so that European firms can sell more goods and services to Japan.

In a survey of EU firms by Copenhagen Economics half of those asked said tariffs and other obstacles limited the variety of products they could export to Japan and made it 10-30% more expensive to export there.

If all tariffs were removed and technical barriers to trade reduced, an independent study suggests Europe’s exports to Japan could grow by up to a quarter.

Every €1 billion of EU exports represents some 14,000 jobs in Europe. The more Europe exports, the more jobs it can safeguard and create.

European Commission, July 2018
Making it easier to export goods to Japan

Making it easier to export to Japan is expected to benefit EU firms making and selling:

- agri-food products
- electrical machinery
- pharmaceuticals
- medical devices such as x-ray machines and pacemakers
- motor vehicles
- transport equipment
- textiles and clothing
- footwear and leather products
- forestry products

EU exports to Japan of textiles could rise by around 220%. This would represent €5.2 billion of extra sales.

Some other areas are also forecast to see healthy growth in their exports, such as:

- Chemicals: +6.9%
- Processed foods: +51%
- Dairy products: +215%

Under the EU-Japan Economic Partnership Agreement Japan has agreed to bring its standards for cars fully in line with the same international standards the EU uses. This will make it easier for EU car manufacturers to sell their vehicles in Japan.

| Driving success - EU car exports to South Korea |
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| When the EU negotiated a trade agreement with South Korea European car manufacturers feared it would create a flood of Korean car imports. |
| In fact, it was European exports to South Korea that saw a big rise. EU car exports tripled from €2 billion in the year before the agreement came into in force to over €6 billion four years later. |
| The boost in EU car exports to South Korea was one of the factors that saw the EU’s trade with the country grow by 55% from €30.6 billion in 2011 to €47.3 billion in 2015. |

Making it easier to export services to Japan

The EU-Japan Economic Partnership Agreement will make it easier for EU firms to sell their services in Japan.

Firms in the following areas in particular are expected to benefit:

- Business services
- Financial services, in particular insurance
- Telecoms
- Transport
- Distribution
- Postal and courier services
The EU-Japan Economic Partnership Agreement will prevent the EU or Japan from discriminating against each other's service providers.

For instance, when a big privatised entity like Japan Post branches out into selling insurance policies or providing express courier services, it will have to respect fair competition with other insurance or express couriers.

The EU-Japan Economic Partnership Agreement:

- will not prevent the EU or Japan their ability from regulating their services markets in a non-discriminatory manner
- will not affect public services like public healthcare or state-funded education.

Japanese services providers that want to operate in the EU will continue to respect EU rules on all workers.

The EU-Japan Economic Partnership Agreement will not change or affect rules on:

- safety
- health
- environmental standards
- qualification requirements
- labour rights
- working conditions