

July 17, 2020

## **Survey on the impact of the (re-)entry ban to Japan on European businesses**

### **Background**

Since April, a (re-)entry ban into Japan has been imposed by the Japanese government on non-Japanese nationals (including permanent and long-term residents) to contain the COVID-19 pandemic. Facing a serious increase in coronavirus infections, the government declared state of emergency on April 7<sup>th</sup> and lifted it at the end of May without any change regarding the entry ban for foreign nationals.

The European Economic Area (EEA) region and Switzerland also had restrictions on entering the area. However, these restrictions focused on persons who did not have a working or residency visa for the said region. Consequently, Japanese nationals living in Europe were able to exit and enter the region in the same way as EEA and Switzerland nationals.

In July, the European Council officially recommended to lift travel restrictions on 15 countries including Japan. Currently, only Germany has decided not to open its border to Japanese nationals that are not residents unless reciprocity is offered.

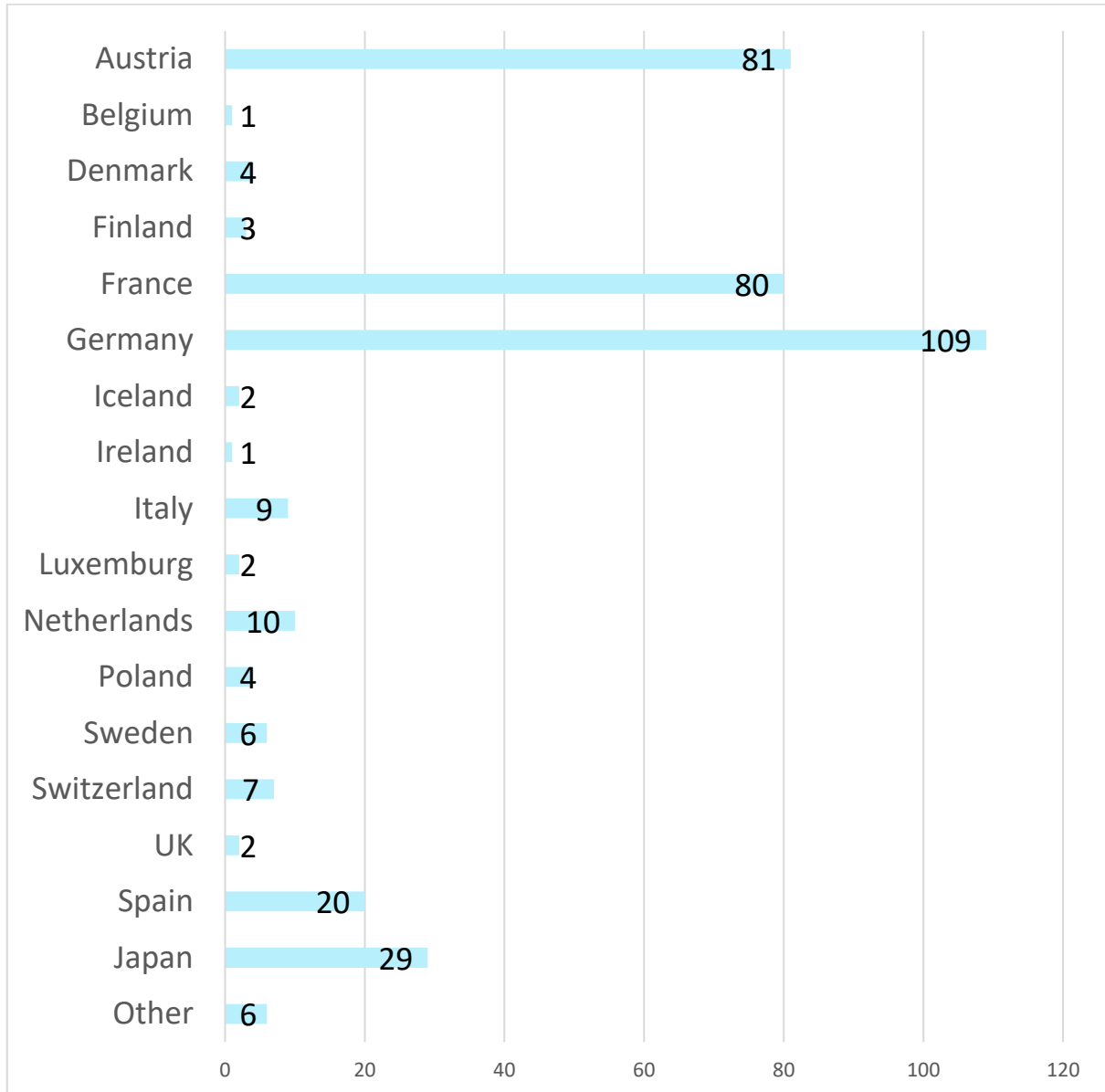
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Between June 30 and July 12, 2020, the European Business Council in Japan conducted a survey for members of European National Chambers of Commerce, using a questionnaire created by the German Chamber of Commerce and Industry in Japan.

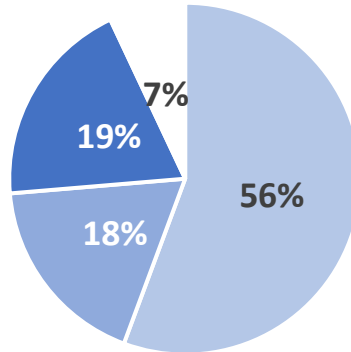
376 European companies, with headquarters based in 16 European countries and Japan, responded.

## PROFILE OF COMPANIES

### Location of Headquarters

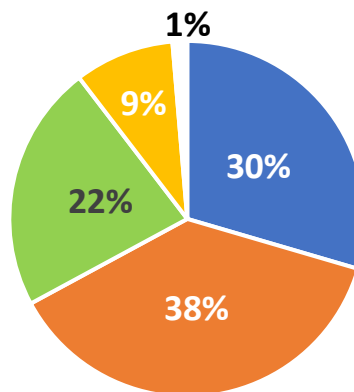


### Size of Companies



■ 1 to 100   ■ 101 to 1000   ■ >1000   no answer

### Activity sectors



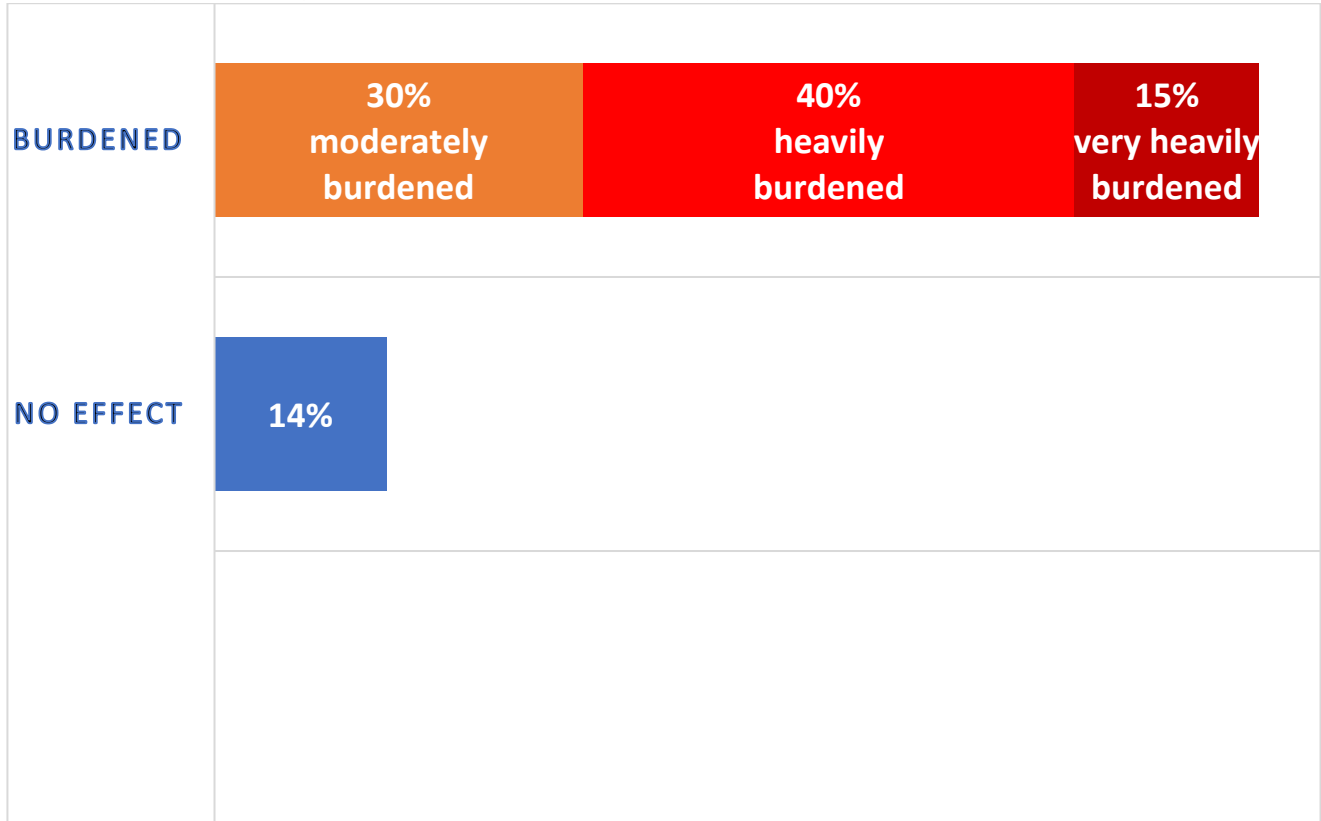
■ Trade   ■ Services   ■ Manufacturing  
■ Other   No answer

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**TO WHAT EXTENT DOES THE (RE-)ENTRY BAN NOW IMPOSED ON EUROPEANS ENTERING JAPAN BURDEN YOUR BUSINESS AND/OR OPERATIONS?**

(All countries - 376 companies)

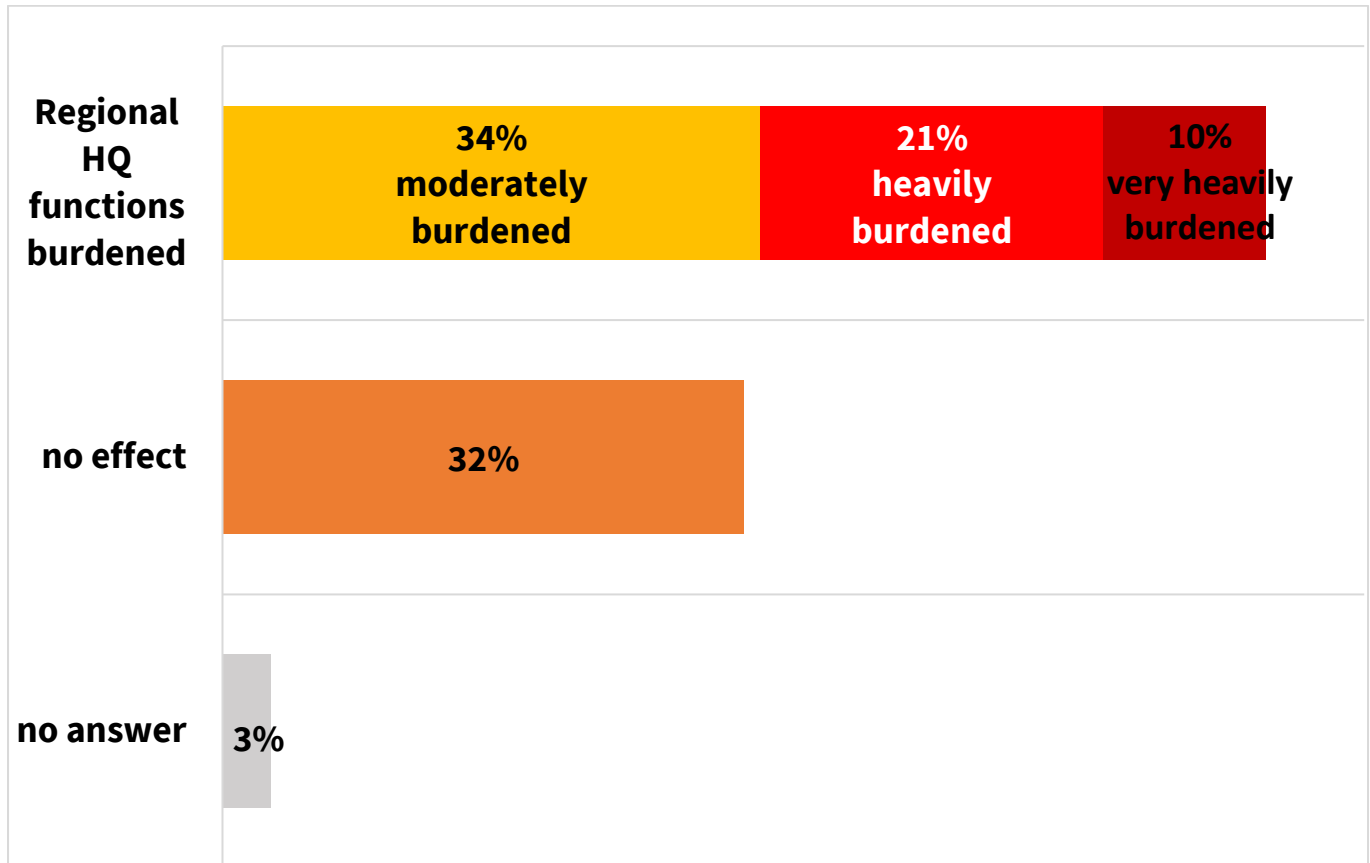
85% of European companies burdened by the entry ban



**TO WHAT EXTENT DO THE (RE-)ENTRY BANS IMPOSED ON ASIAN COUNTRIES BURDEN YOUR BUSINESS?**

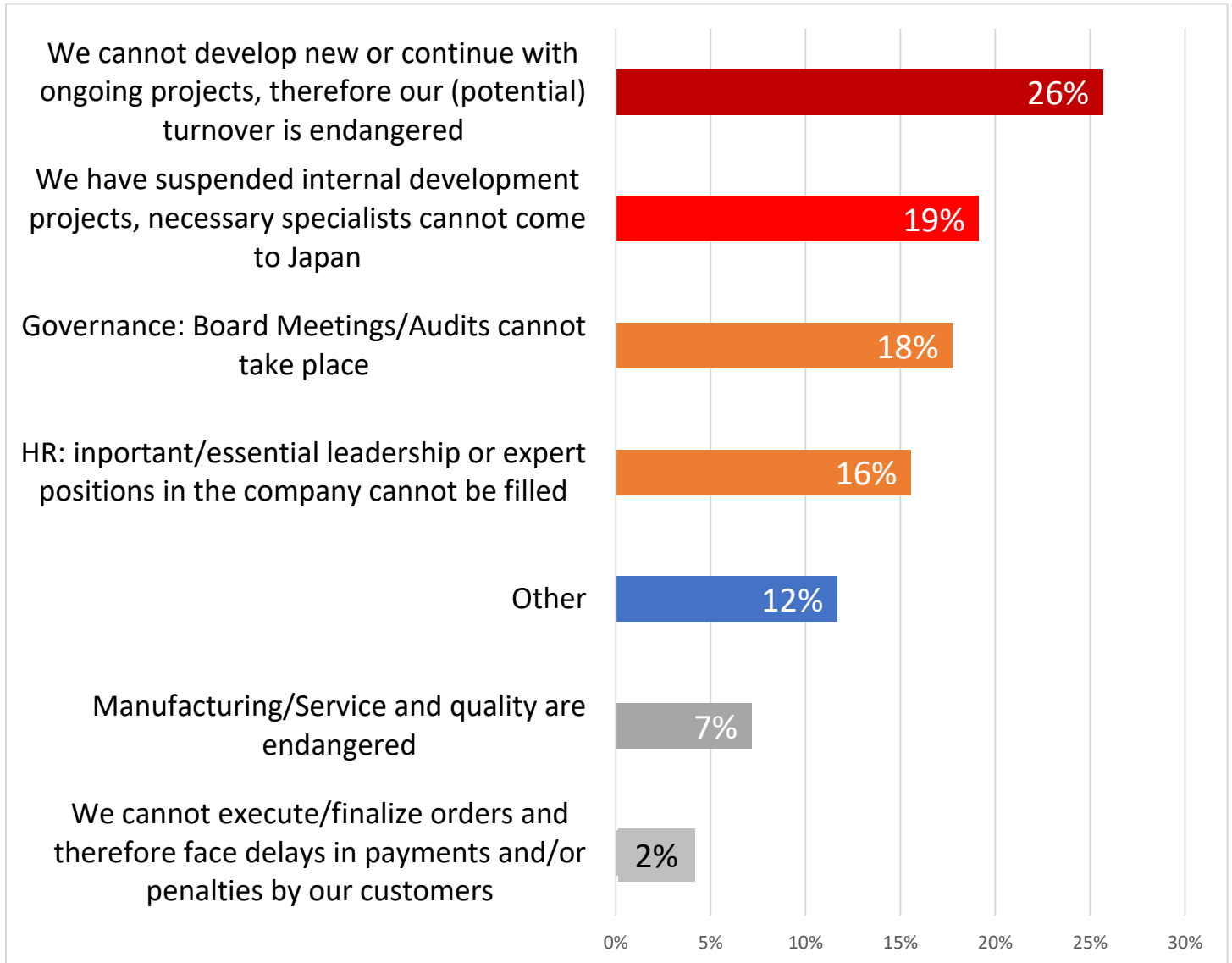
(without Austria & France - Total companies: 212)

65% of European companies with headquarters in Japan burdened by the (re-)entry ban



**WHICH AREAS OF YOUR COMPANY ARE SPECIFICALLY AFFECTED BY THE (RE-)ENTRY BAN?**  
(Multiple answers - 376 companies)

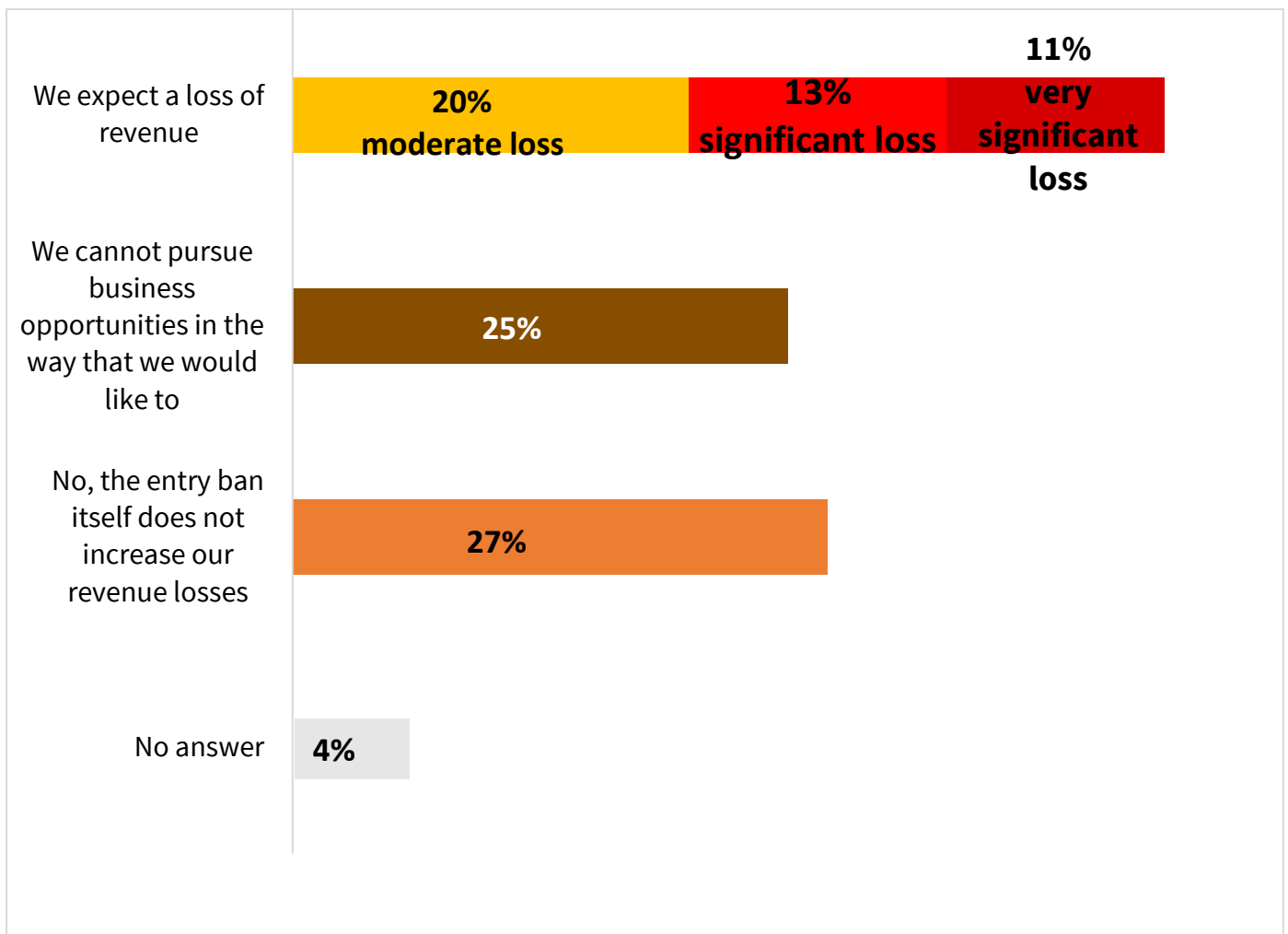
Project development, governance and HR are mostly affected



**DO YOU ANTICIPATE AN INCREASED LOSS OF REVENUE SOLELY DUE TO THE (RE-)ENTRY BAN FOR EUROPEANS INTO JAPAN?**

(without Austria - 298 companies)

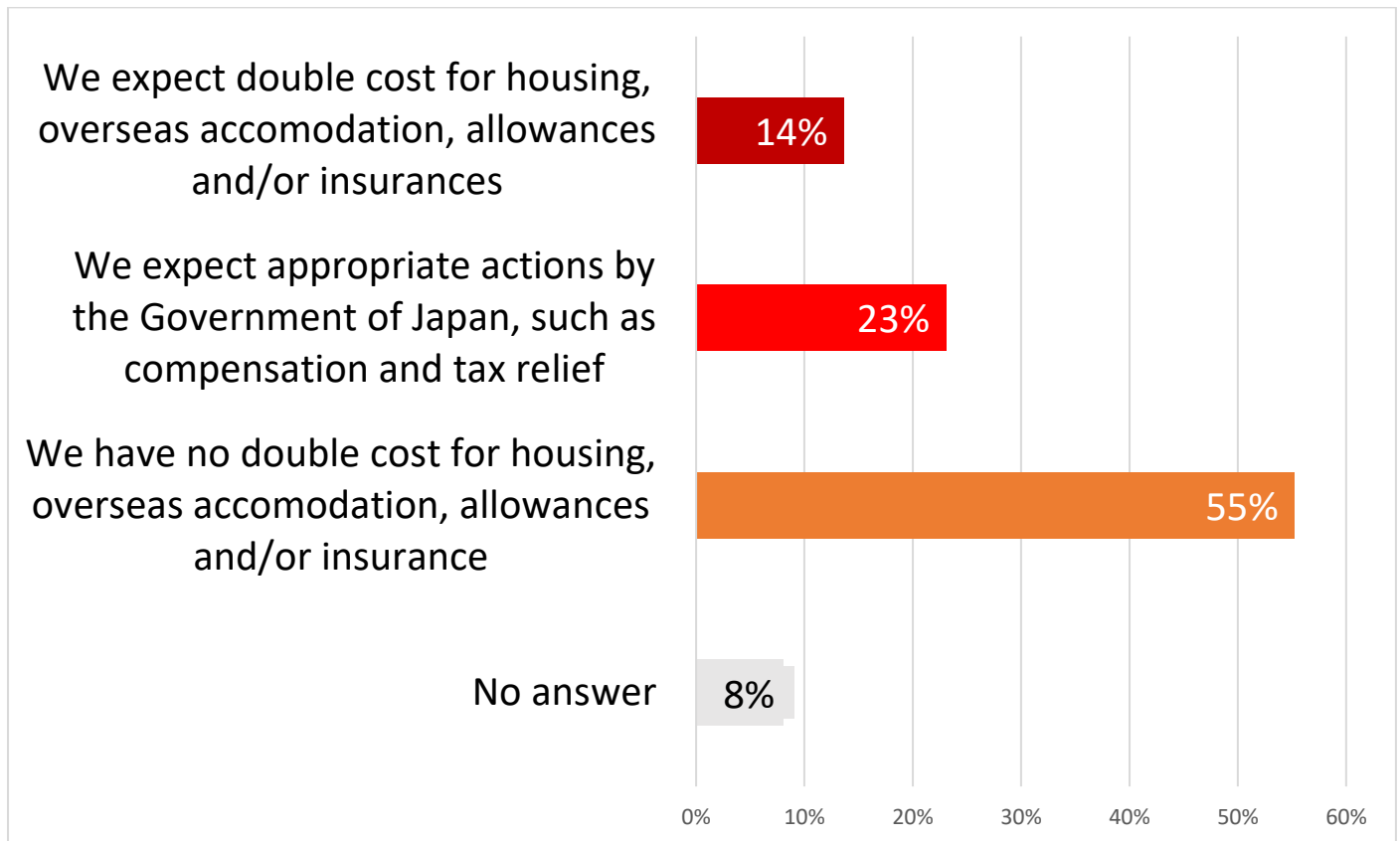
44% of European companies expect a loss of revenue



**WHAT DO YOU THINK ABOUT RELIEF MEASURES, SUCH AS COMPENSATION, TAX RELIEF, ETC. FOR AFFECTED EMPLOYEES AND FOR YOUR COMPANY?**

(without Spain & Austria - 263 companies)

Almost ¼ of European companies expect compensation from the Japanese government





## **The (re-)entry ban into Japan impacts 85% of European businesses.**

In these companies, the following activities are mainly affected:

- **New and/or existing project developments** are postponed because foreign specialists or new expatriates cannot enter the country;
- **Governance**, as board meetings and audits can only take place through video conferences, which limit discussions and negotiations;
- **Human Resources**, as important leadership or expert positions in companies cannot be filled because these employees cannot enter the country.

Consequently, **44% of European companies in Japan expect a loss of revenue solely due to the (re-)entry ban** and **26% believe that their turnover is endangered** as they are unable to execute existing and new projects. **25% mention that they cannot pursue business opportunities in the way they would like to**, which will certainly produce consequences on their financial results in the coming months.

The EBC believes this is very unfortunate as the EU-Japan Economic Partnership Agreement implemented in February 2019 has produced positive results in its first ten months : EU exports to Japan increased by 6.6% compared to the same period of the previous year, while Japanese exports to Europe grew by 6.3%. In a recent press conference at the Foreign Correspondent Club of Japan, Mr. Michael Mroczek, president of the EBC, said the agreement had a "very positive impact" on European businesses but was at risk of "losing the momentum" because of Japan's travel restrictions. "I'm not here to argue with the Japanese government about the interpretation (of the law). But we are requesting an equal treatment between Japanese citizens and non-Japanese residents and reciprocity with the EU".

The European industry in Japan creates numerous employment opportunities for both Japanese and non-Japanese nationals, as well as an influx of capital and technology. Therefore, the (re-)entry ban's impact on European companies has devastating consequences on the Japanese economy too. Some of these capital and technologies can only be transferred by personnel from Europe or other countries. These persons are often living in Japan with a proper visa and have the right to be in Japan, in many cases for an unlimited period, as in the case of holders of permanent residency.

**65% of European companies with regional headquarters based in Japan are impacted by the (re-)entry ban.** It is not uncommon for companies in Japan to manage foreign offices, for example, in Korea or Taiwan. Under normal circumstances, CEOs would travel to such countries from Japan on a regular basis. This has currently come to a complete halt. These restrictions are therefore unfortunately working as a disincentive to use Japan as a regional hub, as international travel is practically only possible for Japanese nationals. It is not out of the question that the Japanese government will use the current implemented measures as a blueprint for measures in case of future pandemics.

Moreover, according to the survey, **23% of European businesses expect appropriate actions by the Government of Japan**, such as compensation and tax relief as they are facing unexpected additional expenses caused by the (re-)entry ban that could, for some of them, jeopardize their existence and their future.

The European business community requests Japan to gradually lift the restrictions in three phases: allowing the (re-)entry of foreign residents in Japan (and reciprocating Europe) in the first, of foreign businesspeople without resident status in the second and, finally, of tourists in the third phase.