

EU-Japan Economic Partnership Agreement (EPA): ex-post evaluation (findings on Poland's economic performance)

by Magdalena Ruda

EU-Japan Economic Partnership Agreement (EPA)¹

The EU-Japan EPA, which entered into force on 1 February 2019, is one of the largest and most ambitious EU trade agreements. It significantly improves market access on both sides by reducing tariffs and non-tariff measures, enhances the stability and predictability of trade and investment relations, benefits consumers and contributes to sustainable development. Following the first few years of the Agreement's implementation, a team of external consultants (ECFORTE, European Consortium for Trade Evaluations), tasked by the European Commission, has conducted the ex-post evaluation of the EPA and published the Final Report.² While the study focuses primarily on outcomes at the EU level and in Japan, it also provides findings for individual EU Member States. So, how has Poland performed under the EPA to date?

Trade in goods

The EPA has eliminated tariffs on 86% of Japanese tariff lines (for EU exports to Japan) and 96% of EU tariff lines (for Japanese exports to the EU) upon its entry into force, with further reductions scheduled until 2034. When trade flows over five years before the EPA's entry into force (2014-2018) are compared with the five years of the EPA's implementation (2019-2024), then EU exports in goods to Japan increased from an average of €52.6 billion per year to €63.7 billion per year, marking a 21.1% increase, while EU imports from Japan increased from an average of €54.3 billion per year to €64.2 billion per year, marking an increase of 18.4%. Poland, with trade worth €1.3 billion more annually, was among the six EU Member States with the largest absolute increases in total trade in goods with Japan (exports and imports combined), following the EPA's entry into force. In its case, growth was driven mainly by imports from Japan (+91.6%, or over €1 billion more annually), while Polish exports to Japan increased by less than 50%.

Since tariff liberalisation is one of the main benefits of a trade agreement, the extent to which companies trading in goods use it in their transactions indicates how successful the agreement has been in meeting one of its objectives and how much businesses have saved on duties. The PURs,

¹ Information and data cited in this note are based on findings from the external study supporting the ex-post evaluation of the EU-Japan EPA (delivered by ECFORTE), unless indicated otherwise.

² Study in support of the ex-post evaluation of the EU-Japan EPA, delivered by ECFORTE for the European Commission, Directorate General for Trade and Economic Security: https://policy.trade.ec.europa.eu/analysis-and-assessment/ex-post-evaluations_en

or preference utilisation rates, are used in this context as an indicator of the share of preference-eligible exports that actually utilise tariff preferences. The overall PURs in the EU-Japan trade have risen significantly between 2019 and 2024: for EU exports to Japan, from 52.9% of preference-eligible exports in 2019 to 76.9% in 2024 and for Japanese exports to the EU, from 38.2% in 2019 to 72.9% in 2024. Poland ranks in the middle among the EU Member States. With its exports of goods to Japan increasing from €844.1 million in 2019 to €1.1 billion in 2024, the PURs went up from 66% to 77%, and duty savings increased from €5.7 million in 2019 to €12.3 million in 2024 (with the duty saving rate increasing from 62% to 83%). It is worth noting, however, that the majority of Polish exports to Japan (around 80% in 2024) would be subject to 0% tariffs under the WTO (MFN - Most-Favoured-Nation terms) even in the absence of a trade agreement. Therefore, tariff liberalisation under the EPA can improve access to the Japanese market only for the remaining 20%.³ Regarding imports of Japanese goods to Poland, their value increased from €1.9 billion in 2019 to almost €2.9 billion in 2023, with PURs increasing from 42% to 81%⁴ (in 2024, Japanese imports to Poland were lower than in 2023, achieving a value of €2.1 billion, with PURs of 75%).⁵

While manufactured products are the main category in Polish exports to Japan, agricultural products and food also deserve attention, with meat ranking highest among them. In this context, it is worth noting the ongoing dialogue between the EU and Japan on removing non-tariff measures (market access barriers) when they are no longer justified. For example, in 2001, Japan introduced an import ban on beef from the EU, due to an alleged risk of Bovine Spongiform Encephalopathy (BSE). The measure went beyond international standards and failed to account for the stringent controls and surveillance in the EU to ensure the safety of EU beef and beef products. The ban on beef imports from Poland was lifted in 2014 (i.e. before the EPA entered into force and shortly after it was lifted for France, Ireland, and the Netherlands), while for a few other EU Member States (Spain, Finland, Germany, and Belgium) it has been removed since 2019. All of them recorded immediate increases in beef exports to Japan, and, as a result, Japan's share in total EU beef exports increased from 0.8% (pre-EPA) to 4.5% since 2019.

When exports to Japan in various agricultural and food products in the pre-EPA period (2014-2018) are compared with the period since the EPA entered into force, Poland recorded a significant increase in exports of tobacco (the second largest relative/percentage increase after Hungary and fourth after Italy, Romania and Greece in absolute terms, although starting from a low value; i.e. from €0.4 million per year on average in 2014-2018 to €9.7 million per year on average in 2019-2024). It has also noted the third-largest (after Sweden and Czechia) relative/percentage increase in exports of dairy products (although, again, starting from a low value of €1.7 million per year on average to reach €5.3 million), and the fourth-largest (after Spain, the Netherlands and Ireland) absolute increase in meat exports (from €8.5 million per year on average to €33.2 million).⁶

³ According to the International Trade Centre (ITC) Trade Map, Polish exports of goods to Japan cover a broad range of sectors, while the main product categories include machinery, electrical machinery and equipment (with a very dynamic increase in exports since 2019), vehicles, optical, precision, measurement and medical equipment, ceramic products and (further down) meat.

⁴ According to the ITC Trade Map, the main product categories imported from Japan to Poland include vehicles, machinery, optical, precision, measurement and medical equipment, electrical machinery and equipment, inorganic chemicals, iron and steel, man-made fibres, rubber, and plastics.

⁵ Detailed data regarding PURs and duty savings comes from the European Commission's datasets published alongside annual FTA implementation and enforcement reports available on the DG TRADE website: https://policy.trade.ec.europa.eu/enforcement-and-protection/implementing-and-enforcing-eu-trade-agreements_en

⁶ It is also worth noting that Japan maintains the ban on pork imports from Poland due to concerns related to the African Swine Fever. Previously, pork was among the main Polish meat products exported to Japan.

Geographical indications

The EU-Japan EPA also includes a mechanism aiming to protect product indications whose quality, reputation, or characteristics are essentially linked to their geographical origin. The Agreement divides them into two broad categories, i.e. agricultural products (such as cheese) and wine and spirits. The initial text listed 205 EU geographical indications (GIs) for protection in Japan and 56 Japanese GIs for protection in the EU. The Parties have since expanded the list to 291 EU GIs protected in Japan and 132 Japanese GIs protected in the EU (423 in total). Polish GIs include two types of vodka (in the spirits category), which were already included in the Agreement's initial text (no further Polish GIs have been added since).⁷

The number of exporting enterprises

A positive dynamic in EU-Japan trade relations has been made possible by the engagement of an increasing number of companies on both sides. While data on EU companies exporting to Japan is available only for 15 EU Member States, including Poland, it provides a good indication of observed trends. In the period preceding the EPA's entry into force (2014-2018), on average, 35,416 EU companies exported to Japan each year. Since 2019, this number has increased by 16.3% (to an average of 41,206). Over the same period, Poland has recorded an increase above the EU average (+22.5%), with an average of 1,417 companies exporting to Japan each year in 2014-2018, and 1,735 firms (on average) exporting since 2019. This ranks Poland sixth among 15 EU MS for which data is available, with more companies from each, Germany, Spain, France, the Netherlands, and Belgium exporting to Japan (there is no data available for Italy).

Trade in services

The EU bilateral trade in services with Japan is dominated by other business services, transport and travel. When trade with Japan in the pre-EPA period (2014-2018) is compared with the period since the EPA entered into force (2019-2023), EU services exports to Japan increased from an average of €24.7 billion per year in the pre-EPA period to €33 billion per year since 2019, representing a 33.6% increase. EU services imports from Japan grew from an average of €13.4 billion per year pre-EPA to €15.9 billion per year since 2019 (a 18.2% increase). Poland's share in total EU services exports (to the world), as well as in EU services exports to Japan, increased from 2.5% in 2014 to 3.0% in 2018 and 2019, and further to 3.6% in 2023. In services exports to Japan, Poland ranked 12th among EU Member States in 2014 and in 2018-2019, i.e. before and at the time of the EPA's entry into force. Its ranking improved to 9th in 2023, with Germany, Ireland, France, the Netherlands, Spain, Italy, Luxembourg, and Denmark having larger shares in that year. Regarding EU total services imports (from the world) and bilateral services imports from Japan, in both cases, Poland's share remained at around 2.0% between 2014 and 2019. It then increased to 2.4% in 2023. At the same time, Poland's rank among EU Member States remained unchanged (12th), with Germany, Ireland, France, the Netherlands, Italy, Belgium, Luxembourg, Denmark, Sweden, Spain, and Austria having larger shares in services imports from Japan in 2023.

Investment

Between 2014-2018 and 2019-2023, the EU Member States' foreign direct investment (FDI) stocks in Japan increased only slightly, on average, from €108 billion to €109 billion, with the largest shares

⁷ Information about Polish GIs has been provided based on the EU-Japan EPA text and Decisions of the EU-Japan Joint Committee amending Annex 14-B. While the EU-Japan EPA includes only two Polish GIs, the EU GI register includes 38 already registered Polish GIs and seven new applications: <https://ec.europa.eu/agriculture/eambrosia/geographical-indications-register/>

held by the Netherlands, France, Germany, and Luxembourg. Poland's investment stocks in Japan have remained very limited over the period under review, but more than doubled since the EPA's entry into force, increasing from an average of €1.8 million in 2014-2018 to €4.0 million in 2019-2023. The value of the Japanese investment in the EU changed significantly after the EPA entered into force, increasing on average, from €178 billion in the pre-EPA period to €253 billion, with the main investment located in the Netherlands, Germany, Belgium, and France. Japanese FDI stocks in Poland increased from an average of €814.4 million in 2014-2018 to €1.2 billion in 2019-2023.

Conclusions

The ex-post evaluation study has used a broad range of methodological tools, and information and data sources to ensure a comprehensive scope of the analysis and its findings. However, it also faced some limitations. For example, the economic model analysing the isolated effects of the EU-Japan EPA provides estimates only for the EU, not for individual Member States. As a result, data on changes in trade and investment flows between individual EU Member States, including Poland, and Japan reflect both the impact of the EU-Japan EPA and other factors, such as the COVID-19 pandemic, the war in Ukraine and global developments. Moreover, due to data availability and to ensure a reasonable length of the study, it was not possible to conduct a detailed analysis in all sections for all EU Member States separately. Instead, the analysis focused on a few leading ones. This means that the analysis of Poland's performance might cover more areas than presented here.

The overall results for Poland are positive. In trade in goods, exports to and imports from Japan have increased, and exporters and importers have increasingly used EPA provisions, as evidenced by preference utilisation rates that have risen over time and have been higher than the EU average. Increases in exports of agricultural and food products are also worth highlighting, although they often started from a low level. Similarly positive is a dynamic growth in the number of Polish firms exporting to Japan, with the growth rates surpassing the EU average. Further growth in these areas would be welcome and could help enhance Polish exports and further diversify destination markets. This can be supported through training (particularly for SMEs) and tailored guidance in how to adjust products, labels and marketing strategies for the Japanese market and customers. Also, companies, including SMEs, interviewed for the study, admitted that having a trusted Japanese partner is often key to success on the Japanese market and among Japanese customers. Therefore, support in matching Polish exporters with Japanese partners may play an important role.

On the other hand, there are areas with room for further improvement. Geographical indications are one of them. Poland has only two GIs on the list of 291 EU GIs protected in Japan (both are types of vodka in the spirits category). One can reflect on whether there is potential to add further GIs in the future extension rounds, for example, if the pilot project for apples facilitates exports or once the ban on Polish pork is lifted. Other GI-protected products with export potential may also be added. Data on trade in services and investment also suggest that Poland's performance is below its potential.

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