Art. 4.1(b)

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EUROPEAN UNION
Delegation to Japan

EU COMMERCIAL COUNSELLORS' MEETING
WEDNESDAY, JUNE 7 2017, 10:00-12:00

Out of scope

2. FTA

Following on the intersessional discussions in Brussels during 15-19 May, another intersessional will begin in Tokyo the week of June 12 and may last between 2-3 weeks, including meetings between chief negotiators. While negotiations will take as long as necessary, the aim is to use the session in June to prepare for a political agreement that could be reached at a possible EU-Japan Summit, which may take place before the G20 summit in July.

On 24 May, there was a phone call between Commissioner Malmström and Foreign Minister Kishida, during which they agreed that sufficient progress had been made on a number of important chapters of the FTA (e.g. investment, IPR, services, NTMs). At the same time, significant work remains to be done on two key chapters: tariffs and government procurement. Commissioner Malmström and Foreign Minister Kishida also agreed that certain issues will remain to be tackled after the political agreement, namely the Investment Court System (that would replace the existing investor-to-state dispute settlement) and the issue of data flows.

On 26 May, there was a meeting between the EU leaders and PM Abe in the margins of the G7 summit, where the main topics were the FTA and the SPA. The leaders reaffirmed the goal of reaching a political agreement, deemed as "extremely important" for both sides. In addition, PM Abe stressed the importance Japan attaches to see Brexit become a transparent and predictable process, and requested the EU to lift the remaining restrictions on products from Fukushima.

On 6 June, the LDP decided to establish a committee (also called "EU EPA headquarters") to work on the EU-Japan FTA. The decision to create the new "headquarters" has reportedly been taken following PM Abe's declaration after his
meeting with EU Leaders in Taormina that "an agreement in principle is within reach and we have entered a phase where both parties must exercise political leadership". The committee is headed by former Minister of Agriculture Koya Nishikawa. It has 5 subgroups, each dedicated to look into the impact of tariff cuts on Japan's fiscal health, food safety standards, agriculture tariffs and industrial goods. The agriculture subgroup is headed by Diet Member Koizumi (son of the former PM Koizumi and head of the LDP Committee on Agriculture). By and large, the key members of this committee are the ones of the agriculture caucus of the Diet.

The committee is expected to start working on 9 June and will most likely (as was the case of LDP TPP committee) produce a report to the government, possibly within this month, providing guidance as to the expected outcome of the negotiations. The creation of this LDP committee reflects the ruling party's upgraded engagement in the ongoing negotiations, now in the final stage, where the most sensitive issues need to be tackled. Political arbitrage will be required regarding tariff cuts, in particular in the sensitive agriculture sector, and the appointment of an ex-MAFF minister as committee head does reflect this key sensitivity. Overall, the creation of a dedicated committee should rather facilitate the consensus building process within the LDP than the opposite.