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

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

**EU**
- Concluded scoping exercise

**GCC**
- Under negotiation
  - GCC: Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar, Oman

**Turkey**
- Under joint study

**Mongolia**
- Under negotiations

**Republic of Korea**
- Negotiation suspended
- Continue consultations toward participating with the countries concerned

**China-Japan-Korea**
- Announced the launch of the negotiations

**ASEAN (AJCEP)**
- Took effect in Dec. 2008

**USA**
- Under negotiations

**Canada**
- Under negotiations

**Switzerland**
- Took effect in Sep. 2009

**India**
- Took effect in Aug. 2011

**Malaysia**
- Took effect in Jul. 2006

**Singapore**

**Brunei**
- Took effect in Jul. 2008

**Philippines**
- Took effect in Dec. 2008

**Vietnam**
- Took effect in Oct. 2009

**Thailand**
- Took effect in Nov. 2007

**Indonesia**
- Took effect in Jul. 2008

**Australia**
- Under negotiation

**RCEP**
- Announced the launch of the negotiations

**China-Japan-Korea**
- Took effect in Aug. 2011

**ASEAN (AJCEP)**
- Took effect in Dec. 2008

**TPP**
- Continue consultations toward participating with the countries concerned

**Mexico**
- Took effect in Apr. 2005
- Revised in Apr. 2012

**Peru**
- Took effect in Mar. 2012

**Chile**
- Took effect in Sep. 2007
Comparison of FTA coverage ratios

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

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

Trade Value USD 3,688 billion (2011)
EU 17.3%
Japan 5.3%
China 13.6%
Others 15.9%
Under Negotiations (Korea) 8.9%
In effect 36.3%

EU
In effect: 27.5%
In effect and signed: 28.6%
Including under negotiation: 49.4%
(Excluding internal trade)

Trade Value USD 4,482 billion (2011)
Japan 3.6%
China 13.3%
USA 13.7%
Others 20.1%
Under Negotiations 20.8%
In effect 25.4%
Under Negotiations (Korea) 2.1%
Under Negotiations (China) 13.3%
In effect (EU) 9.3%
In effect (USA) 9.5%
Signed 0.7%

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.

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.
FTAAP (Free Trade Area of the Asia-Pacific)

RCEP (Regional Comprehensive Economic Partnership)

Japan–China–Korea FTA

TPP (Trans Pacific Partnership)

ASEAN+3 (EAFTA)

ASEAN+1 FTA

ASEAN+6 (CEPEA)
Supply-Chain in East Asia 2010

East Asia

Japan

China

ASEAN

EU

NAFTA

1,972
197
194
373
94
141
839

2,792
279
381

Share of Intermediate goods

70%~ 60%~ 50%~ 40%~ 30%~ ~30%

Billion US$
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 \hspace{1cm} \text{per capita GDP}
Cambodia : Korea 1:12
Turkey : Germany 1:6 \rightarrow 1:3

EA economic integration while ensuring \textbf{ASEAN centricity}
- FTA/EPA, connectivity, \textit{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

\textbf{APEC means business!}