EU-JAPAN COOPERATION:
TACKLING THE GLOBAL CHALLENGES
OF THE NEXT DECADES

JBCE ANNUAL REPORT 2021
TABLE OF CONTENTS

3  Foreword
4  Overview
6  Green Transition
13 Digital Transformation
18 A Strong and Resilient Europe in the World
22 Conclusion
23 JBCE Structure
Foreword

On behalf of the Japan Business Council in Europe (JBCE) I would like to wish you all a Happy New Year. Due to COVID, 2021 was not easy for all of us and we will be challenged by still ongoing pandemic though, I wish you and your family a healthy and successful year in 2022.

Despite the difficult times, JBCE has not stopped moving forward and been contributing to building a dynamic and prosperous European economy for over 20 years. In 2021 JBCE continued to foster greater, environmental, digital, and commercial cooperation between Japanese companies and our like-minded partners in Europe, despite the shared adversities facing the globe, with EU-Japan cooperation serving as a source of stability in trying times.

Throughout 2021, green policies have remained on the top of the European Union’s (EU) legislative agenda, with the bloc increasingly taking the front seat when it comes to sustainable finance and corporate governance. This year has seen many milestones in this respect, from the adoption of the Climate Delegated Act of the EU Taxonomy Regulation to the Commission’s proposal for a Corporate Sustainability Reporting Directive (CSRD). JBCE members are fully committed to the green transition and believe that international collaboration facilitates the uptake of new reporting standards and sustainable finance practices. As such, these initiatives should be mainstreamed through a global approach that aligns EU rules with international initiatives. At the same time, this year has also shown that ESG legislation is complicated, with the Commission’s proposal on Sustainable Corporate Governance and several provisions on Taxonomy having been delayed until next year as a result. JBCE stands ready for its members to play a role in driving international policy coordination on corporate governance, sustainable finance and reporting initiatives.

Turning to Europe’s digital agenda, JBCE has been proactively and consistently engaging with policymakers and stakeholders on its core priorities, such as Artificial Intelligence (AI), cybersecurity, and the data economy, in order to ensure that these legislative instruments are fit for purpose. In shaping the European approach on these legislation, JBCE has advocated for balanced regulation that avoids excessive burdens which could hinder competitiveness of the digital sector. In light of the recent push for data localisation across the EU, JBCE has also engaged on data economy dossiers such as the Digital Governance Act and the Data Act, highlighting the need for a level-playing field for the digital sector and the key role international data flows play in this. Building on these initiatives and considering the busy 2022 agenda, JBCE will continue to be a key contributor to discussions on the future of EU digital policies.

When it comes to trade, cooperation with like-minded partners who share common values has become even more essential in our interconnected and global economy. JBCE has remained committed in the last year to work on trade relations and strengthening the bridge between Europe and Japan so that this cooperation continues to deepen and bring benefits to both sides. The EU-Japan Economic Partnership Agreement, for example, has continued to help implement a rules-based trading system that brings economic benefit to both regions. JBCE has always and will continue to advocate for an ambitious and transparent EU trade policy that is conducive to open and fair trade. The EU’s leadership this past year has been particularly encouraging, ranging from the recent reforms to the WTO, to the Global Gateway initiative and the Trade and Technology Council. As we look forward, JBCE is eager to work with European partners to build a level playing field based on resilience and sustainability, while also tackling unfair trade practices.

These are all elements that demonstrate the deep links in strategic areas that unite the EU and Japan. Looking forward to 2022, cooperation will be cemented in our common goals, all of which are underpinned by our shared values and alignment on the power of a multilateral, open rules-based system. Our organisation is committed, more than ever, to acting as a bridge between the EU and Japan, and JBCE is excited to see what the year ahead holds in store.

I very much look forward to our continued partnership with you together, in the new year and beyond.

Chris Jackson
President of JBCE
Overview

WHO WE ARE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 90 multinational companies of Japanese parentage active in Europe.

Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, steel, textiles and glass products.

Building a new era of cooperation between the European Union (EU) and Japan is the core of our activities, which we perform under several committees focusing on: Corporate Policy, Corporate Social Responsibility, Digital Innovation, Environment & Energy, Standards and Conformity, and Trade.

OUR MISSION

We seek to:

• Build a bridge between the EU and Japan, and enhance Europe’s understanding of Japanese companies and their contribution to the European economy
• Contribute to EU public policy by sharing our members’ expertise with decision-makers across sectors
• Promote a favourable and predictable environment in which European and Japanese companies of all sectors can compete for sustainable growth in Europe

OUR PRIORITIES

• We promote open trade and investment
• We encourage a common regulatory framework
• We foster responsible business conduct
THE EUROPEAN UNION AND JAPAN (2020)

EU-JAPAN TRADE RELATIONS (2020)

EU27 EXPORTS TO JAPAN
€ 55.1 BILLION
(2.9 % of total export of the EU)

EU27 IMPORTS FROM JAPAN
€ 54.9 BILLION
(3.2 % of total import of the EU)

EU27 EXPORTS TO JAPAN PER SECTOR IN %

EU27 IMPORTS FROM JAPAN PER SECTOR IN %

EU = JAPAN’S 3rd TRADE PARTNER
JAPAN = EU’S 7th TRADE PARTNER

JAPAN’S INVESTMENT IN EU (2020)

EMPLOYEES OF JAPANESE OVERSEAS AFFILIATES IN THE EU
561,504

EU INWARD FDI STOCK FROM JP
€ 272.1 BILLION

POPULATION (MILLIONS)

World
7,750

EU
447.32 (5.8%)

Japan
125.33 (1.6%)

SHARE OF WORLD GDP

EU
18.0%

Japan
5.9%
On 16 July 2019, President Ursula von der Leyen shared her ambition to make Europe the first climate-neutral continent in the world by 2050. Following that, on 11 December 2019, the Commission published the “European Green Deal”, which set out the EU’s ambitions in terms of climate policy.

The European Climate Law was published in the Official Journal on 9 July 2021 and entered into force on 29 July 2021. It now sets the 2050 climate-neutrality objective as legally binding.

Intermediate climate targets have also been set for 2030 by which time greenhouse gas emissions must have been reduced at least to 55% (compared to 1990 levels).

In July 2021, the Commission adopted a series of proposals to revise all relevant policy instruments to deliver the additional emissions reductions for 2030. These cover a wide range of policy areas including climate, energy, transport and taxation and notably include the revision of all climate related sectorial legislation (EU-ETS, Energy Efficiency, Renewable Energy, Effort Sharing, road transport, construction etc.).

Reaching the Green Deal’s objectives will require action from all sectors of the economy: investing in environmentally-friendly technologies and design (Ecodesign) to create fully circular economies, decarbonising the energy sector, working to improve global environmental standards and incentivising financial and corporate activities towards more sustainable long-term behaviour.

In addition, the EU is developing a strategy to reduce the risks associated with producing and using chemicals, as part of the European Green Deal framework, related to REACH, CLP and RoHS.
CLIMATE

Background

As the flagship project of the European Commission in 2021, the European Green Deal touches upon all aspects of EU policymaking. The sweeping cross-sector plans published by the European Commission in July and December 2021 under the title of the “Fit-for-55” package are intended to cut emissions by 55% by 2030 compared to 1990 levels. In this respect the package contains legislative proposals to revise the entire EU 2030 climate and energy legislative framework, including on effort sharing, land use and forestry, renewable energy, energy efficiency, emission standards for new cars and vans, and energy taxation. The Commission is proposing to strengthen the emissions trading system (ETS); extending it to the maritime sector, reducing free allowances allocated to aviation and creating a new, separate ETS to cover emissions from fuels used in road transport and buildings. The Carbon Border Adjustment Mechanism (CBAM), interdependent with the ETS, will also be a first of its kind system intended to prevent “carbon leakage”.

JBCE Message

JBCE supports the ambition shown by the EU in developing a package of legislation that will allow it to meet the GHG emission reduction target enshrined in the EU Climate Law of at least 55% in 2030 compared to 1990 levels, and thereby become the first climate-neutral continent, whilst at the same time recognising that this can be the engine for a new growth strategy. The movement towards electrification and de-carbonisation of carbon intensive sectors such as building and transport is essential to achieve carbon neutrality but will also provide opportunities for innovation.

Recommendations to Policymakers

The F-Gas Regulation has thus-far proven to be effective at reducing GHG emissions in Europe as shown by the European Environment Agency (EEA) briefing “Fluorinated Greenhouse Gases 2021” released at the end of 2021. Therefore, as the F-Gas Regulations continue to undergo revision, it should be ensured that the already ambitious hydrofluorocarbons (HFC) phase down is kept unaltered, whilst the availability of cost-effective, safe, technically feasible, energy-efficient and reliable refrigerants is maintained. This is in order to drive the transition to energy-efficient products such as heat pumps, which in turn will contribute to the decarbonisation of the heating and cooling sector.

JBCE recognises that batteries are of great importance in efforts to decarbonise and is therefore fully supportive of the timely update of the batteries and waste batteries regulations. However, care must be taken so as to avoid the regulations unduly increasing administrative burdens, hindering innovation, introducing legal uncertainty and negatively impacting important transitional technologies.

JBCE understands the need to put a carbon price on imports (via CBAM) to ensure that ambitious climate action in Europe does not lead to ‘carbon leakage’. However, good judgement is required in the implementation and selection of targeted sectors in order to avoid ‘double’ taxation and an excess of red tape. Close consultation is recommended to ensure WTO compatibility and a smooth roll out, whilst impact assessments are needed to gain sight of consequences for all sectors under the current scope, and those mentioned for extension.

JBCE’s Recent Activities

- **February 2021**: Published a position paper on the draft proposal for a revision to the Batteries and Waste Batteries Regulation and proceeded to discuss amendment proposals with both the Council and the Parliament
- **May 2021**: Published a position paper and co-signed an industry joint paper on the review work on F-gas regulations
- **May 2021**: Attended the F-gas Consultation Forum/Stakeholder Meeting organised by the European Commission to discuss the revision preparatory study
CIRCULAR ECONOMY AND ECO-DESIGN

Background

In March 2020, the Commission set out legislative initiatives in its Circular Economy Action Plan. The Commission foresees a Circular Electronics Initiative and a Sustainable Product Policy at the beginning of 2022, which will revise the eco-design and energy labelling framework. These measures will define mandatory recycled contents, the restriction of hazardous substances, and may ban certain single-use products. Moreover, essential requirements for packaging will be reinforced by the Packaging and Packaging Waste Directive in 2022 to drive reusable/recyclable designs and to reduce over-packaging. Following the Single-Use Plastics Directive in 2019, the Commission wants to take initiatives on unintentionally released micro plastics (tyres, textiles, pellets loss), and set a clear framework for biobased plastic and biodegradable plastic.

JBCE message

JBCE supports the EU’s ambition to assess environmental benefits at the design stage based on scientific evidence, underlining the need to balance the requirements of energy, resource efficiency, and the safety and performance of products. At the same time, it is essential to avoid overlaps or contradictions between several pieces of legislation that limit circular business models.

Recommendations for policymakers

Sustainable Product Initiative Policy (SPI): It is necessary to carefully balance sustainability principles and the targeted elimination of hazardous substances, taking into account the characteristics and function of each product. Furthermore, any measures proposed in SPI should be carefully evaluated by a product-based approach and the measures should provide clear definitions and target to be enforced by market surveillance.

Packaging: Multi-layer packaging consisting of over 80% of the same polymer type can be mechanically recycled today. For many other multi-layers, including multi-material multi-layers, advanced recycling technologies are or will be available in the near future. Some multi-material multi-layers will have to be re-designed whilst providing sufficient protection of the packed goods (food). Guidelines developed by industry associations can support such re-design projects.

Plastic: Where a full life-cycle assessment shows an advantage of the use of plastic over other materials, plastic products should be designed in a way that supports the most sustainable end-of-life strategy (repair, re-use, refurbishment, recycling).

SVHC in plastic: Substances of Very High Concern (SVHC) in plastics should be substituted by less hazardous alternatives. Derogations for recycled materials containing substances of concern could be provided within reasonable limits in order to maximise the uptake of recycled materials, as long as the risk of exposure is acceptable. Chemical recycling should be considered for plastic products containing SVHCs for technical or safety reasons that cannot be substituted.

JBCE’s Recent Activities

- November 2020: Published a position paper on inception impact assessment of Sustainable Product Initiative Policy
- April 2021: Published a position paper on the Preparatory Study for the Ecodesign and Energy Labelling Working Plan 2020-2024
REACH AND CLP

Background

The framework of chemical management in the EU set by the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) has far-reaching impacts on global supply chains. Over the past year, the most high-profile developments under REACH were twofold:

1. The Essential Use concept was introduced in relation to perfluoroalkyl substances (PFASs), based on a similar idea existing in the Montreal Protocol. The catch-all restriction proposal for PFASs is still at an early stage of preparation. An Action Plan on PFAS was also announced under the Chemical Strategy for Sustainability.

2. The Chemical Strategy for Sustainability, published in October 2020, provides legislative initiatives on sustainability criteria for chemicals and materials, sees the registration of certain polymers under REACH, tracks hazardous substances throughout their lifecycle, mainstreams the grouping approach, and reattributes technical work to the European Chemicals Agency (ECHA). This will not only significantly impact REACH but also the Classification, Labelling and Packaging (CLP) Regulation, as well as other sectorial legislation (including RoHS), and initiatives under the Circular Economy Action Plan such as the Sustainable Products Framework.

JBCE Message

JBCE believes that the protection of human health and the environment is successfully achieved by REACH and CLP, and that these should continue to be developed using a solid science- and risk-based approach. JBCE underlines the importance of analytical methods, which are essential for the enforcement of chemical legislation, being available.

Recommendations for policymakers

• The potentially significant difference between the EU legal scheme and the rest of the world could hinder smooth material supplies into and out of the EU. JBCE would like to remind the European Commission that the EU and Japan have the Economic Partnership Agreement (EPA) to promote trade of goods between the two regions. JBCE is concerned that different systems of classification and evaluation of chemicals would hinder the implementation of the EPA.

• JBCE supports the science and fact-based approach in REACH; evaluating substances, hazards and risks based on scientific information. JBCE therefore would like to strongly propose to introduce scientifically based toxicological distinctions of each material type.

• With respect to the PFAS restriction grouping approach, JBCE highlights that grouping is an over-simplified approach compared to a science-based hazard and risk assessment approach, as substances of the PFAS family have almost no unifying or shared properties in terms of toxicity, solubility, chemical state, reactivity, volatility etc.

JBCE’s Recent Activities

• January 2021: Contributed to input to ‘Essential use’ discussion in CARACAL meeting
• February 2021: Published a position paper in response to the bisphenol A call for evidence
• May 2021: Published a position paper on the Inception Impact Assessment on the revision of the REACH Regulations
• May 2021: Published a position paper on the Inception Impact Assessment on the revision of the CLP Regulations
• June 2021: Contributed to the public consultation on the definition of nanomaterials
• July 2021: Published a position paper on the draft risk profile on UV-328
• September 2021: Published a position paper on the Registry of CLH Intention/ Multi-Walled Carbon Nanotubes, MWC(N)T
• September 2021: Published a position paper on the draft opinion of SEAC on the proposed restriction of PFHxA
• October 2021: Contributed to the 2nd Call for evidence on PFAS restriction
ROHS REVIEW

Background

The Commission is currently reviewing the Restriction of Hazardous Substances (RoHS) Directive (2011/65/EU) restricting the use of certain hazardous substances in electrical and electronic equipment, with a legislative proposal expected in Q4 2022. Showing its awareness of possible regulatory overlaps, the Commission also plans to publish new guidance to improve coherence between the RoHS directive and other relevant legislation including legislation for REACH and Eco-design.

In parallel, the Commission is also finalising the possibility of restricting seven additional substances under the scope of RoHS (“Pack 15” studies). Those substances could be restricted by separate delegated acts earlier or could be included in the new revision of the RoHS Directive scheduled for adoption in Q4 2022. There is also a study on the RoHS substance restriction methodology, setting the criteria for substance identification and prioritisation which would be reflected in the RoHS review.

JBCE Message

JBCE supports the RoHS Directive which aims to contribute to the protection of human health and the environment. The RoHS Directive should also protect innovation, a concept encapsulating more than just the identification of substitute materials. The use of existing chemical legislation should be maximised, avoiding overlaps or contradictions, to allow industry and relevant authorities to apply existing knowledge, expertise, processes and resources.

Recommendations for policymakers

- **Sector-specific specificities**: The specificities of certain categories (Cat.8 and 9) should be translated into differentiated treatments i.e. longer maximum validity periods for exemptions, and longer grace periods when new substances are introduced and an exemption is not renewed. The longer transition period would lead to a decrease in waste which will greatly contribute to the EU’s objective of ensuring a Circular Economy.

- **RoHS effects on innovation**: The RoHS Directive contributes to innovation by driving the substitution of hazardous substances. However, reducing hazards is only one part of the necessary innovation. Through innovation, electrical and electronic equipment contribute to environmental sustainability and the safety of society, for example by allowing the provision of a high level of medical care, safety, environmental protection, and energy efficiency.

- **EEE-specific risks and socio-economic assessments**: The ECHA already handles assessments for restrictions, authorisations and occupational exposure levels and these existing assessments should be maintained.

JBCE’s Recent Activities

- **July 2021**: Released a position paper on the draft delegated act of the mercury lamp exemption

Timeline

- March 2020: Stakeholder Workshop
- April 2021: Final report of RoHS review published
- Q1 2022: IIA of RoHS revision
- Q1 2022: Public consultation on RoHS revision
- Q1 2022: Stakeholder Workshop
- Q4 2022: Proposal of RoHS revision
Background

The EU Taxonomy Regulation was first presented as part of the European Commission's 2018 Sustainable Finance Action Plan. The need to revisit the bloc's sustainable finance policy stemmed from an overall political shift with enhanced focus on the need to transition to a zero-carbon economy, underpinned by the Paris Agreement and the UN 2030 Agenda. These trends have further reinforced the necessity for governments to redirect private capital towards green investments. The Taxonomy provides a common language and a clear definition of what qualifies as a 'sustainable investment'.

The Regulation entered into force in July 2020 and establishes the basis for the EU Taxonomy by setting out the overarching environmental objectives which an economic activity has to meet in order to qualify as sustainable. In 2022, there will also be further progress on the extension of the Taxonomy for environmental objectives and on a social Taxonomy.

JBCE Message

JBCE is supportive of the overall objectives of sustainable finance and the EU Taxonomy. Moreover, JBCE believes that open and international collaboration should be ensured to facilitate a global uptake of the standards, and a common shift towards sustainable finance practices.

Recommendations for policymakers

- **Global perspective**: Sustainable finance should be mainstreamed internationally by developing a global approach and aligning EU rules with international initiatives. This will also facilitate the exchange of diverse best practices and guarantee that the classification does not undermine European competitiveness. In turn, this will create a Taxonomy which is increasingly applicable across borders and throughout the value chain.

- **Enabling activities and transitional technologies**: Enabling activities and transitional technologies should receive greater importance, beyond the current definition given by the Taxonomy Regulation, as these technologies will continue to play a big role in reaching climate neutrality.

Delegated Act on the 4 remaining environmental objectives ("Taxo4"):

- **Open governance**: Promote a transparent and open approach to the governance of the Taxonomy which will help create Technical Screening Criteria (TSC) accepted by the market.

- **Clarity of TSC**: JBCE strongly urges the Commission to develop a practical navigation tool to support industries in implementation, to avoid vague expressions, and to clarify how to classify economic activities that fall under several sections.

- **Level playing field**: Set consistent and proportionated level of ambition of the TSC among economic activities in order to prevent unequal access to finance

JBCE’s Recent Activities

- **March 2021**: Exchange of views with the Chair of the Platform for Sustainable Finance (PSF)

- **June 2021**: Issued position paper on Taxonomy disclosure requirement (Article 8)

- **September 2021**: Responded to the public consultation on the ‘Taxo4’ DA

- **October 2021**: Study session with DG-FISMA on the EU Green Bond Standard (EUGBS)
CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

Background

In 2014, the Commission published the Non-Financial Reporting Directive (NFRD). On 21 April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD. The revision was motivated by a need to align non-financial reporting to other sustainability obligations (i.e. the EU Taxonomy), and to address the inadequacy of sustainability information available. The CSRD will require more stringent reporting from companies and mandates the European Financial Reporting Advisory Group (EFRAG) to develop EU non-financial reporting standards. Consequently, there is a need to ensure a coherent and appropriate approach for businesses to adapt.

JBCE message

JBCE supports the European Commission’s proposal to enhance companies’ disclosure of corporate sustainability information, encompassing environmental, social and governance aspects. However, JBCE believes reporting must not solely be a practice of providing legally required information. It must also be a communication tool for companies to share corporate values, while generating trust among stakeholders and the wider public. Therefore, companies (especially those falling under the scope for the first time) need sufficient preparation and time to be suitably equipped and resourced to undertake meaningful reporting disclosures.

Recommendations for policymakers

- **Timeline:** JBCE highlights the need for a realistic timeline for the application of the CSRD, the introduction of the EU sustainability reporting standards, and the transition to reasonable assurance after at least five years.
- **Consistency with international framework:** Alignment with international and existing frameworks when developing the EU corporate sustainability reporting standards must be ensured, as many companies’ operations have a global footprint, and an equally global value chain.
- **Flexibility for companies:** JBCE urges the Commission to acknowledge that a fair degree of flexibility for companies is needed when choosing how to, and where to disclose non-financial information.

JBCE’s Recent Activities

- **April/May 2021:** Dialogues with EFRAG and DG-FISMA
- **July 2021:** Issued a position paper on the CSRD
- **September-December 2021:** Conducted reach out activities to share JBCE’s thoughts and suggest amendments to EU policy makers
DIGITAL TRANSFORMATION

“JBCE members have been actively supporting the digital transformation”

As the COVID-19 pandemic drags on, digital policies continue to be listed at the top of the EU’s legislative agenda. In the State of the Union speech on 15 September 2021, the digital transition was earmarked as a make-or-break issue. President of the European Commission Ursula von der Leyen provided an overview of the past year’s achievements brought by her long-term ambition to deliver “a Europe fit for the digital age” which included the Proposal for the Artificial Intelligence Act (AI Act), the Network and Information Security (NIS2) Directive, the Data Governance Act, and new rules for gatekeepers through the Digital Services Act and Digital Markets Act. These will be followed by the Data Act and the European Health Data Space proposals.

JBCE’s Digital Innovation Committee (DI Committee) has actively engaged throughout this period with EU policymakers. JBCE has taken several different actions to address its key priorities. These actions include reacting to the European Commission’s legislative proposal on AI, the AI Act, published in April 2021, engaging with Members of the European Parliament (MEPs) and the European Council to provide JBCE’s feedback on the NIS2 Directive released in December 2020 and hosting knowledge sharing sessions to gather more intelligence regarding the Data Governance Act (DGA) proposal released in November 2020 and the Data Act which will be released soon.
DATA STRATEGY (DATA UTILIZATION, DATA SHARING, INTERNATIONAL DATA FLOWS, DATA ACT)

Background

The European Data Strategy, presented by the European Commission in February 2020, sets out to create a European single market for data. The top investment priorities are the creation of nine data spaces, and the creation of a European cloud federation. As a first step, the European Commission proposed the Data Governance Act (DGA) in November 2020, which serves as a framework for governing common European data spaces. It aims to reinforce the necessary structures in Member States (MS), to facilitate cross-border data use at the EU-level, and to prioritise interoperability requirements and standards within and across sectors. The European Commission intends to invest €2bn to build its data spaces in strategic sectors. These will aim at overcoming legal and technical barriers to data sharing across organizations through: (i) the deployment of data-sharing tools and platforms; (ii) the creation of data governance frameworks; (iii) improving the availability, quality, and interoperability of data – both in domain-specific settings and across sectors.

JBCE Message

JBCE is optimistic about the EU’s future data economy and welcomes the European Strategy for Data. However, the DGA’s impact rests on its cohesion with proposed and existing EU legislation, such as the Digital Markets Act (DMA), the Data Act, measures on European data spaces, and antitrust reform. JBCE will continue working closely with the Commission to develop clear, concise, and feasible requirements for companies on the three key areas: data governance, identification of high-value datasets recommendation, and self-regulatory context of cloud computing.

Recommendations for policymakers

- **Data governance**: JBCE supports the Commission’s efforts on international, cross-border data flows, through the “Data Free Flow with Trust” (DFFT) and agrees that Japan and the EU should promote data flows within the framework of G20 and WTO e-Commerce discussions.

- **Standardisation**: JBCE advocates for international standardisation regarding data-use and data-sharing and supports further discussions on legal issues on data access, ownership, and interoperability in both B2B and B2G data-sharing.

- **Data Altruism**: JBCE recognises the value of data altruism, which could be further encouraged via model contractual clauses or data-sharing.

- **Identification of high-value datasets**: JBCE supports the Commission’s efforts to expand the list of high-value datasets and agrees that encouraging public authorities to make these datasets available free of charge, without restrictions and via APIs, would be a good way to improve the dissemination of public sector data.

JBCE’s recent activities

- **November & December 2020**: Organised two Knowledge Sharing Session (KSS) with DG-CONNECT on Data Governance in Europe, and on GAIA-X

- **January 2021**: Joined the multi-industry statement on Cross Boarder Date Transfers and Data Localisation Disciplines in WTO negotiations on E-Commerce

- **February 2021**: Submitted our contribution to Data Governance Act

- **December 2021**: Organised a Knowledge Sharing Session on Data Spaces with DG-CONNECT
ARTIFICIAL INTELLIGENCE

Background

On April 21, 2021, the European Commission published the proposal for a “Regulation on a European approach for Artificial Intelligence (AI Act). The goal is to foster the development and uptake of safe and trustworthy AI in both the private and public sector. The draft law follows a risk-based approach and notably aims to establish definitions, address risks created by AI applications, establish a governance structure and enforcement mechanisms, foster industry codes of conduct, and introduce penalties for non-compliance. The regulation introduces harmonised rules for the EU, notably on unacceptable AI practices, like social scoring, requirements for high-risk AI systems, transparency requirements for limited-risk AI systems, and rules for monitoring and surveillance. Once adopted, the regulation will be directly applicable across the EU.

JBCE Message

JBCE welcomes the proposal for the AI Act and supports a horizontal framework for trustworthy development, deployment and use of AI, for both providers and users. JBCE would, however, caution against excessive regulation, and relatively excessive sanctions for violations while it remains unclear what constitutes high-risk AI and which AI systems are prohibited. This could stifle innovation in AI and risk hollowing out the EU’s competitiveness in this sphere. It may also mean that foreign companies are more reluctant to enter the EU market. Thus, JBCE advocates finding an appropriate balance between regulation and innovation.

Recommendations for policymakers

- **Prohibited AI Systems**: Although JBCE supports regulating the use of remote biometric identification (RBI) by law enforcement in public spaces, JBCE believes this should not extend to situations where RBI poses minimal or no risk to fundamental rights, health or safety, or where it does pose a risk but that risk is outweighed by public safety concerns.

- **High-risk AI systems**: Obligations imposed on providers of AI systems classified as high-risk based on their ‘intended use’ will disproportionately onerous. Clarity is needed to define “high-risk” and allow for dialogue between Institutions and stakeholders including industry. Clear guidelines would provide more clarity for providers to comply with the various obligations.

- **Obligations for providers and users of high-risk AI systems**: The scope of each operator’s responsibilities should be clearly identified in the forthcoming discussions. Regarding the new conformity assessment procedure, the definition of the term ‘substantial modification’ should be further clarified for cases where systems are modified after being placed on the market.

- **Transparency obligations for certain AI systems**: More clarity is needed regarding the transparency obligation which would require that providers notify natural persons when interacting with AI systems unless it is obvious from the circumstances and the context of use.

JBCE’s Recent Activities

- **April/May 2021**: Organised two Knowledge Sharing Sessions in a row with DG-CONNECT (1st/2nd)
- **August 2021**: Submitted JBCE’s feedback to the Commission
- **October 2021**: Organised AI workshop at CEATEC with DG-CONNECT/METI and industry
- **October 2021**: Organised AI event together with AIDA Committee of the European Parliament
- **January 2022**: Submitted JBCE’s answer to the public consultation for AI Liability
Background

The Cybersecurity Act in 2019 introduced the EU cybersecurity certification framework, wherein the European Union Agency for Cybersecurity (ENISA) develops certification calls for appropriate stakeholders’ involvement and support. Users and service providers shall be able to assess and determine the level of security assurance of products, services and processes they procure, make available or use. Cybersecurity certification requires the formal evaluation of products, services, and processes by an independent and accredited body and a conformance certificate.

On 16 December 2020, a new EU’s Cybersecurity Strategy for the Digital Decade was presented by the European Union, proposing the Directive on measures for a high common level of cybersecurity across the Union (NIS2). The proposal for a revision came only four years after the adoption of the NIS Directive, considering the exponential rise of cyberattacks in Europe and the evolving nature of the threats themselves.

JBCE Message

Cybersecurity certification remains an important issue for JBCE members as it would promote a comprehensive and coherent regulatory framework (incl. by promoting internationally recognised standard and by encouraging voluntary certification schemes) that will support the businesses to anticipate and implement cybersecurity solutions. However, an eventual push towards mandatory certification of IoT, 5G or AI products and services would create an administrative cost that JBCE’s companies would need to be able to anticipate well in advance. JBCE will continue to monitor the activities of DG-CONNECT and ENISA, and the standardisation community, for future to remain committed to support a coherent EU cybersecurity framework.

Recommendations for policymakers

- Multi-stakeholder dialogue: The Commission should maintain an open channel of communication with industry stakeholders when elaborating the schemes.
- Capitalise on private sector expertise. The Commission should continue to consult the private sector for the development of cybersecurity schemes.
- Pursue international standardisation efforts. ENISA and standardising community should further pursue international harmonisation efforts in the field of cybersecurity and include globally recognised standards in future European schemes to provide legal certainty and to lower implementation costs.

JBCE’s recent activities

- February 2021: Organised a Knowledge Sharing Session on NIS2 with DG-CONNECT
- March 2021: Submitted JBCE’s feedback on NIS2 to the Commission
- May-September 2021: Conducted outreaching activities to share our views and suggested amendments on NIS2 with the Parliament and the Council
SAFETY, RELIABILITY AND STANDARDISATION

Background

The European Commission updated its 2016 “Blue Guide”, based on evaluations of existing product safety legislation, namely, the General Product Safety Directive (GPSD), Radio Equipment Directive (RED), for which a Delegated Act on cybersecurity issues was expected in 2021, Electromagnetic Compatibility Directive (EMCD), as well as others. In May 2021, the Medical Devices Regulation (MDR) replaced the Medical Device Directive, which now includes in its scope, the safety, performance and reliability of medical robots. However, due to the non-prolongation of the Mutual Recognition Agreement (MRA) between the EU and Switzerland, the latter introduced a new national requirement for Medical Devices in May 2021. Furthermore, the Commission has initiated the evaluation of the current New Legislative Framework (NLF) to assess its effectiveness, efficiency, relevance and coherence with the new horizontal technological developments as well as to address conformity assessment to ensure compliance.

Standardisation activities related to digital and green technologies, and the circular economy have been actioned by the EU Standardisation bodies (CEN-CENELEC, ETSI). In addition, the post-Brexit transition period had a vast impact on the capacity of industries to access the UK market due to new national rules requiring changes in the design of the products and in their documentation.

JBCE Message

JBCE emphasises the importance of alignment and coherence in the transversal market surveillance framework and between sectorial NLF legislation. The principle of presumption of conformity based on harmonised standards, aligned with international standards, is a key factor for facilitating the trade of products. In this context, ensuring regulatory cooperation between the EU and Japan regarding the harmonisation of regulations and standards is a priority for JBCE.

Recommendations for policymakers

- **Radio Equipment Directive (RED) implementation**: a voluntary or self-regulatory approach would be viable and effective. The Cybersecurity delegated act should be limited in scope and set baseline security requirements only, until the horizontal NLF legislation can address the issue comprehensively.
- **Machinery Regulation (MR)**: there are overlaps with the AI Regulation creating legal uncertainty which should be addressed.
- **Medical Devices Regulation (MDR) and In-vitro Diagnostic Regulation (IVDR)**: While JBCE supports the need for specific cybersecurity requirements, further clarification of definitions is needed and a sufficient grace period should be allocated, which takes into account the entire development lifecycle of products, for manufacturers to ensure compliance.
- **UKCA Mark**: manufacturers should be given a sufficient grace period to implement necessary design changes, and continuously place the CE-mark compliant products on the UK Market.
- **New Legislative Framework (NLF)**: JBCE believes the current NLF performs well, however its implementation through directive/regulations requires better alignment. Self-assessment on the basis of harmonised standards should remain a valid option and the flexibility of language requirements for non-consumer products should be additionally addressed.
- **CEN-CENELEC-ETSI standardisation**: JBCE encourages efficient cooperation with International standardisation bodies to ensure consistency on the new standards development.

JBCE’s Recent Activities

- August 2021: Submitted JBCE comments on Machinery Regulation
- August 2021: Submitted JBCE Position Paper on Delegated Act for RED / Cybersecurity
- August 2021: Submitted JBCE Position Paper on Standardisation Strategy
- October 2021: Submitted JBCE Position Paper on General Product Safety Regulation
- November 2021: Submitted JBCE Position Paper on Delegated Act for RED / Common Charger

Timeline

- **16-17 March 2022**: Vote on the Machinery Regulation
- **28 March 2022**: Vote on the General Product Safety Regulation
- **20 April 2022**: Vote on the Radio Equipment Directive
- **Q1-Q2 2022**: Report on MDR and IVDR
- **Q2-Q3 2022**: Trilogues negotiations begin on MDR and IVDR
A persistent pandemic this year has continued to threaten supply chain resilience and the growing trend of protectionist measures have started to concern the global community. In this context, the EU has continued to work on securing the survival of the multilateral trading system.

The EU’s values-based approach to trade has been promoted throughout the past year, with the stated goal to ensure a level playing field and to protect human rights and social, labour, and environmental standards. To do this, the EU focuses on strengthening multilateralism and reforming global trade rules to ensure they are fair and sustainable. This strategy seeks bilateral and regional trade agreements with partner countries including those in Asia such as Japan.

As a business association representing a like-minded region where fair market competition and the rule of law are respected, JBCE is delighted to contribute to increasing the EU’s global presence. JBCE would like to serve as a bridge between the EU and Japan as the only one of its kind to seek the mutual interests of both the EU and Japanese market.

JBCE advocates for an ambitious and transparent EU trade policy that is conducive to open and fair trade. In an interconnected global economy, all stand to gain when trade and investment flourish. This year’s report will focus on two key topics Strengthening EU-Japan Relations and a Strengthening of the EU’s relationship in the global dimensions.
STRENGTHENING EU-JAPAN RELATIONS

Background

After coming into force on 1 February 2019, the EU-Japan Economic Partnership Agreement (EPA) has continued to provide a beneficial volume of bilateral trade between the two partners. As the continued full implementation of the EU-Japan EPA takes place there is still room to tackle non-tariff barriers and expand mutual recognition and regulatory cooperation, for instance in the areas of AI and cybersecurity. Therefore, the partnership still has potential for growth.

JBCE Message

JBCE encourages industry to capitalise on the EU-Japan EPA to ensure global competitiveness. EU-Japan relations need to build on bilateral agreements to seek mutual interests based on the standards outlined in the EU-Japan EPA, EU-Japan Green Alliance and EU-Japan Digital Partnership Agreement. JBCE is obliged to follow up on these agreements to better implement them.

Recommendations for Policymakers

• EPA Implementation: EU-Japan EPA needs to be reviewed at the 3-year milestone from the date of entry into force with a focus on the areas related to the Electronic Commerce Chapter, especially in terms of data localization prohibition and free flow of data.

• Regulatory Cooperation: Every field of business needs to be consulted through committees set up by the EU-Japan EPA in order for industry on both sides to mutually benefit beyond their borders.
STRENGTHENING THE EU’S RELATIONSHIP IN GLOBAL DIMENSIONS

Background

The EU could play a key role in ensuring a global level playing field through multilateral forums such as the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD), and the EU-US-Japan trilateral relations. This is particularly of interest as reforms to the WTO are being discussed and ideas to modernise and make world trade rules fit for the challenges of today’s global economy are presented and negotiated.

Additionally, this year’s announcements of the Global Gateway, the Trade and Technology Council, and the continuing EU-UK relationship show the EU’s growing geopolitical role. The Global Gateway intends to tackle some of the most pressing global challenges from climate change to improving help systems. Such an initiative cannot be achieved without building sustainable and trusted connections with partners. The Trade and Technology Council is furthering EU-US cooperation to strengthen technological and industrial leadership, boost innovation, protect and promote critical and emerging technologies and infrastructure while encouraging compatible standards and regulations based on democratic values.

JBCE Message

JBCE welcomes the EU’s initiative in addressing the relationship with third countries through the Indo-Pacific Strategy, the Global Gateway, the Trade and Technology Council, and the Post-Brexit EU-UK relationship to name a few. Furthermore, JBCE supports multilateral partnerships to address the global challenges posed by non-market policies and practices of third countries. Japan will be delighted to cooperate in this context as a partner that shares common interests.

JBCE welcomes the EU’s initiatives to establish resilient and sustainable value chains. Japan is willing to cooperate with the EU in ensuring the resilience and sustainability of value chains and address any unfair trade practices. On the other hand, we are carefully vigilant about the introduction of Carbon Border Adjustment Mechanism (CBAM) in terms of WTO compatibility and global harmonisation in tackling Climate Change.

Recommendation to policymakers

Within the context of building these partnerships and strengthening the EUs’ relationship on a global scale JBCE reminds policy makers of a few key issues to keep in mind:

- **Tariffs**: Tariff-free and quota-free trade must remain a top priority amongst partners. The imposition of tariffs and/or quotas would increase manufacturing costs for many of our members and hurt competition between businesses.

- **Country of origin**: Simplified rules of origin should apply to reduce the administrative burden for traders.

- **Data Free Flow with Trust**: Given the growing importance of data flows, digitisation of industry and data-based services, it is imperative to ensure that data flows can take place as smoothly as possible.

JBCE’s recent activities

- **October 2021**: JBCE invited Mr. Gabriele Visentin, the EU Special Envoy for the Indo-Pacific from the European External Action Service (EEAS) to discuss the EU’s Strategy on Indo-Pacific.

- **November 2021**: JBCE supported a Global Industry Statement on the WTO Moratorium on Customs Duties on Electronic Transactions.
SUSTAINABLE CORPORATE GOVERNANCE (CORPORATE DUE DILIGENCE, DIRECTOR’S DUTY)

Background

In accordance with Action 10 from the Sustainable Finance Action Plan, the Commission announced in April 2020 that they would be putting forward a legislative proposal on mandatory due diligence and sustainable corporate governance. The Commission’s Sustainable Corporate Governance (SCG) proposal will aim to improve the EU regulatory framework on company law and corporate governance. Although the SCG proposal has been delayed several times, momentum towards the legislation has been accelerating. EU policymakers are keen to introduce legislation so that companies can begin identifying, addressing and remediying their impact on human rights and the environment throughout their value chain.

JBCE Message

With significant presence in both the EU and Japan, JBCE members can play a central role in driving international policy coordination on corporate governance. JBCE underlines the need for flexibility in relation to board directors’ duties. JBCE also believes that there must be a risk-based and harmonised EU approach to due diligence legislation which aligns with recognised international standards in order to avoid fragmentation between regions.

Recommendations for policymakers

Due diligence duty

- **Harmonisation of requirements:** It is important to prevent fragmentation between regions, and align the EU legislation with internationally recognised risk-based frameworks.
- **Liability and Responsibility:** A distinction must be provided between a company’s liability and its responsibility to carry out due diligence.
- **Prioritise guiding companies:** Place a primary focus on incentivising companies and providing education and capacity building tools. The EU should recognise company efforts, as well as existing industry schemes.
- **Legal clarity:** Elaborate on the legal clarity required for the integration of environmental due diligence.

Director’s duty

- **Requirements on corporate governance should not be solely regulated by law, as corporate decision-making is significantly affected by investors’ interests. Duty of care obligations risk becoming a compliance tool, rather than a stimulus for proactive and strategic management.**
- **Sustainability priorities are business-specific as well as related to corporate culture, therefore a binding management style with a one-size-fits-all approach would risk undermining companies’ long-term flexibility.**
- **Duty of care should be applied to the company, not the director; as potential harms might go beyond the latter’s mission.**

JBCE’s Recent Activities

- **January 2021:** Participated in the civil society dialogue in EU-Japan EPA
- **February 2021:** Participated in the SCG public consultation
- **May 2021:** Published SCG position paper and co-organised a cross-association environmental due diligence workshop
- **October 2021:** Participated in the public consultation of trade and sustainable development in EU trade agreements (Review of current approach)
- **December 2021:** Issued the cross-association statement on due diligence legislations
Conclusion

As the pandemic persists into yet another year, Europe’s ambitious efforts to support the twin green and digital transitions will set the stage for how the continent structures its international alliances, defines its strategic autonomy, and strengthens its resilience to future crises. Effective policymaking will play a key role in ensuring that public and private investments are aligned to tackle the most pressing challenges of the next decades. The decisions taken over the next few years will be indicative of the future role the continent holds on the world stage and its ability to shape the coming decades both with regards to the climate crisis and ongoing digital transformations of society.

Embracing innovative capacities and economic resources will be essential for Europe in building its strategic autonomy, setting its new industrial agenda, and delivering public/private investments in key sectors. Strategic investments, in addition to the development of high-level research networks, will serve to fuel the development of future technologies, such as high-performance computing and Artificial Intelligence. JBCE’s membership is prepared to contribute to the mutual prosperity of both the EU and Japan through its investments in research and production and the use of cutting-edge technologies.

With the intention to achieve carbon neutrality, the efforts to slash emissions by 55% by the year 2030 will set a global standard in facing up to the climate crisis. In order for the required transformational change to occur, coordination among all stakeholders will be necessary, in addition to the mobilisation of both public and private financial investments. The EU should know that it can count on JBCE’s wholehearted support as it undertakes this challenge. Our members are dedicated to spearheading efforts to decarbonise both their own lines of production and consumption as well as their industries as a whole.

A major contributor to the successful implementation of Europe’s recovery and resilience plans will be effective policymaking that includes future-proof regulation that achieves the desired harmonising effects. With European regulatory standards setting visible international standards and global norms, there is a need to raise ambitions in terms of the EU’s digital and green benchmarks. The enforcement of rules concerning international data flows, the prevention of escalating cyber tensions, and the harmonisation of international standards will be vital to the overall success of such efforts. Throughout the years, JBCE has been actively supporting efficient and effective policymaking in the EU. Looking ahead, JBCE will continue to positively engage with policymaking across the EU; leveraging its unique position at the intersection of European and Japanese industry.

In order to rise up to the challenges of the next decades, the EU should continue to seek to strengthen its alliances with like-minded progressive countries which are committed to a multilateral worldview. Such multilateralism will support increased harmonisation throughout global supply chains and materialise a more level playing field for countries operating in line with their shared values. In the same vein, the EU and Japan must continue to work towards the inclusion of the free flow of data for electronic commerce in their trade agreements of data for electronic commerce in their trade agreements and the further cooperation for sustainable development.

JBCE is eager to place its best foot forward and tackle the shared challenges at the intersection of Japanese and European relations. Eager because, as open economies, devoted to the values of multilateralism, transparency, and democracy, Europe and Japan must press forward to achieve solutions to the complex issues pertaining to the world today. JBCE is certain that our organisation has a role to play, creating a bridge between Japan and the EU’s shared ambitions, with our member companies standing strong, and leading the way to developing creative, innovative, and forward-thinking technologies that are needed in order to make mutual green and technological transitions a reality.
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