

EU-Japan: forging strategic ties

The EU and Japan share common values and principles and enjoy solid, long-term political and economic ties. Both sides believe the time has come to develop the large and unexploited potential in their relationship. Therefore, the EU and Japan are currently negotiating two agreements: a Strategic Partnership Agreement and an Economic Partnership Agreement/Free Trade Agreement.

The state of EU-Japan relations

The EU and Japan together account for 30% of the world's gross domestic product (GDP) and 60% of total [official development assistance](#) provided by the members of the OECD's Development Assistance Committee, which groups the world's major aid donors. Japan, with [127 million inhabitants](#) and the world's fourth-largest economy, is the EU's second-largest trading partner in Asia after China. The EU and Japan share common values and principles (democracy, human rights, rule of law, market economics) and interests and face similar challenges (low economic growth, [ageing society](#)). While trade issues have generally represented the core of their relations, [cooperation agreements](#) have been concluded in recent years in various areas: [science and technology](#), [mutual legal assistance in criminal matters](#), [customs](#), [fusion energy research](#), [peaceful use of nuclear energy](#), and [competition](#).

Ongoing or prospective dialogue will enrich this framework. Japanese scientists and students participate in EU mobility programmes, while academic relations are quite well developed. The EU and Japan cooperate in multilateral fora, such as the UN, WTO, G7/G8 and G20. Annual [EU-Japan summits](#) have been held since 1991. Although this broad relationship makes Japan *de facto* a strategic partner, the large "[untapped potential](#)" – to use Commission President José Manuel Barroso's words – requires the two to go beyond the [2001 Action plan](#) which concluded in 2011. Japan has regained its prominence in the EU's Asia agenda, which has recently been dominated by relations with China.

The Strategic Partnership Agreement (SPA)

The SPA – on which talks were launched in spring 2013 – would cover cooperation in over 30 areas. Its conclusion would bring an upgrade in EU-Japan relations, moving from sectoral agreements to a comprehensive, binding and forward-looking framework. The SPA would include political dialogue, regional dialogues, promotion of human rights and fundamental freedoms, and economic, scientific and cultural cooperation. It would be the basis for many further agreements and dialogue in the years to come.

The Economic Partnership Agreement/Free Trade Agreement

In parallel, and against a backdrop of declining [bilateral trade](#), the EU and Japan launched negotiations on an Economic Partnership Agreement (EPA)/Free Trade Agreement (FTA) in March 2013. This was preceded by a joint scoping exercise completed in May 2012. The European Commission [assessed](#) that an FTA alone could boost Europe's GDP by 0.75% and create [over 400 000 additional jobs](#), with comparable benefits for Japan. EU exports to Japan could increase by as much as 32.7%, and Japanese exports to the EU by 23.5%.

The parties aim to sign an ambitious agreement covering the progressive and reciprocal liberalisation of trade in goods, services and investment, as well as rules on trade-related issues. The European Commission has also agreed with Japan on a roadmap for the removal, in the context of the negotiations, of non-tariff barriers (NTBs), deemed major obstacles to EU exports to Japan. The EU can suspend negotiations after one year if Japan does not live up to its commitments to remove NTBs, and a review to this end is ongoing.

The opening up of public procurement for Japan's railways and urban transport market, together with greater penetration of EU pharmaceutical products and medical devices (Japan is the second largest [national pharmaceutical market](#) in the world), are among the main goals for the agreement. [The sensitivity of the](#)

[agricultural sector](#) for Japan means its tariffs for agricultural produce and processed foods and beverages are quite high, whereas EU tariffs are higher on key Japanese exports such as motor vehicles, electronics and machinery. The EU automotive sector, already [uncomfortable](#) with the outcome of the recent EU-South Korea FTA, is [pessimistic](#) over the prospects for further market opening. Japan would welcome an increase in foreign direct investment (FDI), which has [traditionally been low](#), whereas the EU is already reasonably open to it.

EU, Japan, US: the negotiating triangle

- The EU and Japan, as noted above, are currently negotiating an Economic Partnership Agreement (EPA)/Free Trade Agreement (FTA) and Strategic Partnership Agreement (SPA).
- Japan [joined the negotiations](#) between the US and ten other countries on a [Trans-Pacific Partnership \(TPP\)](#). A final agreement was supposed to have been achieved in Singapore earlier this year, but several issues [prevented](#) this, including opposition from the US car industry and the Japanese agricultural sector. There is also [increasing discontent about the confidentiality](#) of the talks.
- The EU and US are negotiating a [Transatlantic Trade and Investment Partnership \(TTIP\)](#). They aim to reduce tariffs, align regulations and standards, improve protection for overseas investors, and increase access to services and government procurement markets by foreign providers.

"Abenomics" and Abe's political agenda

Shinzo Abe was elected Japan's Prime Minister in December 2012 under the promise of lifting the economy of a country that had experienced two decades of economic stagnation combined with a rapid decline in birth rates. His programme, known as "[Abenomics](#)", consists of three "arrows": a considerable fiscal stimulus, an aggressive monetary policy, and a new growth strategy. The latter is the most important but also most difficult to implement, as it includes structural reforms. The Government decided to [raise the consumption tax rate from 5% to 8%](#). The Bank of Japan implemented a [massive monetary easing](#) in order to raise inflation to 2% – its ultimate goal being to weaken the yen and hence boost Japanese exports. Nevertheless, the outcome of this economic policy has provoked [mixed reactions among analysts](#). Japan is [the world's most indebted economy](#) and its public debt (mainly held by domestic investors) is [currently 230%](#). The Government has engaged in a programme to reduce its [deficit](#), currently at 10%.

"Japan is back" is the theme in foreign affairs, where the alliance with the US remains a cornerstone; the troublesome issue of relocating the US base in Okinawa is [moving forward](#), despite local opposition. The Government has updated the National Defence Programme Guidelines and adopted a [Mid-term Defence Plan](#) earmarking a 5% increase in defence spending in the next five years (thus reversing a decade-long reduction), while the Diet has established the first National Security Council. To update Japan's [right to self-defence](#), Abe would like to [re-interpret Article 9 of the Constitution](#) thus avoiding a difficult constitutional revision. These moves also aim at opposing [China's growing territorial claims in the East China Sea](#). Relations with neighbours are tense: [Abe's visit to the Yasukuni shrine](#) – also [criticised by the EU](#) – and [news of a possible revision](#) of Japan's apology for South Korean women's suffering during World War II have not contributed to easing them. It was only following a US initiative that [Japan's and South Korea's Prime Ministers met](#) in The Hague for the first time in two years, in the wake of the Nuclear Security Summit, in March 2014.

The European Parliament

The plenary is expected to vote in April on a report of the Committee on Foreign Affairs (rapporteur Alojz Peterle, EPP, Slovenia) which recommends the timely conclusion of the negotiations on SPA. Previously, the European Parliament has adopted resolutions mostly focused on trade issues in EU-Japan relations. First of all, the EP has underlined the [need to remove NTBs to trade and investments](#), together with obstacles to accessing the Japanese public procurement market, before negotiations are launched. The plenary had [asked the Council](#) not to authorise the opening of trade negotiations until Parliament had stated its position on the proposed negotiating mandate. In October 2012, the EP subsequently called on the Council to authorise the Commission [to start negotiations on an FTA with Japan](#), and is now following the negotiations closely. Other recent resolutions had dealt with the [death penalty](#), and [expressed solidarity with Japan](#) following the March 2011 earthquake, tsunami and Fukushima nuclear accident in Tohoku, calling on Member States to give all necessary aid and support.