



An introduction to the EU-Japan Economic Partnership Agreement

Regulatory cooperation and non-tariff measures

What is regulatory cooperation?

Regulatory cooperation means that regulators from two different countries or regions get together to:

- share experiences and information
- identify areas of mutual interest for joint work
- work more closely together on developing international standards
- discuss how to address issues arising when the two sides' regulations diverge or are incompatible.

What are non-tariff measures (NTMs)?

Non-tariff measures, including regulatory barriers, are obstacles other than customs tariffs that get in the way of companies exporting to another country. They include things like:

- different or unnecessarily complicated technical standards,
- procedures for approving products
- checks to ensure they conform with regulations.

Why does the EU-Japan Economic Partnership Agreement include regulatory cooperation and NTMs?

NTMs can sometimes be deliberate obstacles to imports. But most of the time they are legitimate measures by a government. The

question is whether they can be simplified, or whether different approaches can be harmonised.

In some cases the EU and Japan differ in their approaches to regulating goods and services. Before the EU started to negotiate an agreement with Japan, it carried out a public consultation. Most of those who responded - in particular the food, automotive, pharmaceuticals and medical devices industries - stressed that current Japanese regulatory barriers limit their opportunities.

Divergent standards and technical requirements – as well as other regulatory and administrative issues, both at the border and beyond – also limit trade. Such differences impose costs for both businesses, which have to meet the different rules, and public authorities, which have to enforce them.

Respondents also reported that the authorities in Japan often interpreted regulations in an unpredictable way, creating additional uncertainty.



What does the EU intend to achieve in the EU-Japan agreement?

Japan has agreed to:

- examine a list of non-tariff measures that make exporting harder for EU firms
- find ways to simplify them and
- adopt more international standards, in particular the same ones that the EU also uses.

The EU has also proposed setting up a joint Regulatory Cooperation Committee with Japan.

This is not an independent entity. It is simply a forum in which the EU and Japan exchange views on how to make regulation:

- more effective
- simpler
- cheaper for companies to comply with and for regulators to enforce.

1. Tackling NTMs

The EU presented Japan with two lists of NTMs, and Japan has dealt with a very high proportion of them. Some issues that the EU had raised turned out to have been solved in the meantime.

From the first list, Japan has implemented regulatory solutions for around 75%.

Across all sectors the overall rate of resolution of lists on both sides is close to 50%, including an overwhelming majority of issues relating to cars, pharmaceuticals and medical devices.

2. Moving towards international standards

Regulators' discussions on the NTMs list has also resulted in a policy shift by Japan towards greater use of international standards, particularly those that the EU also applies.

Cars

EU standards for cars and car parts, as well as for other vehicles, are very closely based on international standards laid down by a UN body (UN-ECE). Japan is also a member, but until now it had often used these standards only in part.

Now Japan has agreed to align its standards entirely with those of the UN-ECE, as the EU does.

Robust procedures will be put in place to ensure Japan respects these commitments.

Pharmaceuticals

Japan has accepted to:

- refer to the International Council on Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) as the international standard-setting body and
- use ICH guidelines as basis for its legislation.



Textiles

For care labels, Japan has reformed its system and aligned it with the ISO standard used by EU industry. This has been a long-standing EU request.

Other

Japan is moving to the same international standards as those used by the EU for several other industries.

The future

The EU-Japan agreement also needs to ensure that unnecessary regulatory divergences do not arise in future.

One way of addressing these issues is by getting regulators from both sides to cooperate on a regular basis - to exchange ideas and experiences, and identify areas in which they can cooperate in future.

Different regulatory choices are always possible, but these should not arise simply because of a lack of dialogue.

Moreover, EU and Japanese regulators face similar challenges, and dialogue and cooperation offer opportunities for more effective regulation for both sides.

3. Setting up a joint regulatory body

The agreement includes a separate chapter on Good Regulatory Practices and regulatory cooperation. In it the EU proposes setting up a Regulatory Cooperation Committee (RCC), made up of government representatives and regulators from both sides.

The RCC will:

- enable regulators to exchange good practice in regulation, experience and information
- help identify areas where regulators could work together
- enhance cooperation on international standards.

The RCC will not:

- be able to change existing regulations
- develop new legislation
- have any decision-making powers
- restrict the decision-making power of regulators in the EU's Member States or at EU level.

Regulatory cooperation will remain entirely voluntary. It will not affect the right of either the EU or Japan to define or regulate its own levels of protection to achieve public policy goals.

In addition, the Chapter does not apply to the regulatory authorities in EU Member States, or to the measures, practices or approaches they adopt.