

Japan's Int'l Trade Policy on FTAs/EPAs

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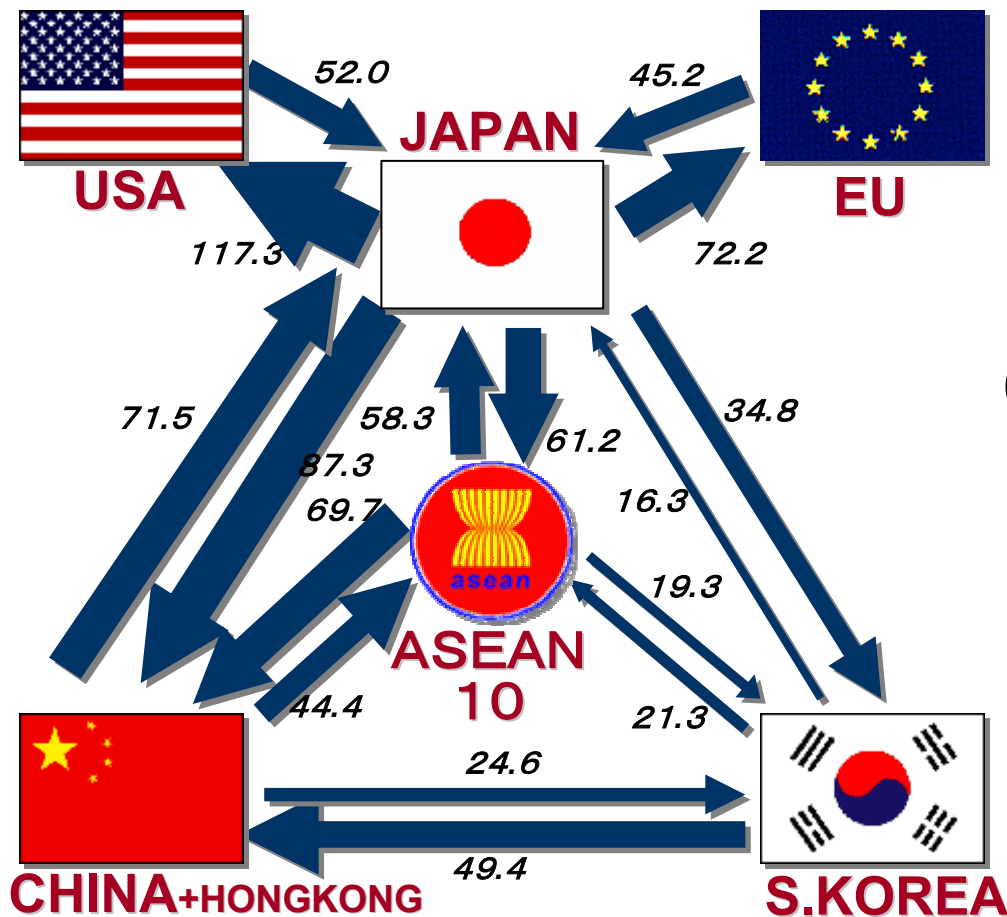
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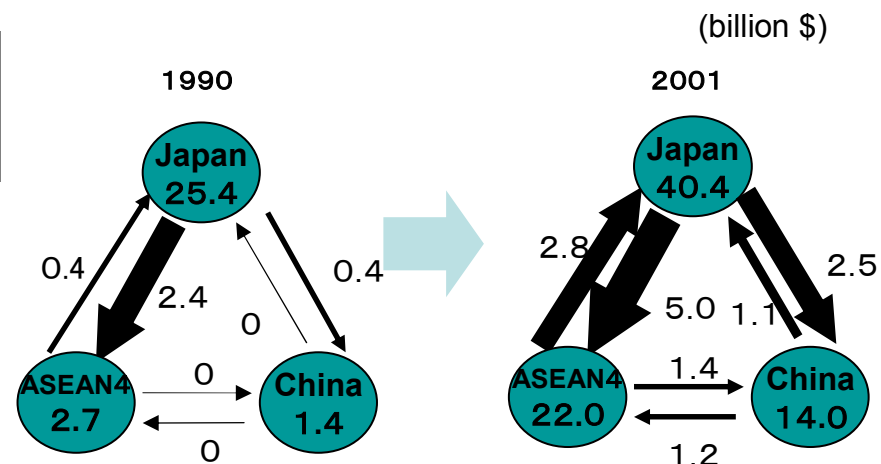
Ministry of Economy,
Trade and Industry

Deepening Economic Mutual Dependence in East Asia

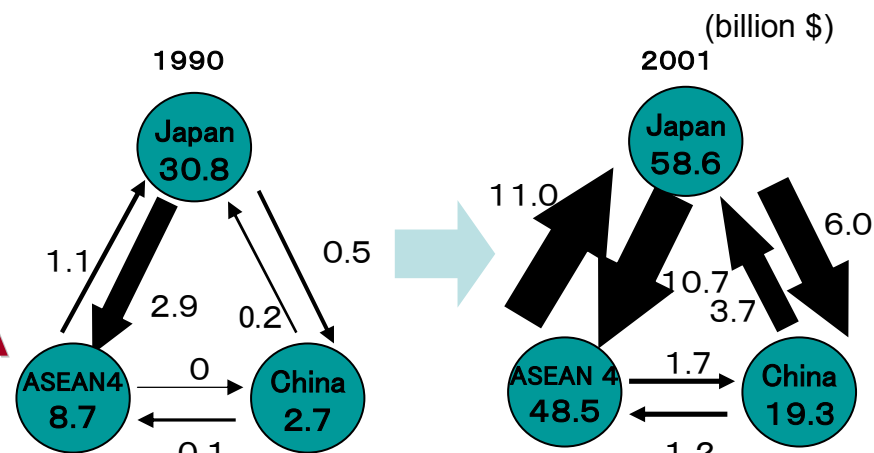
Trade relationships among Japan, ASEAN, China and Korea (USA, EU)
(2003) (billion \$)



Expansion of intermediate material trade
1. General machinery parts



Expansion of intermediate material trade
2. Electrical machinery parts



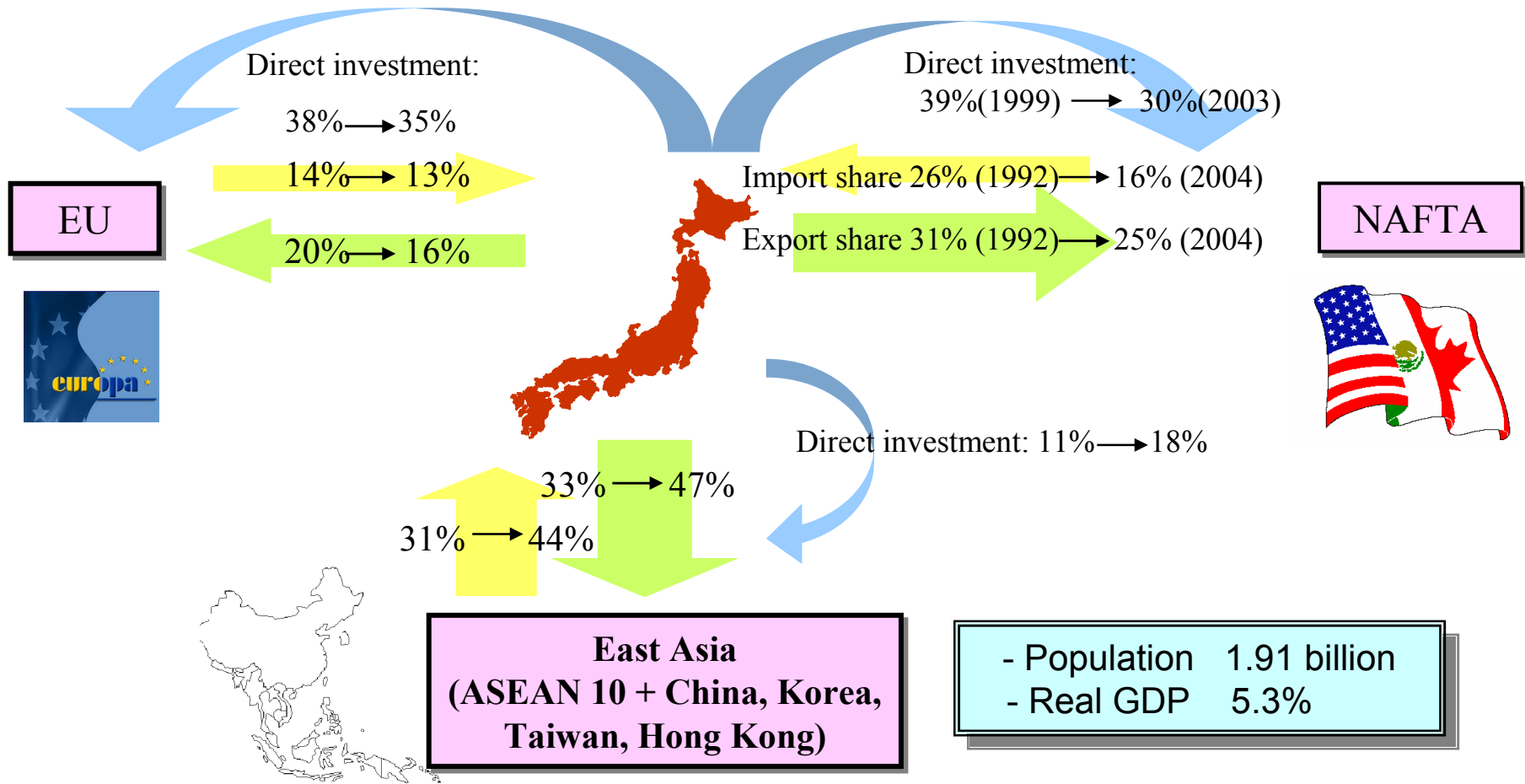
Note: The figures in circles show the amounts of exports.

Sources: IMF, DOT (FOB)

Notes: -ASEAN 10: Philippines, Indonesia, Malaysia, Singapore, Brunei, Thailand, Vietnam, Cambodia, Laos, Myanmar

Increase in Trade and Investment Flows between Japan and East Asia

The amount of trade and investment with East Asia is increasing.



Note: The figures are calculated by METI.

The challenge of the Japanese government

Institutionalization of the *de-fact* based Regional Economic linkage in East Asia

As shown above, the regional economic linkage in East Asia is being tightened through the business operation of private sector. The Japanese government is trying to institutionalize the *de-fact* based regional economic linkage in East Asia.

Concrete actions

- Intensive negotiation for tariff elimination of parts/components rather than of final products
- Challenges toward an improvement of investment-climate of East Asian countries through establishment of investment-rule and framework for discussion among both governments and investors

What is an EPA (Economic Partnership Agreement)

FTA: Free Trade Agreement

An agreement, within a region or between states, to reduce or eliminate tariffs on goods and other barriers on trade in services.

FTA is a major component of an EPA

EPA: Economic Partnership Agreement

In addition to reduction/elimination of tariffs on goods and barriers on trade in services, EPA includes such factors as relaxation/elimination of domestic regulations, harmonization of economic systems, and facilitation of movement of natural persons.

Contents of EPA

1. Assuring free movement of goods, services, and natural persons

(1) Eliminating/reducing tariffs

Further opening of the Japan's market; elimination of tariffs between parties to the agreement; integration of East Asian markets

(2) Smooth movement of goods

Simplifying customs clearance, promoting electronic procedures, etc.

(3) Deregulating trade in services

Eliminating regulations on services, improving market access, etc.

(4) Expanding person-to-person exchanges

Simplifying visa and entry procedures, increasing the number of foreign students in Japan, consideration of granting permanent residence to people with advanced skills, etc.

2. Facilitating economic activity in the region

(1) Setting up shared rules for investment

Eliminating regulations on investment, simplifying and clarifying procedures, setting up dispute settlement procedures

(2) Harmonizing systems and making them transparent

Harmonizing intellectual property rights systems, standards and qualifications, IT-related systems, laws on competition, commercial law, etc., making them transparent

3. Assuring stability and ongoing development

Assuring energy security in East Asia, sharing experiences of development through cooperation measures including economic ODA.

Current Status of Japan's EPA Negotiations

ASEAN countries

Japan-The Philippines

- Negotiations started in February, 2004.
- Both parties agreed in principle at the Japan-Philippines Summit in November 2004.

Japan-Malaysia

- Negotiations started in January, 2004.
- Both parties agreed in principle at the Japan-Philippines Summit in May 2005.

Japan-Thailand

- Negotiations started in February, 2004.
- Both parties agreed in principle in September 2005.

Japan-Indonesia

- Negotiations started in July, 2005.

Japan-ASEAN

- Negotiations started in April, 2005.
- Economic Ministers committed to endeavour to conclude the negotiation within two years .

Current Status of Japan's EPA Negotiations

Other countries

Japan-Korea

- Negotiations started in December, 2003.
- Aim to achieve a substantial agreement in 2005.
- 6 negotiation meetings were held.

Japan-India

- The first Joint Study Group (JSG) meetings were held in July.
- Both parties agreed to establish a Working Group.

Japan-Chile

- 4 JSG were held.

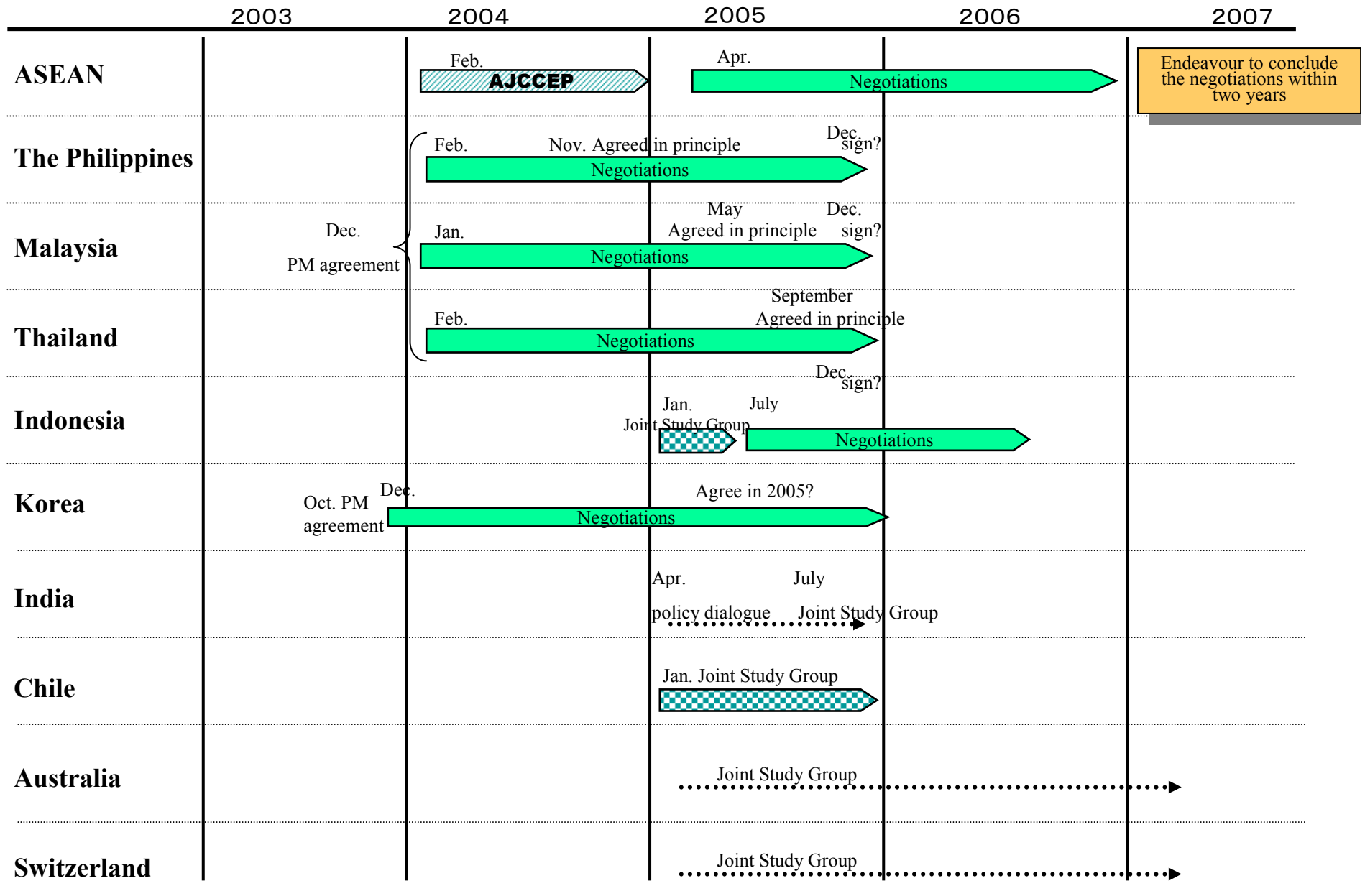
Japan-Australia

- Both leaders agreed to establish JSG to reinforce the economic relationship between two countries.

Japan-Switzerland

- Both leaders agreed to establish JSG to reinforce the economic relationship between two countries.

EPA Schedule



※Singapore (Nov. 2002 EPA in effect), Mexico (Apr. 2005 EPA in effect)

Difficult issues for EPAs/FTAs – From Japan's Experience

Remaining Sensitive Sector(s)

While liberalization, deregulation, improvement of transparency and policy consistency are important factors of EPAs/RTAs, it is often extremely difficult to reflect them to EPAs/RTAs because of remaining sensitive sectors.

eg) Remaining high tariffs on specific sectors

Non-transparency in the process of government procurement

Inconsistency in conditions of FDI permission on specific sectors

➔ Due consideration for sensitive sector(s) of other party to reach an win-win conclusion

Difference in the stage of development among countries/areas

Reaching to an agreement is often difficult because the stage of development is different between countries/areas under EPA/FTA negotiation

eg) Protection of intellectual property rights

Competition Policy

➔ Utilization of target-setting and cooperation approach in EPAs/FTAs