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Accelerating EU-Japan EPA --Toward Steady Development of Multilateral Free Trade--

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1. Introduction: EU-Japan EPA as a driver of the multilateral free trade

Two major events that significantly shook the world in 2016 are Brexit voting in the U.K. and Donald Trump's victory with "America first" in the U.S. presidential election.

We are seriously concerned with a global dissemination of the political trend above, leading to even nations--champions of freedom and democracy--trending toward short-sighted national-interest-first and inward-looking policy as well as underestimating the value of multilateral partnership and globalism.

Above all, we feel a sense of crisis that the multilateral free trade framework, crystallized from the long-standing international efforts, may lose momentum as the people left behind the benefits of globalization attack the framework from their discontent and uncertainties.

In fact, after inauguration, President Trump has renewed his stance of going back to the trading strategies based on bilateral negotiations. This left the future of the Trans-Pacific Partnership ("TPP") pact uncertain.

However, the open and multilateral free trade system should not go backward from here. It is a contributor to the infrastructure indispensable for the sustainable economic growth of Japan and the world. We should not believe that return to protectionism could solve diverse domestic challenges such as widening inequality and middle-class fatigue resulting from globalization.

We, corporate executives, contribute to the economic growth and the prosperity of people's life through free and global economic activities. Thus, we request our government and all of its officials to pursue further efforts to maintain the current infrastructure that ensures our activities. In this regard, the EU-Japan Economic Partnership Agreement ("EPA") is what we focus on for its role to be advocated and we seek its earliest agreement out of the current crucial stage it is in.

2. EU-Japan EPA's role under the current international environment

The EU-Japan EPA is an important pact that stimulates economic growth of Japan and the EU through measures including tariff elimination and improvement of trade/investment rules while increasing Japanese corporations' opportunities to enter the EU markets.

From the perspectives of Japan, in particular, benefits of mitigating competitive disadvantages against other nations that already entered into EPA with the EU are significant, as key items such as automobiles and electronic devices will enjoy the effect of tariff cuts. Furthermore, if there is a progress through the EPA negotiations for solving issues regarded as Japan's non-tariff barriers--specifically those that will contribute to Japan's daring deregulations and structural reforms when solved--, it will bring better business environment and robust competitiveness to Japan.

When Japan realizes a partnership in forming trade/investment rules with other mature advanced nations of the EU--the union of 28 member states--, high-level, advanced codes and standards can be established without delay, leading to Japan's advantages in enhancing its economic and business infrastructure in the world as well.

The EPA negotiation deadline of "as early as possible in 2016" has passed and the unpredictable tough discussions still continue to this day. It is not too much to say that the EPA will now determine not only the surroundings of the mega market of Japan and the EU combined--about 30% and 36% of world's total GDP and total trade volume, respectively--, but also the future of the multilateral free trade system.

We see a trend of short-sighted national-interest-first policy and political developments of protectionism emerging on the back of populism. Against such trend, now is the time that Japan and the EU stand together to clearly commit themselves to the initiatives to realize free and open trade environment by reiterating the meaning and significance of establishing the free trade system based on the multilateral partnership.

3. What we expect from Japanese government

Businesses around the world contribute to the sustainable growth of the world economy by crossing the border and regional walls, constructing the global value chains, and generating added value. Whereas, the interdependent

economic relationship extending across the regions supports and maintains the stable international order.

Having seen such a reality in the 21st century, we hope our government will demonstrate leadership further as a champion of the free trade system based on the multilateral partnership.

For that to happen, we request the government to continue its strategic initiatives for accelerating the conclusions of all mega FTAs including the TPP pact. Among others, the government should speed up the agreement of the EU-Japan EPA as the top-priority agenda at present. In this regard, we hope all-out effort will be made to overcome the residual domestic challenges such as those of agricultural products by taking all measures.

The business communities of Japan will continue the contribution to the economic growth of Japan and the world by utilizing the benefits of the globalized economic climate and free trade. We will also seriously fulfill our responsibilities of responding to and self-transforming under the new competitive environment as well as disseminating the fruits of growth widely among the society.

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