

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Belgium EU-28**

**Post:** Brussels USEU

### **EU-Japan Finalize Economic Partnership Agreement**

**Report Categories:**

Trade Policy Monitoring

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**Report Highlights:**

On December 8 2017, the European Union and Japan announced the conclusion of the final discussions on the EU-Japan Economic Partnership Agreement (EPA). EU exports of wine, beef and pork are expected to benefit from this agreement.

## **General Information:**

On December 8 2017, the European Union and Japan announced the conclusion of the negotiations on the EU-Japan Economic Partnership Agreement (EPA). The two sides represent approximately 40 percent of the world's GDP. The outstanding technical discussions that have taken place have included settling on the final provisions for protection of EU and Japanese Geographical Indications (GIs) and concluding the chapters on good regulatory practices and regulatory cooperation. However, negotiations continue on investment protection standards and investment protection dispute resolution. Data is also noticeably absent. The Commission intends to pursue ratification by the European Parliament in mid-2018 and have the agreement enter into force in 2019.

Commenting on the agreement, Commissioner for Agriculture and Rural Development Phil Hogan said that *"This agreement represents the most significant and far reaching deal ever concluded by the EU in agri-food trade. It will provide huge growth opportunities for our agri-food exporters in a very large, mature and sophisticated market. We were successful in developing a model free trade agreement that fits our export profile, while still delivering a mutually beneficial agreement with our partner. This shows the EU as a global leader and standard-setter in shaping international trade and its rules – a concrete example of the EU harnessing globalization to benefit our citizens. EU agri-food exports create high-quality jobs, most of them in rural areas."*

European stakeholders commented on the conclusion of the EPA as well. FoodDrinkEurope welcomed the finalization of the agreement, underlining the significant opportunities for European food and drink exporters that it will bring. The European wine industry (CEEV) applauded the announcement noting that it will boost European exports to Japan and enhance EU's position as export leaders. BusinessEurope also welcomed the news with its Director General stating that the agreement is *"very good news for companies and citizens in the EU and Japan. The agreement should remove long standing tariff and non-tariff barriers to trade"*.

## **Advantage Europe?**

While the details of the concessions have not yet been released, EU exports of wine, beef (particularly veal) and pork are expected to benefit from this agreement. Given the safeguards on meat products, exporters will likely only see modest gains in market share. The more substantial benefit will come from the reduction in duties which will allow for improved margins. The agreement also contains provisions for the protection of 205 EU GIs and is the first to include a commitment from both parties to implement the Paris Agreement.

**Wine:** Full tariff liberalization is agreed to apply from the date of implementation of the agreement and the EU negotiated the approval of 28 EU additives and processing aids used in winemaking within five years.

**Pork:** EU Exports of processed pork will be liberalized and duties for fresh pork will be significantly reduced over a 10-year period with a distinction between high value cuts and low value products. However, two quantitative safeguards for the different pork qualities will apply during 10 years following implementation.

**Beef:** Tariffs on EU beef will be gradually reduced from currently 38.5 percent to 9 percent over 15 years. During this 15-year period a safeguard with a trigger level increasing from 43,500 MT to 50,500 MT.

**Cheese:** Major cheese types like Parmigiano Reggiano, Gouda, Fontina, Cheddar, Comté will benefit from full duty elimination over a 15-year time frame, while for other cheeses, like fresh and processed cheese including mozzarella, blue veined cheese and soft cheeses such as camembert, brie and feta, a quota increasing from 20,000 t to 31,000 MT in 15 years with unlimited growth afterwards has been agreed.

**Geographical Indications (GIs):** The agreement contains high level of protection for EU GIs, covering 205 GIs for foodstuffs and wines and spirits (130). The protection will be direct under the agreement and exempt of all associated charges or taxes for any user registration. The agreement recognizes a limited number of GI foodstuff prior uses on the Japanese territory, while prior uses for quasi all of GI wines and spirits to expire within 5 years after entry into force. The text gives the possibility to add new GIs to list of GIs protected under the agreement.

## **Up Next**

With the Japan EPA completed, the EU's focus will shift to negotiations with Australia and updating the Mexico agreement. Mercosur remains a priority, but enthusiasm is waning as it is clear the EU will be required to make significant concessions on beef and ethanol in order to conclude the deal. While the EU is preening over the volume and pace in which they are closing trade deals, the scope is often limited, excluding a large number of sensitive products.