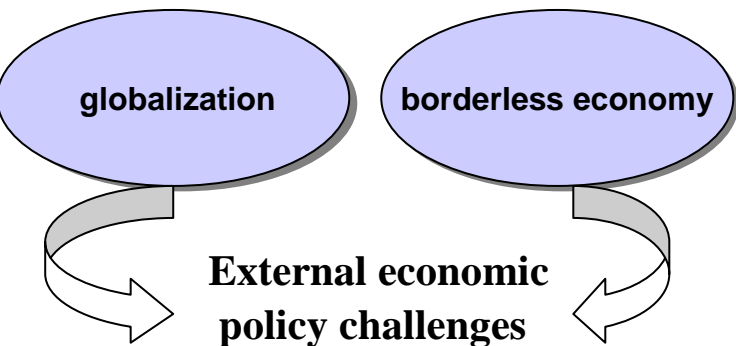


*Japan's Policy
to
Strengthen Economic Partnership*

August 2004

1. Basic Structure of Japan's External Economic Policy

- Promoting Economic Partnership Agreements with closely related countries and regions
- Working toward the WTO new round for establishing global rules



- Free trade and cross-border systemic deregulation
- Worldwide trend toward regional integration
- Domestic economic structural reform

Japan's external economic policy

<Multi-layered approach>

- WTO

Essential foundation for a free trading system (148 members)
Provision of multilateral trade rules through Round negotiations

- Regional Cooperation

Strengthening of ties with selected countries and regions
(e.g. APEC)

- Bilateral cooperation

Moving away from dealing with individual cases of trade friction to enhance more broad-ranging ties
(e.g. Japan-Singapore, Japan-Mexico, Japan-Korea, etc.)

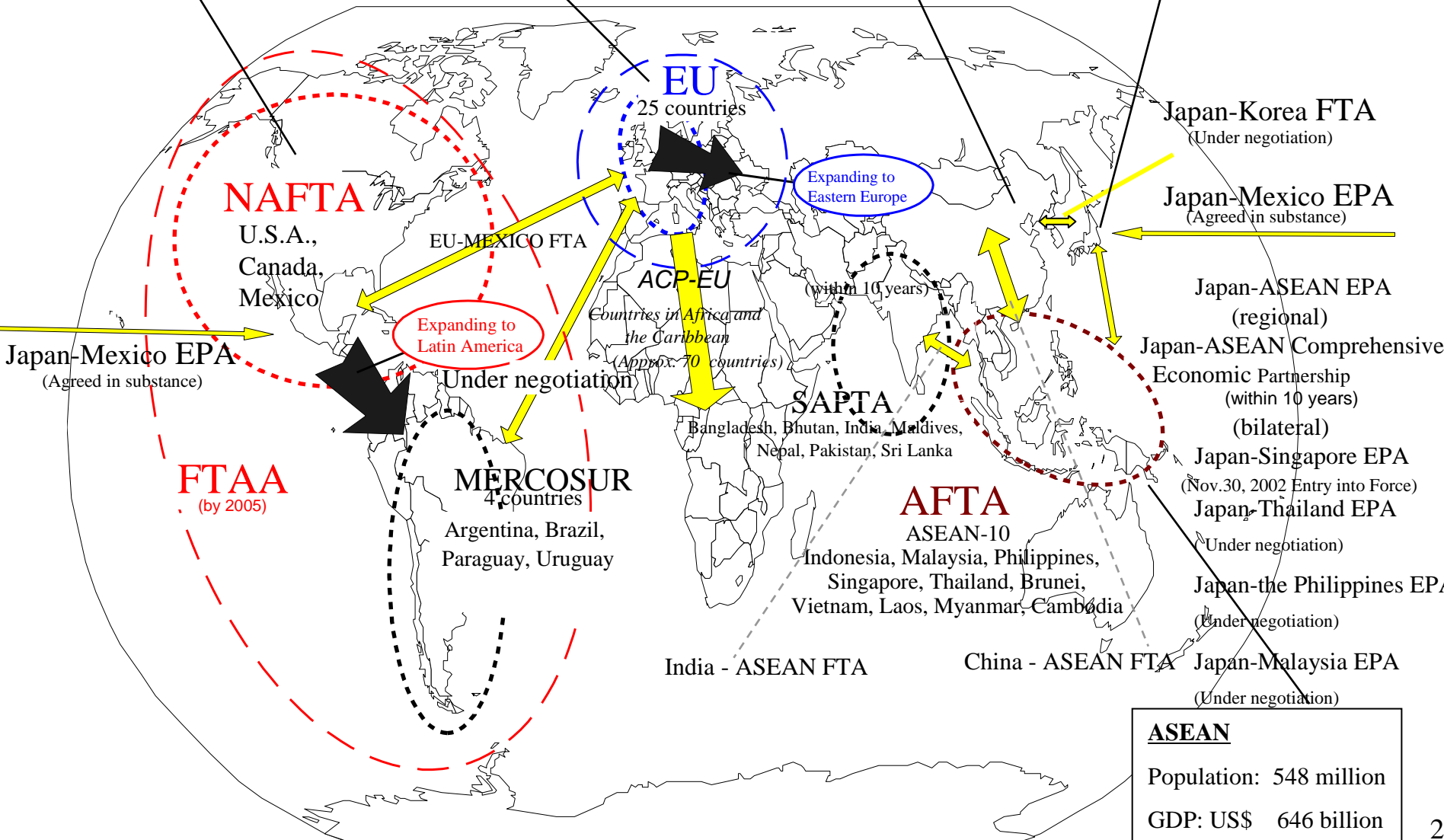
< Main Regional FTAs/EPAs >

NAFTA
 Population: 411 million
 GDP: US\$ 11,100 billion

EU
 Population: 453 million
 GDP: US\$ 9,600 billion

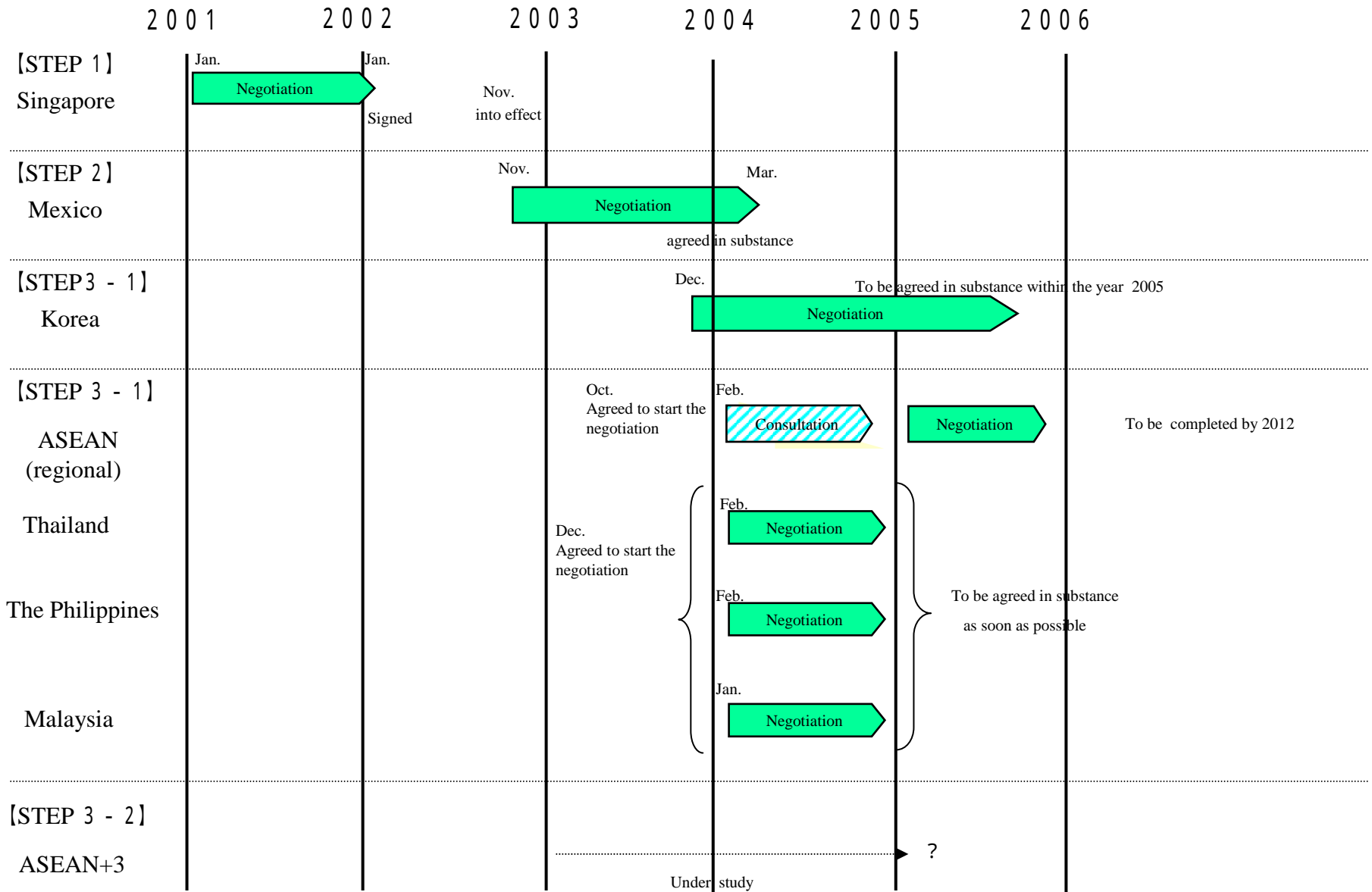
CHINA
 Population: 1,266 million
 GDP: US\$ 1,080 billion

JAPAN
 Population: 126 million
 GDP: US\$ 4,760 billion



ASEAN
 Population: 548 million
 GDP: US\$ 646 billion

2. The image of the schedule of Japan's Economic Partnership



3. East Asia

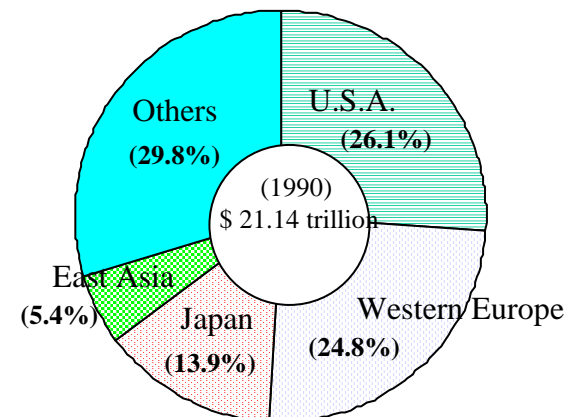
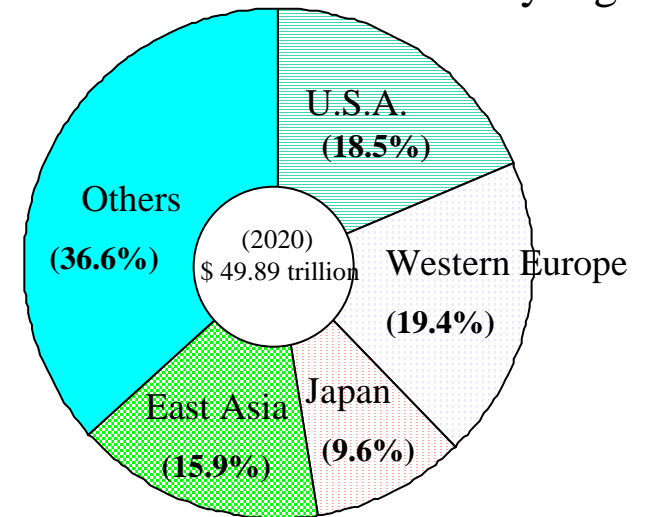
Reference 1: East Asia Economy and Japan

**GDP is/w easing remarkably in East Asia.
The amount of trade is also increasing.**

Transition of actual GDP growth rate
in the world and East Asia (%)

Calendar year	Annual average growth rate			
	1980-90	90-2000	2000-10	2010-20
World	2.8	3.0	2.9	2.8
U.S.A.	2.6	2.1	1.7	1.4
Western Europe	2.3	2.6	2.1	1.5
Japan	4.1	2.6	1.9	0.5
East Asia	7.7	7.6	6.8	5.5
Asia NIES	8.2	7.5	6.6	5.2
ASEAN4	5.4	6.8	7.6	5.9
China	8.9	8.3	6.5	5.6

Shares of the world GDP by region



(Note) ASEAN4: Indonesia, Malaysia, Philippines, Thailand

Sources: IMF, *International Financial Statistics*

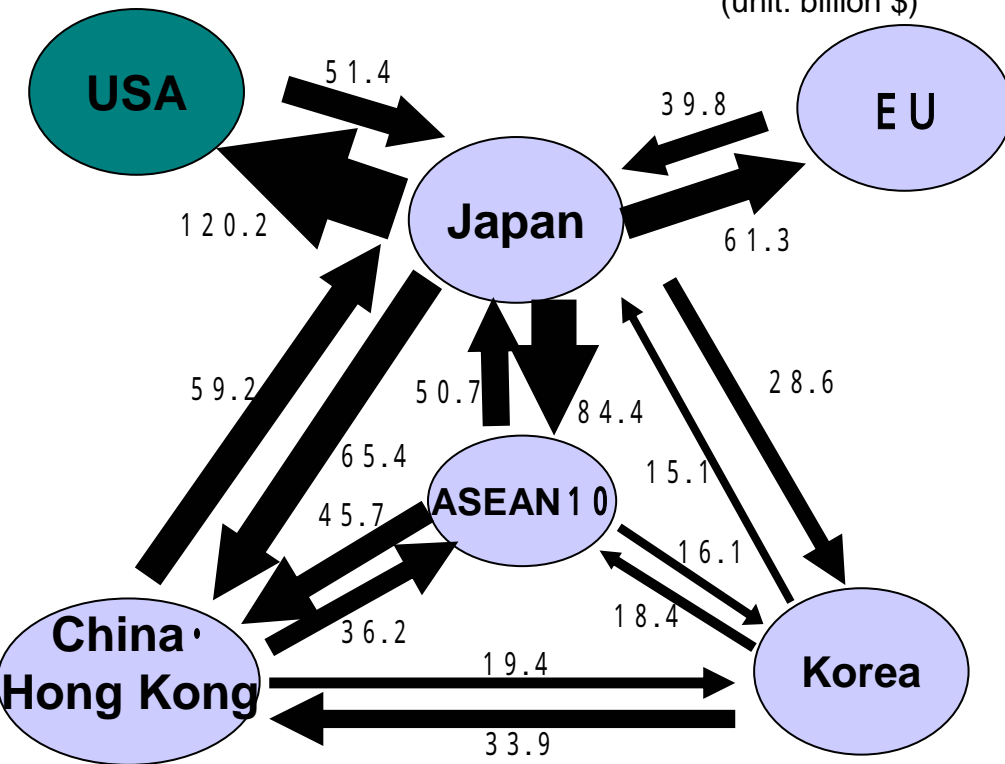
Republic of China, Taiwan Statistical Date Book 1994

World Bank, World Table 1994

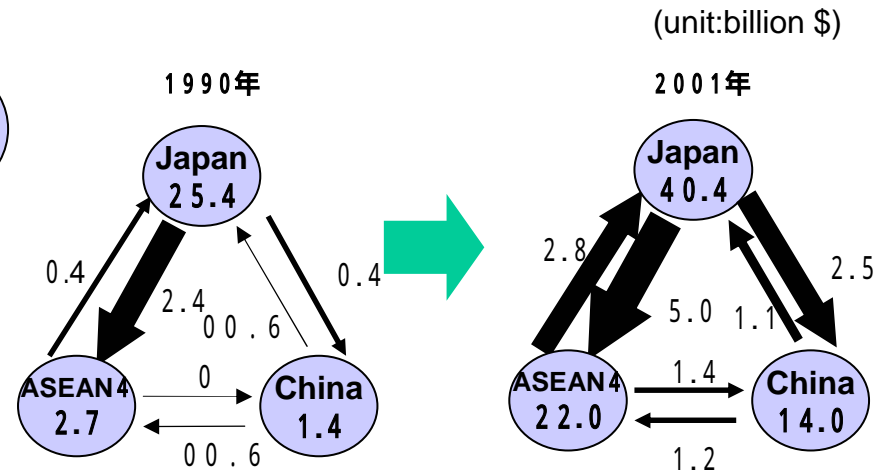
Economic Planning Agency "Annual Report on National Accounts"

Reference 2: Deepening of Economic Mutual Dependence in East Asia

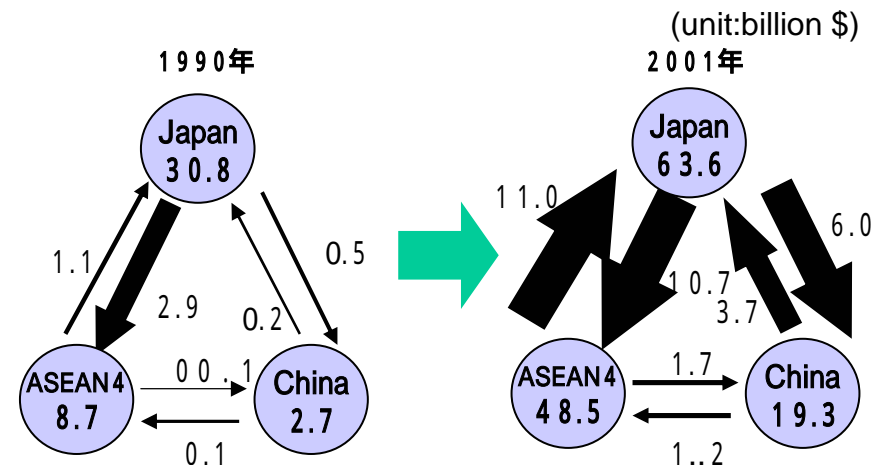
Trade relationships among Japan, ASEAN, China and Korea (USA, EU) (2002)
(unit: billion \$)



Expansion of intermediate material trade
<1.The amount of general machinery parts>



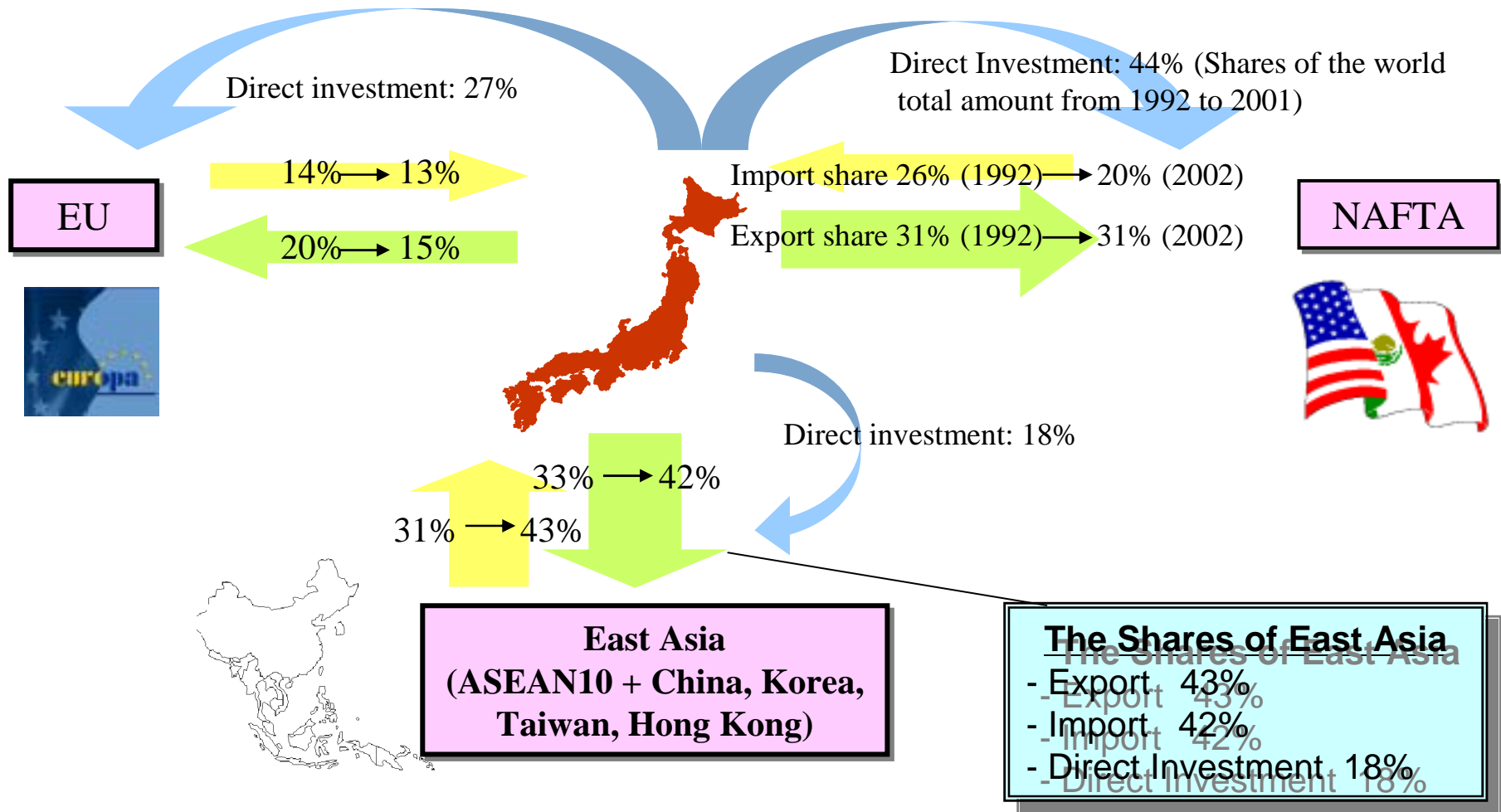
Expansion of intermediate material trade
<2.The amount of electrical machinery parts>



(note) The figures in circles show the amounts of exports.

- The amount of trade between Japan and ASEAN, China, Korea, U.S.A. and EU is based on Japanese Statistics.
- The amount of trade between Korea, ASEAN and China is based on Korean statistics.
- The amount of trade between China-ASEAN is based on Chinese statistics.
- Japanese statistics (125.31yen=\$1; annual average exchange rate of 2002)
- ASEAN10: Philippines, Indonesia, Malaysia, Singapore, Brunei, Thailand, Vietnam, Cambodia, Laos, Myanmar
- Sources: IMF, World Trade Atlas

The amount of trade and investment with East Asia is increasing



Note: The figures are calculated by METI

3a. Japan-ASEAN

The leaders of Japan and ASEAN countries signed the Joint Declaration at the Japan-ASEAN Summit on Nov. 5th, 2002. The leaders decided that the implementation of measures for the realization of the partnership, including elements of a possible free trade area, should be completed as soon as possible and within 10 years.

- Japan-(whole)ASEAN

- Established a committee, consisting of government officials of Japan and ASEAN in March, 2003 and a framework for the realization of the Comprehensive Economic Partnership was signed at the Japan - ASEAN Summit held in Bali in October, 2003 by the leaders. The first consultation meeting was held in February.

- Japan-Thailand

-The first negotiation meeting was held in February. The meetings has been held four times already.
(1st: Feb.16th~17th 2nd: Apr.7th~9th 3rd: June. 16th~18th Working-Level meeting:Aug.4th~6th)

- Japan- The Philippines

-The first negotiation meeting was held in February. The meetings has been held three already.

- Japan-Malaysia

(1st: Feb.4th~5th 2nd: Apr.14th~16th 3rd: July. 5th~7th)

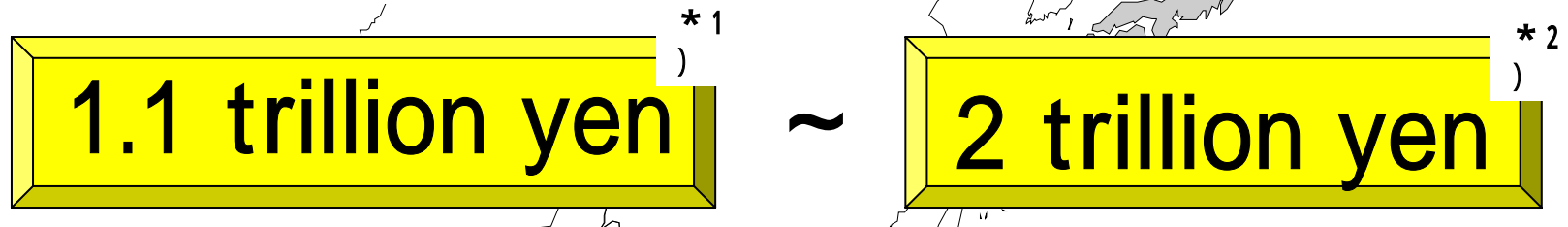
-The first negotiation meeting was held in January. The meetings has been held four times already.

(1st: Jan.13th 2nd: Mar.9th~11th 3rd: May. 19th~21th 4th: July. 19th~21th)

The Effect of a Japan-ASEAN FTA

The impact of a Japan-ASEAN FTA on the Japanese economy.
(GTAP (Global Trade Analysis Project) model analysis)

- GDP Growth



* 1) Ken Itakura and Thomas W. Hertel.

* 2) Kenichi Kawasaki (RIETI)

(note) There are various effects other than the effects incorporated in these models.
Economic effects are expected to be increased by considering the vitalization of the economy through the improvement of efficiency of enterprises.

(Reference)



GDP growth by 1.1 trillion yen ~ two trillion yen creates

about 150 thousands ~ 260 thousands employment.



3b. Japan-Korea FTA

2002. 3 -Prime Minister Koizumi and President Kim decided to start Japan-Korea FTA joint study group composed of representatives of the government, business, and academia of the two countries.

. 7 -Launched the Japan-Korea FTA joint study group. (8 meetings up to the present)

2003. 6 -Prime Minister Koizumi and President Roh agreed to start FTA negotiations as early as possible.

2003.10 -Prime Minister Koizumi and President Roh agreed to start in this year and to conclude negotiation in substance in the year 2005.

2003.12 -The first negotiation meeting was held.

(The meetings has been held four times already.)

(1st: Dec.22th,2003 2nd: Feb.23th~25th ,2004 3rd: Apr. 26th~28th,2004 4th: June. 23th~25th,2004)

(Note) ASEAN+3(Japan, Korea and China)

-The East Asia Study Group examined possible ways to strengthen the economic relations among ASEAN countries, Japan, China and Korea, including the possibility of an FTA.

-The East Asia Study Group submitted its final report to the ASEAN+3 Summit on Nov. 4th, 2002.

-The feasibility study on establishment of an East Asia Free Trade Area (EAFTA) will be conducted at the ASEAN+3 Economic Ministers Meeting.