

# Japan, EU Agree To Start Free-Trade Negotiations

Yuri Kageyama, AP Business Writer

TOKYO (AP) — Japan and the European Union agreed Monday to start negotiations for a free-trade pact encompassing nations that account for nearly a third of the world economy.

Japanese Prime Minister Shinzo Abe, European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso spoke by telephone for 30 minutes late Monday, a Japanese government spokesman said. A Japan-EU summit set to begin Monday in Tokyo was shelved because of the financial crisis in Cyprus.

The leaders agreed to launch the negotiations toward a "deep and comprehensive" free-trade deal, with the first meeting set for next month, both sides said in a joint statement. The place for that meeting is not yet decided, Deputy Chief Cabinet Secretary Katsunobu Kato told reporters.

As global momentum builds for regional trade pacts, Japan has been eager to get started on talks with Europe. Earlier this month, Abe announced Tokyo will join talks on a Pacific trade pact, the U.S.-led Trans-Pacific Partnership. The U.S and EU announced free-trade talks earlier this year aimed at creating the world's largest free-trade zone.

In the phone conversation, the three leaders exchanged views on Cyprus and reaffirmed their commitment to enhancing economic growth and ensuring financial stability. Cyprus secured an agreement early Monday that paves the way for a 10 billion euro (\$13 billion) bailout.

"Today marks a historical juncture," European Trade Commissioner Karel De Gucht, an official who did not cancel his trip, told reporters after meeting with Japanese government and business officials in Tokyo.

He was delighted the agreement was reached but acknowledged it was hard to predict how long the negotiations might take, adding that autos was one "sensitive" sector for the EU.

"We will do our utmost to come to a critical mass of understanding within one year," he said.

Although resistance to lower tariffs is high in some Japanese industries, such as long-protected rice farmers, manufacturers and others are concerned about being left behind by the trade agreements that other countries are negotiating.

Among the likely beneficiaries of free trade are Japan's giant manufacturing exporters such as Toyota Motor Corp., the world's biggest automaker.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

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Japanese consumers may also have much to gain with access to cheaper imports, including new kinds of services. And boosts in spending may help breathe life into the Japanese economy, the world's third largest.

"It would be not only great for the manufacturers seeking exports. It should also lead to a more efficient domestic economy because of increased competition. And it's the Japanese consumer who will benefit," said Azusa Kato, economist at BNP Paribas.

The push to start talks on joining free-trade deals is part of the Japanese prime minister's "Abenomics" strategy that includes super-easy money and generous public works spending.

Abenomics has already driven up the Tokyo stock market and brought down the yen, a boon for Japan's exporters.

Kato believes that industries that could change for the better include pharmaceuticals and medical services.

The EU is Japan's third-largest destination for exports, and Japan's second-largest source of imports after China. EU exports to Japan reached 49 billion euros in 2011, while EU imports from Japan were 69 billion euros.

A free trade agreement with Japan could boost Europe's economy by 0.6 percent to 0.8 percent, EU exports to Japan could increase by 32 percent and Japanese exports to the EU could increase by 23 percent, according to the EU. The deal could also create 420,000 jobs in Europe, it said.

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