

Section 3 Efforts for EPAs/FTAs, etc.

1. Progress toward EPAs/FTAs

(1) Growth and proliferation of EPAs/FTAs

Moves toward regional integration have accelerated since the 1990s and the number of EPAs/FTAs¹ has been concluded due to changes in the global economic environment and development strategies around the world. The major reasons for such an increase in EPAs/FTAs include the following: (1) Moves have accelerated in the United States and Europe toward economic partnerships with their economically-linked neighboring countries through liberalization and the promotion of trade and investment, such as efforts for the NAFTA (enacted in 1994) by the United States and efforts for the EU (established in 1993) by the EC, (2) Newly emerging countries, such as Chile and Mexico, have changed their economic policies, liberalizing trade and investment and introducing market mechanisms, while NIEs and ASEAN have achieved high economic growth by opening up their markets ahead of other countries. In doing so, they have adopted the strategy of promoting EPAs/FTAs, and (3) East Asian countries, including Japan, have changed their stance in favor of EPAs/FTAs, etc. The number of regional trade agreements reported to the WTO reached 151² as of March 2008.

In addition to the increase in the number of EPAs/FTAs, the nature of the agreements signed has also changed dramatically. In terms of the composition of the signatories, economic agreements among developed countries accounted for about 40% of all the agreements until the mid 1970s. In recent years, however, economic agreements exclusively between developing countries or between developed and developing countries are increasing, and the number of EPAs/FTAs signed by developing countries currently account for over 90% of all such agreements (see Figures 4-3-1 and 4-3-2). While in the past EPAs/FTAs were normally signed between countries in the same region of the world, the number of cross-regional EPAs/FTAs signed between countries in different regions of the world account for over 40% of all the new EPAs/FTAs signed since 2000. Moves toward expanding EPAs/FTAs between countries in the same region of the world and moves toward expanding EPAs/FTAs between countries across different regions of the world are proceeding in parallel.

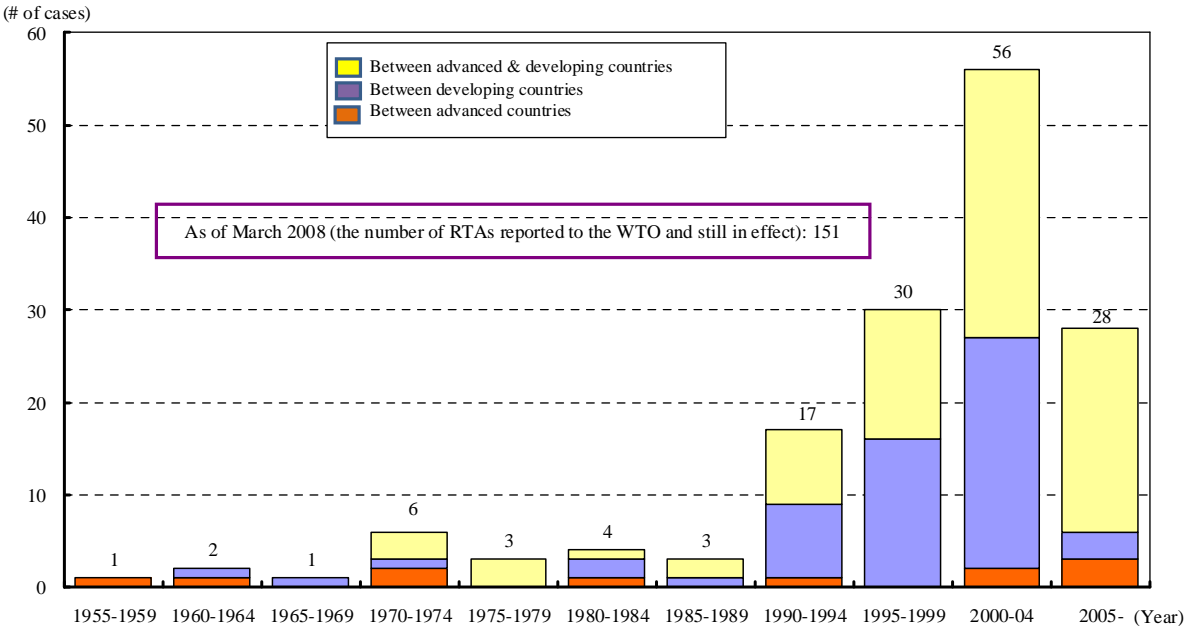
One of the reasons for the “increase in EPAs/FTAs signed by developing countries” and the “change in the geographical proximity of the signatories” is the fact that the progress in globalization has expanded the international division of labor and accelerated trade between developed and developing countries, and, as a result, the benefits of economic integration between developed and developing countries have increased. Many developing countries, while witnessing their Asian

¹ A Free Trade Agreement (FTA) is an agreement designed to eliminate tariffs and other restrictive trade rules between/among the signatories, while an Economic Partnership Agreement is an agreement designed to cover a broad range of sectors, including both sectors covered by FTAs and sectors not covered by FTAs, such as market systems and economic activities. In this document, EPAs/FTAs include tariff unions (an agreement designed to create a single tariff region by eliminating tariffs and other restrictive trade rules in the region and harmonizing tariffs and other restrictive trade rules for external regions). These agreements are generally and collectively called “Regional Trade Agreements (RTAs)” by the WTO framework.

² Of the 194 RTAs reported to the WTO, those reported in duplicate to the GATT and the GATS and those duplicated due to new members being added to existing agreements were excluded.

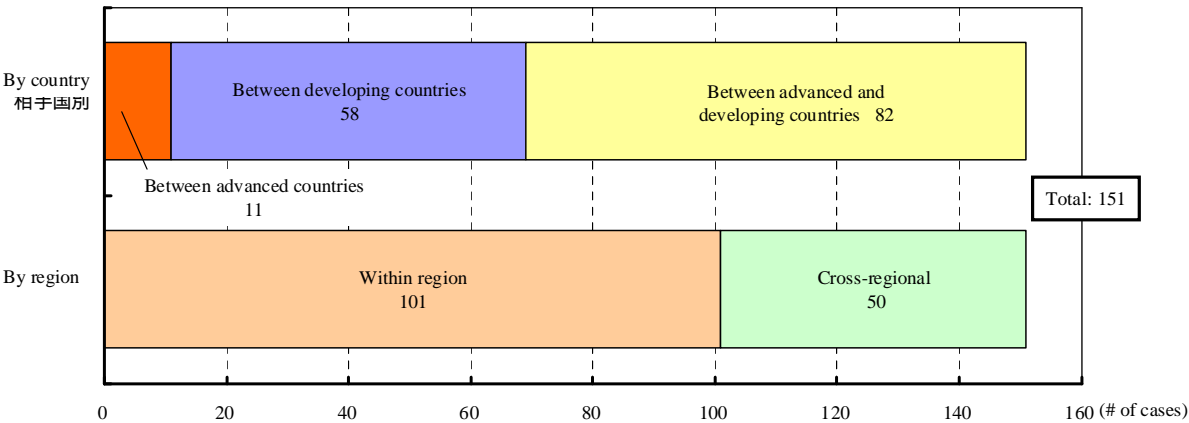
counterparts achieve high economic growth led by export-oriented industries under open economic policies, have begun to recognize that free trade and investment can increase their competitiveness and promote technology transfer from developed countries. This has led them to actively engage in EPA/FTA negotiations. Many countries are also becoming increasingly aware that signing EPAs/FTAs with their major trading partners will give them the economic benefit of engaging in trade and investment with their major trading and investment partners under more preferential conditions than countries of the external regions.

Figure 4-3-1 Dates for Notifying the GATT/WTO of the Regional Trade Agreements (RTAs) Still in Effect



Notes: 1. Classification of 151 agreements after removing all of the regional trade agreements reported to the WTO, those reported in duplicate to the GATT and GTS, and those duplicated due to new members being added to the existing agreements.
2. OECD or EU members are classified as advanced countries while the rest are developing countries.
Source: WTO Website.

Figure 4-3-2 Regional Trade Agreements (RTAs) by Country and Region (as of March 2008)



Notes: 1. Classification of 151 agreements after removing from the regional trade agreements reported to the WTO those reported in duplicate to the GATT and the GTS and those duplicated due to new members being added to existing agreements.
2. OECD and EU members are classified as advanced countries while the rest are developing countries.
3. The world is divided into 6 regions: Asia, Europe, Middle East, Africa, North/Central/South America and Oceania. Agreements within such regional groups are called "Within region" while the rest are "Cross-regional."
Source: WTO Website.

(2) EPAs and the WTO

(EPAs/FTAs promoting multilateral trade liberalization)

EPAs/FTAs are positioned as an exceptional form of most-favored-nation treatment. Unlike the multilateral trade liberalization efforts by the WTO, under EPAs/FTAs, countries can flexibly and tactfully choose countries, regions, and sectors as long as certain requirements under the WTO agreements are satisfied. It is also possible for them to include sectors not covered by the WTO; thus, as some people say, EPAs/FTAs and the multilateral free trade system advocated by the WTO play mutually complementary roles³. With the sharp increase in the number of EPAs/FTAs signed, it is important to evaluate, from mid- and long-term perspectives, the EPAs/FTAs' roles in complementing and promoting the multilateral free trade system, as well as their effects on regional liberalization

EPAs/FTAs are recognized as an exceptional measure⁴ of the WTO agreements in that they contribute to maintaining the tariff rates imposed on imports from external regions (bound tariff rates based on the most-favored-nation treatment), while improving market access between countries in the same region by eliminating or reducing the tariffs imposed on imports from the internal region.

EPAs/FTAs are said to have possibilities for bringing both advantages and disadvantages to the multilateral trade liberalization efforts. The disadvantages include the possibility that after considerable levels of trade liberalization are achieved through the EPAs/FTAs, the benefit of further trade liberalization declines and efforts for reducing tariffs on imports from external regions are discouraged due to the cost of negotiating the agreements and the loss of superiority over countries in external regions. In some cases, EPAs/FTAs are said to encourage the formation of bloc economies⁵.

On the other hand, promoting EPAs/FTAs is also said to help promote the multilateral trade liberalization efforts by the WTO. For example, if a country signs an EPA/FTA and the country's productivity improves as a result of increased inflow of cheap goods and services to the country after the tariff cuts, the country is expected to pursue the further benefits of liberalized trade by reducing the tariffs it imposes on imports from external regions, in addition to reducing those imposed on goods from countries in its own region.

³ The WTO recognizes that RTAs can promote trade liberalization and complement the efforts led by the WTO for the multilateral free trade system, as Article 24.4 of the GATT stipulates that "the Contracting Parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a tariff union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories."

⁴ Article 24.5 (b) of the GATT provides that tariffs and other trade rules imposed on imports from non-signatories to EPAs/FTAs should not be higher or more restrictive than those imposed in the region before the EPAs/FTAs were signed.

⁵ A situation occurs where signatories to EPAs/FTAs that have already secured large markets are discouraged to expand their regional markets any further to avoid the procedural costs required to increase the number of signatories. A situation also occurs where interest groups in signatory countries try to avoid a reduction in their profits from competition, intensified by prospective new member countries. Bhagwati's (1993), *Regionalism and Multilateralism: An Overview* calls the former situation the "Our market is large enough" syndrome, while the latter situation is the "These are our markets" syndrome.

Another possibility is the “Domino Effect⁶,” where the disadvantage of not signing EPAs/FTAs is magnified by signatories successfully reducing their regional trade costs through regional trade liberalization and this urges countries in the external regions to sign EPAs/FTAs.

Thus, after signing EPAs/FTAs, countries may be tempted either (1) to maintain tariff rates on imports from external regions, or (2) to reduce tariff rates on imports from external regions. In reality, they tend to reduce tariff rates (MFN tariff rates) in real terms on imports from external regions⁷.

The major topics during negotiations on tariffs at the WTO include reducing and creating timetables to reduce the WTO bound tariff rates (the maximum cap on the tariff rates committed to by WTO members in their own bound tariff rate tables presented to the WTO). Therefore, voluntarily setting MFN tariff rates that are lower than the WTO bound tariff rates may result in the creation of more room for negotiations, especially for developing countries. South American countries are lowering their MFN tariff rates in line with the gradual reduction in the FTA tariff rates⁸. The result of such empirical analysis suggests that signing EPAs/FTAs brings the economic benefits of liberalization, especially to developing countries, and has the effects of lowering the tariff rates imposed on imports from external regions and promoting progress in the multilateral trade liberalization talks at the WTO, in pursuit of further benefits from the liberalization.

(Mutually complementary roles of WTO and EPAs/FTAs in promoting trade liberalization)

For these reasons, signing EPAs/FTAs is expected to have positive effects by promoting multilateral trade liberalization, but relying exclusively on EPAs/FTAs for global trade liberalization efforts may require the signing of tremendous numbers of EPAs/FTAs and will make it more difficult to maintain globally consistent trade rules and order.

The WTO agreements are unprecedented in that they are international agreements among many countries to define the basic principles and procedures for the indispensable components of free trade, including the most-favored-nation treatment, national treatment, etc.

On the other hand, the WTO uses the principle of consensus-based decision-making, and takes extremely long to reach an agreement, as indicated by the Doha Round, which is in its 7th year of negotiations. In some cases, the number of agenda items for discussion may be reduced in the process of negotiations.

In order to reap the maximum benefits of trade liberalization, Japan needs to make its utmost efforts to maintain and expand the multilateral trade order by reinforcing the reliability of the WTO and implementing the WTO agreements as its basic external economic policy, while, given the fact that many countries are actively signing strategic EPAs/FTAs, pursuing flexible external economic policies through bilateral or regional frameworks.

The WTO agreements set conditions on RTAs, such as EPAs/FTAs, to (1) eliminate tariffs and

⁶ Baldwin, R. (1995), *The Domino Theory of Regionalism*

⁷ In the *White Paper on International Economy and Trade* (2007) Japan's Ministry of Economy, Trade and Industry cites ASEAN as an example by saying that ASEAN is reducing the MFN tariff rates in real terms by cutting the regional tariff rates in the ASEAN Free Trade Area (AFTA).

⁸ Estevadeordal, A. and R. Robertson. (2004), *Do Preferential Trade Agreements Matter for Trade?*

other restrictive trade rules on “substantially all the regional trade” in goods that are produced in the region, and (2) refrain from imposing more restrictive tariffs and trade rules on imports from external regions. Any EPAs/FTAs that fail to meet these requirements may excessively increase the number of sectors excluded from tariff elimination/tariff reductions or may hamper free trade by increasing the trade barriers against countries in external regions. To avoid such possibilities, each country is required to ensure that its EPAs/FTAs are compatible with the WTO agreements.

2. Japan’s EPAs/FTAs

(1) History of Japan’s EPA negotiations

Japan has been negotiating bilateral and multilateral EPAs, mainly with East Asian countries, since the enactment in 2002 of Japan’s first EPA with Singapore. Japan is negotiating comprehensive agreements covering services and investment, government procurement, intellectual property rights, competition, the movement of people, business environment improvement and cooperation, etc., as well as trade in goods.

(EPAs signed or enacted)

As of July 1, 2008, Japan has enacted EPAs with 6 countries (Singapore, Mexico, Malaysia, Chile, Thailand, and Indonesia) and signed EPAs with 3 other countries/regions (the Philippines, Brunei, and ASEAN).

Japan is currently making efforts toward the creation of EPAs/FTAs that are actively and strategically based on the “Basic Policy towards further promotion of Economic Partnership Agreements” (decided at a meeting of the Council of Related Ministers for the Promotion of Economic Partnership in December 31, 2004) and the EPA Timetable⁹ created in May 2006 and revised in March 2008.

The most recent events on the schedule for Japan’s EPAs include the Japan-Indonesia EPA (to be enacted on July 1, 2008) and the Japan-Brunei EPA (to be enacted on July 31, 2008). Both Indonesia and Brunei have abundant underground resources, including natural gas, oil, etc. For the first time in Japan’s EPA history, these EPAs include provisions on the energy sector, in order to promote investment in this sector and close coordination for the stable supply of these resources.

The Japan-Indonesia EPA has a provision to accept nurses and care workers, and candidates for nurses and care workers are scheduled to arrive in Japan in late July or early August, 2008. This is the second EPA to include a provision for the acceptance of nurses and care workers, following the one with the Philippines, which was signed in September 2006. However, Japan is expected to actually accept nurses and care workers from Indonesia ahead of the Philippines, as the EPA with Indonesia is to be enacted earlier. For Japan, this will be the first acceptance of nurses and care workers from abroad¹⁰.

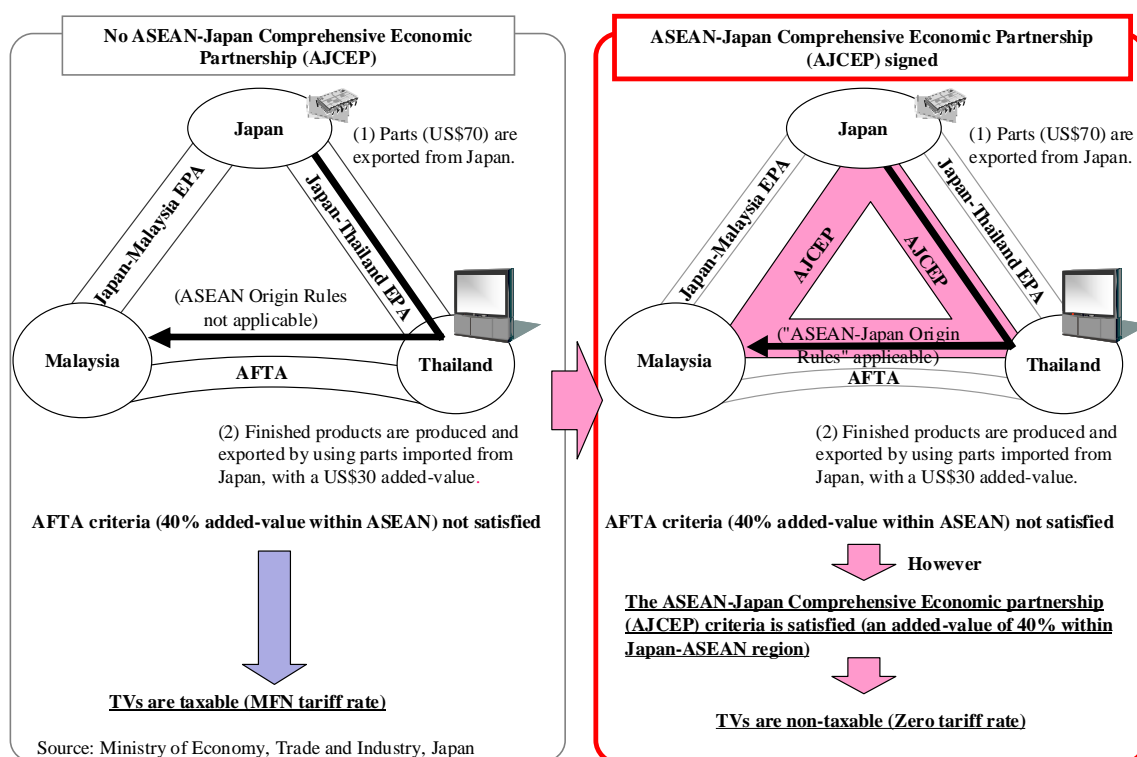
⁹ An exhibit to the Big-Boned Policy 2007

¹⁰ Many EPAs/FTAs currently include provisions on the movement of people and many of these provisions are much broader and more flexible than that of the WTO (the 4th mode of service provision). This is because EPAs, unlike the WTO, do not have the principle of the most-favored-nation status. (Source:

The negotiations for the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) reached a basic agreement in August 2007 and the partnership agreement was signed by all the countries concerned in April 2008. This is Japan's first EPA involving multiple countries. When enacted, it will provide a preferential tariff system that can be used in line with the actual status of Japan-ASEAN-wide economic activities, increasing the regional business options. For example, if final products assembled in the ASEAN region from high value-added parts produced in Japan are to be exported to countries in the ASEAN region, the bound tariff rate under the AJCEP will be applied, as long as the products meet the Rules of Origin¹¹, even if such a preferential tariff rate cannot be applied under the AFTA (ASEAN Free Trade Agreement) or any bilateral EPAs (see Figure. 4-3-3).

In addition to the AJCEP, the Japan-Chile EPA was enacted in September 2007 and the Japan-Thailand EPA in November 2007.

Figure 4-3-3 Significance of ASEAN-Japan Comprehensive Economic Partnership (Tariffs on goods)



(EPAs currently under negotiation)

Japan is currently negotiating EPAs/FTAs with Vietnam, India, Australia, Switzerland, and the GCC¹².

Mizuho Research Institute, Ltd. (2007), *TSUSHO MONDAITOSHITENO GAIKOKUJIN ROUDOUSH UKEIRE MONDAI*

¹¹ As an exception to the indiscriminate principle of the WTO, an EPA/FTA that is designed to reduce or eliminate only those tariffs imposed on signatories can apply the bound tariff rate under the EPA/FTA as long as the Rule of Origin is satisfied. For this purpose, the Rule of Origin, which is a rule to determine whether "the origin" of a product is the signatories, should be defined in the EPA/FTA in order to prevent bypass trade via a third country (a method of receiving the bound tariff rate under the EPA/FTA by importing/exporting products from/to the signatories).

¹² Gulf Cooperation Council. A tariff union comprising Saudi Arabia, United Arab Emirates, Qatar, Kuwait,

The EPA negotiations with Vietnam started in January 2007. Vietnam is becoming increasingly attractive to Japanese companies. This bilateral relationship is expected to be enhanced further by improving the investment environment in Vietnam through the EPA.

Negotiations with India started in January 2007. With its population of over 1 billion, the economy of India is growing rapidly. Despite the potential of this huge market, India's trade with Japan is relatively small in size and the EPA is expected to revitalize this bilateral economic relationship.

Negotiations with Australia started in April 2007. Japan is determined to enhance its "comprehensive strategic relationship" with Australia, which shares basic values and strategic interest with Japan. The EPA with Australia is expected to enhance such a relationship and secure a reliable supply of resources, energy, and foods. The inter-governmental joint study report compiled in December 2006 estimated that the contribution of the EPA to Japan's GDP, based on an economic model, will be about 2.3 trillion yen, on the assumption that the bilateral trade and investment are completely liberalized.

Negotiations with Switzerland began in May 2007. This will be Japan's first EPA with a European country. The EPA with Switzerland is expected to include high levels of provisions worthy of an agreement with a developed country, including provisions that the EPA with ASEAN failed to include. These planned provisions include such sectors as investment, the protection of intellectual property rights, etc., in addition to liberalized trade in goods and services.

The negotiations with the GCC started in September 2006. Signing an EPA with resource producing countries, such as those that make up the GCC, is very important for Japan for improving the trade and investment environment for Japanese companies and securing a stable supply of mineral resources. The GCC is an important market for Japan, with Japan's export to the GCC reaching about 1.79 trillion yen (2006). The FTA with the GCC is expected to further increase Japan's exports to the GCC. In parallel with the FTA negotiations, Japan has signed an investment agreement with Saudi Arabia, is negotiating an investment agreement with Qatar, and set up bilateral frameworks in December 2007 with Saudi Arabia, Qatar, and the UAE to improve the investment and business environments.

EPA negotiations with Republic of Korea began in December 2003, but have been suspended since November 2004. Preparations to resume these negotiations started in 2008. Based on an agreement reached at the Japan-South Korea summit meeting in April 2008, a study meeting and working-level meeting were held in June to discuss the resumption of the EPA negotiations. Japan hopes to resume the negotiations at an early date, as the Japan-South Korea EPA symbolizes a "New Era in Japan-South Korea Relations," as stated at the summit meeting in February 2008, and is very important in many aspects, including the expansion of bilateral trade and investment, the enhancement of the international competitiveness of the two countries, the promotion of economic ties in East Asia, etc.

(2) Effects of the enacted EPAs

(Effect of Japan-Singapore EPA)

The “Agreement between Japan and the Republic of Singapore for a New-Age Economic Partnership” (Japan-Singapore EPA) was Japan’s first EPA¹³. It was enacted on November 30, 2002. For the liberalization of trade, tariffs were eliminated on over 98% of the bilateral transactions, based on value¹⁴. The effect of the EPA on the export of products from Japan to Singapore is likely to be limited, as tariffs on such products, except for 4 products, including beer, had already been eliminated before the EPA took effect.

On the other hand, for the services trade, from among 155 sectors defined by the GATS, Japan has liberalized 32 sectors, in addition to the sectors liberalized under the GATS, while Singapore has liberalized 77 sectors, in addition to the sectors liberalized under the GATS. Such large-scale liberalization of the services trade, in combination with the liberalization of investment (granting in principle of national treatment, allowing free remittance, prohibiting performance requests, etc.) is believed to have helped expand the bilateral trade in services. The GATS classifies the services trade into 4 types (modes) of transactions. Of these 4 modes, Mode 1 (Cross-border supply), Mode 2 (Consumption abroad), and Mode 4 (Movement of natural persons) are generally charged in the service accounts, while Mode 3 (Commercial presence) is directly charged in the investment statistics.

In fact, Japan’s service account (receivable) with Singapore has been expanding since the enactment of the EPA, including other services (from 253.7 billion yen in 2002 to 820.3 billion yen in 2007) and transportation (from 174.7 billion yen in 2002 to 335.3 billion yen in 2007)(see Figure 4-3-4). Though the value of the direct investment in Singapore by Japan’s industries isn’t clear from the data, the liberalization of the services trade through the EPA may have also contributed to the expansion of this direct investment, including the sharply increased investment in the financial and insurance industries in FY2004, 2006 and 2007 (see Figure 4-3-5).

Securing the liberalization and transparency in investment through the EPA will have a positive impact on the manufacturing industry. Singapore, as the Southeast Asian hub, is thriving with trade in goods, especially the added-profit trade, in which parts are processed and assembled in Singapore for re-export. Many manufacturers have their production bases in Singapore. As a result, the breakdown of the export from Japan to Singapore indicates that machinery and electronics account for 60% of the export and many of these products are believed to be processed and assembled in Singapore and re-exported to other East Asian countries. Thus, the Japan-Singapore EPA will play pivotal roles, allowing Japan to take advantage of the potential demands in East Asia.

Japan and Singapore agreed to start negotiations on the revision of the Japan-Singapore EPA in

¹³ The Japan-Singapore EPA can be characterized by its comprehensive and high levels of provisions. It includes provisions for facilitating trade and cooperation, etc., as well as for liberalizing trade and investment. It also includes provisions for (1) setting up a supervisory committee comprising ministers from both countries and (2) setting up a consultative body to avoid and solve peacefully any dispute arising from the interpretations and applications of the EPA.

¹⁴ All of the export products from Japan to Singapore were liberalized after tariffs on 4 products, including beer, were eliminated. Tariff exemptions on imports from Singapore to Japan have increased from 84% to 94%, in value terms.

April 2006 and the revised protocol took effect in September 2007. Through this revision, Japan has increased the number of industrial and agricultural, forestry, and fishery products from which tariffs are removed and Singapore has further liberalized its financial services, including the deregulation of licensing procedures for banks, etc.

Figure 4-3-4 Japan's Service Accounts with Singapore (receivable)

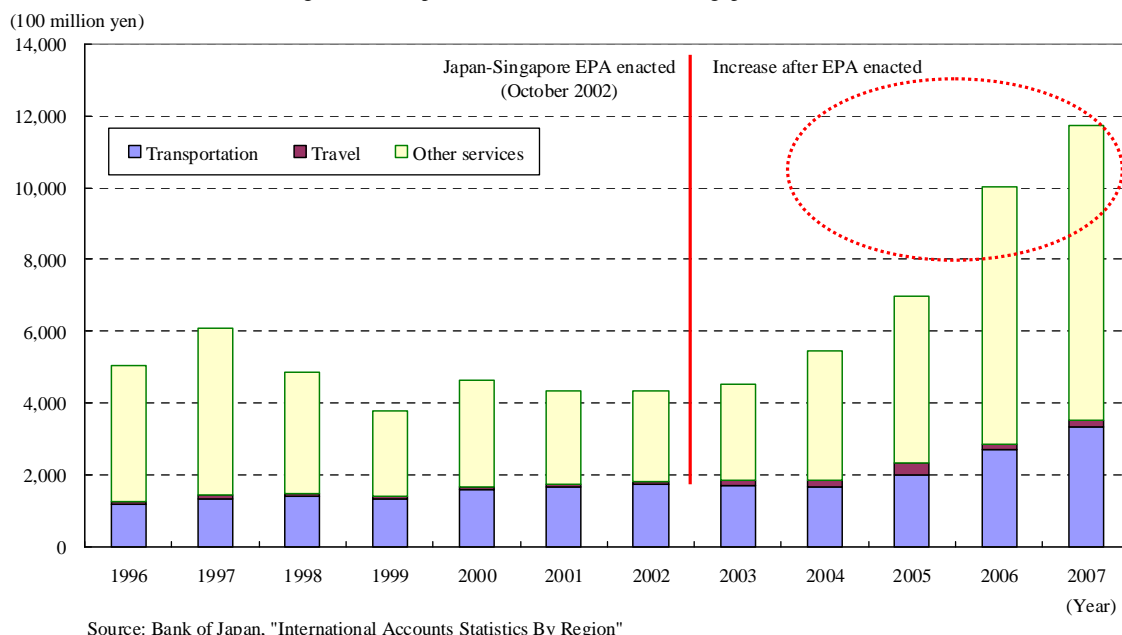
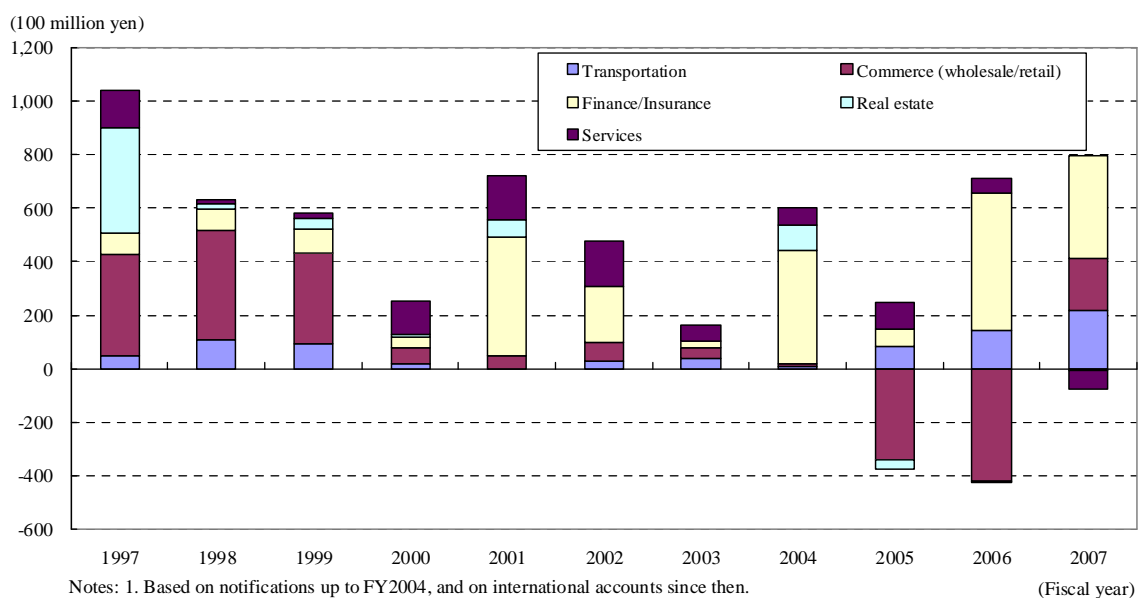


Figure 4-3-5 Amount of Direct Investment in Singapore by Japanese Services Industry (based on notifications)



(Effect of Japan-Mexico EPA)

The "Agreement between Japan and the United Mexican States for the Strengthening of the Economic Partnership" (Japan-Mexico EPA) took effect in April 2005 after the 2 leaders agreed at a

summit meeting in October 2002 to start negotiations, and then signed the EPA in September 2004¹⁵. Mexico signed the NAFTA with the United States and Canada in 1994 and the FTA with the EU in 2000. As a result, Mexico's export/import activities have shifted to North America and Europe. Japan has suffered a negative impact from the trade diversion effect of the FTA, raising concerns over the considerable decline in Japan's position in the Mexican market. The Japan-Mexico EPA plays an important role in securing an equal competitive footing with the United States and EU in the Mexican market as the agreement expands access to the Mexican market. For the trade liberalization, tariffs imposed at an average of 16% on goods from Japan to Mexico have gradually been eliminated or reduced and will be eliminated almost completely by 10 years after the enactment. The effect of such tariff cuts seems to have already begun, as evidenced by the sharp increase in Japan's export of transportation machinery to Mexico¹⁶ (see Figure 4-3-6).

The detailed data on the export of this transportation machinery, which has been a conspicuous effect of the Japan-Mexico EPA, reveal that Mexico, in order to promote its own domestic auto industry, exempted tariffs on imported cars of only up to 10% of all the vehicles produced locally by local finished automobile manufacturers. The general tariff rate was very high, with a maximum of 50%, virtually enabling only Japanese car makers that have production bases in Mexico to export automobiles from Japan to Mexico. The Japan-Mexico EPA created a new tariff exemption framework for exempting tariffs on imported cars for up to 5% of all the vehicles sold in Mexico, and reduced the general tariff rate, except for some types of cars, from 50% to as low as 20-30%. It will eliminate the general tariff completely in 2011. Upon the enactment of the EPA, Japanese automakers that had refrained from moving into the Mexican market have been expanding their exports to Mexico (see Figure. 4-3-7).

Under the Japan-Mexico EPA, Mexico grants national treatment to direct investment from Japan, just as it does to direct investment from the United States and Europe. As a result, the value of direct investment from Japan to Mexico has been increasing sharply since 2005, mainly in the transportation machinery sector. This is indicative of the fact that Japanese companies are moving into the Mexican markets, with the entire North American market in mind (see Figure 4-3-8). The Japan-Mexico EPA has a provision to set up a "business environment committee" to solve issues involving the improvement of the business environment. The committee meeting is held once a year. The first meeting was held in April 2005 when the EPA took effect. Japan has so far raised the issues of improving public order and safety, protecting intellectual property rights, improving transportation infrastructures, etc. Efforts by the Mexican authorities, such as beefed-up security at international airports, have begun to bear fruit in the form of a reduction in the number of crimes involving Japanese victims. The frameworks provided in the EPA have likely had a positive psychological impact on investors leading to an increase in the direct investment from Japan.

¹⁵ This agreement is designed to bolster economic ties in broad areas, including defining the equal national treatment for services, investment, government procurement, etc., and setting up a business environment committee, as well as eliminating/reducing tariffs on the bilateral trade.

¹⁶ The World Trade Atlas shows that the value of the export of transportation machinery to Mexico from Republic of Korea, which has yet to sign an EPA/FTA with Mexico, has not increased as much as Japan's, and that the export of general machinery from Republic of Korea is declining.

Figure 4-3-6 Value of Japan's Trade with Mexico

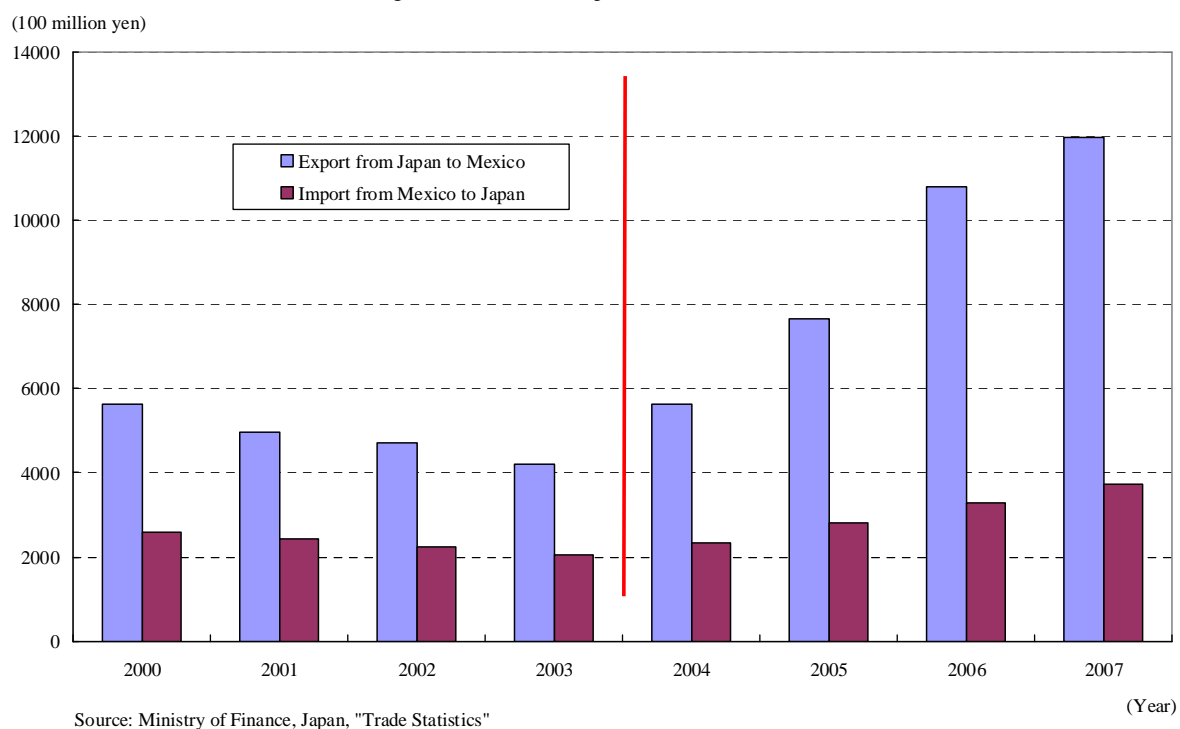
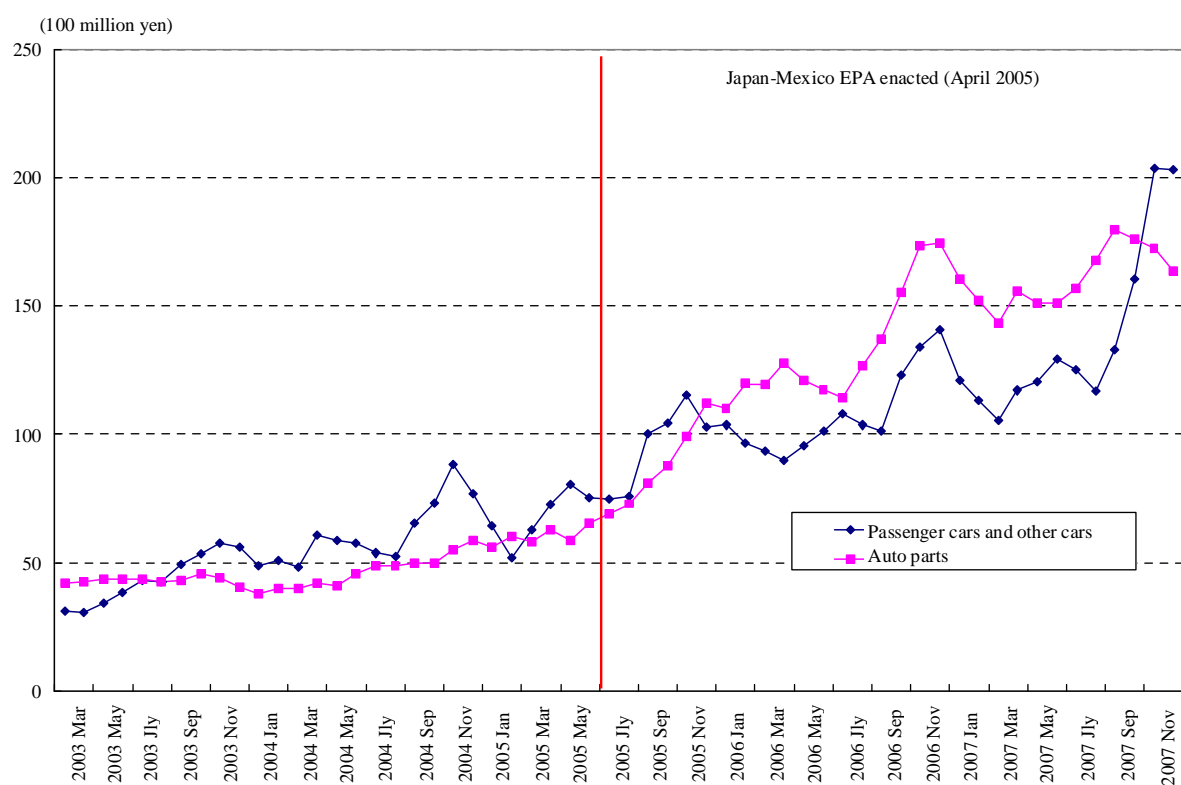


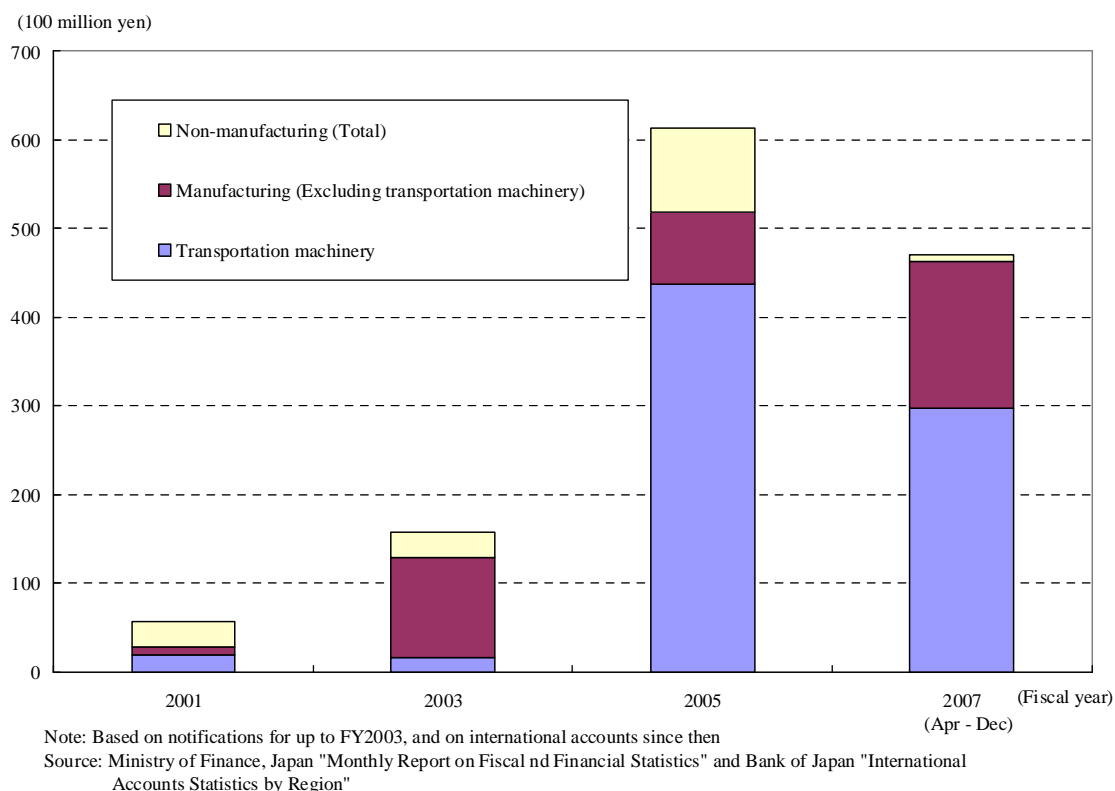
Figure 4-3-7 Value of Japan's Automobile-related Export to Mexico



Note: The value for each month is based on a backward moving average.

Source: Ministry of Finance, Japan "Trade Statistics"

Figure 4-3-8 Value of Japan's Direct Investment in Mexico



(Effect of Japan-Malaysia EPA)

The "Japan-Malaysia Economic Partnership Agreement" (Japan-Malaysia EPA)¹⁷, which took effect on July 13, 2006, was the third EPA for Japan.

Under the Japan-Malaysia EPA, 97% of the tariffs, in value terms, on the bilateral two-way trade¹⁸ are to be eliminated. The elimination of the tariffs on automobiles and auto parts is of special importance to Japan. Malaysia has a National Automotive Policy, which regards the auto industry as the main industry of the country. Based on this policy, Malaysia had maintained high tariff rates (an MFN tariff rate of 50% on passenger cars and 10-20% on auto parts) in order to develop and promote its domestic auto industry. In 2006, however, Malaysia announced their New National Automotive Policy, which was designed to increase the competitiveness of its auto industry in line with the liberalization of the international auto markets. Under such circumstances, the Japan-Malaysia EPA includes a high-level provision for immediately eliminating tariffs on auto parts for locally-assembled cars (CKD parts). The breakdown of Japan's exports to Malaysia (2007) shows that automobiles account for 9.8% of all exports. This suggests that the tariff elimination will have a large effect on Japan's exports to Malaysia.

¹⁷ It covers broad sectors of the economic relationship, just as do the Japan-Singapore EPA and the Japan-Mexico EPA.

¹⁸ The detailed tariff elimination plan in Malaysia shows that out of a total of about 10,590 products, tariffs on about 7,860 products are to be eliminated immediately, tariffs on 2,580 products are to be eliminated in phases, and tariffs on about 150 products are to be cut or exempted.

On the other hand, Japan immediately eliminated virtually all tariffs on industrial products under the EPA. Malaysia has eliminated tariffs on auto-related products under the Japan-Malaysia EPA while proceeding with the new automobile policy to increase the competitiveness of its auto industry to meet the liberalization challenges. Japan, in response, will send experts to Malaysia as part of an auto industry cooperation project. Under the Japan-Malaysia EPA, just as with the Japan-Mexico EPA, a “business environment committee” was set up to solve various issues on improvement of the business environment. The first meeting was held in March 2007 and the second meeting in October 2007.

Various issues related to the business environment raised by both countries were discussed at these meetings, including the issue of ill-prepared infrastructures (electricity and gas) in Malaysia, which was raised by Japan. The business environments of the two countries are expected to improve further as these meetings continue and both countries follow up on the issues discussed at such meetings.

(Effect of Japan-Chile EPA)

The “Agreement between Japan and the Republic of Chile for a Strategic Economic Partnership” (Japan-Chile EPA)¹⁹, which took effect on September 3, 2007, was the fourth EPA for Japan. The Japan-Chile EPA liberalizes trade in goods and services, enhances the protection of investment, secures equal competitive footing in trade and investment for Japanese companies with foreign counterparts, and promotes comprehensive cooperation covering broad sectors, including intellectual property rights, competition and business environment improvement, etc. The Japan-Chile EPA is expected to further revitalize bilateral trade and investment. As Japan imports mineral resources, such as copper, molybdenum, etc., from Chile, Japan plans to establish much closer ties with Chile through the EPA and enhance the stability of the legal status of Japan’s investment in mines in Chile for a secure supply of such mineral resources.

The Japan-Chile EPA has a provision to set up a “business environment subcommittee” to solve various issues related to the business environment. The first meeting was held in Chile in April 2008 and discussed broad range of topics, including improving the convenience of infrastructure facilities, working environment, etc. These subcommittee discussions are expected to have positive effects as both countries continue to follow up on these issues to further improve the business environments of the two countries.

(Effect of Japan-Thailand EPA)

The “Agreement Between Japan and the Kingdom of Thailand for an Economic Partnership” (Japan-Thailand EPA)²⁰, which took effect on November 1, 2007, was the fifth EPA for Japan.

The Japan-Thailand EPA liberalizes trade in goods and services, enhances the protection of investment, secures an equal competitive footing in trade and investment for Japanese companies with

¹⁹ Chile has signed FTAs with over 40 countries, including the United States, EU, China, and Republic of Korea.

²⁰ Thailand is Japan’s 7th largest trading partner (Ministry of Finance, Japan “*Trade Statistics 2006*”) and the second biggest destination for Japan’s direct investment in ASEAN, following Singapore (Bank of Japan statistics at the end of 2006).

foreign counterparts, and promotes bilateral cooperation in broad sectors, including intellectual property rights, competition, business environment improvement, small and midsize companies, etc.

The Japan-Thailand EPA is expected to reinforce the inherent nature of the mutually complementary relationship and the economic relationship between the two countries. Especially for the liberalization of trade in goods, the EPA will eliminate tariffs on about 97% of the export to Thailand, in value terms, and on about 92% of the import from Thailand, in value terms. Of these tariff cuts, the tariffs on about half of all the iron and steel exported, in value terms, are to be eliminated immediately and the tariffs on auto parts are scheduled to be basically eliminated in 5-7 years.

Thailand is one of Japan's most important economic partners among the ASEAN nations and boasts the second highest GDP among the ASEAN nations. Through the Japan-Thailand EPA, Japan can expect increased access to the ASEAN market and plans to promote the establishment of the East Asia Community and to contribute to the formation of an international environment that is more beneficial to Japan politically and strategically.

Six months have passed since the Japan-Thailand EPA took effect, and the number of "certificates of origin" issued under the EPA indicates the scale of its impact.

3. Future efforts for EPAs/FTAs

(1) Promoting economic integration

(a) Bilateral economic partnerships

EPAs by other East Asian countries and moves by the United States and EU will have large impacts on Japanese companies who have business bases in East Asia. In contemplating its EPA strategy, the Japanese government also has to pay careful attention to the EPA efforts of these countries.

In recent years, China²¹ and Republic of Korea²² have been actively engaged in EPA/FTA efforts (see Figures 4-1-4 and 4-1-5).

[Column 42] U.S.- Korea FTA

The United States and Republic of Korea started FTA negotiations in June 2006, reached an agreement just 10 months later in April 2007, and signed the FTA in June 2007. This FTA is scheduled to take effect after ratification in both countries.

The U.S.- Korea FTA is committed to immediately eliminating tariffs on over 90% of imports, in value terms, in both countries. In particular, tariffs on industrial, forestry, and fishery products are to be eventually eliminated completely, with 94% eliminated in 3 years.

²¹ China signed the CEPA (Comprehensive Economic Partnership Agreement) with Hong Kong in June and with Macau in October 2003 and enacted the Agreement with ASEAN on trade in goods in 2005 and in services in July 2007. It enacted the FTA with Pakistan in 2007 and with New Zealand in 2008. It is negotiating or preparing to negotiate FTAs with Singapore, India, Australia, Iceland, and Norway.

²² Republic of Korea enacted EPAs with Singapore, Chile, and EFTA, and is negotiating EPAs/FTAs with ASEAN members. The agreement on trade in goods was enacted in 2007 and the agreement on trade in services was signed in November 2007 with ASEAN, excluding Thailand. It is actively making EPA efforts with major countries, including efforts toward an FTA with the United States, which was signed in April 2007 and negotiations with the EU, which started in May 2007. It is also negotiating with India, Mexico, Canada, etc.

Under the FTA, the United States is committed to eliminating tariffs on all products. For automobiles, it is committed to immediately eliminating tariffs on passenger cars with an engine displacement of less than 3000 cc, eliminating tariffs on passenger cars with an engine displacement of 3000 cc or more within 3 years, and eliminating tariffs on commercial vehicles (pick-up trucks, etc.) within 10 years. For textiles, it is committed to eliminating tariffs on 61% of imports, in value terms, immediately. For the rules of origin, the United States agreed with Republic of Korea to adopt the strict rule of “Yarn-Forward” (using yarns of its own country for textile products).

Republic of Korea, on the other hand, is committed to liberalizing almost all products, except for rice. Tariffs on beef import will be eliminated in 15 years with emergency safeguard measures readily available. Tariffs on apples and pears will be eliminated in 20 years.

Japanese industries are fiercely competing with South Korean competitors in the U.S. markets. The enactment of the U.S.- Korea FTA will eliminate the 2.5% tariff on Korean cars and the 5% tariff on Korean flat-panel TVs, putting Japanese companies in disadvantageous positions over their South Korean rivals in the U.S. markets.

Japan has been actively negotiating EPAs/FTAs, mainly with East Asian countries, since 2000. The value of the trade with countries that enacted or signed EPAs with Japan accounts for 14.8% of the overall Japanese trade (see Table 4-3-9). On the other hand, the value of such trade accounts for 74.0% of the total trade for the EU and 34.4% for the United States. If the countries currently negotiating EPAs/FTAs are added to these figures, the value of such trade increases to 34.7% for Japan, 80.8% for the EU, 42.1% for the United States, and 50.6% for Republic of Korea. The significance of such a simple comparison of percentages is questionable. However, Japan should actively promote EPA/FTA negotiations in accordance with their EPA timetable.

Efforts for EPAs/FTAs with major market economies, such as the United States and EU, should be the subject of a future study, along with keeping an eye on the moves of other countries and considering their economic relationship with Japan and the size of their economies. Japan should continue to seriously consider how to establish a foundation for the further promotion of Japan’s economic relationship with the United States and EU by taking into consideration discussions in the private sectors, and start joint preparations with the United States and EU to take whatever actions may be feasible.

Along with EPAs/FTAs, Japan should give priority to negotiations with its major trading partners for economic agreements, such as social security agreements, investment agreements, etc. (see Figure 4-3-10)²³.

The “Economic and Fiscal Reform 2008,” decided at a cabinet meeting in June 2008, sets the “target of signing EPAs with over 12 countries and regions by the beginning of 2009 and increasing the percentage of trade with such signatories to over 25% in value by 2010.” Japan should proceed with the timetable for 2010 (see Table 4-3-11).

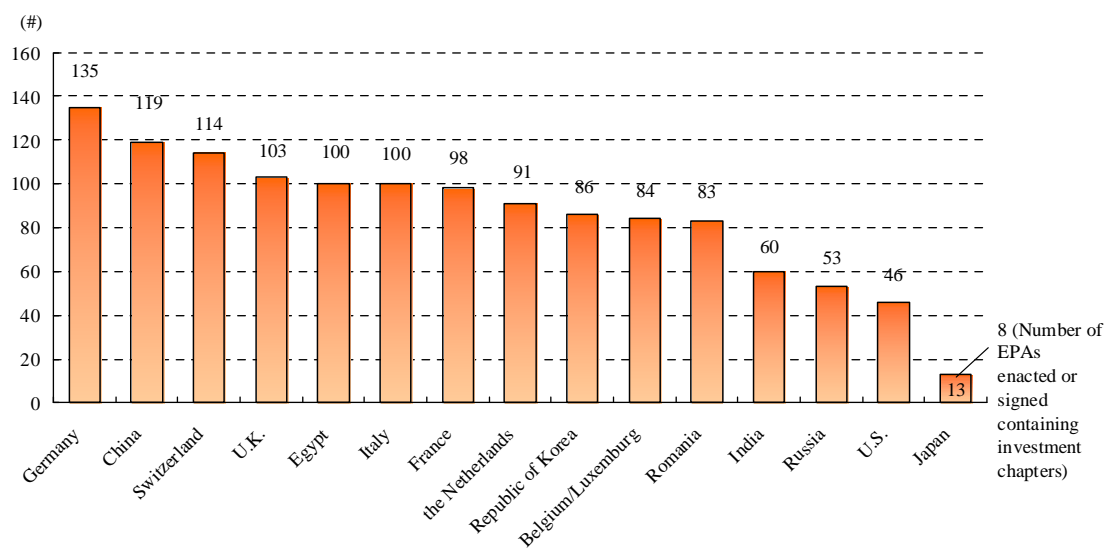
²³ See Section 4 for the investment agreement.

Figure 4-3-9 Share of Trade Value with Regional Agreement Signatories by Major Countries

Status Country name	Enacted	Signed but not enacted	Under negotiation	Total
U.S.	34.4	4.0	3.6	42.1
EU (excluding regional trades)	23.2	-	20.0	43.3
EU (including regional trades)	74.0	-	6.8	80.8
China	19.5	0.2	5.6	25.3
South Korea	10.4	11.3	28.9	50.6
Japan	12.3	2.5	19.9	34.7
Switzerland	74.3	-	5.7	80.0
Norway	79.1	-	4.1	83.2
Canada	71.8	0.3	1.5	73.6
Mexico	84.5	-	2.2	86.7
Australia	21.5	-	37.1	58.6
New Zealand	4.5	-	13.4	17.9

Notes: 1. Data for 2007 for the U.S., EU, China, S. Korea, and Japan. Data for 2006 for Switzerland, Norway, Canada, Mexico, Australia, and New Zealand.
2. The figures are rounded at the second decimal digit. Therefore, the si

Figure 4-3-10 Number of Bilateral Investment Agreements Signed by Major Countries



Note: The data as of June 2007 (as of April 2008 for Japan). Investment chapters in EPAs/FTAs are excluded for countries except Japan.
Source: UNCTAD Website.

Table 4-3-11 EPA Timetable for 2010

Country/Region	% of trade value	Status	Target
Singapore	2.2%	The agreement was enacted on November 30, 2002. The revised protocol was enacted on September 2, 2007.	Enacted
Mexico	1.0%	The agreement was enacted on April 1, 2005. The protocol of the Japan-Mexico Economic Partnership was enacted on April 1, 2007.	Enacted
Malaysia	2.4%	Enacted on July 13, 2006	Enacted
Chile	0.7%	Enacted on September 3, 2007	Enacted
Thailand	3.3%	Enacted on November 1, 2007	Enacted
Philippines	1.4%	Ratified by the Diet in December 2006	To be enacted after ratification by Congress of the Philippines
Brunei	0.2%	Ratified by the Diet in May 2008	To be enacted as soon as possible
Indonesia	2.7%	Ratified by the Diet in May 2008	To be enacted on July 1, 2008
Entire ASEAN	13.0%	Ratified by the Diet in June 2008	To be enacted as soon as possible
South Korea	6.1%	Study to resume negotiations and working-level meeting to develop the environment were held in June 2008.	Active consultations with S. Korea for early resumption of talks
Gulf Cooperation Council (GCC)	9.0%	Negotiations started in September 2006	To reach a virtual agreement on major points of negotiations as soon as possible
Vietnam	0.9%	Negotiations started in January 2007	To reach a virtual agreement on major points of negotiations as soon as possible
India	0.8%	Negotiations started in January 2007	To reach a virtual agreement for negotiations within 2008
Switzerland	0.6%	Negotiations started in May 2007	To reach a virtual agreement for negotiations within 2008
Australia	3.4%	Negotiations started in April 2007	To reap the maximum benefits while keeping the principle of defending what Japan has to defend by fully understanding the importance of agricultural, forestry, and fishery industries.

The status of the efforts for future initiatives is as follows:

Country/Region	% of trade value	Status	Target
U.S.	16.1%	Discussions in the private sector are underway	Japan continues with the discussions as a future issue. Japan continues to seriously consider how to establish a foundation for the further promotion of Japan's economic relationship with the United States and EU by taking into consideration the discussion
EU	12.8%	Discussions in the private sector are underway	
East Asia Free Trade Agreement (EAFTA) (Japan-China-Korea-ASEAN)	36.9%	Currently, the second phase of the private research is under way	Japan will discuss with the countries concerned the impact on the global economy, trade, and the WTO system through research and study on the framework of an economic partnership in East Asia and the Asia-Pacific region and actively participate in and con
Comprehensive Economic Partnership in East Asia (CEPEA) (Japan, China, Korea, India, Australia, New Zealand and ASEAN)	41.5%	The private sector research (proposed by Japan) is scheduled to compile a report in the summer of 2008	
Trade Area of the Asia-Pacific (FTAAP)	69.7% (the percentage of APEC participants)	Options and the outlook at APEC meetings are under discussion	

Note: % of trade value is the percentage of trade within each country in the overall trade value. (2007)

Source: Council on Economic and Fiscal Policy, Economic and Fiscal Reform 2008

(b) Regional economic partnerships

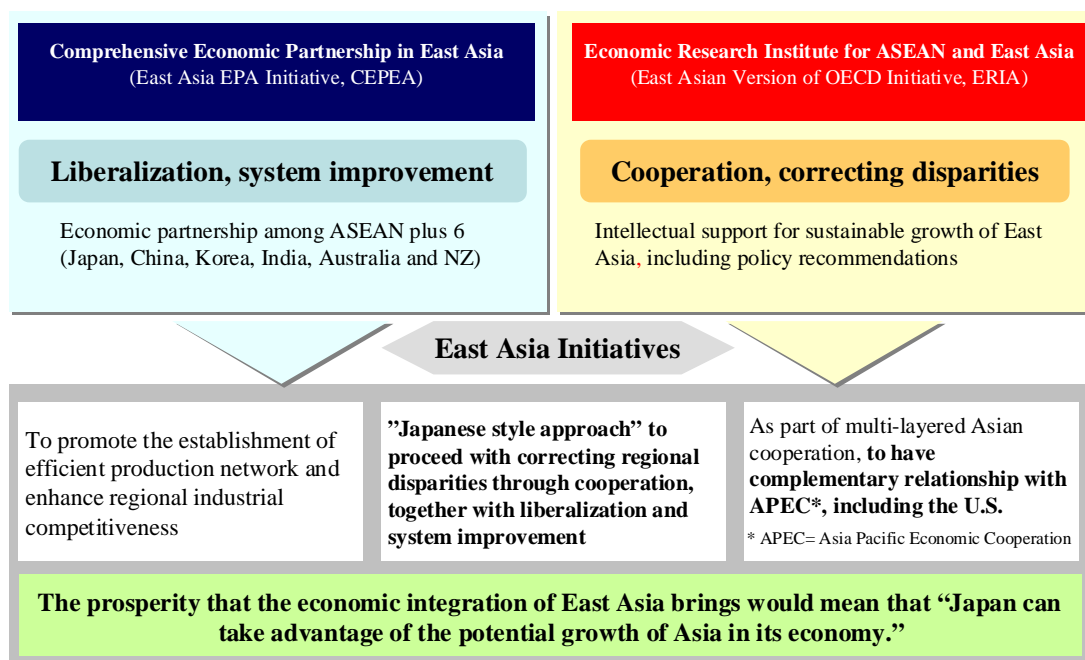
Efforts for regional economic partnerships in Asia include such initiatives as the Comprehensive Economic Partnership in East Asia (CEPEA), which Japan proposed to start the private sector research,

and the Free Trade Area of the Asia-Pacific (FTAAP), etc.²⁴. Japan plans to actively participate in and contribute to research and study on these initiatives through discussions with the countries and regions concerned.

(Promoting economic integration in East Asia)

Japan's Ministry of Economy, Trade and Industry released its "Global Economic Strategy" in April 2006, to allow Japan to actively take the initiative in promoting economic integration in East Asia amid accelerated moves toward the formation of the East Asian Community, in the wake of the first East Asian Summit Meeting in December 2005. The strategy advocates the following initiatives to actively promote economic integration in East Asia: the "Comprehensive Economic Partnership in East Asia (CEPEA)," which is an economic partnership agreement among a total of 16 countries comprising 10 ASEAN nations plus Japan, China, Republic of Korea, India, Australia, and New Zealand; and the "Economic Research Institute for ASEAN and East Asia (ERIA)," which is designed to make intellectual contributions through researches and policy recommendations on common issues in the region, as an initial step to establishing an international body, like the East Asian version of the OECD. Japan proposed the initiation of the CEPEA Private Sector Experts' Research at the East Asian Economic Ministerial meeting in August 2006, and played active roles at the second East Asian Summit in January 2007 and the third East Asian Summit in November 2007, to achieve economic integration in East Asia (see Figures 4-3-12 and 4-3-13).

Figure 4-3-12 Purposes of East Asia EPA (CEPEA) and Economic Research Institute for ASEAN and East Asia (ERIA)



Source: Ministry of Economy, Trade and Industry, Japan

²⁴ See Section 5.

Figure 4-3-13 Moves Toward East Asian Economic Integration

<p>January 2002 Prime Minister Koizumi delivers a speech in Singapore</p> <p>Advocated an establishment of a community “to walk together and proceed together” in East Asia. Major members will be Japan, ASEAN, China, Republic of Korea, Australia, and NZ.</p>	<p>August 2006 ASEAN+3 Economic Ministerial Meeting EAS Economic Ministerial Meeting</p> <p>Japan proposed “Private Expert Study on CEPEA” by ASEAN+6 and “ERIA” Initiative generally agreed upon by participants. The EAFTA Joint Expert Group presented a report at the ASEAN+3 meeting and the discussion will continue at high-ranking working-level meetings.</p>
<p>November 2002 ASEAN + 3 Summit Meeting</p> <p>Instructed the ASEAN+3 Economic Ministerial Meeting to study the “East Asia FTA (EAFTA).”</p>	
<p>September 2004 ASEAN+3 Economic Ministerial Meeting November 2004 ASEAN+3 Summit meeting</p> <p>Setting up an EAFTA Joint Expert Group upon Chinese proposal</p>	<p>January 2007 East Asian Summit ASEAN+3 Summit Meeting</p> <p>Agreed to start CEPEA Private Expert meetings Welcomed the continued in-depth study on EAFTA Welcomed the ERIA Initiative</p>
<p>April 2005 – July 2006 Study by EAFTA Joint Expert Group</p> <p>Chairman: Zhang Yunling, Director of Institute of Asia-Pacific Studies, Chinese Academy of Social Science</p>	<p>May 2007 EAFTA Expert Study Phase 2 started June 2007 CEPEA Private Expert Study started</p>
<p>December 2005 East Asian Summit</p> <p>India advocated the “Pan-Asian FTA.”</p>	<p>November 2007 East Asian Summit ASEAN+3 Summit Meeting</p> <p>Agreed to release a final study report on CEPEA at the East Asian Summit after the Economic Ministerial meeting in 2008. Progress in EAFTA Phase 2 study was confirmed. Agreed to formally set up the ERIA.</p>

Source: Ministry of Economy, Trade and Industry, Japan

(Comprehensive Economic Partnership in East Asia (CEPEA))

The “Comprehensive Economic Partnership in East Asia (CEPEA)” is an initiative designed to create an East Asian-wide market economy based on harmonized, free, and fair rules through economic partnership agreements covering broad sectors, including liberalization and the facilitation of trade and investment, as well as services, intellectual property rights, etc., among 16 countries, comprising 10 ASEAN nations plus Japan, China, Republic of Korea, India, Australia, and New Zealand (ASEAN + 6).

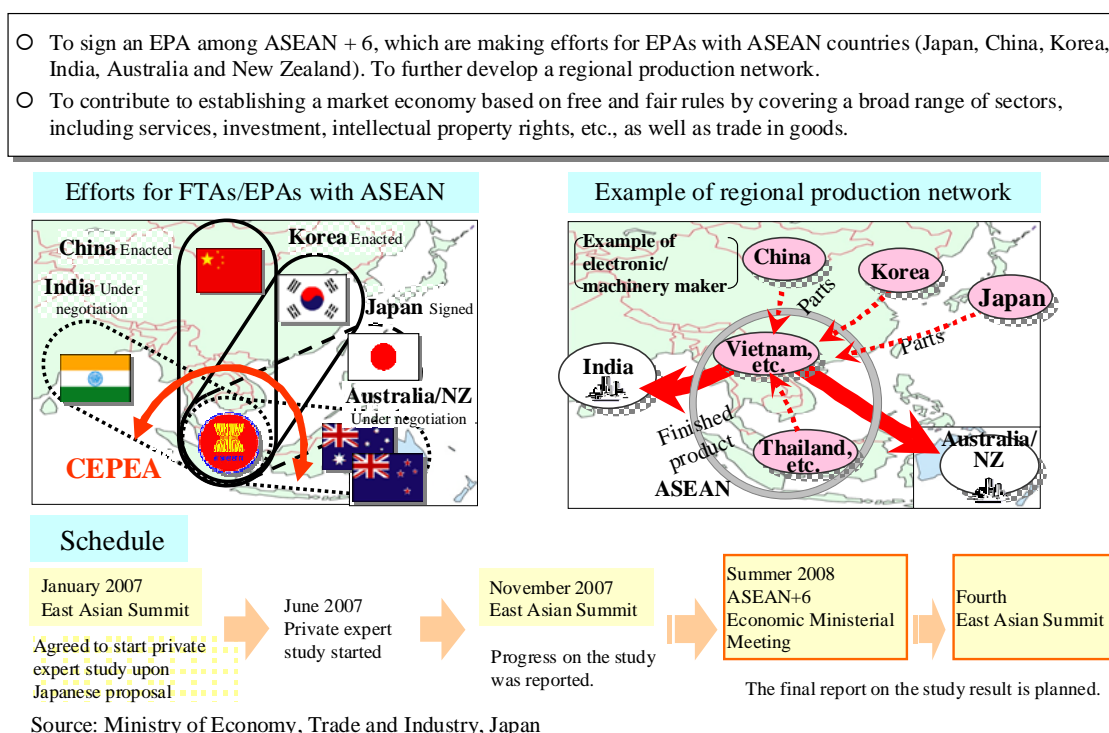
In view of the fact that companies are establishing broad production networks beyond national boundaries in East Asia, defining rules of origin covering such broad networks of production may help liberalize trade further and improve the industrial competitiveness of the region as a whole. The CEPEA is an initiative based on such an idea. If all the countries in East Asia can receive preferential tariff rates based on the same rules of origin under the CEPEA, business activities in East Asia are expected to be revitalized as the business networks of parts procurement, production, and sales can be established in a single region of East Asia²⁵. The division of labor by processes in East Asia will also be promoted in the long run in combination with the liberalization of investment, enabling companies to specialize in their core businesses through integration and the optimal allocation of their production bases. As a result, the efficiency of the regional economy as a whole and the international industrial competitiveness in the East Asian region are expected to increase through an optimal combination of the relative superiorities of each East Asian country, and through the merit of scale.

²⁵ For example, the cumulative rule of origin defines that if the percentage of the aggregate (cumulative) of portions of products manufactured or processed in multiple countries of a region exceeds a defined level, such products are treated as having their origin in the region. This rule, if adopted, is said to make mutual supplies of parts and finished products easier in the same region.

In East Asia, the FTA between China and ASEAN and the FTA between Korea and ASEAN on trade in goods have already been enacted, and the EPA between Japan and ASEAN was signed in April 2008. The FTA between India and ASEAN and the FTA among Australia, New Zealand, and ASEAN are expected to be agreed upon by the end of 2008. The EPA/FTA network in East Asia, with ASEAN as its hub, is nearing its completion, laying a groundwork for promoting the CEPEA initiative.

The CEPEA Private Sector Experts' Research which was agreed upon at the East Asian Summit in January 2007 started in June 2007 and released its interim report at the East Asian Summit in November 2007. The final report is expected to be presented at the economic ministerial meeting of ASEAN plus 6, scheduled for the summer of 2008, and at the fourth East Asian Summit, scheduled for the end of 2008. This final report will be used to consider how to proceed with the CEPEA (see Figure 4-3-14).

Figure 4-3-14 Comprehensive Economic Partnership in East Asia (CEPEA)



(Economic effect of CEPEA)

It has been estimated that the real GDP of East Asia as a whole will increase by 2.11% as a result of the likely effects of trade liberalization, the facilitation of trade and investment, and the technological assistance given to developing countries under the CEPEA (see Figure 4-3-15). Compared with an FTA among 13 countries, comprising 10 ASEAN nations plus Japan, China, and Republic of Korea (ASEAN + 3), the CEPEA is expected to sharply increase the GDP of the ASEAN + 3, as well as bringing benefits to India, Australia, and New Zealand, who are not members of the ASEAN + 3. The other possible effects of the CEPEA include an improvement in corporate profits through more efficient corporate management and economic revitalization through a combination with improved rules on investment, services, intellectual property rights, etc. The synergy of these factors is expected to further expand the economic benefits.

Figure 4-3-15 Economic Effects of FTAs in East Asia (Increase rate in real GDP)

	ASEAN + 3 FTA/EPA	ASEAN + 6 FTA/EPA
Japan	0.44	0.54
China	4.72	4.84
Republic of Korea	3.55	3.71
ASEAN	Indonesia	3.94
	Malaysia	8.62
	Philippines	6.28
	Singapore	4.24
	Thailand	7.02
	Vietnam	9.67
	Other Southeast Asia	2.91
Australia	-0.09	1.35
New Zealand	-0.06	1.87
India	-0.10	3.45
ASEAN	5.67	5.89
ASEAN + 3	1.93	2.05
ASEAN + 6	1.68	2.11

Note: 1. These estimates are based on the GTAP model, which is a type of CGE model (Computable General Equilibrium Model)

2. "Other Southeast Asia" are Cambodia, E. Timor, Brunei, Myanmar and Laos.

3. The estimates for ASEAN +3 FTA/EPA, ASEAN +6 FTA/EPA are based on the assumption that trade is liberalized in all industries and accelerated and that technological cooperation is provided to developing countries.

Source: Japan Center for Economic Research, An ASEAN+6 Economic Partnership: Significance and Tasks (2007 Asia Research Report)

(2) High-quality EPAs/FTAs

The number of EPAs/FTAs signed in East Asia, including the AFTA, has increased since the 1990s, contributing to the integration of the regional economies. For further integration of these economies in the future, however, there must be an enhancement, not just in the quantity of regional EPAs/FTAs, but also in their quality.

See the table below for a comparison between Asian EPAs/FTAs and the EU market integration and the differences in the coverage of the agreements (see Table 4-3-16).

(3) Efforts for proliferation and effective use of EPAs

Japan has already enacted six EPAs. The true value of the EPAs/FTAs is evaluated based on their use by companies and individuals after they are enacted.

(a) Status of preferential tariffs applied under EPAs

The number of certificates of origin issued under EPAs reflects the usage of the EPAs. This number remained at around 400-500 certificates per month after the Japan–Mexico EPA was enacted in April 2005, then started to increase gradually after the enactment of the Japan–Malaysia EPA in June 2006. The number has been increasing sharply since the enactment of the Japan–Chile EPA in September 2007 and the Japan–Thailand EPA in November 2007. The number of certificates issued since the enactment of the Japan – Thailand EPA in December 2007 has exceeded 2,500 per month (see Figure 4-3-17).

Table 4-3-16 Comparison of EU Market Integration and East Asian EPAs/FTAs, etc

Items related to EU market integration	Items included in East Asian EPAs/FTAs	Regional integration	EPAs/FTAs enacted					Framework agreements with ASEAN enacted	
			Japan/Singapore EPA*7	Japan/Malaysia EPA*8	Japan/Thailand EPA*10	China/Hong Kong CEPA*11	Korea/Singapore FTA*12	China/ASEAN*13	Korea/ASEAN*16
Elimination of regional tariffs	Trade in goods (Elimination of tariffs)	O*1	O	O	O	O	O	O*14	O*17
Setting common tariffs for external regions									
Control of goods at borders	Customs procedures	O*2	O	O	O	O	O	O*19	O*19
Control of people at borders/free movement of workers and professionals	Natural movement of people/services	O*4, 5	O	O*9	O	O			
Free flow of goods	Mutual approval	O*3	O	O	O	O	O	O*19	O*19
Government procurement	Government procurement		O		O		O		
Service liberalization	Services	O*4, 5	O	O	O	O	O	O*15	O*18
Free flow of capital	Investment/Services	O*4, 5	O	O	O	O	O	O	O
Corporate law									
Intellectual and industrial property rights	Intellectual properties	O*6	O	O	O		O	O*19	O*19
Tax system for intercorporate									
Value-added tax									
Individual consumption tax									

Note: 1. Items included in agreements and efforts below are marked with "O" () below represent year signed.

*1: Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (1992)

*2: ASEAN Customs Vision 2020 (1997)

*3: ASEAN Framework Agreement on Mutual Recognition Arrangements (1998)

*4: ASEAN Framework Agreement on Services (1999)

*5: Framework Agreement on the ASEAN Investment Area (1998), ASEAN Agreement for the Promotion and Protection of Investments (1987)

*6: Framework Agreement on Intellectual Property Cooperation (1995)

*7: Agreement between Japan and the Republic of Singapore for a New-Age Economic Partnership (2002)

*8: Agreement between the Government of Japan and the Government of Malaysia for an Economic Partnership (2005)

*9: There is no independent chapter, but is included in the "Investment" and "Services Trade" Chapters.

*10: Agreement between Japan and the Kingdom of Thailand for an Economic Partnership (2007)

*11: Mainland and Hong Kong Closer Economic Partnership Agreement (2003)

*12: Free Trade Agreement between the Government of the Republic of Korea and the Government of the Republic of Singapore (2005)

*13: Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the People's Republic of China (2002)

*14: Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the People's Republic of China (2004)

*15: Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the People's Republic of China (2007)

*16: Framework Agreement on Comprehensive Economic Cooperation Among the Governments of the Member Countries of the Association of Southeast Asian Nations and the Republic of Korea (2005)

*17: Agreement on Trade in Goods Under the Framework Agreement on Comprehensive Economic Cooperation Among the Governments of the Member Countries of the Association of Southeast Asian Nations and the Republic of Korea (2006)

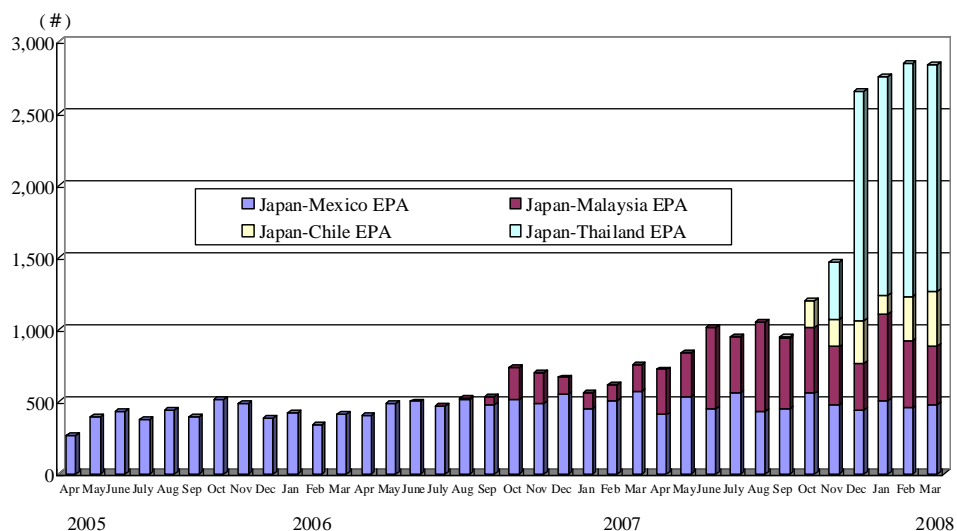
*18: Agreement on Trade in Services Under the Framework Agreement on Comprehensive Economic Cooperation Among the Governments of the Member Countries of the Association of Southeast Asian Nations and the Republic of Korea (2007)

*19: There is no independent chapter, but is defined mainly in the "Cooperation Chapter."

2. As of June 13, 2008.

Source: Ministry of Economy, Trade and Industry, Japan, various materials

Figure 4-3-17 Number of Origin of Certificates Issued under EPAs



Source: Ministry of Economy, Trade and Industry, Japan

(b) Efforts for increased use of EPAs

As described above, Japan is gradually increasing the use of EPAs, but there is still plenty of room to improve the recognition of EPAs²⁶.

The Japanese government is making various efforts to improve the recognition of EPAs/FTAs, including the distribution of leaflets, the sponsoring of seminars just before their enactment, etc. It has also made efforts to promote the use of the various schemes available under EPAs, including an increased use of the preferential tariffs and the organic use of the business environment subcommittees.

The Japanese government is also making various efforts to simplify the procedures for issuing certificates of origin. Examples of these efforts include the revision of the law in July 2007 on the issuance, etc. of specific certificates of origin under the Economic Partnership Agreements, in order to eliminate the cap (for 1 year) on the valid date for determining the origin of a product, and the establishment in August 2007 of the “Certificate of Origin System Reform Committee” as an arena to exchange opinions with relevant industries, etc., on system reforms and other issues.

²⁶ According to the “Survey on the Economic partnership Agreement (EPA)” (conducted among 2,991 registered members of the Center) released in October 2007 by Keizai Koho Center, 54% of the respondents knew about the EPA, while 46% didn’t even know the name of the EPA.