



Ladies and gentlemen,

First of all allow me to thank you for the kind invitation that was addressed to us by the European Business Council and Keidanren. This initiative is a welcome sign that EU-Japan relations are not limited to the official contacts but are vital at all levels. You have been working tirelessly to bring the EU and Japan closer together and I can only thank your for your dedication and efforts.

And even if the EU-Japan Summit was unfortunately cancelled, I am glad that a telephone call between Presidents Barroso and Van Rompuy will take place later today with a view to launching negotiations of a free trade agreement.

And by negotiating a Free Trade Agreement, we would be making the most of the opportunities that both economic blocs have to offer. It is not difficult to see the importance of this relationship in economic terms: the combined value of both markets accounts for more than a third of global economic activity, and there is plenty of economic potential left to unlock.

However, despite the intense working relationship between us, including regulatory dialogue that has been taken place for years already, there are still too many barriers out there - we are faced with discriminatory regulations, differences in standards and limitations in public procurement - that restrict economic cooperation between businesses and further integration within certain sectors.

Only 3 % of global European FDI is in Japan. This shows that the EU-Japan trade and investment relationship could be greatly enhanced.

And it *should* be greatly enhanced. For over the past five years, EU exports of goods to Japan have declined 6.1% on average per year. Japan was the EU's third most important export destination in 2003, while today, it ranks only seventh. Also Japanese exports to the EU have been declining during the past decade, even if the EU is still the third largest trading partner of Japan, and Japan still has a trade surplus with the EU of 8 billion EUR.

In the area of trade in services, the situation is brighter in the sense that both parties have increased their exports to each others' markets. In services trade, the EU has a surplus of around 6 billion EUR, so in conclusion, our total trade is rather balanced.

These figures illustrate that negotiating the free trade agreement will not be easy. I have no illusions about it. And getting to a good outcome, that is concluding a deep and comprehensive FTA that will embrace a wide range of issues including services, investment, procurement, intellectual property rights and regulatory issues, cannot be taken for granted either, but will require continuous, full commitment and determination at the highest political level.

Of course, I can only speak from my own, the European perspective, but it seems clear to me that dismantling the persistent non-tariff barriers will be the key for the success of the negotiations.

It was not easy to obtain the negotiating mandate from the Member States, exactly for that reason. There are still those in Europe that believe that Japan will not be able to deliver on the roadmap we jointly agreed as part of the scoping exercise.

I disagree with that. In my view, Japan has demonstrated its commitment by agreeing to the roadmaps on non-tariff barriers. This builds trust between us. And trust is crucial in trade negotiations.

But in order to convince the sceptics, we needed to include the review clause in the mandate: after one year from starting of the negotiations – and that will be around April 2014 – I will take stock on the progress made by Japan in implementing the roadmaps on non-tariff barriers and railway procurement, and if the conclusion would be that the progress has not been satisfactory, the negotiations would be suspended.

I say this because the review clause needs to be taken seriously. We should do our utmost to get over this one-year deadline and be able to continue negotiations without any breakages in the process.

You, the business community that will reap the benefits of the final agreement, have a crucial role to play. First, it is up to you to tell us, the negotiators, what are the problems on the ground that needs to be addressed by the negotiations. And your input has already been very valuable in setting out the roadmaps.

Second, you can help us making progress by explaining to your constituencies the importance of reaching a good outcome of the negotiations, which requires an effort from both sides – an effort which will not be easy – in taking the necessary measures to get there.

So far, we have been right to trust Japan, since the Japanese government has delivered on its commitments so far. This has set a good basis for starting the negotiations in a good and constructive atmosphere. However, this is a continuous process where difficult issues and sectors still need to be tackled, so I am looking forward to your support in this matter.

Ladies and gentlemen,

Some may ask what will be the benefits of the Free Trade Agreement. Is it really worth all the trouble? I can tell you why indeed it is. And it is not only important for our bilateral economic relationship, but I believe it is also crucial for our broader growth strategies, which are similar in nature.

Europe and Japan have both been hit by the global economic crisis. We both are high income economies with high technological know-how. We are facing slow growth, aging, shrinking populations and need to find export markets to find new growth and to ensure that we can offer the same prosperity we currently enjoy also for the generations to come. I believe this is our responsibility.

In search of further growth the EU is engaged in a series of FTA negotiations: IN Asia, we have concluded and ambitious FTA with Korea, and are negotiating with India, Vietnam and Malaysia, will soon start with Thailand, and have just concluded with Singapore. We have also concluded FTAs with Peru, Colombia and Central America, and are in the last stretch with our negotiations with Canada. And recently we have also announced starting of negotiations with the United States, our main trading partner, in the near future. – Japan is naturally a part of this picture, being one of the largest and most affluent economies in the world.

Japan is pursuing similar strategies having FTAs with ASEAN, negotiating with Canada, China and Korea trilaterally, and is also involved with Regional Comprehensive Economic Partnership Negotiations in Asian region (ASEAN +6). And it has very recently announced its intention to join also the Transpacific Partnership Negotiations. This clearly demonstrates that Japan has also made a fundamental decision to move towards more openness and reform. Just like the EU is currently reforming the very fundamentals of our economic policies as a response to the financial crisis we are facing.

This approach to embrace economic openness and free trade is very important common element we share with Japan. Since the start of the crisis, we have seen the rise of protectionist measures all over the world, often in a form of industrial policies, but also in terms of simple raising of tariffs or other types of more explicit trade barriers. I believe this is not the right response to the current slowdown of the world economy. This type of measures will only make things worse, as history has demonstrated to us already. Therefore, we can only gain by joining forces with those who share the same vision of having more openness to trade.

The impact assessment we have prepared estimates that an ambitious FTA between the EU and Japan could add 0.8% to our GDP. This is not negligible. But I underline that the word ambitious is the key here. Superficial agreement not tackling the regulatory barriers will not get us there.

Some people have also raised the argument of all these bilateral FTAs undermining the multilateral trading system. Here as well I tend to disagree. Deep and comprehensive FTAs addressing issues going beyond the current WTO rulebook, like investment, procurement, competition etc, will build on the WTO disciplines and underpin the system. I would agree that shallow tariff-only agreements would indeed do the opposite. But that is not what we are doing with Japan: we have jointly agreed to embark to negotiate exactly the type of ambitious and comprehensive FTA that will support and complement the multilateral system.

* * *

Ladies and gentlemen,

The European economy was hit particularly hard by the global economic downturn. And yet, as an economic bloc, we will emerge from it stronger, more united and more competitive than we were before.

Our economic fundamentals remain strong. Europe is the largest economy in the world. We have managed to hold our own in the face of strong competition from emerging economies. Europe remains the world's the largest importer of both manufactured goods and services. And not only do we still have the largest stocks of foreign direct investment abroad, we are also the largest *host* of foreign direct investment in the world.

If we go further on the road to real economic and monetary unification, as we are doing, there is no reason why our financial-economic fundamentals would not be as strong as ever.

The partnership between Japan and the European Union has been key to the success of both economies.

You can count on our engagement to further enhance the potential of this relationship.

And I know from experience that we can count on your support in doing so.

Thank you very much