

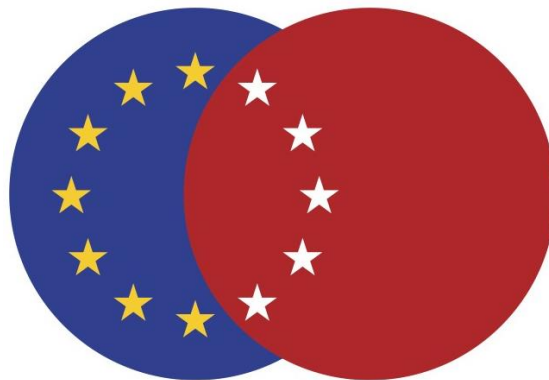
# EU–JAPAN ECONOMIC PARTNERSHIP AGREEMENT

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## Executive Summary

Signed on 17 July 2018 and entered into force on 1 February 2019, the Economic Partnership Agreement (EPA) between Japan and the European Union (EU) has been called the ‘greatest and most significant aspect’ of the two parties’ relationship (Haitas, 2020, p. 58). It includes typical features of a free trade agreement (FTA) in that it eliminates tariffs, guarantees market access and stipulates rules for trade in goods and services. However, the EPA goes beyond a standard FTA by also encompassing investment, sustainability, political cooperation, intellectual property, labour standards and environmental regulation.

With a population of 127 million, Japan is the world’s fourth-largest economy and the EU’s second-biggest trading partner in Asia after China. Before the agreement, the EU exported €58 billion of goods and €28 billion of services to Japan (European Commission, n.d.b.). According to the European Commission (EC), each €1 billion of EU exports supports some 14,000 jobs in Europe (European Commission, n.d.b.). Before the EPA, Japan faced difficulties exporting mainly due to tariffs, cost of compliance with rules and regulations and technical barriers to trade such as restrictions preventing foreign companies from competing for government contracts in certain sectors (European Commission, n.d.b.).

The aim of the FTA was therefore to remove both unnecessary obstacles to European exports (which had made it 10–30% more expensive to export) and tariffs on European products such as wine, pasta or chocolate, as well as on Japanese cars (European Commission, n.d.b.). Furthermore, the agreement includes provisions on corporate governance to attract investment by boosting confidence and competitiveness. These trade rules aimed to align with both parties ‘high standards and shared values of democracy and rule of law’ and demonstrated their rejection of protectionism (European Commission, n.d.b.).

The resulting trade agreement with Japan eliminated 99% of the EU’s tariff lines and all tariffs on imports, while Japan liberalised 97% of its tariff lines and 99% of its imports (European Commission, n.d.d.). The EPA covers 30% of the world’s GDP and 40% of global trade. Furthermore, 600 million people – the shared population of the two states – have garnered potential benefit from this trade agreement.

Alongside the EPA, the EU and Japan also negotiated a comprehensive Strategic Partnership Agreement (SPA), signed the same day as the EPA. Building on the Treaty of Lisbon (2009) – which promotes partnerships with third countries that share principles and calls for European values to be projected in external actions – the EU sought a binding agreement covering political, global and sectoral cooperation. This included areas such as education, culture, counterterrorism, the information society, environment and energy, cyberspace and outer space, as well as the non-proliferation of weapons of mass destruction (Chowdhry et al., 2018, p. 3).

## Context

There were several factors contributing to the desire for an economic agreement between the EU and Japan, signed in 2018 and entered into force in 2019.

In the years leading up to the agreement, Japan – despite being the world's third-largest consumer market – was only Europe's seventh-biggest export market. Furthermore, prior to the agreement Japan's share of EU goods exports had declined (from 6.9% in 1990 to 3.2% in 2017) while Japan was also not the main destination for European investment abroad, representing only 1.1% of total extra-EU outward stock in 2016 (Chowdhry et al., 2018, p. 8). Finally on the Japanese side, the signing of the FTA with Korea in 2011 encouraged Japan's business community to advocate for a comparable agreement, given international competition between Japanese and Korean products (Nakanishi, 2016, p. 2).

Withdrawal of the United Kingdom (UK) from the EU in March 2019 also significantly impacted Japan, as Japanese exports to the UK were valued at €15.1 billion in 2017 (representing around 17% of Japan's total exports to the EU). Moreover, Japan had invested heavily in the UK to secure access to the European single market. Consequently, Brexit caused a contraction in the market for Japanese goods and services (Publications Office for the European Union, 2016, pp. 7–8).

On the EU side, many European exporters faced significant trade barriers in Japan, including high import duties, complex procedures and regulatory standards that diverged from international norms, all of which made access to the Japanese market difficult. The EC argued that reducing these obstacles would boost EU exports, helping to safeguard and create jobs across the Union (Directorate-General for Trade and Economic Security, n.d.b.). Another key motivation was the EU's ambition to shape global trade rules in line with its high standards and shared values (such as democracy, the rule of law, and sustainable development). The agreement would also send a strong signal that the EU and Japan – as two major global economic blocs – firmly rejected protectionism in favour of an open, rules-based trading system.

## Timeline of negotiations

Date	Event
1959	European Economic Community and Japan establish official diplomatic relations
28 May 2011	Negotiations start at the 20th EU–Japan Summit
2013	All 28 EU member states unanimously agree that the EU should begin negotiations with Japan
25 March 2013	Official negotiations start
9 December 2017	Negotiations conclude
27 July 2018	EPA signed by the President of the EC, the President of the European Council and the Japanese Prime Minister
December 2018	European Parliament endorses the agreement
1 February 2019	The agreement is ratified and entered into force

*(Source: Cristóbal, 2021)*

During the negotiations, the EC regularly published online reports on the negotiation rounds, texts of EU proposals submitted to Japan, press releases, background information on the negotiations, as well as eventually the final agreement. All negotiating papers tabled in the talks were made publicly available following the new transparency guidelines issued by the EC in 2015 (European Commission, n.d.b.).

The Commission also shared information with EU member state national governments, the European Parliament and civil society organisations. It held press conferences with journalists, organised citizen dialogues in member states and used social media such as

Twitter to ensure broad public access to information. In particular, the Commission consulted a wide range of stakeholders, holding meetings with representatives from over 470 civil society organisations, including trade unions, consumer groups, employers' associations, business federations, farming organisations, environmental and animal welfare groups, faith-based organisations, thinktanks, and community-based groups (European Commission, n.d.b.). At least on the surface, the Commission's commitment to transparency can be observed. However, while member states and the European Parliament were kept informed throughout the process and meetings were made available online, the information reaching the public was at times limited, and it was not always clear how some of the more contentious issues had been resolved (Cristóbal, 2021, p. 5).

At the political and technical level, 18 meetings were held with national governments between 2015 and 2016 to prepare for negotiations or report on their outcomes. Experts were also involved in discussions on specific issues, including services and investment (seven meetings), customs and rules of origin (six meetings), sustainable development (four meetings), plant and animal health (three meetings), and data flows (three meetings) (Directorate-General for Trade and Economic Security, n.d.c.).

At the time of signing, EC President Jean-Claude Juncker said:

The document we signed today is *much more than a trade agreement*. It is of course a tool that will create opportunities for our companies, our workers and our citizens and that will boost the European and Japanese economies. But it is also a statement. For its content, its scope and also its timing. It is a statement by two likeminded partners that together represent nearly a third of the world's GDP and reiterate their commitment to uphold the highest standards in areas such as labour, safety, environmental or consumer protection (Directorate-General for Communication, 2018a, emphasis added).

The EPA was concluded as an 'EU-only agreement', meaning it did not require ratification by individual EU member states. Yet the SPA, promoting greater integration on strategy and due to its mixed nature, required ratification by both the EU and all its member states (Chowdhry et al., 2018, p. 26).

# Notable features and provisions of the EPA

## General overview

The fact that Japan and the EU are leaders in science and technology magnifies benefits of the agreement. For instance, tariff cuts for Japanese cars and car parts further encourages the investment and exchange of technologies such as electric cars, fuel-efficient engines and autonomous driving (Chowdhry et al., 2018, p. 22). The agreement also establishes a ‘leading zone for safe data transfers’, benefiting the parties in digital economies that are data-intensive (Chowdhry et al., 2018, p. 22).

This agreement is based on principles that ensure both parties follow comprehensive competition rules ‘in a transparent and non-discriminatory manner’ (Directorate-General for Communication, 2018b). By including this, the EPA goes beyond traditional trade liberalisation, addressing deeper regulatory issues. This multi-dimensional nature of the agreement is further demonstrated through: agricultural exports; geographical indications (GIs); the services market (including financial services, e-commerce, telecommunications and transport); access for EU companies to Japanese cities; the protection of specific sensitivities in the EU; trade and sustainable development; consumer protection; public services and the mutual recognition of ‘equivalent’ data protection (Gascón Marcén, 2014, pp. 213–225).

Specific chapters and their notable provisions will now be explored below.

## Chapter 2: Trade in goods

Chapter 2 of the agreement outlines provisions to increase trade in goods. European sectors that benefit the most from the agreement are pharmaceuticals, medical devices, agri-food, motor vehicles and transport equipment. Specifically, by removing barriers in the food and agriculture sector, the agreement opens greater access to Japan (the EU’s fourth-largest export market in this area, representing exports worth €5.7 billion) (Cristóbal, 2021, p. 6). In line with this chapter, the EU is progressively implementing



tariff reductions, covering 85% of agri-food products, which will eventually be able to enter the Japanese market completely duty-free (Cristóbal, 2021, p. 6).

In terms of tariff reduction, this agreement also applies tariff rate quotas (TRQs) on certain products (Directorate-General for Trade and Economic Security, n.d.d.). TRQs strike a balance between liberalisation and protection given that they specify volumes of product that will benefit from preferential tariff (reduced or zero tariff), but once this limit is exceeded, additional imports will pay a higher tariff (at the normal rate). The agreement stipulates that the tariff reduction occurs through equal annual instalments, beginning each year on 1 January for the EU and 1 April for Japan (Directorate-General for Trade and Economic Security, 2018, pp. 1, 3). To ensure precision, fractional percentages are furthermore standardised to avoid technical inconsistencies and all tariff classifications are aligned with the Harmonized System to ensure international coherence (Directorate-General for Trade and Economic Security, 2018, p. 3). Some examples of products that apply this quota are wheat, udon and coffee.

In addition, sensitive sectors are protected through gradual or partial liberalisation via specific categories (B3, B5, B7, B10, B12, B15, R5, R7, R10, EU10 and X). For example, goods under category B3 such as optical glass and button cells involve full elimination within four years (Directorate-General for Trade and Economic Security, 2018, p. 5); B15 such as Atlantic bluefin tuna and fish livers within 16 years (p. 66); and X identifies goods excluded from the agreement (p. 7) such as whale products (p. 10). All products not mentioned in the tariff schedules (**Annex 2A**) were made duty-free when the agreement entered into force (Chowdhry et al., 2018, p. 43).

One key tariff reduction was for pork, the EU's main export to Japan. The agreement establishes safeguards and a gradual phase-out of complex tariff systems: for fresh meat and certain types of offal over 10 years; for cured ham and other dried, smoked or brined meats over 10 years; for sausages over five years; for cooked ham over 10 years; and for canned meat within a maximum period of 15 years. Another notable case is beef, tariffs on which will be reduced from 38.5% to 9% over a 15-year period for a substantial share of beef exports (Cristóbal, 2021, p.6).

Wine, the EU's second most exported agricultural product to Japan (previously worth around one billion euros annually), has seen tariffs reduced from 15% to 0% following

the agreement. Similarly, the EU is Japan's main cheese supplier. For instance, tariffs on gouda (previously 29.8%) have been eliminated, and fresh cheeses such as mozzarella now enjoy duty-free access. The liberalisation period varies depending on the cheese type, extending up to 16 years. The symbolic relevance of cheese in the negotiations even led some media outlets to label the accord as 'the Cheese-for-Cars Agreement' (Cristóbal, 2021, p. 6).

The automobile sector also featured significantly in the negotiation process given the potential imbalance that could affect the European motor market (Cristóbal, 2021, p. 8). The agreement provides for gradual elimination of tariffs over a seven-year period on Japanese cars, previously subject to a 10% tariff, and on Japanese-produced components, which faced a 3% tariff. As a result, both manufacturers with a presence in Europe and those without production plants in the EU were expected to benefit from lower prices. However, through a safeguard clause, the EU has reserved the right to introduce new tariffs if the European industry suffers enormous damages. Japan can similarly reintroduce non-tariff barriers to European vehicle exports.

### **Chapter 3: Rules of origin and origin procedures**

This agreement explicitly links anti-fraud measures, or refusal to cooperate, to the withdrawal of tariff preferences (Directorate-General for Communication, 2018b). This is significant because it establishes legal consequences for a party that breaches **Article 3.23** on mutual assistance in the fight against fraud, ensuring that violations of rules-of-origin obligations are enforceable.

### **Chapter 8: Trade in services, investment liberalisation and electronic commerce**

Chapter 8 of this agreement promotes bilateral trade in a 'broad range of services' (Chowdhry et al., 2018, p. 19) but without deregulation or privatisation of some public services such as healthcare, education or water supply. This aims to expand trade opportunities while protecting public interest.

Some priority services sectors include telecommunications (the agreement covers topics such as mobile roaming, number portability and confidentiality of users' traffic data), financial services (establishing a Joint Financial Regulatory Forum to deeper regulatory cooperation) and e-commerce (committing to keep electronic transmissions duty-free, recognise the legal validity of electronic contracts and signatures and not recruit source codes to be transferred or accessed) (Chowdhry et al., 2018, p. 19).

## **Chapter 14: Intellectual property**

The EU–Japan EPA protects intellectual property rights for companies exporting innovative, artistic, distinctive and high-quality products. The agreement explicitly seeks to 'facilitate the production and commercialisation of innovative and creative products', committing the parties to 'grant and ensure adequate, effective and non-discriminatory protection of intellectual property' (**Article 14.1**). It also includes provisions covering trademarks, copyright, patents, trade secrets, civil enforcement measures and minimum common rules for regulatory test data protection for pharmaceuticals and civil enforcement provisions (European Commission, n.d.d.).

Notably, **Article 14.7** goes further by promoting public awareness of intellectual property protection, including educational and dissemination initiatives.

During the negotiations, Japan agreed to make significant concessions on the protection of GIs, an issue of high importance for the EU (particularly Mediterranean and southern member states) which possesses many food, wine and spirit designations (Bonadio et al., 2020, p. 1). Japan accepted these concessions in exchange for other non-IP benefits arising from the EPA, most notably the removal of EU import duties on Japanese automobiles (Bonadio et al., 2020, p. 2).

Under the EPA, the EU initially secured protection for 217 GIs (72 for foodstuffs and 145 for wines and spirits), including emblematic names such as Champagne, Feta and Parmigiano Reggiano. Japan, by contrast, listed only 56 GIs (48 for food and eight for wines and spirits), with 'Kobe Beef' standing out as its most recognisable designation internationally.

Subsection 6 on patents (**Articles 14.33 to 14.35**) does not introduce new procedural obligations, as both parties already maintain robust patent systems. Instead, the EPA emphasises the importance of cooperation to promote greater harmonisation of patent law (Bonadio et al., 2020, p. 12). Both the EU and Japan are interested in encouraging technological innovation in strategic sectors while safeguarding public health and nutrition. In this context, the agreement recognises the use of Supplementary Protection Certificates, which extend patent protection for specific goods (particularly agricultural and pharmaceutical products) by up to five years to compensate for delays caused by regulatory approval requirements before a product can be placed on the market (Bonadio et al., 2020, p. 13).

## **Chapter 15: Corporate governance**

The agreement is the first FTA that includes provisions on corporate governance. The parties committed to develop effective governance to protect and facilitate shareholders' rights. This was guided by the view that decision-making should be based on responsibility, transparency and fairness in order to set high standards which are harmonised and increase 'investors' confidence, investment and competitiveness' (Chowdhry et al., 2018, p. 21).

## **Chapter 16: Trade and sustainable development**

Over the last decade, the EU has actively encouraged its trade partners to adopt higher environmental and labour standards, exemplified by the inclusion of trade and sustainable development (TSD) chapters in its FTAs. The EU–Korea FTA was the first to include such a chapter, and it has since been incorporated into subsequent agreements, including the EU–Japan EPA.

In March 2017, the EC published a position paper that concluded trade growth in green technologies could offset 'any negative environmental effect', move towards cleaner sectors, while not raising energy demand or imports of natural resources (Directorate-General for Trade and Economic Security, n.d.f.). Both the EU and Japan maintain

robust environmental regulations, and they agreed the trade agreement should uphold these existing standards rather than weaken or undermine them (Directorate-General for Trade and Economic Security, n.d.f.). For instance, Japan upholds some of the strictest food safety regulations globally and as a result prohibits the use of growth hormones in beef production (Directorate-General for Trade and Economic Security, n.d.a.).

Both Japan and the EU agree that ‘trade can and should be a means to boost or support the environment’ (Nakanishi, 2020, p. 3). The treaty has an enforceable chapter on sustainable development covering issues such as workers' rights, the environment and climate change (Directorate-General for Trade and Economic Security, n.d.b.). In addition, the SPA agreed alongside the EPA also includes cooperation to combat climate change. In the case of the EPA, the TSD chapter will be implemented through dispute settlement mechanisms that include an external review by an independent panel of experts, a role for civil society (including representatives of employers and trade unions, at all stages) and expertise of international organisations such as the International Labour Organization (ILO). Both parties are committed to implement core standards in addition to those from the ILO, including the United Nations (UN) Framework Convention on Climate Change and the Paris climate agreement (Directorate-General for Communication, 2018b).

The EPA is the first EU FTA to refer to the Paris Agreement. Climate change is named explicitly in several articles. For instance, **Article 16.4(4)** states:

*The Parties recognise the importance of achieving the ultimate objective of the United Nations Framework Convention on Climate Change, done at New York on 9 May 1992 (hereinafter referred to as ‘UNFCCC’), in order to address the urgent threat of climate change, and the role of trade to that end. The Parties reaffirm their commitments to effectively implement the UNFCCC and the Paris Agreement, done at Paris on 12 December 2015 by the Conference of the Parties to the UNFCCC at its 21st session. The Parties shall cooperate to promote the positive contribution of trade to the transition to low greenhouse gas emissions and climate-resilient development. The Parties commit to working together to take actions to address climate change towards achieving the ultimate objective of the UNFCCC and the purpose of the Paris Agreement* (Nakanishi, 2020, p. 5, emphasis by author).

The agreement also reaffirms commitments to the ILO Conventions. However, the agreement does not stipulate that ratification is necessary for its conclusion. As stated in the **Article 16.3(3)**:

Each Party shall make continued and sustained efforts on its own initiative to pursue ratification of the fundamental ILO Conventions and other ILO Conventions which each Party considers appropriate to ratify (European Union, 2018, p. 135).

Japan has ratified six of the eight fundamental ILO Conventions; the two remaining regard forced labour and discrimination in employment and occupation (Chowdhry et al., 2018, p. 21). The EPA gives more emphasis to the implementation of ILO Conventions that have been already ratified, as stated by **Article 16.4(2)**: ‘Each Party reaffirms its commitments to effectively implement in its laws, regulations and practices ILO Conventions ratified by Japan and the Member States of the European Union respectively’ (European Union, 2018, p. 135).

Cultural differences may also be relevant in considering the above, as how human rights are understood by the two parties may differ in some respects. In light of this, some observers question the capacity of the EPA to effectively promote labour standards through ‘soft promotional formulations’ (Tyc, 2020, p. 4) such as in **Article 16.2**:

Recognising the right of each Party to [...] establish its own levels of domestic [...] labour protection [...] each Party shall strive to ensure that its laws, regulations and related policies provide high levels of [...] labour protection and shall strive to continue to improve those laws and regulations and their underlying levels of protection (European Union, 2018, p. 134).

In terms of environmental impacts, during the negotiations a Sustainability Impact Assessment (SIA) – an independent review carried out by external consultants – closely examined how different aspects of the agreement could affect sustainability, identifying potential trade-offs along the way. The assessment provided negotiators with practical, evidence-based recommendations, and the Commission later outlined how the SIA’s findings had informed the final negotiation outcomes (Directorate-General for Trade and Economic Security, n.d.f.). An example of such a policy recommendation (also known as a flanking measure) was to reinforce ‘important sustainability measures and to prevent or try to mitigate negative sustainability impacts’ (Publications Office for the European Union, 2016, p. 46).

One controversial topic within and surrounding the EPA is whaling. Japan is one of only three countries in the world that still engage in whaling and the only one that hunts whales outside its territorial waters (Cristóbal, 2021, p. 5) for which it has been subject to much international criticism from nongovernmental organisations (NGOs). The EU has meanwhile demonstrated its commitment against whaling through a long-standing ban (lasting more than 35 years) on the import of whale products, its strong reservations about so-called ‘scientific whaling’ and its active participation in the International Whaling Commission (Directorate-General for Communication, 2018b) through which it manages whaling by third countries including Japan both internationally and bilaterally (Nakanishi, 2019, p. 9). However, neither the EPA nor the SPA explicitly refer to whales.

This agreement does not include any reference to the precautionary principle, which allows products to be withdrawn from the market even when scientific evidence is insufficient. Specifically, **Article 16.9** states that the parties shall take account of available scientific and technical information, and where appropriate, relevant international standards, guidelines or recommendations, and the precautionary approach (European Union, 2018, p. 138). Using the words ‘precautionary approach’ reflects the EU’s values despite it being here not a strict legal principle (Nakanishi, 2019, p. 7). The EC justifies this omission by arguing that the principle is already enshrined in the EU treaties, and therefore all EU trade agreements must comply with those existing provisions.

Based on concerns raised by NGOs about the potential deterioration of EU standards when negotiating with third countries, the EPA also includes a provision on the right to regulate, which allows the parties to determine their own sustainable development policies and priorities. This provision ensures that both sides can maintain or improve existing standards, while avoiding protection levels being lowered to attract trade or investment (Nakanishi, 2020, p. 4).

The dispute resolution mechanism does not establish sanctions for breaches of the obligations included in Chapter 16, but instead relies on the cooperation of the country that has failed to comply with the EPA’s provisions. While this aims to facilitate trust and ensure long-term improvements, it also raises questions about the enforceability of the labour provisions. By contrast, the Comprehensive and Progressive Trans-Pacific

Partnership (CPTPP), of which Japan is a member, prefers to adopt sanctions in cases of non-compliance with labour provisions (Tyc, 2020, p. 8).

Two measures have been established to ensure civil society participation in the TSD chapter's implementation (Tyc, 2020, p. 7). First, **Article 16.15** establishes Domestic Advisory Groups: each party must convene meetings with existing or new independent domestic advisory groups on economic, social and environmental issues related to Chapter 16, in accordance with their national laws and practices. These advisory groups should include a balanced representation of independent economic, social and environmental stakeholders. Compared to previous FTAs, such as the EU–South Korea FTA, this EPA provides more detailed specifications on the advisory group's composition, consultative role, as well as other important functions and powers. Second, **Article 16.16** outlines a Joint Dialogue with Civil Society: The parties must convene the Joint Dialogue with civil society organisations located in their territories, including members of the domestic advisory groups. The Dialogue should aim for a balanced representation of relevant stakeholders representing economic, social and environmental interests. The parties are required to provide information on implementation of Chapter 16 to the Joint Dialogue and the views and opinions of the participants may be submitted to the Committee and made publicly available. The Joint Dialogue shall be convened regularly, unless the parties agree otherwise.

The influence of civil society in the EPA is evident not only in their involvement under Chapter 16, but also in other areas, such as their role in the right to regulate, as previously mentioned.

## **Chapter 18: Good regulatory practices and regulatory cooperation**

This agreement is also the first to include a separate chapter on regulatory cooperation through a Regulatory Cooperation Committee that identifies areas of future cooperation between parties. This provision aims to achieve 'an effective, transparent and predictable regulatory environment' to encourage trade and investment flows' (Chowdhry et al., 2018, p. 21). Regulatory authorities are encouraged to adopt good practices including public consultations, impact assessments and periodic retrospective evaluation of measures in force. This cooperation is purely on a voluntary basis and its



scope is limited to EU regulatory measures and the EC as the relevant regulatory authority for the EU. Hence, the provisions do not apply on the EU member state level, which preserve their right to regulate in matters relating to public health, the environment, financial stability and energy security, among others.

## **Chapter 20: Small and medium-sized enterprises**

For the first time in an EU FTA, the EPA dedicates an entire chapter to small and medium-sized enterprises (SMEs). The SME chapter outlines a wide range of stipulations including customs procedures, rules of origin, technical requirements, conformity assessments and business registration. SME Contact Points are also designated to help coordinate implementation periods, remove information barriers and increase transparency (Chowdhry et al., 2018, p. 21).

## **Chapter 21: Dispute settlement**

Regarding bilateral safeguards, the agreement allows temporary restriction of imports to protect a domestic industry that is suffering or at risk of suffering serious harm due to an increase in imports of a particular product. The EU products covered by these safeguard measures include beef, pork, whey protein concentrate (WPC), whey powder, fresh oranges and racehorses (Directorate-General for Trade and Economic Security, n.d.d.).

## Trade since the FTA and beyond

Soon after the EPA's entry into force, the economic benefits became apparent (Cristóbal, 2021, p. 10). In the first ten months alone, EU exports to Japan increased by 6.6% compared with the same period the previous year, while Japanese exports to Europe rose by 6.3%. Some sectors grew even more. Between February and November 2019, compared with the same period the previous year, EU meat exports grew by 12%, pork by 12.6%, while frozen beef exports tripled. Beverage exports increased by 20%, including a 17.3% rise in wine, while elsewhere there was a 10.4% in dairy products and an impressive 47% in butter. Similarly, leather goods exports rose by 14%, clothing by 9.5%, and telecommunications equipment, storage devices and electronic circuits by 16.4%.

A study conducted in 2022 showed the outcomes of the agreement varied according to the size, structure and competitiveness of each European country. The research highlights that the member states benefiting the most in the agricultural sector were Spain, Portugal, Hungary, Poland, and Finland, while Germany's main gains came from the motor vehicle and chemical industries. France benefited primarily in the chemical, textile and processed food sectors, while Estonia saw gains in wood production (Górska, 2021, p. 11).

The following table illustrates the fastest-growing service sectors among the countries participating in the agreement:

**Table 4** Three most-growing service sectors

Country	Services
Austria	Finance and insurance; construction; trade
Belgium	Construction; trade; other services
Bulgaria	Business services; finance and insurance; communications
Croatia	Other transport; business services; water transport
Cyprus	Business services; air transport; trade
Czech Republic	Other transport; business services; finance and insurance
Denmark	Construction; trade; business services
Estonia	Construction; other transport; water transport
Finland	Construction; trade; business services
France	Construction; other services; trade
Germany	Construction; business services; water transport
Greece	Water transport; construction; business services
Hungary	Trade; construction; business services
Ireland	Business services; construction; other services
Italy	Construction; trade; water transport
Latvia	Business services; water transport; other transport
Lithuania	Other transport; water transport; finance and insurance
Luxembourg	Finance and insurance; business services; construction
Malta	Business services; air transport; trade
Netherlands	Construction; other services; trade
Poland	Construction; other services; trade
Portugal	Construction; business services; trade
Romania	Finance and insurance; business services; other transport
Slovakia	Business services; other transport; finance and insurance
Slovenia	Other transport; business services; trade
Spain	Construction; other transport; trade
Sweden	Business services; water transport; other transport
Japan	Construction; trade; business services

*Source:* Author's simulations based on GTAP CGE mode, database, version 9.

*(Source: Górska, 2021, p. 14)*

**Article 8.81** also established the reassessment of the need for inclusion of provisions regarding free flow of data within three years. In October 2022 these started the formal negotiations began and one year later, the provisions introduced in October 2023 were introduced to eliminate expensive data localisation requirements, meaning companies are no longer required to store their data physically. This change is expected to reduce additional costs and complexities, thereby enhancing their competitiveness (EU–Japan Centre for Industrial Cooperation, 2023).

Since the EPA's entry into force, the list of GIs has been expanded several times, now covering 423 GIs – 291 from the EU and 132 from Japan (Directorate-General for Trade and Economic Security, n.d.e.). As a result, third-country producers may no longer use these protected names in the Japanese market. A clear example is Australia, whose producers can no longer export Prosecco-labelled sparkling wine to Japan, resulting in substantial losses as they lose access to an established market segment (Bonadio, et al. 2020, p. 16).

In the long term, this agreement is expected to boost the EU's GDP by 0.14% and raise total exports to Japan by approximately €13 billion by 2035 (Chowdhry et al., 2018, p. 8). In this model, European growth would come from food and feed sectors, while Japanese growth would be attributed to the automotive sector (Böcking and Reichert, 2018). However, unfavourable effects are expected to occur in the European motor vehicle, electronic devices and machinery sectors (Górska, 2021, p. 15).

## Key takeaways for Australia

The EPA between EU and Japan contains some insights for Australia in negotiating its FTA with the EU.

Firstly, the EU–Japan EPA goes beyond traditional FTAs by not just integrating trade in goods and services but also political cooperation, regulatory alignment, sustainability and shared values such as democracy and the rule of law. The EU and Australia might adopt a similarly comprehensive partnership vision.

Furthermore, by encouraging transparency and public participation not only on paper but also in practice, the agreement counters criticism regarding secrecy. In the Australian context, some stakeholder participation could include farmers, trade unions, environmental NGOs, as well as consumers among others. This may build trust and facilitate parliamentary ratification.

The EU–Japan EPA created a multi-layered institutional structure (for instance with a Joint Committee, 10 specialised committees, two working groups and SME Contact Points) to ensure flexibility and continuous monitoring. The EU–Australian framework could establish similar permanent technical and policy coordination bodies to ensure adaptability and early conflict prevention.

In addition, some insights could come from cross-border data flow protocols, which eliminate costly data localisation requirements. In the Australian context, the negotiations could integrate adaptive digital trade clauses regarding topics such as data protection, cybersecurity and e-commerce.

Lastly, in the Australian context, trade might be also a projection of values, a symbol of multilateralism and rule-based order in a time of rising protectionism.

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