



THE PRESIDENT

Mr Herman Van Rompuy
President of the European Union
Council of the European Union
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1048 Brussels
BELGIUM

Mr José Manuel Barroso
President
European Commission
1049 Brussels
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20 May 2011

Dear President van Rompuy,
Dear President Barroso,

At the end of this month you will meet Japanese Prime Minister Naoto Kan for the annual EU-Japan Political Summit to discuss the future of the EU-Japan relationship. We would like to reiterate our views on the EU-Japan economic relationship.

The EU and Japan are trading and investing far below their potential. Therefore we call for ambitious efforts to boost economic ties through concrete improvements for cross-border trade and investment. The European Council of 24 and 25 March 2011 recently discussed the situation in Japan following the Great East Japan Earthquake and the future of the EU-Japan relationship including the possibility of starting bilateral free-trade negotiations. This European Council discussion builds on the decision of the 2010 EU-Japan Political Summit, where a High-Level Group was mandated to explore pathways for stronger cooperation and to deliver a report at the EU-Japan Summit by the end of May 2011. Although the launch of free-trade negotiations is among the options, we believe that a number of issues will have to be resolved first.

At the 2009 EU-Japan Summit in Prague, political leaders agreed to remove a number of well-defined non-tariff barriers (so-called “§34 issues”) in a mutually beneficial way before considering a possible more ambitious bilateral negotiation. The perception from European business is that progress in removing these barriers, and the further 27 “illustrative NTBs” raised by the EU in the High-Level Group, has been rather slow and that the results achieved so far fall below our expectations. We call upon both sides to ensure rapid, concrete and verifiable results and to renew their efforts to tackle the unresolved issues in order to improve the business environment for companies on both sides. This work constitutes a necessary first step to build trust between our two economies that real progress can be achieved on trade and investment liberalisation.

BUSINESSEUROPE has an open mind about the most appropriate framework for future EU-Japan trade relations. However, an FTA with Japan will be possible only when effective and comparable market access is demonstrated for European companies in Japan. The major obstacles in the Japanese market encountered by European companies are complicated and convoluted non-tariff barriers and regulatory divergence. Concrete initiatives to the removal of some of the major barriers would demonstrate that Japan is indeed willing to open its market to competition from Europe.



There are also a number of issues that cannot be covered in a bilateral agreement, for example cooperation in defence technology or cooperation on raw materials. It is also for that reason that BUSINESSEUROPE has proposed the creation of a new institutional structure like a high-level EU-Japan Economic Partnership Council (EUJ-EPC) to foster and deepen EU-Japan relations, and we look forward to receiving your feedback on this proposal.

In addition, the Japanese government needs to fully commit to open its market to competition from Europe by giving concrete proof of its determination to eliminate sensitive obstacles to trade and investment in any future bilateral negotiation. This would include the removal of existing non-tariff barriers and a commitment not to erect new ones in future, to open up procurement markets and distribution markets to competition, and, importantly, to eliminate investment restrictions. We would add that a free-trade agreement would also entail Japan opening its market where it has peak tariffs (e.g. agriculture, processed foods, leather, footwear) on EU products. Before embarking on free-trade negotiations, the Japanese government would have to demonstrate its willingness to liberalise these sectors of its economy.

I most sincerely hope that the views put forward above will help advance the discussion on how to deepen economic ties between the EU and Japan in an ambitious and balanced manner for both sides. BUSINESSEUROPE counts on you to address these priorities for European companies in your discussions with the Japanese government.

Yours sincerely,

Jürgen R. Thumann