

**Recommendations  
of the  
EU-Japan Business Round Table  
to the Leaders of the European Union and Japan**

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**Working Party 1.  
Trade Relations; Investment and Regulatory Cooperation; Financial  
Services; Accounting and Taxation.**

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## Executive Summary

### Highlights:

- Recommendation to establish a comprehensive and multifaceted cooperation between the EU and Japan on a wide range of industrial, competition and trade policy areas, under the leadership of EU and Japanese relevant Authorities and Ministers to:
  - Build a common philosophy on competitiveness and economic security.
  - Further develop concrete initiatives to enhance competitiveness and economic security based on existing EU-Japan cooperation frameworks.
  - Promote collaboration to ensure fair markets (development and application of common criteria for non-price factors in both markets) and to secure critical minerals, to respond in a coordinated manner to dependence on specific regions and geopolitical risks.
  - Encourage cooperation in a wider range of industrial policy areas, including Japan's participation as an Associated Country to Horizon Europe, and strengthen cooperation in specific policy and industrial areas, such as start-up policy and defence industry development measures.
  - Establish policy dialogue between EU and Japanese competition authorities on the review of competition policy in the EU, as set out in the Draghi Report, with a view to harmonising policies between the two regions etc.
- Proposal for an ambitious multilateral trade agenda for the next WTO Ministerial Conference.
- Recommendations for further harmonisation of legislations and standards between the EU and Japan.

### Updates from last year:

- In this proposal, based on the following elements:
  - The new Commission started its new five-year term on 1<sup>st</sup> December 2024, with – in particular - a strong focus on strengthening competitiveness,
  - The ever-increasing importance in Japan to transition from deflation, and in particular to strengthen competitiveness in the green and digital sectors,
  - Strengthening competitiveness remains a common EU-Japan issue,
  - Economic security is the cornerstone of the joint EU-Japan pillar in the discussion regarding economic and industrial policy,The new main recommendation is to establish a comprehensive and multifaceted cooperation in policies related to competitiveness in order for the two regions to reinforce their economic relations and jointly create economic prosperity.

## Foreword

As partners who share values and principles, and as economic partners with strong trade and investment relations based on the Economic Partnership Agreement (EPA), it is important for Japan and the EU to further develop cooperation in the fields of competitiveness and economic security.

The world is experiencing growing geopolitical tensions, including the situation in Ukraine and conflicts in the Middle East. Policymakers and business leaders are increasingly aware of the risks associated with supply chains located in certain countries and regions. Economic security has become an important common pillar between the EU and Japan in discussions on economic and industrial policy.

In the U.S., the second Trump administration, which took office on 20 January 2025, set out a policy of reinvigorating trade policy in a memorandum entitled 'America First Trade Policy'. The policy includes investigating the large trade deficit and considering additional tariffs as a remedial measure, and also mentions a review of free trade agreements.

Against this backdrop, the five-year mandate of the new European Commission began on 1<sup>st</sup> December 2024. Led by Commission President Ursula von der Leyen, the Commission is expected to implement an integrated and comprehensive approach to competitiveness across the areas of industrial, competition, and trade policy, as set out in Mario Draghi's report on 'The Future of European Competitiveness', published in September 2024. A 'Competitiveness Compass' was presented by the European Commission on 29<sup>th</sup> January, comprising three pillars: closing the innovation gap with the U.S. and China, a joint plan for decarbonisation and competitiveness, and increasing security and reducing dependencies.

In Japan, the long period of deflation that has persisted since the 1990s has come to an end, wage increases are at their highest level in almost 30 years and corporate capital investment is high. The Japanese Government is required to manage its policies in such a way as to create a 'Growth-Oriented Economy Driven by Wage Increases and Investment', so that the Japanese economy never falls back into deflation. For the industry, this is the first opportunity in 30 years to secure competitiveness through GX (Green Transformation) and DX (Digital Transformation) in a 'virtuous cycle of wages and prices' and a 'virtuous cycle of growth and distribution', and to enter a new stage of growth at a critical time.

In addition to the EPA, Japan and the EU already have an excellent track record of political cooperation based on the Industrial Policy Dialogue, the Green Alliance and the Digital Partnership. As the competitive environment and geopolitical developments affecting both players and the regions in which they are located become increasingly challenging, it is important to establish a more comprehensive and all-round cooperation on competitiveness and to develop existing initiatives further, so that Japan and the EU build stronger economic relations and jointly create economic prosperity.

Based on this recognition, Working Party 1 (WP1) proposes the establishment of a comprehensive and all-encompassing cooperative relationship in the wide-ranging areas such as industrial policy, competition policy, and trade policy (competitiveness angle). The following points, under the leadership of EU and Japanese leaders and relevant Ministers (as detailed in the EJ to EJ proposal), would be included:

- Build a common philosophy on competitiveness and economic security to realise the common interests of the EU and Japan.
- Further develop concrete initiatives to enhance competitiveness and economic security based on EU-Japan cooperation frameworks, such as the EPA, the High-Level Economic Dialogue, the Industrial Policy Dialogue, the Green Alliance and the Digital Partnership.
- Promote collaboration to ensure fair markets (development and application of common criteria for non-price factors in both markets) and to secure critical minerals, in order to respond in a coordinated manner to dependence on specific regions and geopolitical risks.
- Encourage cooperation in a wider range of industrial policy areas, including Japan's participation as an Associated Country in the EU's research and development programme Horizon Europe, and strengthen cooperation in specific policy and industrial areas, such as start-up policy and defence industry development measures.
- Establish policy dialogue between EU and Japanese competition authorities on the review of competition policy in the EU, as set out in the Draghi Report, with a view to harmonising policies between the two regions.

In order to deepen cooperation between Japan and the EU, it is important to harmonise regulations and rules and to promote the construction of cross-border supply chains, investment, research and development, etc. by companies operating in both regions. In the E to J and J to E parts, we will detail the recommendations from the industries of both Japan and the EU regarding regulations and rules.

For the rating of priority issues in the text below, a single star (\*) indicates an 'important' recommendation. (e.g. WP 1/ # 01\* / EJ to EJ)

## Recommendations from both European and Japanese industries

### **WP-1 / # 01\* / EJ to EJ Establishment of a comprehensive EU-Japan cooperation framework on competitiveness**

With a view to enhancing industrial competitiveness and strengthening economic security, the EU-Japan partnership should be taken to the next level, including by deepening the cooperation developed under the EU-Japan EPA and other frameworks. In particular, deeper EU-Japan cooperation is needed in the integrated promotion of industrial, competition and trade policies in order to strengthen innovation creation, facilitate green transitions and digital transformation, and address geopolitical risks. On the basis of these challenges, the BRT recommends the creation of a new, comprehensive cooperation framework to enhance competitiveness. Within this framework, cooperation should be pursued under the leadership of the EU and Japanese leaders as well as relevant Ministers.

### ***Further initiatives for economic security and building resilient supply chains based on high-level economic and industrial policy dialogues***

The BRT calls on the EU and Japanese authorities to:

- Develop further initiatives based on frameworks such as the “Transparent, Resilient and Sustainable Supply Chains Initiative” agreed at the EU-Japan High-Level Economic Dialogue on 2<sup>nd</sup> May 2024 and the “Task Force on Supply Chain Monitoring and Industrial Policy Coordination” established at the 25<sup>th</sup> EU-Japan Industrial Policy Dialogue on 21<sup>st</sup> February 2024. The European Commission and the Government of Japan should further develop initiatives based on frameworks such as the Task Force, and foster common understandings and principles in the field of economic security and the creation of robust supply chains, while also producing concrete policy results.
- Hold, in particular, deeper discussions on specific areas and criteria to develop common principles between the EU and Japan on supply chains (e.g. the development of common criteria for non-price factors in both markets) applicable in various industrial and trade policies.
- Push initiatives between the two actors which should form the basis of an international framework, starting with the G7.
- Ensure, at the same time, that the promotion of these initiatives would be the subject of an in-depth dialogue with Japanese and EU industry representatives, including BRT members, the Japan Business Council in Europe (JBCE) and the European Business Council (EBC).

The BRT believes that:

- In the face of increasing geopolitical risks, Japan and the EU should reduce the risk of dependence on supply chains located in certain countries and regions in order to ensure economic security. At the same time, maintaining and

strengthening a trade regime based on the rule of law, with the WTO at its core, is the cornerstone of both actors' economic development.

- Based on this understanding, it is important to develop common principles (common criteria for non-price factors in both markets) based on shared values such as resilience, transparency, diversity, safety, sustainability and trust and to apply these principles to various industrial and trade policies. It is important to create a fair market environment that is not solely influenced by price factors and to build robust supply chains.
- Given the importance of securing a diverse range of export and import partners under the free trade system, Japan and the EU should also continue their efforts to expand the number of member countries and regions and the range of products covered by WTO agreements (such as the Information Technology Agreement (ITA)).

### ***Deepening the Green Alliance***

The BRT calls on the EU and Japanese authorities to:

- Accelerate further cooperation between the EU and Japan in areas such as energy transition (renewable energy, hydrogen, CCUS, etc.), environmental protection (resource recycling, biodiversity, etc.) and research and development, in line with the Green Alliance between the EU and Japan based on the May 2021 EU-Japan Summit Agreement.
- Accelerate further, in particular, cooperation on supply and demand policies in the field of clean energy, including wind, solar and hydrogen, based on the EU-Japan Memorandum of Understanding on cooperation on hydrogen signed in December 2022, and the agreement reached at the Japan-EU Energy Ministerial and Hydrogen High-level Business Forum in 2024.
- Accelerate EU-Japan collaboration in the EU-Japan Clean Energy Industrial Policy Dialogue, established in the agreement reached at the EU-Japan Energy Ministerial Meeting. Especially, in the clean energy sector, which is key to realising the energy transition, it is crucial to address dependencies and vulnerabilities with regard to supply sources and supply chains, and to ensure a level playing field in this sector; it is important that non-price factors such as the principles of resilience, transparency, diversity, safety, sustainability and reliability are properly assessed in supply and demand policies, where appropriate, to ensure fair competition in this field.
- Work closely together with the EU and Japan to further align their objectives such as the setting of carbon prices and specific methods for calculating greenhouse gas emissions, in order to steadily promote decarbonisation without placing excessive burdens on companies in either region due to system incompatibilities, as the obligation to purchase certificates under the EU's Carbon Border Adjustment Mechanism (CBAM) begins in January 2026 and Japan also begins to consider introducing an emissions trading system. The harmonisation of carbon pricing policies between Japan and the EU is essential to reap the benefits of industrial decarbonisation efforts.
- Furthermore, work together and harmonise their related policies, regulations and standards in each area, as the various recycling policies in Japan and the circular



economy policies in the EU (e.g. Batteries Regulation, Ecodesign Regulation, draft ELV Regulation, Packaging and Packaging Waste Regulation, etc.) progress. With the promotion of recycling critical raw materials and plastics recycling becoming important issues in both Japan and the EU, and with corresponding legislations and policies being developed, it is extremely important to deepen the cooperation between the EU and Japan on circular economy policies.

### ***Deepening digital partnerships***

The BRT calls on the EU and Japanese authorities to:

- Deepen cooperation on common and important issues in the digital field, such as Data Free Flow with Trust (DFFT), the use of data spaces, semiconductor manufacturing, the development of submarine cable infrastructure, research and development of HPC/quantum computers, cyber security, 5G, Beyond 5G/6G, and Artificial Intelligence (AI), based on the EU-Japan Digital Partnership launched at the EU-Japan Summit in May 2022.
- Promote cross-border data flows and the utilisation of data spaces between Japan and the EU, which share common principles and values. It is important in various respects, including the realisation of a decarbonised and circular economy, ensuring the resilience of supply chains, and promoting innovation. There has already been progress in both the EU and Japan in the use of data spaces, DFFT and digital IDs, including the development of various data space policies and the Digital Product Passport (DPP) in the EU, and the development of initiatives to build data spaces in the field of storage batteries based on the Ouranos Ecosystem in Japan. Moving from policy cooperation to innovation, technical demonstrators and small pilots, done with and by the industry, are seen as best approach in showcasing the value of cross-border data flows.
- Create opportunities for dialogue, such as workshops involving public and private stakeholders from both Japan and the EU, with the aim of accelerating cooperation by identifying specific use case areas as well as standards and data spaces that require action to ensure interoperability.
- Ensure that the EPA is continuously updated. The BRT praises the entry into force on 1<sup>st</sup> July 2024 of the Protocol amending the EPA on cross-border data flows. However, it should be continuously updated to include non-discriminatory treatment of digital products to promote digital trade. In addition to software source code, requirements relating to the transfer or disclosure of, or access to, an algorithm expressed in the source code should also be prohibited.
- Deepen cooperation between the two players, related organisations and experts, to ensure the harmonisation of cyber security related systems and standards in the future. Ensuring cyber security in workplaces and IoT (Internet of Things) products is a common challenge for Japan and the EU. In Japan, initiatives such as the IoT Cyber Security Labelling System are being promoted, while in the EU, the development of systems based on the Cyber Security Act/Cyber Resilience Act and various standards is progressing.
- Deepen cooperation between the two players, related organisations and experts, as policy cooperation and the harmonisation of related standards between Japan and the EU are essential to establish international AI governance and to ensure

international interoperability in the use of AI. Various initiatives are also underway in the field of AI, including consideration of AI legislation development and the establishment of the AI Safety Institute in Japan, the enactment of the AI Act, the development of related standards and the establishment of the European Commission's AI Office.

### ***Deepening R&D cooperation in Horizon Europe and Digital Europe***

The BRT calls on the EU and Japanese authorities to:

- Work together to create and implement innovation in industry and society including from the perspective of economic security, which is highly important for Japan and the EU, who share common values and principles. Accelerating innovation in cutting-edge fields such as digital and cleantech and closing the innovation gap with the global front runners is a common challenge for Japan and the EU. The newly established EU-Japan Enhanced Dialogue on Advanced Materials could play a useful role in meeting this challenge.
- Conclude the negotiations started in December 2024 on an agreement on Japan's association to Horizon Europe, which will allow companies and researchers from universities and research institutions to directly participate in projects under Horizon Europe and to work with partners in the EU and in other associated countries.
- Deepen the cooperation between EU and Japan in other EU R&D programmes such as Digital Europe. In order to promote EU-Japan R&D cooperation in key and sensitive economic and security technology areas, it is extremely important not only to cooperate under Horizon Europe but also in Digital Europe projects.

### ***Achieve comprehensive policy coordination on competitiveness***

The BRT calls on the EU and Japanese authorities to:

- Coordinate broaden policy in all areas of industrial, competition and trade policy. To achieve comprehensive cooperation on competitiveness-related policies, this is necessary for Japan and the EU in addition to further develop existing initiatives such as the High-Level Economic Dialogue, the Green Alliance and the Digital Partnership, and to deepen cooperation in the field of research and development.
- Implement, for example, new initiatives such as the strengthening of innovation ecosystem links between Japan and the EU through coordinated start-up policies and building cooperation to strengthen the competitiveness of the defence industry, which is a common challenge for Japan and the EU.
- Establish a deeper dialogue between the EU and Japanese competition policy authorities on the review of the EU's competition policy indicated in the Draghi Report. This will promote the harmonisation of competition policy between Japan and the EU, which are important economic partners and are active in mutual investment and the establishment of business partnerships.



## **WP-1 / # 02\* / EJ to EJ Proposals for an ambitious multilateral trade agenda for the next WTO Ministerial Conference**

The EU and Japan support the strengthening and reform of the WTO in the context of rising trade tensions, growing protectionism and the current geopolitical crisis, which is causing widespread disruption to the international order. Together with other WTO members, the EU and Japan should reinvigorate global economic activity and promote further liberalisation by safeguarding the WTO's core system as the guardian of the multilateral trading system and the values of the WTO agreements as the cornerstone of fair rules to maintain the order of world trade and ensure the mobility of people, capital, products and services. To this end, the WTO and its members must address concerns about trade and globalisation, ensure the relevance of the multilateral trading system, and continue to promote reforms to better address current and future challenges.

The BRT therefore welcomes the adoption of the Ministerial Decisions and Declaration at the 13<sup>th</sup> WTO Ministerial Conference (MC13) in Abu Dhabi, which concluded on 2<sup>nd</sup> March 2024, and looks forward to the 14<sup>th</sup> Ministerial Conference to be held in Cameroon, in 2026.

### The BRT calls on the EU and Japanese authorities to:

- Concentrate their efforts towards incorporating a ban on the imposition of tariffs on electronic transmissions, which is included in the WTO Joint Statement initiative on electronic commerce released on 26<sup>th</sup> July 2024, formally into the WTO legal framework. Noting that the core of technological innovation and the digital economy lies in the non-imposition of tariffs on electronic transmissions, the BRT agrees that the WTO tariff moratorium on electronic transmissions should be extended and made permanent. The WTO should not become a forum for recognising the principle of tariff increases in trade in services.
- Encourage the WTO Joint Statement Initiatives on E-Commerce to continue discussions to ensure the free flow of data across borders with minimal exceptional measures and the prohibition of data localisation requirements, in particular the use or location of computing facilities on the territory of a jurisdiction as a condition for doing business in a region, the prohibition of requirements for disclosure of source codes, algorithms and propriety information related to cryptography, the non-discriminatory treatment of digital products to promote digital trade and to protect the fairness of digital contents.
- Seek to avoid the continued abandonment of intellectual property protection for novel COVID-19-related therapeutics and diagnostics. On a more general note, preserving existing multilateral rules in the area of intellectual property through the TRIPS Agreement, is key to support innovation and competitiveness.
- Call for the need to safeguard a functioning dispute settlement system, an essential pillar of the WTO. Particular attention should be paid towards addressing the current impasse at the WTO Appellate Body and ensuring effective and binding solution for the Appellate Body. The BRT urges the two authorities, in line with their commitment at the 13<sup>th</sup> WTO Ministerial Conference to hold discussions with a view to establishing a comprehensive and effective dispute settlement system

accessible to all members, and invites them to accelerate the work towards the 14<sup>th</sup> Ministerial Conference. The BRT also welcomes Japan's participation in the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) since March 2023. The BRT calls on both authorities to ensure that an interim multilateral dispute settlement framework such as the MPIA is effective until a comprehensive and effective dispute settlement system accessible to all Members is established.

- Reaffirm the importance of a market-oriented trade environment. On WTO reform, the BRT supports the revival of trilateral cooperation between the U.S., the EU and Japan, especially on efforts to strengthen WTO rules and improve compliance with notification requirements on industry subsidies and technology transfers, and ensures that all WTO members contribute in accordance with their real economic strength. The BRT also supports the elaboration of rules on the trade aspects of e-commerce.
- Explore other items essential for the smooth functioning of global value chains in cooperation with other WTO members. These include, for example, industrial subsidies, green subsidies, the reduction of export restrictions, investment (facilitation) and competition. In addition, the EU and Japan need to establish an export compliance framework that creates a level playing field and reduces business uncertainty.
- Strive towards achieving tangible progress in discussions on the climate and environment sectors, such as through the Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade and the Fossil Fuel Subsidy Reform.
- Support the integration into the WTO legal framework of the now concluded Investment Facilitation for Development Agreement. This is a critical agreement that will ultimately benefit all WTO members. It already brings together more than 110 WTO members – the majority of which are developing countries – and contributes to a more transparent, efficient and sustainable investment environment, with strong capacity building elements.
- Implement in full the Disciplines on Services Domestic Regulation made legally binding at MC13 in Abu Dhabi for more than 50 countries in all relevant domestic legislation in the EU and in Japan to further improve transparency and ease of trade in services trade and investment. Encourage the full implementation of the Reference Paper by all signatories, for instance by establishing a notification system to the WTO Secretariat. Encourage other WTO countries to join the initiative. This is an agreement that shall benefit all WTO Members.
- Similarly, find a solution to incorporate the Agreement on E-Commerce, which was reached on, 26<sup>th</sup> July 2024, into the WTO core rules. The finalisation of this agreement, jointly hosted by Japan, Australia and Singapore, is an important step for global digital trade rules. The incorporation of these new global rules will be a crucial phase for the credibility of the WTO. In particular, this agreement is commercially meaningful for businesses as they will have to face fewer diverging rules in implementing e-signatures, e-authentication, e-contracts, paperless trading, etc.; and because the moratorium on customs duties on electronic transmission will be permanent for the signatories.
- Lead discussions on the further expansion of the scope and on participating members and regions of the ITA, as agreed in December 2015, in view of the current global situation, the supply chain disruptions caused by the COVID-19 pandemic and the ongoing geopolitical crisis. The ITA plays an important role in

maintaining and sustaining negotiations multilaterally in the face of difficulties in reaching consensus among all WTO members. Furthermore, the expansion of the ITA should enable Japanese and EU citizens to benefit from evolving IoT technologies and DX, including AI.

BRT believes that:

- The 14<sup>th</sup> WTO Ministerial Conference will be pivotal in reaffirming the benefits of a rules-based multilateral trade regime. The meeting should produce a series of multilateral outcomes that will enable governments and businesses to use modern and effective trade rules. At the same time, the next Ministerial Conference should be accompanied by discussions on WTO reform to continue to deliver concrete results in the future.
- On e-commerce, the upcoming Ministerial Conference should seek to resume negotiation towards more ambitious, comprehensive and commercially meaningful outcomes. It should also encourage the U.S., and other countries or regions that either withdrawn their support or have not yet expressed support in the joint statement issued on 26<sup>th</sup> of July 2024, to resume discussions. The BRT believes that the EU and Japan, who have achieved meaningful progress on free cross-border data flow and amended related articles of the Japan-EU EPA, can encourage WTO members to move toward a higher level of commitment. Incorporating the value chain perspective when negotiating the liberalisation of goods and services under the auspices of the WTO is critical. This will effectively ensure a real impact, as global value chains play an increasingly important role in international trade. Liberalisation should also include environmental goods related to the Environmental Goods Agreement (EGA), provided that it does not unfairly discriminate between products and sectors, and extend these talks to environmental services, which are crucial to fight pollution and climate change.
- Strong IP rules are fundamental for investments in R&D, delivering innovations that help address current and future challenges, including in the health sector and the green transition. Supporting the TRIPS framework is critical in this respect.

**WP-1 / # 03\* / EJ to EJ Harmonisation of legislations and standards**

Regulatory cooperation is key to the economic prosperity of the EU and Japan. Harmonising legislations and related standards in both jurisdictions will facilitate the connection of supply chains around common values and principles, resulting not only in economic benefits but also in the creation of resilient supply chains. The creation by Japan and the EU of a favourable business environment based on harmonised rules will also form the basis for other bilateral and multilateral relations.

***General recommendations***

The BRT calls on the EU and Japanese authorities to:

- Continue to aim for harmonisation of legislations and standards on the basis of the EPA, and for the EU-Japan Regulatory Cooperation Committee under the EPA to

identify issues related to harmonisation of legislations and standards and for both jurisdictions to take concrete action on these issues.

- Deepen dialogue on legislations and standards through various channels. Outside of the EPA framework, there are various frameworks for dialogue between Japanese and EU policy authorities (e.g. industrial policy dialogue, ICT policy dialogue, energy policy dialogue, etc.).
- Further extend and deepen the Japan-EU Mutual Recognition Agreement (MRA) on standards certification. This is expected to help reduce costs, improve market access and promote trade for companies on both sides. The BRT notes that the current MRA for telecommunications merely allows testing to be conducted in accordance with the legislations of one partner within the other partner's region, rather than providing full mutual recognition of certifications. This limitation should be addressed immediately.
- Ensure that a wide range of industry representatives, such as the BRT, JBCE and EBC, have the opportunity to provide input for the harmonisation of legislations and standards, through regulatory cooperation under the EPA, various policy dialogues and the use of MRAs. In order to prevent the adoption of policies that could create barriers to trade and investment, it is important to understand the potential impact of new regulatory developments on domestic and foreign businesses.
- Make efforts to include the exchange of information between standardisation bodies, allow mutual observer participation in various committees, and develop the cooperative relationship between JISC and CEN/CENELEC that has been fostered so far. Cooperation between Japanese and EU standardisation bodies is extremely important for the harmonisation of legislations and standards.

### ***Harmonisation of legislations and standards in new green/digital regulatory areas***

In the EU, a number of new legislations and directives have been drafted in the green and digital sectors over the past five years under the first term of Commission President Ursula von der Leyen: decarbonisation policies under Fit for 55, circular policies such as the Battery Regulation and the EcoDesign Regulation, Corporate Sustainability policies such as the Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive, and new regulations such as the AI Act, the Data Act and the Cyber Resilience Act will have a significant impact not only on EU companies, but also on Japanese companies operating in the EU. In Japan, various policies and standards, including policies not necessarily based on hard law, are being drafted and private consortia and other activities are underway in similar areas.

The harmonisation of policy content and relevant standards between the EU and Japan in these new regulatory areas is a decisive factor for the further development of EU-Japan relations.

#### **The BRT calls on the EU and Japanese authorities to:**

- Work to coordinate and harmonise between policymaking authorities and between standardisation bodies in policies and related standards in new regulatory areas, in particular,

- Definitions and standards for product decarbonisation requirements, including carbon footprint-related standards.
- Definitions and standards related to carbon emissions from factories and business premises.
- Definitions and standards related to product durability and repairability.
- Policies and relevant standards on recycling of critical raw materials.
- Policies and relevant standards related to plastics recycling.
- Content of disclosure standards on sustainability disclosures (including standards for third countries).
- The state of value chain analysis on human rights due diligence (including alignment with double materiality assessment in disclosures).
- Consistency between horizontal due diligence across entities and due diligence by individual product (e.g. Battery Regulation).
- The state of PFAS Regulation.
- Definitions and standards for AI regulation.
- Definitions and standards for data.
- Standards relevant to the Digital Product Passport.
- Standards for cyber security.

The incompatibility of policies and related standards in these areas between the EU and Japan will not only increase the burden on companies operating in both jurisdictions, but will also have a negative impact on the economic development of the two authorities and the establishment of robust supply chains.

### ***Setting common chemical legislations.***

The BRT calls on the EU and Japanese authorities to:

- Harmonise further legal system in the field of chemical legislation.
- Establish, in particular, a common list of hazardous substances and a common approach to data assessment and sharing, as well as a hazard classification.
- As an initial step, if full recognition is not feasible, consider allowing partial use of test results as supporting documents for the registration process. Establish a system to accredit test results carried out in either the EU or Japan as having been carried out in the other, for example using the International Laboratory Accreditation Cooperation (ILAC), as a first step towards full accreditation.

The BRT believes that:

- A common regulatory environment will not only benefit industry through reduced costs, but also users and consumers through lower prices and consistent protection.
- Before unilaterally announcing a legislation, the EU and Japanese authorities should implement an appropriate public consultation process to finalise the legislation, based on a multi-stakeholder approach.



### ***Common automotive standards***

The BRT calls on the EU and Japanese authorities to:

- Extend the benefits of mutual recognition globally to accelerate the adoption of UN standards to reduce the burden of regulatory compliance for vehicle exports for the EU and Japan.
- Cooperate to establish internationally harmonised technical requirements and testing procedures and lead the creation of an international standards and interoperability framework to facilitate the smooth market introduction of environmentally friendly and safe vehicle technologies, such as electric, fuel cell vehicles, carbon-neutral fuels, automated driving technology and connected car technology.

### ***Ensuring mutuality of accreditation and certification bodies***

The BRT calls on the EU and Japanese authorities to:

- Utilise internationally recognised international standards, such as the ILAC and the International Accreditation Forum (IAF), which are mutual recognition systems between accreditation bodies in EU-Japan MRAs, to approve inspection reports and certificates for both sides, without double inspection and certification for the EU and Japan.
- Promote mutual recognition in both the EU and Japan by using appropriate incentives, standardised testing methods and standards, and a common format for EU and Japanese environmental product declarations to promote the concept of resource and energy efficiency, cooperating with each other to ensure these policies are shared internationally, and based on the same testing methods and standards.
- Harmonise standards in the areas of materials recycling/reuse and energy recovery, as well as the export and import of recyclable materials, which are essential for both the EU and Japanese economies to become circular.
- Achieve the common standards in the supply chain by cooperation at multilateral level, using international standards and the ILAC system in the Japan-EU MRA, in order to promote international harmonisation of energy efficiency legislations, rules on related labelling, environmental and carbon footprint schemes, and traceability tools for information transfer in the supply chain.
- Achieve similar points in the digital sector (data distribution, cyber security, etc.), where various standards are expected to be developed in the future.



## **WP-1 / # 04\* / EJ to EJ Recommendations on the BEPS Action Plan**

The BRT supports the creation of an internationally fair tax framework and a level playing field; at the same time, the BRT believes that tax systems should be as simple and transparent as possible and should not place an undue administrative burden on businesses.

### ***BEPS Action Plan***

The BRT calls on the EU and Japanese authorities to:

- Ensure that the implementation of base erosion and profit shifting (BEPS) actions does not increase the administrative burden on businesses.
- Prevent unintended double taxation, as agreed by OECD/G20 countries in 2013. Building on the declaration to address tax issues arising from the digitalisation of the economy agreed by the 138 member states of the OECD/G20 Inclusive Framework on Tax Erosion and Profit Shifting, the EU should work with other OECD/G20 member states and regions to create a harmonised tax system.

## Recommendations from European industry to Japan

### **WP-1 / # 05\* / E to J      Harmonisation & mutual recognition of standards and product certifications; acceptance of international standards where applicable**

Industry still faces standards and products certifications that are not harmonised with international standards or regulations. Furthermore, some overseas approvals, despite having been issued in accordance with EN and/or ISO, are not recognised by the Japanese Authorities. This leads to delays in the introduction of innovative new products to the market and increases import costs. While accepting the need to safeguard consumer health and safety, the BRT urges Japan to promote the harmonisation of standards and certification procedures, the mutual recognition of product certification and, in areas where harmonised standards do not exist, the mutual approval of the import, sale or use of products that have been approved on the basis of functionally equivalent requirements, so that products certified for one market are automatically accepted in the other market. The EU-Japan EPA was a great catalyst for speeding up the harmonisation process in Japan, the BRT believes that this can continue to be achieved.

The BRT recommends the Japanese Government to place particular emphasis on:

#### Railways

Japan lacks a unified conformity assessment scheme, and does in principle not recognise overseas schemes or approvals. Consequently, this situation often necessitates the re-testing of products and services that have already been deemed safe in Europe. Although Japan does engage in international standardisation efforts, there are no clear indications that Japanese operators are actively implementing these standards or test methods.

There are some positive trends. JR East and JR West have announced that they will look into the possibility to jointly develop standards and approval schemes. The BRT views this development very positively, and hopes that other operators will undertake similar projects.

#### The BRT calls on Japan to:

- To be more involved in introducing a national system for conformity assessment and to encourage mutual recognition of testing and certification. The BRT believes that a working group led by the Japan authorities including both domestic and foreign companies from all railway-related sectors should be established.
- Support the trend set by JR East and JR West, and try to expand this to other operators too.
- Take extra care that standards and testing required by Japanese operators are communicated in a transparent manner so that European suppliers can meet and exceed these requirements.

- Should promote more off-the-shelf solutions instead of creating Japan specific solutions that are difficult to implement elsewhere.

The BRT believes that:

- A national testing scheme would lower the costs for suppliers and would at the same time make it easier for the authorities to make certain that railway related companies fulfil the proper safety requirements.

Processed food

While the EPA offers lower tariffs, the regulatory situation for companies still remains the same. This means that companies have to spend significant resources and money to fulfil requirements that are often unique to Japan.

The BRT calls on Japan in collaboration with the European authorities to:

- Recognise European approvals and test methods
- Harmonise with internationally approved food additives and enzymes
- Harmonise or mutual recognise regulations surrounding the need to test for radioactivity. We would like to note that the Europe decided to remove the need for radioactivity testing for products from Japan, while some products EU food products still have to be tested for the Japanese market.
- Make it possible to use alternative best-before-date formats if properly explained

The BRT believes that:

- With more recognition of European approval and test results, Japanese consumers will benefit from more and cheaper European products.

Electrical products

In Japan, compliance with the relevant legislation, often referred to as the Denan Act, is required for electrical products. Unfortunately, this legislation is rather intricate, lacks full harmonisation, and imposes significant administrative burdens.

The BRT calls on Japan to:

- Introduce more harmonisation with IEC standards.
- Simplify the legislation to provide clarity on the specific approvals required for individual products. For instance, requirements for lamp fixtures can differ depending on whether they are standalone or built-in types.
- Eliminate the requirement for paper duplicates and facilitate the use of digital certificates.
- Remove the need for katashiki no todoke

The BRT believes that:

- By recognising European approvals and test results to a greater extent, Japanese consumers will enjoy access to a wider range of European products at more affordable prices.

**WP-1 / #6\* / E to J                      Self-verification and risk assessment**

Risk assessment and self-verification become more and more common as production cycles become shorter. This in order to offer a way to shorten the time to introduce a product to the market and at the same time ensuring that proper responsibility is taken by companies. While self-verification is used in Japan too, government or third-party approval is still extensively used. Examples of products could be base stations, food contact materials, non-invasive medical equipment, electrical products etc.

The BRT calls on the Japanese Authorities to:

- Expand the use of self-verification while ensuring that proper care is taken to protect the safety of human life, as well as animals and plants.

**WP-1 / # 7\* / E to J                      Wind power**

The development of wind energy is essential for Japan to reach its CO2 emissions targets and to achieve net-zero emissions by 2050. Modern and cost-efficient wind turbines now contain sophisticated technology that works well with established power grids of all kinds, ranging from large transmission systems to isolated local grids. The 6<sup>th</sup> Strategic Energy Plan announced last year is the Japan's roadmap toward carbon neutrality by 2050. Under this plan, the renewable energy is regarded as the prime source of power and the government declared its commitment to prioritise the enhancement of the renewables. In this context, the government is targeting to make the renewables represent 36 – 38% of power generation by 2030 and to install 5.7 GW of offshore wind farms by 2030.

The BRT calls on the Japanese Authorities to:

- Implement a drastic reform on the offshore wind farm certification process. The current setup has been inducing lengthy and unpredictable process which serves as a bottleneck for earlier financial closure and subsequent COD.
  - Duration for certification: The certification process should be completed in 1 - 1.5 years which is typical in Europe. It currently takes 3 - 4 years in Japan
  - Language: English language should be allowed in all communications.
  - Document-based review process
  - Expand the use of international certifications and standards
- Japan should expand/upgrade the already-selected marshalling ports (Akita, Noshiro, Kashima and Kitakyushu) and/or develop additional marshalling ports and make them ready preferably by 2027 so that all or most of the round 2 and 3

projects would be able to start their offshore installation campaign from 2028 and to make the wind farms operational by 2030.

- Enable the use of foreign registered vessels, as well as foreign crew on said vessels for projects related to offshore wind.

### **WP-1 / # 8\* / E to J Automobiles**

*Kei* cars and other motor vehicles continue to be subject to different treatments in terms of tax, insurance and parking rules. Although METI and JAMA have suggested reducing the level of discrepancy in taxation to the order of 1:2, for the time being, the discrepancy in the base level of taxation of *kei* cars and subcompact cars at 1:3.3 remains unacceptably wide.

The BRT calls on the Japanese Authorities to:

- Put *kei* cars and other motor vehicles on the same fiscal and regulatory footing.

### **WP-1 / # 9\* / E to J Freight and logistics**

Further to the WP-1 / # 03 / EJ to EJ, the BRT recommends that Japan revises its AEO system to introduce real benefits for operators regardless of whether they are forwarders, customs brokers or importers. Furthermore, the administrative load needs to be lessened if companies are to be truly attracted to the AEO status.

The BRT calls on the Japanese Authorities to:

- Allow a bonded warehouse to act as a port of first entry with regard to products covered by quarantine related regulations.
- Promote Electronic Delivery Order for ocean freight
- Take the lead in trying to digitalise the logistics industry as currently many Japanese companies, including large companies, are still using fax and paper orders.
- Allow smartboxes to be part of the container. Only in Japan does this have to be declared as part of the cargo, hence they have to be declared for import.
- Make it possible to have more than 100 entries on import declarations.

The BRT believes that:

- A more seamless and flexible transport sector will have a positive impact on the general flow of trade and better facilitate the improved market access offered by the EPA.

### **WP-1 / #10 / E to J Equity compensation**

Narrow exemptions of securities registration and prospectus requirement in Japan is a major obstacle to the introduction of equity compensation plan by foreign companies, including EU companies, to its directors and employees residing in Japan. The

securities registration requirement leads to statutory disclosure requirement in Japan which is costly and burdensome for the EU company operating in Japan.

One of the current securities registration exemptions for equity compensation only applies to an EU company's 100% owned child or grandchild company while its other group companies are not eligible for the exemption. This issue is recently being considered for an amendment to expand its scope of application; however, it remains problematic that, with respect to foreign companies, this exemption is still interpreted as being available only to those companies whose shares are listed on Japanese stock exchanges. Other securities registration exemptions apply only if a plan is available for companies with less than 50 directors and employees in total.

These exemptions should be re-examined so that EU companies can attract, retain, and motivate its directors and employees in Japan more effectively.

The BRT calls on the Japanese Authorities to:

- Re-examine the exemptions of securities registration and prospectus requirement for equity compensation to allow more cases of EU companies in Japan to be exempt from securities registration and prospectus requirement in the case of equity compensation granted to its directors and employees in Japan.

The BRT believes that:

- Although they affect companies in all sectors, the current rules will affect digitalisation efforts as they make it hard for companies to recruit high-tech experts.

## **Recommendations on Industrial Chemicals**

**WP-1 / # 11 / E to J      English translations for issued regulations should be provided.**

There is currently a lack of translations of regulations issued by the Japanese authorities. This is an issue not only for European companies in Japan, but also for those domestic companies that may not be supported in a timely manner by European companies.

The BRT calls on the Japanese Authorities to:

- Provide English translations of all issued regulations from METI (Ministry of Economy, Trade, and Industry) and MHLW at the same time as, or shortly after, the announcement in Japanese.

The BRT believes that:

- Japan's regulating authorities should provide English translations of issued regulations, adapting to global practice and thereby enhancing Japan's presence in the world market.



**WP-1 / # 12 / E to J      Reference to CAS numbers in regulations for chemical substances should be provided.**

The BRT calls on the Japanese Authorities to:

- Indicate CAS (Chemical Abstract Services) numbers in addition to chemical compound names in regulations issued by authorities, as has become a global practice.

The BRT believes that:

- If METI and MHLW regulations would refer to Chemical Abstracts Service (CAS) numbers in addition to chemical compound names, risks of differing interpretations and varying degrees of regulatory compliance can be avoided. In addition, swift and accurate internal alignment of concerned companies could be ensured.

**WP-1 / #13 / E to J      Naming requirements for product labels of chemicals with the names used in Japanese law should be aligned.**

The BRT calls on the Japanese Authorities to:

- Revise the labelling requirement of the Poisonous and Deleterious Substance Control Law (PDSCL) to indicate chemicals in accordance with the naming used in Japanese law instead of stating the specific names of the included substance.

The BRT believes that:

- A harmonisation of the labelling requirement regulations (PDSCL, ISHL, and PRTR) to list the contained chemical “as regulated by the Japanese law” on the label would allow users to quickly assess the toxicity and regulatory relevance of the materials they handle.
- The discrepancies between naming in Japanese regulations and product labelling requirements pose a risk that substances are used without a clear understanding of the regulations they relate to. This should be avoided.

**WP-1 / #14 / E to J      Human resources**

Japan is experiencing a severe lack of labour. This is true both for blue- and white-collar workers. Unfortunately, due to demographic challenges there are few signs that this will improve in the short term or the long term. The BRT would therefore like to suggest some regulatory changes that could address some of the shortcomings.

The BRT calls on the Japanese Authorities to:

- Abolish the ban on day-labour dispatch. Currently, it is not possible to dispatch day workers due to the annual income requirement of five million yen.
- Introduce legislation to protect the human rights of sexual minorities. This would make Japan a more attractive labour market for overseas talents.
- Revise the rules and thresholds for when tax, health insurance, and pension payments to incentivise part-time workers to transition into full-time workers.
- Eliminate the requirement for “Disclosure of information on margin ratio of temporary staffing agencies by business location. This requirement could disincentivise staffing companies from investing in their dispatched workers, as greater investment in human capital can lead to higher margins on paper.
- Regarding the calculation of the employment rate of persons with disabilities, the number of both employees and employees with disabilities should be included in the companies which they are working for, rather than the dispatching employer.

The BRT believes that:

- Japan should explore all possible changes to address the labour shortage, which is one of the most significant obstacles for both domestic and foreign companies to continue thriving in the country.
- Promoting client companies to actively accept the employment of dispatched workers with disabilities while providing people with disabilities with diverse work options.

## Recommendations from Japanese industry to the EU

### WP-1 / # 15 / J to E The "three harmonisations" of the legislation and input from various stakeholders

#### ***Regulatory harmonisation (harmonisation between legislations, harmonisation between Member States, harmonisation within and outside the EU)***

##### The BRT calls on the EU authorities to:

- Promote the harmonisation of legislations from three perspectives, to further stimulate investment from Japan, a like-minded country that shares values and principles, and to deepen supply chain linkages.
  - Harmonisation between legislations: where different legislations have common policy objectives and concepts, ensure harmonisation of specific requirements for regulatory compliance, definitions of terms, etc. (e.g. harmonisation of the content of due diligence under the Corporate Sustainability Due Diligence Directive (CSDDD) and due diligence obligations under the Battery Regulation, harmonisation of value chain analysis under the Corporate Sustainability Reporting Directive (CSRD) and Chain of Activities analysis under the CSDDD, harmonisation of CO2 reporting on products and operations (Product Carbon Footprint Regulation (e.g. Battery Regulation, ESPR), reporting in CBAM, reporting based on CSRD, etc.)
  - Harmonisation between Member States: further harmonisation of legislations between Member States to lower compliance costs for companies and increase business predictability. In addition to the orientation towards common legislations and standards, the implementation of harmonised transposition methods for directives is strongly encouraged.
  - Harmonisation within and outside the EU: promote the harmonisation of legislations and standards within and outside the EU in order to strengthen cross-border supply chain links between like-minded countries and to make compliance costs reasonable for companies. In particular, when applying legislations to third-country companies (e.g. CSRD and CBAM), strictly pursue harmonisation of standards, norms and regulatory aspects with like-minded countries such as Japan. The EU and Japan should cooperate and mutually coordinate their legislations and standards, with the aim of establishing a system that is reasonable and effective for both authorities and industries.

##### The BRT believes that:

- In the EU, a number of new legislations and directives have been drafted in the green and digital sectors over the past five years under the first term of Commission President Ursula von der Leyen: various decarbonisation policies under "Fit for 55", circular economy policies such as the Battery Regulation and the Ecodesign Regulation, corporate sustainability policies such as CSRD and

CSDDD, and other legislations such as the AI Act, Data Act and Cyber Resilience Act have already had and will continue to have a significant impact on Japanese companies operating in the EU.

- There is concern that the fragmentation of legislations, as well as related secondary legislations and standards, without harmonisation between legislations, Member States and with third country legislations, will increase compliance costs and uncertainty for companies and hinder smooth investment and deeper supply chain linkages. It is key to pursue harmonisation of legislations from the above three perspectives.

### ***Clarification of interpretation and phased implementation of legislations***

The BRT calls on the EU authorities to:

- Provide clear interpretations of legislation and ensure an effective and efficient regulatory environment by publishing guidelines, FAQs, and other relevant materials well in advance of the application of legislation. If the preparation of such guidelines is delayed, consideration should be given to postponing the enforcement of legislations.
- Expand the approach of adjusting detailed provisions when implementing complex legislations. For example, the approach adopted for the Carbon Border Adjustment Mechanism (CBAM), where reporting obligations were introduced without the obligation to purchase certificates as a transitional measure, has proven highly effective. Such an approach should be extended to other legislations by establishing transition periods during which no penalties or other economic burdens are imposed when new rules are first applied.

The BRT believes that:

- Unnecessary compliance costs for businesses often arise due to unclear interpretations of legislation or over-compliance driven by fears of violating the law. To create a highly predictable, effective, and efficient regulatory environment, it is essential to clarify legal interpretations through comprehensive guidelines and FAQs. Additionally, considering that regulatory compliance often requires extensive time and effort, such as redesigning products or reorganising supply chains, ensuring sufficient advance notice is crucial.
- In particular, when introducing stringent new legislations that affect entire supply chains, unforeseen enforcement challenges are inevitable. However, if there are penalties or other economic burdens under the law, companies with high compliance awareness may incur substantial costs due to unnecessary over-compliance. To prevent such situations, the approach of introducing transition periods free from penalties or other associated economic burdens, as was done with CBAM, should be further expanded.

### ***Ensuring opportunities for input from all stakeholders***

The BRT calls on the EU authorities to:

- Collect information during the regulatory preparation phase, through calls for evidence and impact assessments, and from all stakeholders both upstream and downstream of the supply chain, in order to establish an effective and efficient regulatory environment, and to enable the above three harmonisation perspectives and clarification of legislations. In particular, when introducing opportunities for input through interviews, etc. with stakeholders, in addition to official processes such as public consultation as part of regulatory review, care should be taken to ensure that third-country companies are also given the opportunity to be fully heard.
- Conduct an additional Impact Assessment concerning the revised parts before the legislation is adopted, if significant changes are made to the content of the rules and directives during the three-way talks (trilogues). This will enable the feasibility and impact of the revised legislation to be confirmed, and legislators will be able to take the findings into account when voting on the revised legislation and considering the delegated acts or implementing acts, etc.
- Take full account of the contribution of Japan and Japanese-owned companies in the future enforcement and simplification of legislation in the EU.

### **WP-1 / # 16 / J to E Cooperation with Japan and like-minded countries on economic security standards**

The BRT calls on the EU authorities to:

- Cooperate closely with Japan on the development of economic security standards, in particular standards on non-price factors of products, which are to be developed in the future as part of the EU's economic security policy.
- Ensure that the views of Japanese industry are fully incorporated, and that the content contributes to deepening supply chain collaboration between Japan and the EU, when developing these standards.

The BRT believes that:

- Reducing excessive dependence on specific countries or regions for important products and raw materials and ensuring economic security is a common challenge for Japan and the EU. In the current discussions in Japan and the EU, as well as in the G7, there is a focus on policies that emphasise factors other than price (such as resilience, transparency, diversity, safety, sustainability and reliability) in public procurement and demand-side policies. It is essential that these standards are harmonised between Japan and the EU in order to deepen economic security policies and supply chain collaboration. In this regard, we strongly urge close cooperation between the Japanese and European authorities and opportunities for input from industry.

## WP-1 / # 17 / J to E Trade Policy

### ***Enhancing trade ties between like-minded countries***

The BRT calls on the EU authorities to:

- Take EU-Japan cooperation to the next level, including by deepening the cooperation developed under the EU-Japan EPA and other frameworks, in order to strengthen industrial competitiveness and economic security.

The BRT believes that:

- In the context of growing geopolitical risks, Japan and the EU should reduce the risk of supply chain dependence on certain countries and regions to ensure economic security. At the same time, maintaining and strengthening a trade regime based on the rule of law, with the WTO at its core, is a cornerstone of both actors' economic development.
- It is vital to enhance trade between the two entities for mutual benefit and enhance cooperation in this field to demonstrate to the world that dynamic trade between like-minded partners is for economic growth and that fragmentation and protectionism are not the answer.
- Given the importance of securing a diverse range of export and import partners under the free trade system, Japan and the EU should also continue their efforts to expand the number of member countries and regions and the range of products covered by WTO agreements (such as the Information Technology Agreement (ITA)).

### ***Trade policies affecting entire value chains***

The BRT calls on the EU authorities to:

- Consider, during the policymaking process, the regulatory impact \not only on business entities that are under the direct scope of the application of a legislation, but also on those located upstream/downstream and therefore indirectly affected by the legislation.
- Take measures to reduce the administrative burden on SMEs in the same supply chain to meet the demands of business entities that are required to comply with EU legislations.

The BRT believes that:

- EU legislations aimed at achieving decarbonisation, human rights and environmental protection and a circular economy (e.g., CBAM, EU Batteries Regulation, EU Deforestation-free Product Regulation, CSDDD, Forced Labour Product Ban Regulation etc.) have a wide scope from the beginning to the end of the value chain. They require business entities that are under the direct scope of application to cooperate with other business entities in the same value chain to collect the required information (e.g., carbon footprint, human rights protection,



geolocation of ingredients sourcing sites, etc). Therefore, the entities concerned by direct application, and other commercial entities in the same value chain, inevitably bear the cost of compliance with EU legislations.

- If the compliance cost is unendurable for any of the business entities (including SMEs) in the supply chain, they will be unable to continue supplying their products to the EU market, thereby undermining the benefits of EU-Japan trade.
- This is why it is essential to ensure proportionality between the benefits of these legislations and the compliance costs borne by each business operator in the same value chain, and to reduce the administrative burden, particularly for SMEs.

### ***Foreign Subsidies Regulation (FSR)***

The BRT calls on the EU authorities to:

- Implement the Foreign Subsidies Regulation (FSR) in a proportionate manner, maintaining the balance between the compliance costs and the risks generated by the financial contribution of foreign governments.
- Revise the FSR to increase thresholds (e.g., the in-scope turnover threshold for a business combination, the in-scope procurement value threshold, the thresholds for financial contributions that business entities must report, etc.) so as to tailor the scope of the FSR to be fit-for-purpose.
- Clarify the scope of the information that is not necessary for the examination of cases and allow more flexibility in terms of setting the reporting period (e.g., allow reporting based on financial year or quarter without requiring information for the last three years).

The BRT believes that:

- The FSR can only be an effective tool for ensuring a level playing field in the EU market if it is legislated and implemented in a way that is proportionate to the risks generated by the financial contribution.
- The FSR thresholds are below the adequate level and the scope is wider than necessary, raising concerns that business combinations and participation in public procurements for non-EU business entities will be hindered.

### **WP-1 / # 18 / J to E Achieve climate-neutrality**

#### ***Carbon Border Adjustment Mechanism (CBAM)***

The BRT calls on the EU authorities to:

- Harmonise CBAM as much as possible with carbon taxes in Japan and other countries to avoid unnecessary costs associated with companies having to adapt to different carbon tax regimes.
- Set appropriate default values through dialogue with third countries, including Japan.
- Ensure the mark-up included in the default values is not excessive.

- Carefully weigh the contribution to decarbonisation against the administrative burden of monitoring the entire upstream supply chain. Carefully consider the feasibility of compliance, given that products such as chemicals tend to have a long cross-border supply chain and may therefore be difficult to bring into compliance with the CBAM, if the scope is extended to other sectors or downstream products.
- Carry out an impact assessment to evaluate the feasibility and socio-economic and value chain impacts involved, in case of expansion to downstream products.
- Ensure that where commercially sensitive information must be disclosed, it can be provided to the authorities without fear of leakage.
- Determine the calculation method for assessing decarbonisation efforts appropriately (e.g. discretion in aggregation, shorter timeframe, etc.).
- Ensure the threshold to reduce the administrative burden, especially on SMEs.
- Ensure that the review of the CBAM is carried out regularly to assess its proportionality.

### ***F-gas Regulation***

The BRT calls on the EU authorities to:

- Conduct an impact assessment at an early stage, ahead of 2030 by consulting the industry on technical and safety matters that align with the details of the regulation, including the F-gas ban incorporated during the final stages of negotiation.
- Consider allowing the use of low-GWP refrigerants, such as HFOs, which may not be subject to potential future PFAS restrictions. Indeed, a separate legislative process under the REACH Regulation concerning PFAS substances is underway and could impose use restrictions on certain types of HFOs while potentially allowing exemptions for specific applications.

The BRT believes that:

- The use of flammable non-HFC alternatives cannot be considered a viable solution in all cases, systems, capacities, or installation conditions due to limitations such as refrigerant flow, restrictions on indoor and outdoor installations, and charge limits specified by standards for large single-split and multi-split systems. Fair and clear standards and processes are required to assess the safety risk associated with the use of flammable natural refrigerants, particularly in split-type air conditioners.
- Moreover, while the regulation aims to reduce greenhouse gas emissions, banning all F-gases, including low-GWP HFO refrigerants, does not necessarily contribute to this objective.

## WP-1 / # 19 / J to E Circular economy

### ***Battery Regulation***

The BRT calls on the EU authorities to:

- Address the following points regarding the calculation and verification of carbon footprints (CFP) for electric vehicle batteries:
  - Establish a charging cycle count that reflects the usage patterns of hybrid electric vehicles (HEVs), ensuring the legislation is technically justified and considers realistic operating conditions.
  - Limit the calculation scope of CO<sub>2</sub> emissions from battery transportation to the assembly stage at the vehicle factory, preventing products manufactured outside the EU from being disproportionately disadvantaged.
  - Protect the confidentiality of battery suppliers while streamlining the information provision process to avoid redundant data submissions.
  - Recognise the value of green power certificates and allow CFP values based on them, promoting sustainable energy investments.
- Ensure proper roll out of battery due diligence guidelines and implementation, as follows:
  - Provide clear guidance on how economic operators should proceed when reliable data from upstream supply chains is unavailable, particularly in the absence of direct contractual relationships or where influence is limited.
  - Define criteria that enable economic operators to fulfil their due diligence obligations in a transparent manner, reducing fears of sanctions.
  - Allow an adequate transition period for implementation to ensure alignment with the CS3D guidelines and international standards.

The BRT believes that:

- The calculation and verification of the CFP for electric vehicle batteries play a critical role in improving sustainability and achieving environmental goals. However, effective implementation requires careful consideration of the following:
  - Setting unrealistic charging cycle counts that fail to reflect HEV usage patterns may lead to inaccurate evaluations and place an undue burden on manufacturers. Realistic charging cycle settings are essential to ensure fairness and accuracy.
  - Limiting the transportation CO<sub>2</sub> calculation to the vehicle assembly stage helps prevent the undue disadvantage of products manufactured outside the EU, promoting fairness and international competitiveness. Moreover, clarifying the calculation method enhances transparency.
  - Streamlining the data provision process while protecting confidentiality strengthens trust between suppliers and manufacturers, improving regulatory compliance efficiency.
  - Failing to recognise green power certificates could slow down investments in sustainable energy. Allowing their use will support companies' environmental efforts and accelerate global energy transitions.
- Implementing and maintaining battery due diligence guidelines are vital for building

sustainable supply chains. However, the following points must be considered:

- Economic operators may face challenges in fulfilling due diligence obligations when reliable upstream data is unavailable. Clear alternative methods should be provided to prevent confusion.
- Ensuring transparency across the supply chain while respecting competition laws and protecting confidential information forms the basis of practical and fair regulatory operations.
- Economic operators must have sufficient preparation time to effectively implement the due diligence measures required by the Battery Regulation. Alignment with international standards and a sufficient grace period will ensure a smooth transition.

### ***End-of-Life Vehicle (ELV) Regulation***

The BRT calls on the EU authorities to:

- Establish flexible targets for recycled plastics, including post-industrial waste, to compensate for the insufficient supply of post-consumer recycled plastics.
- Include chemically recycled materials and a broader range of materials in the definition of "sustainable materials."
- Clarify the specific types of polymers in the recycled content requirements, limit the scope to recyclable plastics, and include the percentage of bio-based plastics in the calculation of targets.
- Allow manufacturers the possibility of implementing "dismantlability" requirements without compromising safety or vehicle performance, instead of making it a condition of certification.
- Harmonise methodologies and standards for calculating and verifying recycled content with non-EU regions, to ensure a level playing field for all economic operators.

The BRT believes that:

- Given the insufficient supply of post-consumer recycled plastics, it is necessary to adopt a flexible approach that includes post-industrial waste and chemically recycled materials. Additionally, achieving the targets requires an adequate transition period and economic support.
- Harmonising methods for calculating and certifying recycled content with non-EU regions ensures fairness for imported recycled materials and improves transparency across the supply chain.

### ***Ecodesign for Sustainable Products Regulation (ESPR)***

The BRT calls on the EU authorities to:

- Ensure transparency in the process of introducing specific requirements for each product group through secondary legislation, providing opportunities for all stakeholders to participate in discussions.
- Conduct impact assessments for each product group in advance and adopt a

phased approach to balance requirements and implementation costs.

- Evaluate and introduce requirements for durability, recyclability, and the use of recycled materials based on the characteristics of each product group.
- Distinguish between parts that consumers should handle and those that require professional repair services, ensuring safety in repairability requirements.
- Prioritise the introduction of recycling systems for intermediate products and appropriate collection and dismantling infrastructures.
- Address chemical substance regulations within the framework of existing laws (e.g., REACH and RoHS) to avoid regulatory overlap.
- Provide practical guidance documents and FAQs to enable economic operators to prepare appropriately for implementation.
- Align with international standards to facilitate the smooth global circulation of products.

The BRT believes that:

- A specific approach to each product group is essential to formulate appropriate and achievable requirements that take into account the characteristics of each product. This minimises disruption when legislations are introduced and avoids contradictions with existing laws, which could confuse industries and weaken competitiveness. A unified regulatory framework reduces the burden on businesses and fosters a sustainable regulatory environment.
- A horizontal approach could lead to a loss of flexibility depending on the characteristics and applications of individual products, potentially hindering innovation. For example:
  - Durability requirements must be carefully designed and their impact on the safety and the lifespan of a product must be taken into account.
  - Recyclability goals must take into account the complexity of product structures and materials.
  - Promoting the use of recycled materials should balance the stability of supply with environmental impact reduction and optimise targets for each product.
- Safety in repairability is directly tied to consumer protection. High-risk parts requiring specialised knowledge should have restricted access. Additionally, maintaining consistency with existing directives enhances the effectiveness and coherence of legislations.
- A one-size-fits-all approach to intermediate products is not feasible due to their diverse characteristics and uses. Specific standards based on product groups are necessary. The development of an adequate infrastructure and system is essential for efficient recycling and contributes to the circulation of resources.
- Providing clear guidance and FAQs helps to improve understanding of legislations and prevents misunderstandings between stakeholders. Alignment with international standards ensures that the legislations do not become barriers to international trade.



## ***Digital Product Passport (DPP)***

### The BRT calls on the EU authorities to:

- Clearly define that business operators implementing DPPs are excluded from certification schemes applicable to DPP service providers and explicitly outline the fundamental roles of DPP service providers.
- Establish minimal requirements for DPP implementation, distinguishing between mandatory and optional data. Broad supply chain data collection should remain optional, and the process should include streamlined registration fees and simplified procedures.
- Clarify the handling of confidential information, strengthen the protection of product performance data, and establish common security standards and access protocols.
- Provide governance frameworks and clear guidelines for DPPs.
- Ensure compatibility between DPPs and existing systems, allowing non-EU DPP service providers to participate.
- Guarantee mechanisms for seamless data migration in the event of service discontinuation.
- Provide a transition period of at least 24 months for DPP implementation, with adequate time to accommodate updates to data carriers and labelling processes.

### The BRT believes that:

- DPP service providers bear the responsibility of storing and processing data on behalf of business operators. Certification to ensure compliance with legal and regulatory standards is necessary to guarantee data security, reliability, and integrity. A unified certification scheme would also reduce the burden on businesses and service providers, ensuring consistency and fairness across the EU.
- Clear role definitions and standardised criteria simplify compliance and facilitate alignment with DPP standards in other regions. This ensures effective data collection throughout supply chains and avoids confusion among consumers.
- Excessive requirements may delay the integrity of data and impose undue burdens on economic operators. Simple and cost-effective data exchange processes support industry-wide adaptation.
- DPP data is closely linked to product performance data and requires careful handling. Transparent security guidelines build trust among stakeholders and enhance the safety and reliability of DPPs.
- Ensuring compatibility with existing systems reduces the migration burden on businesses. Making DPPs applicable to non-EU products maintains international competitiveness. Additionally, ensuring data continuity in case of system disruptions minimizes risks.
- Updating product labelling involves complex processes, such as design adjustments, production line changes, and material procurement, all of which require sufficient time. A well-considered timeline supports smooth implementation.



## ***Waste Transportation and Management Policies***

The BRT calls on the EU authorities to:

- Enhance cooperation with Japan in managing secondary raw materials, such as e-scrap and e-waste, to maximise the utilisation of valuable resources and recycling capacity.

The BRT believes that:

- Recycling capacity within the EU needs to be increased, and we need to take advantage of the recycling capacities of trading partners such as Japan. Indeed, estimates indicate that in 2022, the EU generated approximately 13 million tonnes of electronic waste, making it the highest per capita generator of e-waste globally.
- To achieve a circular economy within the EU, it is essential to facilitate the seamless transportation of valuable resources in and out of the EU, while ensuring effective recycling. The BRT envisions the establishment of a business environment where secondary raw materials such as e-scrap and e-waste, essential to the circular economy, can be transported across borders and recycled with minimal environmental impact. This requires collaboration between EU and non-EU businesses to achieve the EU's circular economy goals.

## **WP-1 / # 20 / J to E Chemicals Regulation**

### ***Chemical Substances Strategy for Sustainability (CSS)***

The BRT calls on the EU authorities to:

- Proceed with the revision of the REACH Regulation, as well as the planned simplification of REACH under the new chemicals industry package, based on appropriate risk evaluations (hazard x exposure) of chemical substances.
- Evaluate the health and environmental impacts of chemical substances used across multiple sectors accurately, considering exposure levels and usage volumes in each sector. Implement legislations under the overarching laws governing each sector.

The BRT believes that:

- Chemical substances are indispensable for all products and technologies. Banning or restricting substances solely based on hazard-centric evaluations risks eliminating numerous related products and technologies without alternative substances, causing significant societal harm.
- In the EU's Taxonomy Regulation, "pollution prevention and control" is an environmental goal, and the creation of a "list of substances of concern" aims to replace them with safer alternatives to reduce pollution. This approach could severely limit the production of essential substances for a sustainable society, which could be safely managed through proper risk assessment, potentially

excluding them from the market without scientific debate.

### ***REACH (Grouping Approach)***

The BRT calls on the EU authorities to:

- Revise the "grouping approach" being proposed and/or considered as a way forward to ban the production, marketing, and/or use of PFAS, microplastics, and other substances and apply instead legislations based on science-based risk assessments of individual substances.

The BRT believes that:

- Grouping similar substances for legislation might expedite evaluation, but grouping substances solely by chemical structure without considering individual properties (e.g. mode of action, metabolic pathways, chemical reaction products and physicochemical properties) and risks lacks scientific validity. This approach risks eliminating useful substances that can be safely utilised through proper risk management.
- Grouping legislations may exclude safer chemicals from the alternative candidates solely based on structural similarity.

### ***REACH (Polymer Registration)***

The BRT calls on the EU authorities to:

- Under the revision of the REACH Regulation, only require registration for polymers of concern (PoC) with potential risks to human health or the environment and exempt low-concern polymers (PLCs), in line with other international frameworks.
- Avoid duplicate registrations by abolishing the current monomer registration system for imported polymers if a new polymer registration system is introduced.

The BRT believes that:

- The EU should promote international harmonisation by introducing the concept of PLCs and establish scientifically valid and clear criteria for identifying them to exempt applicable polymers from registration requirements.
- The current monomer registration system for imported polymers imposes disproportionate burdens on extra-EU importer compared to intra-EU procurement. This creates an unfair system, particularly for formulators who rely on suppliers for monomer information, often leading to additional trade barriers.

### ***REACH (Generic Risk Management Approach)***

The BRT calls on the EU authorities to:

- Permit the use of such chemicals under safe conditions by ensuring a proper risk evaluation of the work environment, design-stage safety considerations, personal

protective equipment, and training measures, as part of expanding the Generic Risk Management Approach (GRA) to professional use.

- Establish a framework ensuring Member States conduct Regulatory Management Option Analysis (RMOAs) with consistent standards. This framework should secure detailed emission and exposure estimates during evaluation to ensure scientific consistency and reliability in legislations.

The BRT believes that:

- While the GRA may be effective for consumer use, expanding its application to professional use without appropriate evaluation risks unnecessary restrictions on the use of beneficial substances by trained professionals.
- Promoting sustainable, scientifically sound evaluation methods ensures fair and accurate risk assessments by all member states, enhancing international cooperation and regulatory effectiveness.

### ***REACH (Increased Hazard Data and Animal Testing)***

The BRT calls on the EU authorities to:

- Reconsider the increased hazard data requirements, including animal testing, under the integration of REACH registration for tonnage bands of 1–10 tons/year and 10–100 tons/year, while prioritising the reduction of burdens.

The BRT believes that:

- Increasing hazard data does not necessarily lead to better environmental or health protection and could disproportionately impact businesses in low-tonnage sectors.

### ***REACH (Data Sharing)***

The BRT calls on the EU authorities to:

- Promote international data-sharing initiatives by formulating rules or guidelines encouraging REACH registrants to share data with applicants from non-EU chemical regulations.

The BRT believes that:

- REACH has accumulated highly reliable chemical data, and the EU should take the initiative in promoting global data-sharing efforts.
- The absence of clear negotiation counterparts or cost-sharing rules has caused confusion in registrations under regulations like UK REACH, Turkey's KKDİK (Turkish REACH), and Taiwan's Toxic and Chemical Substances Control Act.

## ***CLP (Classification, Labelling and Packaging) Regulation***

The BRT calls on the EU authorities to:

- Exercise caution in adopting harmonised classifications under the CLP Regulation that lead to regulatory applications, especially for new hazard classes, until alignment with the UN GHS is confirmed to avoid supply chain disruptions.

The BRT believes that:

- New hazard classes (e.g. ED and PMT/vPvM) were introduced in the CLP Regulation before being adopted in the UN GHS. Discussions at the UN GHS level on their inclusion and classification criteria should conclude before EU legislations proceed.

## ***PFAS Regulations***

The BRT calls on the EU authorities to:

- Adopt a risk-based approach to chemical management, avoiding prohibitions solely based on substance-specific hazard evaluations.
- Confirm through a socioeconomic impact assessment not only the existence of substitutes as chemical substances, but also whether substitutes, including its service life, are possible on a final product basis, as the substitutes must meet the specifications (equal or better in performance and safety) of the original product.
- Provide exemptions for specialised uses, as there are limited alternatives to replace the multiple essential functions provided by PFAS.
- Consider additional exemptions for fluoropolymers with documented safety profiles.
- Adopt the "Repair as Produced" principle to secure safety assurance and stable supply, and take comprehensive exemption measures for repair parts to avoid unnecessary redesigns and increased waste generation.
- Extend the transition period from 18 months to at least 48–60 months to ensure adequate adaptation across industries.
- Establish a review clause allowing for extensions of exemptions after the initial derogation period.
- Develop reliable analytical methods for PFAS to enable proper regulatory enforcement.
- Engage stakeholders in discussions through a clearly defined process.
- Engage stakeholders in discussions on new restriction options for continued manufacture and use partially under consideration by the European Chemicals Agency.
- Further develop collaboration and cooperation with the Japanese government through the Industrial Policy Dialogue (Chemicals WG), considering the importance of Japan and the EU working together to address common issues related to PFAS, such as reducing emissions into the environment. In addition, actively engage in dialogue between the public and private sectors regarding regulatory compliance and the development of alternative products, given the extreme importance of promoting initiatives in line with a shared understanding

and awareness of issues between the public and private sectors.

The BRT believes that:

- The prohibition of chemicals should be based not only on their hazards but also on a balance of scientific risk assessment and socio-economic impacts.
- Restrictions solely based on persistence stifle future innovation and have a negative impact on the industry as a whole.
- Persistence alone does not constitute a hazard; it is often a desirable property for durability and functionality.
- Failing to provide exemptions for critical and irreplaceable uses could have significant social and supply chain repercussions.
- Exemptions for fluoropolymers are justified given their documented safety and stability.
- Exempting repair parts ensures product performance and reduces waste.
- Sufficient time is necessary for industries to adapt to restrictions.
- In order to achieve sustainable targets, there needs to be a mechanism that allows for extensions after the end of the exemption period.
- Reliable analytical methods are vital for enforcing broad PFAS restrictions.
- Stakeholder engagement is essential for practical and effective legislations.

***RoHS Directive***

The BRT calls on the EU authorities to:

- Concentrate resources under the "one substance, one assessment" policy, enabling streamlined evaluation of substances by a single entity such as the European Chemicals Agency (ECHA). For RoHS exemptions, consider not only the presence of hazardous elements in substitutes but also product safety during evaluations. Recruit and train personnel with expertise in product safety for this purpose.
- Prioritise the RoHS Directive for restricting hazardous substances and chemicals in electrical and electronic equipment, avoiding overlap with the REACH Regulation.

The BRT believes that:

- Misalignment between RoHS and REACH regulations risks creating confusion within the supply chain. Maintaining a coordinated approach is critical for effective regulation and efficient compliance.
- Evaluating RoHS exemptions requires expertise in product safety to ensure that substitutes do not compromise the safety or performance of products. Recruiting skilled personnel is necessary for informed decision-making.
- Duplicative regulation between RoHS and REACH can lead to inefficiencies and unnecessary burdens for businesses. Prioritising RoHS for its intended scope avoids redundancy.

## ***Nanomaterials***

The BRT calls on the EU authorities to:

- Evaluate the compliance of registration documents for nanoforms, taking into account that registrants may not have access to all necessary tools and knowledge, such as OECD test guidelines and grouping tools, as required under the REACH Annex.
- Consider international harmonisation when revising definitions of nanomaterials under relevant legislations, following the European Commission's recommendations on the definition of nanomaterials.

The BRT believes that:

- The evaluation methods and tools for nanoforms outlined in the REACH Annex are still under development. Flexibility in compliance assessments is necessary until these methods are fully established.
- The definition of nanomaterials in the Commission Recommendation of 10<sup>th</sup> June 2022, based on length, diameter, and aspect ratio, should be carefully applied to avoid unintended impacts. Further attention is required when adapting this definition to laws and regulations to mitigate potential challenges arising from new classifications.

## **WP-1 / # 21 / J to E Corporate sustainability and responsible business conduct (RBC) policies**

### ***Disclosure and transparency (EU Corporate Sustainability Reporting: Corporate Sustainability Reporting Directive and EU Taxonomy)***

The BRT calls on the authorities of the EU to:

- Promote international interoperability when creating European Sustainability Reporting Standards (ESRS) to avoid double reporting for companies. EU reporting standards need to be aligned with the ISSB's global base approach and allow companies to report only the ESRS's additional requirements on top of obligations under international frameworks.
- Clarify the equivalence mechanism between EU standards and the ISSB. Recognise ISSB based disclosure standards as equivalent to ESRS for common requirements.
- Take reasonable consideration of the burden imposed on companies as well as the usability of data for users.
- Use prioritisation and phasing in to make reporting more effective and more reliable.
- Recognise that companies have to deal with taxonomy disclosure requirements at the same time, which are new and entail complex structural requirements.
- Develop and publish sector-specific ESRS and non-EU standards in a timely manner. This is necessary to provide companies with sufficient preparation time.



- Emphasise dialogue as an equally valuable means for companies to strengthen the trust of their investors and stakeholders and leverage the improvement of companies' internal practices by incorporating dialogue into the PDCA management cycle. Dialogue is a powerful tool for fostering a culture of risk management and innovation, whereby companies across different cultures can exchange views on potential future risks as well as explore collaborative opportunities.
- Ensure alignment with other regulatory frameworks regarding thresholds, exemptions, criteria and timeline in relation to the EU Taxonomy. Ensure consistency, for example between the generic criteria for Do Not Significantly Harm (DNSH) in pollution prevention and control, and the exemptions under the REACH Regulation.

The BRT believes that:

- Corporate sustainability reporting serves as a communication tool for value creation between a company and its stakeholders, and an internal management tool which enables companies to develop and evaluate their long-term business model and strategy. Therefore, sustainability reporting should never become a tick-box exercise used by companies solely as a compliance tool.
- On the other hand, sustainability reporting standards must not impose excessive administrative burdens on companies, as this would hamper the broader efforts in creating and realising innovations essential for the achievement of the European Green Deal.

***Corporate Sustainability Due Diligence Directive (CSDDD)***

The BRT calls on the authorities of the EU to:

- Make due diligence obligations implementable and increase legal certainty for companies.
- Ensure that the EU framework is aligned with international standards – including the UN Guiding Principles for Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines). International harmonisation is of paramount importance as companies' operation and value chains are not limited to within the EU, but also deeply rooted in third countries.
- To prevent fragmentation of the EU Single Market and ensure a level playing field, achieving full internal market harmonisation of legal requirements on due diligence is crucial. If the EU aims for its model to serve as a global reference, it must go beyond the limited harmonisation offered by the current directive, which risks resulting in 27 divergent frameworks.
- Urge Member States' governments to work with industries and other countries to solve the fundamental issues of supply chains.
- Issue guidelines and establish a helpdesk for expert support in a timely manner. This is essential to provide sufficient preparation time, tools, and resources to enable companies to comply with the new requirements. Furthermore, a phased

implementation of new requirements is more practical, and their effectiveness should be evaluated through regular reviews.

- Support companies in production countries and SMEs with capacity building and develop a framework for global cooperation.
- Develop guidance for the CSDDD without delay, as the CSDDD serves as the basis for other regulations related to human rights and environmental due diligence (HREDD). Until this guidance is established, delaying the application of due diligence requirements in related regulations, such as the Battery Regulation, should be considered.
- Establish a regular stakeholder forum that allows all stakeholders, including companies within and outside the EU, to participate in the development of delegated acts and guideline.

The BRT believes that:

- The BRT supports the EU's ambition to enhance due diligence in corporate management processes and recognises the importance of encouraging a 'culture of no harm'.
- In view of the upcoming implementation and transposition phases, it is important to introduce measures, such as delegated acts and guidelines, that are transparent, highly predictable, and feasible for private companies to enable them to align with the due diligence principles established by this Directive.
- Recognising the diverse interests of stakeholders is essential, as their engagement is crucial for integrating sustainable corporate governance in practice.
- In response to CSDDD compliance, many suppliers in production countries are facing an increase in requests from EU-based client companies. It is crucial to offer support for capacity building for companies in production countries and SMEs and establish a framework for global cooperation on this issue.

***Regulation on prohibiting products made with forced labour on the Union market (Forced Labour Product Ban)***

The BRT calls on the authorities of the EU to:

- Provide companies with a clear and reliable legal framework to ensure proper compliance with requirements. This includes offering additional definitions of key terms and issuing timely guidelines.
- Engage in dialogues with affected markets to address the root causes of forced labour and support capacity building for both companies and competent authorities.
- Clearly allocate responsibilities between companies and governments under the UN Guiding Principles on Business and Human Rights, emphasising the necessity of government involvement.
- Ensure consistent enforcement across Member States and align it with other EU legislation, such as the Corporate Sustainability Due Diligence Directive (CSDDD), to avoid fragmentation.

The BRT believes that:

- The adoption of the EU Forced Labor Product Ban is a significant step toward protecting the fundamental human rights of workers and promoting sustainable and ethical business practices. The specific objective of this regulation is to effectively prohibit the placing and making available on the EU market, as well as the export from the EU, of products made with forced labour.
- To ensure effective and feasible implementation, it is crucial to provide companies with high legal certainty and avoid unnecessary bureaucratic burdens in their daily operations, enabling them to comply with the requirements appropriately.

**WP-1 / # 22 / J to E Digital Regulation**

***Artificial Intelligence (AI)***

The BRT calls on the EU authorities to:

- Foster close cooperation between the EU AI Office and the Japanese AISI on the AI Act, to promote dialogue on regulatory implementation and safety aspects of AI technology. This cooperation should include the exchange of best practices, the development of harmonised standards and joint efforts to address emerging challenges in AI governance. In addition, we suggest both governments should cooperatively develop comprehensive criteria for identifying GPAI models with systemic risks. These criteria should include technical attributes, as well as societal and ethical considerations to ensure the responsible deployment of AI technologies globally. By aligning their approaches, both bodies can contribute to the creation of a robust framework for the safe and trustworthy development of AI.
- Consider expanding the AI sandbox initiatives to include Japan as a like-minded country through the EU-Japan Digital Partnership. In both regions, harmonising international regulatory developments while ensuring safety and security is essential to fostering competitiveness and innovation in the AI area in both regions.
- Provide practical guidelines based on Article 96 of the AI Act. We hope these guidelines will reflect the current state of AI technology, aligned with harmonised standards and common specifications, at an early stage. During the development of these guidelines all relevant stakeholders, especially those that are legally required to comply, should be consulted in a timely manner. Guidelines should be published with sufficient time for all stakeholders to prepare to comply with the AI Act provisions that each set of guidelines relates to, ideally more than 12 months before the application date of the relevant provisions. Furthermore, to respond to rapidly developing AI technologies, it is necessary to update the guidelines as appropriate in accordance with technological changes.

## **Cybersecurity**

### The BRT calls on the EU authorities to:

- Carefully monitor the development of the harmonised standards and, if necessary, for the date of application to be postponed giving all stakeholders sufficient time to prepare. The limited transition period for the implementation of the Cyber Resilience Act means that the regulatory requirements will be a major practical challenge for most companies, especially SMEs. Compliance difficulties should be avoided as they could hinder the ability of businesses to thrive in the EU market and negatively impact the EU's overall competitiveness.
- Closely monitor the citation in the EU Official Journal of the harmonised standards developed under the Delegated Regulation (EU) 2022/30 and the availability of sufficient number of Notified Bodies. Not having cited harmonised standards or enough Notified Bodies may disrupt market access for wireless products as of 1<sup>st</sup> August 2025. In case SMEs cannot timely assess compliance of their products due to these reasons, the Delegated Regulation should be repealed before its date of applicability as referencing on recital 15 of the Cyber Resilience Act.
- Ensure an effective and consistent regulatory framework, while addressing the burden on stakeholders with regards to the enforcement of cybersecurity legislations.
- Work towards harmonisation to avoid overlapping cybersecurity requirements, in view of maintaining a balance between the security environment and competitiveness. Reducing the overall administrative burden on companies is also necessary. For example, simplifying reporting requirements on cyber incidents would free up valuable resources that companies could use to innovate and grow.
- Advance international regulatory harmonisation and establish mutual recognition of cybersecurity standards with Japan in particular. The EU and Japan should engage in joint cybersecurity exercises and exchange best practices to enhance mutual understanding through the EU-Japan Digital Partnership and the EU-Japan Cyber Dialogue.

### The BRT believes that:

- The risk of cybersecurity incidents exists throughout our society, which increasingly relies on a wide range of IoT devices. Such incidents can significantly disrupt the functioning of the digital infrastructure that is an integral part of our daily lives. Preventive measures are therefore crucial, especially in the current context of geopolitical instability and economic security concerns. In the digital world, where borders no longer exist, we expect governments to lead global discussions on combating cybersecurity risks and to implement measures such as promoting international standards, enhancing cross-border threat intelligence sharing, and fostering public-private partnerships, all while balancing innovation with competitiveness.

## **Data**

### The BRT calls on the EU authorities to:

- Provide further guidance on the Data Act as early as possible for all stakeholders, especially SMEs, to comply with it smoothly.
- Narrow down and clearly describe the obligation to make data available to public sector bodies based on “an exceptional need”, as defined in Chapter V of the Data Act. This is necessary to avoid hampering innovation, imposing excessive burdens on society, and maintaining data driven competitiveness in the EU.
- Collaborate closely with Japan on the societal utilisation of data spaces. Both sides should launch specific cooperation initiatives, such as green deal data spaces and manufacturing data spaces, to assess their effectiveness and policy coordination in practice.

### The BRT believes that:

- The Data Free Flow with Trust (DFFT) has been recognised globally as a fundamental principle in the context of data utilisation. Both the EU and Japan are encouraging the application of the DFFT principle in practice through the EU-Japan Digital Partnership and global dialogues in the G7, G20 and OECD.
- Data spaces are being developed and utilised on both sides, and they offer potential in innovation, sustainability, and supply chain management. It is important for Japan and the EU to collaborate on policy and practice based on the DFFT principles.

## **WP-1 / # 23 / J to E          Standards and Certification**

### The BRT calls on the authorities of the EU to:

- Consider expanding the legal framework under the Japan-EU Mutual Recognition Agreement (MRA) into an intergovernmental mutual recognition agreement, given the highly equivalent legal legislations between Japan and the European Union.
- Make efforts to achieve unified management by leveraging mutual recognition among accreditation bodies in the certification, verification, and auditing processes within the global supply chain. The mutual recognition frameworks of the International Accreditation Forum (IAF) and the International Laboratory Accreditation Cooperation (ILAC) will be actively adopted. A system between Japan and the EU will be established to accept conformity assessment results, enabling mutual recognition of reports and certificates.
- Use the IECEE/CB Scheme, a mutual recognition system, among conformity assessment bodies in relation to the European Cyber Resilience Act, and data regulations. This will enable the adoption of mutual recognition systems for testing and certification.



The BRT believes that:

- In many new regulations requiring third-party certification systems, the development of conformity assessment systems remains inadequate. Although implementation deadlines have been established, the need for established certification, verification, and accounting/audit firms poses a significant barrier to compliance.
- Relying solely on notified bodies (related to CE marking), verification bodies (such as CBAM and CFP), and accounting/ audit firms (such as CSRD and CSDDD) operating within the EU presents significant challenges for carrying out certification, verification, and auditing on a global scale.
- The requirements for carbon footprint verification under decarbonisation policies impact global supply chains. Without the use of internationally recognised unified standards and criteria, achieving consistent and uniform verification results will be challenging.

**WP-1/ # 24 / J to E Savings and Investment Union**

The BRT calls on the EU authorities to:

- Work towards the establishment of the Savings and Investment Union and the development of capital markets to improve access to finance for businesses facing increased investment needs for the clean and digital transitions.
- Encourage innovation among financial product structurers and asset managers to leverage private savings to invest in clean and digital transitions for further economic growth.

The BRT believes that:

- It is essential to support the industrial clean and digital transition through efforts to develop capital markets based on the Enrico Letta's report ("Much more than a market"), which proposes various initiatives to enhance competitiveness, including the Savings and Investment Union.
- It is necessary to provide financial products that offer investors diverse and attractive opportunities in order to transform private savings into investments. Investment policies should appropriately support and promote product development and innovation within financial firms.
- The Government of Japan is also seeking to facilitate the redirection of household savings towards productive investment by promoting "Japan as a leading asset management center." The Policy Plan published in December 2023 encourages asset managers' efforts, noting that asset management fees that are commensurate with the added value generated by active management and engagement will create incentives for sophistication in the asset management sector.