

Japan has recorded a trade deficit for three consecutive years and its current account surplus has been diminishing. Under these circumstances, it is becoming increasingly important to enhance the business environment both within Japan and overseas, in order to bolster the competitiveness of Japanese industry. To strengthen competitiveness, the government has been selectively implementing measures to promote renovation of industries by revitalizing capital investment in the private sector and venture capital investment, for example, as well as promoting innovation and the sustainable development of SMEs and micro enterprises. However, the strengthening of international competitiveness among Japanese companies also requires the restructuring of business models to respond to changes in the global business environment, breaking free from the business models that dominated the high growth period.

More specifically, it is necessary to rebuild business models to take account of the new pattern of value creation that seeks to balance the speed of business with efforts to expand its scale and enhance its diversity. In the case of the middle-ranking SMEs that support Japanese industry and regional economies, it is vital to provide backing to companies that are trying to adapt to changes in the global environment, such as Global Niche Top Companies that have secured a large share of the global market and high earning capacity by concentrating their management resources on a limited specialist field.

Continued efforts to implement Japan's Strategy of Global Outreach are vital in order to promote exports by these Global Niche Top companies and expand opportunities for citizens and companies doing business overseas to enjoy the fruits of global economic growth. Part III introduces the three pillars of the Strategy of Global Outreach, namely efforts to build economic partnerships, the Emerging Countries Strategy, and the promotion of foreign direct investment in Japan.

## **Chapter 1 Worldwide expansion of economic partnership networks**

### **Section 1 Strengthening links to the global economy via economic partnerships (EPA/FTA)**

#### **1. The Effects of economic partnerships (EPA/FTA)<sup>1</sup>**

For export companies located in Japan, promoting economic partnerships helps to maintain or increase the competitiveness of exports through the elimination or reduction of tariffs, among other measures. On the other hand, for companies based overseas that are investing or providing services in Japan, economic partnerships put in place an environment that makes it easier to develop their business in other countries.

For example, in the case of exports, tariff reductions increase the competitiveness of exports from Japan. For instance, Mexico imposes a tariff of 20% on passenger cars, while Malaysia imposes a 30% tariff on air conditioners and Indonesia imposes a 10% tariff on bulldozers, but these tariffs are reduced to zero if an EPA is utilized. Moreover, the conclusion of wide-area EPAs between multiple countries or regions has the advantage of making EPAs more user-friendly for companies within the region, because they unify the requirements and procedures that are determined separately for each EPA. For example, unifying the requirements and procedures for enabling companies to utilize EPAs to benefit from a tariff reduction (called “the rules of origin”) within a particular region reduces companies’ administrative costs, while broadening the range of countries in which EPAs can be utilized. Other advantages of wide-area EPAs include easier utilization of EPAs in relation to products manufactured in multiple countries within the region and the ability to consolidate cargo at logistics hubs within the region for onward distribution.

For companies that do business overseas, EPAs/FTAs increase the stability of overseas investment, because governments make commitments to each other on such matters as protecting foreign investment assets, ensuring that any profits made from overseas business can be freely repatriated to Japan, limiting or prohibiting regulations obliging companies to employ local workers, and regulating government intervention in technology transfer agreements concluded between private sector companies.

In addition, for companies that are expanding service industries overseas, they stipulate rules that

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<sup>1</sup> EPAs (Economic Partnership Agreements) / FTAs (Free Trade Agreements) are bilateral or multilateral international agreements that contain provisions regarding such matters as the reduction/abolition of tariffs on goods, the liberalization of trade in services, the enhancement of the investment environment and the establishment of a forum of discussing improvements to the business environment, with the objective of strengthening economic relations in a wide range of areas.

There is no strict distinction between EPAs and FTAs, with recent FTAs containing such elements of EPAs as provisions concerning the enhancement of the investment environment (as seen in the U.S.-ROK FTA, for example). The EU uses the term in a slightly different way, referring to all of the FTAs that it has concluded with former colonies as EPAs.

give Japanese companies peace of mind when doing business, such as prohibiting restrictions on the investment of foreign capital and requirements concerning the establishment of bases, and ensuring the transparency of procedures based on public comment and other processes.

In addition, Japan's EPAs contain a provision regarding the establishment of "Committees for the Improvement of the Business Environment<sup>2</sup>," as a framework for improving the business environment in the contracting parties. Participants in each Committee for the Improvement of the Business Environment include not only government representatives, but also representatives of private sector companies, enabling the various business-related problems faced by Japanese companies doing business overseas to be discussed face-to-face with representatives of the government of the counterpart country. Outcomes of discussions by these Committees for the Improvement of the Business Environment include an agreement with Mexico concerning the establishment of an anti-counterfeiting hotline, and increased patrols and security cameras to improve security in Malaysia. Column 13 describes the recent achievements of Committees for the Improvement of the Business Environment.

## **2. Overall trends in economic partnership (EPA/FTA)**

Since the 1990s, moves toward regional integration have accelerated, due to the international economic environment and changes in each country's development strategy, and the number of EPAs and FTAs concluded has been growing by the year. Factors behind this include (i) more active moves by the countries of the West to seek economic partnerships with neighboring countries with which they have strong economic ties, through the liberalization and facilitation of trade and investment (e.g. the U.S. and the EC respectively accelerated moves for the establishment of NAFTA (entered into force in 1994) and the EU (founded in 1993)); (ii) the fact that, amid high growth achieved by NIEs and ASEAN through their early promotion of economic deregulation, emerging economies such as Chile, Mexico and Peru adopted a strategy of utilizing EPAs/FTAs as part of their policy shift toward the liberalization of trade and investment, and the introduction of the market mechanism; and, furthermore, (iii) the fact that, since the 2000s, major countries worldwide have actively sought to conclude EPAs/FTAs in order to expand trade and investment, in light of the stagnation of the Doha Round of WTO negotiations. The number of reports of regional trade agreements (RTA)<sup>3</sup> in accordance with Article XXIV of GATT, among other provisions, was less than 27 in 1990, but had risen to 583 as of January 2014<sup>4</sup>.

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<sup>2</sup> The actual name used for these committees differs from one EPA to another; for example, the relevant committee is called the Committee for the Improvement of the Business Environment in the Japan-Mexico EPA, the Sub-Committee on Promotion of a Closer Economic Relationship in the Japan-Switzerland EPA, and the Sub-Committee on Improvement of the Business Environment in the Japan-Peru EPA. In this White Paper, they are referred to by the generic term "Committees for the Improvement of the Business Environment."

<sup>3</sup> Regional Trade Agreement (RTA): The generic term used for agreements including EPAs/FTAs and customs unions, in which specific countries and regions make a commitment to trade liberalization.

<sup>4</sup> See the WTO website ([http://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm)).

### **3. Economic integration in the Asia-Pacific region and FTA trends worldwide**

In the East Asia and Asia-Pacific region, moves toward the conclusion of FTAs intensified after Japan brought an EPA with Singapore into force in 2002. Singapore, Malaysia, Republic of Korea (hereafter referred to as “ROK”), and China were among those that brought into force numerous FTAs with countries and regions within and outside East Asia over the next few years, through to the latter half of the 2000s.

In 2010, tariffs among the six original members of ASEAN (Indonesia, Singapore, Thailand, Philippines, Malaysia, and Brunei Darussalam) were abolished, as a general rule. In addition, all of the ASEAN+1 FTAs entered into force in the goods sector, which is said to have taken East Asian FTAs to a new level. ASEAN+1 FTAs are the FTAs that ASEAN has concluded individually with six surrounding countries (Japan, China, ROK, India, Australia, and New Zealand (hereafter NZ)), covering East Asia with a network of FTAs that has ASEAN as its hub.

Aided in part by the development of this FTA network, the division of labor between processes and the consolidation and optimal arrangement of production bases has progressed accordingly within East Asia and within the Asia-Pacific region as a whole, when the final consumption markets are taken into account (Figure III-1-1-1). However, achieving further tariff reductions on the basis of a unified schedule and standardization of various rules regarding business activities through wide-area economic partnerships would provide additional backing to efforts by companies to create more advanced supply chains spanning the whole region.

In particular, in the Asia-Pacific region, APEC member countries and regions are aiming to establish the FTAAP (Free Trade Area of the Asia-Pacific); as pathways to it, parallel initiatives are being undertaken such as the TPP (Trans-Pacific Partnership), the RCEP (Regional Comprehensive Economic Partnership), and the China-Japan-ROK FTA.

Negotiations regarding the China-Japan-ROK FTA and the RCEP respectively began in March and May 2013, while negotiations between the U.S. and the EU concerning the TTIP (Transatlantic Trade and Investment Partnership) got underway in July 2013. As of May 2014, various economic partnership initiatives are progressing concurrently, aimed at linking North America, Europe, and the Asia-Pacific region (Figure III-1-1-3). It is hoped that these initiatives will create a highly synergistic effect, acting as a mutual stimulus to facilitate the development of worldwide rules for trade and investment through the conclusion of high-level EPAs/FTAs between developed countries as well.

Figure III-1-1-1 Supply chains in East Asia

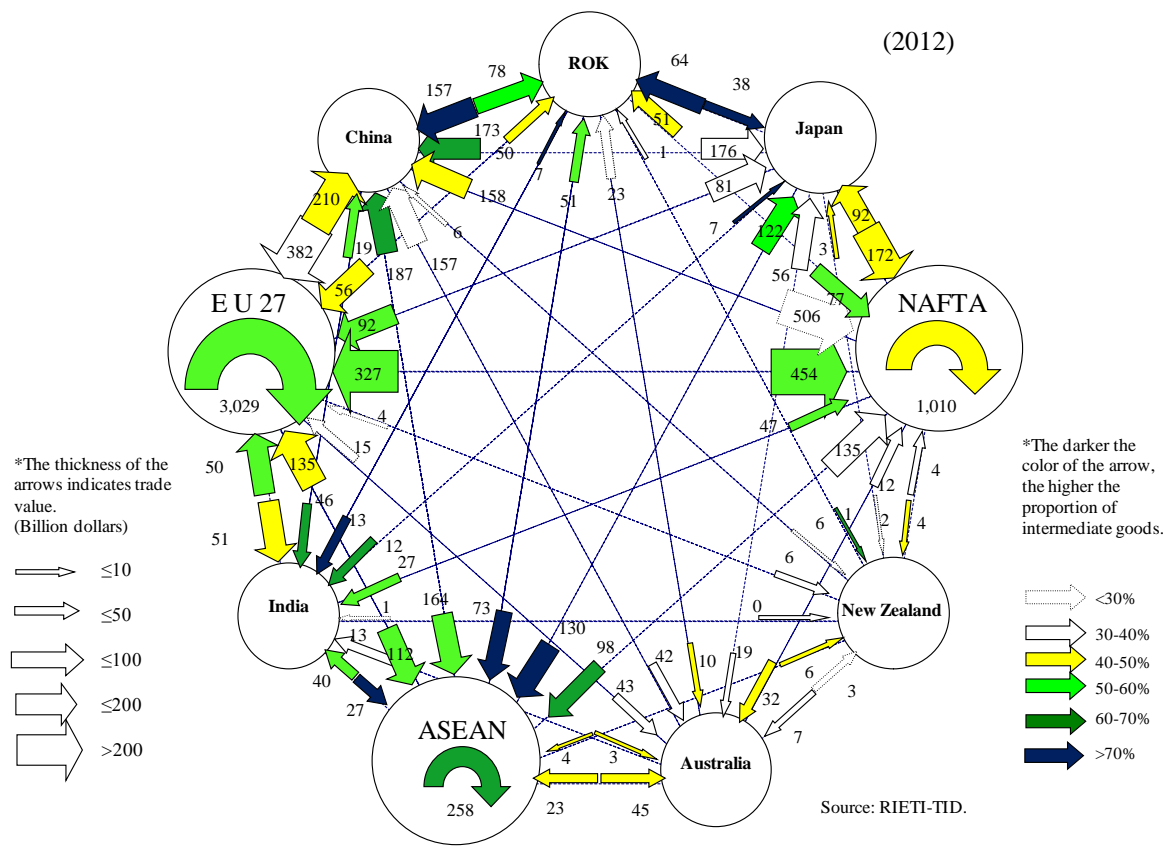


Figure III-1-1-2 The FTAAP roadmap

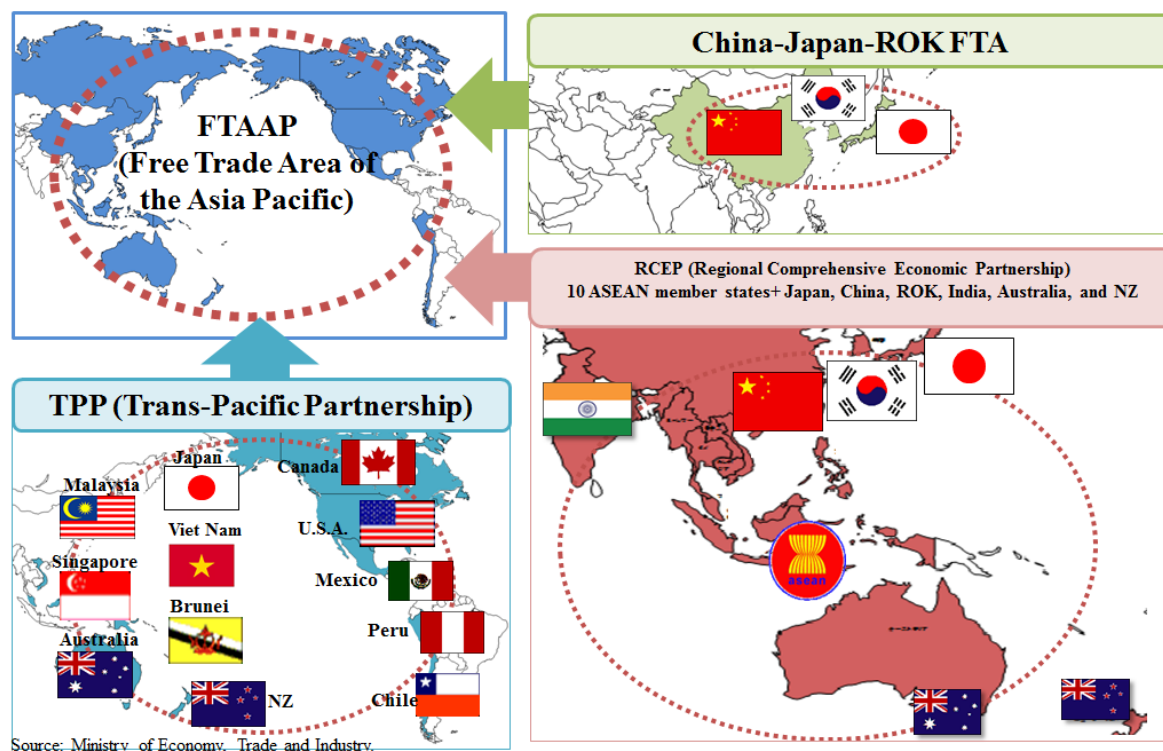
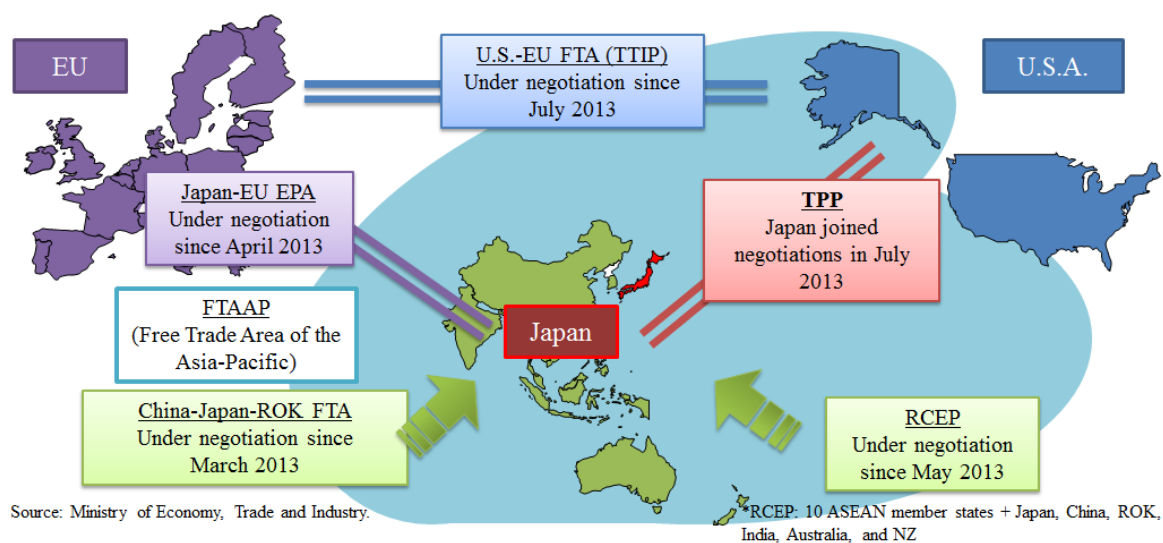


Figure III-1-1-3 Global FTA trends

- As well as the Japan-EU EPA, the U.S.-EU FTA (TTIP) is under negotiation.
- In the Asia-Pacific region, the China-Japan-ROK FTA, the RCEP (\*), and TPP are under negotiation.
- The conclusion of high-level EPAs/FTAs between developed countries will facilitate the development of worldwide rules for trade and investment.



#### **4. The development of Japan's EPA networks**

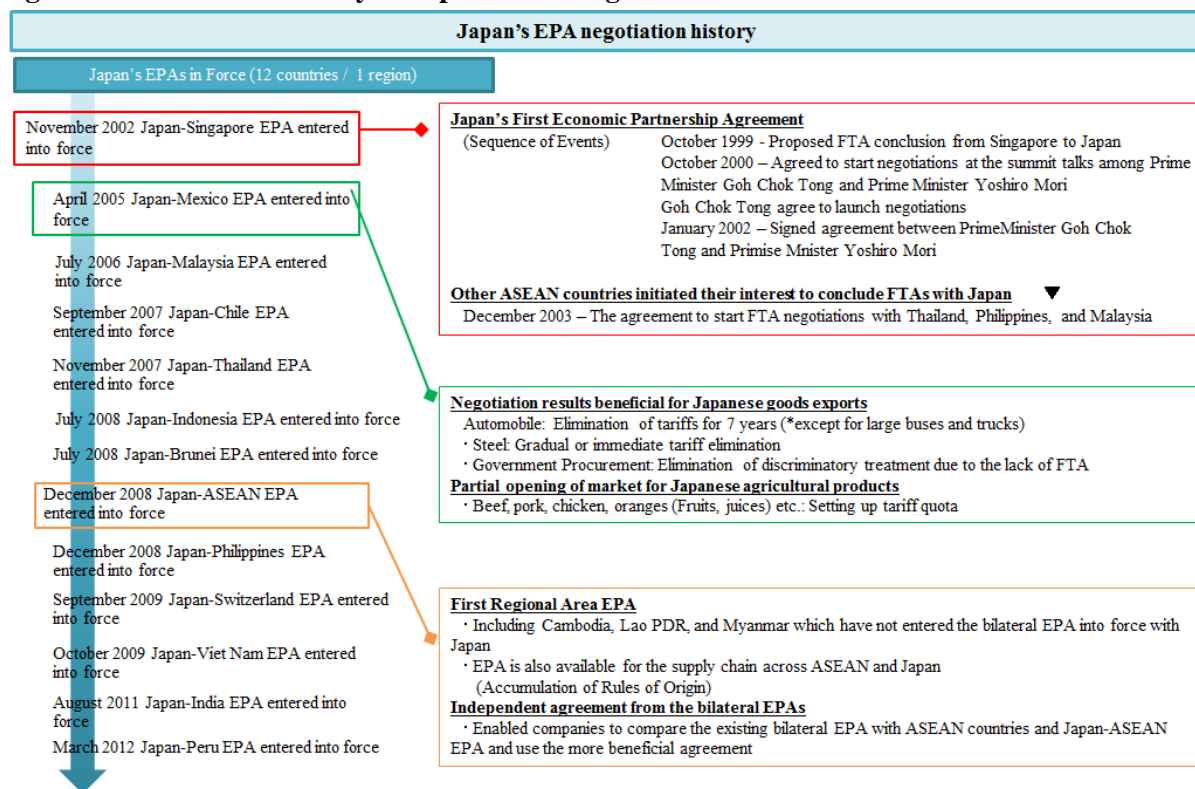
So far, Japan has brought EPAs with 13 countries and regions into force, with a substantive agreement being reached on the Japan-Australia EPA in April 2014. In addition, negotiations with another four countries and six regions (TPP, RCEP, AJCEP chapters on trade in services and investment, China-Japan-ROK FTA, Japan-EU EPA, Japan-Mongolia EPA, Japan-Canada EPA, Japan-Colombia EPA, Japan-ROK EPA (negotiations currently suspended), and Japan-GCC FTA (negotiations currently postponed; the GCC is reviewing its stance on FTAs in general at present)) are currently underway. Negotiations regarding the AJCEP chapters on trade in services and investment have been ongoing since October 2010 and a substantive agreement on the rules for these was reached in December 2013. Furthermore, the Japan-Turkey EPA launched negotiations in January 2014 (Figures III-1-1-4 and III-1-1-5).

Promoting the expansion of free trade and economic partnerships is the key pillar of Japan's international trade policy; in particular, it would be fair to say that tapping into the Asia-Pacific region's growth and major markets by promoting such wide-area EPAs as the TPP, the RCEP, the China-Japan-ROK FTA, and the Japan-EU EPA, thereby drawing an economic partnership network across the entire globe, is essential to Japan's growth.

The Japan Revitalization Strategy (the Cabinet decision on June 14, 2013) also stipulates that "the government will raise the FTA coverage ratio (proportion of the value of trade accounted for by trade with FTA counterpart countries) from the current 19% to 70% by 2018," so the government is continuing to engage in negotiations.

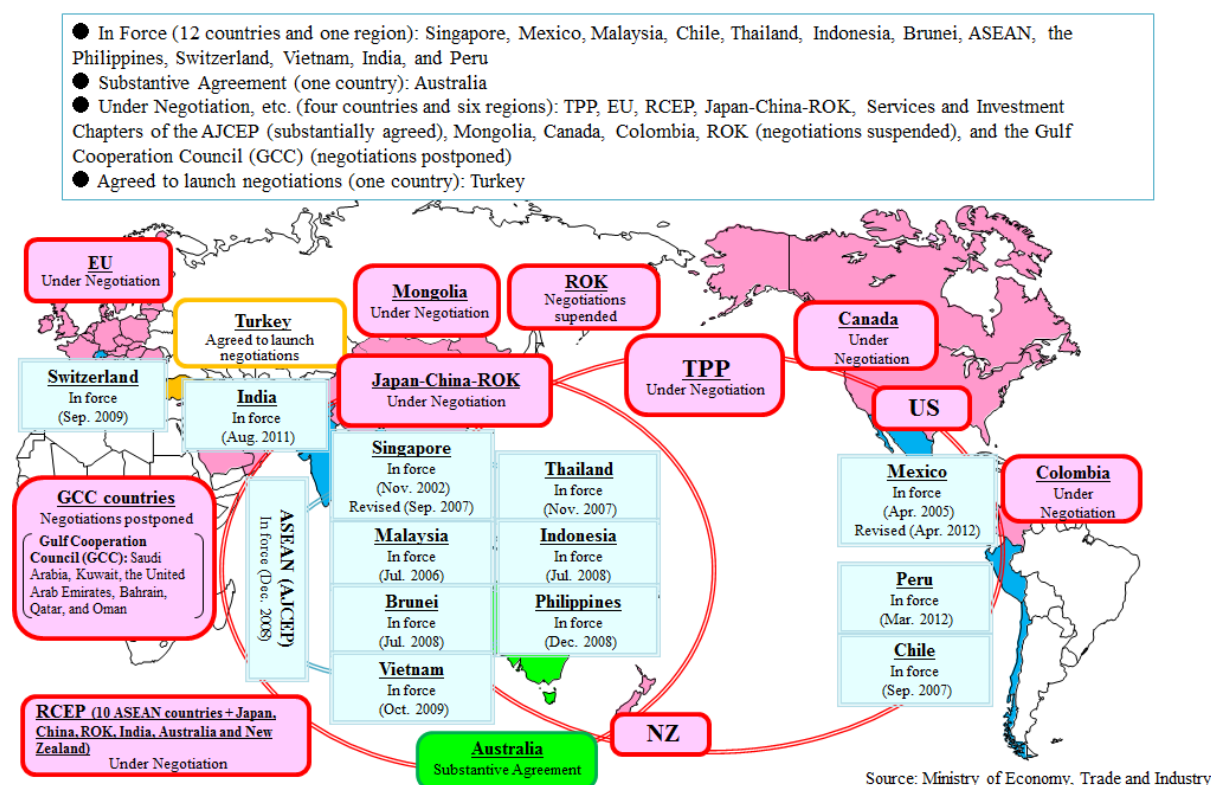
The following provides an introduction to the current development of Japan's economic partnership networks, examining (1) economic partnerships with countries and regions with large markets, and (2) other economic partnership initiatives.

Figure III-1-1-4 The history of Japan's EPA negotiations



Source: Ministry of Economy, Trade and Industry.

Figure III-1-1-5 The status of Japan's EPA initiatives



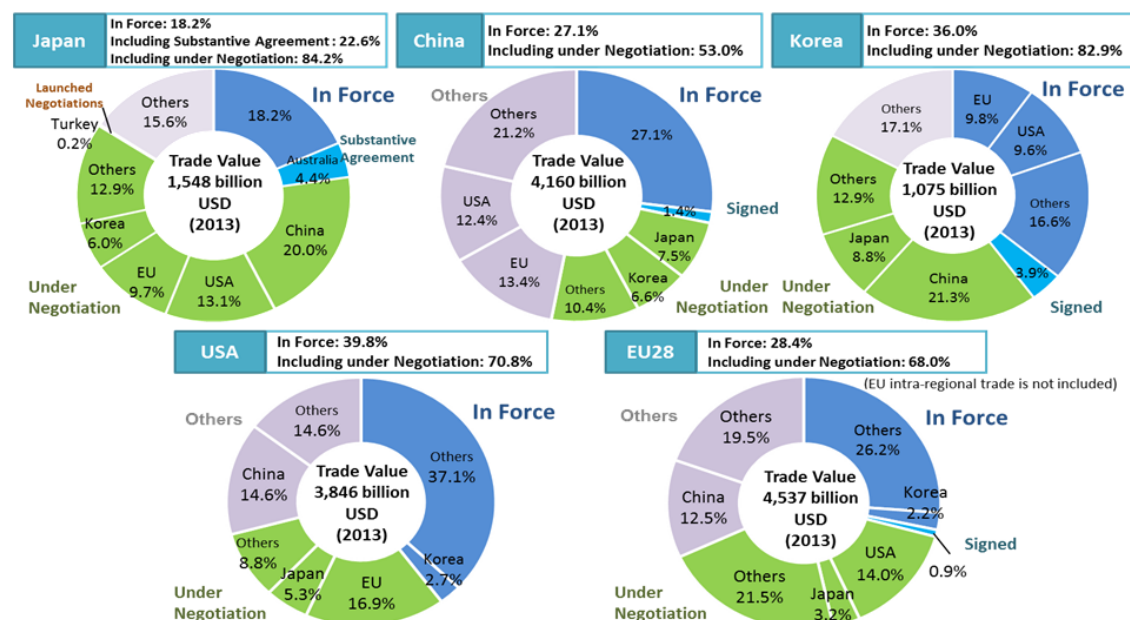


**Figure III-1-1-6 The status of EPA negotiations**

		2010	2011	2012	2013	2014	Current situation
Asia-Pacific	TPP (under negotiation)	November Talks to gather information	November Talks begin with a view to taking part in negotiations		March Participation in negotiations announced	July Japan joined negotiations	April 14, Japan-U.S. Summit Meeting.
	Japan, China, and ROK (under negotiation)	May Joint research by industry, government & academia		November Start of negotiations announced	March Negotiations begin		March 14, 4th round of negotiations held.
	RCEP (under negotiation)	Deliberations by governments (ASEAN+3 & ASEAN+6)	RCEP proposed by ASEAN	November Start of negotiations announced	May Negotiations begin		March-April 14, 4th round of negotiations held.
	Australia (substantive agreement)	April 07 Negotiations begin				April Largely agreed	April 14, Japan-Australia Summit Meeting, substantive agreement reached.
	Canada (under negotiation)		March Joint research	March Start of negotiations announced	November Negotiations begin		March 14, 5th round of negotiations held.
	Mongolia (under negotiation)	June Joint research		March Start of negotiations announced	June Negotiations begin		April 14, 6th round of negotiations held.
	ROK (negotiations suspended)	Working-level talks aimed at resuming negotiations					Negotiations suspended since November 04. Working-level talks are taking place, aimed at resuming negotiations.
	AJCEP chapters on services and investment (substantive agreement)	October Negotiations begin			December Substantive agreement		June 14, 12th round of negotiations held.
		*AJCEP has entered into force everywhere except Indonesia, as of May 2014.					
Europe	EU (under negotiation)	July Joint deliberations	May Scoping		March Start of negotiations announced	April Negotiations begin	March-April 14, 5th round of negotiations held.
Latin America	Colombia (under negotiation)		November Joint research	September Start of negotiations announced	December Negotiations begin		May 14, 5th round of negotiations held.
Middle East	GCC countries (negotiations postponed)	The GCC is reviewing its stance on FTAs in general					The GCC is reviewing its stance on FTAs in general.
	Turkey (agreed to begin negotiations)			July Joint research		January Agreement to start negotiations	January 14 Agreement to launch negotiations.

Source: Ministry of Economy, Trade and Industry.

**Figure III-1-1-7 Comparison of FTA coverage ratio**



The items (Japan, China, Korea, USA, EU28) are arranged in descending order (clock-wise) of trade value per country within each progress status of negotiations. - When a country is in both bilateral FTA and plurilateral FTA negotiations with the same country at the same time. - Trade Values Reference: Global Trade Atlas (2013). - The item is classified in more progressed status (in force → signed → under negotiation → others). - Percentages of items are calculated on rounded data, which may not necessarily add up to 100%.

Source: Ministry of Economy, Trade and Industry

## **(1) Economic partnerships with countries and regions with large markets**

[TPP (Trans-Pacific Partnership)] (under negotiation)

### **(A) History of TPP negotiations**

In 2005, Singapore, NZ, Chile, and Brunei Darussalam signed the Trans-Pacific Strategic Economic Partnership (P4) Agreement, which entered into force in 2006. In March 2010, the TPP negotiations began, with the participation of the U.S., Australia, Peru, and Viet Nam, in addition to the aforementioned four countries.

They were subsequently joined by Malaysia (October 2010), Mexico (October 2012), and Canada (October 2012), with Japan joining the negotiations in July 2013. As of May 2014, a total of 12 countries were participating in the negotiations.

The 16th round of negotiations was held in Singapore in March 2013, the 17th in Peru in May, the 18th in Malaysia in July, and the 19th in Brunei Darussalam in August.

The APEC Leaders Meeting was held that October in Bali, Indonesia. During this event, meetings of the leaders and ministers of the 12 countries participating in TPP negotiations were held, the leaders issued a statement, and the trade ministers issued a report to the leaders. The leaders' statement announced that "We have agreed that negotiators should now proceed to resolve all outstanding issues with the objective of completing this year a...regional agreement...."

Following talks in November by TPP chief negotiators in Salt Lake City in the U.S., TPP ministerial meetings were held in Singapore in December 2013 and February 2014. After the February ministerial meeting, "Statement of the Ministers and Heads of Delegation for the Trans-Pacific Partnership Countries" (Figure III-1-1-8) was issued.

### **(B) Issues covered in TPP negotiations**

TPP is an ambitious attempt to lay the foundations for establishing a new 21<sup>st</sup> century economic integration rules on Asia Pacific region. It is anticipated that creating new rules covering not only high-level tariff elimination or reduction, but also a wide range of other issues, including trade in services, investment, intellectual property, financial services, e-commerce, environment, and competition policy, as outlined in the 21 issues in Figure III-1-1-9<sup>5</sup>, will facilitate the creation of an immense value chain that covers the whole of the fast-growing Asia-Pacific region.

### **(C) Japan's participation in TPP negotiations**

At the Japan-U.S. Summit Meeting held in February 2013, Prime Minister Abe and President Obama discussed Japan's participation in TPP negotiations and explicitly confirmed that 1) both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the U.S., 2) the final outcome will be determined during the negotiations, and 3) it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining

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<sup>5</sup> Press releases by the USTR and others sometimes counts the number of the chapters as "29". Note that how the number of working groups and issues of negotiations are counted differs from one round of negotiations to another, so the number of chapters in the agreement will not necessarily equal to the number of them.

the TPP negotiations. The two leaders issued the Joint Statement by the United States and Japan (Figure III-1-1-10) to this effect.

In light of such moves, Prime Minister Abe held a press conference on March 15, at which he announced Japan's participation in the TPP negotiations, and notified the relevant countries of this fact.

Furthermore, on April 12, discussions with the U.S. concerning Japan's participation in the TPP negotiations were confirmed to have been concluded successfully. (See Summary of the Agreement Reached in Japan-U.S. Talks (Figure III-1-1-11)).

#### **(D) Initiatives after Japan joined the TPP negotiations**

In March 2013, Prime Minister Abe announced that Japan would participate in the TPP negotiations; following the bilateral discussions with all of the participating countries, Japan's participation officially began at the round held in Malaysia in July 2013. Although Japan was the last of the 12 countries to join the negotiations, it has already played a major role in moving them forward.

At the ministerial meeting held in Singapore in February 2014, considerable progress was made in the area of rules, and intensive negotiations took place regarding all aspects of market access, including not only goods, but also services, investment, and government procurement. Minister Akira Amari, who has the responsibility for the matters concerning TPP, and U.S. Trade Representative Michael Froman held two rounds of talks, and agreed that working-level negotiations would continue, with a view to resolving the outstanding issues between Japan and the U.S. (See Outline of the Results of the TPP Ministerial Meeting in Singapore (Figure III-1-1-12))

In light of the fact that Prime Minister Abe and President Obama had agreed to expedite TPP negotiations during their March 2014 talks at The Hague, in the Netherlands, Japan and the U.S. conducted intensive negotiations concerning issues outstanding between the two countries.

In April, Japan and the U.S. conducted almost 40 hours of ministerial negotiations (between Minister Amari and U.S. Trade Representative Froman), and ministerial discussions also took place before and after the April 25 Japan-U.S. Summit Meeting during President Obama's state visit to Japan.

As a result, as well as identifying a path forward on important bilateral TPP issues, Japan and the U.S. called upon all TPP partners to move as soon as possible to take the necessary steps to conclude the agreement, based on their recognition that Japan-U.S. cooperation in facilitating the early conclusion of TPP is vital (see U.S.-Japan Joint Statement (Figure III-1-1-13)).

**Figure III-1-1-8 Report on the results of the TPP ministerial meeting in Singapore**

JOINT PRESS STATEMENT – TPP MINISTERIAL SINGAPORE 22-25, FEB 2014	
<p>We, the Ministers and Heads of Delegation for Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam, have just completed a four-day Ministerial meeting in Singapore where we made further strides toward a final agreement.</p> <p><u>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.</u></p> <p>Following this round of talks, we will return to our capitals to undertake consultations on the outstanding issues.</p> <p>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.</p>	

Source: JOINT PRESS STATEMENT – TPP MINISTERIAL SINGAPORE, 22-25 FEB 2014

**Figure III-1-1-9 Fields covered in TPP negotiations**

## Basic Approach to TPP

(Source: TPP Trade Ministers' Report to Leaders published in September 2012, etc. \*provisional translation)

### 1. High-standard liberalization is the goal

Negotiations have already begun within the context of the roadmap for the Free Trade Area of the Asia Pacific (FTAAP); the goal is high-standard liberalization in the Asia-Pacific region.

### 2. A comprehensive agreement that covers non-tariff fields and new fields

Negotiations are taking place with a view to achieving a comprehensive agreement that covers not only such basic elements of an FTA as market access for goods (elimination/reduction of tariffs on goods) and trade in services, but also the creation of rules in non-tariff fields (investment, competition, intellectual property, government procurement, etc.) and new fields (environment, labor, "horizontal issues," etc.)

<p><b>(1) Market access for goods</b> (negotiating groups on agriculture, textiles/clothing, and industrial goods)</p> <p>Sets out methods for the elimination or reduction of tariffs on trade in goods, as well as prescribing the rules concerning national treatment and other basic rules for trade in goods.</p>	<p><b>(2) Rules of origin</b></p> <p>Prescribes the standards and certification systems for recognizing an item as originating in a contracting party (an item produced in one of the contracting parties), which is eligible for a tariff reduction.</p>	<p><b>(3) Trade facilitation</b></p> <p>Prescribes matters such as improving the transparency of trade rules and streamlining trade procedures.</p>	<p><b>(4) SPS (sanitary and phytosanitary measures)</b></p> <p>Prescribes rules concerning efforts to ensure the safety of foods and the implementation of measures to ensure that animals and plants do not suffer diseases.</p>	<p><b>(5) TBT (technical barriers to trade)</b></p> <p>Prescribes rules to ensure that, where standards have been put in place regarding product attributes and processes for their production in order to guarantee safety or conserve the environment, these do not become an unnecessary barrier to trade.</p>
<p><b>(6) Trade remedies (safeguards, etc.)</b></p> <p>Prescribes temporary emergency measures (safeguards) against a specific product to protect domestic industry in situations where imports of the product concerned have surged, causing harm or the risk of harm to domestic industry.</p>	<p><b>(7) Government procurement</b></p> <p>Prescribes rules concerning the principle of national treatment and bidding procedures in the procurement of goods and services by central or local governments.</p>	<p><b>(8) Intellectual property</b></p> <p>Prescribes such matters as adequate, effective protection of intellectual property, and measures to combat counterfeit goods and pirated copies.</p>	<p><b>(9) Competition policy</b></p> <p>Prescribes matters relating to the strengthening and improvement of competition law and policy, and intergovernmental cooperation to prevent cartels, etc. undermining the advantages of trade and investment liberalization.</p>	<p><b>Services</b></p> <p><b>(10) Cross-border services</b></p> <p>Prescribes rules concerning trade-restrictive measures such as non-discrimination and quantity restrictions on the provision of services across national borders (trade in services), as well as improving market access.</p>
				<p><b>(16) Environment</b></p> <p>Prescribes that environmental quality standards shall not be relaxed for the purpose of promoting trade and investment.</p>
<p><b>Services</b></p> <p><b>(11) Temporary entry</b></p> <p>Prescribes rules concerning the requirements and procedures for entry and temporary residence by natural persons involved in trade, investment or other business.</p> <p><b>(12) Financial services</b></p> <p>Prescribes the definitions and rules unique to the financial services field in relation to the provision of cross-border financial services.</p> <p><b>(13) Telecommunications</b></p> <p>Prescribes rules concerning the obligations of major telecommunications service providers that own telecommunications infrastructure</p>			<p><b>(14) Electric-commerce</b></p> <p>Prescribes the principles required for enhancing the environment and rules for electric commerce.</p>	<p><b>(15) Investment</b></p> <p>Prescribes such matters as the principle of non-discrimination between domestic and overseas investors (national treatment, most-favored nation treatment), and procedures for the settlement of disputes regarding investment.</p>
<p><b>(17) Labor</b></p> <p>Prescribes that labor standards should not be relaxed for the purpose of promoting trade and investment.</p>	<p><b>(18) Institutional issues</b></p> <p>Prescribes matters concerning the establishment of a joint committee that would enable the parties concerned to discuss such matters as the operation of the agreement, as well as the authority of such a committee.</p>	<p><b>(19) Dispute settlement</b></p> <p>Prescribes procedures of the settlement of disputes between contracting parties arising from differences in their interpretations of the</p>	<p><b>(20) Cooperation</b></p> <p>Prescribes matters such as the provision of technical support and human resource development to countries that lack domestic institutional capacity to fulfill the provisions of the agreement.</p>	<p><b>(21) Horizontal issues</b></p> <p>Establishes provisions to ensure that rules and regulations spanning multiple fields do not pose a barrier to trade.</p>

Source: Current Status of TPP Agreement Negotiations (explanatory materials) (Government Headquarters for the TPP, Cabinet Secretariat).

**Figure III-1-1-10 Joint statement by Japan and the U.S. (dated February 22)**

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.

Source: Joint Statement by Japan and the U.S. (February 22, 2013).

**Figure III-1-1-11 Summary of the Agreement Reached in Japan-U.S. Talks (dated April 12)  
(Government Headquarters for the TPP, Cabinet Secretariat)**

\*provisional translation

- 1 The two Governments have confirmed that Japan will join the other participating countries in achieving a comprehensive, high-standard agreement, as described in the Outlines of the TPP Agreement, and that Japan and the U.S. will work together to further enhance economic growth, expand bilateral trade, and strengthen the rule of law.
  - 2 To this end, the two Governments have decided to address in parallel to the TPP negotiations a number of key non-tariff measures. These include insurance, transparency/trade facilitation, investment, standards, and SPS (\*).
  - 3 In relation to the longstanding concerns that the U.S. has continually expressed regarding trade in the motor vehicle sector, the two Governments have
    - (1) decided to conduct negotiations on motor vehicle trade in parallel to the TPP negotiations.  
Matters to be discussed include transparency, distribution, standards, green/new technology vehicles, and financial incentives.
    - (2) confirmed that, in conducting the TPP market access negotiations, U.S. 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.
  - 4 Japan and the U.S. look forward to working together closely in the TPP negotiations on rules and market access, recognizing that both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the U.S.
- (\*) Japan and the U.S. will work together on the SPS issues in the parallel bilateral negotiations pursuant to the WTO SPS Agreement.

Source: Summary of the Agreement Reached in Japan-U.S. Talks (April 12, 2013)

**Figure III-1-1-12 Outline of the results of the TPP ministerial meeting in Singapore**

February 25, 2014 Government Headquarters for the TPP, Cabinet Secretariat *provisional translation
<p>○ Japan's Minister of State for Economic Revitalization, Akira Amari, attended the TPP Ministerial Meeting held in Singapore between February 22 and 25.</p> <p>○ At this Ministerial Meeting, <b><u>plenary sessions were held concerning the areas of SPS, investment, financial services, legal and institutional issues, state-owned enterprises, electric-commerce, market access (goods, textiles, services/investment, financial services, government procurement, and temporary entry), rules of origin, trade facilitation, and intellectual property</u></b>, with the aim of resolving outstanding issues in each area.</p> <p>○ Moreover, as well as the plenary sessions, <b><u>the Minister held bilateral talks</u></b> with Malaysia, Vietnam, Australia, Brunei Darussalam, Singapore, the U.S., Canada, Peru, New Zealand, and Mexico, <b><u>at which outstanding issues in bilateral negotiations were discussed</u></b>.</p> <p>○ <b><u>In regard to rules, there was substantial progress in many areas</u></b>, including those in which difficult issues had been left outstanding until now. Moreover, negotiators were given specific instructions aimed at the resolution of issues.</p> <p>○ Each country conducted bilateral negotiations regarding market access, intensively discussing all aspects of this area, including not only goods, but also services, investment, government procurement, and temporary entry. Japan too held bilateral negotiations with all participating countries, moving ahead with substantive discussions.</p> <p>○ Throughout the bilateral negotiations and the plenary sessions, the Minister sought the understanding of each country regarding the question of Japan's five key agricultural products, tenaciously explaining that there were sensibilities around these products, due to resolutions by the agriculture and fisheries committees of both House of Councillors, The National Diet and The House of Representatives of Japan.</p> <p>○ In addition, Japan repeatedly stressed Japan's view that the TPP negotiations cover a wide range of fields, encompassing not only the elimination of tariffs on goods, but also market access in general in relation to services, investment, government procurement, and temporary entry, as well as matters relating to rules, so participants should aim to achieve a comprehensive, well-balanced agreement.</p> <p>○ <b><u>Minister Amari and U.S. Trade Representative Michael Froman held two rounds of talks, while working-level negotiations also continued during this period</u></b>. Although there are still some gaps between them, their meetings facilitated talks in greater depth. They agreed that working-level negotiations would continue, with a view to resolving the outstanding issues between Japan and the U.S.</p> <p>○ This meeting helped to foster a common momentum and relationships of trust aimed at working together to create a new 21st century economic integration agreement in Asia-Pacific region, while taking into account the political difficulties faced by each country. Negotiations are entering their final phase, so Japan will continue to do its utmost to achieve an early conclusion, working alongside the other countries involved.</p>

Source: Government Headquarters for the TPP, Cabinet Secretariat.

**Figure III-1-1-13 U.S.-Japan joint statement <extract concerning TPP>**

April 25, 2014 The United States and Japan: Shaping the Future of the Asia-Pacific and Beyond
<p>Our joint efforts are grounded in support for an international economic system that is free, open, and transparent, and embraces innovation. In order to further enhance economic growth, expand regional trade and investment, and strengthen the rules-based trading system, the United States and Japan are committed to taking the bold steps necessary to complete a high-standard, ambitious, comprehensive Trans-Pacific Partnership (TPP) agreement. Today <b><u>we have identified a path forward on important bilateral TPP issues</u></b>. This marks a key milestone in the TPP negotiations and will inject fresh momentum into the broader talks. <b><u>We now call upon all TPP partners to move as soon as possible to take the necessary steps to conclude the agreement</u></b>. Even with this step forward, there is still much work to be done to conclude TPP.</p>

Source: U.S.-Japan Joint Statement: Shaping the Future of the Asia-Pacific and Beyond. (April 25, 2014)

**[RCEP (Regional Comprehensive Economic Partnership)] (under negotiation)**

The RCEP aims to create a wide-area economic zone that covers about half of the world's population and accounts for about 30% of its GDP. It is one of the key regional initiatives that will ultimately assist in bringing the FTAAP (Free Trade Area of the Asia Pacific) to fruition.

Advanced supply chains have already been built in East Asia, but further liberalization of trade and investment within the region will play a crucial role in promoting deeper regional economic integration.

If a wide-area EPA covering the whole region were to be created, companies would be able to build production networks that realize optimal strategies for the allocation and siting of production, and it is anticipated that this would strengthen the international competitiveness of production within East Asia. The standardization of rules and streamlining of procedures would also alleviate the burden on companies making use of EPAs.

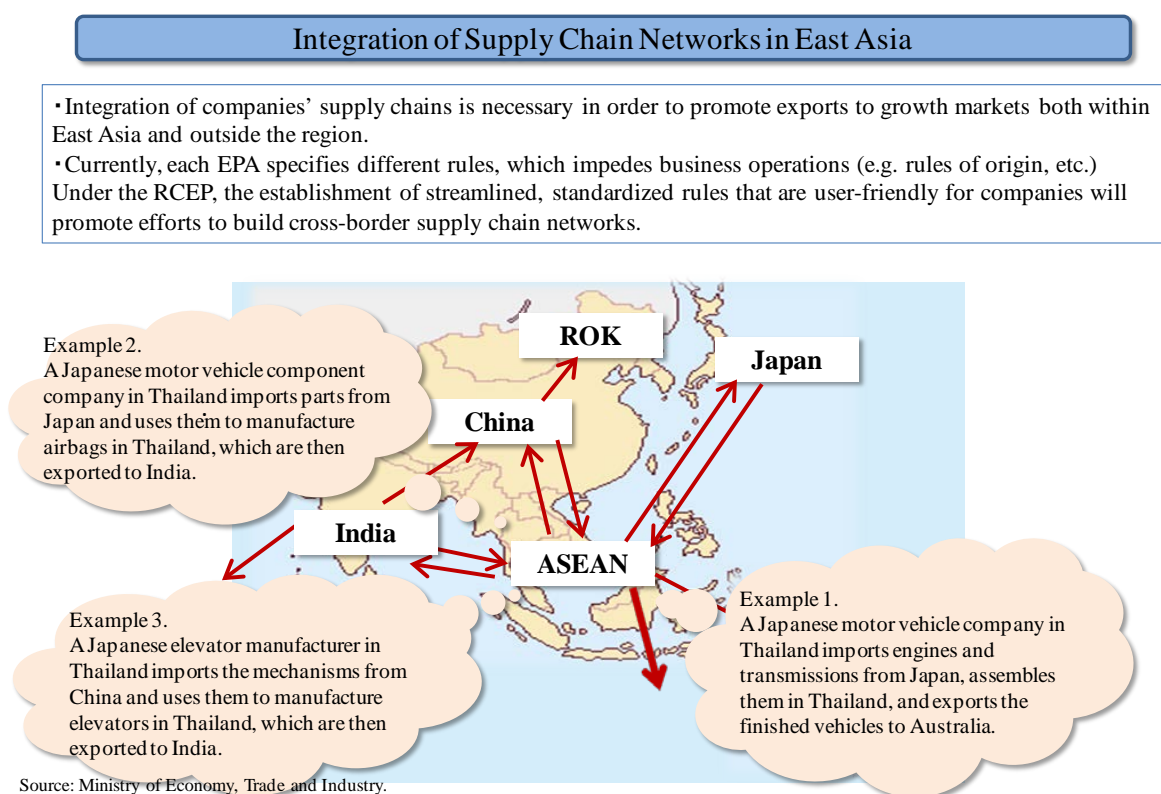
At a November 2012 meeting of the leaders of ASEAN member states and associated nations, the leaders of the 16 countries concerned (the 10 ASEAN member states, plus Japan, China, ROK, India, Australia, and NZ) endorsed the Guiding Principles and Objectives for Negotiating the RCEP (hereinafter "the Guiding Principles") and announced the launch of RCEP negotiations.

The Guiding Principles state that the RCEP will cover trade in goods, trade in services, and investment, as well as intellectual property, competition, economic and technical cooperation, dispute settlement, and other issues, and that the participants will aim for conclusion of an agreement by the end of 2015. The first round of RCEP negotiations took place in May 2013; as well as a plenary meeting of Senior Economic Officials, working group meetings on trade in goods, trade in services, and investment also took place.

The most recent meeting was the fourth round of negotiations, which were held in Nanning, China between March 31 and April 4. Steady progress is being made with discussions, and as well as holding meetings of the working groups (WGs) on trade in goods, trade in services, investment, competition, intellectual property, and economic and technical cooperation, the participants have agreed to establish new sub-WGs focused on STRACAP (Standards, Technical Regulations and Conformity Assessment Procedures) and SPS (Sanitary and Phytosanitary Measures).

The Japanese government is conducting negotiations swiftly and intensively, with a view to the goal of completing the negotiation process by the end of 2015, aiming to achieve a comprehensive, high-level agreement, so that Japan can tap into East Asia's growth and provide support for the overseas expansion of Japanese industry (see The Significance of Participating in RCEP (Figure III-1-1-15)).

**Figure III-1-1-14 Integration of supply Chain networks in East Asia**



**Figure III-1-1-15 History of the RCEP and future plans**

○ November 20, 2012	Launch of RCEP negotiations announced at a meeting of the leaders of ASEAN member states and associated nations
○ 2013	
May 9-13	1st round of negotiations (in Brunei Darussalam)
August 19	1st ministerial meeting (in Brunei Darussalam)
September 24-27	2nd round of negotiations (in Australia)
October 9-10	Meeting of the leaders of ASEAN member states and associated nations (in Brunei Darussalam)
○ 2014	
January 20-24	3rd round of negotiations (in Malaysia)
March 31-April 4	4th round of negotiations (in China)
June 23-27	5th round of negotiations (in Singapore)
August	2nd ministerial meeting (in Myanmar)

Source: Ministry of Economy, Trade and Industry.



**[China-Japan-ROK FTA] (under negotiation)**

Japan, China, and ROK are major economic players worldwide, together accounting for about 20% of the world's GDP and trade value. The China-Japan-ROK FTA would not only encourage trade and investment between the three countries, but also help to bring the FTAAP (Free Trade Area of the Asia Pacific) to fruition.

Following joint research conducted by the private sector (2003-2009) and joint research by industry, government and academia (2010-2011), the leaders of the three nations agreed at the Fifth Japan-China-ROK Summit Meeting in May 2012 that they would begin negotiations on the China-Japan-ROK FTA within the year. The commencement of negotiations was announced at the meeting of economic and trade ministers of Japan, China, and ROK, which was held during the East Asia Summit that November. Four rounds of negotiations took place from March 2013, with discussions covering a wide range of topics, including trade in goods, trade in services, investment, competition, and intellectual property.

At the fourth round of negotiations, which took place in March 2014 in Seoul, ROK, there was a lively discussion of the modality of negotiations concerning tariffs relating to market access for goods. In addition, negotiations based on the draft provisions began in most fields, with in-depth discussion of matters that should be incorporated into the agreement. Thus, discussions are progressing steadily. Japan will continue to engage tirelessly in negotiations, with a view to the conclusion of a comprehensive, high-level agreement.

**Figure III-1-1-16 History of the China-Japan-ROK FTA, future plans, and fields currently under discussion in FTA negotiations (15 issues)**

■ History of the China-Japan-ROK FTA and Future Plans		
○ 2012		
November 20		Agreement to start negotiations early the following year reached at the meeting of economic and trade ministers of Japan, China, and ROK
○ 2013		
March 26-28		1st round of negotiations (in Seoul)
July 30-August 2		2nd round of negotiations (in Shanghai)
November 26-29		3rd round of negotiations (in Tokyo)
○ 2014		
March 4-7		4th round of negotiations (in Seoul)
Summer		5th round of negotiations due to take place (in China)
■ Fields Currently under Discussion in FTA Negotiations (15 fields)		
✓ Working group meetings held (formally discussed issues to be covered FTA negotiations):		
Trade in goods, rules of origin, customs procedures, trade in goods, trade in services, investment, competition, intellectual property, SPS (sanitary and phytosanitary measures), TBT (technical barriers to trade), legal matters		
✓ Expert Working Groups (discussion of topics without any prejudgment of whether they will be dealt with in the FTA):		
E-commerce, government procurement, environment, food		

Source: Ministry of Economy, Trade and Industry.

### **[Japan-EU EPA] (under negotiation)**

Japan and the EU are important economic partners that together account for 10% of the world's population, 20% of the value of global trade, and 30% of its GDP. Accordingly, it would be fair to say that the Japan-EU EPA would not only bring about economic growth for our nation by expanding trade and investment between Japan and the EU, but also assist in the creation of rules for trade and investment worldwide.

As the EU's fundamental emphasis was on the liberalization of trade and investment through multilateral trade negotiations, with a primary focus on GATT/WTO, it adopted the approach of concluding FTAs that progressively reorganized some association agreements aimed at building political mechanisms, and existing preferential trade agreements, focusing mainly on neighboring countries and former colonies. However, the WTO's Doha Round (DDA) of negotiations, which was launched in 2001, has become protracted and the rise of the emerging economies is changing the global economic environment. Accordingly, in October 2006, the European Commission published *Global Europe: Competing in the World*, which set out a policy of using FTAs to secure market access, improvements in non-tariff barriers, and other benefits for European companies, while continuing to regard the WTO as an important platform in the world trade system. Using a comprehensive assessment of (1) market potential (economic scale and growth potential) and (2) level of protection in relation to the EU's export profits (how closed markets in the counterpart country are, the level of tariffs, and non-tariff measures, as well as the situation in terms of the conclusion of FTAs with the EU's competitors) as the criteria for determining which countries are a priority for the conclusion of FTAs, this policy identified ASEAN, ROK, Mercosur (the Southern Common Market of South America, negotiations regarding which began in 2000) as priorities for the conclusion of FTAs, with India, ROK, and the GCC (Gulf Cooperation Council, negotiations regarding which began in 1990) as candidates for FTA negotiations. Based on this strategy, the Council of the EU decided in April 2007 to grant the European Commission the right to negotiate FTAs with ROK, ASEAN, and India; negotiations began that same year<sup>6</sup>. The FTA with ROK was initialed in October 2009 and began to apply provisionally in July 2011. In addition, in recent years, moves toward the strengthening of international trade relations with developed countries have also been seen, including the conclusion of a basic agreement with Canada regarding the CETA (Comprehensive Economic and Trade Agreement) (October 2013), as well as the launch in July 2013 of negotiations with the U.S. concerning TTIP (Transatlantic Trade and Investment Partnership).

In terms of the Japan-EU EPA, at the May 2009 Japan-EU Summit, summit leaders announced their intention to cooperate in strengthening economic integration between Japan and the EU. A joint High-Level Group was established at the Japan-EU Summit in April 2010, and the leaders agreed to begin a joint examination of ways of comprehensively strengthening and integrating economic relations between Japan and the EU. Based on the results of work by the joint High-Level Group in a wide range of fields, summit leaders agreed at the May 2011 Japan-EU Summit to begin the process

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<sup>6</sup> JETRO Survey Report (2009), *The EU's FTA Strategy and Major Developments in FTA Negotiations*, Europe Division, Overseas Research Department, JETRO Brussels  
<http://www.jetro.go.jp/jfile/report/07000067/0906R3.pdf>

for negotiations. They decided that the Japanese government and the European Commission would together carry out a scoping exercise, to define the scope and level of ambition of negotiations.

The scoping exercise was substantively completed in May 2012 and, at a meeting of the Foreign Affairs Council on November 29 that year, the European Commission received a mandate from EU member countries to proceed with negotiations. In receiving this mandate, the European Commission was obliged to conduct a “one-year-on progress review” in which it provided member states with a report on initiatives by Japan and discussed their status a year after negotiations began, evaluating whether or not the results achieved were adequate. Following receipt of this mandate, Japan and the EU agreed during the March 2013 Japan-EU Summit Telephone Talks to begin negotiations concerning a Japan-EU EPA/FTA and a Strategic Partnership Agreement (SPA). As of May 2014, five rounds of negotiations had taken place since the start of negotiations in April 2013. At the fifth round of negotiations, which took place in Tokyo between March 31 and April 4, 2014, fields including trade in goods, trade in services, investment, intellectual property rights, non-tariff measures, and government procurement were discussed and offers were exchanged regarding market access in relation to trade in goods. Thus, steady progress is being seen.

Following on from the November 2013 meeting, the next Japan-EU Summit was held in Brussels in May 2014, when the leaders from Japan and the EU affirmed the importance of concluding a comprehensive, high-level Japan-EU EPA as soon as possible. (See Japan-EU Summit: Joint Press Statement (Figure III-1-1-17))

During his visit to six European nations before going to Brussels, Prime Minister Abe mentioned on several occasions that “the Japanese government would like to aim for a substantive agreement in 2015” and found that he was in accord with the leaders of EU member states and of the EU itself regarding the importance of concluding negotiations as soon as possible.

Representatives of industry have also expressed high hopes for the early conclusion of the Japan-EU EPA; indeed, before the Japan-EU Summits in November 2013 and May 2014, numerous European companies and other organizations issued statements supporting the negotiations. In April 2014, at the annual meeting of the EU-Japan Business Round Table (BRT), which is a meeting of representatives from industry in Japan and Europe to promote mutual economic growth, participants adopted a proposal for submission to the Japanese and EU governments, requesting the conclusion of the Japan-EU EPA as soon as possible and declaring their intention to provide full support for achieving this.

As of May 2014, the EU was conducting its one-year-on review and, if it decides to continue with negotiations, the next round of negotiations will be held without delay, with a view to the prompt conclusion of an agreement.

**Figure III-1-1-17 Japan-EU summit: joint press statement**

■ 21st Japan-EU Summit: Joint Press Statement (November 19, 2013)

3. Summit leaders underlined the importance of continued progress in the ongoing negotiations for a Strategic Partnership Agreement (SPA) on a comprehensive basis and an ambitious Economic Partnership Agreement (EPA) / Free Trade Agreement (FTA) since the start of the negotiations in April. With a shared perception of the great importance of these two agreements as long-standing foundations for their future partnership, Summit leaders reiterated their commitment to the earliest possible conclusion of these two agreements and instructed the Ministers/Commissioners to press forward the negotiations further. They will, therefore, present without delay ambitious market access offers on trade in goods, trade in services and procurement, and address the issues of non-tariff measures and railways.

■ 22nd Japan-EU Summit: Joint Press Statement (May 7, 2014)

We reaffirm the importance of strengthening the trade and economic relationship between the EU and Japan, and of the early conclusion of a highly comprehensive and ambitious Free Trade Agreement (FTA)/Economic Partnership Agreement (EPA) which would play a vital role in this regard, notably by addressing issues related to market access for goods, services and investment, procurement, including railways, and non-tariff measures. We welcome the fact that market access offers have been exchanged on trade in goods, and that steady progress has been made in other areas as well. We reiterated our commitment to a rapid exchange of ambitious market access offers on procurement and on trade in services and investment.

Source: Ministry of Economy, Trade and Industry.

**Figure III-1-1-18 History of the Japan-EU EPA and future plans**

○ May 2009	Japan-EU cooperation in strengthening their economic integration announced at the Japan-EU Summit
○ April 2010	Joint High-Level Group established at the Japan-EU Summit
○ May 2011	Launch of a scoping exercise agreed at the Japan-EU Summit
○ July 2012	Formal decision by the European Commission to ask the Council of the EU for a mandate to negotiate, following the completion of the scoping exercise
○ November 2012	Mandate adopted by the EU Foreign Affairs Council
○ 2013	
March 25	Launch of negotiations approved at the Japan-EU Summit Telephone Talks
April 15-19	1st round of negotiations (in Brussels)
June 24-July 3	2nd round of negotiations (in Tokyo)
October 21-25	3rd round of negotiations (in Brussels)
November 19	Japan-EU Summit (in Tokyo)
○ 2014	
January 27-31	4th round of negotiations (in Brussels)
March 31-April 4	5th round of negotiations (in Tokyo)
May 22-25	European Parliament elections
Spring	Progress review by EU member states
October	Term of office of current European Commissioners ends

Source: Ministry of Economy, Trade and Industry.

## **(2) Other economic partnership initiatives**

### **[Japan-Australia EPA] (substantive agreement)**

The first round of negotiations concerning this EPA was held in April 2007, with a total of 16 rounds taking place until June 2012 and ministerial negotiations and working-level discussions continuing thereafter. On April 7, 2014, Prime Minister Abe and Prime Minister Abbott held a summit meeting, at which they confirmed the substantive agreement on the Japan-Australia EPA negotiations. Both countries will continue to move forward quickly with the necessary tasks, with a view to signing the EPA as soon as possible.

Australia is the largest trading partner with which Japan has signed a bilateral EPA to date. This EPA is a comprehensive agreement that includes trade, investment, intellectual property, competition, and government procurement, so it is likely to be of assistance in the creation of rules in the Asia-Pacific region. (See Statement Concerning the Substantive Agreement on the Japan-Australia Economic Partnership Agreement (Figure III-1-1-19))

**Figure III-1-1-19 Statement concerning the substantive agreement on the Japan-Australia Economic Partnership Agreement**

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 share of the total value of exports to Australia accounted for by tariff-free goods (less than 30%) will increase to more than 80% of the total value of exports. Moreover, a massive improvement in market access will be achieved in the automotive sector, which accounts for approximately half of our exports, where the tariff rate is currently 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. In addition, the tariffs on other types of vehicles will be abolished in the third year and, in the case of automotive parts, as well as the immediate removal of some tariffs, tariffs on all classes of automotive parts 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.

Source: Statement by the Minister of Economy, Trade & Industry, April 7, 2014.

**[ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement chapters on services and trade] (substantive agreement)**

Negotiations concerning the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), which is an EPA with the whole of ASEAN, began in April 2005 on the basis of an agreement reached between the relevant leaders in November 2004. Having been signed in turn by each country on April 14, 2008, it had entered into force between Japan and all participating countries except Indonesia as of May 2014. The AJCEP institutes a free economic zone covering Japan and ASEAN as a single area, which encompasses a population of 740 million people and has an economy worth \$8.3 trillion (2012), so it is of tremendous significance in terms of promoting economic revitalization in both Japan and ASEAN.

Negotiations regarding the AJCEP chapters on trade in services and investment began in October 2010 and a substantive agreement on the rules for these was reached after three years. This outcome was welcomed by the leaders of each country at the ASEAN-Japan Commemorative Summit Meeting in December 2013.

The parties concerned will continue to work on the coordination of outstanding technical points and negotiations regarding market access in the area of services.

#### **[Japan-ROK EPA] (negotiations suspended)**

Although negotiations with ROK regarding an EPA began in December 2003, they have effectively been suspended since the sixth round of negotiations, which took place in November 2004. Following the agreement reached by then-Prime Minister Fukuda and then-President Lee Myung-bak at the February 2008 Japan-ROK Summit, working-level discussions began with a view to the resumption of negotiations. At the October 2011 Japan-ROK Summit, then-Prime Minister Noda and then-President Lee Myung-bak agreed to begin the working-level discussions required for the resumption of negotiations, but although working-level discussions have been carried out since then, negotiations have not yet resumed.

#### **[Japan-GCC FTA] (negotiations postponed)**

Negotiations regarding an FTA with the countries of the GCC (Gulf Cooperation Council), which consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates began in September 2006, with two official meetings and four inter-sessional meetings taking place up to March 2009. However, negotiations were postponed at the request of the GCC in July that year; Japan is currently lobbying the member countries for their resumption.

This region accounts for approximately 77% (2013) of Japan's crude oil imports by volume, while the total value of Japan's exports to that region is ¥2 trillion (2013). Furthermore, population growth is giving rise to demand for large-scale infrastructure development, so the public and private sectors in each country are proactively promoting business in this area. Forming and maintaining friendly relations – including economic relations – with the countries of this region is vital from the perspectives of both the expansion of trade and investment, and our nation's energy security.

#### **[Japan-Mongolia EPA] (under negotiation)**

In terms of negotiations regarding the Japan-Mongolia EPA, working-level discussions between the two governments in January 2010 resulted in a decision to set up a joint research project involving both the public and private sectors. The final report on the joint research was submitted to the Japanese and Mongolian leaders in March 2011, recommending that negotiations on an EPA should begin as soon as possible. In light of this report, at the March 2012 Japan-Mongolia Summit Meeting, an agreement was reached to begin negotiations concerning a Japan-Mongolia EPA, with a view to building mutually beneficial and complementary economic relations.

The first round of negotiations took place in June 2012, with the sixth round taking place in April



2014. At the most recent meeting, progress was achieved through discussions concerning such areas as general provisions and final provisions, trade in goods, investment, services, intellectual property, e-commerce, rules of origin, customs procedure, competition, cooperation, dispute settlement, SPS (sanitary and phytosanitary measures), and TBT (technical barriers to trade).

If the Japan-Mongolia EPA were concluded, it would be Mongolia's first EPA/FTA (as of May 2014, Mongolia had not concluded EPAs/FTAs with any country), so it would not only assist in strengthening political and economic ties between the two countries, but also be an important step toward the creation of the strategic partnership referred to in the November 2010 Japan-Mongolia Joint Statement.

#### **[Japan-Canada EPA] (under negotiation)**

Attention has been focused on Canada as a supplier of shale gas and other new energy and mineral resources for Japan. Securing a supply of energy from Canada would not only ensure resource stability, but also avoid the need to transit the waters of other countries and regions, so it would be beneficial in terms of energy security. Accordingly, the deepening of economic relations with Canada is of tremendous significance.

Four joint studies were carried out between March 2011 and January 2012 concerning negotiations on the Japan-Canada EPA, and a report on these studies was prepared. Taking into account this report, the leaders of the two nations agreed at the March 2012 Japan-Canada Summit Meeting that negotiations concerning a bilateral EPA should begin, to pave the way for substantive economic benefits for both countries. The first round of negotiations took place in November 2012, with the fifth round taking place in March 2014.

At the most recent round, fruitful discussions were held in areas including trade in services, investment, intellectual property and energy, minerals and foods.

#### **[Japan-Colombia EPA] (under negotiation)**

With a population of 48 million people, Colombia is a market that is expected to achieve high growth (a growth rate of more than 4% on average over the next five years), so it is hoped that improving the trade and investment environment via an EPA will help to expand imports and exports. In addition to FTAs with countries in Latin America, Colombia has FTAs already in force with the U.S., EU, and Canada, and has also signed an FTA with ROK.

At the September 2011 Japan-Colombia Summit Meeting, the leaders of the two countries agreed to launch a joint research project focused on the Japan-Colombia EPA. The report on the joint study compiled in July 2012 revealed that the possible EPA would greatly benefit both countries. In light of the joint research report, the two countries agreed at the September 2012 Japan-Colombia Summit Meeting that they would hold EPA negotiations.

The first round of negotiations took place in December 2012, with the fifth round taking place in May 2014. At the fifth round of negotiations, progress was achieved through discussions concerning a wide range of areas, including trade in goods, cooperation, government procurement, SPS (sanitary and phytosanitary measures), and TBT (technical barriers to trade).

### **[Japan-Turkey EPA] (agreed to launch negotiations)**

With a population of 75 million, Turkey has an attractive market that is expected to achieve high growth (a growth rate of more than 5% on average over the next five years). The improvement of the trade and investment environment is expected to lead to growth in imports and exports, so there is great interest in this matter among Japanese companies. As well as particularly strong trade links with EU, including the EU-Turkey Customs Union, Turkey has FTAs with Chile and ROK that have recently entered into force, in addition to its FTAs with countries in the Middle East and Africa.

In July 2012, Turkey and Japan held the First Japan-Turkey Trade and Investment Summit, at which the two countries agreed to begin joint research concerning the Japan-Turkey EPA. Following two joint research sessions, which were held in November 2012 and February 2013, a joint research report recommending that EPA negotiations be initiated was submitted to the governments of Japan and Turkey in July 2013.

In light of the joint research report, the two countries agreed at the January 2014 Japan-Turkey Summit Meeting that they would begin EPA negotiations. Formal negotiations are due to begin once scoping has been completed.

### **5. The EPA life-cycle**

The foregoing section provided an introduction to the EPAs/FTAs currently under negotiation and those regarding which an agreement has been reached to begin negotiations. To respond to requests from businesses engaged in global expansion, it is vital not only to undertake initiatives aimed at the conclusion of such new agreements, but also to facilitate the utilization of EPAs/FTAs and improve (renegotiate) the content of existing EPAs.

At present, companies are increasingly making use of the EPAs that Japan has already brought into force, so it would be fair to say that they have entered the utilization and operation phase.

In future, it will be vital to enhance the quality of EPAs throughout what might be termed the “EPA life-cycle.” Initiatives in this regard include proactive efforts by not only the government, but also JETRO<sup>7</sup>, the Japan Chamber of Commerce and Industry<sup>8</sup>, and various industry groups to promote widespread use and education concerning EPAs, increase the usage rate, and facilitate their implementation, as well as discussions involving representatives of the governments and private sector companies of both countries in such forums as the Committees for the Improvement of the Business Environment, and the revision of EPAs in light of actual needs and usage<sup>9,10</sup>.

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<sup>7</sup> EPA utilization consultation service (for Japanese companies) <https://www.jetro.go.jp/services/advice/>;  
EPA advisors and other services to support companies expanding overseas (for foreign companies)  
<https://www.jetro.go.jp/services/advisor/>

<sup>8</sup> Organization certified to issue certificates of origin  
<http://www.jcci.or.jp/international/certificates-of-origin/>

<sup>9</sup> Committees for the Improvement of the Business Environment  
[http://www.meti.go.jp/policy/trade\\_policy/epa/about/business.html](http://www.meti.go.jp/policy/trade_policy/epa/about/business.html)

<sup>10</sup> The Japan-Singapore EPA entered into force in 2002 and was revised in 2007. The Japan-Mexico EPA

In addition, a collection of the examples of companies' utilization of the EPAs/FTA in force are featured in Section 4.

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entered into force in 2005 and was revised in 2012.