Briefing Paper on Free Trade Agreement with Japan

10.06.2019

1. How important is Japan as a trading partner for the chemical and pharmaceutical industry?

- Japan is **an important market** with a population of just under 127 million.
- In 2018, **total exports** of Chemistry Pharma and Life Sciences to Japan were approximately **3.7% (CHF 3.63 billion) of global exports** (CHF 98.5 billion) of the sector.
- The **exports** of the scienceindustries member companies corresponded **to 47.6% of the total exports of CH** to Japan.
- **Average growth in exports** (2010-2018) was slightly positive in Japan: **+ 1.5%.**
- **Imports** of scienceindustries member companies accounted for **28.7% of total imports** of CH from Japan.
- **Main Product Groups 2018:** Pharmaceuticals, Vitamins and Diagnostics (CHF 3.32 billion), Organic Raw Materials (CHF 136 million), unformed Plastics (CHF 49 million), Cosmetics and Perfumery Products (CHF 29 million), Chemical end products such as putty, wax, glue, etc. (CHF 27 million) as well as dyes and pigments (CHF 20 million).
- **Pharmaceuticals, vitamins and diagnostics** contributed **91.2%** to total exports of chemicals, pharmaceuticals and life sciences.
- **Japan ranks 8th in the ranking of Swiss exporting countries**. **In Asia**, Japan is **the second most important trading partner** of our industry, behind China.

2. Existing trade agreements Switzerland-Japan

- The existing free trade agreement between Switzerland and Japan has been in force since 01.09.2009.
- Japan as well as Switzerland are participants in the GATT "Trade in Pharmaceutical Products" agreement, also known as the "zero-for-zero-agreement" or in short the pharmaceutical agreement. Until now, 4 updates were carried out, the last one was put into force on 01.01.2011.

3. Modernizing the existing Free Trade Agreement - Yes, but not at any price

- The free trade agreement between Switzerland and Japan has already been in force for almost 10 years. Switzerland's efforts to modernize Japan have failed due to Japan's negotiations on the Trans-Pacific Free Trade Agreement (TPP) and negotiations for a free-trade agreement with the EU. The latter has meanwhile come into force.

[1]Detaillierte Forderungen sind in den scienceindustries-Positionspapieren „Aussenwirtschaftsstrategie 2013-2018“ und „Free Trade Agreement Objectives“ festgehalten.

- Due to its importance, **scienceindustries supports** any negotiations on modernization of the existing free trade agreement, especially in the field of rules of origin, **but not at any price.** In addition to the free trade agreement, **the GATT - Trade in Pharmaceutical Products (GATT)** is currently **available for the currently most important product group, allowing duty-free imports of active pharmaceutical ingredients and intermediates,** provided these are listed in the corresponding lists.

4. **EU-Japan free trade agreement - assessment and critical points**

As a member of working groups of the European associations Cefic and efpia, scienceindustries has actively participated in the negotiations and thus achieved that the EU-Japan agreement contains modern rules of origin. However, against the will of the whole economy, a verification process was agreed, which may force the exporter to disclose confidential business information (such as processes, process details, raw material prices, formulations) to the importer / customs authority of the importing state as part of the origin verification.

For companies driven by innovation and SME's, this is highly problematic and leads them not applying the free trade agreement.

In addition, the **method used for the designation of origin has to be indicated** on the origin declaration.

These additional requirements of the agreement (shifting the verification to the importing country, specifying the specific rule of origin used for the determination of origin) without clear and coordinated rules will significantly increase the uncertainty among SMEs and therefore decrease the readiness for application of the Agreement significantly.

For these reasons, scienceindustries basically supports efforts to initiate and implement modernization negotiations for the existing Switzerland-Japan free trade agreement, but not at any price. scienceindustries strongly opposes an amendment to the procedure for origin examination analogous to the EU-Japan Free Trade Agreement.

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Anhang 1

Exporte 2010-2018 Chemie Pharma Life Sciences nach Japan

Japan	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	6'426'441'204	6'405'913'654	6'860'306'187	6'062'244'768	6'190'948'448	6'371'025'290	7'273'143'446	7'326'064'708	7'642'552'188
Produkte der Chemisch-Pharmazeutischen Industrie	3'692'875'905	3'318'097'629	3'616'826'396	2'938'789'902	2'788'025'565	2'808'681'740	3'566'129'363	3'594'322'084	3'634'908'645
Chemische Rohstoffe, ungeformte Kunststoffe	254'078'193	193'731'129	174'286'569	188'157'100	169'370'893	154'782'478	161'465'544	175'763'291	197'414'158
Chemische Roh- und Grundstoffe	219'077'037	155'822'048	131'794'632	153'684'865	132'355'742	121'894'958	124'265'182	134'209'773	148'285'261
Anorganische Roh- und Grundstoffe	12'597'154	11'488'414	10'715'835	9'281'008	9'499'376	18'064'478	14'094'789	15'360'402	11'447'223
Organische Roh- und Grundstoffe	206'479'883	144'333'634	121'078'797	144'403'857	122'856'366	103'830'480	110'170'393	118'849'371	136'838'038
Ungeformte Kunststoffe (Primärformen)	35'001'156	37'909'081	42'491'937	34'472'235	37'015'151	32'887'520	37'200'362	41'553'518	49'128'897
Chemische Endprodukte, inkl. Wirksubstanzen	3'438'797'712	3'124'366'500	3'442'539'827	2'750'632'802	2'618'654'672	2'653'899'262	3'404'663'819	3'418'558'793	3'437'494'487
Pharmazeutische Produkte, Vitamine, Diagnostika	3'305'582'963	2'991'654'940	3'323'170'285	2'637'208'689	2'509'236'359	2'552'279'883	3'292'963'184	3'306'446'733	3'316'266'962
Agrochemische Erzeugnisse	18'308'450	27'394'853	18'162'246	16'823'853	16'580'095	16'956'574	22'767'924	13'991'484	16'644'694
Pflanzenschutz- und Schädlingsbekämpfungsmittel	18'308'450	27'394'853	18'162'246	16'823'579	16'580'091	16'956'574	22'767'585	13'991'373	16'644'524
Chemische Düngemittel	0	0	0	274	4	0	339	111	170
Farbkörper	45'650'586	45'802'558	30'043'974	32'501'312	29'861'325	24'321'566	27'661'917	26'338'309	24'247'513
Farbstoffe und Pigmente	41'998'385	41'804'236	25'401'788	29'426'936	16'952'463	20'355'371	21'163'515	22'391'020	20'176'400
Lacke und Farben	3'652'201	3'998'322	4'642'186	3'074'376	12'908'862	3'966'195	6'498'402	3'947'289	4'071'113
Aetherische Öle, Riech- und Aromastoffe	16'497'839	16'280'705	18'409'729	15'566'274	16'370'000	15'848'131	13'978'010	13'765'219	15'913'545
Kosmetika und Parfümerieprodukte	15'019'712	15'360'922	16'982'622	15'982'819	14'381'785	18'387'900	18'348'429	26'345'345	28'651'060
Fotochemische Erzeugnisse	1'673'458	1'014'642	1'330'016	658'680	163'369	44'034	22'772	59'599	41'986
Hilfsmittel für Textil-, Papier- und Metallind.	10'973'636	8'611'098	10'194'723	9'525'959	7'935'374	7'198'450	7'139'942	8'420'514	8'744'725
Chemische Endprodukte wie Kitt, Wachs, Leim usw.	25'091'068	18'246'782	24'246'232	22'365'216	24'126'365	18'862'724	21'781'641	23'191'590	26'984'002

[1]Detaillierte Forderungen sind in den scienceindustries-Positionspapieren „Aussenwirtschaftsstrategie 2013-2018“ und „Free Trade Agreement Objectives“ festgehalten.

Anhang 2

Importe 2010-2018 Chemie Pharma Life Sciences aus Japan

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Japan Total	3'239'442'209	3'465'410'805	3'827'975'143	3'284'767'172	3'251'186'772	3'083'968'009	3'116'034'170	3'593'095'150	3'394'789'064
Produkte der Chemisch-Pharmazeutischen Industrie	691'511'064	708'243'705	962'941'177	846'485'082	772'633'557	739'353'702	725'701'655	971'335'719	972'740'988
Chemische Rohstoffe, ungeformte Kunststoffe	179'941'034	161'276'620	211'995'521	198'625'615	228'012'124	183'192'470	172'732'423	176'773'376	211'232'405
Chemische Roh- und Grundstoffe	155'998'877	130'751'455	166'315'955	156'714'987	185'635'043	152'799'310	135'835'865	144'457'678	175'866'512
Anorganische Roh- und Grundstoffe	15'695'435	11'793'947	13'551'586	9'848'741	8'928'362	7'001'681	8'139'212	8'485'612	12'087'282
Organische Roh- und Grundstoffe	140'303'442	118'957'508	152'764'369	146'866'246	176'706'681	145'797'629	127'696'653	135'972'066	163'779'230
Ungeformte Kunststoffe (Primärformen)	23'942'157	30'525'165	45'679'566	41'910'628	42'377'081	30'393'160	36'896'558	32'315'698	35'365'893
Chemische Endprodukte, inkl. Wirksubstanzen	511'570'030	546'967'085	750'945'656	647'859'467	544'621'433	556'161'232	552'969'232	794'562'343	761'508'583
Pharmazeutische Produkte, Vitamine, Diagnostika	454'066'273	478'081'694	673'829'053	539'777'801	458'121'539	463'929'285	459'348'304	688'644'989	630'699'891
Agrochemische Erzeugnisse	14'268'294	12'282'403	9'995'316	39'304'576	20'671'211	19'436'826	12'246'556	8'982'495	16'856'991
Pflanzenschutz- und Schädlingsbekämpfungsmittel	14'255'762	12'278'262	9'944'643	39'303'380	20'660'457	19'260'160	11'875'585	8'786'245	16'646'574
Chemische Düngemittel	12'532	4'141	50'673	1'196	10'754	176'666	370'971	196'250	210'417
Farbkörper	10'616'220	12'554'252	22'988'068	24'772'643	28'341'137	32'620'544	31'495'528	37'247'039	43'323'488
Farbstoffe und Pigmente	1'698'008	4'258'790	2'764'457	2'878'476	3'605'449	3'033'606	2'012'062	2'115'468	2'819'186
Lacke und Farben	8'918'212	8'295'462	20'223'611	21'894'167	24'735'688	29'586'938	29'483'466	35'131'571	40'504'302
Aetherische Öle, Riech- und Aromastoffe	1'525'250	2'214'019	997'693	682'978	579'424	451'350	464'473	267'871	291'659
Kosmetika und Parfümerieprodukte	1'534'086	972'521	2'484'050	1'985'536	2'104'407	1'773'809	4'430'511	4'513'604	6'590'578
Fotochemische Erzeugnisse	8'087'988	13'004'668	25'824'652	25'737'278	19'244'699	20'369'324	25'116'919	24'267'421	30'285'539
Hilfsmittel für Textil-, Papier- und Metallind.	1'290'230	1'609'038	3'119'851	2'191'553	2'614'129	4'018'732	3'661'295	4'094'953	5'682'935
Chemische Endprodukte wie Kitt, Wachs, Leim usw.	20'181'689	26'248'490	11'706'973	13'407'102	12'944'887	13'561'362	16'205'646	26'543'971	27'777'502