



Japan-EU EPA [Benefits and Backgrounds]



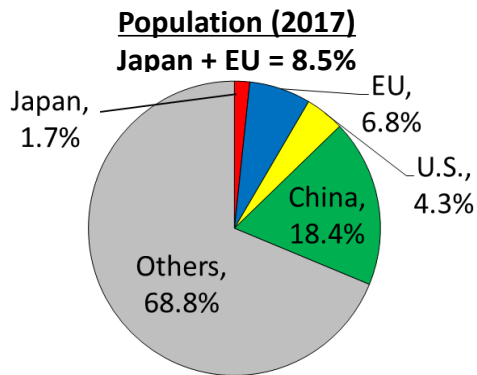
July, 2018
MOFA

Benefits of the Japan-EU EPA

- The Japan-EU EPA is the important pillar of Abenomics' growth strategy.
- The signing of the Japan-EU EPA will be a strong message that Japan and the EU will continue to demonstrate the leading model of free trade to the world by keeping the flag of free trade waving high.
- The model of the economic order in the 21st century based on free and fair rules (Examples: state-owned enterprises, intellectual property, and regulatory cooperation).
- This EPA will create one of the largest free and advanced economic zones in the world, with approximately 30% of the world GDP and 40% of world trade.
- With regard to the Japanese economy, the EPA is estimated to increase real GDP by approximately 1% (approximately 5 trillion yen) and employment by approximately 0.5% (approximately 290,000 jobs).
- Japan's FTA coverage ratio, based on FTAs either signed (including TPP12) or entered into force, will increase from 40.3 to 51.6% by signing the Japan-EU EPA. (※In case of TPP 11, the rate will increase from 25.2% to 36.5%.)

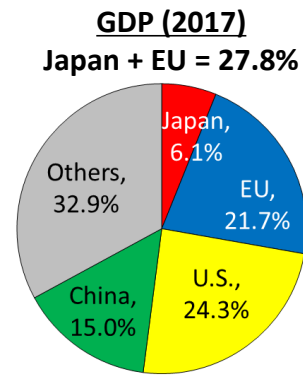
Background

March 2013 : launch of the negotiations ⇒ July 2017 : agreement in principle ⇒ December : finalisation of the negotiations
⇒ July 2018 : signing



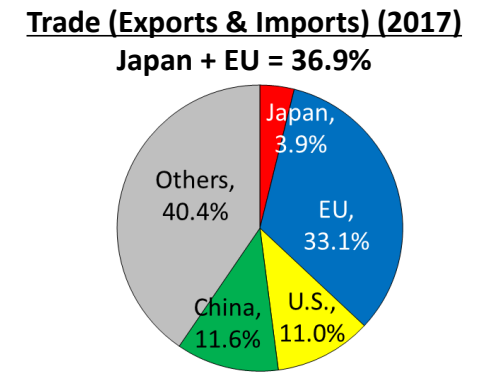
	Population (2017, million)	Proportion
Japan	127	1.7%
EU	512	6.8%
U.S.	326	4.3%
China	1,386	18.4%
Others	5,179	68.8%
World	7,530	—

Source: World Bank, World Development Indicators, May 21, 2018



	GDP (2017, \$ billion)	Proportion
Japan	4,872	6.1%
EU	17,309	21.7%
U.S.	19,391	24.3%
China	12,015	15.0%
Others	26,279	32.9%
World	79,865	—

Source: IMF, World Economic Outlook Database, April 2018



	Trade (Exports & Imports) (2017, \$ billion)	Proportion
Japan	1,369	3.9%
EU	11,705	33.1%
Intra-trade	7,468	21.1%
U.S.	3,888	11.0%
China	4,112	11.6%
Others	14,309	40.4%
World	35,384	—

Source: IMF, Direction of Trade Statistics, May 25, 2018



(1) Exportation of Japanese products to EU's market

- ❑ Elimination rate of customs duties on the EU side : approximately 99% (※1) (※2)
- **Industrial products**
 - ✓ **100% elimination of customs duties**
 - ✓ Automobiles (current customs duties: 10%) : customs duties will be eliminated in 8 years.
 - ✓ Car parts : more than 90% of customs duties (exports by value) will be eliminated immediately.
- **Agriculture, forestry and fisheries products, etc.**
 - ✓ Almost all products including Japan's export priority products, including beef, tea, and fisheries products, customs duties will be eliminated (almost all of them will be eliminated at the date of entry into force of the EPA).
 - ✓ Japan wine: import restriction (on the basis of oenological practices and export certificates) will be eliminated allowing free distribution.
 - ✓ Agricultural products & alcoholic beverages (Japanese Sake etc.): protection of geographical indications (GI) will be ensured.

(2) Importation of EU products to Japan's market

- ❑ Elimination rate of customs duties on the Japanese side : approximately 94% (※2)
(agriculture, forestry and fisheries products : approximately 82%, industrial products : 100%)
- **Agriculture, forestry and fisheries products**
 - ✓ Rice: excluded from reduction/elimination of customs duties.
 - ✓ Wheat, Dairy products, Sugar, Pork: maintain state-controlled trade system for wheat and dairy products; sugar price adjustment system; gate price system for pork. Ensure effective measures such as tariff rate quotas and safeguards.
 - ✓ Soft cheeses: tariff rate quota is allocated, and quota volume is limited to the extent which enables expansion of production in Japan.
 - ✓ Beef: ensure 15-year tariff reduction period and safeguard.
- **Industrial products**
 - ✓ Chemical products, fiber/fiber products : immediate customs duty elimination
 - ✓ Leather, footwear (maximum current customs duties: 30%) : customs duties will be eliminated in 11 years or 16 years.



Expansion of export and market for Japanese products

- **Industrial products:** EU's most customs duties on automobiles, car parts, general machineries, chemical products and electronics will be eliminated on the date of the entry into force. Not only big firms but also **small & medium-sized enterprises** supplying manufacturers with parts may also benefit from the EPA.
- **Agriculture, forestry and fisheries products:** For almost all products including Japan's export priority products, including beef, tea and fisheries products, customs duties will be eliminated (most of them will be eliminated immediately). The EPA will create an environment which **promotes export of Japanese products** to a market of more than 500 million people in the EU.). **Brand image** will be strengthened through protection of GIs.
- **Alcoholic beverages:** **Export expansion** of Japanese alcoholic beverages (EU eliminates all customs duty at the date of entry into force of the EPA). **Brand image** will be strengthened through protection of GIs.

(※1) Elimination rate of customs duties on the EU side is based on the EU's published document, which is based on HS code (2012) used during the negotiations between Japan and the EU.

(※2) Elimination rate of customs duties is calculated based on the number of liberalised tariff lines.



- This agreement is composed of the following chapters and relevant annexes (23 chapters in total).

Chapter 1 General Provisions	Chapter 2 Trade in Goods	Chapter 3 Rules of Origin and Origin Procedures	Chapter 4 Customs Matter and Trade Facilitation	Chapter 5 Trade Remedies	Chapter 6 Sanitary and Phytosanitary Measures
Chapter 7 Technical Barriers to Trade	Chapter 8 Trade in Services, Investment Liberalisation and Electronic Commerce	Chapter 9 Capital Movements, Payments and Transfers and Temporary Safeguard Measures	Chapter 10 Government Procurement	Chapter 11 Competition Policy	Chapter 12 Subsidies
Chapter 13 State-owned Enterprises, Enterprises Granted Special Rights or Privileges and Designated Monopolies	Chapter 14 Intellectual Property	Chapter 15 Corporate Governance	Chapter 16 Trade and Sustainable Development	Chapter 17 Transparency	Chapter 18 Good Regulatory Practices and Regulatory Cooperation
Chapter 19 Cooperation in the Field of Agriculture	Chapter 20 Small and Medium-sized Enterprises	Chapter 21 Dispute Settlement	Chapter 22 Institutional Provisions	Chapter 23 Final Provisions	(※) Rules on investment protection and investment dispute settlement are not included in the EPA. Consultations continue between Japan and the EU.