

EU-Japan FTA: Rail industry vigilant

The European rail industry expects firmer commitments on non-discriminatory access to Japanese public procurement

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The seventh round of negotiations for a free trade agreement between the EU and Japan will open on 20 October in Brussels. It will be an important round for the European rail industry, disappointed with the progress of the talks so far. The Commission will make a political announcement during this round: it agrees to waive its objection to the withdrawal of three major Japanese railways – East Japan Railway, West Japan Railway and Central Japan Railway – from the WTO agreement on government procurement. This has been a pressing plea by Japan. The announcement is not reassuring for the European rail sector.

The three JR's, as they are known, were created after the winding up of the national public railway company at the end of the 1980s. They alone account for 60% of the Japanese rail market, high-speed as well as suburban, regional and interregional lines. They are now privatised, which is why Japan has been pressing for their removal from the list of companies covered by the WTO public procurement agreement, which lays down rules on openness and transparency. The Coreper meeting of 15 October gave the green light for the Japanese request, despite the misgivings of Germany, France and Greece. The Commission will therefore officially announce to the Japanese that it agrees to the delisting of the three companies from the WTO agreement.

But this decision is cause for concern for the European rail industry. "Contrary to the EU, where a private company that enjoys exclusive rights is nevertheless subject to rules on procurement, transparency and non-discrimination, the same is not true in Japan," explains UNIFE, the association that represents the European rail industry (Alstom, Siemens, Thales, etc). There are consequently concerns of seeing the

Japanese market remain very largely off limits for European companies, even if the JRs agree to a code of conduct – the counterpart to the pull-out from the WTO agreement – meant to provide guarantees of transparency and non-discrimination on market access.

"We are not opposed to the principle of removing these entities from the public procurement agreement, but we find it premature," UNIFE Director Philippe Citroën told Europolitics. "We would have preferred to see a period of monitoring of the measures put in place, which would have enabled us to assure that there are effective changes on the Japanese market and that our suppliers are indeed capable of penetrating this market." And while the industry points out that the Japanese "seem to take this code of conduct seriously," the general impression is that the Commission is basically depriving itself of a major source of leverage by agreeing to the withdrawal of the JRs.

The European rail industry is particularly vexed because another pet theme in these negotiations is also slipping away from it. The sector has been fighting for years against an operational safety clause that de facto permits the Japanese to exclude European equipment. It hoped to see the Commission obtain a very precise definition from the Japanese, which would make the constraint more foreseeable for European suppliers. But the Europeans have been disappointed here too. "The clause has been defined but its scope is still so general – it covers all aspects of rolling stock, signalling systems and infrastructure – that it will not help the European industry access the European market."