

## **Chapter 2 Japan growing with Asia's development - Asia -Pacific framework toward sustainable growth**

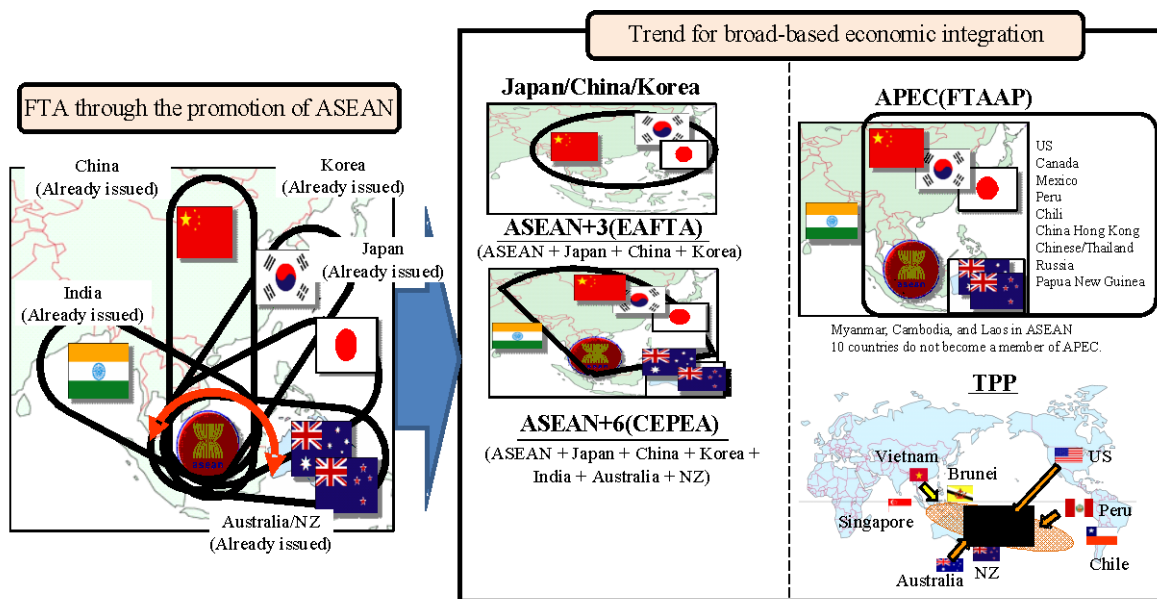
### **Section 6 Tightened economic ties in Asia-Pacific**

#### **2. Regional economic integration expanding from Asia**

##### **(1) Establishment of EPA/FTA with ASEAN as core**

Development of wide-area economic integration is expected to improve the international competitiveness of industries in the region through the promotion of process sharing in the region, the centralization and best-allocation of production site and the improvement of efficiency through economy of scale. In light of the above, the development of EPA (Economic Partnership Agreement)/FTA (Free Trade Agreement) network is under way having ASEAN as core (see Figure 2-6-2-1). Having ASEAN as a hub, FTA network has been steadily growing as sealing; EPA with Japan in 2008; FTA with China in commodity area in 2005 and service area in 2007; FTA with Korea in commodity area in 2007 and service area in 2009; FTA with India in 2010; FTA with Australia and New Zealand in 2010. In Asia, the move toward the realization of wide-area economic integration has been active such as through FTA among Japan, China and Korea (Joint-study by public sector, industry and academic circle began in 2010.), “ASEAN+6” (Joint-study started in 2007) and “ASEAN+3” (Joint-study by specialists initiated in 2005).

**Figure 2-6-2-1: Current development of major EPA (Economic Partnership Agreement)/FTA (Free Trade Agreement) network in Asia-Pacific**



Data: The Ministry of Economy, Trade and Industry

## (2) Current status of trade agreement sealed by APEC member countries and regions

Since many APEC member countries and regions are highly dependent on export, it is considered that the effect of trade and investment liberalization is substantial. Moreover, trade liberalization that stimulates the flow of goods and services should be highly beneficial to Japan as well because of its large trade values and direct investment amount concerning APEC. APEC has been discussing a plan to achieve Free Trade Area of the Asia-Pacific (FTAAP) scheme and Japan is actively participating in the project. In Asia-Pacific, there are many countries working toward the conclusion of bilateral and regional EPA/FTA (see Figure 2-6-2-1), the phenomenon called as “Spaghetti Bowl” or “Noodle Bowl”<sup>1</sup> is often pointed out as an issue that would adversely affect businesses. The realization of FTAAP is expected to amend this situation. Moreover, in APEC, four countries including Singapore, New Zealand, Chile and Brunei are negotiating for the promotion of “Trans-Pacific Strategic Economic Partnership Agreement (TPP)” which is the expansion of FTA and has potential to serve as a core of regional economic integration in Asia-Pacific in the future. The FTA of the four countries targets high level of trade liberalization aiming to abolish 100% of tariff by 2015 and facilitates a large area of agendas such as service, intellectual property protection and cooperation. So far, the U.S., Australia, Peru and Vietnam declared their participation in TPP.

<sup>1</sup> There is no fixed definition for “Spaghetti Bowl” or “Noodle Bowl”. In this context, they mean that the condition that a product is imposed different regulations for product origin and tariff depending on the partner country of EPA/FTA.