



## Eurasian Business Coalition News Brief

November 15, 2020

### Pre- and Post-Pandemic Trade Relations between Japan & Europe



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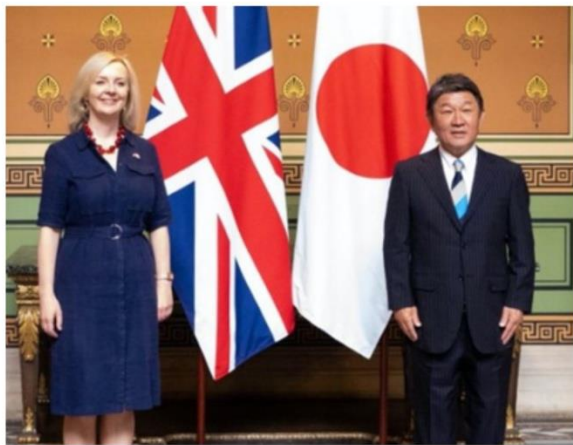
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# Pre- and Post-Pandemic Trade Relations between EU and Japan



**The EU and Japan have signed a trade deal**

The two partners already export a lot to each other. In 2015, EU companies exported to Japan...

- €58 billion in goods
- €28 billion in services

**Some trade barriers included...**

- High Japanese customs taxes**
  - Nearly 40% on beef
  - Up to 30% on chocolate
  - 15% on wine
  - Up to 40% on cheese
- Awkward rules**

For example, Japan has long and costly procedures to approve each variety of fruit. This discourages EU exporters from trying to get all the necessary approvals.

**The new EU trade pact with Japan will lower or remove these barriers. The deal...**

- ... will have Japan recognise over 200 certified European delicacies. This protects European farmers and producers when selling abroad.
- ... will lead to a growth in green tech, while not raising the demand for energy or imports of fossil fuels.
- ... sets strong, legal standards for workers and the environment under the deal.
- ... can create EU jobs - every €1 billion in EU exports supports 14,000 jobs in Europe.
- ... opens up Japan's services market to EU firms, and allow them to bid for more public contracts in Japan.
- ... will help design rules and standards that would ensure global trade is free and fair.

## *Introduction*

The world economies have been severely hit by the COVID-19 pandemic as the cases are still on the rise each day. International Monetary Fund refers to the economic impact caused by the pandemic as “the Great Lockdown,” calling it the worst recession since the Great Depression. Supply chain disruption and business shutdown has triggered supply shock and aggregate demand shocks on face-to-face service industries and durable goods, greatly affecting business and trade relations between the European Union (EU) and Japan. As consumption, which is an important driving force in economic activities, has declined in both countries, the flow of business and trade also seemed to stop. In order to mitigate the economic impacts of the current crisis, quite a few business-related organizations are currently facilitating farther business opportunities between the two regions. This brief will analyze the prospects on post-pandemic business and trade relations between EU and Japan, both of which are economic superpowers around the world.

## *Recent EU-Japan Trade/Business Relations*



Source: EU-Japan EPA Forum, <https://eujapanforum.com/recourses>.

As EU’s major trade partner, Japan has been putting efforts on making processes easier for small-to-medium enterprises (SMEs) in Europe who intend to export EU products to Japan, as accessing the Japanese market is not so easy for them. The Economic Partnership Agreement (EPA) between the EU and Japan, the largest trade deal that the EU signed to date representing 30% of global GDP and 40% of global trade, has come into effect in early 2019. Previously, some trade barriers

included high Japanese custom taxes on European products such as beef, chocolate, wine and cheese, and lengthy procedures to approve imports from Europe, according to European Commission.

By removing these tariffs and trade barriers, the newly-established trade agreement benefits 64,000 direct EU exporters including European SMEs. This recent achievement of the agreement was remarkable in sending a powerful signal of encouraging free trade and rejecting protectionism.

**(a) EU-Japan EPA Facts**

**EU-JAPAN ECONOMIC PARTNERSHIP AGREEMENT**

**HOW WILL EUROPEAN FARMERS BENEFIT?**

Agri-food exports to Japan – **€ 5.7 bn** (4<sup>th</sup> biggest market for EU agri exports in the world)

**85%** of EU agri-food products exported to Japan **will be liberalised** over time

**Slashed tariffs** = access for **50 500 t** of EU beef, virtually free trade access for EU pigmeat

TARIFF REMOVAL	BEFORE	AFTER
<b>Wine &amp; sparkling wine</b>	15%	0% from day one
<b>Alcoholic beverages</b> (sherry, vermouth, cider)	15%	0% from day one
<b>Pork</b>	Complex import system + tariff (average 4.3%)	Practically free access
<b>Processed pork</b>	8.5%	0%
<b>Hard cheese</b> (Parmigiano Reggiano, Gouda, Cheddar, etc.)	Up to 29.8%	0% after 15 years
<b>Soft and fresh cheese</b> (Mozzarella, Feta)	Up to 29.8%	Duty free quota equivalent to current EU exports
<b>Beef</b>	38.5%	Down to 9% over 15 years

**MORE THAN 200 EUROPEAN GEOGRAPHICAL INDICATIONS**

Japan would recognise 205 European Geographical Indications so that **only products** with this status would be **allowed to be sold** in Japan under the corresponding name.

Products like Tiroler Speck, Münchener beer, Jambon d'Ardenne, Polska Wódka fully recognised on the Japanese market

Source: European Commissions, <https://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/>.

### (b) Pre- and Post-Agreement Tariffs on Agricultural Products based on (a)

Product	Pre-agreement tariff	Post-agreement tariff
Wine and sparkling wine	15%	Tariff elimination at entry into force
Alcoholic beverages	15%	Tariff elimination at entry into force
Pork	Quota + average tariff of 43%	Tariff elimination over 10 years
Processed pork	8.5%	Tariff elimination at entry into force
Hard cheese	Up to 28.9%	Tariff elimination over 15 years
Soft and fresh cheese	Up to 28.9%	Quota equivalent to current EU exports
Beef	38.5%	Tariff reduction to 9% over 15 years

Source: European Commission: EU-Japan EPA – The Agreement in Principle, Directorate-General for Trade, 2017, available at [http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc\\_155693.doc.pdf](http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155693.doc.pdf).

### *The EU-Japan Business Round Table*

The EU-Japan Business Round Table (BRT) published a position paper in May 2020, in which the impacts the pandemic has on global health and on economies and recommendations aimed at mitigating these impacts are mentioned. While the position paper also emphasizes the need to mitigate the impacts on global health during and after the pandemic, this brief will focus on the economic aspects on the cooperation. BRT encourages the efforts of the EU and Japan to address and overcome the challenged posed by the pandemic, and the EU-Japan cooperation here.

Specifically, the paper emphasizes the strengthened EU-Japan public-private partnership in times of crisis as a measurement to start building a post-pandemic economic trend of both regions. As mentioned in the previous section, the EU-Japan EPA that came into effect in 2019 yielded broadly positive results, and as such, the BRT further encourages the implementation and execution of the EPA in this difficult time. Furthermore, measures such as regulatory cooperation and new standards set to advance the economies of the EU and Japan in the digital economy are essential in enabling them to maintain critical momentum against increasingly competitive and disparate global economic, financial and social environments. Regarding e-commerce, EPA included the non-imposition of customs duties on electric transmissions, which seems essential when the mobilization became particularly limited during the pandemic. It further addresses the need for the business cooperation between EU and Japan in the fields of third countries, which allows for mutually beneficial solutions for sustainable development.

## *UK-Japan Relations*

As United Kingdom left the EU, it has become increasingly important for them to sign a large-scale trade agreement with countries with large-scale economies such as Japan. Thus, it is no wonder, for the sake of economic cooperation, that recently UK and Japan made a trade agreement that allows nearly all British exports to Japan to be tariff free and remove British tariffs on Japanese cars by 2026. The signed trade agreement was negotiated throughout the summer 2020 and signed in September, in record time and in challenging circumstances; it showcases a symbolic significance of economic cooperation between the two economic superpowers in the post-pandemic period. The agreement goes beyond the existing EU deal considering it empowers British businesses and exporters in the manufacturing, agriculture, and tech industries. It will surely encourage the creation of free trade agreements around the world, not just to recover global economies, but also to facilitate a new type of integrative economic models that would make economic activities easier and beneficial after the pandemic.

## *Post-Pandemic Prospects on Trade-Relations*

Due to the limited mobilization impacted by the pandemic, it is said that global trading has been becoming increasingly a domestic market-first landscape, led by the United States and China, and also exports are no longer dominated by goods but have shifted to trade in services. Even with this trend, World Trade Organization has been calling for trade liberalizing measures that would aid in the recovery, such as tariff reductions. The recently-signed trade agreement between EU (and UK) and Japan – representative of trade liberalization – will certainly make the trade activities, whether they are goods or services, easier for businesspersons and exporters. It will help initialize recovery of their economies after the pandemic because it will allow both nations to export without the “tariff fear.” In this sense, the recent agreement, setting the ground for promoting economic recoveries, has “prepared” EU nations and Japan to normalize and stabilize their economies in time of the pandemic. Of course, much needs to be done for the process of recoveries, but overall, the trend that both nations have been established in recent years will help stabilize global economies and promote increasing trade activities.

