

# OVERVIEW

## Establishment of Disciplines on Formation of Economic Partnerships

### Reasons for Discussing Economic Partnership Agreements in this Report

The numbers of EPAs/FTAs are rapidly increasing around the globe. According to the number reported by the WTO, local trade agreements (i.e., EPA/FTA, customs unions), which were only 27 of in 1990, have rapidly increased to 583 as of January 31, 2014<sup>1</sup>. If the narrowly defined FTAs (Free Trade Agreements) that are the treaties which reduce or eliminate tariffs goods taxes and liberalize services within the region, an EPA (Economic Partnership Agreement) covers broad range of fields, and is a treaty that realizes the implement in the investment environments, strengthening of intellectual property, technological cooperation, and liberalization of the movement of people<sup>2</sup>. Furthermore, the numbers of IIAs (International Investment Agreement) which are made by extracting the elements of investment chapter of these EPAs/FTAs (i.e. the protection of investment property, free transfer of funds and restriction of foreign investment have increased globally. Japan has entered EPAs/FTAs into force with 13 countries and regions and concluded IAs with 20 countries as of February 2014.

Such rapid increase in EPAs/FTAs can be attributed to several factors. The establishment of the EU which has a massive internal market and its development is believed to have prompted the establishment of the NAFTA and the AFTA (ASEAN Free Trade Area). Furthermore, the establishment of customs unions and EPAs/FTAs provides incentives for non-associated countries to conclude customs union/EPA/FTA regional trade agreements with associate countries, since the non-associate countries are discriminated through the trade conversion effect<sup>3</sup>. For example, after the FTA within the ASEAN region (AFTA) entered into force in 1993, the FTA network of “ASEAN+1” was formed in East Asia FTAs (trade in goods) between ASEAN and Japan, China, the Republic of Korea (hereafter “Korea”), India, Australia and New Zealand (See the following section, “Global Trends of Economic Partnership” concerning the global trends in EPAs/FTAs.).

---

<sup>1</sup> Source: WTO website [http://www.wto.org/english/tratop\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e.htm)

<sup>2</sup> In recent years some FTAs include elements of EPAs such as improvement of the investment environment (i.e., United States-Korea Free Trade Agreement), therefore the distinction between EPAs and FTAs is not necessarily strict. In addition, the EU refers to FTAs with formerly colonized nations as “EPAs”, and thus the terminology used by the EU slightly differs from that which Japan uses.

<sup>3</sup> An effect arising from the reduction or elimination of tariffs that were only applicable to the contracting countries then resulted in imports from the other countries, which were previously able to produce goods at a lower cost than the contracting countries, being converted to imports from the contracting countries.

EPAs/FTAs are agreements that stipulate special rules within specific regions, and are treated as an exception to Most-Favored-Nation treatment (which is the first principle rule of the WTO system in of international economic rules). GATT and GATS stipulate requirements in cases where establishing free trade agreement of goods and services are allowed exceptionally (See Section II Chapter 16, Regional Trade Agreement).

However, multilateral trade policy initiatives under the WTO and bilateral initiatives in EPAs/FTAs mutually complement each other. The economic partnership initiatives developed in the three major markets of the United States, the EU and Asia and regional cooperation initiatives developed in the Asia-Pacific region through APEC (Asia-Pacific Economic Cooperation) support the multifaceted free trade system of the WTO, and furthermore, are expected to contribute to the liberalization of trade and investment across the globe. As compared to the round of negotiations in the WTO, EPAs/FTAs can conclude rules in accordance with the economic conditions between the countries signing the treaty and can conclude the treaty in a flexible manner, covering a wide range of fields, not limited to the elimination of tariffs and the liberalization of services but also the implementation of investment rules and the expansion of human exchanges.

Summarized below are the anticipated benefits Japan could receive by entering EPAs/FTAs into force.

- i) EPAs/FTAs will enable competition among companies within the region and the best allocation of management resources in the broader region. Therefore they contribute to improve the profitability in business and promote reform of the domestic economic structure. In addition, from Japan's perspective, EPAs/FTAs may increase the attractiveness of the contracting country or region as a direct investment outlet.
- ii) EPAs/FTAs will realize the preferential access to markets important for Japan through tariff elimination and harmonization of domestic systems, thereby expanding trade and investment opportunities and enabling enterprises to enjoy economies of scale.
- iii) By expeditiously setting of trade rules between countries and/or regions sharing the same way of thinking with Japan, such EPAs/FTAs will enable Japan to form framework agreements in areas where specific rules are not agreed to in the WTO forum; and if that framework is adopted widely, it will be easier for Japan to take the initiative in discussing these areas in the WTO.

Japan can enjoy these benefits of EPAs/FTAs by entering them into force before other countries. In contrast, if foreign countries enter EPAs/FTAs into force prior to Japan, then Japan, and Japanese companies, would be excluded from these benefits because of trade conversion effect as already discribed. It is therefore important to support the WTO and enjoy benefits from EPAs/FTAs.

While Parts I and II of this Report assess trade policies of major countries from the viewpoint of rights and obligations under the WTO Agreements, it is also important to focus on ensuring national governments' compliance with rules provided by the rapidly increasing number of EPAs/FTAs and IIAs and ensuring their consistency with the WTO Agreements. Part III explains the contents of the disciplines for international economic rules and examines relevant measures taken in each country, mainly regarding EPAs/FTAs and IIAs that Japan

has concluded. It also introduces recent examples of FTAs/IAs and IAs concluded between third-party countries. (As of February 2014)

## **Global Trends of Economic Partnership (As of February 2014)**

### **(1) *Global Trends*<sup>4</sup>**

Following the collapse of the non-western cold war regimes, and with the pursuit of a new international economic system, western countries began accelerating regional integration. With the establishment of a single market through the intra-regional market integration plan within the European Economic Community (“EEC”) (1992) and the inauguration of the North America Free Trade Agreement (“NAFTA”) (1994), European and North American countries actively promoted efforts aimed at: (i) increased corporate income through market expansion and productivity improvements; and (ii) economic structural reforms through high-level trade and investment liberalization and facilitation with those neighboring regions with which they had close economic relationships.

The breakdown of the Seattle WTO Ministerial Conference (1999) revealed the difficulties of promoting multilateral free trade within the WTO, and further accelerated the trend of pursuing bilateral or regional FTAs and EPAs. Since the meeting, new trends have emerged with regard to EPAs and FTAs.

First, there were more agreements involving, not only the elimination of tariff and non-tariff measures to trade, but also the establishment of rules in new areas (such as investment, competition, environment, economic cooperation and the movement of natural persons). (One such example is the fact that Japan has concluded wide-ranging EPAs covering matters such as the elimination of border controls and domestic restrictions to further liberalize and facilitate the regulatory humanization in various economic areas, movement of goods, services, persons, and capital.) An advantage of EPAs/FTAs over WTO multilateral negotiations is that, under EPAs/FTAs, it is possible to establish international economic rules promptly and flexibly in the areas that are not covered by WTO agreements, taking into consideration actual economic conditions among the parties to the EPA/FTA.

A second feature of recent EPAs/FTAs is that they are likely to be among countries and regions that are not neighbors for example, start with the U.S.-Israel FTA, the EU-Mexico FTA, EFTA-Mexico FTA, Korea-the EU FTA, Korea-the U.S. FTA and the EU-South Africa FTA. It is considered that the motivations underlying such EPAs/FTAs between non-neighboring countries are to: (i) function as a trade “hub” by obtaining favorable conditions in connection with access to economically important countries/regions; (ii) increase employment by enhancing the attractiveness of a member country as a target for investment; and (iii) remove disadvantages that would exist in the absence of an EPA/FTA.

A third feature is that “regional integration”-type EPAs/FTAs have increased. Remarkable progress has been made in the Americas after the breakdown of the Cancun WTO Ministerial Conference (September 2003), for example, the U.S.-Chili FTA, CAFTA-

---

<sup>4</sup> The status of FTA conclusion by country/territory is available on the websites of the WTO and JETRO.  
<http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>  
<http://www.jetro.go.jp/world/japan/reports/07001524>

DR (The FTA between the U.S. and five central American countries and Dominican Republic), and the FTA between the CAN (comunidad Andina) and the MERCOSUR/MERCOSUL are signed one after another.

In the Asian region, the commencement of negotiations for the RCEP that covers almost all regions of East and Southeast Asia (participated in by 10 ASEAN countries, Japan, China, Korea, India, Australia and New Zealand) and the China-Japan-Korea FTA negotiations was announced.

## **(2) *Summary of Major Regional Integration and Trends in Individual Countries***

This subsection outlines trends in the accelerating regional integration that is taking place in the respective regions. Developments in regional integration and economic partnerships in the Americas, the EU, and the Asia-Pacific region, or regions that have a particularly close relationship with Japan are outlined below. In addition, the trends with major efforts by the United States, the EU, China, and Korea to strengthen regional integration and economic partnerships are also outlined.

### **1) The Americas**

There are four major regional integrations in the Americas: North American Free Trade Agreement (NAFTA), Southern Cone Common Market (MERCOSUR: Mercado Común del Sur), Andean Community (CAN: Comunidad Andina), and Pacific Alliance (Alianza del Pacífico). Among the efforts of the individual countries in the Americas the regional integration efforts of the United States, Mexico, and Chile will be presented here.

#### **(a) Overview of the North American Free Trade Agreement (“NAFTA”)**

NAFTA, the regional FTA between Canada, the United States and Mexico), was signed in December 1992 and entered into force in January 1994. This agreement provides for the regulation of trade in goods and services (including the elimination of intra-regional tariffs and quantitative restrictions, and the unification of rules of origin), and rules in respect of investment, intellectual property, and competition policies. NAFTA member countries have been reinforcing relationships with Latin American countries. All three member countries have concluded FTAs with Chile.

#### **(b) Overview of the MERCOSUR/MERCOSUL**

MERCOSUR/MERCOSUL (Mercado Común del Sur/Mercado Común del Sur), which entered into force in January 1995, is a customs union of six countries - Brazil, Argentina, Bolivia, Uruguay, Paraguay, and Venezuela (Bolivia signed the accession protocol in December 2012 and is waiting for ratification by the congresses of the other countries; Paraguay's right to participate in MERCOSUR/MERCOSUL was suspended in June 2012, and the suspension was lifted with the inauguration of the new President Cartes in August 15 of the same year. Paraguay, however, has not resumed its participation). In addition, MERCOSUR/MERCOSUL concluded FTAs with Chile, Bolivia, Peru, Colombia, and Ecuador and the Economic Complementarity Agreements with Cuba and Mexico. The FTA negotiations between MERCOSUR/MERCOSUL and the EU started in April 2000. They reached a deadlock with respect to the treatment of agricultural products, but their resumption of the negotiation was announced in May 2010. While the EU is seeking greater concessions for investment and services, MERCOSUR/MERCOSUL wants further opening of agricultural product and food markets.

MERCOSUR/MERCOSUL and the Andean Community entered into an FTA in December 2003, and at the MERCOSUR/MERCOSUL summit meeting in June 2005, it was

confirmed that members of each agreement would treat the members of the other agreement as associate member countries, reinforcing the South American common market. In addition, an FTA negotiation between MERCOSUR/MERCOSUL and Israel (signed in December 2007, entered into force in April 2010), Egypt (signed in 2010, not yet entered into force), and Palestine (signed 2011, not yet entered into force) have been concluded, and efforts for possible future FTA negotiations are being made through Preferential Trade Agreements (PTAs) negotiations and joint study with China, Korea, India, Pakistan, the Gulf Cooperation Council (“GCC,” the members of which are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates), Morocco, Canada, Mexico, Panama, Cuba, the Commonwealth of Dominica, the Central American Integration System (“SICA” - Sistema de la Integración Centroamericana; comprised of Guatemala, El Salvador, Costa Rica, Nicaragua, Honduras, Panama, and Belize), and the Caribbean Community (“CARICOM”; comprised of 14 Caribbean countries and one region), and South Africa.

With respect to MERCOSUR/MERCOSUL’s member countries’ relationships with Japan, at the first dialogue for closer economic ties with MERCOSUR/MERCOSUL, information on EPA/FTA initiatives was exchanged and Japan requested to MERCOSUR/MERCOSUL improvement in the business environment.

(c) Overview of the Andean Community (“CAN” - *Comunidad Andina*)

The Andean Community, established in 1996 by a reorganization of the Andean Subregional Integration Agreement (which entered into force in 1969), is a customs union consisting of: Colombia, Peru, Bolivia and Ecuador. Venezuela announced its withdrawal in April 2006. MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) joined the CAN as associate members in July 2005. Chile joined the CAN as an associate member in September 2006.

Colombia, Bolivia and Ecuador eliminated intra-regional tariffs by 1993. Peru commenced reductions of tariffs in 1997 and achieved complete elimination thereof at the end of December 2005. The free trade area started in January 2006.

Under CAN, a new common external tariff with four levels was planned to be applied by 2004, but it was agreed at the first commerce ministers meeting of the Andean Community in February 2006 to defer the date of entry into force of a new common external tariff until the end of January 2007 due to conflicting interests among the member countries, and due to Colombia, Peru, and Ecuador conducting FTA negotiations with the United States. Subsequently, it was further deferred until December 31, 2014.

In June 2006 at their summit, the four member countries of CAN signed a letter addressed to the head of EU, requesting the commencement of negotiations for an EPA. The FTA negotiations between the EU and CAN started in June 2007. However, since January 2009, the negotiation changed to a negotiation for trade treaties between the EU, Colombia, Peru, and Ecuador. In March 2010, an agreement in principle was reached with Colombia and Peru and in June 2012, the trade treaties were signed. As for the bilateral FTA with the CAN and the United States, the Peru-U.S. FTA came into force in February 2009. However, Ecuador’s negotiations with the United States were suspended due to the cancellation of a concession agreement with a United States petroleum company, which occurred in May 2006.

(d) Overview of the Pacific Alliance (*Alianza del Pacífico*)

The Pacific Alliance is a regional economic integration agreement for which a framework treaty was signed by Mexico, Colombia, Peru, and Chile (Costa Rica and Panama are candidate countries to the Alliance and are thus participating as observers). The Alliance aims for multi-layered integration of the movement of goods, services, capital, and people,

etc. Its ratification is currently being negotiated. Agreement was reached at a Pacific Alliance leaders meeting held on September 25, 2013, to immediately eliminate regional tariffs on 92% of items and then on the remaining 8% over the near-to-mid term. This agreement was then signed at a leaders meeting held on February 10, 2014, as an additional framework treaty.

- (e) Major Movements of Countries Regarding Regional Integration
  - (i) United States

Prior to the establishment of the Trade Act of 2002 (which included Trade Promotion Authority (TPA)), the U.S. had entered into only one FTA (Israel in 1995) and the North America Free Trade Agreement (NAFTA). Since then, the U.S. has been active in FTA negotiations with countries such as Chile and Singapore. This trend has been accelerating following the failure to reach an interim agreement on the Doha Development Agenda at the Cancun WTO Ministerial Conference in September 2003. The United States does not consider FTAs merely from the economic viewpoint of trade liberalization, but also as tools to establish political alliances both to support countries emerging from poverty and to conduct economic reform and implement security and anti-terrorism measures. The United States has shown its intention to enter into FTAs on a global scale, covering areas such as Latin America, Asia/Oceania, the Middle East and Africa.

The United States, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua signed the CAFTA-DR in August 2004. FTAs with the six countries are now in force as the FTA with Costa Rica entered into force in January 2009.

Negotiations were completed with respect to an FTA with Oman in January 2009. With respect to FTAs with the Andean countries, the FTA with Peru was signed on April, 2006, ratified in December 2007, and entered into force in February 2009; and the FTA with Colombia which was signed in 2006 entered into force in May 2012 after the agreement was revised. Negotiations with Ecuador were suspended in May 2006.

The U.S. signed an FTA with Panama in 2007; it which entered into force in October 2012

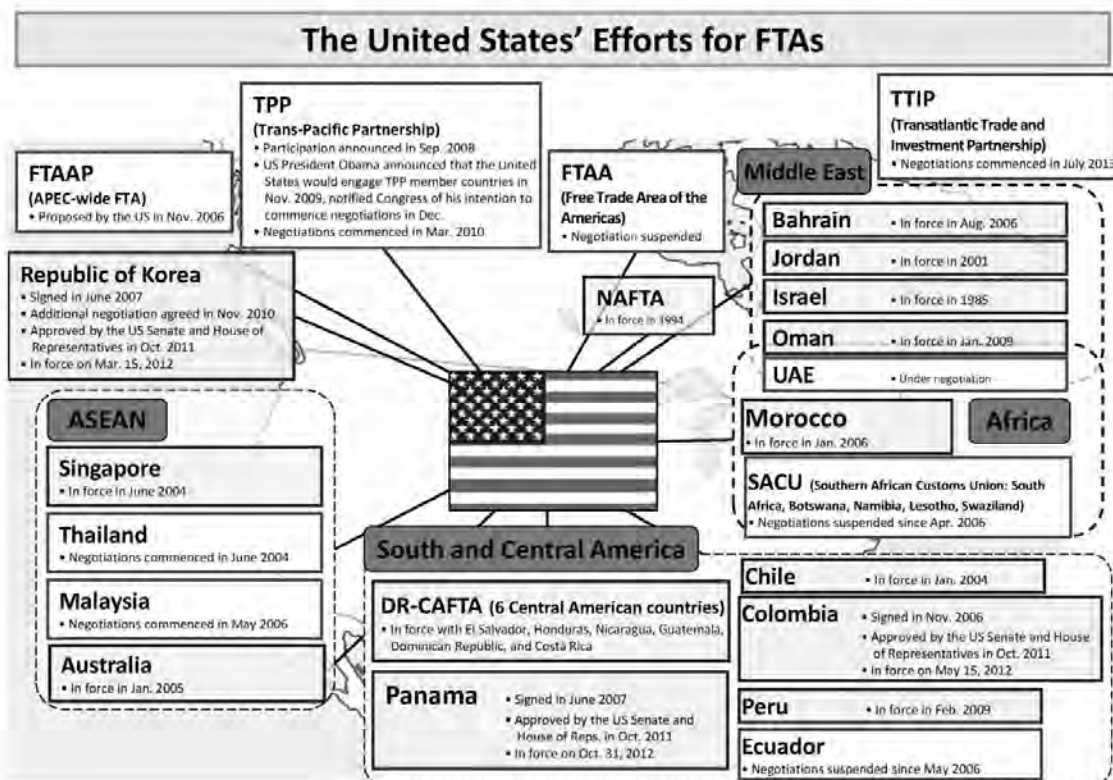
The FTA signed with Korea in June 2007 did not have the prospect of ratification by the U.S. Congress, but both countries reached an agreement in December 2010 as a result of renegotiation. After the ratification by the congresses of Korea and the United States, the FTA entered into force in March 2012.

As of February 2014, FTAs with Singapore, Chile (both in January 2004), Australia (January 2005), Morocco (January 2006) and Bahrain (January 2006) entered into force.

Other agreement negotiations commenced by the United States include the FTAA (the 34 countries of the Americas, excluding Cuba; negotiation is currently suspended); the Southern African Custom Union (Botswana, Lesotho, Namibia, South Africa, and Swaziland); and FTAs with Thailand, Malaysia and the United Arab Emirates. In November 2006, the United States proposed the establishment of a free trade area in the Asia Pacific region (FTAAP). In November 2009, President Obama announced his involvement in the Trans-Pacific Partnership (TPP), and notified the Congress of the start of negotiations in December. The first TPP negotiation meeting was held in March 2010, and by the end of February 2014, rounds of negotiations had intermittently been held. (Concerning the trend of TPP, see the section (3) 1) on trans-pacific partnership).

The report consisted of three major themes of "market access", "regulations and non-tariff barriers", and "rules", and included a recommendation that the US and EU leaders begin domestic procedures to commence negotiations of a comprehensive agreement regarding trade and investment. In response, the commencement of procedures to start the FTA

negotiation was announced in the same month in a joint statement by the United States and the EU, and the first negotiation meeting was held in July 2013. A total of three negotiation meetings had been held by the end of February 2014.



(ii) Mexico

In addition to the Japan-Mexico EPA, which entered into force in April 2005, Mexico has entered into a total of 11 FTAs with the United States, the EU (*see* the section referring to the EU), EFTA, Israel, Colombia, Peru, Chile, and some Latin American countries. At present, Mexico is negotiating an FTA with Republic of Korea and Panama, etc. Mexico and the Republic of Korea began negotiations in February 2006 but failed to make progress in three rounds of negotiations that ended in June 2006, as Korea was focusing on its FTA negotiations with the United States. Mexico and the Republic of Korea then announced that they had agreed to upgrade the “Strategic Economic Complementation Agreement” and to commence negotiations for conclusion of an FTA. However, the negotiation was practically suspended in June 2008. Afterwards, at the Korea-Mexico summit held in June 2012, the resumption of negotiation was agreed upon, but to date no notable announcements have been made concerning its progress.

(iii) Chile

Chile has FTAs in effect with Canada, Mexico, Costa Rica, El Salvador, Honduras, Guatemala, the United States, Korean, EFTA, China, Panama, Peru, Colombia, Australia, Turkey, Malaysia, Viet Nam, the EU, and Thailand, etc.; and the Trans-Pacific Strategic Economic Partnership Agreement (P4) with Singapore, New Zealand and Brunei, and Economic Complementarity Agreements with Bolivia, Ecuador, MERCOSUR/MERCOSUL, Venezuela, and Cuba, and a Partial Scope Agreement (AAP) with India. Negotiations for

entering into an EPA with Japan commenced in February 2006 and an agreement in such respect was signed by Chile and Japan in March 2007 and entered into force in September the same year.

## 2) Europe

### (a) Overview of the European Union (EU)

The EEC (European Economic Commission) established in January 1958, based on the treaty of Rome signed in March 1957, aimed for the establishment of a communal market that has achieved the free movements of goods, services, people and capital. Accordingly, the EEC completed the customs union and the Common Agricultural Policy in 1968. Furthermore, after the abolition of interregional barriers from the completion of the regional market integration plan, which extended to 1992, the Treaty of Maastricht entered into force in 1993; this treaty promotes integration in political aspects as well in addition to economic and currency integration. Following this, the EU (European Union) comprised of 12 countries was established.

In January 1995, Austria, Finland, and Sweden joined the EU and the number of member states became 15. In addition, the Treaty of Amsterdam and the Treaty of Nice, which were amendments to the Treaty of Maastricht, entered into force in May 1995 and February 2003, respectively. Ten countries, mainly from Central and Eastern Europe (Poland, Hungary, Czech, Slovakia, Slovenia, Estonia, Lithuania, Latvia, Cyprus, and Malta), joined the EU and became official member states thereof in May 2004. Romania and Bulgaria joined the EU and became member states thereof in January 2007.

As part of the steadily expanding EU, the Treaty Establishing the Constitution for Europe was adopted in 2004 with the purpose of maintaining forward momentum and deepening integration. In October of the same year, that Treaty was signed by all EU member states. Each member state was then to ratify the Treaty, subject to its domestic laws, but referendums in France and the Netherlands rejected ratification of the Treaty. Accordingly, in June 2007, member states agreed to draft a Reform Treaty which basically maintains the content of the Constitution of Europe while excluding elements peculiar to a “Constitution”. At the informal European Summit in Lisbon in June 2007 the Reform Treaty (“the Treaty of Lisbon”) was signed. The Treaty entered into force on December 1, 2009 after going through the process of ratification by all member countries. Croatia joined the EU in July 2013, bringing the EU to a 28-country regime.

### (b) Regional Integration and Economic Partnership Reinforcement Efforts by the EU

The EU has actively promoted FTAs with neighboring countries. In January 1994, the EU established the European Economic Area (“EEA”) with the EFTA Member States excluding Switzerland (Norway, Iceland and Liechtenstein), and then non-member states of the EU; Sweden, Finland, and Austria, with the intention of “reinforcing and expanding cooperation in the areas of free movement of persons, goods, capital, and services; research and development; environment; and so on.” This was broader in scope than a free trade area.

The EU is increasing its efforts to reinforce economic relationships with the Mediterranean countries. To replace the agreements entered into in the 1970s, the EU is advancing negotiations for new FTAs with the Mediterranean countries. These agreements will provide for liberalization of trade, investment, and services. The EU has established free trade area with Mediterranean countries excluding Syria. Currently, by deepening this further, the EU is aiming for a free trade area including services, investment, government



procurement, and regulations. There is also a trend to establish regional cooperation relationships with more member countries other than neighboring countries.

The EU has been active in building relationships for regional cooperation through conclusion of FTAs with a region agreement than with neighboring nations; the Cotonou Agreement was concluded in June 2000 with the 77 countries of the African, Caribbean and Pacific states (the ACP states). It replaced the Lomé Convention, through which the EU had maintained economic assistance relationships with the ACP states since 1975. The purpose of the Cotonou Agreement, which consists of an FTA and a Generalized System of Preferences (GSP), was to form a new cooperative relationship between the EU and the ACP states. Pursuant to this agreement, negotiations between the EU and the regional integration groups within the ACP states (four regions in Africa, the Caribbean region, and the Pacific countries region); commenced in September 2002. By the end of 2007, the EU executed several regional integrations within the ACP, with the aim of entering into EPAs with integrated regions.

With respect to Latin American countries, the EU-Mexico FTA, which also includes political cooperation, entered into force in July 2000. This is a comprehensive agreement including intellectual property rights, governmental procurement, competition, and investment. In the area of market access, non-agricultural products are fully liberalized, and services are mostly liberalized (except for audiovisual services, air transport services, and marine transport services). Since Mexico is a member country of NAFTA, the Mexico-EU FTA allowed the EU to gain a foothold, not only in Latin America, but also in NAFTA. On the other hand, Mexico can reduce excessive dependence on the United States, as well as expect further expansion of trade and investment, serving as a trade hub, by entering into FTAs with two large markets (the United States and the EU).

An economic framework cooperation agreement between EU and Chile, including an FTA, entered into force in November 2002.

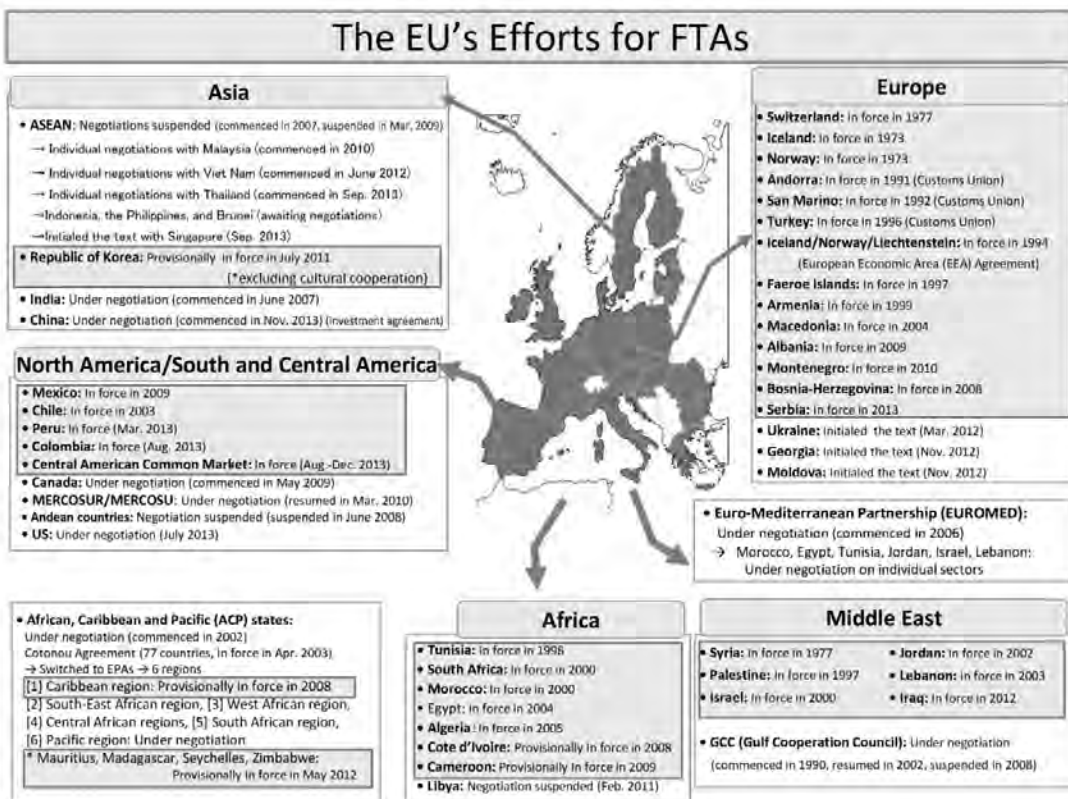
The EU and MERCOSUR/MERCOSUL signed the Inter-regional Framework Cooperation Agreement in December 1995, and negotiations for an EU-MERCOSUR FTA, which aims at comprehensive political and economic partnership including improvement of the legal environment for promoting both technical cooperation and investment commenced in April 2004. Because of a significant difference in opinion regarding opening the agricultural products market, negotiations deadlocked. However, the two parties resumed negotiation in May 2010. At the EU-Mercosur Ministerial meeting of September 2005, the two sides agreed to continue negotiations. While the EU requests MERCOSUR/MERCOSUL to make larger concessions on investment and services, MERCOSUR/MERCOSUL requests the EU to liberalize the market access of agricultural and food products. The EU and the GCC commenced FTA negotiations in 1990; they were temporarily suspended and then resumed in 2002.

As for Asian countries, the EU put high priority on FTA negotiations with Korea, ASEAN and India in the “Global EUROPE competing in the world,” which mentioned foreign strategy of European Committee in October 2006. Negotiations of the EU-Korea FTA commenced in May 2007 and an agreement was signed officially in October 2010, and temporary entered into force in July 2011. With respect to India, negotiations started in June 2007 and it was agreed at the EU-India ministerial meeting held in June 2012 to implement a concentration work plan by the end of 2012. In 2013, negotiations have been taking place at higher levels such as at expert meetings. With respect to ASEAN, the EU commenced negotiations in May 2007 but suspended them in March 2009 after 7 rounds of negotiations and instead shifted to bilateral negotiations with individual countries, starting with Singapore in March 2010. An FTA with Singapore was provisionally signed in September 2013. The negotiations with Malaysia commenced in October 2010. Additionally, negotiations started

with Viet Nam in June 2009. With Canada, negotiations commenced in October 2009 and nine rounds of negotiations were conducted until November 2011. In November 2012, the EU reported that the "negotiation is at its final stage" to the Foreign Affairs Council and reached an agreement in October 2013.

As for the FTA between the United States, a high level working group established in November 2011 for commencing FTA negotiations issued its final report in February 2013. The report consisted of three major themes -- "market access", "regulations and non-tariff barriers", and "rules" -- and included a recommendation that the US and EU leaders begin domestic procedures to commence negotiations of a comprehensive trade and investment agreement. In response, the commencement of procedures to start the FTA negotiation was announced in the same month in a joint statement by the United States and the EU.

The European Commission published a new trade policy for the EU ("Trade, Growth and World Affairs") in November 2010. This refers to (1) ambitious FTA conclusion with major trade partners such as India and MERCOSUR/MERCOSUL, (2) deepening of trade relations with strategic partner countries such as the U.S., China, Russia and Japan, and (3) the start of negotiations on comprehensive investment provisions with important trade partners such as China, Russia, India, Canada and Singapore. (For actions between Japan and the EU, refer to section 3, Efforts in Japan)



### 3) Asia-Pacific Region

#### (a) Overview of the ASEAN Free Trade Area (AFTA)

AFTA is a free trade area covering the 10 member countries of the ASEAN, which was agreed upon at the ASEAN Summit of January 1992. Tariff reduction commenced in January 1993. Pursuant to the Common Effective Preferential Tariff (CEPT) framework, the plan was to gradually reduce the intra-regional tariff, from 0-5% over the next 10 years, and

eliminate quantitative restrictions for CEPT products, both by 2003. However, at the ASEAN Summit in December 1998, it was agreed to expand the scope of CEPT products and to accelerate the reduction of intra-regional tariffs on CEPT products by one year (from 2003 to 2002) for six countries (Philippine, Thailand, Malaysia, Singapore, Brunei, Indonesia). Subsequently, at the AFTA Council in September 2002, it was stated that the target to reduce the intra-regional tariff for the Philippines, Thailand, Malaysia, Singapore, Brunei and Indonesia (the ASEAN-6) was achieved on January 1, 2002.

Additionally, at the ASEAN Summit and the ASEAN Economic Ministerial Meeting held in 1999, the following were declared for the first time: targets to eliminate intra-regional tariffs among the six countries of ASEAN by 2010, and to eliminate them among the remaining four countries of the ASEAN (Cambodia, Laos, Myanmar and Viet Nam) by 2015. At the ASEAN Summit held in November 2004, with a view to establishing the ASEAN Economic Community (AEC), it was agreed that out of 11 priority sectors (wood-based products, automotive, rubber-based products, textiles and apparel, agro-based products, fisheries, electronics, IT, healthcare, air travel and tourism), intra-regional tariffs for the nine manufacturing business sectors (*i.e.*, those other than air travel and tourism) would be eliminated by 2007 for the original member countries of the ASEAN, and by 2012 for the new member countries. This accelerated the original plan by three years. Furthermore, at the ASEAN Economic Ministerial Meeting held in September 2005, it was agreed to complete liberalization by 2015 in all service areas.

With respect to the ASEAN economic integration, it was agreed in 2003 to establish the ASEAN Economic Community by 2020. At the ASEAN Summit in January 2007, it was agreed to accelerate the establishment of an “ASEAN Community,” including an economic community, by changing the deadline to 2015. The legally binding “ASEAN Charter” was signed at a meeting of ASEAN leaders in November 2007 and it entered into force in December 2008. While maintaining the principle of “consensus,” which so far has resulted in the characterization of ASEAN as a loose association, ASEAN agreed to take flexible approaches which are not necessarily based on “consensus” with respect to economy-related issues. In February 2009, the ASEAN Trade in Goods Agreement (ATIGA) was signed, replacing CEPT agreements. The ASEAN Comprehensive Investment Agreement (ACIA), which integrated and revised the ASEAN Agreement on the Promotion and Protection of Investments (IGA) and the ASEAN Investment Region Framework Agreement, was also signed in February 2009. In January 2010, intra-regional tariffs among six ASEAN countries were totally eliminated. The ASEAN is creating a blue print (itinerary) of an implementation plan for the realization of AEC in 2015, and at the Economy Minister's Meeting of the East Asian Summit (EAS) of August 2015, the ERIA reported on the mid-term review with an overview of the progress.

#### (b) Recent Events Related to the ASEAN (Efforts of “ASEAN+1”)

Recently, in addition to the United States, the EU and Japan, China, Korea, India, and Australia and New Zealand (ANZ-CER) are also actively working to enter into EPAs/FTAs with the ASEAN in order to revitalize their respective economies by benefiting from the ASEAN's growing economic power.

##### (i) China-ASEAN FTA

At the summit between China and the ASEAN countries' leaders held in November 2000, Premier Zhu Rongji proposed a China-ASEAN FTA. At a subsequent meeting in November 2001, it was agreed to: 1) build an “economic cooperation framework” between

China and the ASEAN, and establish a “China-ASEAN Free Trade Area (FTA)” within 10 years; and 2) conduct consultations to determine the items in respect of which liberalization measures would be accelerated (“early harvest” measures). Working-level meetings commenced in January 2002, and in June of the same year discussions were held by the Trade Negotiation Committee. In November 2002, the “Framework Agreement on Comprehensive Economic Co-operation” was signed. It included the establishment of a China-ASEAN FTA within 10 years. The framework agreement entered into force in July, 2003. In November 2004 China and the ASEAN, signed Agreement on Trade in Goods and Agreement on Dispute Settlement Mechanism. Tariff reduction commenced in July 2005 and 90% of the tariffs on goods of the six ASEAN countries were eliminated in January 2010. In June 2007, the China-ASEAN FTA on Trade in Service, which was signed in January 2007 entered into force. The China-ASEAN Investment Agreement, which was signed in August 2009, entered into force in January 2010.

(ii) Korea-ASEAN FTA

The Korea-ASEAN FTA Experts Group Meetings were held from March until August of 2004. Later, at the Korea-ASEAN Summit in November 2004, it was agreed to commence negotiations with a view to eliminate tariffs on 80% of all products by January 1, 2009 (separately set for Cambodia, Laos, Myanmar and Viet Nam). Following eight rounds of negotiations that began in February 2005, the “Framework Agreement on Comprehensive Economic Cooperation” was signed at the Korea-ASEAN Summit in December 2005. Also, the “Agreement on Dispute Settlement Mechanism” was signed at the Korea-ASEAN Economic Ministerial Conference, which was held during the same period. Apart from this, the ASEAN countries (excluding Thailand) and Korea signed the Agreement on Trade in Goods in August 2006 and started reducing tariffs in June 2007. The ASEAN countries (excluding Thailand) and Korea also signed the Agreement on Trade in Service in November 2007. Thailand and Korea signed a protocol concerning agreements on trade in goods in February 2009 and signed an investment agreement in June. Tariffs for most goods within the six countries of the ASEAN were abolished by 2012.

(iii) India-ASEAN FTA

In November 2002, at the first summit between the ASEAN and India, it was agreed to reinforce economic cooperation and to set liberalization of trade and investment as a long-term objective. They established an intergovernmental task force and signed a Framework Agreement in October 2003. Although negotiations over the number of products exempted from liberalization by India deadlocked at one point, India and ASEAN reached an agreement in August 2008 and signed the agreement in August 2009. The agreement entered into force in January 2010. The Philippines and Cambodia completed ratification in 2011, and so this FTA entered into force in all ten countries. India and ASEAN also reached an agreement to conclude FTA in the areas of services and investment on December 20, 2012.

(iv) Australia-New Zealand (ANZ-CER)-ASEAN FTA

At the ASEAN-CER (Close Economic Relations) Economic Ministerial Meeting in September 2002, Australia-NZ (CER) and ASEAN signed the “AFTA-CER CEP” Joint Ministerial Declaration; (the agreement did not include an FTA between the parties). Establishment of the framework to promote trade, investment, and regional economic integration was agreed to by the ASEAN and CER and it was agreed that by 2010, cooperate in each field with the purpose of doubling the trade and investment between the ASEAN and CER. At the ASEAN-Australia and New Zealand Commemorative Summit held in

November 2004, it was agreed to commence negotiations for an FTA between the ASEAN and Australia-NZ. Negotiations commenced in February 2005. In August 2008, ASEAN and Australia/New Zealand reached an agreement on FTA including trade in goods, trade in services, investment, and intellectual property rights, and signed the FTA in February 2009. The FTA entered into force in January 2010.

(c) Major Movements of Countries toward Regional Integration

(i) Singapore

Singapore is aggressively pursuing the objective of entering into EPAs/FTAs. The EPAs/FTAs it has entered into include New Zealand (January 2001), Japan (November 2002), EFTA (January 2003), Australia (July 2003), the United States (January 2004), Jordan (August 2005), India (August 2005), Korea (March 2006), Panama (July 2006), Peru (August 2009), China (January 2009), Costa Rica (July 2013) and the GCC (September 2013). The country has also concluded a Trans-Pacific Strategic Economic Partnership (TPP) with Brunei, New Zealand and Chile (New Zealand in May 2006, Brunei in July 2006, and Chile in November 2006) and led the negotiations for the TPP Agreement. Negotiations between with EU commenced in March 2010. An FTA with the EU was provisionally signed in September 2013 and is expected to come into effect in fall 2014 at the earliest. Singapore is conducting negotiations with Pakistan, Canada, Ukraine, and Mexico, etc. Singapore agreed to commence negotiations with Turkey in early 2014. Singapore also agreed to commence negotiations with Egypt, but has yet to do so.

(ii) Thailand

Thailand has been active in reinforcing economic partnerships with many countries. In July 2004, Thailand signed an agreement with Australia, which entered into force in January 2005. An agreement with New Zealand entered into force in July 2005 and with Japan entered into force in November 2007. Thailand has entered into framework agreements with Bahrain, Peru and India. However, the agreement with Bahrain was derailed as the GCC did not allow Bahrain to conduct FTA negotiations singlehandedly. Negotiations with Peru are underway (the Early Harvest (EH) portion has already been signed), and plenary negotiations with India are underway (the Early Harvest (EH) has already been implemented). An FTA with Chile was signed by the National Assembly of Thailand (October 4, 2013) and will be in effect when approved by the Congress of Chile. Thailand also commenced negotiations with the United States (June 2004) and EFTA (October 2005).

Thailand showed interest in participating in the TPP negotiations at the US-Thailand summit held in November 2012. However, there are issues with domestic procedures and there is no prospect of Thailand joining the negotiations at this moment.

(iii) Malaysia

Following the commencement of EPA negotiations with Japan in January 2004, Malaysia has been promoting efforts for EPA negotiations. To date Malaysia has entered into EPAs/FTAs that are in force with Japan (July 2006), Pakistan (January 2008), New Zealand (August 2010), India (July 2011), Chile (goods only, February 2012), and Australia (January 2013). Malaysia officially became a member state of the TPP negotiations in December 2010, commenced FTA negotiations with the EU in 2010; seven rounds of negotiations have been held up to April 2012. Negotiations with Turkey also commenced in May 2010.

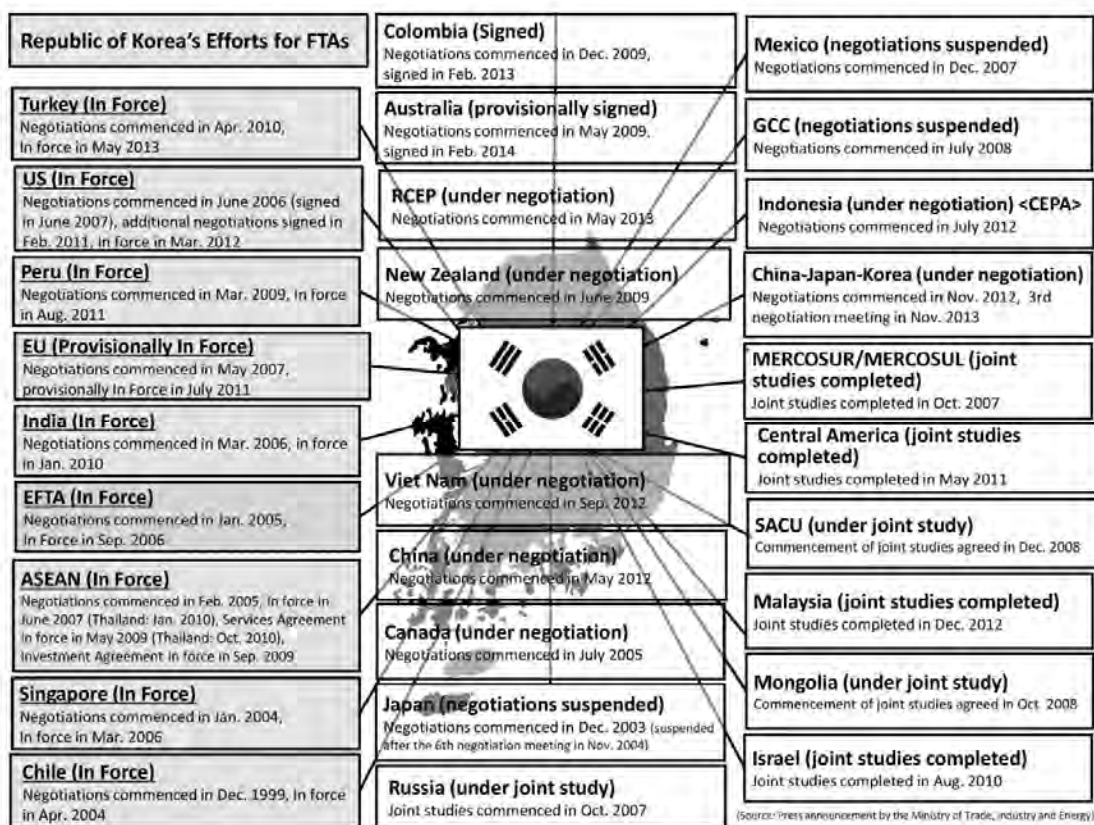
(iv) Korea

In order to respond efficiently to the trend of EPAs/FTAs expanding worldwide, the Republic of Korea established the “FTA Roadmap” in 2003 and confirmed its policy to promote high-level EPAs/FTAs covering comprehensive areas such as tariff elimination, service investment, intellectual property rights and government procurement at the same time with different countries. The Republic of Korea accelerated the execution of its EPAs/FTAs by establishing an FTA Bureau under the Ministry of Foreign Affairs and Trade in December 2004 and has been conducting negotiation with several countries and regions in parallel since 2005. Korea concluded FTAs with major trading partner countries/regions (40% of the total trade volume), including the United States, the EU, and ASEAN (all the FTAs are effective). The Republic of Korea thus became the top runner in global FTA competition.

However, after having considered the situation of FTA negotiations that had been completed, the President of the Republic of Korea who was inaugurated in February 2013 shifted Korea’s “trade negotiation”-based FTA policies to an FTA strategy with the objective of “reinforcing industry and trade partnerships”. In addition, trade negotiation authority was transferred from the Ministry of Foreign Affairs and Trade to the former Ministry of Knowledge Economy, and the Ministry of Trade, Industry and Energy (then newly established). Within the “New Trade Roadmap”, which was formulated in June the same year, the direction of the FTA strategy of simultaneously negotiating with different countries was shifted to the promotion of FTAs that would capture regionally integrated markets through (1) East Asia economic integration with a central focus on the Korea-China FTA, China-Japan-Korea FTA, and RCEP and (2) Asia-Pacific economic integration with a central focus on the Korea-US FTA, etc.; and the promotion of coexistence-type FTAs with emerging countries through (3) cooperation in industries, resources, and energy according to the demands of emerging countries, while also stating that FTAs would be actively promoted as opportunities for Korean companies to expand their overseas activities.

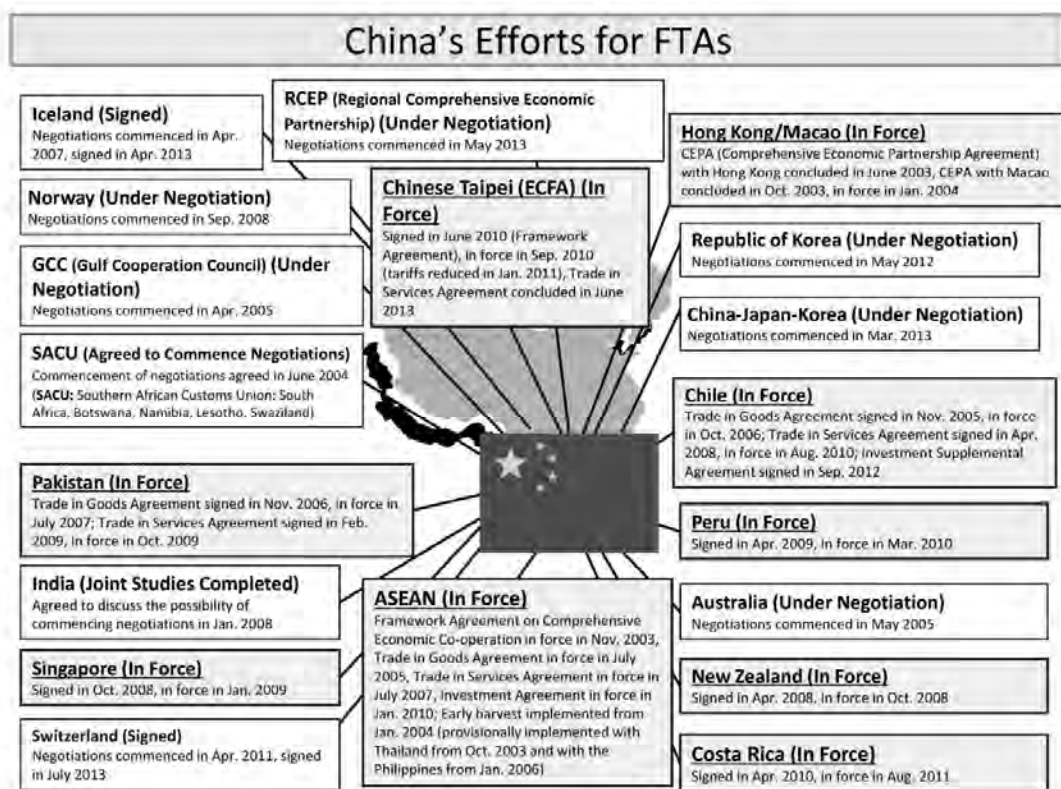
As of February, 2014, EPAs/FTAs had been entered into with six countries (Chile, Singapore, India, Peru, the United States, and Turkey) and three regions (the EFTA, ASEAN, and the EU), with an FTA with Colombia having been signed in February 2013. The Republic of Korea is also negotiating with 11 other countries/regions, with, after including joint studies, approximately 83% of the total trade volume being covered. Particularly active FTA negotiations with China have taken place partly as a result of “agreement acceleration negotiations” that were held at a summit meeting between the Republic of Korea and China in June 2013. Nine rounds of negotiations have already taken place (as of February 2014). The FTA with China, if concluded, will complete the FTAs with large economic zones, including the United States and the EU. The Republic of Korea is also conducting joint studies with seven other countries/regions and remains a major FTA power.

In December, 2013, the Republic of Korea expressed interest in participating in TPP negotiations, for which reason it agreed with Canada, New Zealand, and Australia to resume their previously suspended FTA negotiations. The FTA with Australia was substantively agreed upon in December 2013 and provisionally signed in February 2014. FTA negotiations with Japan, Mexico, and the GCC are therefore the only remaining suspended negotiations.



(v) China

China aggressively promotes the reinforcement of economic partnerships with many countries and regions. To date, the EPAs/FTAs with Hong Kong, Macao, ASEAN, Chile, Pakistan, New Zealand, Singapore, Peru, and Costa Rica have come into force, and the EPAs/FTAs with Iceland and Switzerland have been signed. In April 2008, China concluded an FTA with New Zealand after 15 rounds of negotiations. It was the first FTA that China concluded with a developed country. China has been conducting negotiations with GCC (Gulf Cooperation Council), Australia, Norway, and the Republic of Korea. China reached an agreement to commence negotiations with SACU (the Southern African Customs Union), and has completed joint studies regarding the possibility of an FTA with India in October 2007. Furthermore, the commencement of FTA negotiations between Japan, China, and Korea was announced in November 2012, and to date three rounds of negotiations have been held. Also, China entered into an Economic Cooperation Framework Agreement (ECFA) with Taiwan in September 2010, and tariffs on all items covered by the agreement (China: 539 items, Taiwan: 267 items) have been eliminated by January 2013.



## (vi) India

India entered into the Framework Agreement on Comprehensive Economic Cooperation with ASEAN, and commenced FTA negotiations in October 2003. India entered into a similar agreement with Thailand, commenced FTA negotiations simultaneously, and conducted an early harvest with respect to 82 specified products in September 2004. The Comprehensive Economic Cooperation Agreement (CECA) between India and Singapore entered into force in August 2005. In addition, a Comprehensive Economic Cooperation Agreement (CECA) entered into force in July 2011 with Malaysia and a CEPA in January 2010 with Korea. A CEPA negotiation with Sri Lanka has been completed but has not yet signed. Other countries with whom India is negotiating include the EU (started in June 2007), New Zealand (started in April 2010), Canada (started in November 2010), and Australia (started in May 2011). An EPA negotiation started with Japan in January 2007, reached a basic agreement in September 2010, and the negotiation was completed at the Japan-India summit held in October. Thereafter, it was signed in February 2011, with the EPA entering into force on August 1 of the same year. (Refer to Section 3, Efforts in Japan)

In addition, at the South Asia Association for Regional Cooperation (SAARC) Summit held in January 2004, India signed an agreement on the South Asian Free Trade Area (SAFTA) among seven countries, and declared its intention to establish the SAFTA by 2016 (discussed later).

India also concluded FTA framework agreements with the GCC, SACU (Southern African Customs Union) and the BIMSTEC (discussed later), and PTAs with MERCOSUR/MERCOSUL, Afghanistan and Chile. A joint study for EPAs/FTAs with Russia and China has been concluded and India is currently reviewing the report of the results.



## (vii) Australia

Australia has been actively promoting FTA negotiations with other countries, and has so far concluded and put FTAs into force with New Zealand, Singapore, the United States, Thailand, Chile and ASEAN-NZ. Recently, an FTA with Malaysia entered into force in January 2013. Currently, the country is in the process of negotiating with Japan (substantively agreed in April 2014), China (negotiations started in May 2005), and the GCC (negotiations started in July 2007). Australia has reached an agreement to start negotiations with India in May 2011 and four rounds have been held up to November 2012. Australia agreed to commence negotiations with Indonesia in November 2010 and, furthermore, agreed to negotiate toward a CEPA in October 2011; the negotiations commenced in September 2012. In November 2008, Australia announced its participation in the Trans-Pacific Partnership (TPP) and joined the negotiations in March 2010. In addition, the FTA with the Republic of Korea, in which negotiations commenced in 2009, was agreed in December 2013, provisionally signed in February 2014, and signed in April 2014. It is expected to coming into force in early 2015.

## (viii) New Zealand

New Zealand has so far signed FTAs with Australia, Singapore, Thailand, China, ASEAN-Australia, Malaysia, and Hong Kong. The country also put into force Trans-Pacific Strategic Economic Partnership (P4) with Singapore, Brunei and Chile. New Zealand concluded negotiations with the GCC in October 2009. Currently, New Zealand is continuing negotiations with India which commenced in April 2010, and with Korea which commenced in June 2009. In February 2011, New Zealand also commenced negotiations with Russia-Belarus-Kazakhstan. As for TPP negotiations, New Zealand has been participating since the first meeting held in March 2010.

## (ix) SAFTA

In January 2004, the South Asian Association for Regional Cooperation (SAARC) Summit was held, and the SAFTA Framework Agreement was signed by seven member states (India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, and Maldives). This agreement entered into force in January 2006. Under it, the Non-LDC states (India, Pakistan, and Sri Lanka), were to reduce the maximum tariff rates to 20% by the end of 2007 except certain exceptional items. The least developed countries ("LDC" states) similarly were to reduce maximum tariff rates to 30%. The agreement states that the member states will establish a South Asian free trade area by 2016, under which the maximum tariff rates will be reduced to 0-5%.

## (x) BIMSTEC

BIMSTEC is comprised of seven countries: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal, and Bhutan. In February 2004, the FTA Framework Agreement was entered into by all member countries except Bangladesh, and in June of the same year it was signed again, with Bangladesh included. So far, 19 rounds of negotiation have been held on tariff reduction, custom cooperation, trade in services, and investment. At the 19th round of negotiations, implementation of tariff reduction among participating countries was decided. Negotiations regarding trade in service and investment have been continued.

### ***(3) Broad Regional Economic Partnerships in East Asia/Asia Pacific Region***

In addition to the economic partnerships described above, this subsection gives an outline of the trends in regional economic integration in East Asia/Asia-Pacific regions.

#### **1) Trans-Pacific Strategic Economic Partnership (TPP)**

In 2005, Singapore, New Zealand, Chile and Brunei signed Trans-Pacific Strategic Economic Partnership (P4) agreement. The P4 is an FTA which aims a high level liberalization and is in principle designed to eliminate 100% of tariffs by 2015. It covers wide-ranging provisions from services to intellectual property systems, cooperation, and so on. In March 2008, the United States took part in negotiations for investment rules and financial services, areas that are not covered by the P4 and, in September the same year, the United States announced that it would expand the scope of its negotiations to all fields. At the APEC Ministerial Meeting held in Peru in November, Australia and Peru announced their intention to take part in the negotiations, and then Viet Nam announced its intention to be involved in the negotiations on condition of becoming a negotiating member in the future. No formal negotiations were held for nearly one year after the Vietnamese announcement. In November 2009, however, U.S. President Obama announced that the United States would engage TPP member countries and in December the President notified Congress of his Administration's intention to commence negotiations. Following the notice, negotiation of the TPP commenced in Australia with the United States, Australia, Peru, and Viet Nam added to the P4 countries, in March 2010. In June the same year, the second round of negotiations was held in San Francisco; the third was held in October in Brunei and the fourth was held in December in New Zealand. Malaysia joined the negotiating countries starting with the third round of negotiations, and Viet Nam became an official negotiating country from the fourth meeting. In 2011, a fifth meeting was conducted in Chile in February, the sixth in Singapore in March, the seventh in Viet Nam in June, the eighth in Chicago in September and the ninth in Peru in October. During the APEC summit meeting held in Hawaii on November 12, 2011, the leaders of the nine countries that participated in negotiations announced that they had achieved a broad outline of the treaty. Furthermore, it was announced during the same summit meeting that Japan, Canada and Mexico would enter into consultation processes toward joining the TPP negotiations.

After that, the tenth negotiation meeting was held in Malaysia in December 2011, the eleventh in Australia in March 2012, the twelfth, thirteenth and fourteenth in the United States in May, July and September and the fifteenth in New Zealand in December 2012. In addition, intercessional meetings on each issue are to be held between the official negotiation rounds.

At the APEC summit held in Vladivostok, Russia in September 2012, leaders and ministers of 11 countries participating in the TPP negotiations engaged in meetings, and a declaration and a report by the trade ministers to the leaders (refer to the reference document) were issued. After the leaders' meeting held in Cambodia by the seven TPP participating countries, Australian Prime Minister Gillard announced at a press conference "agreement to work toward concluding the negotiation by the APEC meeting of October 2013".

Canada and Mexico, which had showed interest in participating, were officially approved to join the TPP negotiation in October 2012. In November, Mexico hosted the intercessional meeting, and from the fifteenth negotiation meeting held in December, participated in the general negotiations.

The sixteenth negotiation meeting was held in Singapore in March 2013, the seventeenth in Peru in May, the eighteenth in Malaysia in July, and the nineteenth in Brunei in August. Japan's participation in the TPP negotiations from the eighteenth meeting on was officially approved, with Japan then becoming the twelfth country participating in the TPP negotiations.

In October the same year an APEC Summit meeting was held in Bali in Indonesia. The occasion was used by the leaders and ministers of the 12 countries participating in the TPP negotiations to engage in meetings, with a leaders' declaration and a report by the trade ministers to the leaders then being issued. The leaders' declaration announced that they "have agreed that negotiators should now proceed to resolve all outstanding issues with the objective of completing this year a comprehensive and balanced, regional agreement".

Subsequently, and after discussions were held at a chief negotiators meeting in Salt Lake City, US, in November the same year, TPP ministerial meetings were then held in December 2013 and in February 2014 in Singapore, with a "Joint Press Statement – TPP Ministerial"(see the Reference below) issued at the latter meeting.

(See 3. (3) 1) (a) for Japan's TPP efforts)

**Reference: Outline of the Pan-Pacific Partnership Agreement November 12, 2011 (excerpts, provisional translation)**

On November 12, 2011, the Leaders of the nine Trans-Pacific Partnership countries – Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Viet Nam, and the United States – announced the achievement of the broad outlines of an ambitious, 21st-century Trans-Pacific Partnership (TPP) agreement that will enhance trade and investment among the TPP partner countries, promote innovation, economic growth and development, and support the creation and retention of jobs.

The agreement's broad framework is as follows:

**Key Features**

In reporting to Leaders on the achievement of the broad outlines of an agreement, the Trade Ministers identified five defining features that will make TPP a landmark, 21st-century trade agreement, setting a new standard for global trade and incorporating next-generation issues that will boost the competitiveness of TPP countries in the global economy.

- Comprehensive market access: to eliminate tariffs and other barriers to goods and services trade and investment, so as to create new opportunities for our workers and businesses and immediate benefits for our consumers.
- Fully regional agreement: to facilitate the development of production and supply chains among TPP members, supporting our goal of creating jobs, raising living standards, improving welfare and promoting sustainable growth in our countries.
- Cross-cutting trade issues: to build on work being done in APEC and other fora by incorporating in TPP four new, cross-cutting issues. These are:
  - Regulatory coherence. Commitments will promote trade between the countries by making trade among them more seamless and efficient.

- Competitiveness and Business Facilitation. Commitments will enhance the domestic and regional competitiveness of each TPP country's economy and promote economic integration and jobs in the region, including through the development of regional production and supply chains.
  - Small- and Medium-Sized Enterprises. Commitments will address concerns small- and medium-sized enterprises have raised about the difficulty in understanding and using trade agreements, encouraging small- and medium-sized enterprises to trade internationally.
  - Development. Comprehensive and robust market liberalization, improvements in trade and investment enhancing disciplines, and other commitments, including a mechanism to help all TPP countries to effectively implement the Agreement and fully realize its benefits, will serve to strengthen institutions important for economic development and governance and thereby contribute significantly to advancing TPP countries' respective economic development priorities.
- New trade challenges: to promote trade and investment in innovative products and services, including related to the digital economy and green technologies, and to ensure a competitive business environment across the TPP region.
- Living agreement: to enable the updating of the agreement as appropriate to address trade issues that emerge in the future as well as new issues that arise with the expansion of the agreement to include new countries.

**Reference: Joint Press Statement – TPP Ministerial; February 22-25, 2014**

We, the Ministers and Heads of Delegation for Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Viet Nam, have just completed a four-day Ministerial meeting in Singapore where we made further strides toward a final agreement.

We have agreed on the majority of the landing zones identified at our last meeting. While some issues remain, we have charted a path forward to resolve them in the context of a comprehensive and balanced outcome. Through extensive bilateral meetings, we have also made progress on market access, which is an important part of our remaining work, and we will continue working toward completion of an ambitious package across all market access areas.

Following this round of talks, we will return to our capitals to undertake consultations on the outstanding issues.

We are committed to concluding as soon as possible an agreement that achieves the goals established in Honolulu in 2011, as instructed by our leaders in Bali last October. We will invest the considerable level of effort that is required to deliver such an agreement, which will create jobs for our citizens, opportunities for our businesses, and economic growth and development in each TPP country.

## **2) Regional Comprehensive Economic Partnership (RCEP)**

The trend of economic integration and political cooperation in East Asia was triggered by the East Asia Economic Caucus ("EAEC") framework proposed by Malaysia in 1991. In 1997, the year of Asia's financial crisis, the first ASEAN+3 Summit was held; thereafter it was established as a standing summit. At the third ASEAN+3 Summit, the "Joint Statement

on East Asia Cooperation,” which provided for the basic policy for future cooperation in East Asia, was issued. The East Asia Vision Group (“EAVG”) was formed to advise the ASEAN+3 Summit with respect to institutionalization for the purpose of establishing an integrated East Asian community. In 2002, the East Asia Study Group (“EASG”) advised on specific measures, including 17 measures which should be achieved in the short term and 9 measures which should be achieved in the medium and long term. The EASG report mentions the East Asia Free Trade Area (“EAFTA”) as a goal which should be achieved in the medium to long term. In April 2005, a group of experts began studying the feasibility of EAFTA. In July 2006, they completed a report stating that discussions between governments should be launched in order to establish an FTA for the ASEAN+3. This was reported at the ASEAN+3 Economic Ministers’ Meeting held in August 2006, where many expressed the view that discussions between governments were premature. At ASEAN+3 the Summit held in January 2007, it was decided to continue with Phase 2 research by experts. This study commenced in May 2007, and the final report was submitted in August 2009 to the ASEAN+3 Economic Ministers’ Meeting and in October 2009 to the ASEAN+3 Summit. The leaders welcomed the decision made at the Economic Ministers’ Meeting to start discussions between governments based on private study recommendations.

Parallel to this, development of concepts related to ASEAN +6 has been developed as well. In December 2005, pursuant to the agreement at the ASEAN+3 Summit of the preceding year, the first East Asia Summit (“EAS”) was held with the ASEAN+6 as participating countries. A joint declaration was issued at the summit confirming, that the EAS would be convened regularly and that it would play a “significant role” in establishing a community in this region. In August 2006, with firmer connections of the economic conditions of ASEAN+6 and progress in the efforts of “Plus 1” EPA/FTA between ASEAN and Japan, China, Korea, India, Australia and New Zealand, Japan proposed an expert study of the regional economic partnership initiative called “Comprehensive Economic Partnership in East Asia (CEPEA) for 16 countries.” In January 2007, the second EAS was held in Cebu, Philippines, where the launch of the CEPEA Track Two study was well received. As the first cooperation in the EAS framework, Japan submitted a proposal for the energy sector. At the third EAS held in Singapore in November 2007, it was formally agreed to establish the Economic Research Institute for ASEAN and East Asia (ERIA).

With respect to study of CEPEA by experts, six rounds of meetings were held by June 2008, and their results were put into a report. The Report was submitted at the ASEAN+6 Economic Ministers’ Meeting in August 2008, phase 2 research was agreed to continue. Four study meetings were held during the period from November 2008 to July 2009, and a final report was completed. At the ASEAN+6 Economic Ministers’ Meeting in August 2009 and the fourth EAS, held in October 2009, leaders welcomed the decision to conduct inter-governmental discussions and studies on the results of the private research, and confirmed their intention to shift the inter-governmental discussions in parallel with the EAFTA vision.

In 2009, an intergovernmental working group was established for the four areas of trade facilitation (Rules of Origin, Tariff Nomenclature, Customs Procedures and Economic Cooperation). Thereafter, comparisons and analyses of five ASEAN+1 FTAs have been conducted between the ASEAN and dialogue partners for the realization of a wide-ranging FTA (i.e., CEPEA, EAFTA), which has been compiled into a report. With the progression of substantial discussion in these four areas, at the ASEAN Economic Ministers’ Meeting in August 2011, Japan and China jointly proposed to establish three working groups on liberalization of trade and investment (goods, service, and investment) as the “Initiative on Speeding up the Establishment of an East Asia Free Trade Area (EAFTA) and Comprehensive Economic Partnership in East Asia (CEPEA)”. This is the first time a joint

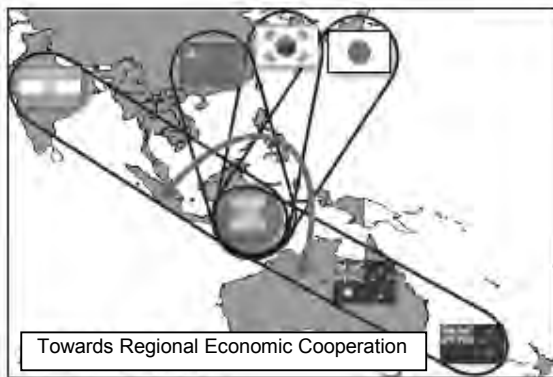
proposal has been made by Japan and China; it was welcomed by the Economic Ministers of the ASEAN and dialogue partners (Japan, China, Korea, India, Australia and New Zealand).

At the sixth East Asia Summit held in November of the same year, the final report of the four working groups on trade facilitation was warmly received, and the leaders agreed to establish the working groups for trade and investment liberalization, based on the Japan-China joint proposal. , The Working Group on Trade in Goods was supposed to be set up in early 2012. The leaders also noted the adoption of the ASEAN Framework for Regional Comprehensive Economic Partnership (RCEP) at the 19th ASEAN Summit.

After that, at the ASEAN Economic Ministers plus ASEAN FTA Partners Consultations held in August 2012, the Ministers finalized "the Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership" and agreed to work towards commencing the negotiation at the summit in November. In November 2012, the "the Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership" was endorsed by 16 countries (ASEAN+Japan, China, Korea, India, Australia and New Zealand) at the East Asia Summit. "The Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership" included negotiations regarding intellectual property rights and competition in addition to trade in goods and services and investment, aiming for a comprehensive agreement with higher quality than the existing ASEAN FTA. RCEP negotiations were scheduled to commence in early 2013 and complete by the end of 2015.

### Regional Comprehensive Economic Partnership (RCEP)

[ASEAN and Japan, China, Korea, India, Australia, New Zealand participating in negotiations]



### 3) Asia-Pacific Economic Cooperation (APEC)

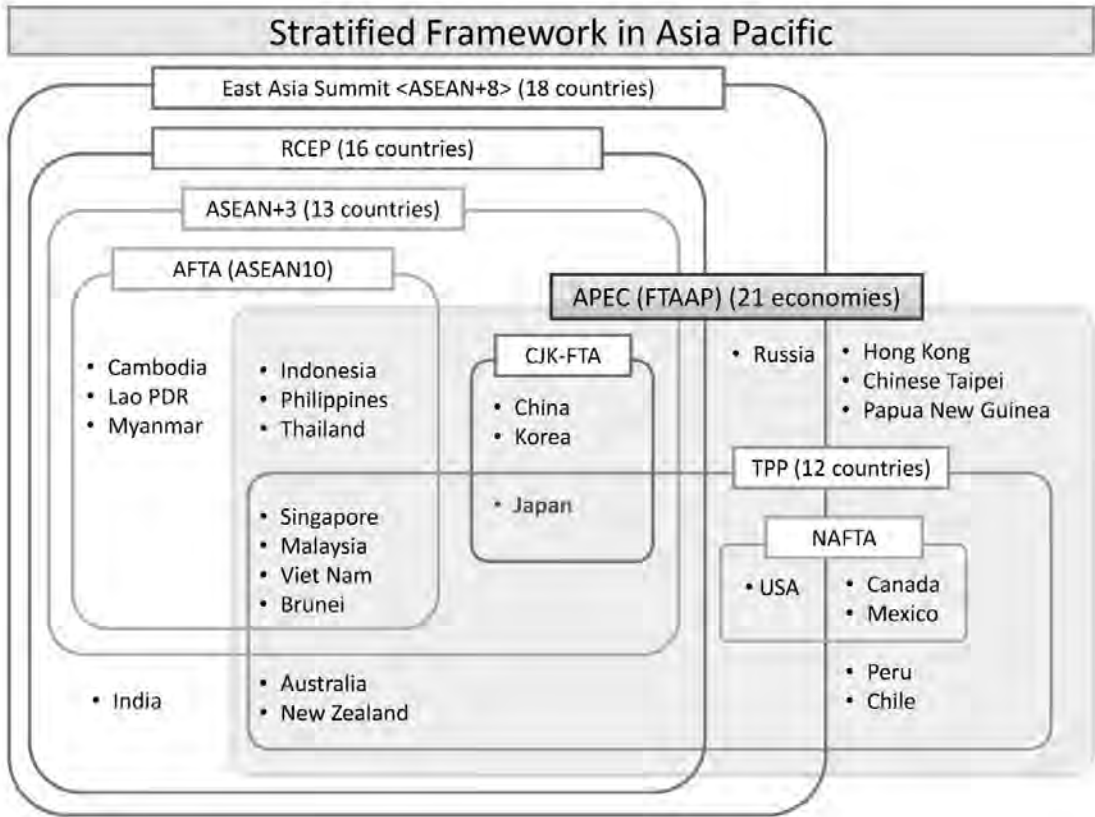
APEC is a regional cooperation framework in Asia-Pacific region established in 1989 under the initiative of Japan and Australia. At the Economic Leaders' Meeting held in Bogor, Indonesia in 1994, APEC set as a goal ("Bogor Goal") free and open trade and investment among the industrialized economies by 2010 (and by 2020 for developing economies). FTAs are an effective measure to achieve the Bogor Goal. As a specific effort to improve the quality of FTAs within the region, "model measures for FTAs" have been developed to serve as a reference for FTA negotiations with regard to major areas of FTAs. (As of the end of 2009, 15 chapters had been completed.) Furthermore, at the Economic Leaders Meeting held in November 2006, it was agreed to consider methods for promoting regional economic

integration (including an FTAAP) as a long-term objective. Since then, discussions concerning regional economic integration in APEC have progressed rapidly. At the Economic Leaders Meeting in 2007, a report on the results of the discussions was presented and the leaders agreed to conduct research on existing bilateral and multilateral FTAs. At the Economic Leaders Meeting in 2008, a progress report on the research was presented and the leaders agreed that work should continue. In 2010, Japan, as the chair of APEC, held a series of meetings ranging from the APEC Economic Leaders Meeting and ministerial meetings to expert-level meetings. The Yokohama Vision, which aims for an “economically-integrated community”, a “robust community” and a “secure community”, was compiled as a result of such meetings. An announcement that notable progress has been made toward achieving Bogor Goals was made as of 2010 during this series of meetings, as well as confirming to continue the implementation of regional economic integration programs that work toward achieving the 2020 Bogor Goals. Furthermore, it was agreed to further progress ongoing regional undertakings, such as ASEAN +3, ASEAN +6, and the Trans-Pacific Partnership (TPP), among others, as a foundation, which is viewed to be a specific step toward achieving the FTAAP, pursuing it as a comprehensive free trade agreement. In the process of achieving the FTAAP, the APEC will make an important and meaningful contribution as an incubator of an FTAAP by providing leadership and intellectual input into the process of its development, and by playing a critical role in defining, shaping and addressing the “next generation” trade and investment issues that an FTAAP should contain. Another development was the formulation of a long-term and comprehensive growth strategy that aims to achieve the five goals of: balanced growth, growth that spreads across the globe, sustainable growth, revolutionary growth and a safe growth.

At the APEC Leaders’ Meeting in 2011 and 2012, promotion of regional economic integration and green growth as well as innovation enhancement were discussed towards achieving the “Yokohama Vision” and the “APEC Leaders’ Growth Strategy”.

Regarding the next-generation trade and investment issues which should be included in an FTAAP as efforts toward regional economic integration, in 2011 common principles were developed on the “promotion of effective, non-discriminatory, and market-driven innovation policy (innovation and trade)” and “enhancing the participation of small and medium-sized enterprises (SMEs) in global production chains”. In particular, with regard to “innovation and trade”, Japan cooperated with the United States and succeeded to include in the principles -- “Ensure that the terms and conditions of transfer of technology, production processes, and other proprietary information are left to the agreement between individual enterprises, consistent with WTO rules” and “Refrain from adopting or maintaining measures that make the location of the development or ownership of intellectual property rights a condition for eligibility for government procurement preferences, without prejudice to economies' positions in the WTO”.

As for Green Growth, the “APEC list of environmental goods” (including 54 items such as solar panels and wind energy generating facilities) that was agreed upon at the 2012 summit, contributes directly and actively to Green Growth and sustainable development. Also, applied tariff rates of each economy will be reduced to 5% or less in accordance with the “Honolulu Declaration” agreed at the APEC summit in 2011. Tariff reductions on environmental goods has been discussed as a part of the “trade and environment” review at the WTO since the establishment of the Doha Round in 2001, but is a difficult issue which has not reached a concrete agreement to date. APEC's achievement in reaching the above agreement is a remarkable accomplishment that proves the role it plays in promoting liberalization of trade and investment within the region. Also, this agreement at APEC is expected to give new impetus to WTO's initiative to liberalize trade in environmental goods.



At the APEC Summit meeting held in 2013 discussions were held regarding support for the multilateral Trading system, attaining the Bogor Goals, and promoting connectivity.

With regard to supporting the multilateral trading system and attaining the Bogor Goals, and in preparation for the Ninth Ministerial Conference of the WTO (MC9) to be held in December the same year and to disseminate the necessity/urgency of reaching a timely Bali Package agreement, a separate statement was released in support of the multilateral trading system and the 9th Ministerial Conference of the World Trade Organization. The APEC Leaders reiterated their commitment to upholding APEC's role in achieving free and open trade and investment and advance implementation of tariff reductions on the APEC List of Environmental Goods (EGs), as agreed upon in 2012. Japan announced that it would make full use of its position of being an active participant in a number of economic partnerships, including the TPP, Regional Comprehensive Economic Partnership (RCEP), and China-Japan-Korea FTA, etc., in actively contributing to discussions concerning the revitalization of regional economies.

With regard to promoting connectivity, and in sharing the recognition that the increased connectivity of APEC regions would contribute to their economic growth, they committed to accelerating physical, institutional, and people-to-people connectivity of the APEC regions. In addition, a “Multi-year Plan on Infrastructure Development and Investment” was formulated relating to their cooperation in developing, maintaining, and renewing the physical infrastructure. Japan pointed out the importance of the “three basic principles of infrastructure development ([1] emphasizing life-cycle cost, environmental

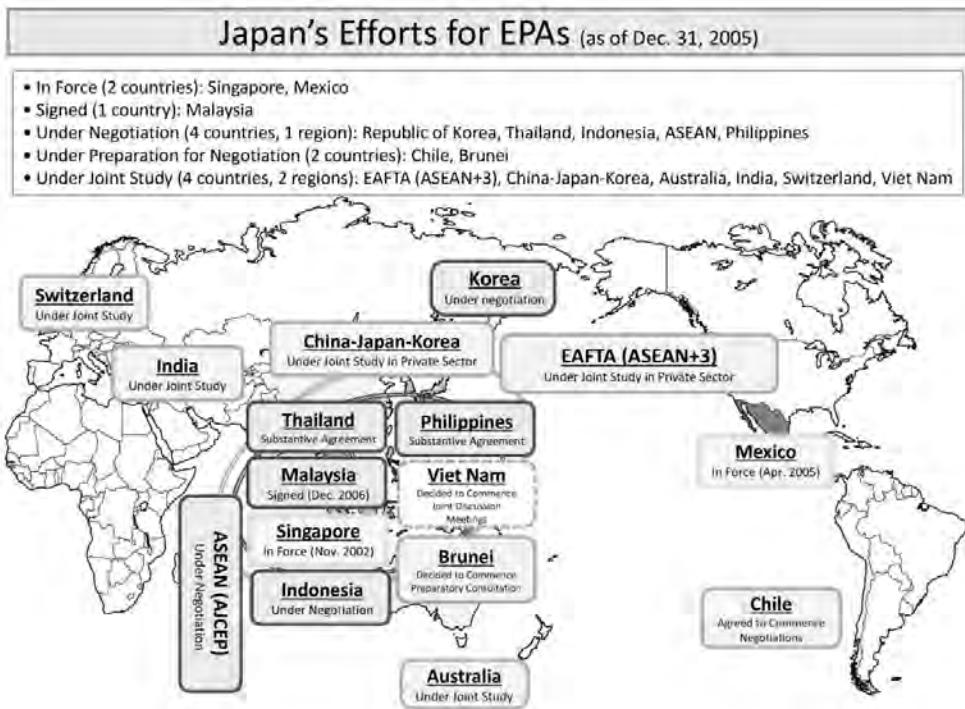


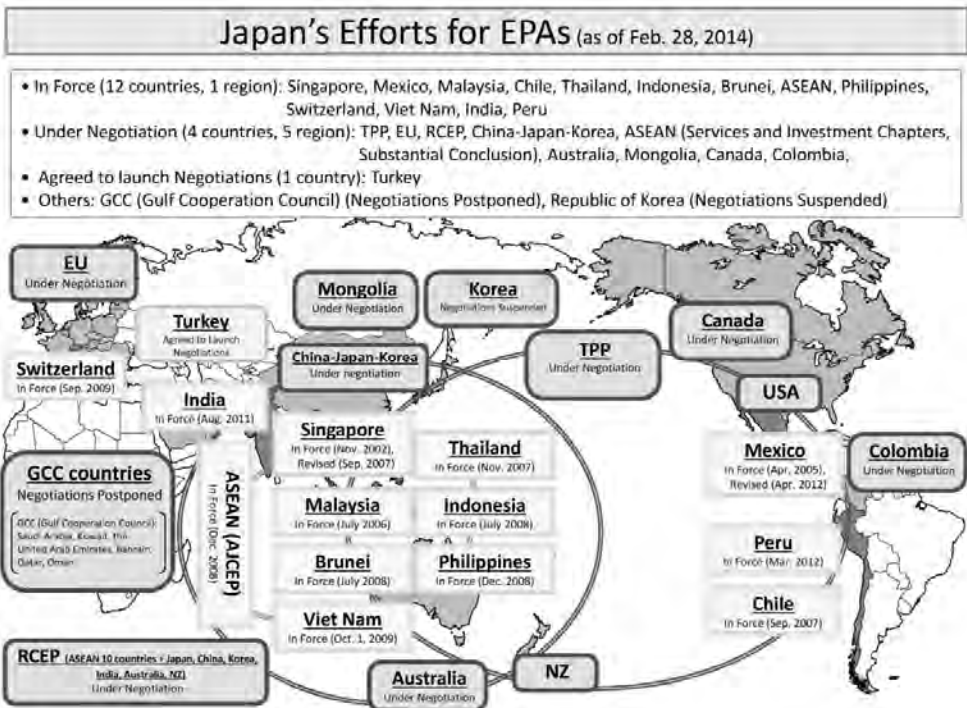
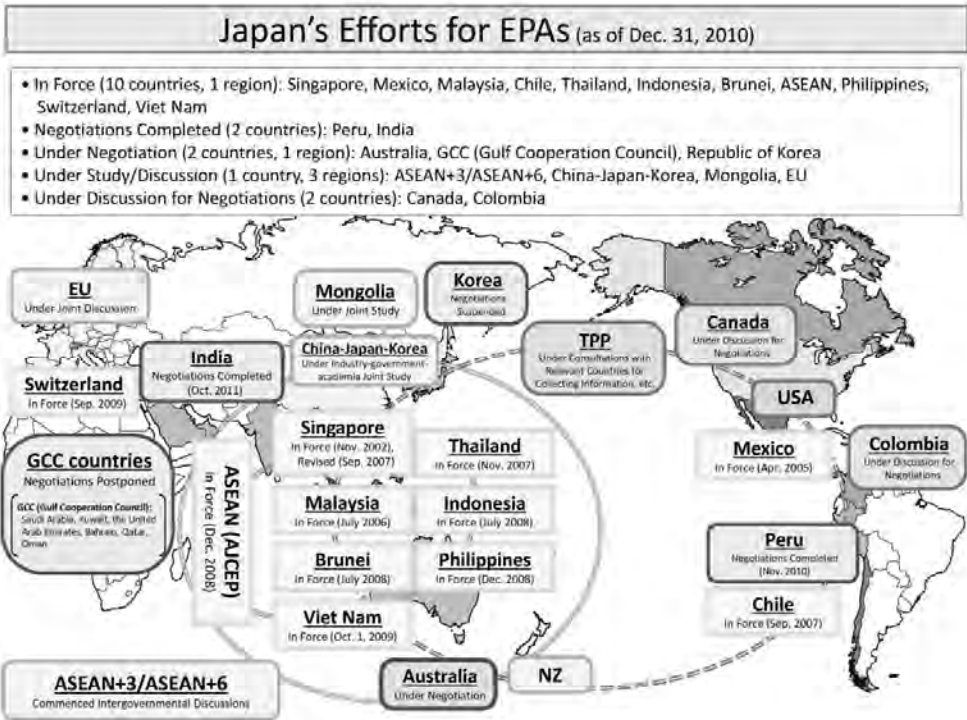
consideration, and safety, [2] establishing transparent investment environments, and [3] improving the expertise of government officials)” in infrastructure development/investment within the region, with the content of these principles being included in the Multi-year Plan.

### 3. Efforts in Japan in Economic Partnerships

Japan is advancing economic partnership strategically and in a multi-faceted way with a wide range of countries including major trading powers of Japan. As of February 2014, Japan has put EPAs/FTAs into force with 13 countries and regions and is currently in negotiations with five countries and five regions, including TPP, Japan-EU EPA, RCEP, and China-Japan-Korea FTA. Japan also agreed with Turkey to commence intergovernmental negotiations in January 2014.

This section describes EPAs/FTAs both in force and under negotiation, and Japan’s economic partnership initiative status.





**(1) Background**

Since entering the 21st century, the economies of developing countries experienced rapid development, with the percentage that they account for in the global real GDP

increasing from 25.2% in 2000 to 36.5% in 2012. On the other hand, Japan's relative status has been on a declining trend, with Japan's GDP accounting for 8.7% of the global economy in 2011. Furthermore, inspecting the global trade structure will reveal that production networks constructed of optimum divisions into manufacturing processes have expanded within the regions of East Asia, including Japan. To be specific, the trade trend involves intermediate goods produced in Japan, Korea, and the ASEAN, being shipped and assembled in China. Thereafter, the final goods are exported from China to major market countries (i.e., the United States, the EU). With the development of supply chains in East Asia, each country is committing to improve trade and investment environments in order to build production bases in its own country.

As an initiative of improving trade and investment environments, the enhancement of international trade rules through the settlement of the WTO Doha development agenda negotiations is still important for Japan. However, "it is unlikely that all elements of Doha Development Round could be concluded simultaneously in the near future" (Chairman's Concluding Statement of WTO Eighth Ministerial Conference in December, 2011).

In recent years, due to stagnation of the Doha Round negotiations, the United States and the Republic of Korea have been promoting high-level FTA negotiations with major trading partner countries. As of February, 2014, both countries had a ratio of trade with FTA partner countries to total trade (the so-called "FTA coverage rate") of nearly 40%. In contrast, the FTA coverage rate of Japan lags far behind at just 19%. The Republic of Korea's FTAs with the EU provisionally came into force in July 2011 and with the United States in March 2012. The conclusion of the FTAs between these two countries involving such large markets means that Japan's trade situation is relatively disadvantageous when compared to the Republic of Korea.

Ever since Japan had shown interest in the TPP in Autumn 2010, discussions on a EPA with the EU or intergovernmental discussions on the China-Japan-Korea FTA and discussions on broader regional economic partnerships in East Asia regions such as the ASEAN + 3 and the ASEAN + 6 have accelerated. In this manner, the EPA can become a driving force each other. For Japan, it is important to continue to conduct initiatives for economic partnerships with major trading countries in the world (i.e., the United States, the EU, China, and the Republic of Korea) in an integrated manner.

## ***(2) Japan's EPAs/FTAs in Force***

As of February, 2014, Japan has EPAs/FTAs that are in force with a total of 13 countries and regions. Lower tariff rates than normal (EPA tariff rates) apply to imports/exports between Japan and the above countries/regions, and "import/export tariffs" may be reduced/eliminated. In addition, reduction/elimination of regulations regarding service businesses, establishment of consultations on improving investment and business environments, and other benefits may also result.

---

<sup>8</sup> Prime Minister Kan declared that Japan would "consider the participation in the TPP negotiations and aim for the establishment of the Free Trade Area of the Asia-Pacific" in the 176th policy speech at the Diet session in October 2010.

The areas covered differ between the individual agreements. The areas covered by the 13 EPAs/FTAs in force are as follows (categorization of the areas is based on the structure of the Chapters of Part III of this Report; see the relevant part in Chapter 1 and later Chapters of Part III of this Report for more details on each area).

	Singapore	Mexico	Malaysia	Philippines	Thailand	Chile	Indonesia	Burunei	AJCEP	Viet Nam	Switzerland	India	Peru
Tariffs	○	○	○	○	○	○	○	○	○	○	○	○	○
Rules of Origin	○	○	○	○	○	○	○	○	○	○	○	○	○
Antidumping and Countervailing Duty	○	○	○	○	○	○	○	○	○	○	○	○	○
Safeguards	○	○	○	○	○	○	○	○	○	○	○	○	○
Standards and Conformity Assessment Systems	○	○	○	○	○	○	○	○	○	○	○	○	○
Trade in Services	○	○	○	○	○	○	○	○	○	○	○	○	○
Movement of Natural Persons	○	○	○	○	○	○	○	○	○	○	○	○	○
Intellectual Property	○	○	○	○	○	○	○	○	○	○	○	○	○
Investment	○	○	○	○	○	○	○	○	○	○	○	○	○
Competition	○	○	○	○	○	○	○	○	○	○	○	○	○
Government Procurement	○	○	○	○	○	○	○	○	○	○	○	○	○
Trade Facilitation	○	○	○	○	○	○	○	○	○	○	○	○	○
Energy	○	○	○	○	○	○	○	○	○	○	○	○	○
Labor	○	○	○	○	○	○	○	○	○	○	○	○	○
Environment	○	○	○	○	○	○	○	○	○	○	○	○	○
Electronic Commerce	○	○	○	○	○	○	○	○	○	○	○	○	○
Settlement of Disputes between States	○	○	○	○	○	○	○	○	○	○	○	○	○
Business Environment	○	○	○	○	○	○	○	○	○	○	○	○	○

The history of Japan's EPAs/FTAs dates back to the Japan-Singapore EPA. Its entry into force in November 2001 sparked other ASEAN countries' interest in concluding EPAs/FTAs with Japan. In April, 2005, the Japan-Mexico EPA came into force. The results of the negotiations were beneficial for Japanese export products, and included the elimination of tariffs on passenger vehicles (excluding large buses/trucks) in the seventh year, immediate or gradual elimination of tariffs on steel, and elimination of discriminatory treatment in government procurements through Mexico's preferential treatment system for FTA partner countries, etc. In addition, the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), which was Japan's first regional EPA, came into force in 2008. It covers Cambodia, Laos, and Myanmar, with whom Japan has not concluded bilateral EPAs, and enables the use of EPAs in the supply chain extending over Japan and the ASEAN region through the utilization of cumulative rules of origin. An outline of the EPA in force is given below.

## 1) Japan- Singapore EPA

Japan's EPA with Singapore was signed on January 13, 2002, and entered into force on November 30 of the same year.

This agreement, Japan's first Regional Trade Agreement (RTA), promotes a comprehensive economic partnership between the two countries, whose partnership is to have the effect of expanding trade and investment within the region and harmonizing systems in such areas as paperless trade and mutual recognition. By liberalizing and facilitating trade and investment and harmonizing economic systems, the EPA would have the further effect of improving bilateral cooperation in the areas of information and communication technology ("ICT"), and trade and investment.

In addition, the negotiation for review, which commenced in April 2006, reached agreement in March 2007 and the agreement entered into force in September the same year. Thus, further liberalization is being implemented.

## 2) Japan- Mexico EPA

Japan and Mexico commenced negotiations for an EPA in November 2002, and in March 2004, after almost two years of vigorous negotiation, the ministers of each country

reached an agreement in principle on major issues. Following completion of the technical legal details, an agreement was formally signed by the leaders of the countries in September 2004. The agreement was ratified in November 2004, and entered into force on April 1, 2005.

Under this agreement, a large portion of the average tariff rate previously imposed on export products to Mexico (16%, based on annual average effective tariff rate as of 2001) are to be eliminated within 10 years. In areas such as investment, services, and governmental procurement, Japan enjoys a competitive environment similar to that enjoyed by Western countries with Mexico. After the coming into force of this agreement, the volume of exports from Japan to Mexico in 2008 increased by approximately 1.6 times and the volume of imports from Mexico to Japan increased 1.5 times compared to those in 2004 before effectuation of the agreement. With regard to investment, there is a trend for the automobile-related industry to increase production and establish sales outlets. In addition, efforts to strengthen economic partnership between both countries have been undertaken, such as sub-committees by the governments under the treaty, including the Sub-Committee on Improvement of Business Environment where representatives of private sectors have participated (held seven times up until 2013), seminars of investment and energy cooperatively sponsored by both parties, and economic missions.

The negotiations for the review of the treaty, which commenced in April 2009, reached an agreement in February 2011 (signed in September of the same year, entered into force in April 2012). By this revision, the conditions of market access related to trade in goods have further improved, and a system of self-certification by approved exporters with regard to certificate of origin has been introduced.

### **3) Japan- Malaysia EPA**

Negotiation commenced in January 2004, and in May 2005, both countries confirmed an agreement in principle on major issues. The EPA was signed by the leaders of both countries in December 2005, and entered into force in July 2006.

Many Japanese-owned companies have been established in Malaysia, indicating that there is a strong economic relationship between the countries. The establishment of an economic partnership has had the effect of facilitating procurement and sales of parts and expanding trade and investment between the countries. It is noteworthy that the agreed tariff elimination and reduction would have a large economic effect. In addition, for many Japanese companies establishing entities in Malaysia, it is very important that a subcommittee on the improvement of the business environment has been established, whereby the governments and industries of both countries work on establishing investment rules, liberalizing trade in services, and otherwise improving the business environment. The subcommittee had held five meetings by September 2011, starting in March 2007. The subcommittee is highly valued in industrial circles, as it has discussed various problems involving business and resolved some of them. In addition, Japan and Malaysia also established subcommittees on issues concerning country of origin, services, and cooperation.

### **4) Japan- Chile EPA**

At the meeting of the leaders of Japan and Chile in November 2004, the two countries agreed to establish an industry-academia-government “Joint Study Group” to examine the feasibility of an EPA. The Joint Study Group started at the end of January 2005 and four meetings were held thereafter. In November of the same year, based on the report by the Joint Study Group, it was agreed to commence EPA negotiations. Negotiations were held four

times between February and September of 2006, and in September 2006, agreement was reached in principle on major issues, focusing on market access. A fifth negotiation was held in November, and at the summit meeting held in the same month, agreement on the negotiations was confirmed. The Japan-Chile EPA was signed at the end of March 2007 and entered into force in September the same year.

Like Japan, Chile is aggressively promoting an open economic policy as a trading nation. Chile's political and economic climates are stable, and Chile is an important supplier of mineral resources to Japan. Chile has already entered into FTAs with approximately 50 countries, including the United States, Canada, the EU, EFTA, Korea and China, and it was thus important for Japan to resolve the economic disadvantage with Chile due to the non-existence of an EPA/FTA with it.

### **5) Japan- Thailand EPA**

Negotiation for an EPA with Thailand commenced in February 2004, and agreement in principle on major issues was reached in September 2005. The agreement was signed in April 2007 and entered into force in November 2007.

Under this agreement, Thailand will eliminate tariffs on almost all non-agricultural products, excluding certain classes of automobiles, within 10 years while Japan will implement comprehensive tariff elimination including many agricultural products. In the investment area, Thailand declared that it will not tighten restrictions on investment in the manufacturing industry and services sectors, and relaxed foreign investment restrictions on some manufacturing industry-related services (such as repair and maintenance, and retail and wholesale). In the area of movement of natural persons, Japan and Thailand are now discussing the acceptance into Japan of spa therapists and healthcare workers from Thailand and the relaxation of conditions related to visa and work permits for Japanese nationals in Thailand. Japan has implemented industrial cooperation for automobiles, steel, and agricultural cooperation.

Thailand ranks first among ASEAN countries as the destination of Japanese exports, but most exports are subject to high tariff rates. The EPA will create the benefit of tariff elimination. Also, Thailand is the core manufacturing base in ASEAN for Japanese companies, with Japan being the largest investor in the country and many Japanese companies operating there (as of 2010, the number of Japan Chamber of Commerce and Industry member companies operating in Thailand being the largest among ASEAN countries). In order to solve business problems faced by these Japanese companies, a "subcommittee concerning the improvement of business environment" has been set up. The subcommittee had held five meetings by 2013 and has produced some benefits. The EPA is also expected to produce good results from the standpoint of improving business environment through the establishment of investment rules and the liberalization of trade in services.

### **6) Japan- Indonesia EPA**

Japan and Indonesia commenced negotiations for a bilateral EPA in July 2005 and reached a broad agreement on major issues in November 2006. The agreement was signed at the Japan-Indonesia Summit Meeting held in August 2007 and entered into force in July 2008.

In addition to reducing or dismantling trade barriers, the economic partnership agreement between Indonesia and Japan is effective in harmonizing the existing legal systems of the two countries, promoting the reasonable administration and transparency of each administrative system, and improving the investment environment. Since Indonesia has rich

natural resources, such as natural gas and petroleum, the two countries have included a chapter on energy and mineral resources in the EPA.

For Japan, Indonesia is the eighth largest trading partner (in 2012) and their economic ties are deep. Indonesia has the largest population (250 million) within ASEAN. The formation of the EPA will secure preferential access to this promising market for Japanese companies. Since Japan and Indonesia have been implementing bilateral cooperation in the field of manufacturing (27 projects in 14 fields), the economic relationship between the two countries is expected to be further strengthened. Based on the EPA, a total of 1,048 nurse and care-giver candidates came to Japan from Indonesia, 208 in fiscal 2008, 362 in fiscal 2009, 116 in fiscal 2010, 105 in fiscal 2011, 101 in fiscal 2012, and 156 in fiscal 2013.

## **7) Japan and Brunei EPA**

The negotiation of an EPA with Brunei started in June 2006 based on the decision to start official negotiation made at a Foreign Ministers Meeting between Minister Aso and Minister Mohamed. Both countries came to general agreement in December 2006 and signed the EPA in June 2007; it entered into force at the end of July 2008.

Brunei is one of the important countries for Japan that supplies energy such as natural gas. The Japan-Brunei EPA sets the first independent Energy Chapter among Japan's EPAs. The chapter includes provisions relating to contractual relationship in the application of energy regulatory measures; implementation of written notice to and consultation with the other Party; consideration for environment, including cooperation and a consultation mechanism through a Sub-Committee. All will contribute to maintain and strengthen stable relationship beneficial for both countries.

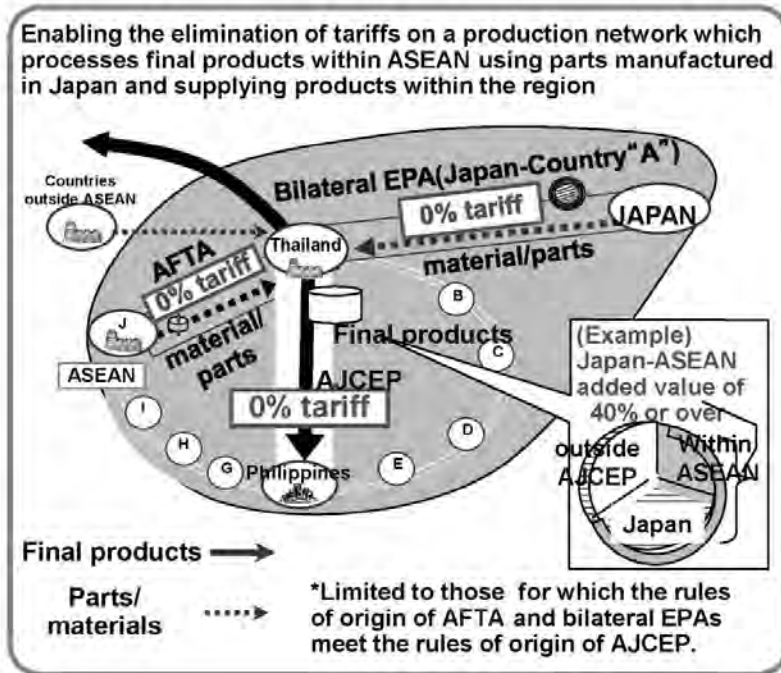
## **8) ASEAN-Japan Comprehensive Economic Partnership (AJCEP)**

In April 2005, Japan commenced negotiations with ASEAN for an ASEAN-Japan comprehensive economic partnership (AJCEP), based on the November 2004 agreement of the leaders of the involved countries. The AJCEP agreement came into force after it was signed on April 14, 2008. As of February 2014, the agreement is in force in between all countries excluding Indonesia. An EPA between Japan and ASEAN as a whole would institute a free economic area (Japan and ASEAN as one area) with a population of 740 million and an economic scale of 8.3 trillion US dollars (2012). This would have a significant effect, stimulating the economies of both Japan and the ASEAN. In the East Asia region, the ASEAN continues to provide the deepest trade and investment relationship with Japan, and is therefore an important region. An EPA with the ASEAN is also important from the viewpoint of effectively utilizing assets in the ASEAN, which have accumulated due to large investments made to date. Furthermore, an EPA with ASEAN as a whole would facilitate harmonization over a wide region, which would be difficult to achieve through bilateral EPAs between Japan and the ASEAN member countries, and would contribute to strengthening industrial competitiveness in a form fitting into the actual pattern of economic activities conducted broadly between Japan and ASEAN. For example, while bilateral EPAs might not necessarily be useful where final products exported within the region are processed within ASEAN using high value-added parts manufactured in Japan, the AJCEP offers opportunities to enjoy preferential treatment, as cumulative rules of origin are applied in Japan and within ASEAN countries.

AJCEP is extremely important for Japanese companies that have complex production networks both within Japan and the other ASEAN countries. Services and Investment

Chapters of the AJCEP, which have been under negotiation since October 2010, were substantially concluded regarding the rules after three years of negotiations. That substantial conclusion was welcomed in the ASEAN-Japan Commemorative Summit held in December 2013. Although the rules were substantially concluded, negotiations of the remaining technical issues and market access in services still need to take place.

Utilization of EPA tariff rates in Japan-ASEAN production network



9) Japan-Philippines EPA

Negotiation of the EPA with the Philippines commenced in February 2004, and the EPA was signed at the Japan-Philippines Summit Meeting held in September 2006 and entered into force in December 2008.

This agreement is the first bilateral EPA entered into by the Philippines. It aims to advance a comprehensive economic partnership between the countries, so as to a) promote the free movement of goods, persons, services and capital, as well as the harmonization and clarification of legal frameworks for intellectual property rights, competition policies and maintaining the business environment, and the development of economic activity of both countries; and b) improve bilateral cooperation in the areas of intellectual property rights, competition policy, business environment maintenance, training of human resources, trade and investment, information and communication technology, and small/medium-sized companies. Furthermore, based on the EPA, Filipino candidates nurse and care-worker candidates have been allowed to stay in Japan from May 2009 (details on the number of those entering Japan and those who passed the national examination are in Chapter 3, “Movement of People”).

Based on the agreement of the EPA, negotiations for general review commenced in October 2010.



## **10) Japan- Switzerland EPA**

At the summit meeting in April 2005, Japan and Switzerland agreed to establish a joint governmental study, which would include an analysis of the pros and cons of an EPA/FTA between the two countries, and an analysis of the methods of economic partnership reinforcement for developed countries. Joint study meetings were held five times between October 2005 and November 2006. Following the final report in January 2007, it was agreed by the leaders of both countries to commence EPA negotiations. After eight rounds of negotiations, the two countries reached an interim agreement in principle in September 2008 and signed an EPA in February 2009. The EPA entered into force on September 1<sup>st</sup> the same year. The Japan-Switzerland EPA is the first EPA signed by Japan with a developed western country. The EPA is rich in content and is expected to serve as a model for EPAs with other developed countries. Specifically, it allows for high-level liberalization of trade in goods (elimination of tariffs on more than 99% of two-way trade within 10 years after the EPA entered into force, including the immediate elimination of tariffs on major industrial products); introduced a system of self-certification by approved exporters with regard to certificates of origin, the first such system in Japan's EPA; and created a chapter on electronic commerce systems, also the first such system in Japan's EPA. Moreover, the EPA has achieved high-level results with regard to investment, services and intellectual property. Furthermore, a joint committee has been established to discuss the implementation of the treaty and its revisions, with the second meeting held in February 2011. Subcommittees in other areas, such as the strengthening economic relationships and rules of origin, have been held. This indicates the progress in the implementation of the treaty.

## **11) Japan-Viet Nam EPA**

Japan and Viet Nam commenced negotiations for an EPA in January 2007, following an agreement at a summit meeting between the two countries in October 2006. The two countries agreed on a bilateral EPA in principle in September 2008, following 15 rounds of meetings, the EPA was formally signed in December the same year and entered into force in October 2009. It is the first bilateral EPA for Viet Nam.

Recently, Viet Nam has been attracting keen interest from Japanese companies, including automobile- and electronic-related manufacturers, and their investment in the country has been increasing steadily. This is partly due to the effects of the Viet Nam-Japan Joint Initiative (started in 2003) and the Japan-Viet Nam Investment Treaty (enacted in 2004) that constitute frameworks for the establishment of a business environment. However, high tariff rates on parts and materials, and underdeveloped supporting industries pose challenges for the future. The Japan-Viet Nam EPA is expected to contribute to dealing with such problems and to further reinforcing bilateral economic relations between the two countries. As a result of the conclusion of the EPA, Viet Nam is expected to reduce or eliminate tariffs mainly on parts and materials that are necessary for local manufacturers. Viet Nam has also promised to liberalize its high tariff rates, to which the country did not agree in the China-ASEAN FTA and the Korea-ASEAN FTA. Japan, for its part, eliminated tariffs on almost all industrial products and improved access to the market for agriculture and fishery products. In the area of movement of natural persons, Japan has promised to promote the movement of Vietnamese IT engineers within the scope of the current immigration control system, additionally, concerning nurses and care workers, a memorandum related to the entry to Japan was signed during the Japan-Viet Nam summit in October 2011, and the treaty entered into force on June 17, 2012. In November 2012, Japanese language training (12 months) for nurses and care -worker candidates began in Viet Nam. The EPA also provides for

cooperation to foster supporting industries and reinforce food sanitation control and animal and plant quarantine systems.

## **12) Japan- India EPA**

In November 2004, at a meeting of the leaders of Japan and India, agreement was reached to establish a Joint Study Group to comprehensively discuss ways to reinforce the economic partnership between the two countries. The Joint Study Group met four times between July 2005 and June 2006. Based on the report by the Joint Study Group, at the Japan-India Summit Meeting held in July 2006, direction was given to start working level preparations for negotiations. At the Japan-India Summit Meeting in December 2006, it was agreed to commence the negotiations in January 2007 with the aim of completing substantial negotiations as soon as possible within about two years. At the Japan-India Summit Meeting in December 2009, the two countries agreed to accelerate the negotiations to reach an agreement at an early date, and in the 14th round of negotiations in September 2010, both countries broadly agreed. The negotiations concluded at the Japan-India Summit Meeting in December 2010. Following this, the EPA was signed in February 2011 and entered into force in August of the same year.

India imposes high tariffs on most exports from Japan. Tariff elimination would promote exports from Japan and further enable duty-free procurement for Japanese companies in India, mainly in the manufacturing industry sector. In the areas of investment and services, it is important for Japan and India to work out rules that are liberal, transparent, and stable, and to improve the business environment. In 2011, the major tariff items and their tariff rates among exports to India include automotive parts (10%), steel products (5%) and machine tools (7.5%). However, as the result of negotiations, tariffs will be eliminated in ten years for automotive parts, five years for steel products and ten years for machine tools. Within ten years after the entry of the treaty into force, tariffs will be eliminated for trade items that are equivalent to 94% of the two-way trade value.

## **13) Japan- Peru EPA**

At the Japan-Peru Summit Meeting in November 2008, it was agreed to commence negotiations for a Japan-Peru EPA, a step that the Peruvian side in particular embraced with great enthusiasm. The two countries held three rounds of private-level study meetings between January and March of 2009. Based on the report by the study group, the two countries agreed at the Summit Meeting held in April 2009 to commence negotiations for a Japan-Peru EPA. From May 2009 to November 2010, seven rounds of formal and interim meetings were held, and negotiations concluded in November 2010. Thereafter, the EPA was signed in May 2011, and entered into force in March 2012, after completion of ratification procedures in both countries. The major tariff items and their tariff rates among the exports to Peru (as of 2010) include automobiles (9%), motorcycles (9%) and TVs (9%). However, as a result of the negotiations, tariff will be eliminated within 10 years for automobiles, within nine years for motorcycles and immediately for TVs. Tariffs on more than 99% of the items to and from Japan will be eliminated within ten years after the agreement entered into force.

### ***(3) Japan's EPAs/FTAs under Negotiation***

This subsection outlines the EPAs/FTAs with five countries and five regions that are being negotiated by Japan. Japan is currently negotiating with five countries, namely Australia, Mongolia, Canada, Colombia, and the Republic of Korea (negotiations with the

Republic of Korea had, however, been suspended as of February 2014), and has agreed to intergovernmental commence negotiations with Turkey. FTA negotiations with the GCC have been deferred due to a GCC request, but negotiations involving the so-called four “Mega-FTAs”, namely the TPP, Japan-EU EPA, RCEP, and China-Japan-Korea FTA, are ongoing. Outlines of negotiations currently underway with their backgrounds are described below.

## 1) Negotiations involving Japan’s Four “Mega-FTAs”

### (a) Trans-Pacific Partnership (TPP) (under negotiation)

In the “Basic Policy on Comprehensive Economic Partnerships” (hereafter “Basic Policy”) that was approved by the Cabinet on November 9, 2010, Japan stated that with respect to the TPP “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” commencing consultations with countries concerned, for gathering information from December. More than ten meetings for consultations have been conducted through March 2012. In “Toward the strategy for the revitalization of Japan” (approved by the Cabinet on August 5, 2011), which was decided after the Great East Japan Earthquake (on March 11, 2011), it is stated that “concerning the Trans-Pacific Partnership (TPP) Agreement, taking the point that the TPP is a matter affecting the reconstruction of agriculture in the afflicted region—as well as other points such as the status of progress in international negotiations and concern over the hollowing-out of the industry—into account, the Government will discuss the matter thoroughly. The timing of a decision on whether to join negotiations for the TPP Agreement will be considered from an overall perspective and decided as early as possible.” Afterward, prior to the APEC Leaders Meeting in November, an active discussion was conducted within Japan. At the press conference just before the APEC Leaders Meeting, Prime Minister Noda announced the decision “to enter into consultations toward participating in the TPP negotiations with the countries concerned”.

After the announcement by the Prime Minister, Japan started conducting separate consultations with countries participating in the negotiations towards participating in the TPP negotiation. By March, Japan had received basic support for participating in negotiations from Viet Nam, Brunei, Peru, Chile, Singapore and Malaysia. Japan will continue to conduct consultations with the US, Australia and New Zealand.

At the Japan-US summit held in April 2012, both countries agreed to make an effort to advance progress in bilateral discussions. President Obama showed interest in automobiles, insurance and beef, which the US has raised in the past.

After the change of government following the lower house general election held in December 2012, Prime Minister Abe stated at a press conference after his accession that joining the TPP negotiations would be considered with an overall perspective by thoroughly analyzing the situation and information and in light of LDP's campaign pledge that they are "against joining the negotiation if across-the-board elimination of tariffs is a prerequisite", and by a joint agreement of the LDP and the New Komeito "to seek the best path to gain national interest".

The following three points were expressly confirmed between the leaders at the Japan-US summit held in February 2013: (1) sensitivity in bilateral trade such as certain agricultural products for Japan and certain manufactured products for the United States; (2) the final outcome will be determined within the negotiations; and (3) making a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations cannot be made. The

leaders shared the same perspectives on the following matters in the "Japan-US joint statement", including the above points.

On March 15, 2013, Prime Minister Abe held a press conference and announced that Japan would participate in the TPP negotiations. At the press conference, the Prime Minister stated that creating new rules within the Asian-Pacific region with countries that share universal values on liberal democracy, fundamental human rights, and the rule of law does not result only in the national interest but will benefit world prosperity. In addition, the Prime Minister indicated that the new economic order created by the cooperation of the Japan and the United States, the two greatest economic powers in the world, will be a foundation for rule-making in RCEP and FTAAP as well as TPP.

On April 12, 2013, the Japan-US bilateral discussion ended successfully. Japan and the United States agreed to take actions in implementing non-tariff measure in parallel with the TPP negotiations. The fields covered are insurance, transparency to facilitate trade, investment, standards and criteria, and sanitary and phytosanitary measures<sup>5</sup>. Regarding trade in the automobile field, it was agreed to hold negotiations related to automobile trade in accordance with the TOR below<sup>6</sup>, in parallel with the TPP negotiations, covering fields such as transparency, distribution, standards, green / new technology vehicles, and financial incentives. Also, within the TPP negotiation on market access, it was confirmed that the tariffs on motor vehicles will be phased out in accordance with the longest staging period in the TPP negotiations and will be backloaded to the maximum extent, and that such treatment will substantially exceed that provided in KORUS for U.S. tariffs on motor vehicles..

Also, both countries agreed to work together closely in rulemaking and market access negotiations within the TPP with consideration to the sensitivity in bilateral trade items such as certain agricultural products for Japan and certain industrial products for the United States.

In April of the same year at the ministerial meeting of TPP member countries, Japan's participation was approved by the 11 participating countries and on April 24, the US government notified the Congress of Japan's participation.

On July 24, 90 days after Congress was notified, Japan officially participated half-way through the 18th negotiation meeting that was held in Malaysia. At that meeting Japan explained its basic position with regard to participating in TPP negotiations and was provided with explanations regarding the status with the negotiations of other countries before the discussions took place.

TPP leaders and ministers meetings were held at the same time as the APEC Summit meeting in Bali in Indonesia in October. At the ministers meeting Japan made an active contribution to moving the negotiations forward with regard to some issues by summarizing issues concerning intellectual property that are making slow progress and thus require political resolution, etc. In addition, at the leaders meeting some stated their appreciation of Prime Minister Abe's decision that Japan would participate in TPP negotiations.

---

<sup>5</sup> Japan and the United States will work towards matters related to the sanitary and phytosanitary measures based on the SPS Agreement regarding the application of WTO sanitary and phytosanitary measures.

<sup>6</sup> After Japan's participation in TPP negotiations, the 19th negotiation meeting was held in August 2013, a chief negotiators meeting in September, a ministers/leaders meeting in October, a chief negotiators meeting in December, and a TPP ministers meeting in February 2014.

A TPP ministers meeting was held in Singapore in December to discuss all the areas involved in the negotiations and identify potential “landing zones” for the majority of key outstanding issues. Another TPP ministers meeting was then held in Singapore in February 2014. (See 2. (3) 1 “Reference” for the joint statement of the TPP ministers meeting held in Singapore)

**Reference: Joint Statement by the United States and Japan**

The two Governments confirm that should Japan participate in the TPP negotiations, all goods would be subject to negotiation, and Japan would join others in achieving a comprehensive, high-standard agreement, as described in the Outlines of the TPP Agreement announced by TPP Leaders on November 12, 2011.

Recognizing that both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the United States, the two Governments confirm that, as the final outcome will be determined during the negotiations, it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations.

The two Governments will continue their bilateral consultations with respect to Japan's possible interest in joining the TPP. While progress has been made in these consultations, more work remains to be done, including addressing outstanding concerns with respect to the automotive and insurance sectors, addressing other non-tariff measures, and completing work regarding meeting the high TPP standards.

**Reference: Motor Vehicle Trade Terms of Reference**

The Government of the United States and the Government of Japan (hereinafter referred to as “the Governments”) will conduct negotiations on motor vehicle trade in parallel to the TPP negotiations in accordance with the following:

- The outcomes of the negotiations will be WTO consistent.
- The outcomes of the negotiations will be within the scope of the authority of the Governments.
- The Governments will incorporate the rights and obligations to be agreed as a result of the negotiations into the U.S.-Japan bilateral market access schedules appended to the TPP agreement, which accordingly, will be subject to its dispute settlement procedure. A special accelerated dispute settlement procedure allowing for the reimposition of the current MFN tariffs in this sector (“snapback” procedure) will also be provided through the negotiation.

The parallel negotiations will address the following issues and will result in tangible and meaningful outcomes in these issue areas:

Special Motor Vehicle Safeguard: Substantive and procedural elements of a special safeguard on motor vehicles, including the injury test, duration, and compensation will be addressed, taking into account the outcome of the tariff negotiations in this sector.

Transparency: Both Governments recognize the importance of meaningful, predictable and robust transparency mechanisms for the preparation, adoption, and application of government regulatory measures that may impact the manufacture, importation, sale, or operation of motor vehicles. Issues will be addressed in the areas including: sufficient advance notice of proposed regulatory measures; transparency and non-discrimination related

to the development of regulatory measures, including proposals for guidelines and similar measures; meaningful opportunities for input throughout the process of developing and implementing such measures; reasonable periods to comply with new regulations; post-implementation reviews of regulations; and other measures.

**Standards:** Issues related to standards, technical regulations, and conformity assessment procedures in the motor vehicle sector, and related issues including auto parts, will be addressed, including further facilitation and cost reduction of type approval. Both governments further recognize the importance of bilateral cooperation to harmonize standards for motor vehicle environmental performance and safety, with particular focus on work underway in the World Forum for Harmonization of Vehicle Regulations of the United Nations Economic Commissioner for Europe (WP.29).

**PHP Certification System:** Substantial steps for further facilitation under Japan's Preferential Handling Procedure (PHP) certification system for motor vehicles will be addressed in the parallel negotiations.

**Green/New Technology Vehicles:** Both Governments recognize the importance of facilitating trade in motor vehicles utilizing alternative fuels or energy sources, and will address emerging issues related to manufacture, importation, sale and operation of these vehicles, including the need to ensure non-discrimination.

**Financial Incentives:** Without prejudice to the sovereign right of a government to manage its own taxation system, fiscal incentives or other measures will be addressed with reference to their impact on competitive condition in the markets of both countries to ensure that such measures do not have the effect of discriminating against U.S. motor vehicles including those imported under the PHP program.

**Distribution:** Issues related to the distribution and servicing of motor vehicles will be addressed.

**Third Country Cooperation:** Various motor vehicle issues including, but not limited to, ways for facilitating market access and investment in other countries will be discussed.

**Other Issues:** Other issues, including customs issues, related to motor vehicle trade policies may be raised upon the request of either Government, and be included in the parallel negotiations upon mutual agreement.

(b) Japan- EU EPA (under negotiation)

Although the EU has been completing FTAs mainly with neighboring countries and former colonized nations, it started in the 2000s to emphasize FTAs with countries with potential market size (i.e., Korea) and countries with trade barriers. Furthermore, the EU commenced negotiations with developed countries such as Canada (2009), in recent years as well.

With respect to the Japan-EU EPA (Economic Partnership Agreement) / the EIA (Economic Integration Agreement), during the EU-Japan summit in May 2009 the leaders announced the intention to cooperate toward strengthening Japan-EU economic integration. At the EU-Japan summit held in April 2010, the leaders agreed to establish a Joint High-Level Group and commence joint examination toward the comprehensive strengthening and integrating of Japan-EU economic relations. Based on the results of the joint High-Level Group in a wide range of areas, at the EU-Japan summit held in May 2011, the leaders decided that the two sides would start discussions, called "scoping exercise", with a view to defining the scope and level of ambition of negotiations.

Commencement of negotiations regarding the Japan-EU EPA/FTA and political agreements were agreed upon in a telephone conference of Japan-EU leaders held in March of

2013. As of February 2014 four rounds of negotiation meetings have been held since the initial commencement of the negotiations in April. At the EU-Japan summit that was held in November, 2013, both leaders agreed to work toward a highly comprehensive EPA between Japan and the EU and reiterated their strong commitment to an early conclusion. (See “Reference” for the joint press statement that was released)

The industrial sectors in both Japan and the EU have stated their strong support for an early conclusion regarding the Japan-EU EPA. Prior to the EU-Japan summit a large number of organizations, including 20 European company organizations, the Japan Business Federation (Keidanren), and BUSINESSSEUROPE, etc., made statements regarding the need for promotion of the negotiations.

With the background of such expectations from industries, the Japan-EU EPA aims to conclude a high-level comprehensive agreement including tariff, non-tariff measures, services, investment, government procurement, intellectual property rights and competition policies.

(c) Regional Comprehensive Economic Partnership (RCEP) (under negotiation)

In order to deal with the expansion of production networks in East Asia as well as the progress of economic partnerships between ASEAN and the surrounding countries in recent years, Japan proposed in 2006 to ASEAN that it launch an expert study on the CEPEA (Comprehensive Economic Partnership in East Asia) with the framework of the ASEAN+6, which includes Japan, China, Korea, India, Australia, and New Zealand. Study conferences were conducted from 2007 to 2009, with the final report delivered to the leaders in 2009. Furthermore, intergovernmental examinations have been conducted since 2009 and a report was submitted on trade facilitation setting out simplifying measures and regulations that should be implemented if the comprehensive economic partnership in East Asia was established. In 2011, a proposal for the establishment of working groups on liberalization in the three areas of trade in goods, trade in services, and investment was made; it was subsequently agreed upon. In addition, a proposal was made by ASEAN on the framework for a regional comprehensive economic partnership (RCEP), which stipulated the general fundamental principles for future states of regional economic integration, based on EAFTA (East Asia Free Trade Agreement) initiatives with the ASEAN +3 and the CEPEA (Comprehensive Economic Partnership for East Asia) initiatives with the ASEAN +6. This proposal was warmly welcomed.

After that, at the ASEAN Economic Ministers’ Meeting Plus ASEAN FTA Partners Consultations held in August 2012, the “Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership” were summarized, and it was agreed to work towards commencing the negotiation at the summit in November. In November 2012, the “Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership” was approved by 16 countries (ASEAN+Japan, China, Korea, India, Australia and New Zealand) at the ASEAN summit. The “Guiding Principles and Objective for Negotiating the Regional Comprehensive Economic Partnership” included negotiations of IPR and competition in addition to trade in goods and services and investment, aiming for a comprehensive agreement with higher quality than the existing ASEAN FTA. RCEP negotiations were scheduled to commence in early 2013 and to be completed by the end of 2015.

The first round of negotiations was held in May 2013 (in Brunei), the first ministers’ meeting in August (in Brunei), the second negotiation meeting in September (in Australia),

and the third negotiation meeting in January 2014 (in Malaysia). At the third negotiation meeting, establishment of work groups on competition, intellectual property, economic and technical cooperation, and dispute settlement was agreed.

Preferential tariff treatment for products that are jointly produced in multiple countries and the unification of EPA procedures such as ROO in East Asia achieved by the RCEP will contribute to making rules that reflect the advanced supply chain of East Asian region.

(d) China-Japan-Korea FTA (under negotiation)

In the Asian-Pacific region, in which further growth is expected, the economies of China and Korea are of great importance for Japan. The supply chains that operate across East Asia in the manufacturing sector are extremely integrated. Moreover, China in particular is further increasing its importance as a tremendous growing market. China and Korea are responsible for 19.7% and 6.1% of Japanese exports and imports respectively. They are becoming the largest and the third largest trading partners for Japan respectively (according to the Trade Statistics by the Ministry of Finance 2012).

However, because no FTA is in force between Japan, China, and Korea, there have been increasing assertions for the three countries to promote trade and economic development, and more broadly in the Asian-Pacific region, by making the trade and economic relationships between them closer. Therefore, since the beginning of the 2000s, research and study activities for free trade frameworks have become active.

Private joint study has been conducted since 2003 with the following three institutions as the main bodies: the NIRA (National Institute for Research Advancement) (replaced by the Institute of Developing Economies Japan External Trade Organization from 2009) from Japan, the Development Research Center of the State Council from China, and the Institute of International Economic Policy East Asia from Korea. In 2009, it was agreed at the Economic and Trade Ministers' Meeting and the Japan-China-Korea Summit to conduct a joint study based on the achievements of private joint study with industries and governments. Starting with the first meeting held in May 2010, seven meetings have been held. In December 2011, the joint study report by the three countries was finalized.

This report is comprised of chapters including "Trade in Goods", "Trade in Service", "Investment", and "Other Issues". The chapter entitled "Other Issues" is comprised of SPS (Sanitary and Phytosanitary Measures), TBT (Technical Barriers to Trade), intellectual property rights, transparency, competition policy, dispute settlement mechanism, industrial cooperation, consumer safety, e-commerce, energy and mineral resources, food, government procurement, and environment. Each chapter contains not only the trade and investment situation in Japan, China, and Korea but also outlines the legislations and regulations, and even the situation in the China-Japan-Korea FTA that is likely to be realized in future.

The report was submitted to the China-Japan-Korea summit in May 2012, and the leaders of the three countries agreed to the commencement of negotiations during 2012. After holding working-level discussions, the commencement of negotiations was announced at the Japan-China-Korea Economic and Trade Ministers meeting held in November 2012. As of February 2014, three rounds of negotiation meetings have been held since the commencement of the negotiations in March 2013.



## 2) Negotiations of Japan's Other EPAs/FTAs

### (a) Japan-GCC FTA (negotiations postponed)

In March 2006, Japan and the GCC, composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, agreed to commence negotiations on an FTA with respect to goods and services. In April 2006, in a Joint Statement, the Prime Minister of Japan and the Crown Prince of the Kingdom of Saudi Arabia announced the commencement of negotiations. The negotiations commenced in September 2006, and two official meetings and four intermediate meetings were held by March 2009. However, negotiations were deferred in July of the same year due to the request from the GCC. At present Japan is working to encourage the GCC to resume negotiations. The GCC region accounts for over 75% (2012) of Japan's raw petroleum imports, and the aggregate value of exports from Japan is over 2 trillion yen (2012). It is important to form and maintain a friendly relationship (including an economic relationship) between the countries from the viewpoint of Japan's energy security and expansion of trade. Furthermore, bilateral efforts are established/reinforced between Saudi Arabia, Qatar, UAE, and Kuwait to cover the areas not included in the Japan-GCC FTA.

### (b) Japan-Korea EPA (negotiations suspended)

Although the Japan-Korea EPA negotiations commenced in December 2003, the negotiations have been suspended since November 2004. After the inauguration of the President of the Republic of Korea, there were movements towards resuming the negotiation. At a summit meeting between the Prime Minister of Japan and the President of the Republic of Korea held in February 2008, the two countries agreed to consider resuming the negotiations for a bilateral EPA. At another summit meeting held in April 2008, the two countries agreed to hold "working-level talks to consider and to create a favorable environment for the resumption of EPA negotiations." Based on the agreement, the two countries held division chief-level and working-level meetings in June and December 2008.

At the Japan-Korea summit in January 2009, the two countries agreed to upgrade the working-level negotiations to vice-ministerial-level talks, and based on the agreement held vice-ministerial-level talks in July and December 2009. At the Japan-Korea summit in May 2010, it was agreed to conduct high-level prior discussions for resuming negotiations, and in September 2010 and May 2011, director-general level prior discussions for resuming negotiations were held. At the Japan-Korea summit meeting held in October 2011, substantial implementation of administrative work necessary for resuming negotiation was agreed upon. However, to date, negotiations have not resumed.

Japan and Korea have a relatively similar industrial structure and the two countries share an international, horizontal division of labor. Both developed countries are the driving force behind Asian economy. Although negotiations have not yet resumed due to Korea's trade deficit with Japan, executing an EPA with Korea is effective not only for both countries, but also in the sense of contributing to the development of Asian economy as a whole because the market integration resulting from an EPA would be expected to stimulate transnational competition and cooperation between Japanese and Korean companies that would improve both productivity and efficiency for both countries.

62.1% of Japan's exports to Korea now are subject to tariffs, while only 33.4% of exports from Korea to Japan are subject to tariffs. Since many of Japan's exports to Korea now are subject to tariffs, the benefit from the reduction of tariffs by concluding the EPA can be expected. The major tariff items and their tariff rates among the exports to Korea include

automobiles (complete vehicles (5~10%)), chemical products (1~385.7%), general machinery (3~13%) and electrical machinery (3~13%) (2013).

(c) Japan- Australia EPA (substantive agreement)

Based on the “Australia-Japan Trade and Economic Framework” signed at the summit meeting held in July 2003, a governmental joint study concerning the costs and benefits of the liberalization of trade and investment, cooperation on measures, etc. to facilitate trade and investment between Australia and Japan was conducted. This joint study was completed in April 2005. Subsequently, at their meeting held in April of the same year, the leaders of Japan and Australia, while mutually recognizing the difficult issues in respect of agriculture, agreed to jointly conduct a study on the methods for reinforcing economic relationships (that are tailored for the relationship between developed countries) between them, including with respect to the pros and cons of an EPA/FTA. Joint study meetings were held five times from November 2005 to September 2006. Following the joint study final report in December 2006, the Prime Minister of Japan and the Prime Minister of Australia agreed to commence negotiations for an EPA. The first negotiation was held in April 2007 and sixteen rounds of negotiations have been held through June 2012. The discussions aim to bridge the gap between the two countries’ positions. At the Japan-Australia summit meeting held in October, 2013, the Prime Minister of Japan and the Prime Minister of Australia confirmed their commitments to strengthen economic relationship between Japan and Australia through the Japan-Australia EPA, TPP, and RCEP, etc.

On April 7, 2014, the Prime Minister of Japan and the Prime Minister of Australia had a summit meeting and confirmed substantive agreement on the Japan-Australia EPA. Two countries will work toward signing the EPA at the earliest possible date.

**Reference: On the Substantive Agreement on the Japan-Australia Economic Partnership Agreement (Statement by the Minister of Economic, Trade and Industry; April 7th, 2014)**

1. I wholeheartedly welcome the substantive agreement on the Japan-Australia Economic Partnership Agreement (EPA) through diligent rounds of negotiations which began in 2007.
2. With the entry of this EPA into force, the current proportion of less than 30% of tariff-free goods to total export value to Australia will increase to more than 80% of total export value. Moreover, a massive improvement in market access will be actualized in the automotive sector, which accounts for approximately half of our exports where currently the tariff rate is 5%.
3. Specifically, tariffs on approximately 75% of exported whole vehicles will be abolished immediately. In particular, the tariffs on Japan’s main export items, gasoline-driven vehicles (from 1,500cc to 3,000cc) will be eliminated immediately and entirely. Besides, the tariffs on other types of vehicles will be abolished in the third year, regarding automotive parts, in addition to the immediate removal of some tariffs, all classes of automotive parts tariffs will be largely eliminated within three years.
4. Along with elimination of tariffs, high-level agreements in a broad range of fields were achieved, including the stable supply of resources and energy including natural gas and coal, the liberalization of investment and trade in services, the improvement of rules for electronic commerce and government procurement, and the protection of intellectual

property rights.

5. Japan and Australia share a close and critical economic relationship, and this EPA is a valuable framework for strengthening future trade and investment between our nations. The Ministry of Economy, Trade and Industry (METI) will continue its utmost efforts to achieve the signing and entry into force of the Japan- Australia EPA at the earliest possible date.

(d) Japan-Canada EPA (under negotiations)

For the EPA with Canada, four joint studies have been conducted from March 2011 to January 2012 and a joint study report has been issued. At the Japan-Canada summit in March 2012, the commencement of bilateral EPA negotiations for the substantial economic benefits of both countries were agreed upon based on the joint study report. The first negotiation meeting was held in November 2012, and mostly recently the fourth in November 2013. Of the total export value, 44.8% (2012) of Japan's exports to Canada are subject to tariffs and 30.5% (2012) of exports from Canada to Japan are subject to tariffs. The major tariff items among exports to Canada and their tariff rates are: automobiles (6.1%); automobile parts (6~8.5%); and tires (6.5~7%).

(e) Japan-Mongolia EPA (under negotiation)

Concerning the EPA with Mongolia, in the working level discussion conducted between governments in January 2010, the launch of government-private joint study was decided. The joint study meetings were conducted from June 2010 to March 2011. The final report of the joint study was completed in March 2011, proposing the immediate commencement of EPA negotiations to the leaders of Japan and Mongolia.

After the completion of the final report of the joint study, Prime Minister Batbold and Prime Minister Noda agreed to commence negotiations for a Japan-Mongolia EPA at the summit meeting in March 2012 in order to develop mutually beneficial and complementary relations.

Since then, both countries held the first negotiation meeting in June 2012, and most recently the fifth in December 2013. Also, at the Japan-Mongolia telephone conference in January 2014, both countries agreed to an intensive negotiation for an early conclusion.

If the Japan-Mongolia EPA concludes, it will be the first EPA/FTA for Mongolia (as of February 2014, Mongolia has not signed a single EPA/FTA with any country). This will not only contribute to the strengthening of the political and economic connection between the two countries, but will also become an important step toward the construction of "Strategic Partnership" mentioned in the Japan-Mongolia joint statement made in November 2010.

(f) Japan- Colombia EPA (under negotiation)

An EPA between Japan and Colombia was proposed to the Colombian president in 2008 and to the Japanese Prime Minister in 2009 by the Japan-Colombia Wise Persons Group, which was established in 2008 and consists of those representing industry-academia-government in the two countries. While the Colombian government upholds liberalizing policy of the economy, it has also signed FTAs with the EU and Korea in addition to the FTAs with Central American countries, the US, and Canada that have entered into force.

In such circumstances this situation, the investment treaty negotiation between Japan and Colombia, which was commenced based on the proposal by Japan-Colombia Eminent Persons Group, reached substantial agreement in December 2010. A signature ceremony was held when the Colombian President visited Japan in September 2011. Furthermore, the launch of a joint study for an EPA was agreed upon at the Japan-Colombia summit meeting. The joint study meetings were held from November 2011 to May 2012 and a report summarizing that the EPA will bring numerous benefits to both countries was issued in July 2012.

Based on the joint study report, both countries agreed to commence EPA negotiations at the Japan-Colombia summit held in September 2012 and the first negotiation meeting was held in December of the same year. Most recently, the fourth negotiation meeting was held in February 2014.

(g) Japan-Turkey EPA (Launched Negotiations)

In July 2012, the first Japan-Turkey Trade and Investment ministerial meeting was held and both countries agreed to commence a joint study regarding the possibility of a Japan-Turkey EPA. The first joint study meeting was held in November 2012 and the second in February 2013. In July of the same year, a report of the joint study meeting recommending that the Japanese and Turkish governments commence EPA negotiations was published.

In response to this report, at the Japan-Turkey summit meeting held in January 2014, both governments agreed to commence EPA negotiations.