



**CIVIL SOCIETY DIALOGUE**

**MEETING ON THE TRADE SUSTAINABILITY IMPACT ASSESSMENT  
(SIA) IN SUPPORT OF NEGOTIATIONS OF A COMPREHENSIVE TRADE  
AND INVESTMENT AGREEMENT BETWEEN THE EU AND JAPAN,  
DRAFT INCEPTION REPORT**

**Date:** 5 February 2015

**Time:** 14.30 – 16.00

**Location:** Charlemagne Building, room Sicco Mansholt, 170 Rue de la Loi, 1049 Brussels

**Lead speakers**

Mr Antonio Parenti, Deputy Head of Unit, Far East, Directorate-General for Trade  
Mr Timothée Sautter, Co-ordinator of bilateral trade relations with Japan, Directorate-General for Trade  
Mr João Pereira, Evaluation Coordinator, Directorate-General for Trade  
Ms Jana Votoupal, Evaluation Coordinator, Directorate-General for Trade  
Ms Alessandra Tucci, Economist, Chief Economist and Trade Analysis Unit, Directorate-General for Trade  
Mr Hosuk Lee-Makiyama, LSE Enterprise  
Mr Kenneth Heydon, LSE Enterprise  
Mr Patrick Messerlin, LSE Enterprise  
Mr Philipp Lamprecht, LSE Enterprise  
Ms Elitsa Garnizova, LSE Enterprise

**Moderator**

Ms Montserrat Gago, Co-ordinator relations with civil society, Information, Communication and Civil Society Unit, Directorate-General for Trade

**Panel Presentation**

**The European Commission (MG)** welcomed participants and explained that the session would focus on a presentation by LSE Enterprise (LSEE) followed by questions and answers.

**The European Commission (AP)** provided a brief update on the negotiations between the EU and Japan. The European Commission outlined that the parties have undergone nearly two years of negotiations and a lot of progress has been made during the period and recalled that the next round will take place in the week of 23<sup>rd</sup> February 2015. It highlighted that these are major negotiations and the European Commission has been mandated with an ambitious

agenda and both parties have committed to cover as many issues as possible. The European Commission underlined that Japan has mentioned that the goal is to finalise the negotiations by the end of the year but substance will prevail over timing as only an ambitious agreement could deliver real benefits to both partners. Negotiators will be closely guided by the Trade SIA and the dialogue with Civil Society representatives.

**LSEE** delivered a [presentation of the Draft Inception Report of the Trade Sustainability Impact Assessment](#) and informed that further comments on the inception report could be sent via email to LSEE (Lsee.Tsia-Japan@lse.ac.uk) until Monday 16th February 2015. The presentation emphasised the integrated character of the stakeholder consultation in providing input to the study team throughout and during all phases of the study. On sectoral analysis it mentioned that the selection of an 8<sup>th</sup> sector will be done on the basis of the results of the stakeholders' consultation. It also highlighted that the deadline for the on-going survey to provide input to the sector selection is Tuesday 31st March 2015.

### **Discussion highlights / questions and replies**

**International Trade Union Confederation (ITUC)** made an enquiry concerning the use of a CGE model based on the GTAP8 database. ITUC asked whether it would be possible to include other models to complement the CGE model, which they found problematic due to its assumptions. ITUC suggested the inclusion of macroeconomic models, in particular the UN Global Policy Model or the Global Forecasting Framework. ITUC also asked whether the impact on income inequality and wealth inequality would be part of the analysis. With regard to the case studies, ITUC welcomed their use to complement the analysis but wondered whether the number of case studies for the social and human rights analysis might be too low. On the environment, ITUC asked how the team would capture the impact of trade liberalisation on environmental goods and services.

**Greenpeace European Unit** welcomed the use of case studies. Greenpeace highlighted that the EU and Japan are major importers with low bilateral trade volumes in both sectors chosen for the case studies of the environmental analysis. Greenpeace enquired whether an additional case study could be included in the analysis of one of the sectors identified for the sectoral analysis section of the report.

**European Services Forum (ESF)** welcomed the inclusion of financial and business services as part of the sector selection, highlighting that their inclusion is indispensable. ESF asked how the services sectors are defined. ESF also questioned the criteria used to choose the other sectors for in-depth study and explained that investment is missing from the criteria. ESF pointed out that sectors in which their members have difficulties include the telecom sectors (especially in regards to interconnections and VPN), postal and express delivery, and retail sector. ESF highlighted that it has been very difficult for any EU firm to open retail locations in Japan since this is regulated at the municipality level. ESF also asked how regulatory co-operation would be analysed and highlighted that existing industrial co-operation between the EU and Japan is only within manufactured goods, and not in services.

**LSEE** explained that the CGE model based on GTAP8 data is currently the best existing model and the only methodology that is satisfactory to capture all the effects of trade liberalisation. LSEE also highlighted that re-doing the economic analysis carried out under the Impact Assessment falls outside of the scope of the Trade SIA and also explained that the alternative models mentioned have multiple flaws for the study of trade policy impacts.

LSEE clarified that the assessment of the impact on social inequality is part of the methodology for the Trade SIA through indicators such as the Gini coefficient and will feature in the sectoral analysis. With regard to income inequality, skills level effects can also be used as a proxy. On the environmental analysis, LSEE underlined that the team will look at the environmental impacts horizontally in its quantitative analysis that covers the environmental impacts that were requested. LSEE also highlighted that the team will look at the environmental impacts within the analysis of each sector. The choice of the specific environmental case studies outside of these sectors thus maximizes the coverage of environmental issues.

With regard to sector selection, LSEE explained that it is based on publicly available data, and previously utilised classification in the Impact Assessment. Through the sector selection survey, the team will collect feedback on the additional sector to be chosen. If stakeholders do not think that a specific sector is covered by those outlined already, they should contact the team through the survey or the other channels and make a proposal. With regard to investment volumes, data is not available to such disaggregated levels as in the Impact Assessment, and could not be used as an additional criterion.

LSEE also answered that information on regulatory cooperation is relatively limited and the team's approach will be to compare the similarities and differences in prior FTAs of the EU and Japan, taking into consideration the negotiation sequencing and timing which will be especially important.

**The European Commission (AT)** clarified that LSEE are not responsible for redoing the economic modelling. The European Commission explained that the methodology chosen for the Impact Assessment is the best existing one in order to calculate the impact of trade policy since CGE models are multi-sector, multi-country models that allow inter-and intra-sectoral analysis. The European Commission also explained that the UN global policy model is a macro model and as such it is not adequate for the plugging in of detailed trade policy data. Lastly, the European Commission highlighted that the analysis does not stop with the economic modelling and that the Consultant will complement the existing work with in-depth sectoral analysis.

**The International Confederation of Music Publishers (ICMP)** enquired why certain stakeholders have not been included into the list of identified stakeholders in Annex 3 of the report.

**The International Federation of the Phonographic Industry (IFPI)** supported the question of ICMP and enquired after the composition of Annex 3 asking, in particular why the audio-visual services sector is absent. IFPI also requested further clarification on the sector selection criteria. IFPI questioned how the team would review the economic impact of the FTA as well as the potential of the FTA to strengthen intellectual property.

**AeroSpace and Defence Industries Association of Europe** raised two points. Firstly, it highlighted high hopes with regard to aircraft exports. It recalled that the European Aviation Safety Agency is not recognised in Japan and asked what can be done with regards to the low market penetration in Japan, especially considering the importance of NTMs in this regard. Secondly, AeroSpace and Defence Industries Association of Europe asked what could be done to alleviate any environmental impact by the intensification of aircraft movement, and mentioned in particular gains through improved air traffic management (ATM).

**LSEE** confirmed that based on the variables the team has reviewed the aerospace sector is one of the most interesting. The team is also reviewing transport equipment and indicated that further information provided by the Association would be appreciated. LSEE also reiterated that the team is looking into environmental impacts, including the possible technology spill-over effects and other positive impacts of the FTA, and welcomed documentation available on the issue.

With regard to Annex 3 and the stakeholder list, **LSEE** underlined that the list is only preliminary, only included for purely illustrative purposes, and does not claim to be comprehensive and to exhaust all stakeholders. LSEE explained that no omissions have been deliberate and that the stakeholder consultation is open to all interested parties. There will be numerous channels to provide feedback to the team, among which the on-going sector selection survey.

**Confederation of Danish Industry** enquired whether any results will be reported at Member States-level and whether overall the results of the EU-Japan Trade SIA will be comparable with the results from other Trade SIAs such as the one conducted for TTIP.

**European Panel Federation** expressed an interest in whether the Trade SIA will look into Japan's promotion of the use of domestic wood. The Federation highlighted the existence of labels on furniture 'made in Japan' and inquired how the European wood-working industry would be impacted, especially with regard to certification.

**European Services Forum** followed-up on an earlier question, highlighting that according to the first three criteria for sector selection, business and financial services would not be included, emphasised the importance of investments and requested further clarification. ESF also highlighted the importance of Mode 4.

**IFPI** enquired after the composition of Annex 5 on SMEs and whether any additions could be made.

**The European Commission (JP)** indicated that the terms of reference for the Trade SIA on EU-Japan are very similar to those of the Trade SIA on TTIP and therefore, although the contractors for the two studies are different, the essential elements should be comparable.

**LSEE** explained that labour structure and environmental issues would be looked at for each sector. The team highlighted that Member States level impact can be reviewed only for goods using OECD data. The team is exploring the available data. They indicated that there would be material at Member State level in the qualitative section of the social chapter. The economic impact on Member State level would be solely a reflection of industry structure of each Member State, and not necessarily the true effects of EU-Japan trade liberalisation.

LSEE clarified that Annex 5 is also included for purely illustrative purposes and is based on a report by the EU-Japan Centre for Industrial Cooperation compiled in 2013. LSEE does not claim that this list is comprehensive and any additions are welcome.

The chair recalled that 16th February 2015 was the deadline to deliver comments on the draft inception report, in order for them to be taken into account in the final inception report. Comments received after this time would be taken into account for the draft interim report.