

Basic Policy on Comprehensive Economic Partnerships

November 9th, 2010

Cabinet Decision

1. Environment surrounding Japan and promotion of high level economic partnerships

Today Japan faces major changes that could be regarded as a “watershed moment in history.” A structural transformation is taking place in the world economy in which Japan’s status is gradually declining while the emerging economies are experiencing dramatic growth. While it continues to be important for international trade rules to be reinforced by concluding the negotiations at the WTO Doha Development Agenda, their fate remains uncertain and the networks of high-level EPA/FTAs formed by major trading countries are expanding. Despite these developments, Japan is falling behind.

Under the circumstances, if Japan’s trade and investment environment becomes less attractive than the environment in other countries, there is a possibility that future employment opportunities will be lost. In order to achieve the “strong economy” described in Japan’s New Growth Strategy (endorsed by the Cabinet on 18 June 2010), it is necessary to deepen economic relationships with Asian and emerging countries whose markets are expected to grow, and with Western and resource-rich countries. It is also necessary to rebuild the foundation for future growth and development in Japan.

Recognizing this, the Government of Japan is absolutely resolved to “open up the country” and “pioneer a new future”. It will take major steps forward from its present posture and promote high-level economic partnerships with major trading powers that will withstand comparison with the trend of other such relationships. At the same time, it will first press ahead with fundamental domestic reforms in order to strengthen the competitiveness it will need for economic partnerships of this kind.

In particular, agriculture is the field most likely to be affected by trade liberalization. Moreover, considering Japan’s aging farming population, the difficulty farmers have in finding people to take over their farms when they are ready to retire, and the low rate of profit, there is a risk that sustainable agriculture will not be possible in the future. Hence it is imperative to institute bold policies that will realize the full potential of Japan’s agriculture, for

example, by improving their competitiveness and exploring new demand overseas.

The Asia-Pacific region in particular is of importance for Japan, politically, economically, and with regard to security, and Japan has a vital interest in its being stable and prosperous. The Free Trade Area of the Asia-Pacific (FTAAP) is an important initiative that would enable Japan to help create a seamless Asia-Pacific region. Especially since it is serving as chair of the eighteenth APEC Economic Leader's Meeting this year, Japan has an obligation to demonstrate strong leadership so as to pave the way for the realization of the FTAAP.

To be more precise, Japan will play a leading role in actively promoting bilateral Economic Partnership Agreements (EPAs) within the Asia-Pacific region, broader regional economic partnerships, and sectoral approaches in the APEC, and will take initiatives to formulate trade and investment rules designed for the twenty-first century in the Asia-Pacific region.

2. Concrete action to strengthen comprehensive economic partnerships

On the basis of the international and regional environment surrounding Japan, the Government of Japan will take the following concrete steps to strengthen comprehensive economic partnerships with major trading partner countries and regions.

With regard to EPAs or broader regional economic partnerships that are politically and economically important and will be of especially great benefit to Japan, the Government of Japan, while taking into consideration the sensitivity of trade in certain products, will subject all goods to negotiations for trade liberalization and, through such negotiations, pursue high-level economic partnerships.

(1) Measures to be taken in the Asia-Pacific region

In the Asia-Pacific region, Japan will increase its efforts to conclude the ongoing EPA negotiations with Peru and Australia, and to resume the currently suspended Japan-Korea EPA negotiations. At the same time, Japan will work towards the realization of regional economic partnerships such as the China-Japan-Korea FTA, East Asian Free Trade Agreement (EAFTA) and Comprehensive Economic Partnership in East Asia (CEPEA), which are being studied at present, and commence EPA negotiations with Mongolia, with which it is now undertaking a joint study, as soon as possible.

In addition, in parallel with improving domestic environment, Japan will actively promote bilateral EPAs with major countries/regions in the Asia-Pacific region with which Japan has not yet started negotiations. Concerning the Trans-Pacific Partnership (TPP) Agreement, the only path to the FTAAP where negotiations have actually begun, it is necessary to act through gathering further information, and Japan, while moving expeditiously to improve domestic environment, will commence consultations with the TPP member countries.

In order to ensure that the above measures are steadily implemented, the Government will establish “the Ministerial Meeting for Realization of a Free Trade Area in the Asia Pacific (provisional title).” The entire government will work to address these issues through the new body.

(2) Measures to be taken with regard to major countries and regions outside the Asia-Pacific

Japan is currently conducting a joint examination with the European Union (EU), its largest trading partner outside the Asia-Pacific region, and it will expedite arrangements to enter into negotiations with the EU at an early date. For this purpose, the Government will accelerate efforts to reform its domestic non-tariff measures. In addition, it will make efforts to facilitate ongoing negotiations with the Gulf Cooperation Council (GCC).

(3) Measures to be taken with regard to other countries and regions

Taking into account of the progress in the negotiations on the Doha Development Agenda, efforts for regional integration in the Asia-Pacific region, and efforts for the strengthening of economic partnerships with major countries, the Government of Japan will work actively to strengthen economic partnerships, including conclusion of EPAs, with other Asian countries, newly emerging powers, and resource-rich countries, based on a comprehensive assessment from economic as well as diplomatic and strategic viewpoint.

3. Integrated approach to EPA negotiations and domestic measures

In order to strengthen high-level economic partnerships with major countries and regions, the Government of Japan, with a view to “opening the country”, will first promote appropriate domestic reforms with respect to areas of the agricultural industry, movement of natural persons from abroad to Japan, and regulatory reforms.

(1) Agriculture

“The Headquarters for the Promotion of Agricultural Structural Reform (provisional title)” will be established, with the Prime Minister as its Chair and the Minister of State for National Policy and the Minister of Agriculture, Forestry and Fisheries as its Vice Chairs, in order to promote both high-level EPAs and improvement of Japan’s food self-sufficiency and revitalization of its agriculture industry and rural communities, and also in order to take measures aimed at fostering sustainable and strong agriculture. A basic policy will be developed under the leadership of the Headquarters at around June 2011. In addition, the Headquarters will consider the necessary and appropriate drastic domestic measures needed to improve competitiveness and other aspects of agriculture, and also the budgetary measures and financial resources they will require. The Headquarters will draw up an action plan with a medium and long-term perspective at around October 2011 and implement it forthwith.

In the course of taking these steps, the Government of Japan will review border measures, such as tariffs, which have been put in place so that the burden of maintaining domestic production is borne by consumers. When it deems it appropriate to do so, it also will consider transition to a more transparent system in which taxpayers will bear the burden by securing stable sources of revenue and shifting over from border measures to fiscal measures.

(2) Movement of natural persons

The Government of Japan will consider measures to address the issues relating to the movement of natural persons from abroad, such as nurses and certified careworkers, on the basis of its efforts to promote the “employment and human resources strategies” described in its New Growth Strategy, and it will do so with due attention to future domestic demographic trends, the possible effect of such movement on employment in Japan, requests from other countries, as well as securing Japan’s economic growth and social stabilization. A group to study the issue will be established under the Minister of State for National Policy, and by June 2011 it will develop a basic policy.

(3) Regulatory reform

While opening up the country and importing the best management resources in order to enhance its potential for growth, the Government of Japan, with a view to achieving active economic partnerships and eliminating non-tariff barriers, will decide on a concrete plan by

March 2011 through the Government Revitalization Unit.

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