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NEW POLICY BRIEF:

The Japan-EU Negotiations on Railway

Somewhat surprisingly, the biggest difficulties in the Japan-EU FTA negotiations are in the railway sector, largely due to the fact that the Japanese railways are organized on a radically different legal and economic basis than the EU - the three major Japanese passenger rail companies are totally privatized, listed on the Tokyo Stock Exchange and do not receive public subsidies. Japanese firms are even “more private” than an US railway company such as Amtrak (who receives public funding), and unlike in the EU, the Japanese passenger rail companies owns both trains and tracks.

As a result, the government involvement in these firms are less than in Europe. However, the EU rail equipment industry argued that the Japanese companies should be covered by the principles of government procurement, such as those in the GATT/WTO Government Procurement Agreement (both Japan and the EU are Members) or even shall follow the EU public procurement rules.

Requiring Japan to subject its private passenger rail companies to government procurement would be tantamount, for instance, the EU Member States who have privatized their telecom markets must subject them to government procurement procedures — and with the risk of making a precedent for the EU-US TTIP.

Such a proposal would rightly come as a shocking proposal to everybody in the EU. That said, if it does not make sense to deal with private Japanese passenger rail companies in a railway section of the JEUFTA government procurement provisions, it does make sense to deal with all the railway issues in one chapter specifically to railway—opening the door to industrial cooperation in a world context.

The study can be downloaded [here](#)

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