



2018/0091(NLE)

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DRAFT RECOMMENDATION

on the draft Council decision on the conclusion of the Agreement between the European Union and Japan for an Economic Partnership
(07964/2018 – C8-0382/2018 – 2018/0091(NLE))

Committee on International Trade

Rapporteur: Pedro Silva Pereira

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the draft Council decision on the conclusion of the Agreement between the European Union and Japan for an Economic Partnership

(07964/2018 – C8-0382/2018 – 2018/0091(NLE))

(Consent)

The European Parliament,

- having regard to the draft Council decision (07964/2018),
 - having regard to the Economic Partnership Agreement (EPA) between the European Union and Japan (07965/2018),
 - having regard to the request for consent submitted by the Council in accordance with Article 91, Article 100(2), the first subparagraph of Article 207(4), point (a)(v) of the second subparagraph of Article 218(6), and Article 218(7), of the Treaty on the Functioning of the European Union (C8-0382/2018),
 - having regard to its non-legislative resolution of ...¹ on the draft decision,
 - having regard to Rule 99(1) and (4) and Rule 108(7) of its Rules of Procedure,
 - having regard to the recommendation of the Committee on International Trade and the opinions of the Committee on the Environment, Public Health and Food Safety and the Committee on Agriculture and Rural Development (A8-0000/2018),
1. Gives its consent to conclusion of the agreement;
 2. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States and of Japan.

¹ Texts adopted of that date, P8_TA(0000)0000.

EXPLANATORY STATEMENT

The negotiations between the European Union (EU) and Japan for an Economic Partnership Agreement (EPA), launched on 25 March 2013, were concluded on 8 December 2017. On 17 July 2018, the EU and Japan signed the EPA, as well as the Strategic Partnership Agreement, at the EU-Japan Summit in Tokyo.

The European Parliament set out its negotiation priorities in its October 2012 resolution. These priorities are reflected in the outcome of the negotiations. The European Parliament has been kept informed during the process and the International Trade Committee monitored closely the negotiations from their preparations until the signature of the final agreement. Following requests by the European Parliament, the Council made its negotiating mandate public in September 2017.

Negotiations for a separate investment protection agreement with Japan are still ongoing. The European Parliament will continue to follow these negotiations closely and has already made clear that the old, private investor-state dispute settlement (ISDS) mechanism is unacceptable.

The EU-Japan EPA is of strategic importance. It is the most important bilateral trade agreement ever concluded by the EU, covering nearly a third of world gross domestic product (GDP), almost 40 percent of world trade and more than 600 million people.

During times of turbulence for the global trading order, this agreement represents a signal in support of rules-based, free and fair trade, while helping to promote the Union values and high standards.

The EU and Japan share fundamental values such as human rights, democracy and the rule of law as well as a strong commitment to sustainable development, multilateralism and a rules-based world trade system.

Japan is the world's third largest consumer market but only the sixth trading partner of the Union. This agreement will strengthen the current bilateral trade and political relationship.

The 2016 Trade and Sustainable Impact Assessment estimates that the agreement would deliver positive impacts in terms of GDP, income, trade and employment for both the EU and Japan, adhering to the objective to create 'smart, sustainable and inclusive growth'.

The true benefits of an international agreement depend, nonetheless, on proper and full implementation of its provisions by all parties. Monitoring the implementation of the agreed commitments is, therefore, crucial.

Trade in Goods: The EU-Japan EPA will eliminate tariffs on more than 90% of the EU's exports to Japan from its entry into force. Once the agreement is fully implemented, Japan will have scrapped customs duties on 97% of goods imported from the EU, with the remaining tariff lines being subject to partial liberalisation through tariff rate quotas or tariff reductions. For passenger cars, the EU will phase in an elimination of its 10% tariffs on cars over a period of seven years, while on tractors and buses the EU customs will be eliminated after 12 years. According to some estimates, the agreement will save EU exporters around 1 billion euros in customs duties per year.

Non-tariff measures (NTMs): The EU-Japan negotiations addressed many non-tariff measures, which have constituted an important concern for EU companies, in particular in the car sector, food additives, food labelling, cosmetics, medical devices and textiles labelling. Japan agreed to align its automotive standards even more with international standards (UNECE regulations) used by the EU car manufacturers. The agreement contains a safeguard clause for 10 years allowing the EU to reintroduce tariffs in case Japan stops applying UNECE regulations or reinstalls removed NTMs.

Agriculture and GIs: Tariff reductions are most substantial for the EU agricultural sector, while the agreement safeguards the most sensitive products. Wine, spirits and other alcoholic beverages will enter duty free from day one. High duties on hard cheese will be eliminated and duty-free tariff rate quota for fresh cheese will be established. For beef, tariffs will be progressively reduced (from 38.5% to 9% over 15 years). The EU will enjoy duty-free access for processed pork meat and almost duty-free trade for fresh pork meat. After a transition period, custom duties on processed agricultural goods such as pasta, chocolate and biscuits will be eliminated. The EPA also provides for protection of 205 European Geographical Indications, which is particularly important for small and medium-sized enterprises (SMEs).

Public Procurement: Japan accepted to commit the procurement of 48 core cities (representing about 15% of Japan's population) as well as many independent local administrative agencies (universities, hospitals and public energy companies). Japan also committed to remove the so-called 'operational safety clause', at the latest one year after the entry into force of the agreement, which so far has in practice prevented the EU rail suppliers to access the Japanese market. The agreement builds on the plurilateral Government Procurement Agreement and maximises transparency in tendering for public contracts.

Trade in Services: The agreement maintains the right of the EU Member States' authorities to define, provide and regulate public services at national, regional or local level, despite its negative list approach. The EPA does not prevent governments from bringing any privatised service back in to the public sector. The agreement also preserves the sovereign right to regulate the financial and banking sectors for prudential and supervisory reasons. The liberalisation covers areas such as e-commerce, international maritime transport, postal services and telecommunications but audio-visual services are excluded. Moreover, the EPA establishes the temporary movement of professionals across borders (so-called mode 4), committing both sides to intra-corporate transfers in about 40 sectors and for independent professionals in about 20 sectors.

SMEs: This is the first time that a dedicated chapter for SMEs is included in an EU trade agreement. The chapter foresees a publicly accessible website and SME Contact Points, which will provide information relevant for small companies to access each other's markets. 78 percent of EU companies exporting to Japan are SMEs.

Sustainable development: The EU-Japan EPA reaffirms both parties' commitment to a broad range of multilateral agreements in the area of labour and environment, as well to the United Nations Agenda 2030 for Sustainable Development. Both parties also commit themselves to the effective implementation of the Paris Agreement to combat climate change and other multilateral environmental agreements, including agreements to conserve and sustainably manage natural resources (fisheries, biodiversity and forestry). The agreement provides, in particular, for enhanced cooperation in fighting illegal logging and illegal, unreported and unregulated fishing. While Japan, regrettably, has not yet ratified two

International Labour Organisation (ILO) core conventions, the agreement contains commitments to pursue the ratification of all ILO core conventions. The chapter also recognises the right to regulate and includes a specific review clause that can and should be used to strengthen the enforceability and effectiveness of labour and environmental provisions.

Data flows: The EPA does not contain general provisions on data flows but a *rendez-vous* clause, whereby the parties will assess the issue of cross-border transfer of data within three years of the entry into force of the agreement.

Regulatory cooperation: The regulatory cooperation chapter is voluntary and respects each parties' sovereign right to regulate its own levels of protection in pursuit of public policy objectives. The agreement also foresees the establishment of a financial regulatory forum to strengthen cooperation between the EU and Japan to enhance the stability and improve the global financial system. The regulatory cooperation chapter also clearly mentions that the principles established in the Treaty on the Functioning of the EU must be fully respected, which includes the precautionary principle.

Implementation and civil society: The agreement foresees a joint dialogue with civil society and sectorial committees, such as the Committee on Regulatory Cooperation, where the participation of civil society is also possible. As all other latest EU generation trade agreements, the EPA will create a domestic advisory group, ensuring involvement of the civil society in the implementation and monitoring of the sustainable development chapter.

Conclusion

The EU-Japan Economic Partnership Agreement is of major strategic importance. The agreement represents a balanced and comprehensive outcome of significant economic value for the EU, its citizens and businesses. The agreement provides for new market opportunities, in particular for sectors, which are usually not the main beneficiaries of trade agreements (such as agriculture). There are a number of novelties in this EPA, such as the commitment to the Paris Agreement on climate change and dedicated chapters on corporate governance and SMEs. The agreement also fully respects the right to regulate and protects public services. This agreement has the potential to contribute to generate sustainable growth and decent jobs while promoting the Union values and upholding high standards, in areas like food safety, environmental protection and labour rights.

Your rapporteur therefore recommends giving consent to this agreement.