EU – JAPAN ECONOMIC PARTNERSHIP AGREEMENT: BENEFITS FOR THE VISEGRÁD COUNTRIES

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Abstract: The aim of this paper is to review the current standing of Japanese-Visegrád-4 (V4, with Poland, Hungary, The Czech Republic, and Slovakia) relations within the context of the Japan-European Union (EU) Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA). After looking into statistics of trade and facts between Japan, the V4, and the EU, we will list possibilities for expansion of V4 exports to Japan and provide some starting points for further necessary surveys/research in the issue.

Keywords: Japan-European Union (EU) Economic Partnership Agreement (EPA)

The Japan-EU EPA and Visegrád-4: facts

- EU exports to Japan expanded by 6.6% during January 2019 and 2020.¹
- Japanese exports to the EU expanded by 6.3% during the same period.²
- In 2020, Japan was the seventh largest partner for EU exports of goods (2.8 %) and also the seventh largest partner for EU imports of goods (3.2 %).³
- Among EU Member States, Germany was both the largest importer of goods from and the largest exporter of goods to Japan.
- Japan is the EU’s second-biggest trading partner in Asia after China.
- The Japan-EU EPA was the most applied agreement in Japan's foreign trade among other FTA/EPAs.⁴
Foreign Minister Motegi’s latest visit to Poland and his statements

On 15 February, 2021, Toshimitsu Motegi – Minister for Foreign Affairs of Japan – sent a congratulatory message to H.E. Mr. Zbigniew Rau, Minister of Foreign Affairs of the Republic of Poland, H.E. Mr. Péter Szijjártó, Minister of Foreign Affairs and Trade of Hungary, H.E. Mr. Ivan Korčok, Minister of Foreign and European Affairs of the Slovak Republic, and H.E. Mr. Tomáš Petříček, Minister of Foreign Affairs of The Czech Republic, upon the 30th anniversary of the establishment of the Visegrád Group (V4) on the same day in 1991.5 The V4 was founded in Visegrád in Hungary in 1991, and holds dialogues at the leader, foreign minister, and senior working levels and promotes V4 plus Japan cooperation in areas such as science and technology, assistance to third countries, disaster risk reduction, and the environment.6

Minister Motegi, on 15 February 2021:
“I would like to extend my heartfelt congratulations to Poland, Hungary, Slovakia, and The Czech Republic, upon the 30th anniversary of the establishment of the V4.

Starting in 2003, Japan was one of the first non-EU countries to engage in cooperation with the V4, and together we have promoted dialogue and cooperation in a wide range of fields. Japan appreciates the increasingly important role played by the V4 within the EU, as well as its active contributions to regional affairs, including the integration of the Western Balkans in Europe and the Eastern Partnership.

As confirmed in the previous three V4 plus Japan Summit Meetings and the previous six V4 plus Japan Foreign Ministers’ Meetings, Japan intends to continue to work closely with the V4 to actively address the challenges faced by the region and the international community, and to reinforce the fundamental values and principles of democracy, rule of law, human rights, and market-based economy. I look forward to continued cooperation with each of you to further deepen V4 plus Japan cooperation.”
On 7 May, 2021, Minister Motegi attended the 7th Meeting of Ministers of Foreign Affairs of the V4 plus Japan. He stated that the international community faces challenges such as protectionism and unilateral attempts to change the status quo by force or coercion amid the COVID-19 pandemic, and that Japan attaches great importance to cooperation with the Visegrád Group, whose presence in the EU is growing. The Ministers confirmed recent major achievements such as “V4 plus Japan” seminars on cybersecurity and connectivity, assistance for the Western Balkans, joint research on science and technology and coordination among think tanks, and shared the view to continue and enhance such cooperation. The following three issues were discussed at the meeting:

- **Japan-EU Cooperation / Connectivity**
  The Ministers shared the view to advance Japan-EU cooperation in various fields such as sustainable connectivity, quality infrastructure, and global issues. The V4 bloc expressed expectations for Japan’s cooperation in the “Three Seas Initiative” which has been led by Poland, and Motegi confirmed. Regarding the COVID-19 response, the Ministers also agreed to promote cooperation in fields such as equitable access to vaccines and World Health Organization reform. In addition, Minister Motegi requested the V4 Ministers’ cooperation for the lifting of the EU’s import restriction measures on Japanese food products that were introduced following the Great East Japan Earthquake in 2011.

- **Free and Open Indo-Pacific**
  Minister Motegi welcomed the European Council’s conclusion on the ‘EU Strategy for cooperation in the Indo-Pacific’ as a sign of the EU’s strong will to engage with the Indo-Pacific and stated that he expects the V4’s active contribution to the formulation of a joint EU communiqué, and was confirmed by the V4 Ministers.

- **China and North Korea**
  Minister Motegi expressed serious concerns about the continued and strengthened unilateral attempts to change the status quo in the East and South China Seas, as well as the situation surrounding Hong Kong
and the Xinjiang Uygur Autonomous Region. The Ministers shared the view on the importance of maintaining and enhancing the free and open international order based on the rule of law. Furthermore, the Ministers confirmed that full implementation of UN Security Council resolutions was essential to achieve the complete, verifiable, and irreversible dismantlement of all North Korea’s weapons of mass destruction and ballistic missiles. Minister Motegi asked for understanding and cooperation for the immediate resolution of the abductions issue.

The Ministry of Economy, Trade and Industry (METI)

METI expects the Japan-EU EPA – valued at ca. 30% of the world’s GDP and covering ca. 40% of world trade – will achieve high levels of tariff reductions/abolishment and intellectual property rights protection that promote mutual trade and investments, including in SMEs. See also the following section on JETRO.

The Japan External Trade Organization (JETRO)

JETRO is an Independent Administrative Institution (dokuritsu gousei houjin) working closely with METI, aiming to promote mutual trade and investments between Japan and the rest of the world. JETRO promotes foreign direct investment into Japan and assists small to medium sized Japanese firms maximize their global export potential. Its offices in Europe are located in Brussels, Paris, London, Milan, Berlin, Dusseldorf, Munich, Amsterdam, Vienna, Geneve, Madrid, Warsaw, Budapest, Prague, and Bucharest.

JETRO holds details of the second meeting of the Japan-EU EPA Joint Committee, co-chaired by Foreign Minister Toshimitsu Motegi and Valdis Dombrovskis, Executive Vice-President of the European Commission for an Economy that Works for People and European Commissioner for Trade from the EU side that was held on 1 February, 2021. Both parties welcomed the second year of the Agreement entering into force which sustains 170 billion euros of annual trade between Japan and the EU. Each side agreed upon
adding 28 additional geographical indications (GI) protected.  
Hybrid cars, fuel cell cars (FCVs) and components thereof were newly-added to the list of items to omit redundancy of certifications which will speed up trade.  

**Figure 1.**

EU exports to Japan in 2016

Accessed on 10 June 2021 and modified by author.

**Delegation of the European Union to Japan**

The Delegation carried out a survey on the Japan-EU EPA and its impact on Japanese firms importing from the EU and European firms operating in Japan in May, 2021. The results are not yet made public.
**EU-Japan Centre for Industrial Cooperation**

The EU-Japan Centre for Industrial Cooperation (EUJC) was launched in 1987 as a ‘joint venture’ between the European Commission and the Ministry of Economy and Trade and Industry of Japan (MITI/METI) and maintains its characteristic of a substantial ‘win-win’ symbolic significance.\(^{14}\)

Currently, the EU-Japan Centre for Industrial Cooperation has placed the support for SMEs at the core of all its activities because SMEs are considered as the principal driver for economic growth - both in the EU and Japan.\(^ {15} \) It has established the Enterprise Europe Network–Japan, the Cluster Support Service, the Tax and Public Procurement Helpdesk, the Step in Japan business incubator, the Technology Transfer Helpdesk, the Minerva Fellowship, the Horizon2020 Contact Point, and so forth. The Centre is ready to engage itself in more complex support missions in the post FTA/EPA era for an ever-closer economic partnership between the EU and Japan.\(^ {16} \)

**Merits of the EPA and successful cases**

**Successful items of EU’s exports to Japan**\(^ {17} \)
- Meat increased by 2.1% in 2019 and 2020, including pork with a 12.6% increase and frozen beef 3.2 times more than the previous year.
- Dairy products increased by 0.4%, including butter with a 47.8% increase.
- Beverages increased by 20.6%, including wine with a 17.3% increase.\(^ {18} \)
- Leather products increased by 4.1%.
- Electronics increased by 6.4%.

**V4 products in Japanese households: some examples**\(^ {19} \)
- Zubrowka 500ml (Poland) for 1,090 yen / 8.27 euros, at Seijyo-ishii
- Pilsner 350ml (The Czech Republic) for 360 yen / 2.73 euros, at Seijyo-ishii
• Acacia Honey 300g/Renge (Hungary) 1,490 yen / 11.3 euros, at Amazon.jp
• Tokaji 750ml (Hungary) 2,000 yen / 15.18 euros, at Amazon.jp
• Tokaji 750ml (Slovakia) 3,600 yen / 27.31 euros, at Amazon.jp

Further detailed study on market penetration and market share in Japan is necessary. Internet shopping provides better opportunities for SMEs which previously faced difficulty in market penetration and advertising costs. V4 products are also available at major liquor shops - like Bic Camera, Inc. - and high-end supermarkets like Seijyo-Ishii focused on imported items with high value-added. One of the factors behind the expanding market share of European beers in Japan was Asahi Group Holdings – a Japanese beverage firm – acquiring SABMiller plc. and its brands in The Czech Republic, Slovakia, Poland, Hungary and Rumania including Pilsner Urquell in December, 2016. Asahi aimed to globally sell its Japanese brand Super Dry via its new acquisition.

Among internet-based shops in Japan, not limited to liquor retailing, Amazon.jp stands out on top with 1.74 trillion yen of sales in 2020. The second largest was Yodobashi-camera with 138.5 billion yen, followed by Zozo with 125.5 billion yen and Biccamera with 108.1 billion yen in fourth position. Amazon is the utmost champion in retailing, but a careful examination of cost and benefit is required to find out where and how to promote V4 products.

The Ministry of Agriculture, Forestry and Fisheries (MAFF) calculated the effects of the Japan-EU EPA. An item-to-item survey in December, 2017 showed a possible decrease of the domestic price of Japanese agriculture products identical to tariff reduction levels of each item which would cause a decrease in production of between 60 to 100 billion yen in Japan. Owing to its aids to structurally reform farms and its management, MAFF concluded that domestic production levels in Japan could be maintained after the EPA and its ratification.
A bottleneck of V4 exports to Japan?

- among the geographical indication (GI) of EU products under the EPA, only two items – Czech hop from Žatec and Hungarian salami from Szeged – are nominated from V4 countries.\textsuperscript{23}

GI aims to protect brands in the markets of other parties and reduce producer costs in registering their products with authorities abroad.\textsuperscript{24} MAFF expects Japanese brands to become known in the single market and increase its brand image in the EU. As shown above, V4 products have gained a certain level of market access in Japanese supermarkets and internet-based shopping\textsuperscript{36} Amazon.jp, Yahoo.jp, Rakuten, and others. To what extent would GI increase exports from the V4 to Japan, and how much in costs would it save for farmers and SMEs in their exports? A detailed analysis is required.

Under the EPA, 48 items of Japanese agriculture products are protected. Hokkaido melon, Kobe beef, miso from Aichi, and so on, covering roughly one item from each Prefecture. As for EU products, 71 items are protected in Japan. These encompass 27 dairy products, 14 meat products, 10 oil products, 6 raw items of fruit and fish, 5 confectioneries, and 9 others, including Italian balsamic vinegar and hop from Germany and The Czech Republic. Among the dairy products, 10 are Italian, 6 are French, 3 from Spain, 2 from the Netherlands, and one each from Belgium, Portugal, and Greece. As for meat products, 5 are Italian, 3 from Spain, 2 from France, and one each from Germany, Belgium, Austria and Hungary.

\*In the following sections ‘3. 20th anniversary of V4 plus Japan’ and ‘4. Osaka Expo 2025’, we will consider the possibilities of export promotions of V4 countries.\textsuperscript{25}

Merits of the EPA for Japanese firms operating in the V4\textsuperscript{26}

- skilled workers
- language diversity where English and Japanese are accepted
- geographical convenience for trade/supply chains
- increasingly expanding domestic market in recent years

*Difficulties encountered by Japanese industry in the V4:
- increased labour costs
- shortage of labour supplies
- slump due to COVID-19, but quicker recovery compared to other EU member states
- energy supplies

Among the Japanese firms operating in the V4, 60.2% stated that an increase of labour costs was their largest concern. The second major concern was COVID-19 and its negative effect on the economy, reaching 55.9%. Within the negative effects, the largest issue was the decline of consumption, which reached 77.8% of answers in The Czech Republic and Poland.

Reduced costs as merits of the EPA:
examples of the Japanese car industry in the V4

- Example of Toyota in Valenciennes, France

The EPA reduced the operating costs of Toyota and its plant in Valenciennes. The immediate tariff abolition of automotive components has reduced 2% of Toyota’s costs concerning its supply chain. Its plant in Jelcz-Laskowice, Poland, is expected to gain similar advantages. The Jelcz-Laskowice plant assembles components for Toyota Yaris Hybrids. The recent carbon-neutral goals called for by the EU and Japan hint that shifts toward high-end, high-value-added, components will reduce imports from Japan and help secure local employment. Investment incentives, R&D aid, and workforce training will accelerate further shifts toward such trends.
- Example of Japanese component supplies in Hungary

Diamond Electric is a Japanese component supplier based in Osaka, focusing on ignition coils. It is the world’s third largest supplier in ignition coils and operates plants in Thailand, India and Hungary. Its local Hungarian branch in Esztergom was launched in September, 2000.

Delivery of material supplies for such coils take around two weeks, and therefore Diamond Electric is localizing its material purchases in Hungary. Still, some of the specific materials – epoxy resin – need to be exported from Japan. The firm has experienced the merit of an immediate reduction of the 6.5% tariff on epoxy resin to zero in 2020.32

**Japanese views and images of Poland and Hungary**

The image of Poland and Hungary in Japan does not reflect the rising status and capability of both countries. The image of Hungary is crowned by Suzuki’s success, but is rarely connected to Hungary’s investments in the latest high-tech of autonomous driven cars and EV buses. Among the Japanese firms operating in the EU, nearly 30% listed Poland as a future business destination.33 Half of the top ten countries ranked in the survey were CEE countries which include all the V4 countries. The Japanese perception of the V4 is shifting from its past image of supply chain countries to that of a promising and expanding market.34

Another issue up for debate is whether Poland, Hungary and The Czech Republic should join the euro zone. The UK was a member state accommodating Japanese car plants of Nissan, Toyota and Honda, where the Japanese did not experience any major inconvenience of pound/euro exchange rates. The most significant aspect was its access to the single market. The same applies to the V4 countries. The V4 - without budget expenditure limits under the rules of the euro zone - will provide a freer hand for governments to subsidize R&D in the car industry. The Japanese see further chances to expand investments in the V4, if the EU reduces its support.35
20 years of Japan-V4 cooperation: anniversary and export promotion in 2024

PM Junichiro Koizumi visited Poland and The Czech Republic in August, 2003. It was the starting point of today’s cooperation between Japan and the V4. The Emperor and Empress also visited Poland and Hungary in July, 2002. PM Koizumi flew from Berlin and arrived in Warsaw on 19 August, 2003 and held a meeting with Polish PM Leszek Miller at the Belvedere Palace and explained Japan’s efforts on North Korean nuclear armament and the abduction issue. Both PMs announced a joint statement on a Japan-Poland strategic partnership to reinforce their relationship with the EU’s enlargement in mind. Poland confirmed its commitment to strengthening ties between the V4 group and Japan, with emphasis on mutually expanding investments. The V4 countries joined the EU in May, 2004.

In October of 2004, Hungarian PM Gyurcsány Ferenc visited Japan and held a meeting with PM Koizumi on 25 October. Both sides agreed to launch the V4 plus Japan dialogue and cooperation initiative. The cooperation was modeled upon the Asia–Europe Cooperation Framework 2000, in which Japan requested the V4 countries to join the Asia–Europe Meeting (ASEM). Unlike the joint communiqué in the previous year which emphasized bilateral cooperation, the joint communiqué of October, 2004 called for cooperation under multilateral frameworks and welcomed further dialogue and cooperation by the V4 plus Japan.

The first V4 plus Japan summit was held in June, 2013 in Warsaw and confirmed that both parties share universal values such as democracy, the rule of law, human rights, and that of a market economy. The Year 2014 – the 10th anniversary of V4 plus Japan – could serve as an example of the year 2024 – the 20th anniversary – to come.
Export promotion of V4 products: Osaka Expo, 2025

Figure 2.
Osaka Expo 2025


The following five goals are defined:

1. Bringing together the wisdom of the world, including breakthrough technologies, to create and communicate new ideas
2. Expansion of domestic and overseas investment
3. Creation of innovation through activation of human interaction
4. Activation of regional economies and small and medium enterprises
5. A chance to communicate the wealth of Japan's culture

Page 30 of the Master Plan – project planning – introduces the eight main areas which will be developed in pavilions. Emphases are added to issues which might be in the interest of the V4:

- Quest of Life: This project aims to position humankind as living beings in the entire system of life.
- Totality of Life: This project aims to enable visitors to experience a connection between all forms of life in space, in the seas and on the earth.
- Embracing Lives: To prevent division among people due to crises, the project aims to offer a vision of a future where diverse lives will be protected by recognising the existence of others in one's self.
- Cycle of Lives: This project aims to examine the value of the act of eating as a link between nature and culture and between people and share the spirit of gratitude that underlies Japanese food culture.
- Amplification of Lives: The project aims to expand the functions and capabilities of humans and other organisms and explore wider possibilities for lives with novel science and technology.
- Invigorating Lives: This project will create a place for co-creation
where people will be able to enhance their lives by experiencing the joy of living through play, learning, sports and art.

Forging Lives: Through the combination of the natural and the artificial and of the physical and the virtual in quest of a brilliant future, this project aims to explore art forms that can be in harmony with nature.

Resonance of Lives: By acknowledging and appreciating the uniqueness of each individual life, this project aims to propose a model for a world where everyone can shine by providing visitors with an opportunity to experience the harmony created by diverse forms of life.

From page 46 onwards, the Master Plan gives out instructions on official participation, aiming to have 150 countries and 25 international organisations – including businesses, organisations, local governments, and grassroots bodies – participate in the Expo. We should consider whether the V4 countries are independently or jointly participating, or will coordinate their efforts with the EU. Site preparation schedule is mentioned on page 70.

Shared values and Japanese diplomacy: near-future perspectives

Democracy, human rights, and rule of law are significant shared values defined in the Japan–EU EPA/SPA. The Liberal Democratic Party (LDP) – the ruling coalition party with the Komei Party – issued a document on Japanese diplomacy and shared values. The document titled ‘The first proposal: Japan’s diplomacy concerning human rights (Waga-kuni no jinen-gaikou no arikata kentou project team)’ is the first report of LDP’s Foreign Affairs Division (Gaikoubukai) and was made public on 2 June, 2021.\(^{49}\) Recent developments in Asia – Myanmar and Uighur – have put Japan’s diplomacy into question. ‘Dialogue’ and ‘cooperation’ have been the core of Japanese diplomacy up to present, but should be reconsidered on how and what points should human rights be taken into account.\(^{51}\)
Japan has kept away from forcing developing countries to accept certain norms and has chosen an approach to bridge these countries with the Western developed countries. Japanese administrations have pursued the ‘Free and Open Indo-Pacific Strategy (FOIP, jiyuu de hiarakareta indo-taiheiyou senryaku)’ based on such understandings. What lacks now in Japan’s diplomacy is to take one further step forward in implementing human rights. The US and EU member states are increasing pressure against abuses, making human rights not merely an international norm to respect but a concrete basis of institutionalization in each country. If not being able to react, Japan faces a risk of losing presence which would damage national interests. The government is currently preparing guidelines of the issue for Japanese firms operating abroad.

Short term measures recommended in the report include ten points which are to join the Genocide Convention, to actively use the Foreign Exchange and Foreign Trade Act (Gaitame-hou) as a legal basis for sanctions, to install a so-called Magnitsky Act, and so forth. Domestic reforms will be required simultaneously, namely with MOFA, JICA, and concerning Ministries. The impact of this report on Japan’s diplomacy remains to be seen, but will possibly affect activities of Japanese firms through tightened guidelines on shared values which will be required not only for the multinationals themselves but also to local suppliers and partners. The timing of the next national election and a new administration in power – possibly after the Tokyo Olympics/Paralympics – will also need close observation.

Conclusion

Cooperation of the V4 plus Japan has developed in a fruitful way for both parties during the past two decades. The Japan–EU EPA has expanded exports of both sides during the two years of enforcement. The Japanese car industry merited from cost reduction by the
EPA and are seeing chances of increasing investments in the V4 countries. Exports of the V4 to Japan has expanded especially in food and beverages which provide opportunities for SMEs. The anniversary year 2024 and the Osaka Expo scheduled in 2025 could provide further chances to promote human exchanges and expand exports to Japan. The shared values defined in the SPA and LDP’s latest proposal on Japanese diplomacy require close watch on how it would impact trade and investments between Japan and the V4.
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Endnotes


4 The EU and its EPA with Japan covered 23% of the latter’s total value of imports from February to October, 2019 and ranked top. The second was ASEAN by 16% and the third was TPP-11 by 14%. Ministry of Finance (MOF), May 2020 <https://www.mof.go.jp/public_relations/finance/202005/202005f.pdf>Accessed on 13 June 2021.


6 Ibid.

7 Ibid.

8 Ibid.


12 Ibid.


15 Ibid.

16 Ibid.


18 Note that alcohol beverages are not under the jurisdiction of MAFF but MOF and its Liquor Tax Law (shuzei-hou).

19 1 euro / 131.78 yen, 6 May 2021.


23 Ibid.


25 Ibid.


EU – Japan Economic Partnership Agreement: benefits for the Visegrád Countries

29 Ibid.
34 Ibid.
39 Ibid.


49 Ibid.


51 Ibid.

52 Ibid.

53 Ibid.

54 Ibid.