

**EU-Japan Business Round Table
Tokyo Meeting, 3-4 July 2008**



**“Joining forces for competitiveness and sustainability”
Recommendations**

1. Introduction

The EU-Japan Business Round Table (BRT) held its annual meeting in Tokyo on 3 and 4 July 2008 in advance of the G8 Summit at Lake Toya in Hokkaido. The meeting was co-chaired by Mr. Hajime Sasaki, Chairman of the Board of NEC Corporation, and Baron Georges Jacobs, Chairman of the Board of Delhaize Group, Honorary Chairman of UCB.

Messrs. Yoshitaka Shindo, Senior Vice-Minister of the Ministry of Economy, Trade and Industry, Hitoshi Kimura, Senior Vice-Minister of the Ministry of Foreign Affairs, Tsutomu Sato, Senior Vice Minister of the Ministry of Internal Affairs and Communications, Hugh Richardson, EC Ambassador to Japan and Philippe Faure, French Ambassador to Japan and representing the EU Council Presidency engaged in lively discussions with business leaders on the many problems that the European Union and Japan face today.

Globalisation is producing a rapid acceleration in the borderless movement of goods and services. However, this rapid pace of economic development is accompanied by a fast-growing demand for energy, raw materials and food that produces significant impacts.

The outlook for the world economy has become even less clear, due to disarray in the international financial markets and sudden rises in the prices of oil and raw materials, while climate change is now recognised as a severe problem. Japan and the European Union (EU) have a similar political base and shared values, which together account for 40% of global GDP. Given the complicated issues that the world economy is facing today, the BRT calls for Japan and the EU to cooperate even more closely in the future.

The BRT members also discussed how to stay competitive through discussion of the report by the joint taskforce created at the last EU-Japan BRT in 2007 and of the challenges for EU-Japan cooperation as well as of EU-Japan cooperation in emerging markets.

Throughout the meeting, there was a shared recognition of the need to intensify EU-Japan cooperation, and the BRT agreed on the following recommendations to the Authorities of Japan and the EU:

2. Overall Priorities

As a strong supporter of the WTO Doha Development Agenda (DDA) negotiations, the BRT continues to urge the European Commission and the Government of Japan to make the utmost efforts to reach an ambitious conclusion.

The June 2007 BRT annual meeting recommended amongst others establishing a taskforce with business support to explore the feasibility of a Japan-EU Economic Integration Agreement (EIA). In accordance with the recommendation, taskforces were established both in Japan and the EU. Both sides discussed future EU-Japan economic cooperation in areas such as innovation, environment, investment, services, regulatory cooperation, mobility, security & safety and public procurement.

Both the Japan-side and EU-side taskforces underlined the importance of further strengthening economic ties between Japan and the EU, based on an agreed set of issues, although they have some different views about tariff issues.

The BRT Members welcomed the Joint Taskforce Report presented by the taskforce leaders to the 2008 BRT annual meeting. The BRT thanks the taskforces for their great efforts made and will follow-up on the jointly elaborated report.

The BRT expects that the EU and Japanese Authorities will discuss the taskforce report on economic cooperation in full consultation with business associations on both sides.

Global issues such as food shortages, environmental issues, energy concerns and other problems continue to prevail. Biotechnology is increasingly recognised as offering effective solutions to these challenges.

Genetically Modified Organisms (GMOs) can improve farm productivity for future food supply and can provide more efficient raw materials to develop biomass-derived products and bio-fuels. Both the Japanese and EU Authorities, in their respective initiatives for environmental improvement, should recognise the production and use of GMO plants as a matter of urgency.

The BRT recognises the challenges regarding environmental issues and the availability of energy and raw materials at a reasonable price. To this end, the BRT advocates the promotion of innovative technologies to reduce reliance on fossil fuels, and improvements in energy efficiency. Information and communication technologies, in particular, can contribute to energy efficiency. It is therefore recommended that a joint policy to investigate its contribution to environmental issues should be considered.

The participation of all major carbon-emitting countries, including the U.S., China and India, is essential for the framework of the post-Kyoto Protocol.

In addition, these countries should share reasonable and feasible mid-term (the years 2020-2030) and long-term (the year 2050) global greenhouse gas (GHG) emission reduction targets. To help achieve these targets, sectoral approaches based, for instance, on energy-efficiency or best available technology indicators would be effective. Moreover, the transportation and building sectors should make a contribution.

Climate change, sharp rises in energy price, a stable energy supply and the growing disparity between the rich and the poor are urgent issues that require the EU and Japan to seek solutions from a long-term perspective.

3. Immediate Action Items - Requests for Japan and the EU

The BRT calls on the Japanese and EU Authorities to provide immediately all necessary leadership for close cooperation between government representatives and other experts, in order to achieve a steady implementation of the proposals.

The BRT strongly feels it is necessary to take concrete actions that will create business opportunities in the following areas:

(1) Realistic and concentrated measures to follow up the agreement of a structure for the promotion of direct foreign investment.

- Open investment regimes
- Support for corporate development
- Promote a harmonised system for regulating low energy consumption and product labelling
- Ensure transparency and a common international understanding on transfer price taxation
- Reduce the corporate tax rate
- Protect intellectual property rights (IPR) by strengthening their enforcement dealing with the issue of counterfeit goods

(2) Promote harmonisation of accounting standards

- The ASBJ, IASB and FASB are cooperating on seeking convergence that will establish accounting standards for Japan, Europe and the US so that in the future, although the situation in some countries (notably the U.S.) might affect the decision of Japan to some degree, Japan will, at least, allow the option of preparing financial statements in accordance with IFRS. In addition, Japan and the EU are cooperating in seeking heightened international competitiveness for their capital markets, with the proactive participation of the Japanese and EU Authorities responsible for regulating the securities industry.
- The IASB needs, under enhanced governance framework, to pay more attention to the practical views of market participants in order not to develop standards that are too theoretical. In this respect, the IASB should not focus only on the publication of comprehensive income but also include the publication of income excluding balance sheet items. In addition, the IASB should ensure wide consultation on further application of fair value-based accounting.

(3) Information & Communication Technologies (ICT)

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- Support industry initiatives to utilize ICT's tremendous potential to develop a low-carbon society
- Review copyright levy system and maintain and expand the Information Technology Agreement (ITA)
- Support the development of Next Generation Networks for a dynamic society
- Initiate a dialogue on e-government through Private-Public Partnerships

(4) World Trade Organisation

- Political leaders in the EU and Japan have to continue their efforts for an ambitious and successful outcome of the Doha Round, which would strengthen the multilateral trading system, give the necessary answer to any protectionist tendencies and lay the ground for sustainable and powerful growth of the world economy in the 21st Century.
- The opening of the OECD markets has to be matched by significant trade liberalization efforts from emerging countries, providing real new market access. The BRT is particularly concerned about the substantial increase in flexibilities for emerging countries and increased implementation periods for recently acceded members.
- A successful conclusion must include ambitious reduction or elimination of industrial tariffs, improved market access for agriculture products with reductions of trade distorting subsidies, and dismantling of non-tariff barriers and creation of a new horizontal NTB mechanism, vastly improved market access in the services area, and much better harmonised WTO rules on trade facilitation, anti-dumping and subsidies.

(5) Life Sciences and Biotechnology

- Re-evaluate biotechnology strategy and implement prioritised action plans without delay.
- Improvement of R&D environments and the drug pricing system to promote innovations and facilitate patient access to cutting-edge medical care technologies.
- Develop GM plants and improve the environment that supports their utilisation by cooperation between the EU and Japan.

(6) Sustainable development

- Appropriate policies are necessary for the accelerated diffusion and expanded use of energy-efficient equipment and facilities, as well as nuclear energy and renewable energy sources such as solar and wind power in order to prevent global warming.
- Establishment of an effective mechanism for transferring and expanding the use of environmental and energy-saving technology, while protecting IPR, from Japan and the EU into emerging economies whose GHG emissions are

increasing significantly.

- Regarding the framework of the post-Kyoto Protocol to be decided at next year's COP15 in Copenhagen, all carbon-emitting countries must participate, share reasonable and feasible GHG emission reduction targets and agree on carefully assessed methods to achieve them.