POSITION PAPER

Japan Business Council in Europe

24 November 2025

JBCE POSITION PAPER ON THE CONCEPT OF 'MADE WITH COMMON VALUES'

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1. EXECUTIVE SUMMARY

The EU and Japan are strategic partners that cooperate in various key areas of mutual interest. At the same time, their economies complement each other in a number of key sectors crucial to the EU and Japan's political objectives. We acknowledge the strategic imperative of the EU to secure its own competitiveness. However, in order for the EU to achieve economic resilience and competitiveness the European way, we believe that a focus on sustaining effective trade flows with partners, such as Japan, is crucial.

Therefore, the Japan Business Council in Europe (JBCE) recommends ensuring that EU commitments to its trade partners are respected, while achieving EU competitiveness through the application of a 'Made with Common Values' mindset by:

- Developing additional mutual recognition frameworks with Free Trade Agreements (FTAs)/Economic Partnership Agreements (EPAs) partners to ensure compatible technical requirements in key strategic sectors.
- Cooperating in supply-chain management and diversification with Japan and other FTA/EPA partners.
- Strengthening and implementing concrete initiatives through existing EU-Japan platforms (Alliances, Memorandums of Understanding, Dialogues) and enabling new channels for cooperation, such as including Japan in the Horizon Europe research programme to enable the EU-Japan relation's potential fully.
- Implementing alternative non-price criteria and, in the case of Japan, strengthening the EPA's public procurement chapter provisions to maintain fair access to public procurement.

**Disclaimer: JBCE, exclusively representing Japanese industries active in Europe, makes the following proposals in the context of the EU-Japan cooperation, independently of other bilateral relationships.*

2. INTRODUCTION

Today, in a global geopolitical context that is driving most world players to achieve economic security and strategic autonomy, discussions within the EU around concepts such as 'Made in EU', 'European preference', or any form of local content requirement are attracting increasing interest and concerns from the industry.

In addition to the upcoming European Economic Security Doctrine, the revision of the Public Procurement Directives and the Industrial Accelerator Act, we are observing different types of provisions across various sectors, which could limit access of Japanese companies to the European market.

As JBCE, we acknowledge the need for the EU to focus on its own competitiveness, while maintaining trade openness. We wish to ensure that like-minded countries, such as Japan, are part of the EU's broader economic agenda, including competitiveness and economic security, by promoting alternative concepts, such as 'Made with Common Values', a framework that JBCE first presented in spring 2025,[1] and by ensuring that upcoming legislative developments do not *de facto* impose trade barriers on Japanese industry.

3. WHAT IS THE CONCEPT OF 'MADE WITH COMMON VALUES'?

Instead of an origin-based 'Made in Europe' criteria, which excludes third-country industries from free access to the EU's Single Market, the concept 'Made with Common Values' integrates shared commitments to sustainability, trust, resilience, the rule of law and human rights, while allowing Japan, a reliable like-minded partner, and its highly advanced industry, to maintain a strong presence and contribution to the Single Market and even further invest in the EU. As a result, this concept will help ensure the EU remains a predictable and attractive market for long-term investments.

The designation 'Made with Common Values' also benefits consumers, who would thus be guaranteed to purchase trustworthy and compliant products, regardless of their origin. Mandatory 'Made in Europe' requirements would reduce the supply of products, leading to higher prices and impacting consumers' purchasing power.

[1] JBCE op-ed – Parliament Magazine supplement on EU-Japan relations

4. THE IMPORTANCE OF EU-JAPAN COOPERATION FOR COMPETITIVENESS AND ECONOMIC SECURITY

1) A significant strategic relationship

At a time when protectionism was on the rise, the EU and Japan signalled they would continue to stand for free trade together by signing an EPA[2] in 2018, the EU's largest bilateral FTA. To this day, EU-Japan trade continues to thrive, further building on the joint commitment of the EU and Japan as partners with common values. Japan is the EU's second-largest trading partner in Asia, after China. In 2023, the total trade balance for the EU with Japan was positive, totalling EUR 10.2 billion. Trade in goods is essential in the economic and trade relations between the two regions, with the EU importing machinery, motor vehicles, chemicals, optical and medical instruments, as well as food and drinks from Japan.[3]

To achieve economic resilience and competitiveness the European way, we are convinced that a focus on sustaining effective trade flows with partners such as Japan is key. Maintaining competitiveness requires a balance between ambitious regulations and innovation. Sustainability goals and business competitiveness must be mutually reinforcing. Joint Japan–EU efforts in areas such as carbon neutrality, circularity, data governance, artificial intelligence (AI) and quantum technologies are essential to ensure both regions remain competitive and play a leading role in setting global rules. In addition, we must ensure that policies are aligned with, and not contradictory to, the strong partnership the EU and Japan have built over the years. Mutual recognition would be a step forward in their cooperation.

Beyond their trade activities, Japanese corporations have made a clear and long-term commitment to investing in European industry, totalling EUR 212.5 billion in 2023,[4] and have created tens of thousands of jobs across Europe over decades, employing over half a million people as of 2024.[5] In doing so, they contribute directly to Europe's economic security.

2) The Japanese and European industries complement each other

The EU-Japan EPA recognises that the economies of both regions are complementary and that this complementarity should play a role in the development of trade and investment between them, capitalising on their respective economic strengths through bilateral trade and investment activities. The complementarities[6] include, but are not limited to:

[2] EU-Japan Economic Partnership Agreement
[3] EU trade relations with Japan
[4] EU trade relations with Japan
[5] Trade and Investment Relations / EU-Japan Policy Dialogues
[6] Some highlighted by the Expert Group under the EU-Japan Enhanced Dialogue on Advanced Material Recommendation

a) *Energy*

Japan's strong manufacturing capabilities in hydrogen, battery technologies, power generation and transmission technologies/grids can be coupled with the EU's leadership in advanced energy materials. EU's strength in solar and wind energy harvesting materials complements Japan's advancements in efficiency, durability, and recycling.

b) *Mobility*

Japanese car manufacturers are an integral part of the EU's automotive value chain, helping to ensure affordable, safe and clean mobility for European consumers.[7] Through their high-quality products and innovations, Japanese car manufacturers enhance the competitiveness of the automotive industry by strengthening their ability to design, develop and market the vehicles that EU consumers demand. We are convinced the EU and Japan can complement each other in the field of automotive. The EU leads in industrial applications of high-performance materials, while Japan specialises in advanced ceramics, semiconductors and functional materials integration. Research and development of recycled parts and materials in battery and plastics is also highly regarded since it may foster the development of new materials and parts that do not downgrade in terms of quality following the recycling process.

Japanese rail innovations, such as advanced automation, energy-efficient systems, predictive maintenance, and high-speed rail expertise, align closely with the EU's priorities of digitalisation, sustainability, and cross-border interoperability. Leveraging these capabilities through strategic cooperation can accelerate progress toward the EU Green Deal, Trans-European Transport Network (TEN-T) targets, and the development of a modern high-speed rail network, while enhancing resilience and efficiency across Europe's rail system.

c) *Sustainable Infrastructure & Urban Technologies*

Japan and the EU bring complementary strengths to sustainable infrastructure and urban technologies: Japan contributes advanced smart-city development, disaster-resilient infrastructure, and world-leading high-speed rail systems, while the EU offers expertise in green urban planning, innovative public transportation, and highly energy-efficient buildings. Together, they have a strong potential to co-develop climate-resilient urban systems, collaborate on high-speed rail technology by combining Shinkansen expertise with EU interoperability standards, and create integrated smart-city platforms that connect mobility, energy management, and sensor networks.

[7] In 2024, Japan was the second largest importer of new EU car imports in terms of trade value (16%), the third largest in terms of volume (14.6%). In 2024, Japanese car manufacturers represented by JAMA produced approximately 616,000 vehicles in the EU, sold approximately 1.47 million vehicles, and purchased approximately EUR 13.8 billion worth of EU-made auto parts, as highlighted in JAMA's Position on European CO2 Regulations.

d) Electronics

In the case of semiconductors, Japan is leading in high-precision manufacturing, while the EU specialises in design and fabrication. Japan is also an expert in sensor-integrated materials, AI-driven material design, and quantum computing applications in materials science. In the framework of circular economy and sustainability, the EU contributes by driving eco-friendly electronics research, while Japan can contribute through its capacity in rare metal recovery and recycling. Japan also leads in manufacturing process innovation and high-reliability materials, which align with the regulatory needs of the EU.

e) AI and Quantum

Japan and the EU each bring distinct high-tech strengths: Japan excels in quantum sensing, robotics–AI integration, and advanced materials science, while the EU leads in quantum computing, AI governance, and high-performance computing. Together, they have a strong potential to collaborate on quantum communication networks, develop AI frameworks that merge the EU's governance leadership with Japan's robotics expertise, and establish cross-continental research hubs that accelerate innovation in emerging technologies.

f) Data-driven Research & Development (R&D)

Experimental automation is one of Japan's key attributes, which can be successfully combined with the EU's advanced computational material research. Japan and the EU can well complement each other in the synergy between industry and academia sectors.

Japan and the EU are both global leaders in digital regulation and cybersecurity frameworks, sharing a strong commitment to rule-based trade and robust data protection. Together, they have significant potential to shape international digital trade standards by combining the EU's post-General Data Protection Regulation approach with Japan's data-free-flow-with-trust model, while also coordinating cybersecurity norms and strengthening protections across digital supply chains.

g) Critical Chemicals

Critical chemicals—strategically important molecules and intermediates among basic chemicals—form the foundation of value chains for pharmaceuticals, water treatment, battery materials, and more. Japan's production of process technologies, such as electrolysis, membrane separation, and process control, contributes to the stabilisation and decarbonisation of critical chemical production in the EU, thereby enhancing the resilience and competitiveness of supply chains on which Japanese industries also rely. This complementary relationship is also aligned with the objectives of the European Commission's Critical Chemicals Alliance and contributes in practical terms to the EU's strategic autonomy.

h) Critical Medicines

Japanese cutting-edge bioprocessing and measurement technologies underpin the stable, high-quality manufacturing of critical medicines within the EU, thereby contributing to strengthening supply chain resilience and reducing dependence on non-EU countries. As a result, they steadily strengthen the EU's strategic autonomy.

At the same time, Europe's innovative finished medicines and vaccines are an important pillar of healthcare stability and pharmaceutical supply in Japan. The Japanese affiliates of European research-based pharmaceutical companies account for roughly one third of total pharmaceutical market sales in Japan and of new medicines launched there in recent years, thereby providing Japanese patients with the latest treatment options.

i) Maritime

Japan's advanced technologies for maritime decarbonisation, such as alternative fuels, and its international open innovation efforts in developing autonomous ships, can be effectively aligned with the EU's Green Deal policies and sustainable logistics strategies. Together, these initiatives can contribute to the joint advancement of decarbonisation, digitalisation and supply chain resilience in international shipping.

j) Aerospace

While the EU is a leader in aircraft design and manufacturing, Japanese companies supply high-quality key materials and components for lightweight construction, helping the European aerospace industry to decarbonise and remain profitable.

5. JBCE'S PROPOSALS FOR AN OPEN EU ECONOMIC SECURITY AGENDA

1) Mutual recognition with EU trade partners

The EU has several FTAs and EPAs with third countries, which ensure diversified trade relations based on shared values and commitments. Japan has had an EPA with the EU since 2019, which, among other things, removes tariffs and other trade barriers, creates a platform for cooperation, helps define global trade rules in line with common standards and values, and aims to signal to the world that both regions reject protectionism. In light of the latter, 'Made in Europe' requirements could risk crossing the protectionist line. JBCE therefore suggests that, to avoid such a scenario, the EU should consider granting preferential treatment to all third countries with which it has concluded an FTA or EPA, on the basis of mutual recognition agreements. Such agreements would deepen bilateral cooperation, be in line with WTO rules, not impose trade barriers and achieve a harmonised level of standardisation between partners.

Mutual recognition already exists to some extent in the EU-Japan EPA thanks to the agreement on the free flow of data [8] and the Green Alliance. [9] More recently, the Competitiveness Alliance[10] - launched at the 30th EU-Japan Summit in July 2025 - suggests further cooperation in a range of areas that could also benefit from mutual recognition, including:

- Critical minerals supply chains
- Critical and emerging technologies, including semiconductors
- Critical raw materials
- Energy
- Defence and space
- Research and innovation
- Digital

A harmonised approach in these areas would help to strengthen joint competitiveness and reduce strategic dependencies, as outlined in the Competitiveness Alliance.

2) Making full use of existing and future EU-Japan partnerships

The EU and Japan benefit from various frameworks that strengthen their relationship and ensure a level of cooperation, harmonisation and mutual recognition on certain issues. In addition to the EPA, these include the Digital Partnership [11] the Green Alliance, the Competitiveness Alliance, the Administrative Agreement on Cooperation in Critical Raw Materials Supply Chains[12] and the Memorandum of Understanding to reinforce cooperation across the battery value chain.[13]

However, some could benefit from greater development and implementation. First, the promotion of a more ambitious Digital Partnership through the swift launch of concrete joint initiatives and following up on their implementation would be welcomed by industries on both sides. JBCE calls for progress, for instance, on the EU-Japan Memorandum of Cooperation on Digital Identities and Trust Services[14] to implement Data Free Flow with Trust, and the launch of similar initiatives on AI, Data Governance and Data Spaces. Second, enhanced cooperation and clear initiatives under the Green Alliance would improve skills, promote good regulatory practices and facilitate cooperation between companies in both regions, while taking into account the interests of all relevant economic actors. Finally, JBCE is honoured to have been mentioned in the Competitiveness Alliance as a key player in conveying the views of Japanese industry to both economic blocs, but we believe that the

[8] EU and Japan conclude landmark deal on cross-border data flows at High-Level Economic Dialogue
[9] EU-Japan Green Alliance
[10] EU-Japan Summit 2025 Joint Statement
[11] EU-Japan Digital Partnership
[12] Administrative Agreement on Cooperation in Critical Raw Materials Supply Chains
[13] Memorandum of Understanding to reinforce cooperation across the battery value chain
[14] Japan-EU Memorandum of Cooperation on Digital Identities and Trust services to implement Data Free Flow with Trust

early presentation of a clear framework under this Alliance will facilitate exchanges and cooperation, as it links key initiatives such as Horizon Europe, the Digital Partnership, and Mutual Recognition, and serves as an integrated driver to advance them.[15]

JBCE welcomes the EU and Japan's commitment to conclude negotiations on Japan's association to the Horizon Europe Programme by the end of 2025. We believe that joining the Programme will pave the way for increased participation by Japanese companies in European research & innovation projects addressing global priorities such as climate, energy, mobility, digital, industry and space, and health, and will help push forward European innovation, competitiveness and economic security.

The EU-Japan EPA's procurement chapter (Chapter 10 + Annexes) already builds on WTO Agreement on Government Procurement rules, but it does not strongly promote non-price, qualitative, sustainability, or innovation-driven criteria. Most provisions remain neutral and procedural, leaving member-level interpretation wide open.

JBCE invites both parties to consider strengthening the EPA's public procurement chapter by clarifying Article 10.12 to actively encourage non-price criteria—such as life-cycle costing, innovation, environmental and social value, and quality—by explicitly referencing Life-Cycle Costing (LCC) methods, sustainability-oriented evaluation, and a definition of the 'most advantageous tender' aligned with the EU's MEAT approach (Most Economically Advantageous Tender).[16] Technical specifications under Article 10.9 could also be improved by allowing clear references to international sustainability standards and by confirming that performance-based requirements may integrate ESG and innovation outcomes. A joint EU–Japan Annex could provide practical guidance on sustainable and innovation procurement, listing sector-specific criteria, promoting R&D-oriented procedures, and standardising definitions and methodologies. Transparency rules in Article 10.8 would benefit from obligations to publish non-price criteria, their weightings, and ex-post evaluation explanations, supported by templates for LCC or sustainability-based assessments. Additionally, SME participation and innovation could be promoted by encouraging unbundling, phased procurement, and innovation partnerships, along with digital procurement platforms that disclose detailed criteria. Finally, procurement rules could be better aligned with the EPA's Sustainable Development Chapter by cross-referencing its commitments and encouraging public buyers to advance environmental, energy, and social objectives through their purchasing decisions.

[15] JBCE Statement on the Outcome of the 30th EU-Japan Summit
[16] MEAT: Directive 2014/24/EU on public procurement and most economically advantageous tender (MEAT) criteria

3) Common supply chain management challenges

Both Japan and the EU are advanced, industrial, trade-dependent economies with complex global value chains. This gives them a similar vulnerability profile. The main shared challenges fall into six high-impact categories.

Japan and the EU face a shared set of structural supply-chain vulnerabilities driven by heavy dependence on globally dispersed suppliers for critical materials, energy, semiconductors, and industrial components. Concentration of key inputs such as battery materials, rare earths, and advanced chips in a few countries heightens exposure to geopolitical tensions, export controls, and regulatory fragmentation linked to US–China competition. Both regions are also highly susceptible to climate-related and natural-disaster disruptions that interrupt production and logistics, while demographic ageing contributes to persistent labour shortages in manufacturing and transport.

The EU and Japan could jointly address these supply-chain vulnerabilities by coordinating diversification strategies for critical materials and semiconductors, including shared investment in trusted partners and alternative sources. They could expand cooperation on digital supply-chain visibility by developing interoperable data-sharing standards and jointly funding AI-enabled logistics platforms. Collaborative work on ESG reporting frameworks and sustainability traceability tools would reduce compliance burdens for firms operating in both markets. Joint resilience initiatives—such as shared stockpiles, emergency logistics protocols, and climate-adapted infrastructure planning—would strengthen preparedness for disruptions. Finally, deepening partnerships on workforce development and automation technologies would help both regions manage ageing labour pools while improving long-term competitiveness.

4) Common standards for supply chains between partners

Cooperation between the EU and Japan on global supply chains management is of the utmost importance to address strategic dependencies and systemic vulnerabilities in global supply chains by improving their resilience and reliability, particularly in the context of addressing risks related to non-market economies and unfair competition. This is a pledge that has been agreed on during the fifth EU-Japan High Level Economic Dialogue[17] (HLED) and reiterated during the sixth edition[18] of the HLED, showing the value of such cooperation, and the desire to keep an open and strong economy, all the while adapting to the global landscape. Furthermore, the mention of further cooperation with allies and like-minded partners, including G7 countries, portrays common concerns and the need to set common standards between partners that share values and rules on global supply chains, particularly

[17] 5th High-Level Economic Dialogue
[18] 6th High-Level Economic Dialogue

on the environment, responsible business conduct, climate change, cybersecurity, critical resources and energy supplies.

Such collaboration would be beneficial not only to European and Japanese economic operators, but also to the citizens of both blocs. This would also allow for greater collaboration with other external actors, allowing for access and exchange of resources, as long as common values and rules are respected.

5) Using non-price criteria in public procurement

To manage the so-called 'green premium' costs associated with sustainability and economic security, Japan and the EU should integrate non-price elements into industrial policy, public procurement and R&D support. As such, JBCE proposes a non-exhaustive set of non-price criteria that could be applicable to a wide range of sectors, understanding, however, that some of them might not be applicable to certain industries and that some might not be mentioned in the general set.

- Decarbonisation
- Circularity
    - Ensure recyclability and easy repair of products
    - Product made of used products or some of their contents
- Supply chain resilience
    - Diversification
    - Transparency
    - Trustworthiness
    - Reliability
- Responsible business conduct, in line with international standards
    - Due diligence
    - Environmental sustainability
    - Respect for human rights
- Alignment with global standards
    - United Nations
    - OECD
- Cybersecurity
    - EU-Japan Digital Partnership
    - Cybersecurity plan
- Data security
    - Based on the EU-Japan data adequacy decision
- Sustainable and energy-efficient industrial practices
- Energy system integration
- Quality of the goods and services
- Fitness for purpose of the proposal

- Potential supplier's relevant experience and performance history
- Flexibility of the proposal
    - Innovation
    - Adaptability over the lifecycle of the procurement

ABOUT JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 110 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, pharmaceuticals, textiles, and glass products.

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