

# Japan's EPA Policy

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**23 March 2007**



**経済産業省**  
Ministry of Economy,  
Trade and Industry



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# 1. Overall Picture

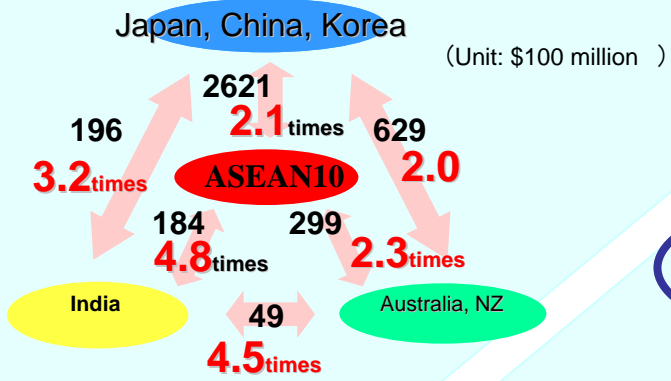


# 1-1. Basic thinking about promoting EPAs

## Mutual prosperity with Asia

**Mutual prosperity with Asia**  
**Participate in growth, vigor of Asia**  
**Develop production network of Asian industry**  
**EPA quality is important as well as rapidity**

<Changes in trade value (imports + exports) in last 10 yrs>  
 Deepening of mutual economic dependence



## Structural reform

• Domestic structural reform through economic cooperation

- Stronger competitiveness and unified services negotiations through structural reform
- Promote transfer of HR Build up skills by importing highly skilled HR  
 e.g. Introduce nurses, carers through EPA with Philippines  
 Reference: Foreign technicians and researchers entering Japan  
 Improve productivity, competitiveness through liberalizing trade, investment

## Secure stable supply of resources, energy

Strengthen relations with supplier countries of resources, energy  
 Secure stable supply by strengthening investment interests

Reference: Japan's foreign dependence

**【Oil】** Foreign dependence almost 100%  
**【Coal】** Foreign dependence almost 100%

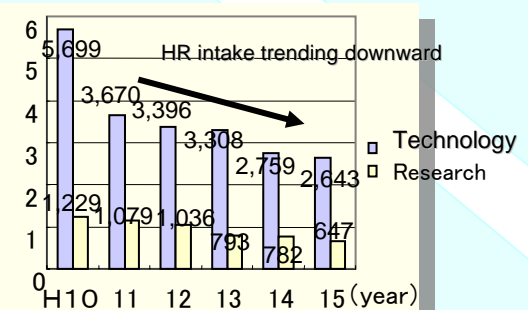
Rank	Country	Percentage
1	Saudi	26%
2	UAE	25%
3	Iran	15%

Rank	Country	Percentage
1	Australia	57%
2	China	16%
3	India	14%

**【Iron Ore】** Foreign dependence almost 100%

Rank	Country	Percentage
1	Australia	56%
2	Brazil	21%
3	India	10%

(1,000 persons)



(Reference: Japan's foreign dependence )



# 1-2. Significance of economic cooperation and Japan's efforts

○ Economic cooperation (EPA/FTA) is an important key to improving Japan's economic vigor and international competitiveness.

○ Centered around East Asia, Japan has concluded EPA with 4 nations, reached general agreement with 4 nations, and negotiating or preparing to negotiate with 5 nations and 2 regions. Another 1 nation and 2 regions are considering.

**Total of 15 countries or regions have been negotiated with.**

**EPA effects:**  
• Reduces tariff costs  
• Optimizes production locations  
• Expands markets and investment destinations

**Economic vitality**

**Stronger competitiveness**

**Japan-China-Korea Investment Agreement**  
• Jan. 2007, heads of state agreed to enter negotiations for investment agreement.  
• Private sector research on FTA is being conducted.

Japan, China and Korea have agreed to enter negotiations on an investment agreement.

**India** (Pop. 1.029 billion, per capita GDP \$700)  
• Negotiations started January 2007.  
• One of BRICs, enormous potential market.

**Korea** (Pop. 48 million, per capita GDP \$14,000)  
• Negotiations discontinued from Nov. 2004.

**Mexico** (Pop. 105 million, per capita GDP \$6,500)  
• EPA concluded April 2005. Includes agricultural products liberalization for first time.

**Singapore** (Pop. 4 million, per capita GDP \$26,000)  
• EPA concluded Nov. 2002. Japan's first EPA (revision negotiations ongoing).

**ASEAN overall** (Pop. 550 million, per capita GDP \$120)  
• Negotiations started April 2005. Target is agreement within 2 yrs.  
• Build free business zone adapted to industrial structure spread between Japan and ASEAN.

**Chile** (Pop. 16 million, per capita GDP \$5,839)  
• General agreement Sept. 2006. Important from viewpoint of securing resources.

**Malaysia** (Pop. 26 million, per capita GDP \$5,000)  
• EPA concluded Nov. 2002. In reality, tariffs withdrawn on all industrial products.

**Vietnam** (Pop. 82 million, per capita GDP \$600)  
• Negotiations started January 2007.  
• Investment from Japan rising sharply. Also important from viewpoint of improving business environment.

**Switzerland** (Pop. 7,390,000, per capita GDP \$33,678)  
• Agreement between government leaders in Jan. 2007 to begin negotiations.

**Philippines** (Pop. 83 million, per capita GDP \$1,200)  
• EPA signed 9 Sept. 2006. Includes agreement on movement of people.

**Brunei** (Pop. 350,000, per capita GDP \$17,000)  
• General agreement December 2006. Important as supplier of oil and gas.

**Thailand** (Pop. 62 million, per capita GDP \$2,700)  
• General agreement Sept. 2005. Production base for autos, electrical and electronic goods, etc.

**Indonesia** (Pop. 550 million, per capita GDP \$120)  
• General agreement Nov. 2006. Fundamental discussion about resources sector.

**East Asia overall**  
• Government leaders of ASEAN, Japan, China, Korea, India, Australia, NZ agree on starting research

**GCC countries** (Pop. 35 million)  
• FTA negotiations started September 2006  
• Export market exceeding 1 trillion yen. Also important from viewpoint of securing resources.

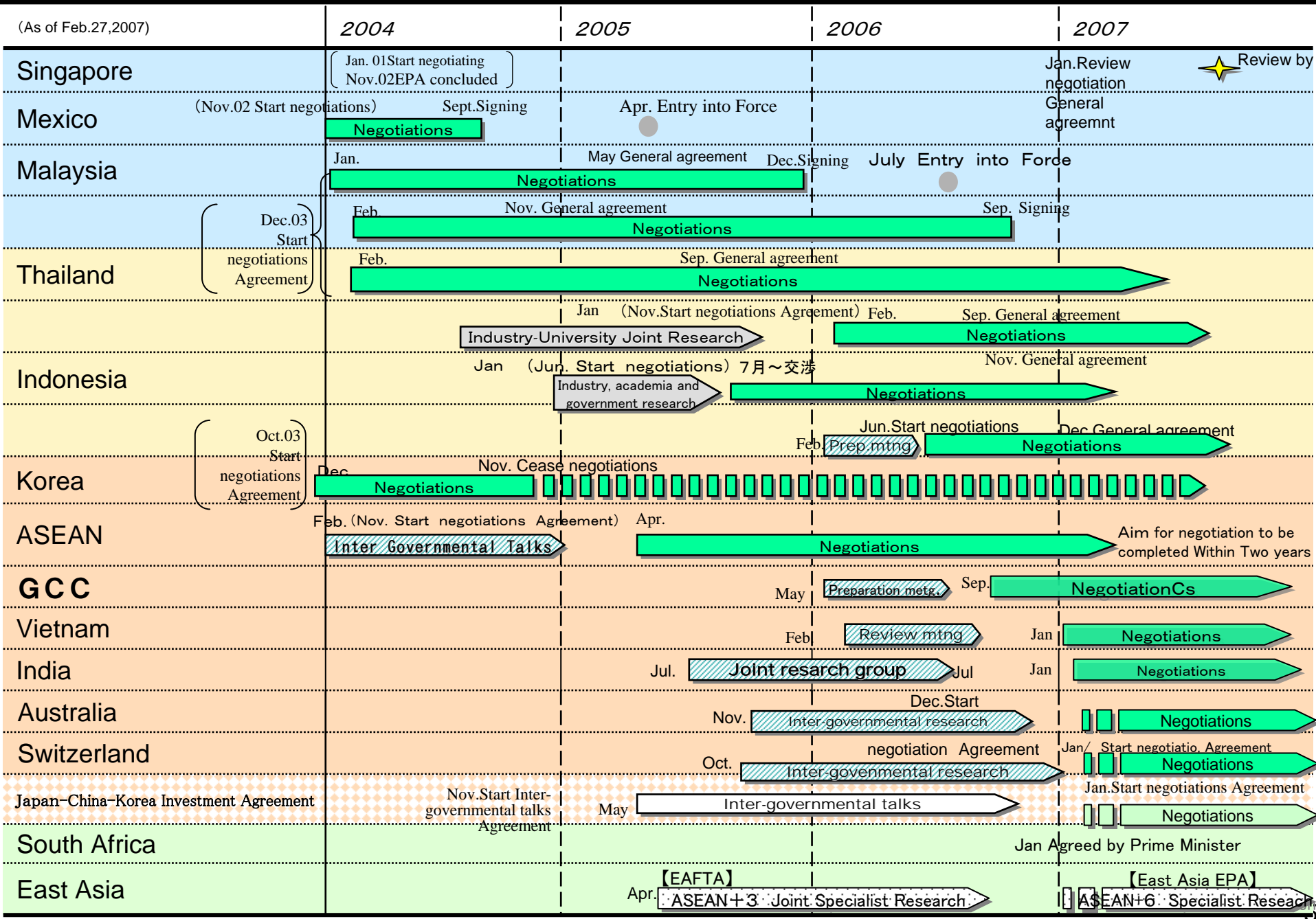
**Australia** (Pop. 20.63 million, per capita GDP \$30,682)  
• Agreement between government leaders in Dec. 2006 to begin negotiations.  
• Important from viewpoint of securing resources, East Asia economic unification.

**South Africa**  
• Considering measures for strengthening economic relations



# 1-3. Schedule regarding Japan's economic cooperation

(As of Feb.27,2007)

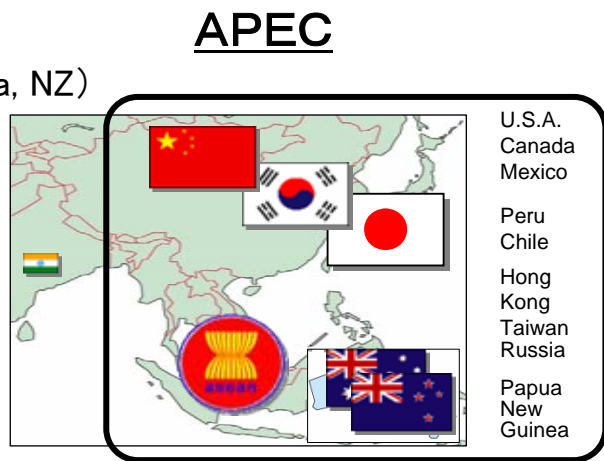
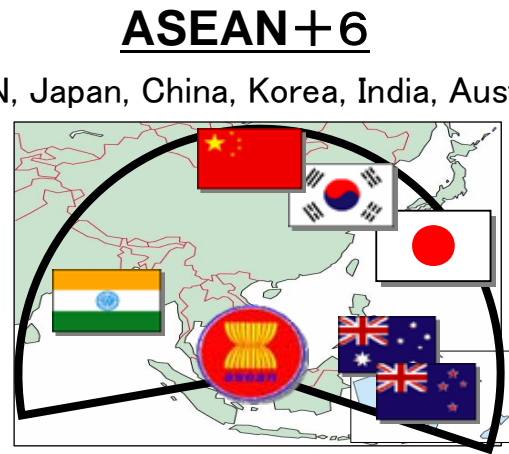
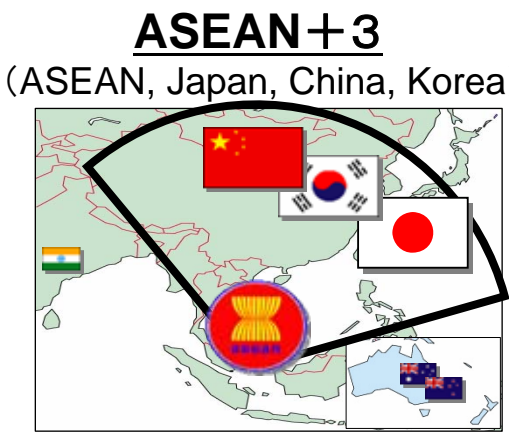
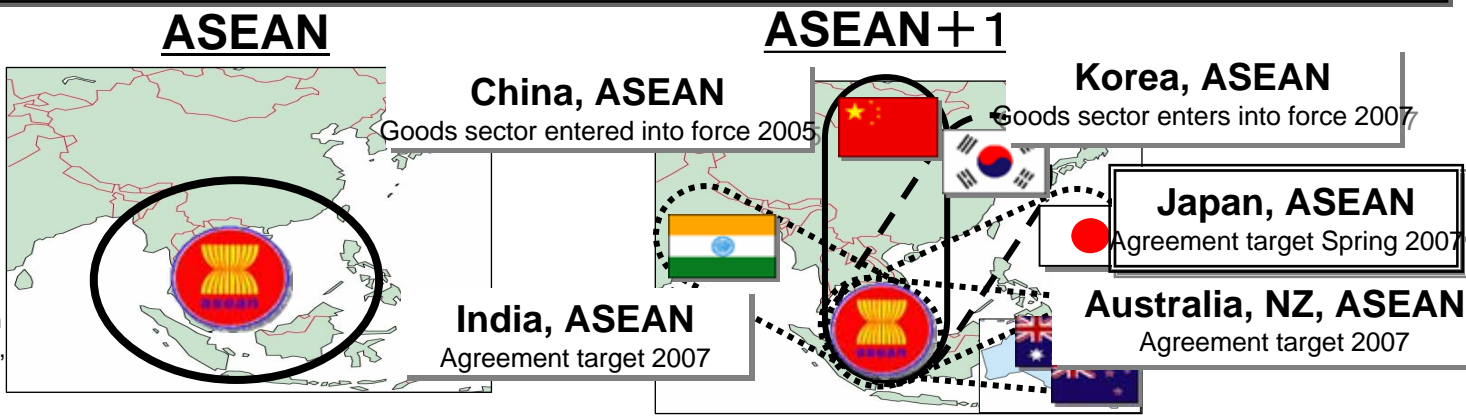




# 1-4. Regional economic unification through bilateral EPAs

- In East Asia, efforts at regional economic unification through bilateral EPAs are increasing.
- Efforts are progressing through ASEAN, ASEAN + 1, ASEAN + 3, ASEAN + 6, APEC.

- 10 ASEAN nations**
- AFTA entered into force 1992.
  - Original member countries will complete liberalization in 2010. (Thailand, Philippines, Malaysia, Indonesia, Singapore, Brunei)
  - New member countries will complete liberalization in 2015. (Cambodia, Laos, Myanmar, Vietnam)



- Sunner 2006. Specialist study completed, proposal to start consultation between governments.
- Jan 2007. At heads of government meeting, continued study by specialists decided.

- Summer 2006. Japan proposes start of study by specialists.
- Jan. 2007 At heads of government meeting, agreement on start of specialist study.

- Nov. 2006. Heads of government agree on study as long term objective.

Among 10 ASEAN countries, Myanmar, Cambodia and Laos are non-APEC members.

# 1-5. Reference: Economic cooperation negotiations between main countries, regions (As of Feb. 2007)



Country	Status	Country, Region	
USA	Entered into force-agreement	17	Chile, El Salvador, Honduras, Nicaragua, Guatemala, NAFTA, Morocco, Bahrain, Jordan, Israel, Australia, Singapore, Peru, Colombia, Oman, Costa Rica, Dominica
	Negotiating	8	Korea, Ecuador, Panama, FTAA, SACU, UAE, Malaysia, Thailand
	Under consideration	2	ASEAN, APEC
EU	Entered into force-agreement	29	Acp, Mexico, Chile, Algeria, Tunisia, South Africa, Morocco, Egypt, EU, overseas territories, Switzerland, Andorra, Rumania, Bulgaria, Iceland, Norway, Liechtenstein, Turkey, Faeroe Islands, Macedonia, Croatia, Syria, Palestine, Israel, Jordan, Lebanon, Russia, Ukraine, China
	Negotiating	3	China, GCC, MERCOSUR
	Under consideration	6	ASEAN, Korean, India Central America region, Andean Community, Euro-Mediterranean Community of Democratic States
Australia	Entered into force-agreement	4	Thailand, USA, NZ, Singapore
	Negotiating	4	China, ASEAN, Malaysia, UAE, Japan
	Under consideration	4	East Asia overall, Korea, Chile, Korea
MERCOSUR	Entered into force-agreement	3	SACU, India, Andean Community
	Negotiating	3	GCC, Israel, FTAA
	Under consideration	3	EU, Pakistan, Korea

India	Entered into force-agreement	5	Singapore, MERCOSUR, Sri Lanka, Nepal, Bhutan
	Negotiating	6	Japan, ASEAN, Thailand, Egypt, Korea, GCC
	Under consideration	5	East Asia overall, EU, South Africa, China, BIMSTEC, SAARC
China	Entered into force-agreement	4	Chile, ASEAN, Hong Kong, Macao
	Negotiating	6	NZ, Australia, Pakistan, GCC, DSCU, Singapore
	Under consideration	5	East Asia overall, Iceland, India, Korea, Japan-China-Korea
Korea	Entered into force-agreement	4	Chile, Singapore, EFTA, ASEAN
	Negotiating	5	India, Me
	Under consideration	7	East Asia overall, EU, South Africa, China, BIMSTEC, SAARC
Japan	Entered into force-agreement	4	Singapore, Mexico, Malaysia, Philippines
	Negotiating	11	Thailand, Brunei, Chile, Indonesia, India, Vietnam, Australia, Switzerland, Korea, GCC, ASEAN
	Under consideration	3	East Asia overall, Japan-China-Korea, South Africa

※Created based on various information sources, announcements by each government, etc. Particularly for "Under consideration", omissions are possible.



## **2. East Asia Plan**



## 2-1. The Status of the East Asia Concept

○ Strengthening of East Asia economic unification is progressing with liberalization and system revision through East Asia EPA, and elimination of regional inequalities through economic research centers as the two pillars.

### East Asia EPA

(Comprehensive economic partnership in East Asia, CEPEA)

**Economic Research Institute for ASIAN and East Asia**  
(East Asian version of OECD concept, ERIA)

### Liberalization, system revision

Aim for economic cooperation through ASEAN+6 (Japan, China, Korea, India, Australia, NZ)

### Cooperation, elimination of inequalities

Provide intellectual support for policy proposals for sustained growth of East Asia

Promote building of high efficiency production network, and improve regional industrial competitiveness.

Japanese Approach promoting Liberalization and system reform, together with elimination of regional inequalities through cooperation.

As important part of Asian cooperation, maintain complementary relationship with APEC\*, including USA.

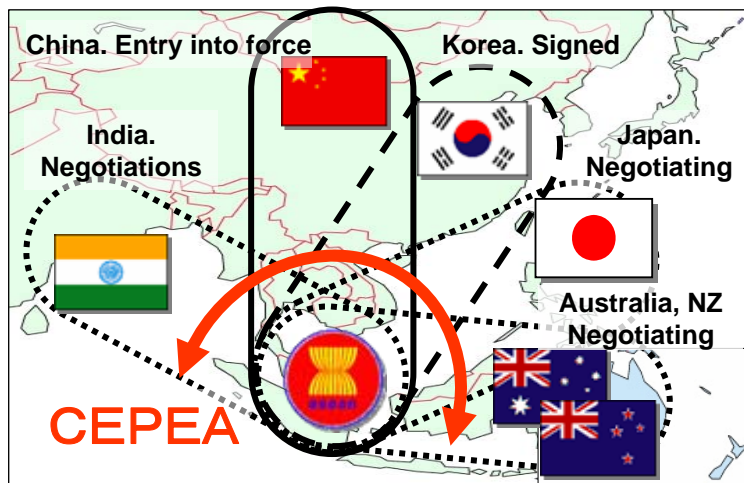
※APEC=Asia-Pacific Economic Cooperation

**Prosperity brought about by East Asia economic unification will contribute to incorporating Asia's growth strength into the Japanese economy.**

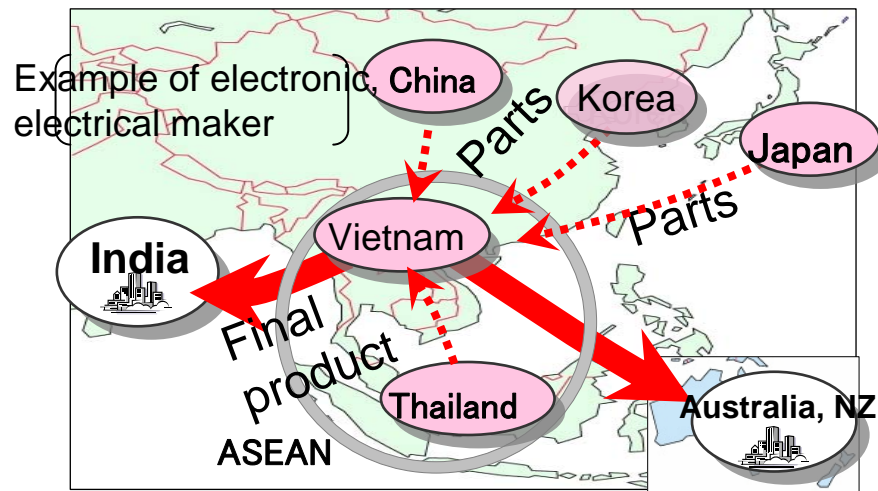
# 2-2. Aim of East Asia EPA (CEPEA)

- Sign an EPA with ASEAN and its partner countries tackling FTA, EPA (Japan, China, Korea, India, Australia, NZ, ASEAN+6). Aim for further development of the regional production network.
- Contribute to building market economies based on free and fair rules covering broad contents, including not only goods trade, but also services, investment and intellectual property, etc.

## FTA, EPA efforts with ASEAN



## Regional production network example



## Schedule

January 2007  
East Asia Summit  
Agreement to start study proposed by Japan



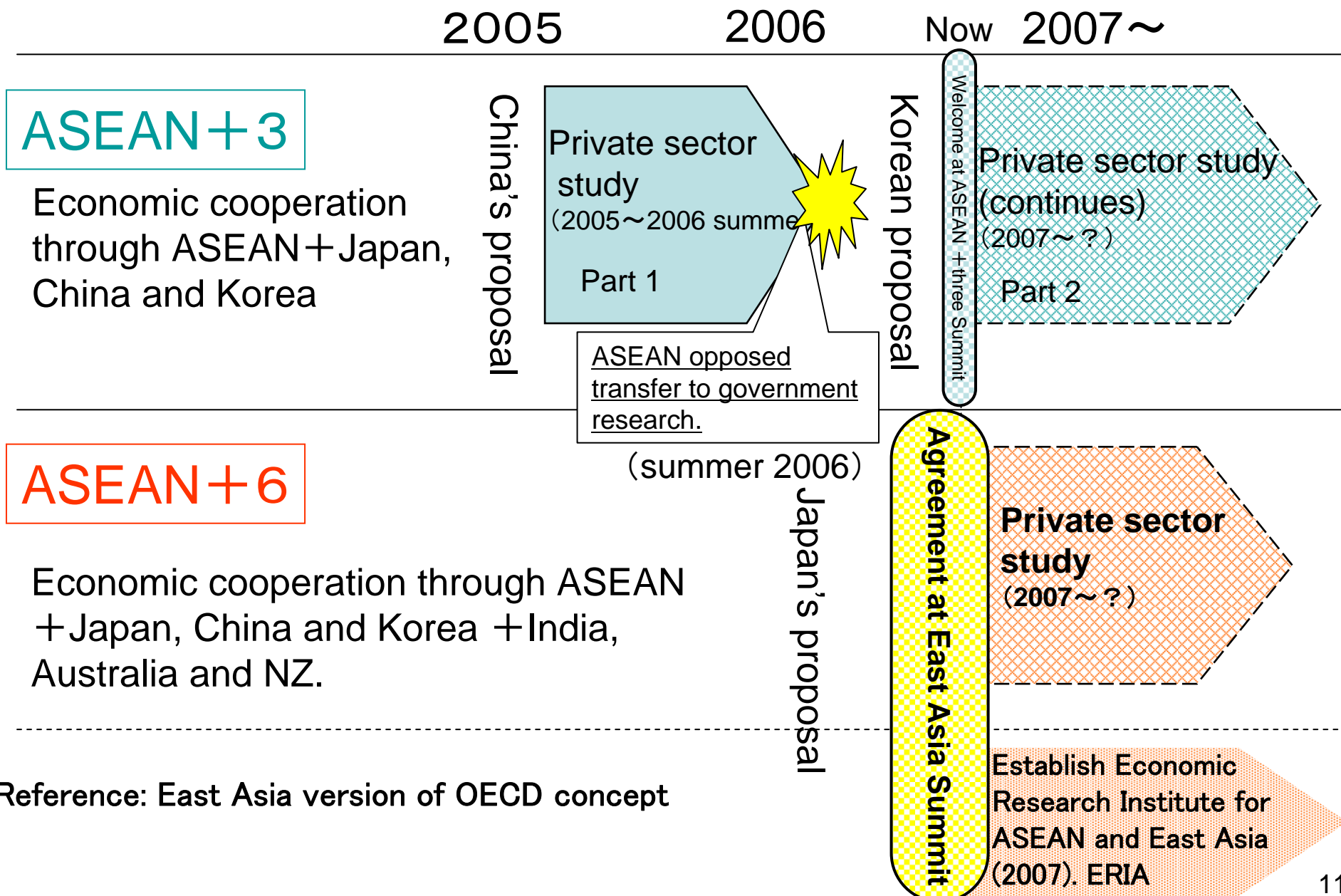
Spring 2007  
Start of private sector research



Nov. 2007  
East Asia Summit  
Private sector interim report expected.

Evaluate future efforts

## 2-3. History of economic cooperation for East Asia overall (timeline image)



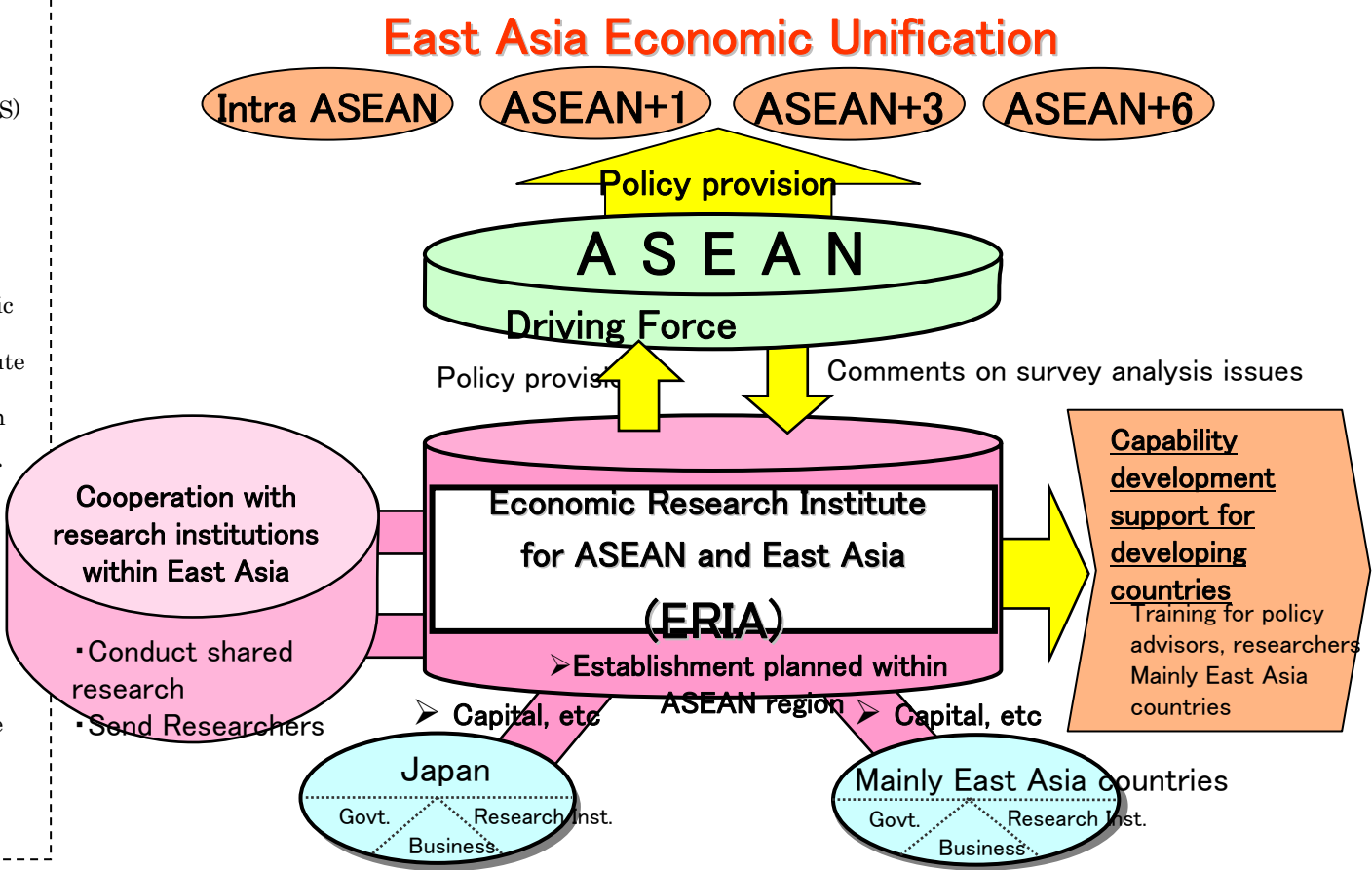
Reference: East Asia version of OECD concept



# 2-4. Aims of ERIA (Economic Research Institute for ASEAN and East Asia) ① Functions

- Provide policy for prime minister and cabinet at East Asia summit, etc toward East Asia economic unification. In future, aim for “East Asia version of OECD”.
- Place emphasis on support for developing countries, toward eliminating developmental inequality within the region.
- Japan’s government plans to provide future support of 10 billion yen.

- Research Institutions involved from each country
- Australian National University
  - Brunei Darussalam Policy Strategy Institute
  - Cambodian Institute for Cooperation and Peace (CICP)
  - Chinese Academy of Social Sciences (CASS)
  - India: Research and Information Systems for Non-aligned & other Developing Countries (RIS)
  - Indonesia: Institute for Global Environmental Strategies
  - Japan: Asia Economic Research Institute
  - Korea Institute for International Economic Policy (KIEP)
  - Laos: National Economic Research Institute (NERI)
  - Malaysian Institute of Economic Research (MIER)
  - Myanmar: Yangon University Institute of Economics
  - New Zealand Institute of Economic Research (NZIER)
  - Philippine Institute for Development Studies (PIDS)
  - Singapore Institute for International Affairs/ South East Asia Peace and Security Network
  - Thailand Development Research Institute (TDRI)
  - Vietnam: Central Institute for Economic Management
  - Asia Development Bank





### Jan. 2007: 2nd East Asia Summit (Cebu)

- \* Prime Minister Abe proposed the ERIA plan
- \* It was well received by all government heads in the East Asia region.



Discussion with each country in the region, the plan becomes specific

### Aug. 2007: East Asia Finance Ministers Conference

### Nov. 2007 3rd East Asia Summit (Singapore)

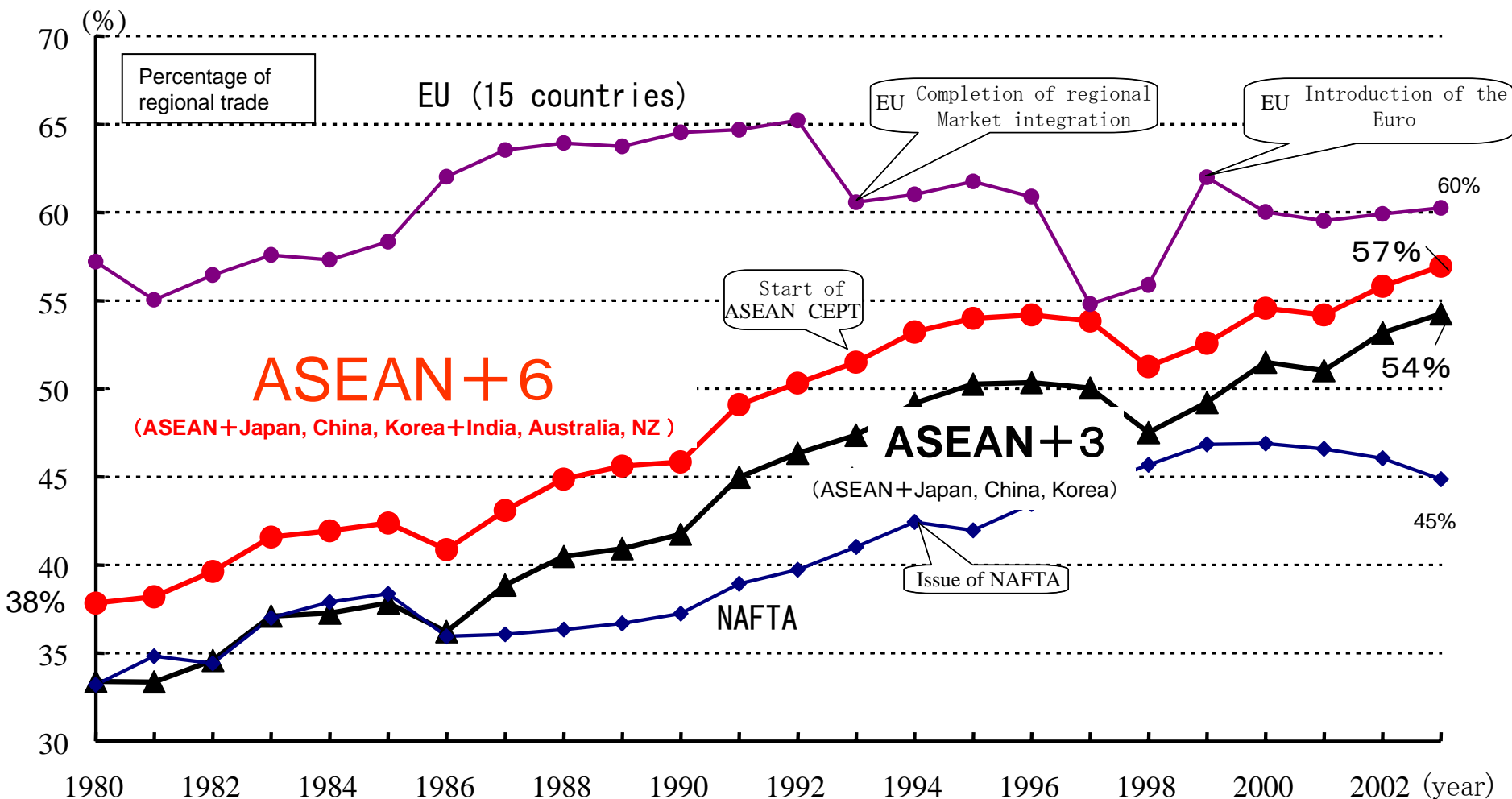
- ERIA formally established, home base decided (to be decided by ASEAN general vote).
  - Interim report on East Asia EPA public research
- Note: However, this is based on the premise of agreement to the Japan – ASEAN EPA



## 2-5. The Potential for the Integration of the East Asian Economy to Contribute to the Japanese Economy 1) Closer Economic

Region

-There will be an increase in the proportion of regional trade in East Asia which will result in a level of real integration that exceeds that of North America (NAFTA) and is on a level on a par with the European Union (15 countries).



(Note) "ASEAN/China/Korea (+India/Australia)" also includes Hong Kong and Taiwan.

(Origin) IMF "DOT" Board of Foreign Trade, Taiwan, Chinese Taipei "Trade Statistics"

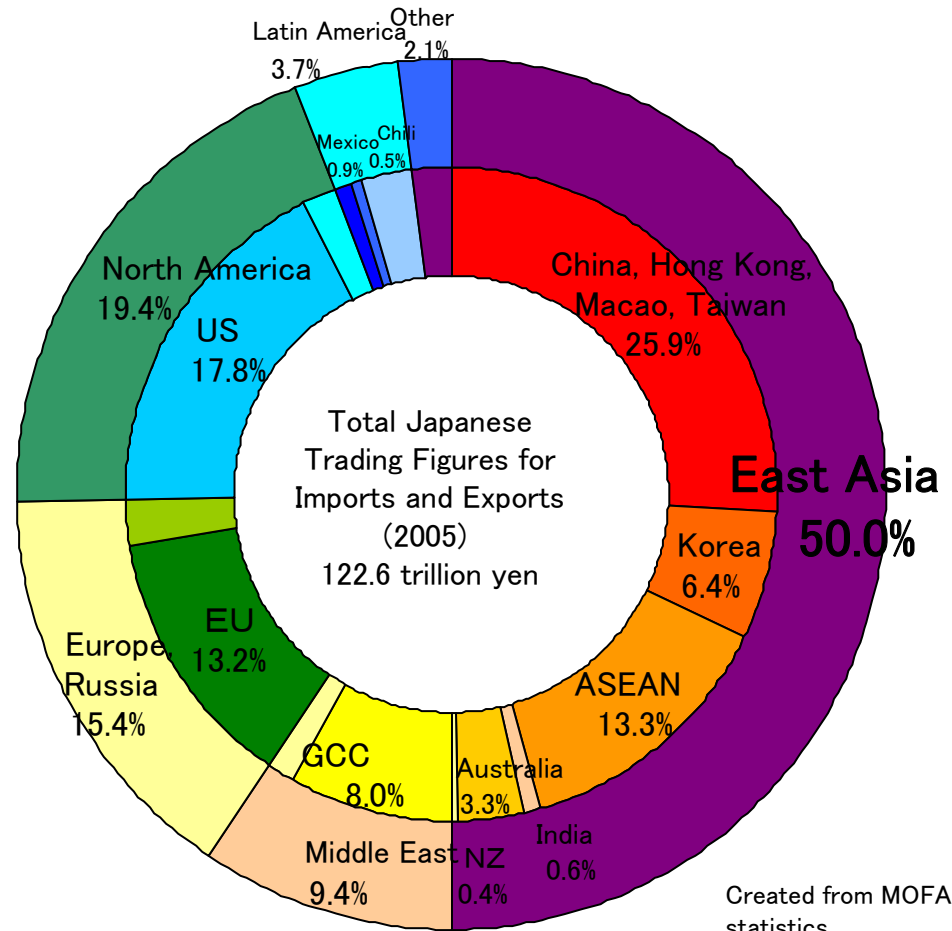
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### Breakdown by Region of Japan's Trade Structure (2005)

Comprises 50% of total trade with East Asia when Australia, New Zealand, and India are included.

East Asia: ASEAN, Korea, China, Hong Kong, Macao, Taiwan, Australia, India, New Zealand



Created from MOFA trading statistics

ASEAN (Thailand, Philippines, Singapore, Malaysia, Indonesia, Brunei, Vietnam, Myanmar, Laos, Cambodia), GCC (Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain), EFTA (Switzerland, Iceland, Norway, Liechtenstein), MERCOSUR (Brazil, Argentina, Uruguay, Paraguay), SACU (South Africa, Lesotho, Swaziland, Botswana, Namibia)



# ③ Growing Relations With Other Regions

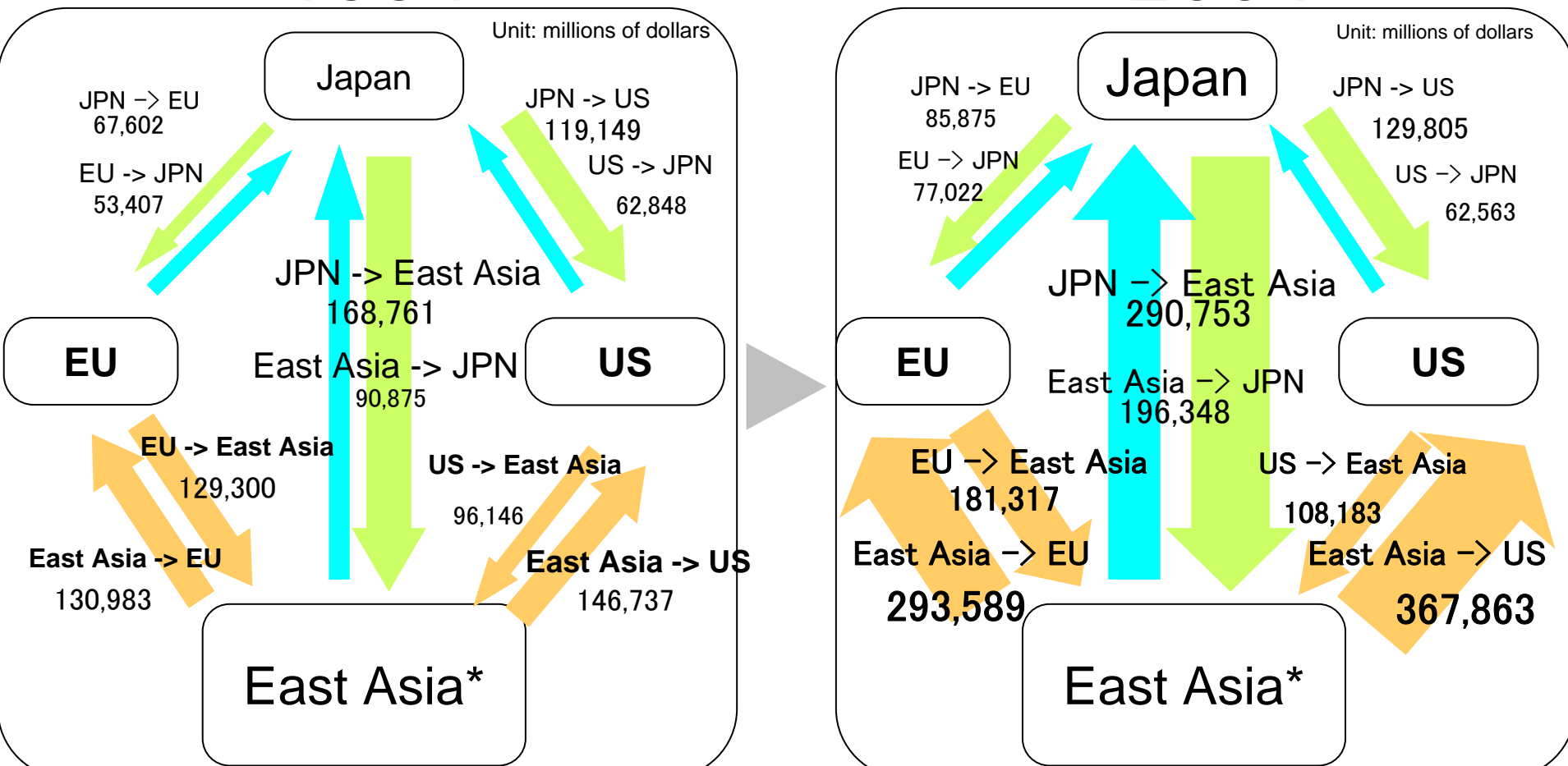


In addition to the rapid increase of trade between Japan and each of the nations of East Asia, there has also been a dramatic increase in the level of trade between East Asia and the United States and between East Asia and Europe. There is an increasingly high level of instances in which Japanese companies are using supply chains that span the entire East Asian area.

## 1994

### Value of Exports

## 2004



Source: Japan's Trade White Paper 2006

\*By East Asia we refer to the total of the ASEAN 5 (Singapore, Indonesia, the Philippines, Thailand and Malaysia) and China, Hong Kong, Taiwan and Korea



# 2-6 Outlook for Liberalization and Facilitation in the Asia-Pacific region

The initial issue is to settle the situation as concerns Japan-ASEAN trade, or ASEAN+1. After that an approach can be made to an economic partnership agreement encompassing ASEAN+6, with a long-term goal being set to include an APEC FTA.

	East Asia	Across the Asia-Pacific	APEC	WTO	
Until 2007	<p><b>An approach to strengthening economic ties based on ASEAN+1 (Japan, China, Korea, India, Australia, NZ)</b></p> <p><i>*China enacts goods treaty</i></p> <p><b>Research on ASEAN+6: East Asia EPA</b></p> <p><b>(Ongoing research into ASEAN+3 FTA)</b></p>	<p>Progress in bilateral EPA negotiations with ASEAN such as Japan-Indonesia and Japan-Vietnam</p> <p>Progress in the Japan-India EPA and other approaches</p> <p>Reopening of China-Korea EPA negotiations?</p>	<p>US-Korea FTA Negotiations</p> <p>Discussions on strengthening US-Japan economic relations</p> <p>US-Malaysia, US-Thai Negotiations, etc..</p>	<p>Compiling FTA Model Measures</p> <p>Considering Measures to Strengthen APEC</p> <p>Research on Regional Economic Integration Including FTAAP</p>	<p>Reopening and Conclusion of the Round</p>
2008		<p>FTA negotiations and other approaches such as China-Australia and China-Singapore</p>			
2009					
From 2010	<p>Hosting of APEC in Japan/Target Year for Achieving the Bogor objectives (realization of free and open trade and investment)</p> <p>The possibility of an FTAAP as a long term outlook</p>				

# **3. The Results of Japan's EPA Agreements that have Come into Effect**

-Taking the case of the EPA with Singapore and the EPA with Mexico as Case Studies -



## 1. Trade Trends in the period Before and After the EPA Took Effect (Comparison of 2002 and 2004)

### (1) Trade trends after the taking of effect of the treaty

Despite the stagnation of the Japanese economy and the outbreak of SARS and terrorism, trade volume maintained the level of average years.

- Value of exports from Japan to Singapore 1.7745 trillion yen increased to 1.9448 trillion yen (9.6% increase)
- Value of imports from Singapore to Japan 626.7 billion yen increased to 680.1 billion yen (8.5% increase)

### (2) Trade trends for major items whose duties were repealed

- Exports of beer from Japan to Singapore

Duty: Maximum of SGD1.7 per liter repealed to 0% **Value of trade increased by 20.3%**

(Reference: As a result of the conclusion of this economic partnership agreement, Asahi Beer shifted the production plant for beer to be exported to Singapore from a plant in China to a facility in Japan)

- Exports of plastic products from Singapore to Japan

Duty: Maximum of 6.5% reduced to 0% (including some items for which the reduction does not have immediate effect) **Value of trade increased by 74.7%**

\*Trade value figures are based on Finance Ministry Trade Statistics

## 2. Major effects in terms of Investment

- There has been an increase of foreign direct investment from Singapore since the EPA took effect both in terms of investment cases and value invested.
- In particular, the year 2003 saw an increase of 550% over the year 2002 in terms of foreign direct investment.  
In August 2003 IE Singapore (the Singaporean International Business Agency) opened up a Business Support Office in Tokyo and this has already been used by three firms. In October 2001 the Japan External Trade Organization (JETRO) opened a Business Support Center in Singapore and as of December 2003 this Center had been used by 19 companies, with 16 of them already having launched operations on the ground in Singapore.

## 3. Major results in areas other than trade

- Mutual recognition (Electric and Electronic Areas)

On 13 February 2003 it became possible for safety tests based on Singaporean safety criteria to be undertaken in Japan through the Japan Quality Assurance (JQA) Organization, registered in the Japan-Singapore Mutual Recognition Joint Committee, thereby making it possible for mutual recognition based on inspection operations to be done.

# 3-2. Results of the Japan-Mexico Economic Partnership Agreement



Treaty took effect in April 2005

## 1. Trade Trends in the period Before and After the EPA Took Effect

**(1) Trade trends after the taking of effect of the treaty**  
 (Trade value figures are based on Finance Ministry Trade Statistics)  
 (FY2004 -> FY2005)

**Value of exports from Japan to Mexico**

Increase from approximately 590 billion to 860 billion yen  
 (Year on year increase of 45%)

Fiscal Year	Value (Billion yen)
FY2004	590
FY2005	860

**Value of imports from Mexico to Japan**

Increase from approximately 240 billion to 290 billion  
 (Year on year increase of 22%)

Fiscal Year	Value (Billion yen)
FY2004	240
FY2005	290

**(2) Trends in trade in individual items** (Source: Ministry of Economics, Mexico)  
 (From April - December 2004 to April - December 2005)

**Value of automobile exports from Japan to Mexico**

Increase from approximately 585 million dollars to approximately 935 million dollars  
 (Year on year increase of 42.7%)

Fiscal Year	Value (million dollars)
FY2004	Approx. 585
FY2005	Approx. 935

**Value of exports of uninterruptible power sources from Japan to Mexico**

Increase from approximately 2.38 million dollars to approximately 9.53 million dollars  
 (Year on year increase of 300%)

Fiscal Year	Value (million dollars)
FY2004	Approx. 2.38
FY2005	Approx. 9.53

Uninterruptible power sources:  
 (Devices that protect computers and other devices from blackouts)

## 2. Major effects in areas other than trade

Approx. 250% increase from 2004 to 2005

**(1) Investment**

There is an increasing number of companies that are implanting additional and new investments in Mexico centering on the automobile sector

The following are some of the major cases of Japanese corporations that have made additional and new investments in Mexico in the aftermath of the Japan-Mexico Economic Partnership Agreement:

- Mazda (Initiated sales from October 2005)
- Isuzu Automobiles (Initiated sales from November 2005)
- Nissan Motors (Expanded local production)
- Bridgestone (Built third new factory)

**(2) Cultivating a business environment**

Based on the EPA, a Committee to Cultivate a Business Environment has been established with the participation of representatives from the governments of Japan and Mexico as well as representatives from the private sector who discuss various issues faced by Japanese corporations operating in Mexico.

- The first session of the committee was held in Mexico City on 21 April