

EU-Japan EPA a “Stumbling Block or a Stepping Stone” toward Multilateralism for Food and Beverages

Martina Mazzarolo* • M. Bruna Zolin** • Junko Kimura***

Abstract In an increasingly regionalized world, both intra-regional and inter-regional trade agreements have flourished in the EU and in Asia, in particular with Japan, which is the world’s fourth largest national economy and, therefore, has a key role as trader and investor within the global dynamics (European Commission, 2017e) with the aim of creating networks to facilitate trade and thus boost the regional economy, especially after the financial crisis at the end of the 1990s (Amighini *et al.*, 2016) and the global crisis of 2008. Asia has been experiencing a notable increase in its regional share of global GDP and this trend is expected to continue. Therefore, it is very important for the EU to ensure good trade relations with Asia.

The new EU-Japan trade agreement expected to be in force in 2019 (MOFA, 2018b) is going to have a strong impact upon trade between EU and Japan, especially with regard to food products, by recognizing their special status and offering protection to 210 European products on the Japanese market and to 56 Japanese products on the European market.

The main aim of this paper is to establish whether this agreement represents a first step for a wide recognition at global level of GI products – given that they are still a matter of dispute within the WTO – or whether it is a single act designed not to affect international trade.

Keywords: Regional Trade Agreement; Food Trade; Geographical Indications; EU; Japan

JEL Classification: L66; Q17; M31

1. Introduction

Japan and the EU are important global partners, which share fundamental values such as democracy, rule of law, and basic human rights. The EU has a population of 510

M. Mazzarolo*, M. B. Zolin** (✉), J. Kimura***,

* Department of Economics, Ca’ Foscari University, Venice, Italy

e-mail: martina.mazzarolo@unive.it

**Department of Economics, Ca’ Foscari University, Venice, Italy

e-mail: zolin@unive.it

***Faculty of Business Administration, Hosei University, Tokyo, Japan

e-mail: kimura1009@gmail.com

million and accounts for approximately 22% of global GDP. The EU is a major trading and investment partner of Japan and contributes to approximately 12% of Japan's total trade volumes. The EU-Japan Economic Partnership Agreement (EPA), together with the Strategic Partnership Agreement (SPA), will further strengthen bilateral strategic relations by providing important foundations for them. Besides, the EU-Japan EPA will promote trade and investment for both sides by eliminating tariffs and improving trade and investment rules. It will also contribute to boosting economic growth, creating employment and strengthening business competitiveness both in Japan and in the EU. It is one of the main pillars of Japan's Growth Strategy, and will also help Japanese companies make inroads into the European market (MOFA, 2017).

After the signature of the WTO agreement in 1994, many developed and developing countries (nearly all WTO members), have concluded and implemented preferential trade agreements (PTAs), regional trade agreements (RTAs) and free trade agreements (FTAs) and Economic Partnership Agreement (EPA) so as to enhance international trade.¹ These "new-age" FTAs, smaller than those born after WWII, have involved many countries. Often, single countries have a coexistence of different rules applying to different FTA partners because each member aims to promote its own mini-trade regime (Lesser, 2007). These mini-trade regimes potentially lead to discrimination against non-members and participation in any new FTA could negatively impact on investment and trade because FTAs are by definition preferential agreements (Rajan and Sen, 2005). Moreover, some trade negotiations and some FTAs appear as zero-sum games, since the emphasis is placed upon increasing export shares (a mercantilist approach) although the benefits of imports and of free trade are often underestimated (Heydon and Woolcock, 2009; Mashayekhi and Ito, 2005). Agriculture is the key sensitive sector in many of the signed agreements as well as in ongoing negotiations. According to Baldwin (2004), developed nations tend to be opposed to liberalization in food and agricultural products, and the negative externalities of high tariffs and internal and external subsidies preserve a relatively high level of protectionism in international trade. In addition, a number of FTAs limit the total liberalization of food and agricultural products. This trend can be ascribed to slow progress in the WTO (Zolin and Andreosso, 2012).

In this increasingly regionalized world, both intra-regional and inter-regional trade agreements have flourished in Asia and in the EU with the aim of creating networks to facilitate trade and thus boost the regional economy, especially after the financial crisis at the end of the 1990s (Amighini *et al.*, 2016) and the global crisis of 2008.

In Japan, a considerable number of bilateral and multilateral FTAs and EPAs have been developed over the last two decades. At a bilateral level Japan is currently negotiating 5 EPAs and FTAs while at a multilateral level, it is negotiating the RCEP (Regional Comprehensive Economic Partnership) and is one of the 11 members of the new TPP- signed in March 2018².

¹ In the literature, these agreements are commonly referred to as RTAs (Region Trade Agreements), but RTAs are the exception rather than the rule (see Nicolas, 2008 for a clarification on this issue).

² Negotiations of the FTA with the Gulf Cooperation Council (GCC) have been suspended.

In recent years, the European Union has been active in developing trade agreements in the Asian area. However, the EU-Korea FTA is the only FTA in force so far while the EU-Japan EPA was finalized in July 2017 and is expected to be in force in 2019. Among the Asian countries, Japan is one of the EU’s most important partners (the second biggest trading partner after China). On the other hand, the EU is one of Japan’s major trading and investment partners. This is mainly because of its important role as trader and investor globally but also because it is now the world’s fourth largest national economy (European Commission, 2017d).

The trade relationship between EU and Japan is characterized by the EU’s negative balance (exports-imports) of trade in goods and by its positive balance of trade in services. The negative balance of trade in goods is predominantly fueled by EU imports from Japan of manufactures (93.5% of total value in 2016), in particular machinery and transport equipment (65.4% of total value corresponding to 43,598 million of euro), increased of about 10% with respect to 2015, followed by chemicals (10.2% of total value). Imports of primary products accounted only for 2.4% in 2016 and they are following a decreasing trend (European Commission, 2017d).

The products predominantly exported from the EU to Japan are manufactures (84.2% of total value in 2016), including machinery and transport equipment (37.4% of total value) and chemicals (24.9% of total value), pharmaceuticals, in particular. Primary products play a very important role in mitigating the negative balance for the EU: they absorb 13.5% of the total value of EU exports to Japan in 2016. In addition, EU imports of primary products are experiencing an increasing trend, as they have grown about 5% with respect to 2015. About 85% of primary products are agricultural products (food including fish and raw materials) meaning that fuels and other mining products have a rather marginal role. In 2017, pork meat, wine, cigars and cigarettes were on the top three of the most exported agri-food products (European Commission, 2018c). In both the EU and Japan, the ability of the agricultural and agri-food sector to provide employment opportunities and to guarantee the rural population a reasonable standard of living. GIs have huge economic values and law/agreements designed to protect them are becoming increasingly important (Blakeney, 2014). Within the agricultural sector, Geographical Indications remain one of the most contentious intellectual property rights issues in the WTO.

According to the TRIPS (Trade Related Aspects of Intellectual Property Rights) WTO, a product’s quality, reputation or other characteristics can be determined by where it comes from. Geographical indications are place names (in some countries, also words associated with a place) used to identify products that come from these places and that have these characteristics (for example, “*Champagne*”, “*Tequila*” or “*Roquefort*”). They differ from trademarks, which identify a good or service as originating from a particular company. The EU-Japan trade agreement recognizes the special status and offers protection to 210 European products on the Japanese market and to 56 Japanese products on the European market, comprising agricultural products and wines and spirits with a particular geographical origin (Geographical Indications – GIs). GIs are distinctive signs that identify products whose quality and reputation are

essentially attributable to their geographical origin (European Commission, 2013). The list of the GIs of agricultural products was published on the website of the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) in July 2017; in the same period Japan's National Tax Agency (NTA) released the list of GIs for wines, spirits and other alcoholic beverages. Starting from these premises, our main aim is to establish whether this agreement represents a first step for the wider recognition at world level of Geographical Indications, which have so often given rise to disputes within the WTO. Two issues are in fact currently being debated in the TRIPS Council under the Doha mandate: creating a multilateral register for wines and spirits; and discussing the extension to all products of the level of protection currently granted to wines and spirits.

Nowadays, the protection of products with Geographical Indications is becoming increasingly important, firstly because GIs represent proper intellectual property rights able to create value for local communities as well as promoting and supporting rural socio-economic development, and secondly, because GIs are becoming increasingly subject to fraudulent use and counterfeiting, with a negative impact not only on consumers and producers but also on access to the market.

Section 2 provides a brief review of the state of the art of the WTO and GIs while sections 3 and 4 provide a framework of the trade agreements established between the EU and the Asian countries, and those established between Japan and other countries, respectively. Section 5 instead goes more deeply into the trade relationship between EU and Japan. Lastly, the new EU-Japan EPA is discussed in section 6, whereas the final conclusions are in section 7.

2. WTO and GIs

Geographical indications, whether foodstuff, wines or spirits, are provided with a particular level of protection defined in Articles 22 and 23 of the TRIPS (Trade Related Aspects of Intellectual Property Rights) Agreement promoted by the WTO and in force since 1995. Article 24 is instead about exceptions.

Article 22 defines the standard level of protection. GIs have to be protected in order to avoid misleading the public and to prevent unfair competition.

Article 23 provides a higher or enhanced level of protection for GI for wines and spirits. Although subject to a number of exceptions, they have to be protected even if the misuse would not cause the public to be misled.

The exceptions presented by the Article 24 refer to the cases where GIs do not have to be protected or where protection can be limited. The main exceptions are when a name of a GI-product has become the common (or "generic") term (e.g. "cheddar" or "parmesan") and when a term has already been registered as a trademark. The TRIPS Agreement consider all the different legal means to protect GIs used by countries such as GIs laws, trademark law, consumer protection law, and common law. However, GIs remain one of the most contentious intellectual property rights issues in the WTO and Members have not made substantive progress.

Two issues are debated under the Doha mandate, both related in different ways to Article 23, the higher level of protection. The first is related to the creation of

a multilateral register for wines and spirits, while the second concerns the extension of the higher level of protection provided for wines and spirits also to foodstuffs.

The first issue is the creation of a multilateral system for notifying and registering GIs for wines and spirits, products that are provided with a higher level of protection with respect to food products. The negotiations began in 1997 and are now under the Doha Agenda. The deadline of the Doha Declaration in order to complete the negotiations was the Fifth Ministerial Conference in Cancun in 2003. As this was not achieved, the negotiations are now taking place within the overall timetable for the round. Over the years two sets of proposals and a compromise have been submitted (European Commission, 2016).

- *The EU proposal for the TRIPS Agreement of June 2005:*

The paper proposes that when a GI is registered, this would establish a “*rebuttable presumption*” that the term must be protected by other WTO members. The only exception is when a country has lodged a reservation on permitted grounds within a specified period. Such grounds include when a term has become generic or when it does not fit the definition of a GI. Without reservation, countries may not refuse protection on these grounds, once the term has been registered.

- *The “joint proposal” first submitted in 2005 and revised several times:*

Supported by Argentina, Australia, Canada, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Israel, Japan, Republic of Korea, Mexico, New Zealand, Nicaragua, Paraguay, Chinese Taipei, South Africa and the US. This proposal does not intend to amend the TRIPS Agreement, but to set up a voluntary system whereby notified GIs would be registered in a database. Those choosing to participate in the system would have to consult the database when taking decisions on protection in their own countries. In any case, members who do not participate would be encouraged rather than obliged to consult the database.

- *Hong Kong’s compromise:*

According to the compromise proposed, registered terms would be subject to a more limited “*presumption*” than under the EU proposal, and only in those countries choosing to participate in the system.

The key questions of the debate refer, in particular, to the legal effect, if any, that a GI would have within member countries once it is registered in the system, whether the register is actually useful in facilitating protection, and to what extent, if at all, the effect would apply to countries choosing not to participate in the system. There is also the question of the administrative and financial costs for individual governments and the risk that they might outweigh the possible benefits.

Several countries wish to negotiate the extension of the higher level of protection to other products while others instead reject the hypothesis of negotiations. It follows that the debate has also included the question of whether the Doha Declaration provides a mandate for negotiations. The countries asking for the extension are the EU, Guinea, India, Jamaica, Kenya, Madagascar, Mauritius, Morocco, Pakistan, Romania, Sri

Lanka, Switzerland, Thailand, Tunisia and Turkey. In fact, a higher level of protection can improve the promotion of their products by differentiating them more effectively from their competitors as well as giving them the right to object to countries using their terms abusively. In addition, some countries have claimed that the improved level of protection on GIs would also make it easier for them to agree to agriculture deals, while others do not believe that the Doha Declaration should (and must be) involved in those negotiations. At the same time, the European Union has proposed to negotiate the protection of specific names of specific agricultural products as part of the agriculture negotiations. Many developing and European countries argue that the so-called outstanding implementation issues are already part of the negotiation and its package of results. Others argue that these issues can only become negotiating subjects if the Trade Negotiations Committee decides to include them in the talks — and so far it has not done so. The different position of countries over the mandate makes the GI issue a very delicate one that must be discussed carefully. Firstly, in the context of the TRIPS Council. More recently, it has been the subject of informal consultations chaired by the WTO director-general or by one of his deputies, although members remain deeply divided, with no agreement in sight.

The fact that the WTO has not progressed beyond the Uruguay round of 1994 with regards to GIs is one of the main reasons that have boosted the creation of Trade Agreements among countries in order to compensate.

3. Trade agreements between the EU and Asia

Over the past decade Asia has experienced a notable increase in its regional share of the global GDP mainly due to a rapid industrialization and an intensification of international trade. This trend has resulted in a greater regional participation in global value chains (Amighini *et al.*, 2016). Asian countries are important partners for the EU international trade and it is for this reason that the European Union has been active in developing trade agreements in the Asian area in the past few years, and with Japan in particular. This is mainly because of Japan's important role as a trader and investor globally but also because it is now the world's fourth largest national economy (European Commission, 2017d).

Table 1 shows the state of the art of the Free Trade Agreements (FTAs) entered into between the EU and a number of Asian countries. The EU-Korea FTA is the only FTA in force so far while the EU-Japan EPA was finalized in July 2017 and is expected to be in force in 2019.

Table 1. State of the art of the TAs between EU and Asian countries, 2018

Trade Agreements	Type	Status	Negotiations	Signed	In Force	Notes
EU - South Korea	FTA	In Force	2007-2009	2010	2011	Formally ratified in 2015

Table 1. (continued)

Trade Agreements	Type	Status	Negotiations	Signed	In Force	Notes
EU - Japan	EPA	Negotiations Concluded	2013-2017	2018	2019*	* Expected to enter in force in 2019
EU - Vietnam (ASEAN)	FTA	Negotiations Concluded	2012-2016			
EU - Singapore (ASEAN)	FTA	Negotiations Concluded	2010-2014			
EU - Philippines (ASEAN)	FTA	Negotiating	Since 2016			
EU - Indonesia (ASEAN)	FTA	Negotiating	Since 2017			
EU - Thailand (ASEAN)	FTA	Negotiating	Since 2013			
EU - Malaysia (ASEAN)	FTA	Negotiating	Since 2010			
EU - India	FTA	Negotiating	Since 2007			

Source: Authors' elaboration on European Commission data, (2017d)

4. Trade Agreements between Japan and the rest of the world

In recent years, Asia has seen a rise in both intra-regional and inter-regional trade agreements aimed at creating networks to facilitate trade and thus boost the regional economy, especially after the financial crisis at the end of the 1990s (Amighini *et al.*, 2016). As far as Japan is concerned, Table 2 shows that over the past two decades have seen the development of a considerable number of bilateral and multilateral FTAs and EPAs intended to remove technical barriers to trade (Lesser, 2007). At a bilateral level, Japan is currently negotiating 5 EPAs and FTAs while at a multilateral level, it is negotiating the RCEP (Regional Comprehensive Economic Partnership) and is one of the 11 members of the new TPP-11 signed in March 2018 (negotiations of the FTA with the Gulf Cooperation Council - GCC seem to be suspended at the moment).

Table 2. State of the art of the FTAs and EPAs between Japan and the rest of the world, 2018

Trade Agreements	Type	Status	Negotiations	Signed	In Force	Notes
Japan - Mongolia	FTA	In Force	2012-2014	2015	2016	
Japan - Australia	FTA	In Force	2007-2012	2014	2015	
Japan - Peru	FTA	In Force	2009-2010	2011	2012	

Table 2. (continued)

Trade Agreements	Type	Status	Negotiations	Signed	In Force	Notes
India - Japan	FTA	In Force	2007-2010	2011	2011	
Japan - Vietnam	FTA	In Force	2007-2008	2008	2009	
Japan - Switzerland	FTA	In Force	2007-2008	2009	2009	
Japan - Philippines	FTA	In Force	2004-2006	2006	2008	
Brunei Darussalam - Japan	FTA	In Force	2006-2007	2007	2008	
Japan - Indonesia	FTA	In Force	2005-2007	2007	2008	
ASEAN - Japan	FTA	In Force	2003-2007	2008	2009	
Japan - Thailand	FTA	In Force	2004-2007	2007	2007	
Chile - Japan	FTA	In Force	2005-2007	2007	2007	
Japan - Malaysia	FTA	In Force	2004-2005	2005	2006	
Japan - Mexico	FTA	In Force	2002-2004	2004	2005	
Japan - Singapore	FTA	In Force	2000-2002	2002	2002	
Trans-Pacific Partnership (TPP-11) ¹	FTA	Negotiations Concluded	Since 2017 (after USA's withdrawal)	2018	2019*	* Expected to be ratified in 2019
EU - Japan	EPA	Negotiations Concluded	2013-2017	2018	2019*	* Expected to be ratified in 2019
Japan – Turkey	EPA	Negotiating	Since 2014			
Japan – China, South Korea	FTA	Negotiating	Since 2013			
Regional Comprehensive Economic Partnership (RCEP) ²	FTA	Negotiating	Since 2012	2018*		* Expected to be signed in 2019
Japan - Canada	EPA	Negotiating	Since 2012			
Japan - Colombia	EPA	Negotiating	Since 2012			
Japan - GCC	FTA	Negotiating	Since 2006			* Negotiations are suspended
Japan - Republic of Korea	FTA	Negotiating	Since 2003			

Source: Authors’ elaboration on MAFF, ARIC data, (2018) and MOFA, (2018a)^{3 4}

Among all the trade agreements dealing with food and agricultural products between Japan and other countries, the EU-Japan EPA is the only one that recognizes the status of “Geographical Indications” (GIs) for some European products in Japan. This implies that only products with this status will be allowed to be sold in Japan under the corresponding name. 48 products including Kobe beef, Yubari melon, Nishio Matcha have suffered from third countries registering trademarks and will be protected in EU. The Japanese MAFF (Ministry of Agriculture, Forestry and Fisheries) has, however, specified some exceptions relative to the protection of the GI, especially regarding cheese:

- When a component of a compound GI is recognized as a commonly used term (see the “Codex Alimentarius standard terms”⁵), such terms will not be protected and therefore, non-EU producers will be allowed to use it (e.g. “Mozzarella”, “Cheddar”, “Emmental”, “Provolone”, “Camembert”, “Edam”, “Gouda” or “Brie” etc.).
- In case of compound GI, a portion of the name alone can be used by non-EU producers, provided consumers are not misled into believing that such a product is the product with the geographical indication (e.g. Pecorino or Romano alone in “Pecorino Romano”, Grana in “Grana Padano”, Nürnberger or Bratwürste alone in “Nürnberger or Bratwürste or Rostbratwurst”, and Mortadella or Bologna alone in “Mortadella Bologna” etc.).
- The term “Parmesan” alone is not protected under the GIs, as in Japan this term can be used for hard cheese if not confused with “Parmigiano Reggiano”. In fact, Parmesan is recognized as a different product from Parmigiano Reggiano.
- When the same name as a GI is used to refer to a variety of certain products, such a name will be excluded from the protection of geographical indications (e.g. “Valencia Orange”).
- Some GI-protected cheese products (e.g. “Parmigiano Reggiano”, “Roquefort”, “Grana Padano” or “Pecorino Toscano” etc.) can be cut and packed in Japan for a period of 7 years (this policy will be reviewed 3 years after the EU-Japan EPA has become effective).

5. Trade relationship between the EU and Japan

In Asia, Japan is the EU’s second biggest trading partner after China. In fact, it ranks sixth and seventh with a share of 3.5% and 3.7%, respectively, for EU exports and imports (European Commission, 2018d). On the other hand, the EU is one of Japan’s major trading and investment partner, contributing to approximately 10% of its total trade volume.

³ Members: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Potential Members: Colombia, Philippines, Thailand, Republic of China (Taiwan), South Korea, Indonesia, Sri Lanka and UK.

⁴ Members: 10 of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) plus Australia, China, India, Japan, South Korea and New Zealand.FAO, (2018).

⁵ FAO, (2018).

In order to facilitate the trade relationship between the EU and Japan, four important agreements have been signed so far (Amighini *et al.*, 2016).

The first, which entered into force in 2002, was the “*EU-Japan Mutual Recognition Agreement*” and ensures conformity in telecommunications and radio equipment, electrical products, laboratory practices for chemicals and manufacturing practices for pharmaceutical products. In 2003 “*The Agreement on Cooperation on Anti-Competitive Activities*” was adopted in order to offer a greater level of security on EU-Japan trade and investments. A few years later, in 2008, “*The Agreement on Cooperation and Mutual Administrative Assistance*” (CCMAA) was drawn up to provide a legal framework to strengthen the security of the supply chain, supporting the fight against fraud as well as the protection of intellectual property rights (IPR). This was followed by “*The Science and Technology Agreement*” in 2009 (European Commission, 2017d).

As shown in Table 3, the Japanese market, with its 127 million people, represents a very big share of EU exports (€60.5 billion of goods in 2017 and €28 of services in 2016) and could increase even more. The trade relationship between EU and Japan over the past period has been characterized by the EU’s negative balance (exports-imports) of trade in goods and its positive balance of trade in services.

Table 3. EU-Japan Trade in Goods and Trade in Services 2007-2017, € billions

Year	Trade in Goods			Trade in Services		
	EU imports	EU Exports	Balance	EU imports	EU Exports	Balance
2007	79.3	43.7	-35.6	-	-	-
2008	76.5	42.4	-34.1	-	-	-
2009	58.4	36.0	-22.4	-	-	-
2010	67.3	44.0	-23.3	14.2	19.1	4.9
2011	70.6	49.1	-21.5	15.5	20.2	4.7
2012	65.0	55.7	-9.3	15.5	24.9	9.4
2013	56.6	54.0	-2.6	14.8	24.4	9.6
2014	56.6	53.3	-3.3	15.0	26.1	11.1
2015	59.9	56.5	-3.3	15.8	28.0	12.1
2016	66.4	58.1	-8.2	18.0	31.0	13.0
2017	68.9	60.5	-8.4	-	-	-

Source: Authors’ elaboration on European Commission data, (2018a)

The negative balance of trade in goods is predominantly fueled by EU imports from Japan of manufactures (93.5% of total value in 2016), in particular, machinery and transport equipment (65.4% of total value corresponding to 43,598 million of euro), an increase of about 10% with respect to 2015, followed by chemicals. Imports of primary products accounted for only 2.4% in 2016 and are following a decreasing trend.

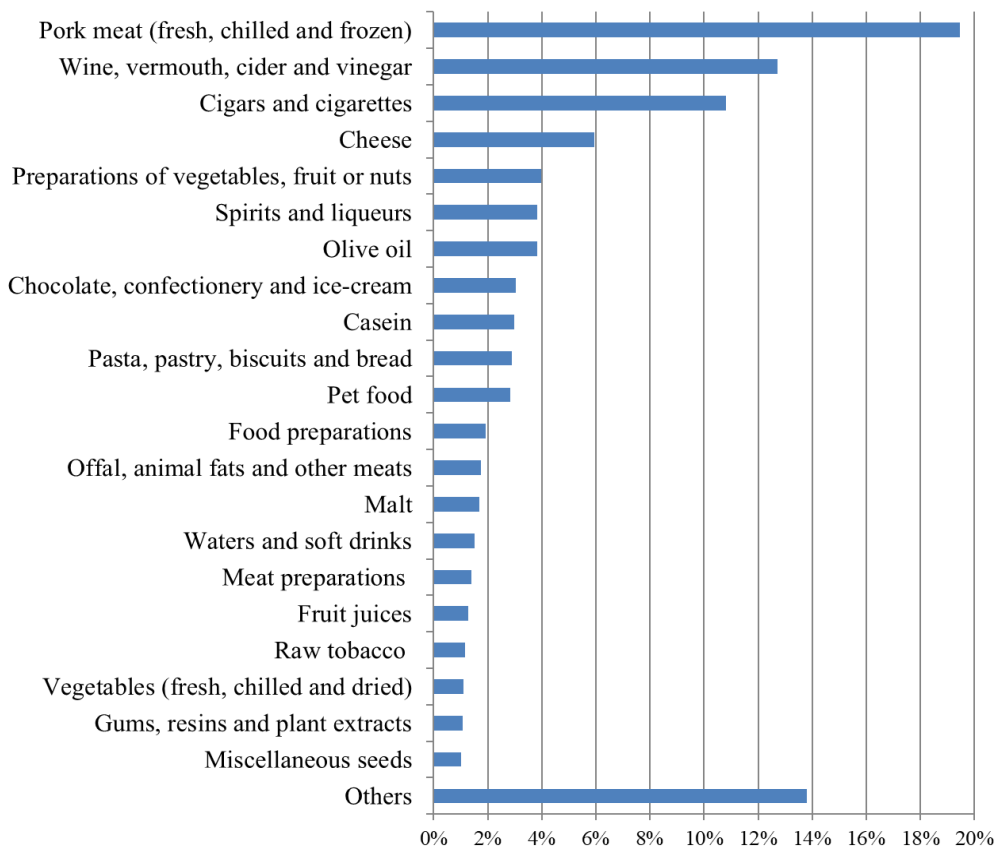
The products predominantly exported from the EU to Japan are also manufactures

(84.2% of total value in 2016), including machinery and transport equipment (37.4% of total value) and chemicals (24.9% of total value), in particular, pharmaceuticals (European Commission, 2017c).

What emerges is that primary products play a very important role in mitigating the negative balance for the EU. As a matter of fact, with regard to this category of products, the balance of trade in goods is negative for Japan and not for the EU. In fact, they absorb the 13.5% of the total value of EU exports to Japan in 2016.

In addition, EU imports of primary products are experiencing an increasing trend, as they have grown about 5% with respect to 2015. Among primary products, agricultural products (food including fish and raw materials) represent about 85%, therefore, fuels and other mining products have a rather marginal role. Graph 1 shows the top EU agri-food exports to Japan in 2016. Pork meat, wine and cigar and cigarettes are the top three most exported agri-food products, accounting for 21%, 13.4% and 5.9%, respectively, while pasta is only in 11th place.

Graph 1. Top EU Agri-food exports to Japan in 2017 (%)



Source: Authors' elaboration on European Commission data, (2018c)

Despite the fact that the overall balance between EU-Japan trade imports and exports has been reduced in recent years, Japan remains a country where it is difficult to develop trade relationships and make investments, mainly because of the particular characteristics of its society and economy.

6. The new EU-Japan EPA

In this framework, the new EU-Japan trade agreement plays a very important role in boosting and facilitating trade in goods and services as well as creating opportunities for investments for both parties.

- The key elements of the agreement are (European Commission, 2017b):
- The elimination of tariffs on some European export products to make them more competitive in Japan;
- The elimination of other obstacles to trade, namely all Japanese rules and regulations differing from international standards and practices and generally resulting in higher costs for EU firms;
- Cooperation between EU and Japan in the field of Agriculture, Forestry, Fisheries and Food aimed at increasing trade through the exchange of technical information and best practices;
- The recognition by Japan of 210 European GIs (71 food products and 139 alcohol products) and by the EU of 56 Japanese GIs (48 food products and 8 alcohol products);
- The agreement does not affect rules on food safety and health environmental standards;
- Global demonstration of the EU and Japan's rejection of protectionism.

Therefore, the EU-Japan trade agreement will generate substantial benefits for many sectors in the EU: pharmaceuticals, medical devices, agri-food, motor vehicles and transport equipment (Kimura, 2017).

Moreover, according to the Sustainability Impact Assessment of the EU-Japan trade agreement carried out by the London School of Economics, the EU output (0.76%) and exports to Japan could increase along with the employment rate in both areas (European Commission, 2015). As far as agriculture is concerned, the elimination of tariffs and other trade barriers, will facilitate the access of EU farming communities to the Japanese market. Approximately, 85% of EU agricultural products exported to Japan (in particular, pork meat, wines and aromatized wines, cheese and other dairy products) will have duty-free access to the market in time. This will correspond to about 87% of the current value of EU agricultural exports to Japan.

The EU-Japan trade agreement also recognizes special status and offers protection to more than 200 European products, including agricultural products and wines and spirits, with a particular geographical origin (Geographical Indications) on the Japanese market. Some examples are "*Prosecco di Valdobbiadene*" and "*Mozzarella di Bufala Campana DOP*" in Italy, "*Scotch whisky*" in the United Kingdom, "*Roquefort*" and "*Bordeaux*" in France. All these products will be provided with the same level of protection that they

experience inside the EU in terms of removal of all associated charges or taxes⁶ and with regard to trade marks. On the other hand, the EU is committed to recognizing 48 out of 62⁷ Japanese food-products with GI and 8 alcohol-products (Table 4).

Table 4: Japanese GIs and Japanese GIs recognized in the EU-Japan agreement, 2018

	Food	Wines and Spirits	Tot
Japan	62	8	70
EU-Japan Agreement	48	8	56
% TOT	77.4%	100%	80%

Source: Authors' elaboration on MAFF data, (2018)⁸

The GI-products listed in the agreement will be protected as domestic GI-products and these protections will become effective when the EU-Japan Agreement enters into force (expected in 2019).

Geographical Indications are distinctive signs that identify products whose quality and reputation are essentially attributable to their geographical origin. Today, their protection is becoming increasingly important, firstly, because GIs represent proper intellectual property rights able to create value for local communities as well as promoting and supporting rural socio-economic development, and secondly, because GIs are becoming increasingly subject to fraudulent use and counterfeiting, with a negative impact not only on consumers and producers but also on access to the market. For all these reasons, the EU has been very active over the last years in negotiating bilateral and multilateral agreements to ensure the protection of the EU Geographical Indications;⁹ the new EU-Japan agreement is the last of the series. One example is the EU-Korea FTA signed by both parties in 2010. Under this Agreement, South Korea recognizes 162 European GI products, 58 food-products (7 of which are not included in the EU-Japan Agreement) and 104 wines and spirits (only 9 of which are not included in the EU-Japan Agreement). Another example is the bilateral agreement signed between the EU and China in 2017 that ensures protection of 200 European and Chinese GIs, 100 for each side, resulting from the upgrade of the 2012 “10 plus 10” agreement between the two parties (European Commission, 2017a). All European GIs products protected under the EU-China Agreement, with the only exception of the “*Prosciutto di Parma*”, are included in the new EU-Japan Agreement.

The Table 5 below gives a detailed view of the GIs currently registered and published in the EU compared to those taken into account under the EU-Japan

⁶ For what concerns tax removal on cheese, tariff quota will be applied on soft cheese.

⁷ Of the remaining 14, 4 have been registered in 2018, 4 are not food (e.g. tatami mat), 5 the volume of production is too small to be exported and 1 is the Prosciutto di Parma.

⁸ In 2018 have been added four additional products passing from 58 to 62.

⁹ Multilateral level: “The Agreement on Trade-Related aspects of Intellectual Property Rights” and the “WTO’s Doha Development Agenda”. Bilateral level: the agreement on GIs with China, the one with Korea, the one with Singapore, the “EU-Canada Comprehensive and Trade Agreement”, “DCFTA negotiations with Moldova and Georgia”, the EU-Vietnam Free Trade Agreement”.

Agreement. The first part of Table 5 lists, for each European country, the PGIs (Protected Geographical Indication¹⁰) and the PDOs (Protected Designation of Origin¹¹) registered or published so far, divided into two categories: Agricultural Products and Foodstuffs¹² and Wines¹³ (including Aromatized Wines) and Spirits.¹⁴ Data for the first category (both PGI and PDO) have been obtained from the DOOR (Database of Origin & Registration) database maintained by the European Commission (2018a), while data in the second category (only PGI) have been elicited from two databases also held by the European Commission – E-BACCHUS (European Commission, 2018b) for wines and E-SPIRITS DRINKS for spirits (European Commission, 2017f) – and the file of the GIs Aromatized Wines (European Commission, 2017g).

The second part of Table 5 displays the European GIs recognized and approved by Japan in the EU-Japan Agreement divided into the two categories by country of origin.

Table 5. EU GIs and EU GIs recognized in the EU-Japan agreement by country, 2018

Country	European Union			EU-Japan Agreement			% Tot
	Food	Wines and Spirits	Tot	Food	Wines and Spirits	Tot	
Austria	18	38	56	3	2	5	8.9%
Belgium	15	20	35	2	0	2	5.7%
Bulgaria	2	63	65	0	2	2	3.1%
Cyprus	6	13	19	1	2	3	15.8%
Croatia	21	23	44	0	0	0	0.0%
Czech Republic	29	15	44	1	4	5	11.4%
Denmark	8	5	13	1	0	1	7.7%
Estonia	0	1	1	0	0	0	0.0%
Finland	7	2	9	0	2	2	22.2%
France	249	512	761	11	32	43	5.7%
Germany	91	75	166	4	8	12	7.2%
Greece	107	165	272	4	3	7	2.6%
Hungary	14	71	85	1	8	9	10.6%
Ireland	7	3	10	0	2	2	20.0%

¹⁰According to the European Community Regulations a PGI label describes a product that is produced and/or processed and/or prepared in a defined geographical area.

¹¹PDO refers to an agricultural or food product which is produced, processed and prepared in a defined geographical area.

¹²Regulation (EU) No 1151/2012.

¹³Regulations (EU) No 1308/2013 and 251/2014.

¹⁴Regulation (EC) No 110/2008.

Table 5. (continued)

Country	European Union			EU-Japan Agreement			% Tot
	Food	Wines and Spirits	Tot	Food	Wines and Spirits	Tot	
Italy	298	641	939	18	26	44	4.7%
Latvia	3	0	3	0	0	0	0.0%
Lithuania	5	8	13	0	1	1	7.7%
Luxembourg	4	1	5	0	0	0	0.0%
Malta	0	4	4	0	0	0	0.0%
Norway	2	0	2	0	0	0	0.0%
Poland	31	4	35	0	2	2	5.7%
Portugal	138	67	205	2	9	11	5.4%
Romania	5	60	65	0	7	7	10.8%
Slovakia	12	22	34	0	1	1	2.9%
Slovenia	21	24	45	0	1	1	2.2%
Spain	194	166	360	18	24	42	11.7%
Sweden	6	3	9	0	1	1	11.1%
The Netherlands	11	19	30	2	1	3	10.0%
UK	68	6	74	3	1	4	5.4%
TOT	1,372	2,031	3,403	71	139	210	6.2%

Source: Authors' elaboration on European Commission, (2017f; 2017g; 2018a; 2018b), MAFF (2018) and NTA data (2018)

The list of the GIs of agricultural products was published in the website of the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) on July 2017, while in January 2018 Japan's National Tax Agency (NTA) released the list of GIs for wines, spirits and other alcoholic beverages.

Together GIs from Italy, France and Spain account for more than 60% of GIs recognized under the agreement.

Moreover, the EU-Japan Agreement will ensure protection only for a part (about 6%) of the totality of GIs recognized in Europe (PGI and PDO).

As shown by Table 6, wine, with France, Italy and Spain as main actors, is undoubtedly the most relevant category, absorbing almost half of the GIs recognized by the agreement, such as “*Champagne*”, “*Brunello di Montalcino*” and “*Sherry*”. Dairy products – e.g. “*Parmigiano Reggiano*”, “*Brie de Meaux*” or “*Feta*” – processed meat products – e.g. “*Tiroler Speck*” or “*Bresaola della Valtellina*” – and oils and fats – e.g. “*Baena*” – are the main categories among agricultural products and foodstuffs (about 25% of total GIs).

What also emerges is that GI agri-food in Mediterranean countries (Italy, France, Spain, Greece and Portugal) account for almost 75% of the total (53 out of 71).

Table 6. Composition of the GIs recognized in the EU-Japan agreement, 2018

Type of GIs	N°	%
Dairy Products	27	12.9%
Processed Meat Products	14	6.7%
Oils and fats	10	4.8%
Confectionery	5	2.4%
Vegetables and Fruit	6	2.9%
Seafood	2	1.0%
Fruit vinegar	2	1.0%
Other food	5	2.4%
Wines	104	49.5%
Spirits	25	11.9%
Other liquors	10	4.8%
TOT	210	100%

Source: Authors' elaboration on MAFF and NTA data, (2018)

About a third of the European GI products recognized fall into the foodstuff category, the remaining two-thirds, instead, refer to beverages.

With regard to food safety, the agreement will neither lower safety standards nor change the relative domestic policies, rather it will improve the predictability of trade in the agricultural sector.

First of all, recognition of GIs will increase food safety by making illegal to sell imitation products, and will thus help European producers and exporters as well as reassuring Japanese consumers.

As regards food additives, for instance, Japan has agreed on guidelines that are very close to those applied in the EU and that will ensure transparency and predictability for the standard processing time (about 2 years). Both parties have committed to ensuring transparency on import conditions, procedures and control in order to improve the exchange of information and make trade safer. The agreement will also impact health, as it applies to trade in “pest-free areas”, “pest-free places of production”, “low-pest prevalence areas” and “protected zones”.

7. Concluding remarks

For all of the above reasons, we strongly believe that the new EU-Japan EPA can represent a stepping stone toward multilateralism, capable of overcoming, at least in part, the lack of progress made in multilateral trade negotiations by the WTO with regard to GIs.

In recent years, consumers have become increasingly interested in food safety, health and environment, and for this reason the demand for a higher credibility and awareness about the quality characteristics of the products they buy has also increased. According to a 2017 IRI research study investigating European consumer behavior, the most dynamic trend in food consumption is observed in four categories of products: healthy, organic, vegetarian (tofu is included), and intolerance food. Among the wellness foods, health food occupies the first place. Both the food choice and consumer demand are in fact strongly connected with the perception of the product’s quality and safety. This also represents a way to measure consumers’ willingness-to-pay (Grunert, 2005)

In Japan, food purchases represent the second largest expenditure after housing, meaning that there are many market opportunities for European products.

What Japanese consumers are in fact increasingly seeking out is high quality, nutritious, tasty and, most of all, safe food. For products that meet these requirements they are willing to pay a premium. Moreover, traditional consumption patterns have changed in recent times mainly due to the influence of Western-style eating habits such as dairy and meat consumption. For this reason, in order to guarantee the quality and the safety of products, the specification of their origin is very important and could, therefore, strongly influence purchasing decisions (International Market Bureau, 2010).

It follows that, especially in markets where the asymmetry of information is predominant, providing consumers with specific information will boost consumers’ awareness of the products and increase their perceived level of protection as well as their willingness to pay.

In this context, food labels such as GIs (PDO and PGI) can help to mitigate the drawbacks caused by situations of imperfect information and address consumers’ preferences and choices. In fact, as recognized by the European Union (EC Regulation 510/06 and EC Regulation 834/2007) food labels are important tools for the communication of the quality of products by linking them to the area of production. Besides, many studies have shown that the presence of GIs usually affects consumers’ choices positively (Caputo et al., 2011).

The Japanese consumers do not yet recognize the GI system mainly because the system is recent (it was launched in 2015) but also because of the small production volume of most registered GIs and the difficulties in distributing them nationwide, and last but not least, because many retailers do not recognize and understand the GI system. Therefore, in order to increase consumer appreciation of GI registered products, retailer and consumer education is essential.

However, to avoid misinformation, therefore, the European Commission is developing strategic initiatives to simplify the exchange of information with consumers, especially in terms of communication of certification and the labeling programs. One example is the creation of a single register for both PDO and PGI labels. The EU-Japan EPA exists within a global context of continuous change and unpredictability. The US withdrawal from the 2017 TPP highlighting the orientation of the Trump trade policy towards the adoption of a wider protectionist system, the growing presence of China in the European and Asian market, the UK’s exit from the

EU are just some of the main changes of recent years.

In this general framework, the UE-Japan agreement represents a solution allowing the EU to counteract the partial economic disintegration after Brexit as well as going beyond the inactivity of the WTO and surging protectionist policies. Therefore, in this scenario, the EU and Asia relations/agreements could be seen as a crucial stepping stone toward multilateralism.

The EU-Japan EPA will eliminate tariffs on food, industrial and handcraft products and could be an effective tool for in-bound tourism to EU countries by Japanese tourists if the products can attract them and motivate them to visit the countries of origin and *vice versa*.

Moreover, it goes far beyond the trade in goods and services and, therefore, will not only have a positive impact on consumers and producers and on the volume of exports and imports of products. In fact, on the one hand, it includes provisions in the field of intellectual property rights and on labor protection, on the other, it could further boost cooperation between two sophisticated and advanced economies.

What is sure is that the EU and Japan, by agreeing upon this free trade pact, are creating the world's biggest open economic area opposing resistance to the US President Donald Trump's protectionist policies.

What it is still unclear is the role of the UK in this agreement as it is expected to be in force in 2019 when the UK will be formally out of the EU.

References

- Amighini A, Borghi E, Helg R, Tajoli L, Berkofsky A, Khandekar G, Nelson P, (2016). Trade and economic relations with Asia. Directorate – General for External Policies, Policy Department, European Parliament
- Asia Regional Integration Center (ARIC), (2018). Free Trade Agreements. <https://aric.adb.org/fta-country>. Accessed January 2018
- Blakeney M, (2014). The protection of geographical indications. Law and practice. Edward Elgar Publishing, 2014
- Baldwin R, (2004). Stepping Stones or Building Blocs? Regional and Multilateral Integration. Graduate Institute of International Studies, Geneva, 10 September 2004. <http://hei.unige.ch/~baldwin/PapersBooks/SteppingStonesOrBuildingBlocks.pdf>. Accessed May 2018
- Caputo V, Aprile MC, Nayga RM, (2011). Consumers' Valuation for European food quality labels: Importance of Label Information Provision. pp 1-12 in Proc. EAAE Int. Congr., Zurich, Switzerland.
- European Commission, (2013). Geographical Indications. <http://ec.europa.eu/trade/policy/accessing-markets/intellectual-property/geographical-indications/>. Accessed on January 2018
- European Commission, (2015). Trade Sustainability Impact Assessment of the Comprehensive Trade and Investment Agreement between the European Union and Japan. Directorate – General for Trade, European Commission. http://trade.ec.europa.eu/doclib/docs/2015/april/tradoc_153344.pdf. Accessed February 2018

- European Commission, (2016). Doha Development Agenda. http://ec.europa.eu/trade/policy/eu-and-wto/doha-development-agenda/index_en.htm. Accessed May 2018
- European Commission, (2017a). 100 European geographical indications set to be protected in China http://europa.eu/rapid/press-release_IP-17-1507_en.htm. Accessed January 2018
- European Commission, (2017b). An introduction to the EU-Japan Economic Partnership Agreement http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155715.pdf. Accessed January 2018
- European Commission, (2017c). The Agri-food Trade Statistical Factsheet, EU-Japan. Directorate – General for Agriculture and Rural Development, European Commission https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agri-food-japan_en.pdf. Accessed January 2018
- European Commission, (2017d). The Countries and Regions - Japan. Directorate – General for Trade, European Commission <http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/>. Accessed February 2018
- European Commission, (2017e). The EU-Japan Agreement Explained. Directorate – General for Trade, European Commission <http://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/agreement-explained/>. Accessed February 2018
- European Commission, (2017f). Database on GIs protected in the EU for spirits drinks (E-Spirits Drinks) <http://ec.europa.eu/agriculture/spirits/>. Accessed December 2018
- European Commission, (2017g). File on GIs protected in the EU for aromatized wines (Aromatized Wines) https://ec.europa.eu/agriculture/sites/agriculture/files/quality/documents-links/pdf/rgi-arom atised-wine-products_en.pdf. Accessed on December 2018
- European Commission, (2018a). Database of Origin and Registration (DOOR). <http://ec.europa.eu/agriculture/quality/door/>. Accessed December 2018
- European Commission, (2018b). Database on GIs protected in the EU for wines (E-BACCHUS). <http://ec.europa.eu/agriculture/markets/wine/e-bacchus/>. Accessed December 2018
- European Commission, (2018c). The Agri-food Trade Statistical Factsheet, EU-Japan. Directorate – General for Agriculture and Rural Development, European Commission. https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agri-food-japan_en.pdf. Accessed December 2018
- European Commission, (2018d). Client and Supplier Countries of the EU28 in Merchandise Trade. Directorate – General for trade, European Commission. http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf. Accessed December 2018
- FAO, (2018). Codex Alimentarius standard terms. <http://www.fao.org/fao-who-codexalimentarius/codex-texts/list-standards/en/>. Accessed February 2018
- Grunert KG, (2005). Food quality and safety: consumer perception and demand. *European Review of Agricultural Economics*, Volume 32, Issue 3, 1 September 2005, Pages 369–391 <https://doi.org/10.1093/eurrag/jbi011>. Accessed February 2018
- Heydon K, Woolcock S, (2009). *The rise of Bilateralism*. United Nation University Press.
- International Market Bureau, (2010). *The Japanese Consumer Behaviour, Attitudes and Perceptions toward Food Products*. Market Analysis Report, 2010. Agriculture and Agri-food Canada. https://www.gov.mb.ca/agriculture/market-prices-and-statistics/trade-statistics/pubs/japan_consumer_report_en.pdf. Accessed May 2018

- IRI (Information Resources Inc), (2017). *Shopper-Insights-Reports* <https://www.iriworldwide.com/en-GB/insights/IRI-Shopper-Insights-Reports>. Accessed May 2018
- Kimura J, (2017). GI practices and effects in Japan. Presented at Geographical Indication (GI) and Economic Partnership Agreement (EPA): Practices and Effects of GIs in EU, Italy and Japan, International Symposium of Research Institute for Innovation Management, November 24th 2017
- Lesser C, (2007). Do bilateral and regional approaches for reducing technical barriers to trade converge towards the multilateral trading system? OECD Trade Policy Working Paper, n. 58, Paris
- Mashayekhi M. and Ito T, (2005). *Multilateralism and regionalism, the new interface*. UNCTAD, Geneva.
- MAFF (Ministry of Agriculture, Forestry and Fisheries) of Japan, (2018). *Information websites on Japan's Geographical indications*. Available at: <https://gi-act.maff.go.jp/en/register/> (Accessed on February, 2018).
- MOFA (Ministry of Foreign Affairs), (2017). *Japan-EU Economic Partnership Agreement (EPA)*. http://www.mofa.go.jp/policy/economy/page6e_000013.html. Accessed May 2018
- MOFA (Ministry of Foreign Affairs), (2018a). *Economy of Japan*. <http://www.mofa.go.jp/policy/economy/fta/index.html>. Accessed January 2018
- MOFA (Ministry of Foreign Affairs), (2018b). *Economy of Japan* <http://www.mofa.go.jp/files/000013835.pdf>. Accessed May 2018
- NTA (National Tax Agency) of Japan, (2018). *Japan Approves 139 EU Proposed GIs for Wine and Spirits*. USDA Foreign Agricultural Service – GAIN (Global Agricultural Information Network) Report No JA8003. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Japan%20Approves%20139%20EU-Proposed%20GIs%20for%20Wine%20and%20Spirits_Tokyo_Japan_1-19-2018.pdf Accessed February 2018
- Nicolas F, (2008). *EU - ASEAN: Prospects for a Free Trade Agreement* in Andreosso-O'Callaghan, B. and M. B. Zolin (eds) *Asia and Europe: Connections and Contrasts*, Cafoscarina Editrice: Venice, 2008
- Rajan RS, Sen R, (2005). *The New Wave of FTAs in Asia: Implications for ASEAN, China and India*. ADB Volume on Asian Economic Cooperation and Integration. Manila: Asian Development Bank, pp.123-160.
- Zolin MB and Andreosso-O'Callaghan B, (2012). *The Korea-EU FTA: new Prospects for and Patterns of Agricultural and Agri-food Trade?*. *Journal of Global Policy and Governance* 1:129 DOI 10.1007/s40320-012-0020-1