



# **Trade Sustainability Impact Assessment in support of the ongoing negotiations of a free trade agreement between the European Union and Japan**

Presentation of draft inception  
report



# Introduction and overview

- Provides an assessment of the potential economic, social and environmental effects resulting from trade and trade-related provisions of the agreement in the EU and Japan as well as third countries, including developing countries, and Turkey which is in a customs union with the EU.
- Overall analysis of sustainability impacts as well as detailed analysis of specific sectors focusing on the potential economic, social and human rights, and environmental impacts.
- Comprehensive consultation and continuous dialogue with stakeholders.



# Introduction and overview

## 5 main work packages:

- Economic analysis.
- Social and human rights analysis.
- Environmental analysis.
- Sectoral analysis.
- Ongoing stakeholder consultation.



# Economic analysis

## 1. Baseline: 2011 impact assessment report.

## 2. The economic analysis will build on the baseline:

- Relative importance of Japan as trading partner, also on basis of value-added, competitiveness and productivity.
- Trade diversion effects of other agreements.
- Regulatory chapters of EU-Japan FTA will be analyzed.
- Overview of potential cross-effects (including conflicting commitments) in TPP, TTIP and the Japan-Turkey FTA.
- Specific focus of the regulatory analysis concerns investments and provisions on investor-state dispute settlement.
- Focus on the effects on sectors dominated by investment driven trade, and possible incentives and policies of import substitution.

## 3. Policy recommendations.

# Social and human rights analysis

## 1. Baseline:

### - Economic indicators:

Dimension	Indicators & data source in addition to the 2011 Impact Assessment
Employment	Total aggregate and sectoral employment and workforce participation rates (OECD national data)
Wages	Real wages in aggregate and by sector (OECD data)
Gender	Workforce participation rates and gender wage gap (OECD and ILO data)
Low skilled/high skilled	Impact on employment and wages by level of skill (OECD and ILO data)
Household income	OECD data
Prices	OECD data
Inequality and poverty	Gini coefficients

- Current compliance by each partner with Core Labour Standards (CLS) and the Decent Work Agenda (DWA) of ILO.
- The human rights records of Japan and individual EU member states may be assessed.



# Social and human rights analysis

## 2. Quantitative analysis of impacts of the agreement on decent work issues (themes of employment, inequality and poverty):

- The research and quantitative assessments to be undertaken, as part of the Trade SIA, on the aggregate economic impact of the prospective agreement. This covers basic quantitative analysis, drawn from the CGE modelling, of variables such as employment, wages and household income.
- The sectoral analysis in Work Package 4 of the Trade SIA. Includes consideration of inter-sectoral linkages and intra-sectoral effects.
- Quantitative analysis available in economic literature or provided by stakeholders.



# Social and human rights analysis

## 3.1. Qualitative analysis of the issues of core labour standards, social dialogue issues, and the impact on human rights:

- Complements the quantitative analysis of decent work impacts.
- Expands on other social dialogue issues, core labour standards and the impact on human rights issues:
  - Links between international trade, investment and core labour standards.
  - Treatment of CLS and DWA in existing FTAs and possible provisions in the EU-Japan FTA.
  - Potential impact of the prospective agreement on human rights issues.



# Social and human rights analysis

## 3.2. Case Studies:

### ***Case study 1: Implications from mode 4 supply of services.***

- Emphasis on business demand for mobility of professionals, the administrative barriers that potentially hamper such mobility (immigration laws, recognition of qualification), and the benefits that might derive from FTA commitments.

### ***Case study 2: Workforce participation and wage gap by gender.***

- Analysis of gender equality indicator of participation in the workforce, and wage gap. The analysis will look at both the EU and Japan as further increasing female participation (so-called 'Womonomics') is also central to the current economic reforms pursued by the Japanese government.

## 4. Policy recommendations.





# Environmental analysis

## 1. Baseline.

## 2. Quantitative analysis:

- CO<sub>2</sub> and most important types of GHG emissions.
- Analysis of the most energy-intensive sectors and of the power generating sectors.
- The impact of trade liberalisation of environmental goods and services.
- The effects on resource use and efficiency.



# Environmental analysis

## 3. Qualitative analysis:

- The impact of the EU-Japan FTA on the ability of the EU and Japan to maintain existing regulatory provisions or to amend them.
- Interaction with the most important MEAs.
- Assumptions made in IA report:
  - Increase in waste and need in resources resulting from an EU-Japan FTA could be mitigated to a certain extent by an increase of trade in environmental goods and services?
  - Economic valuation of biodiversity and ecosystems services could be increased by the increased cooperation resulting from the agreement?



# Environmental analysis

## 4. Case Studies:

### ***Case study 1: the liberalisation of fisheries trade.***

The case study will take into account the societal and cultural importance of fisheries in both societies, the structure of fisheries trade between the EU and Japan, existing internationally agreed measures or other measures in place relevant to the FTA, in order to determine whether there may be any aspects where significant impact from the FTA may be expected.

### ***Case study 2: the liberalisation of timber trade.***

Apart from the direct impacts on trade, the case study will analyze the effects from reduction of NTMs in wood products and increased trade in construction services. Another potential impact could be on the trade in illegal timber.

## 5. Policy recommendations.



# Sectoral analysis

## 1. Criteria for sector selection:

- The importance of the sectors in bilateral trade flows between the EU and Japan.
- The competitiveness of the sector for both the EU and Japan.
- The most important NTMs in Japan.
- The importance of the sectors for both the EU and Japan according to the negotiation history as well as during the process preceding the negotiations.
- The feedback from the stakeholder consultation.



# Sectoral analysis

## 2. Sectors to be analyzed:

### ***Pre-selected sectors:***

- Financial services.
- Business services.
- Motor vehicles sector.

### ***Additional selected sectors:***

- Pharmaceuticals including quasi-drugs and cosmetics.
- Transport equipment (non-automotive, such as railway, ships and aircraft with a focus on the latter).
- Processed foods including meat and meat products (e.g. pigmeat, beef), dairy products (e.g. cheese) and beverages (e.g. wine).
- Electric machinery (e.g. medical devices and other sub sectors).



# Sectoral analysis

## 3. Baseline:

- Different economic, social and environmental indicators with a structural description of the market as well as information on SMEs.
- The overall output and value-added created by the sector.
- A description of trade and investment patterns and the sector's integration into the value chain.
- Baseline analysis of the relative competitiveness of each sector.

## 4. Analysis:

- Analysis of market access issues for each sector and how barriers and NTMs may be liberalised.
- Impact on each of the sectors from the FTA, focusing on key products and services identified.
- Consideration of elements such as investments, public procurement, GIs etc. and other FTAs.

## 5. Policy recommendations.



# Consultation plan

- Website: *<http://www.tsia-eujapantrade.com/>*.
- Dedicated e-mail: *[Lsee.Tsia-Japan@lse.ac.uk](mailto:Lsee.Tsia-Japan@lse.ac.uk)*.
- Twitter: *[https://twitter.com/TSIA\\_Japan](https://twitter.com/TSIA_Japan)*.
- Facebook: *TSIA EU-Japan FTA*.
- Newsletter.
- Surveys (a survey on sector selection already underway, an additional survey on broader information on TSIA analysis).
- In-depth consultation with stakeholders via individual interviews and interviews of focus groups.
- Meetings/dialogues.
- SME test.

# Ongoing consultation and next steps

## Overall TSIA process and next steps:

- Sector selection consultation - on-going, deadline for comments 31 March 2015
- Social, human rights and environmental impact questionnaire - 2nd week of February
- Economic and sectoral impact questionnaire - March 2015
- Draft interim technical report - end of May 2015
- Final interim technical report - July 2015
- Draft final report - September 2015
- Steering Committee & Civil Society Dialogue - end of October 2015
- Final report - December 2015
- Briefing document - December 2015

