

# State and Prospects of the FTAs of Japan and the Asia-Pacific Region

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February 2013

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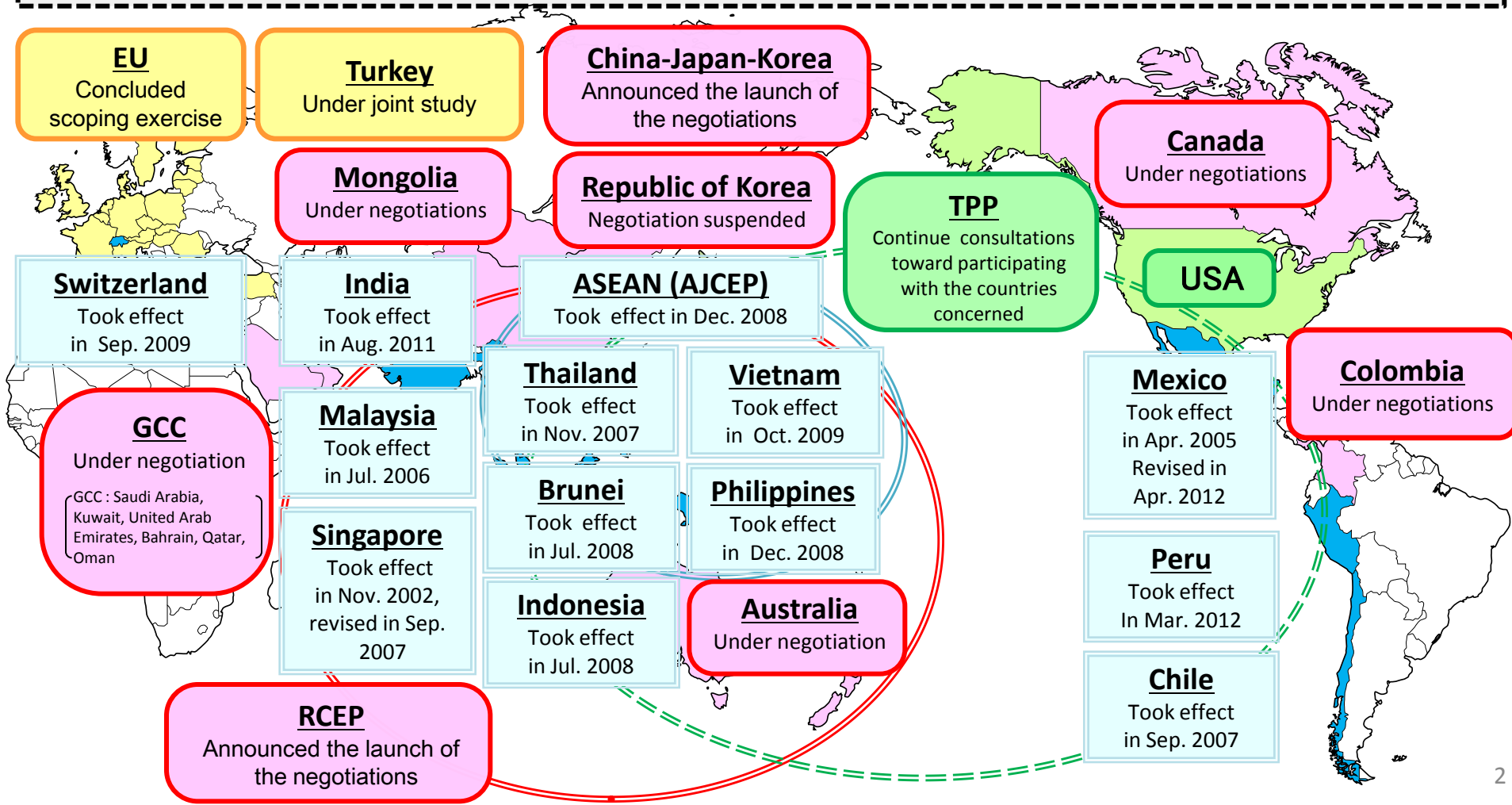
# Development of Japan's EPA/FTA Networks

**Took Effect/Signed** 12 countries and 1 region

**Under Study/discussion**

1 country and 1 region

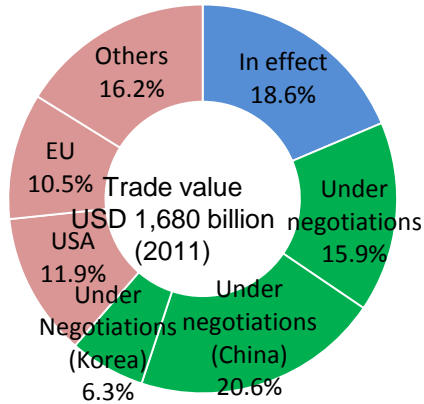
**Under Negotiation** 5 countries and 3 regions



# Comparison of FTA coverage ratios

Japan

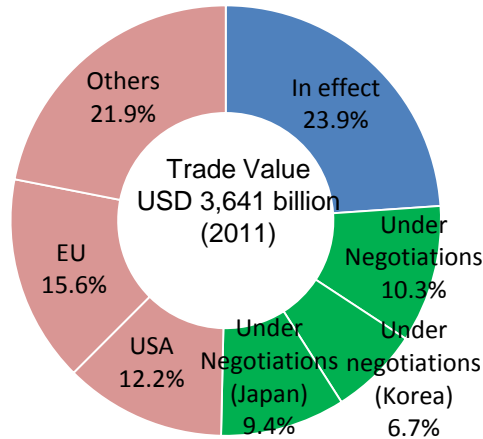
**In effect : 19%**  
Including under negotiation : 61%



**By 2015 30%, 2030 80%**  
July 31, 2012 Cabinet Decision

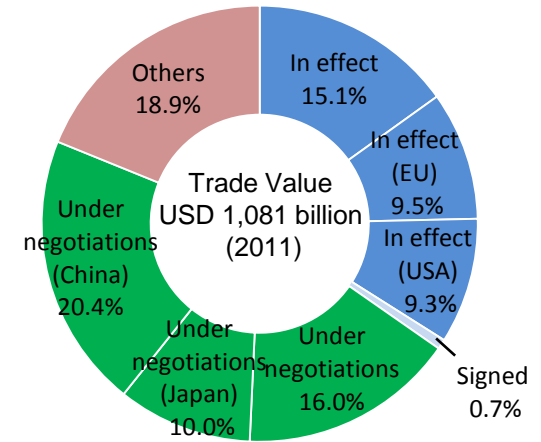
China

**In effect : 24%**  
Including under negotiation : 50%



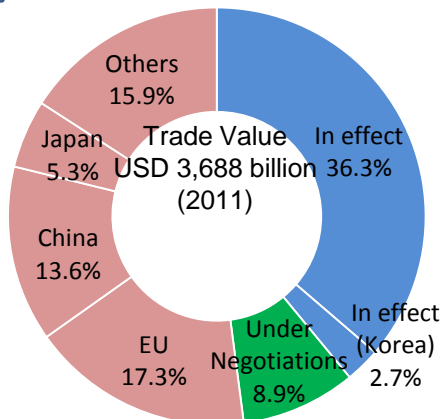
Korea

**In effect : 34%**  
Including under negotiation : 81%



USA

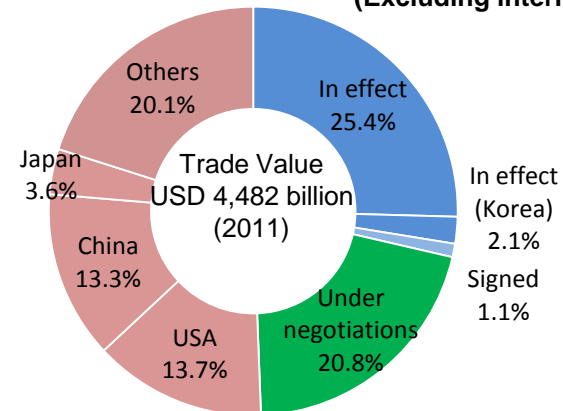
**In effect : 39.0%**  
Including under negotiation : 47.9%



EU

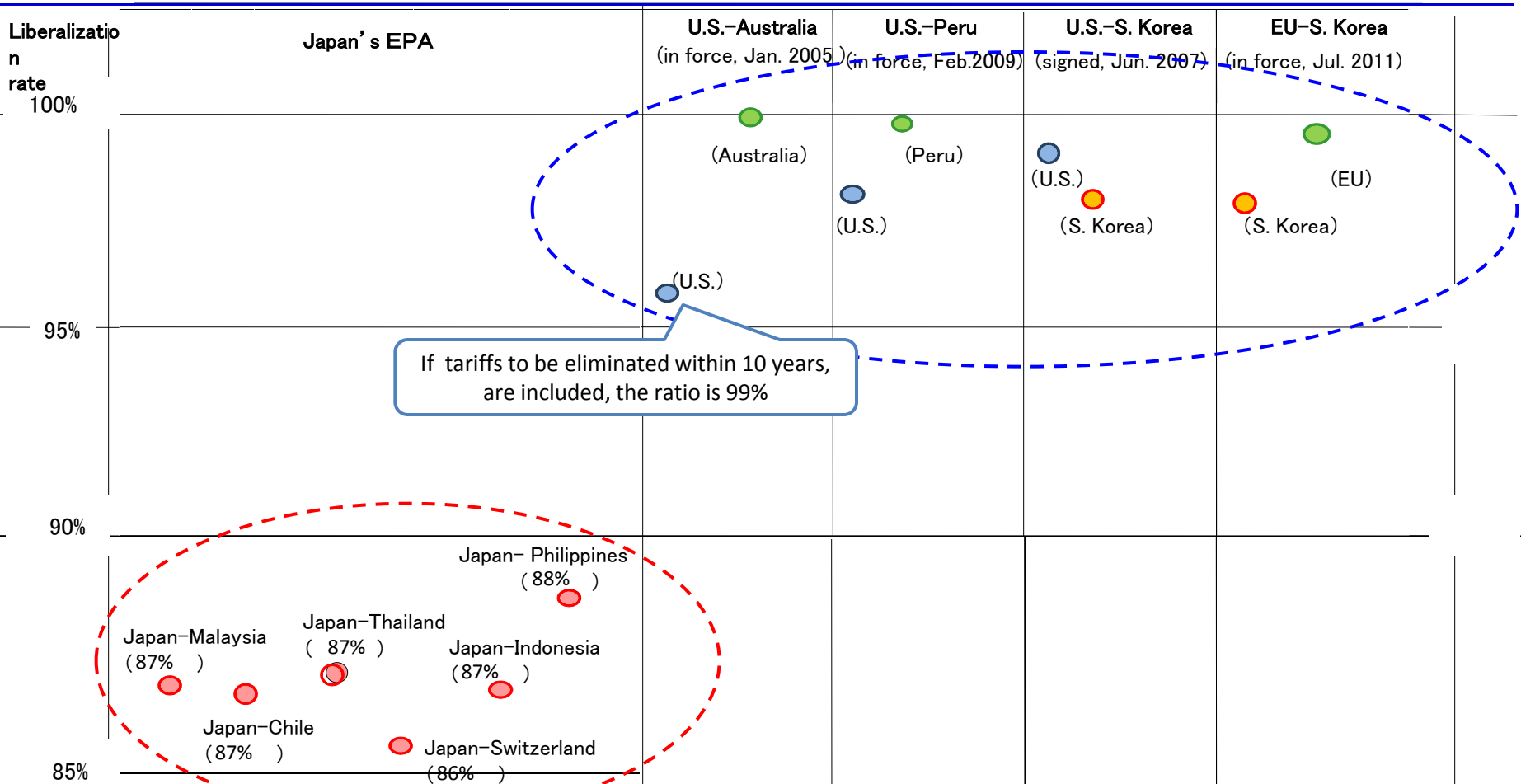
**In effect : 27.5%**  
**In effect and signed : 28.6%**  
Including under negotiation : 49.4%

(Excluding internal trade)



# Comparison of liberalization rate

FTA Liberalization rates between the US, the EU, and other countries are higher. The US has achieved rates of no less than 95%, and almost 100% on a tariff line basis.



If tariffs to be eliminated within 10 years, are included, the ratio is 99%

Notes) This table displays liberalization rates of each EPA/FTA based on tariff lines. (ratio of tariff lines which are to be liberalized within 10 years of total tariff lines)

Liberalization rate of almost all Japan's EPAs based on trade volume (ratio of imports which are to be liberalized within 10 years - of total imports) is above 90%. Japan- Brunei and Japan-Switzerland ; above 99%, Japan-Singapore, Japan-Malaysia, Japan-Vietnam; about 95%

# Basic Policy on Comprehensive Economic Partnerships

## **Campaign Promise of LDP    December, 2012**

Headquarters for Japan's Economic Revitalization will develop strategic overseas investment, EPAs and natural resource strategy with the aim of capturing the rapidly growing Asian economy.

## **Press Conference by Prime Minister Shinzo Abe    December 26, 2012**

First with regard to the TPP, the public pledge made by the Liberal Democratic Party regarding the TPP is to oppose joining the negotiations as long as a precondition is the abolition of customs tariffs without considering any areas to be off-limits.

Under the recent coalition agreement with The New Komeito, we will pursue the optimal path forward that serves the national interests, and this is of course our mutual agreement, as it were, as well as a public pledge.

In economic negotiations, the outcome is everything, so to speak. From the perspective of whether or not within the final outcome our national interests were safeguarded and we succeeded in obtaining what we wished to obtain, we will engage in a comprehensive examination of the issue, placing focus on whether or not we are able to safeguard our national interests.

# Development of Regional FTAs

## Japan-EU EPA

### 28 May, 2011 - Japan-EU Summit

Summit leaders decided that the two sides would start discussions with a view to defining the scope of the EPA as soon as possible.

### 31 May, 2012- European Commission Meeting

The Commission indicated that the scoping exercise had been concluded.

### 29 November, 2012 - The EU Foreign Affairs (Trade) Council

The Council approved a mandate for the negotiation of a FTA with Japan.



Early 2013 Japan EU Summit (arranging)

## China-Japan-Korea FTA

### 13 May, 2012 - CJK Summit

Leaders endorsed the recommendations from the trade ministers that the trilateral FTA negotiation would be launched within the year.

### 20 November, 2012 - CJK Economic Ministers Meeting

Ministers Announced the launch of the FTA negotiations among China, Japan and Korea. They decided to hold the first round of the negotiations in early 2013

## RCEP

(Regional Comprehensive Economic Partnership)

### 30 August 2012, - ASEAN Economic Ministers Plus ASEAN FTA Partners Consultations

The Ministers agreed to recommend to the Leaders the Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership.

### 20 November, 2012 - ASEAN Leaders Meeting and Related Meeting

Sixteen leaders and representatives declared the launch of the RCEP negotiations. They commence RCEP negotiations in early 2013 and aim to complete negotiations by the end of 2015.

## TPP

### 11 November, 2011 - Press Conference by Prime Minister Yoshihiko Noda

"I have decided to enter into consultations toward participating in the TPP negotiations with the countries concerned."

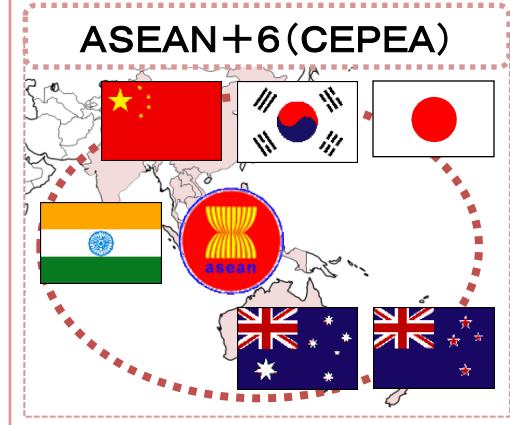
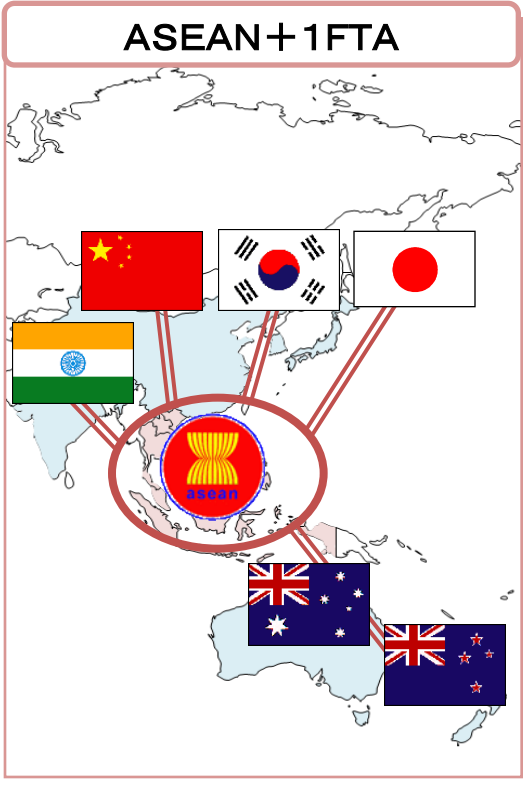
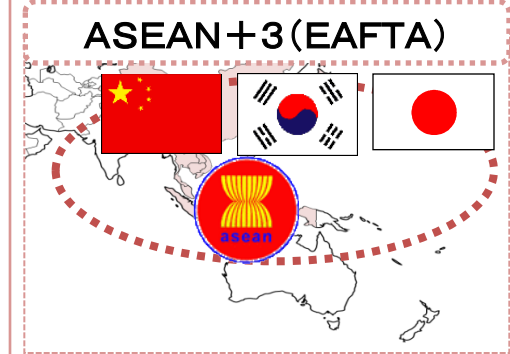
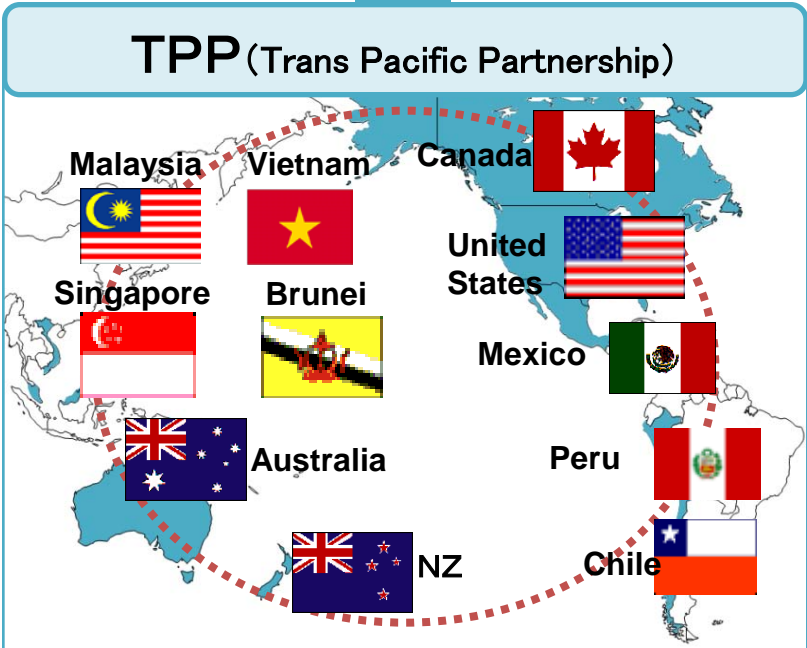
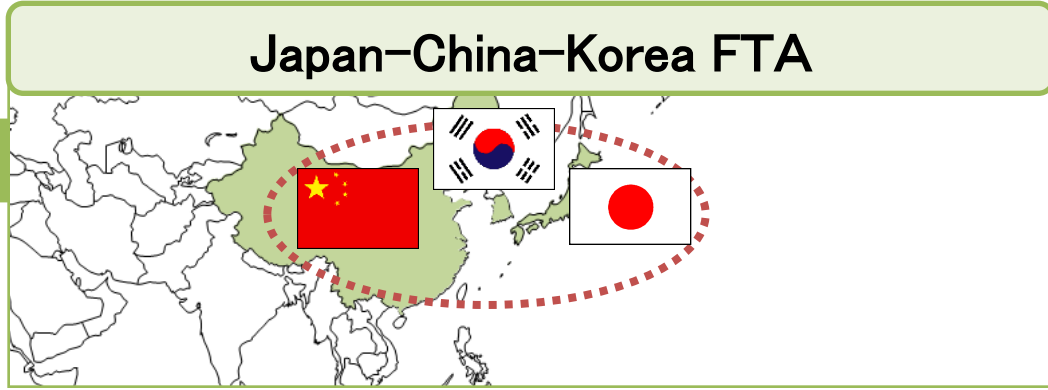
### 30 April, 2012 - Japan-U.S. Summit Meeting

Both leaders shared the view that they would make efforts to advance Japan-U.S. consultations. President Obama expressed interest in the issues of automobiles, insurance, as well as issue of beef which has already been previously addressed.

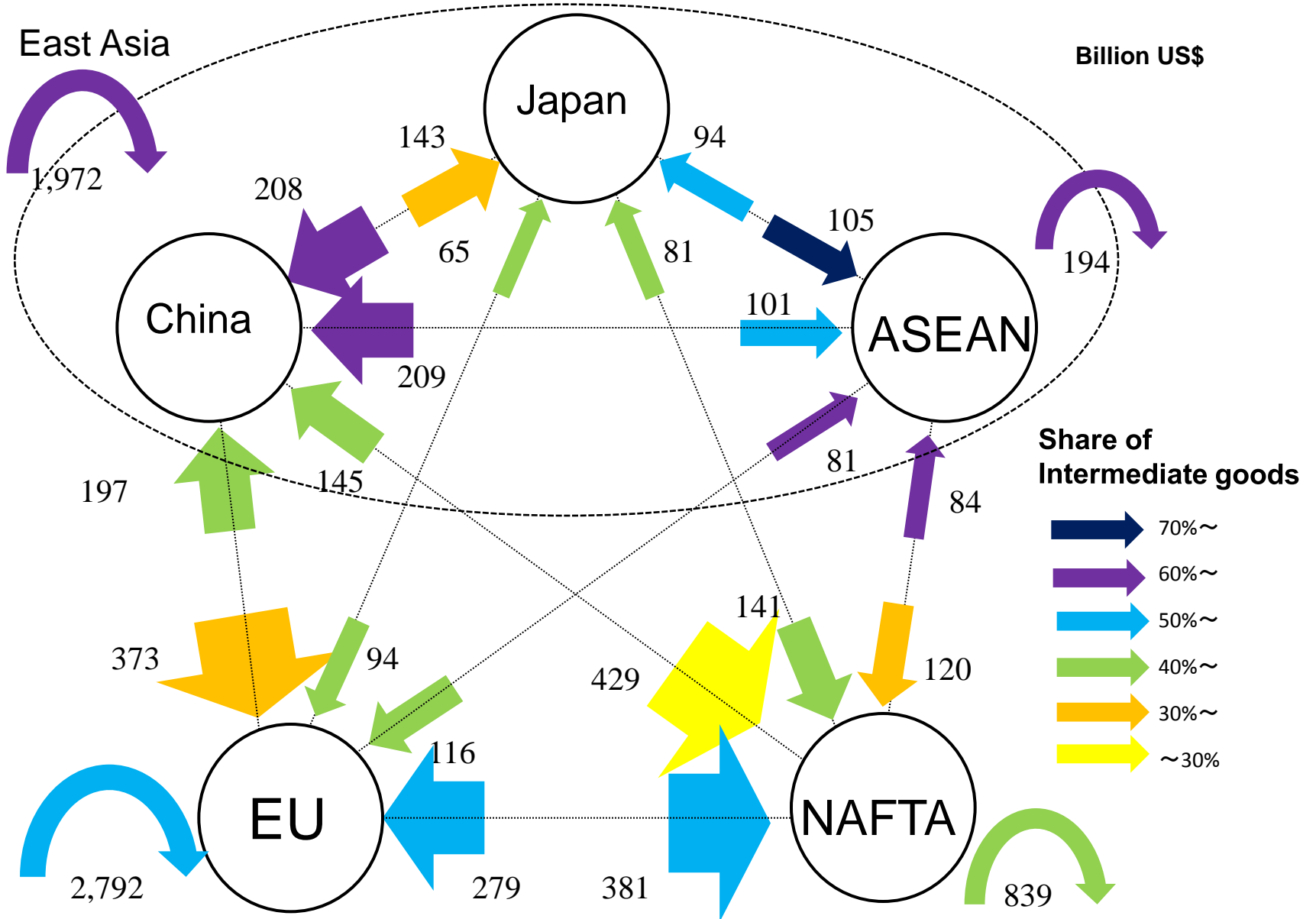
### 20 November, 2012 - Japan-U.S. Summit Meeting

Prime Minister Noda stated that he would like to accelerate bilateral consultations in order to overcome issues regarding the TPP, which was basically understood by President Obama.

# Road to FTAAP



# Supply-Chain in East Asia 2010





# Regional growth and Japan's growth strategy

## - FTA strategy and decision-making -

### - **PM Abe**

Revitalization of the economy by adopting a three-pronged strategy consisting of bold monetary policy, flexible fiscal policy and a growth strategy that promotes private investment

**the most business friendly country, trade-oriented & industrial investment- oriented country**

### - **Background**

Relative decline of Japanese economy and robust Asian growth

75% of exports are for APEC      25% for TPP

60% of FDI                      for APEC      40% for TPP

### - **Hollowing-out?**

Export/FDI-oriented companies contribute more to domestic investment and job creation      - White Paper on International Economy & Trade 2012

Strengthening competitiveness of service industry is opportunities

# Domestic politics on TPP

## - **Pros**

Regional growth, supply chain, common rules

Accelerate other FTAs

Equal-footing among competitors

Enhancement of competitiveness in agriculture & service industry

SMEs benefit lower transaction cost

IPR protection and FDI protection

## - **Cons**

Not only agriculture, but also service sectors such as public health insurance scheme, medical drugs, legal services, food safety standard as well as unskilled labor!

- **Question:** The above concerns valid?

Scope of negotiations?

Window-shopping would not tell the real price!

# Perception is **political reality**

- However, public awareness increased: FTAs are more than agriculture tariff / more than “border measures”
- Peer pressure and one’s own agenda

## Perception is **business reality** too!

East Asian process: FDI-led / business-led de facto economic integration

Mindset matters!

Where the prize is

Companies choose the most investment/business friendly country

## **Speed** is critical for business

PM Noda’s “decisive politics” in 2012

PM Abe’s “sense of speed in bringing policies into realization and the ability to get things done”

# East Asian economic integration

East Asia is behind EU?

Myanmar : Malaysia 1:8 per capita GDP

Cambodia : Korea 1:12

Turkey : Germany 1:6 -> 1:3

EA economic integration while ensuring **ASEAN centrality**

FTA/EPA, connectivity, **removing barriers to sustainable growth**

“Principle is pursuing free, open, interconnected economies ... must secure the power of networking ... enhance connectivity in Asia. Also reiterated 36-years old Fukuda Doctrine Japan being equal partner of ASEAN” - PM Abe @Jakarta, Jan. 2013

**APEC means business!**