

APEC to Spur Freer Trade with “Yokohama Vision”

Japan Aims at Another “Opening” via TPP

By Hiroshi OKABE

The 2010 summit of the Asia-Pacific Economic Cooperation (APEC) forum, hosted by Japan for the first time in 15 years, adopted a declaration called the “Yokohama Vision” in a bid to promote the creation of a Free Trade Area of the Asia-Pacific (FTAAP) encompassing the entire region. While the Doha Round of multilateral trade liberalization negotiations has hit a snag, APEC declared that it will become an engine to promote region-wide free trade. APEC also spelled out its goal to develop “a community” and vowed to further strengthen relations among the 21 member economies.

In 2006, then US President George W. Bush proposed an APEC-wide free trade zone but such a concept had been considered difficult to bring it to fruition because of the forum’s lawfully nonbinding, loose structure. FTAAP was once considered “a pipe dream” but got a big boost when chair Japan decided shortly before the APEC summit in Yokohama to “start consultations” toward participating in the Trans-Pacific Partnership (TPP) initiative. “Japan’s prosperity is not possible without following a path toward growth of the Asia-Pacific region,” Prime Minister Naoto Kan emphasized at the APEC summit, expressing Japan’s resolve to promote trade liberalization based on the TPP in which the United States and eight other countries are participating or prepared to join.

The TPP in principle is a free trade agreement (FTA) which will scrap all tariffs in 10 years. It is more liberalized than traditional FTAs and called “an honor student of FTAs.” The TPP took effect in 2006 with four countries such as Singapore and New Zealand participating. Presently, a total of nine countries, including APEC members like the United States and Australia, are TPP members or preparing to participate. The US administration of President Barack Obama, confronted with the



Photo: Kyodo News

Japanese Prime Minister Naoto Kan (center) announces an APEC summit declaration in Yokohama on Nov. 14, 2010, as US President Barack Obama (right) and Singapore Prime Minister Lee Hsien Loong look on.

slumping domestic economy, is focusing on the TPP to cash in on high Asian economic growth and trying to further expand the TPP by the next APEC summit it will host in Honolulu in 2011. TPP membership may expand to some other Southeast Asian countries, which are wary about Malaysia’s ongoing TPP entry negotiations, and to South Korea, which is competing with Japan to push for trade liberalization.

The biggest challenge facing Japan is agriculture, as symbolized by rice. At present, Japan imposes a tariff of 788% on imported rice to protect domestic farmers, but it is required to eliminate all tariffs without exceptions should it decide to join the TPP. Accordingly, Japanese farm groups are vigorously protesting it, saying, “If Japan joins the TPP, Japanese agriculture will be wiped out.” The Japanese government will draw up basic guidelines for the agricultural sector’s structural reform in June before making a formal decision on whether or not Japan will participate in the TPP.

In the course of proposed TPP entry negotiations, Japan will have to face the

prospects of easing laws and regulations for “labor mobility” such as accepting foreign nurses. Japan, struggling to deal with its dwindling population, will come under pressure to open up itself in such areas as accepting foreign workers. The road to achieving FTAAP is uneven. China is trying to zero in on another framework of regional trade liberalization involving a smaller number of partners – the Association of Southeast Asian Nations, Japan and South Korea as well as itself – under the so-called ASEAN-plus-three process in a strategic move designed to keep the United States in check.

The United States and China are fighting for supremacy over the trade liberalization process in the world’s growth center. It is not clear if trade liberalization will be attainable by overcoming the hegemonic struggle. If Japan is to become a driving force in regional trade liberalization, it has to make decisions on the longstanding problems such as agriculture and labor mobility ahead of its “Heisei-era opening” to the rest of the world through the TPP process.

Japan to Build 2 Nuclear Reactors in Vietnam Public-private Efforts Pay Off

Japan has secured contracts to build nuclear power reactors in Vietnam. At summit talks between Japanese Prime Minister Naoto Kan and his Vietnamese counterpart Nguyen Tan Dung in Hanoi on Oct. 31, the Vietnamese side announced that it has chosen Japan as its development partner to build two of four nuclear reactors in central Vietnam. A Japanese campaign to win orders through joint efforts by the governmental and private sectors paid off. Demand for nuclear power equipment and technology in emerging countries in Asia is projected to aggregate to the tune of 100 trillion yen over the next 15 years, and the latest order is expected to be a model of infrastructure-related exports in the future.

Vietnam, whose industrial development has been hampered by power shortages, plans to build and operate 14 nuclear reactors by 2030. Of those nuclear power projects approved by parliament, two reactors each will be built at two locations in Ninh Thuan Province. Russia has won an order to build Vietnam's first two nuclear reactors by sweetening the deal with bilateral military cooperation such as

the supply of nuclear submarines.

Japan also went into action, dispatching key economic ministers to Vietnam in a bid to export nuclear power generation technology. After only two months of negotiations, the two countries reached a basic agreement on a nuclear cooperation pact which is necessary for the export of nuclear power-related materials and equipment as well as for nuclear technology transfer. In an effort to help Vietnam promote its nuclear power generation, the Japanese government and the private sector joined forces to establish International Nuclear Energy Development of Japan Co. with funding from three manufacturers of nuclear power equipment – Toshiba Corp., Hitachi Ltd. and Mitsubishi Heavy Industries Ltd. – and nine electric power companies.

Japan successfully landed the deal mainly because it met all conditions laid

down by Vietnam such as extending brand-new nuclear power technology and financial aid. It is a big feat for Japan, which distinguished itself from South Korea and China aggressively pushing nuclear power deals with bargain prices although it was lagging behind these countries in export campaigns for infrastructure-related deals in newly emerging nations.

Photo: J-LoUPe



Japanese trade minister Masayuki Naoshima (left) and Vietnamese Prime Minister Nguyen Tan Dung pose for photographers after conferring on a nuclear power plant project.

Rate of Job-landing Univ. Students Lowest on Record Gov't Stepping Up Employment Support for Youth

The employment situation for young people in Japan is aggravating. Only 57.6% of university students due to graduate this spring secured employment as of Oct. 1, an all-time low since the government started compiling such data in 1996, according to a joint survey by the Education, Culture, Sports, Science and Technology Ministry and Health, Labor and Welfare Ministry. The government of Prime Minister Naoto Kan is giving top priority to helping students graduating from school land jobs, but a prolonged recession means new graduates are facing difficulties in finding employment opportunities.

"We are determined to achieve economic growth with employment as linchpin," Prime Minister Kan told a confer-

ence discussing new growth strategies under his chairmanship. The government plans to implement support measures such as bringing small and mid-sized firms and new graduates together and extending employment incentives to companies. But the business community is pressuring the government to revitalize corporate activities by cutting the corporate tax rate because, as one executive has put it, "Jobs are created through production. There is no fundamental solution unless there is production recovery."

Debate on when university students should start job-hunting activities is also in full swing. In Japan, many university students start looking for jobs one year before graduation. The Japan Business Federation, the country's largest busi-

ness lobby popularly known as Nippon Keidanren, stipulates in its corporate ethics charter that firms should wait until October or later to give prospective students informal job offers.

But in reality, students are starting their job search early and firms are offering them employment before graduation to secure talented people. Alarmed that an early start of job hunting may lower the quality of students firms are trying to recruit, major trading houses and other businesses are expected to put off accepting job applications in an attempt to allow students more time for study.

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