

INTERNATIONAL ALERT

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The European Union and Japan agree to eliminate tariffs



On July 17, 2018 the European Union and Japan formally agreed to eliminate nearly all of the tariffs on products in their bilateral trade. In so doing, the European Union and Japan each confirms their respective position as advocates for free trade.

The agreement eliminates approximately 99 percent of the EU tariffs on Japanese products and approximately 94 percent of the Japanese tariffs on EU products; the latter of which is expected to increase to 99 percent over time. According to public statements, the current difference in volume between the tariff reductions is attributable to products that Japan considers politically sensitive, e.g., rice.

In addition, the agreement strengthens the ties between the EU and Japan in the areas of defense, climate change and immigration. In a statement from the Japanese foreign ministry, Japan said it hopes the agreement with the EU will vitalize mutual direct investment, enhance Japanese brands and fight global trends towards protectionism. For its part, the EU said that the agreement will spur growth in its chemical, clothing and beer/ alcohol sectors.

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The agreement must still be ratified by the EU and Japanese legislature. If ratified before the Brexit transition, scheduled for March 2019, the agreement would apply to the United Kingdom during the transition period of approximately two years. If not, some experts are quoted as saying that the UK is unlikely to improve on the terms of the agreement should it decide to pursue a similar agreement with Japan on its own.

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