



# The Benefits of an EU-Japan Free Trade Agreement

Brussels, 11 July 2017

**Speech by EU Trade Commissioner Cecilia Malmström**

*Event at EU-Japan Business Round Table*

Ladies and gentlemen,

The agreement we reached in principle last week represents not just a trade deal; but a strategic alliance between the EU and Japan.

We are two parts of the world with much in common.

We agree on values: democracy, belief in rule of law, the spirit of international cooperation. And there is much we gain from the ties between us, when we exchange with and learn from each other. When the Japanese Studio Ghibli cooperated with a European team, they created the Oscar-nominated, Cannes-prize-winning film *La Tortue Rouge*. As we speak, European and Japanese scientists are working together on our first mission to explore the planet Mercury.

And, indeed it was two Europeans who helped make Nintendo into a global success; I refer of course to Mario, and his brother Luigi.

But perhaps the most visible feature of our relationship is the economic one. The benefit we both gain from our trade and investment in the interconnected global economy. To Japan, our sixth biggest trade partner, we export around 10 million euros of goods and services per hour. And import almost as much.

Meanwhile, nearly 5000 Japanese affiliates investing in the EU employ over half a million people.

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EU trade agreements can have a real impact.

In the first five years of the EU-South Korea agreement, our exports went up 55%.

We predict a significant boost from the EU-Japan agreement, too. Our exports of processed food could rise threefold.

The benefits of free trade agreements are not just for big business; but small, specialised companies.

For South Korea, we saw new markets open for pottery from Poland, bookbinders from Germany, violins from Cremona, and more.

Take the start-up Evolis, from Angers, Western France, making cards for banking and ID. The EU-South Korea deal helped it grow and compete; as many as 20,000 South Korean banking agencies now have their machines installed. Two years ago, Evolis won the government contract to develop the ID cards for all Japanese residents.

This is the kind of success we can replicate and expand with a trade agreement. Providing jobs in Europe, and Japan.

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Last week we reached agreement in principle on the EU-Japan free trade deal. The scale of its ambition, and the combined economic size, would make it one of the biggest the world has ever seen.

From day one, it will fully liberalise 91% of our goods exports to Japan. Including important sectors like chemicals, cosmetics, and clothing; and virtually all our exports in wines, beer and other alcoholic drinks. After full implementation, that rises to 99%, with the remainder partly liberalised, by cutting tariffs and quotas.

In return we offer concessions, such as automotive. But even here, these imports include car parts which will be assembled in the EU, supplying EU factories, creating EU jobs. Trade is not a game where some win and others lose. It's a game where we all win.

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Customs duties with Japan tot up to a cool one billion euros a year. But I know tariffs are not the only barriers you face when trading. There is also the cost of red tape, of unnecessary licensing and form-filling, of blocked markets, of goods sitting in warehouses when they could be on the shelves.

We have come a long way in removing these non-tariff barriers, too; to just a few outstanding issues.

Our provisions on automotive non-tariff measure are our most comprehensive and forward-looking ever.

And Japan will speed up its process for approving additives to wine. Services represent about one third of our exports to Japan. And this agreement guarantees access to service markets. Not to mention our most advanced provisions ever on the movement of people.

We also have access to Japanese public procurement markets, including larger cities, hospitals, universities, and removing restrictions on railways.

Meanwhile, Japan agrees to protect over 200 kinds of top-quality EU food and drink – Tyroler Speck, Munich beer, Jambon d'Ardennes, Polska vodka, and many more.

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This is a modern, progressive agreement to support two modern economies. Digital is taking off; today in the EU, online sales are worth around one euro in six of company turnover. It's time to recognise this in trade agreements.

And we also have, for the first time ever, a chapter on small and medium sized companies. An engine for our economy, they can least afford extra costs and uncertainty. Because this is a modern, progressive trade agreement, it is also based on the values we share.

Like the EU, Japan protects its citizens; it sets high standards in areas like workers' rights, the environment, food safety and so on.

Neither side wants to see those standards decrease because of trade. And they won't. We both agree to implement fundamental international labour standards, and environmental treaties like the Paris climate change deal.

And we both commit to manage our resources sustainably, for the next generation. These provisions are binding and enforceable. Of course, any Japanese products coming to the EU - food, clothes, cars, you name it – must still respect European rules as made by European lawmakers. As we must respect Japanese rules there.

Both of us keep the right to regulate and protect our people, ensuring food and goods are safe, in line with the precautionary principle. We can each decide which of our services should be public services.

We have been clear there will be no old-style investor state dispute resolution, the private courts which can affect the public interest; a system we are overhauling. This is something we still need to discuss with our Japanese friends.

In line with our commitment to transparency, we have published the bulk of the text, where agreed. I hope the rest can follow soon.

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We have held 18 rounds of negotiations; starting four years ago. And we are not there yet. There are still details to finalise. Legal drafting to complete. Both sides must ratify. And the European Parliament will have its say, and I am pleased the rapporteur Mr Silva Pereira is with us here today.

So there's a journey still to go. Even after then, the deal must be implemented and businesses need to take advantage of the opportunities we have created. And I am confident they will.

But last week we took a major, conclusive step.

With Canada, we showed it is possible to agree a trade deal that is comprehensive, modern, progressive.

Now we've shown, with Japan, it is possible to take this model to the world.

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Rising protectionism poses a risk to our lives, our jobs, our open society. We cannot take it for granted; we need to show political commitment and practical cooperation.

Now more than ever, people in Europe and across the world realise this. For every country that wants to retreat and isolate, there are those who realise there is no protection in protectionism.

For every country that wants to build walls, there are those who want to build bridges. For every country who wants to slow globalisation, there are those who realise that we can shape it.

Only by being active and engaged can you be at the table, able to set the standards that will apply to global trade in the years to come. This is what the EU-Japan agreement enables us to do.

I want to thank State Minister Sonoura, and his officials, for your commitment, and for showing Japan is among those nations with the courage and purpose to show that leadership.

You are not just the EU's trading partner, but our friend and ally. We have gone through much together. Many rounds of negotiations and many issues to resolve. It has not always been straightforward. But I thank you for your patience and honesty, and for those in both negotiating teams who have worked so hard.

We can offer an economic and social boost for our businesses, our workers, our consumers, our people, whether they are in Tokyo, Tallinn or Toulouse.

Thank you.