

Japan, Mexico Agree to Conclude FTA

Japan and Mexico on March 12 finally agreed to conclude a bilateral free trade agreement (FTA) after 16 months of negotiations. The agreement was confirmed when Japanese Foreign Minister Kawaguchi Yoriko, Economy, Trade and Industry Minister Nakagawa Shoichi and Agriculture, Forestry and Fisheries Minister Kamei Yoshiyuki held a video teleconference with Mexican Economy Secretary Fernando Canales and Agriculture Secretary Javier Usabiaga. The two countries will seek to thrash out the details in order to put the FTA into effect in January 2005.

The FTA with Mexico is Japan's second with a trading partner, following the one signed with Singapore in 2002. The agreement with Mexico also represents the first comprehensive deal for Japan that covers the agricultural sector. The Japanese government aims to promote the FTA negotiations that were launched recently with South Korea, Thailand, the Philippines and Malaysia.

The final round of negotiations with Mexico focused on the industrial products sector, in which Mexico agreed to abolish

tariffs on all types of steel products from Japan within the next 10 years. Mexico will also create additional duty-free import quotas for Japanese motor vehicles, which are equivalent to 5% of the Mexican auto market, on top of the current duty-free import quotas in the first year of the bilateral FTA taking effect. The import duties on Japanese autos will be reduced in stages, with such imports from Japan becoming tax-free after seven years.

Japan will establish an import quota of up to 6,500 tons for orange juice from Mexico. Japan will also halve the tariff rates on 38,000 tons of medium and high-quality pork from Mexico in the first year, and expand the quota to 80,000 tons from the fifth year. In addition, Japan will introduce low tariff rates for imported oranges, chicken and beef in the third year, which are equivalent to 1% of the Japanese markets. The two countries also agreed to promote bilateral cooperation not only in the field of trade but in investment as well. Specifically, Mexico will give Japanese businesses equal treatment with European Union companies in government procurement and give

Japanese companies equal treatment in the liberalization of investment. The two countries also agreed to improve a legal framework for the settlement of trade disputes, such as the establishment of an arbitration court, and set up a joint committee to improve the business environment, in which government and private-sector representatives will participate, in order to spur trade and investment.

The FTA negotiations between Japan and Mexico got under way in November 2002. The two countries had planned to conclude an FTA during Mexican President Vicente Fox's visit to Japan last October. But they failed to reach a final agreement in the ministerial talks. On March 12, the two countries finally agreed to conclude an FTA after 16 months of negotiations. Japan strongly hoped to seal an FTA with Mexico as soon as possible, given a government estimate showing that Japan loses up to ¥400 billion a year from not having an FTA with Mexico.

Japan's FTA negotiations with South Korea, Thailand, the Philippines and Malaysia are expected to focus on the liberalization of the Japanese labor market.