

# **Sharing Prosperity and Responsibility for Mega-FTAs**

Nationalism and Regional Integration: Can Asia Find a Balance?

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# “Basic Policies on Economic and Fiscal Operation and Reform 2014” (June 24, 2014 cabinet decision)

## Creating an open country

- ◆ Expanding exchange of people, goods, money and information beyond borders



- ◆ Continuously creating innovation through diversity and new connections

## Outward globalization

- ◆ Region-wide FTAs:  
TPP, RCEP, CJK-FTA, Japan/EU EPA
- ◆ Contribution to making world-wide rules on trade and investment
- ◆ Support for Japanese companies in developing global markets

## Domestic globalization

- ◆ Doubling inward FDI (by 2020) ← Regulatory reform
- ◆ Utilization of high-level human resources
- ◆ National Strategic Special Zones

# Japan Revitalization Strategy (revised)

## (June 4, 2014 cabinet decision)

### Renewed development of agricultural, forestry and fishery industry

1

Autonomous and swift agricultural operation



Integrally revising state of agricultural committees, producers and cooperatives

2

Restructuring domestic value chains



Reform of logistics and marketing → Sixth sector industrialization

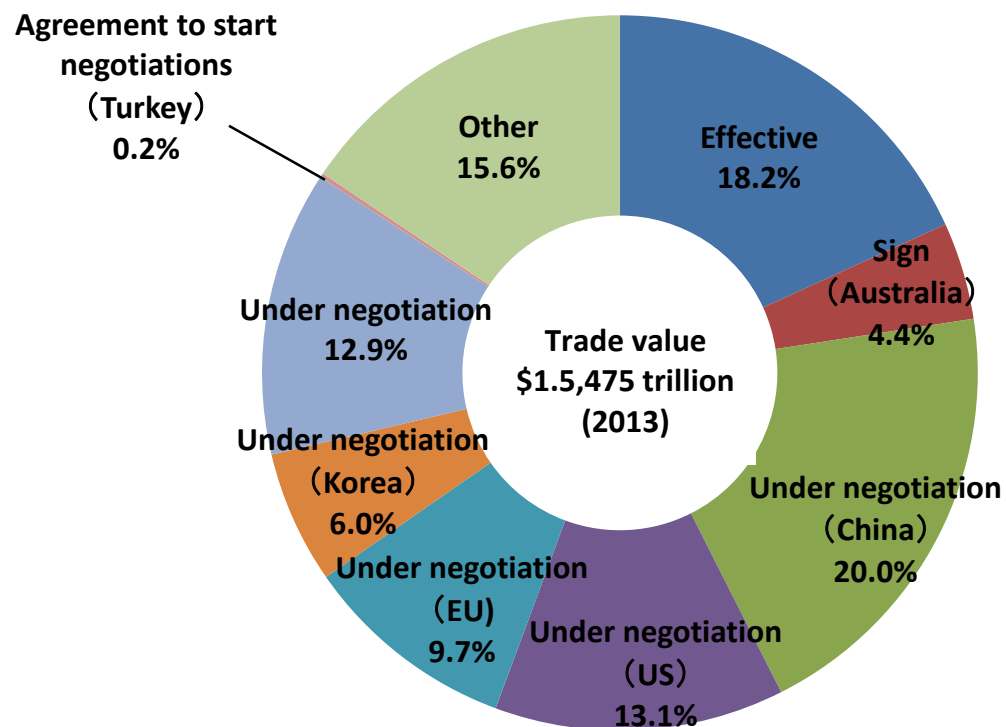
3

Integration with international market,  
development of new domestic market



Strong, high value-added brands

# Japan's FTA coverage ratio



# Japan's FTAs: In effect, signed, under negotiation

(Unit: %)

	FTA coverage ratio		
	Exports + Imports	Exports	Imports
<b>In force</b>	<b>18.2</b>	<b>18.9</b>	<b>17.6</b>
Singapore	1.8	2.9	0.9
Thailand	3.7	5.0	2.6
Malaysia	2.9	2.1	3.6
Indonesia	3.0	2.4	3.5
Philippines	1.2	1.4	1.1
Vietnam	1.6	1.5	1.7
Other ASEAN countries	0.5	0.2	0.7
India	1.0	1.2	0.9
Mexico	0.9	1.4	0.5
Peru	0.2	0.1	0.3
Chile	0.6	0.2	1.0
Switzerland	0.7	0.5	0.9
<b>Signed</b>	<b>4.4</b>	<b>2.4</b>	<b>6.1</b>
Australia	4.4	2.4	6.1
<b>Under negotiations</b>	<b>61.6</b>	<b>59.4</b>	<b>63.5</b>
China	20.0	18.1	21.7
South Korea	6.0	7.9	4.3
Mongolia	0.0	0.0	0.0
New Zealand	0.3	0.3	0.3
United States	13.1	18.5	8.4
Canada	1.3	1.2	1.4
Colombia	0.1	0.2	0.1
EU28	9.7	10.0	9.4
GCC	11.1	3.1	17.9
<b>Other</b>	<b>15.8</b>	<b>19.3</b>	<b>12.7</b>
(Reference) In force + Signed + Under negotiations	<b>84.2</b>	<b>80.7</b>	<b>87.3</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: "Under negotiations" include those that are agreed in principle (Japan-Mongolia EPA), postponed negotiations (GCC), and suspended negotiations (Japan-Korea EPA)

Source: "Trade Statistics" (Ministry of Finance)

# Procurement sources of Japanese affiliated companies in Asia

## ■ Procurement ratio from RCEP countries accounts for around 90% of total procurements

Procurements of raw materials and parts heavily depend on the inner-RCEP region, including domestic markets as well as Japan, ASEAN, China.

### Procurement sources for raw materials and parts of Japanese affiliated companies in Asia and Oceania

(Unit: %)

		Local	Japan	ASEAN	China	Others	Sourcing from RCEP members
RCEP members (ASEAN)	Thailand	52.7	29.7	4.6	6.5	6.5	93.5
	Indonesia	40.8	32.7	13.5	4.6	8.5	91.6
	Malaysia	42.3	27.9	11.5	7.0	11.4	88.7
	Vietnam	32.2	34.8	12.4	11.4	9.3	90.8
	Singapore	40.4	27.3	15.9	7.3	9.2	90.9
	Philippines	27.9	41.6	10.7	8.6	11.3	88.8
	Cambodia	10.7	22.5	36.6	22.3	7.9	92.1
	Laos	11.0	18.7	42.7	22.5	5.1	94.9
RCEP members (+1 countries)	China	64.2	27.9	2.9	—	5.0	95.0
	South Korea	47.9	38.9	2.0	5.4	5.8	94.2
	NZ	55.1	17.4	1.4	1.4	24.7	75.3
	Australia	48.2	19.7	5.7	4.9	21.6	78.5
	India	43.4	32.2	12.1	7.7	4.7	95.4
Other countries	Taiwan	54.2	29.8	2.4	5.6	8.0	—
	Pakistan	34.1	28.6	11.9	3.8	21.6	—
	Hon Kong, Macau	27.4	28.6	4.5	29.8	9.7	—
	Bangladesh	29.1	14.1	16.1	24.7	16.0	—
	Srilanka	17.9	29.6	20.0	15.9	16.6	—
Total		48.0	30.3	7.7	6.1	7.9	—

Source: "Survey of Japanese-Affiliated Companies in Asia and Oceania (FY 2013 Survey)" (JETRO)

# Procurement sources of Japanese affiliated companies in Asia

## Local procurement for raw materials and parts of Japanese affiliated companies in Asia and Oceania

(Unit: %)

	2010	2011	2012	2013
China	58.3	59.7	60.8	64.2
NZ	64.2	54.9	64.0	55.1
Taiwan	49.2	48.5	53.3	54.2
Thailand	56.1	53.0	52.9	52.7
Australia	62.3	48.6	56.7	48.2
South Korea	55.0	54.8	49.7	47.9
India	45.2	41.1	45.2	43.4
Malaysia	45.9	39.3	42.4	42.3
Indonesia	42.9	41.0	43.0	40.8
Singapore	36.1	30.2	26.8	40.4
Pakistan	n.a.	32.7	26.1	34.1
Vietnam	22.4	28.7	27.9	32.2
Bangladesh	n.a.	39.4	23.7	29.1
Philippines	27.2	26.3	26.2	27.9
Hong Kong, Macau	n.a.	22.8	24.4	27.4
Srilanka	n.a.	28.0	23.5	17.9
Laos	n.a.	n.a.	18.2	11.0
Cambodia	n.a.	14.0	2.2	10.7
Total	48.3	48.1	47.8	48.0

Source: "Survey of Japanese-Affiliated Companies in Asia and Oceania (FY 2013 Survey)" (JETRO)

## Procurement from local companies out of total local procurement

(Unit: %)

	2010	2011	2012	2013
Srilanka	n.a.	n.a.	90.4	n.a.
Australia	85.6	83.6	84.2	87.2
South Korea	86.1	89.8	90.2	86.7
Taiwan	81.5	74.8	87.2	86.7
Bangladesh	n.a.	70.8	84.2	79.0
India	72.8	80.9	78.8	77.9
NZ	78.2	86.3	91.1	76.4
Malaysia	57.7	57.6	60.1	59.2
China	53.9	54.5	55.3	56.3
Hong Kong, Macau	n.a.	59.9	47.3	52.7
Indonesia	48.1	50.2	47.4	52.0
Singapore	44.1	46.3	46.9	44.1
Vietnam	47.7	45.6	45.0	41.0
Thailand	42.3	41.9	43.8	40.7
Philippines	32.9	42.4	30.4	33.6
Total	53.0	53.9	55.6	54.6

Source: "Survey of Japanese-Affiliated Companies in Asia and Oceania (FY 2013 Survey)" (JETRO)

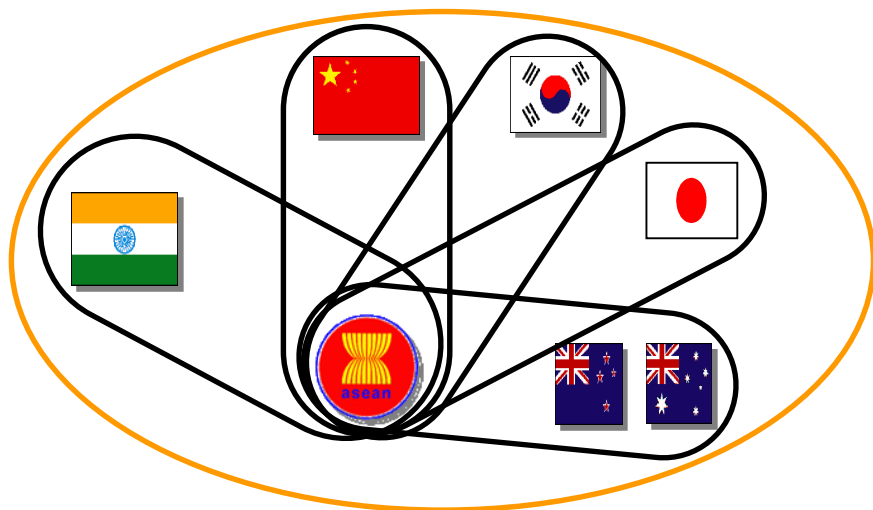
# Overview of RCEP

## What is RCEP ?

RCEP (Regional Comprehensive Economic Partnership) is a framework for regional comprehensive economic partnership with participation of a total of 16 countries. Official negotiations started at the ASEAN Summit in November 2012. The first negotiation round took place in May 2013 and negotiations are expected to complete by the end of 2015.

## Countries participating in negotiations

The following 16 countries participate in RCEP negotiations: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Cambodia, Myanmar, Laos, Singapore, Brunei, Japan, China, Korea, India, Australia and New Zealand.



## Guiding principles and objectives for negotiations on RCEP

- 1) WTO consistency
- 2) Broader and deeper engagement with significant improvements over the ASEAN+1 FTAs.
- 3) Facilitation of trade and investment and enhancement of transparency in trade and investment.
- 4) Flexibility including provision for special and differential treatment to LDCs.
- 5) ASEAN+1 FTAs and the bilateral/plurilateral FTAs will continue to exist.
- 6) Open accession clause to enable participation of any ASEAN FTA .
- 7) Technical assistance and capacity building.
- 8) Parallel negotiations on trade in goods, trade in services, investment and other areas.

## Coverage under negotiation

- 1) Trade in goods
- 2) Trade in services
- 3) Investment
- 4) Economic and technical cooperation
- 5) Intellectual property
- 6) Competition
- 7) Dispute settlement
- 8) Other issues



# China+1 and Thailand+1 strategies

## ■ Expanding supply chains to Philippines & Vietnam

Recently, a growing number of companies such as Murata Manufacturing, Canon and Brother have established factories in Batangas for manufacturing smart phone components and printers.

The Philippines is attractive for its readily accessible labor force, low number of labor disputes, wide-ranging spoken English language ability and incentives in PEZA.

## ■ Expanding supply chains to Cambodia & Laos

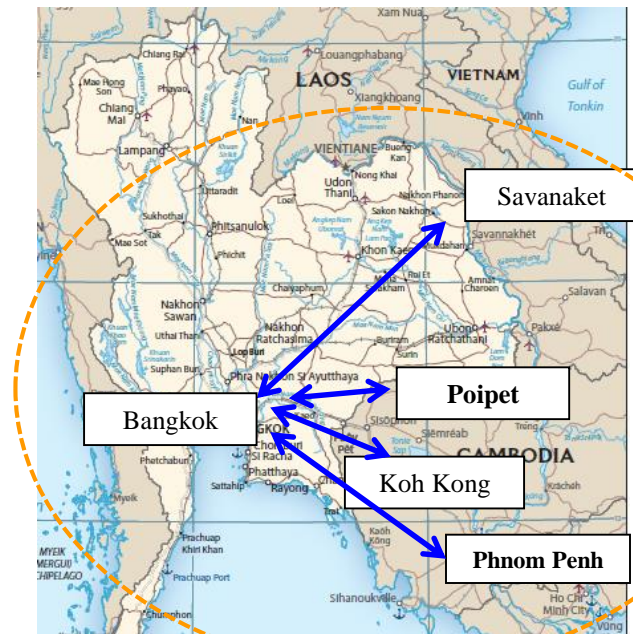
Minebea, Sumitomo Wiring Systems, Yazaki Corporation, Nidec Corporation and Denso are some of the companies expanding its business in Cambodia. Nikon and Toyota Boshoku to Laos.

Companies manufacture labor intensive products in Cambodia and Laos and supply them to its mother factories in Bangkok.

Expanding supply chain between China and northern ASEAN



Expanding supply chain between Thailand and Cambodia, Laos



Map: CIA

# Japan-China Summit Meeting (November 10, 2014)

【Source: Prime Minister of Japan and his cabinet】

- ◆ In the afternoon (November 10), Prime Minister Abe held talks with HE Mr. Xi Jinping, President of the People's Republic of China.
- ◆ Following the meeting, the Prime Minister said “I believe this marked the first step towards improving Japan-China relations by returning to the starting point of a ‘mutually beneficial relationship based on common strategic interests.’
- ◆ Our aim was to make the most of the forum provided by the APEC meetings on this occasion, and to first begin dialogue at the summit level. To achieve this, we have been making unostentatious efforts, and were recently able to hold an official Japan-China Foreign Ministers' Meeting. And today, I was able to hold a summit meeting with President Xi Jinping. I believe a great number of countries, not only those in Asia but from around the world, were hoping that Japan and China would engage in dialogue at the summit level. Today, I believe we lived up to those expectations and were able to take the first step towards improving our relations.
- ◆ Furthermore, I requested that we establish a maritime communication mechanism and believe that we will begin making specific arrangements to that end.”

