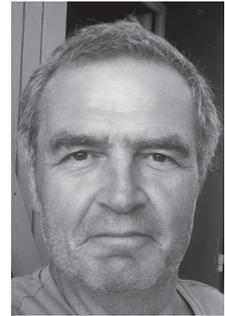


EU-JAPAN Business Collaboration in Third Markets



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The EU and Japan have built strong ties between them with the Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA). With the EU-Japan Partnership on sustainable Connectivity and quality infrastructure signed by PM Abe and President Juncker in Brussels on 27 September 2019, they are also strengthening what the EU and Japan can do together on the global scene to ensure synergies and complementarity between their respective cooperation with partner third countries.

Against this connectivity background, cooperation between European and Japanese companies in third markets is a growing and promising business trend. For example, a study¹ conducted by the German Chamber of Commerce and Industry in Japan in 2020 reveals that 63% of German companies in Japan are involved in business activities with Japanese partners outside Japan, especially in the ASEAN region. In addition, 47% of German companies in Japan are generating revenues with Japanese customers outside Japan at least to the same extent as in Japan, and depending on the industry, this revenue ratio is 1 to 4.

Such a business cooperation in third markets allows European and Japanese companies to better compete as they may possess complementary strengths in technologies, market intelligence, financing, existing infrastructures and facilities – notwithstanding historical, cultural ties and local know-how between several EU member states, or Japan may have in Africa, Southeast Asia, and Latin America.

Beside the industrial and policy dimensions, the financial one is equally important. The Memorandum of Understanding (MoU) signed over the last years between European and Japanese financial institutions, e.g. European Investment Bank (EIB), Japan International Cooperation Agency (JICA), Japan Bank for International cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) will be instrumental for the co-financing of joint EU-Japan industrial projects in third markets. The EU-Japan Business Round Table² recently called for strengthened EU-Japan cooperation to assist third countries by leveraging these financial MoUs.

Positive impacts of EU-Japan business cooperation in third markets have been well documented in the conference³ that the EU-Japan Centre for Industrial Cooperation organised at the Delegation of the EU to Japan in Tokyo on 3 December 2019 and notably the report⁴ of April 2020 by Masami Marbo analysing EU-Japan business collaboration in third market via a number of concrete examples. They have provided further understanding of this strategic business trend, notably its magnitude, drivers and rationale, geographical focus, specific industrial sectors or size of business partners, and type of business collaboration. EU-Japan business cooperation in third markets also highlight that maximising the benefits of such business partnership, be it between large companies or SMEs, may represent an opportunity of equal or perhaps even more promising importance than the bilateral business cooperation between Europe and Japan. Connectivity is a megatrend of the 21st century.

Rapidly growing interdependence between countries provides unprecedented opportunities for the well-being, safety and resilience of countries and societies. Even more so given the unparalleled downturns of our economies with disruptions to employment, trade and global value chains due to the ongoing coronavirus pandemic.

EU-Japan business cooperation in third markets, notably in Southeast Asia and in Africa should be pivotal for the operationalisation of the EU-Japan connectivity partnership. It is a win-win strategic business cooperation beneficial to the third countries concerned, Japan and the EU. The EU-Japan Centre for Industrial Cooperation⁵ – a joint venture established in 1987 by the European Commission (DG GROW) and the Japanese Government (METI) for promoting industrial, trade and investment cooperation between the EU and Japan – will contribute to promote and facilitate this business trend via existing and new measures focusing on the three following pillars.

- The first is the promotion of the benefits of these cooperation to relevant EU, Japan and third countries' institutional and corporate stakeholders as well as sharing success stories. Opportunities that EU-Japan business cooperation in third countries represent for companies, for third countries as clients, as well as on the broad political spectrum are not enough visible. Two highlights should be made. The first is that privileged stakeholders for any European company looking for Japanese partners for overseas projects are the Japanese general trading companies: they are intermediaries, managing and taking charge of orders from contractors; but also financing coordinators, as well as considerable investors. The second is that the recent shift of Japanese companies to a strategy of open innovation, in particular in the industries of telecommunications, automotive, electronics and railway, is also an important window of opportunity for European companies.

- The second pillar is the support of the matchmaking of businesses. As for trade promotion organisations, three priorities to enhance further EU-Japan business cooperation in third countries should be highlighted. The first is the promotion – in particular vis-à-vis the SMEs – of the benefits and opportunities of such cooperation to relevant EU, Japan and third countries' institutional and corporate stakeholders. The second is the support of the matchmaking of businesses, with different strategies proposed according to the situations in which companies are and the sectors concerned, e.g. agri-food, digital economy, circular economy, space industry. Lastly, a focus should be made on reinforcing institutional cooperation to align interests and third-country business strategies, as well as and coordinate mobilised resources and initiatives.
- The last focus should bear on reinforcing institutional cooperation towards ensuring clear visibility on the human and financial resources mobilized, aligning institutional interests and third-country business strategies, and coordinating on the support of EU-Japan business in third countries as mentioned in the two pillars above-mentioned. A concrete set of actions would include identifying interested and relevant institutional stakeholders and contact points.

As for businesses, general recommendations on any business cooperation prevail: businesses must have a strong will to cooperate, based on a good mutual understanding of common interests, and inter-complementariness in all its dimensions, as well as being prepared to engage in a lengthy process to define clearly the details of such cooperation. As for projects in third countries more specifically, two main sets of best practices shared by companies are to sustain attention in the local environment and demand, as well as on being vigilant concerning ethics and compliance standards.

Last but not least, there is no doubt that it may be particularly challenging for SMEs to address issues

relating to differences in language, culture and management. This SME dimension is pivotal given the growing importance of SMEs in exporting in terms of standard metrics (the number of exporting SMEs, their share in total export) but also in respect to several key performance indicators such as export competitiveness, digital intensity of their exports, greenhouse gas (GHG) emissions and jobs supported. For example on the EU side in 2017 according to a recent report⁶, the number of EU exporting SMEs has grown steadily over time. More than 700,000 EU27 enterprises sold goods outside of the EU. Out of all these enterprises, around 615,000 were SMEs. They exported goods worth €76 billion, which represented 28% of the total value of extra-EU exports. In many economic sectors, EU SMEs account for more than 50% of the total value of EU exports. They are also competitive in sectors characterized by medium-high digital intensity, and are contributing less to the total EU export-related GHG emissions than non-SME exporters. It is therefore crucial to promote the participation of EU and Japanese SMEs in building EU-Japan business cooperation in third markets. I would like therefore to invite Japanese companies to express their interest to the EU-Japan Centre for Industrial Cooperation in supporting the forthcoming business missions in third markets either as promotion multipliers or as potential partners for EU SMEs.

Finally, EU-Japan business cooperation in third markets has high political stakes as it advances common values and principles of freedom, democracy, and open markets. Even further, the cooperation of European and Japanese companies in third countries also defends and promotes globally high social, environmental and technological standards. It may become the new horizon for the next decade with a pertinent mix of industrial, economic as well as geopolitical dimension.

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