



Strengthening and Institutionalizing Japan – EU Economic Relations: Japan's Trade Policy in the Aftermath of the Disaster

Prof. Yorizumi WATANABE

Keio University, Tokyo

Sciences Po., Paris

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Outline

- Japan's Recovery from the Disaster
- Recent Development in Asia-Pacific: APEC 2010/2011 and beyond
- Japan's FTA: Economic Partnership Agreement (EPA)---Achievements and Challenges
- Japan – EU Economic Relations: from Conflicts to Cooperation
- Institutionalizing Cooperation through Japan-EU Comprehensive Partnership Agreement

Supply Chain Restoration and Road to Recovery

2011



2012



Infrastructure and Transport Network Restoration

- Over 96% of scattered debris caused by the tsunami has now been cleared from residential areas.

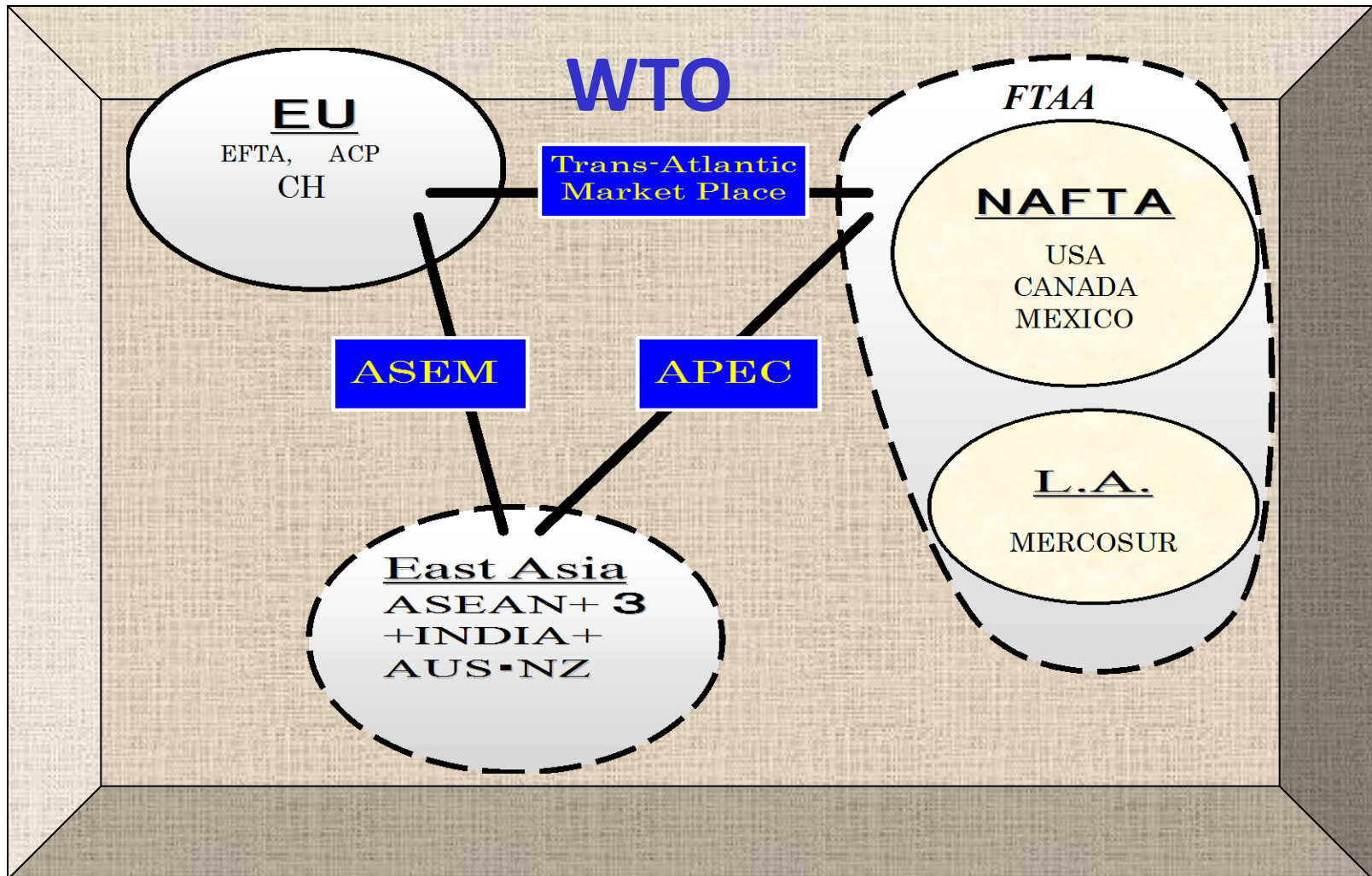
BEFORE



AFTER

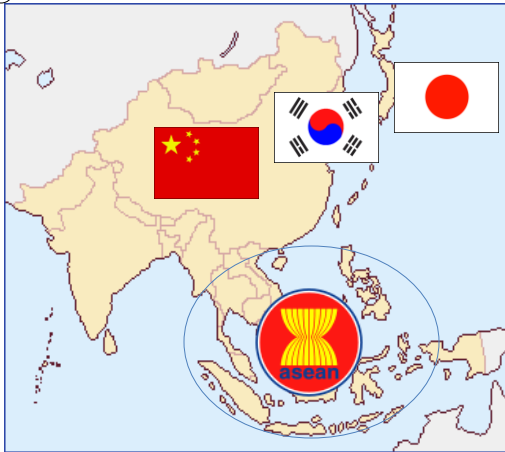


Three Mega-Regions



Competitive Liberalization in Asia-Pacific

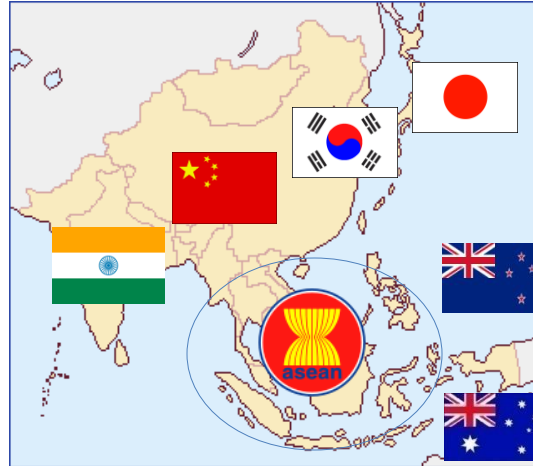
ASEAN+3 FTA (ASEAN, Japan, China, Korea)



November 2004
Proposed by China at
ASEAN+3 Summit

Population (thousand)	2,059,400
Trade (million \$)	2,533,847
GDP (million \$)	9,899,420
Intra-regional trade	43.1%

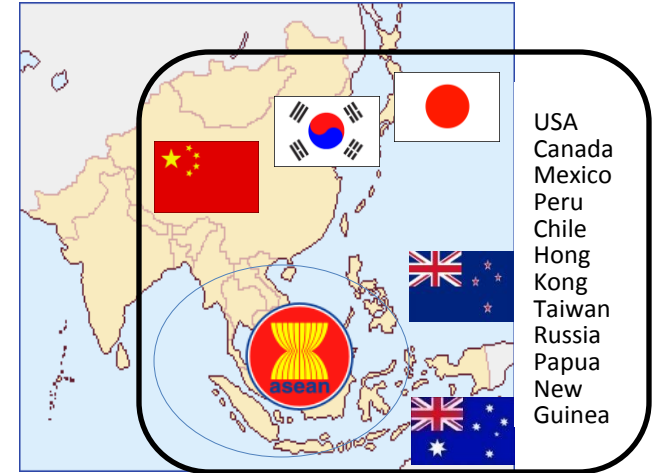
ASEAN+6 EPA (=RCEP) (ASEAN, Japan, China, Korea India, Australia, New Zealand)



August 2006
Proposed by Japan at ASEAN
Economic Ministers' Meeting

Population (thousand)	3,207,960
Trade (million \$)	2,893,252
GDP (million \$)	13,835,060
Intra-regional trade	43.6%

Free Trade Area of Asia-Pacific (FTAAP)



November 2006
Proposed by the US

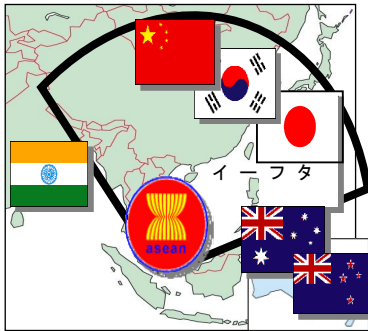
Population (thousand)	2,677,790
Trade (million \$)	8,469,530
GDP (million \$)	35,412,050
Intra-regional trade	67.1%

APEC-wide Economic Integration

FTAAP (Free Trade Area of Asia-Pacific)

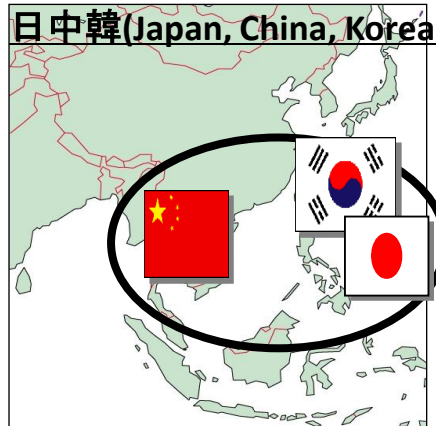
ASEAN+3 (EAFTA)

(ASEAN・日・中・韓)



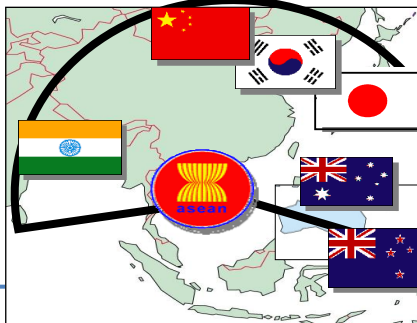
The Trilateral FTA

日中韓 (Japan, China, Korea)

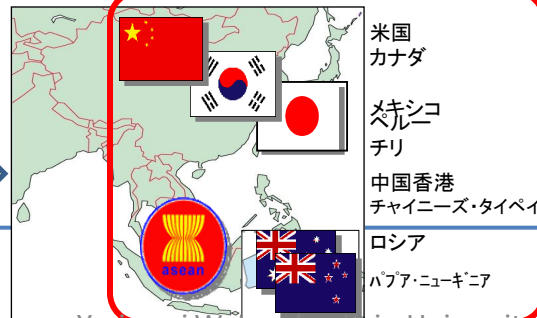


ASEAN+6 (RCEP)

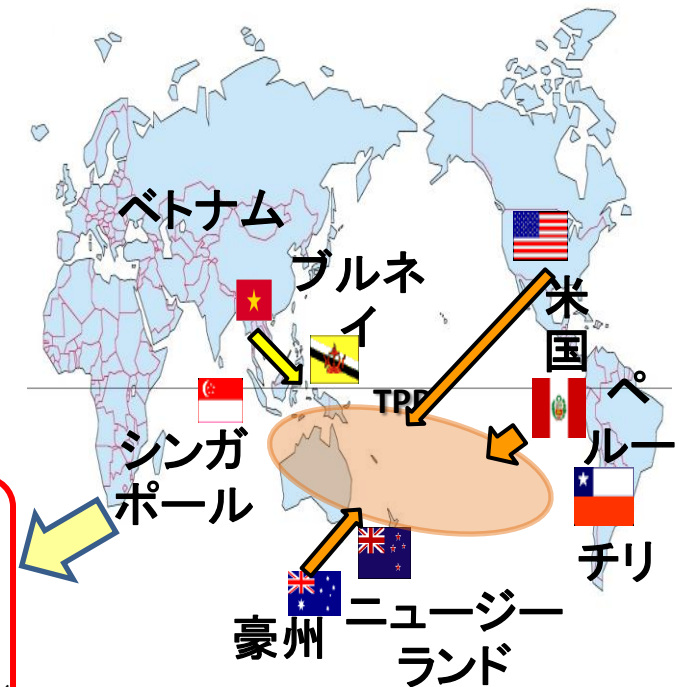
(ASEAN・日・中・韓・印・NZ・豪)



FTAAP (APEC)



TPP

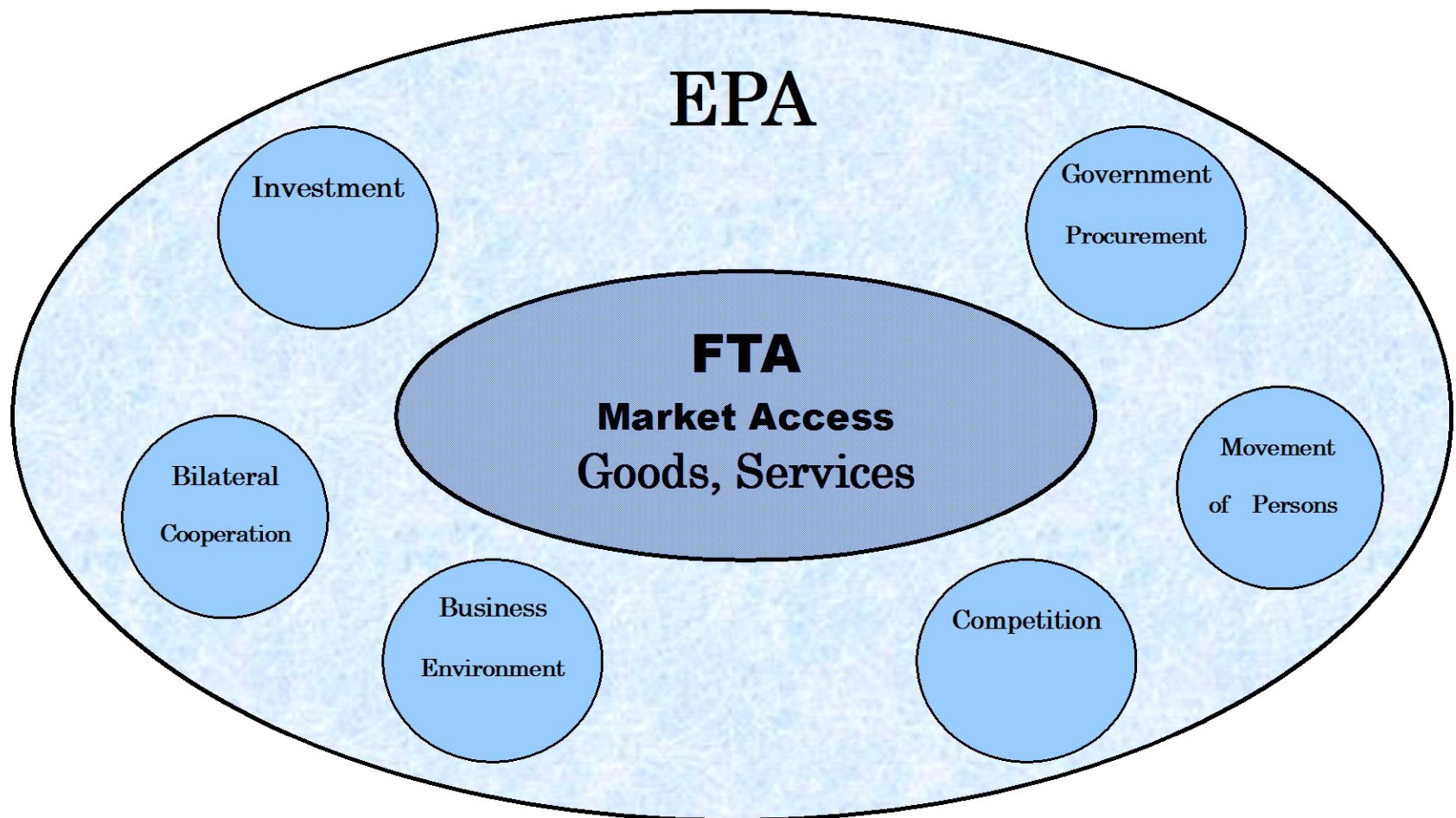


Regional Economic Integration in East Asia and TPP

- **Business-driven** integration through FDI
- Production networking = *de facto* integration
- How to consolidate and improve the merits of such development ?
- ⇒ **Economic Partnership Agreement (EPA)** since 2001
- **APEC** as an Incubator of free trade/investment
- **TPP** to legally bind liberalization efforts within APEC ⇒ **FTAAP** by 2020

Economic Partnership Agreement

EPA: Japan's FTA Strategy



Substance of Japan's EPA

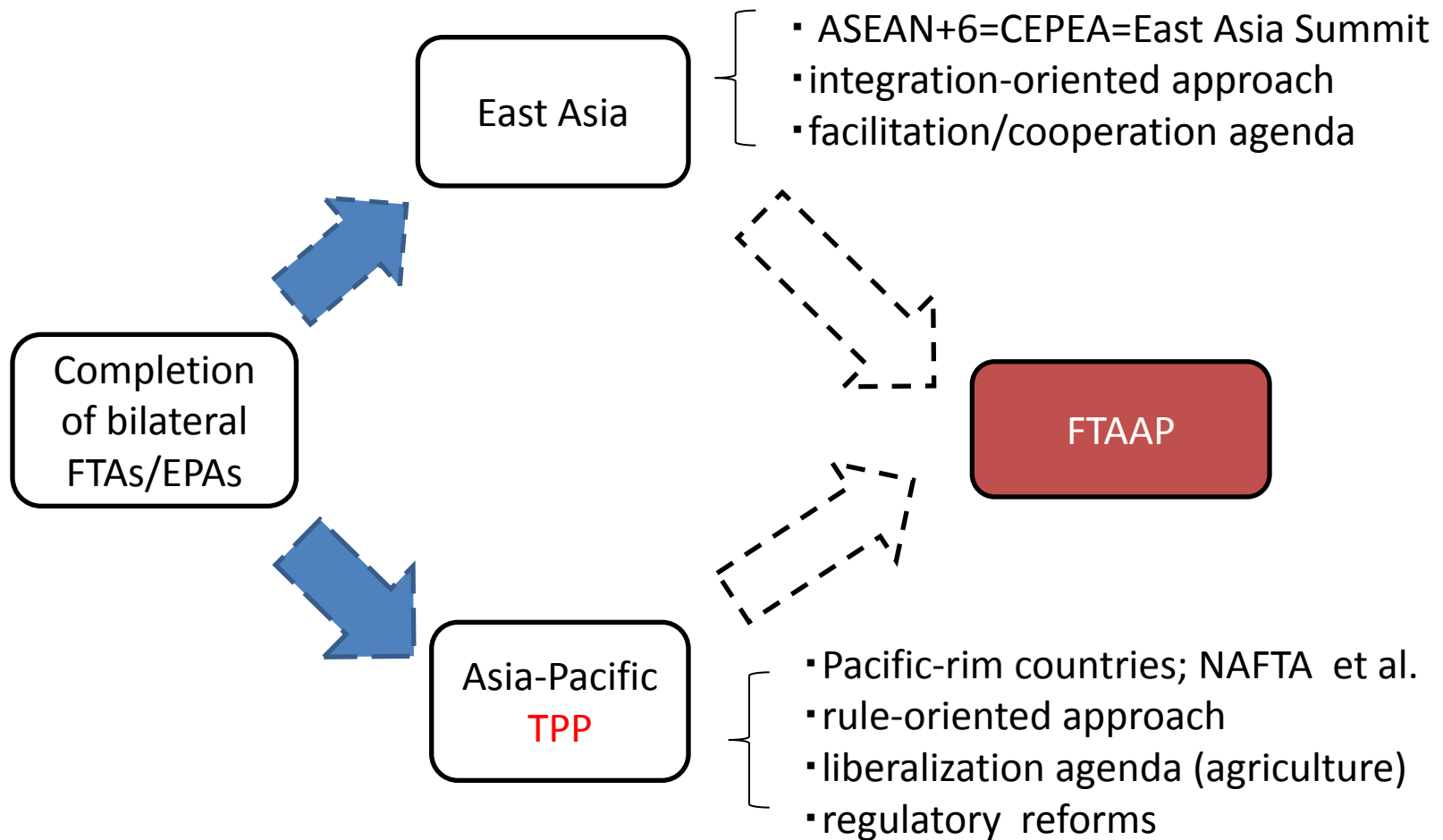
		Trade in goods			Trade in service				Investment				Government Procurement	Intellectual Property	Competition	Improvement Of Business Environment	Cooperation	Energy and Mineral Resources
		Market Access	SPS/TBT	Mutual Recognition	Market Access	National Treatment	MFN Treatment	Movement of Natural Person	National Treatment	MFN	Prohibition of performance requirements	Dispute Settlement between state and investor						
ASEAN	Vietnam	○	○		○	○		○			○				○	○		
	Philippine	○		○	○	○	○	○	○	○	○			○	○	○		
	ASEAN	○	○														○	
	Brunei	○			○	○	○	○	○	○	○	○				○	○	○
	Indonesia	○			○	○	○	○	○	○	○	○		○	○	○	○	○
	Thailand	○		○	○	○	○	○	○	○	○	○		○	○	○	○	
	Malaysia	○	○		○	○	○	○	○	○	○	○		○	○	○	○	
	Singapore	○		○	○	○		○	○		○	○	○	○	○			
Latin America	Chile	○	○			○	○	○	○	○	○	○	○	○	○	○		
	Mexico	○	○			○	○	○	○	○	○	○	○		○	○	○	
Europe	Switzerland	○	○		○	○	○	○	○	○	○	○	○	○	○	○		

Japan's FTA/EPA

Achievement so far

- Japan-Singapore EPA (in force since 2002.11)
 - Japan-Mexico EPA (negotiations started in 2002.11, in force since 2005.4)
 - Japan-Malaysia EPA (in force since 2006.7)
 - Japan-Chile EPA (negotiations started in 2006.2, in force since 2007.9)
 - Japan-Thailand EPA (agreement in substance 2005.9, in force 2007.11)
 - Japan-Indonesia EPA (negotiations started in 2005.7, in force 2008.7)
 - Japan-Brunei EPA (negotiations started in 2006.6, in force 2008.7)
 - Japan-ASEAN EPA (negotiations started in 2005.4, in force 2008.12)
 - Japan-Philippines EPA (agreement in substance 2004.11, in force 2008.12)
 - Japan-Switzerland EPA (negotiations started in 2007.5, in force 2009.2)
 - Japan-Vietnam EPA (negotiations started in 2007.1, in force 2009.10)
 - Japan-India EPA (negotiations started in 2007.1, in force 2011.8)
 - Japan-Peru EPA (negotiations started in 2009.5, in force 2012.3)
-
- Japan-Korea EPA (negotiations started in 2003.12, suspended in 2004.11)
 - Japan-GCC EPA (negotiations started in 2006.9)
 - Japan-Australia EPA (negotiations started in 2007.4)

Direction of Japan's EPA strategy in the Asia-Pacific Region



What the **TPP** means to Japan

- An Ultimate EPA with an Ultimate Partner for a FTA, i.e. the US
- More Legally-binding APEC leading to the FTAAP
- The TPP might Boost Chance for Multilateral Trade Round
- Challenges surmounting in Agriculture and Regulatory Reform for Japan

Japan-EU Trade Relations

--- From Conflict to Cooperation ---

- The Japan-EC Joint Declaration in 1991: wider cooperation encompassing from economic matters to political dialogue
- The Decade of Japan-EU Cooperation (2001-2010)
- The Action Plan for Japan-EU Cooperation in December 2001

Japan's Concept on EIA

- Japan and EU are close partners **sharing the same values of western democracy** such as human rights, market principles, rule of law
- Both Japan and EU are heavily involved in the **regional integration in respective regions**
- Japan should like to share the notion of “**Four Freedoms**” sought by EC during last 50 years
- Even closer relations between Japan & EU shall be **beneficial also to the multilateral system**
- EIA should be **more than mere FTA/EPA**

Japan's Proposals on EIA

- Joint works on **Innovative Society**: cooperation in IPRs, in building next-generation networks, human resource exchanges, etc
- Joint works on **Environment-friendly Society**: cooperation in rule-making, climate change
- Joint works on **infrastructure for secure society** :secure trade, wider scope for MR, e-commerce
- **Mutual improvement on Trade & Investment**: elimination of duties, more investment, etc.

Possible Benefit of FTA for EU (RIETI Study)

- Nominal GDP (US\$ trillion, 2010):
5.5 with Japan compared to 1.0 with Korea,
1.7 with India
- FTA's Impact on EU's Real GDP (%):
0.12 with Japan compared to 0.07 with Korea,
0.09 with India



Benefit of EIA for EU and Japan through Reducing Tariffs and NTMs

“Assessment of barriers to trade and investment between the EU and Japan”
(3 February, 2010) prepared for the European Commission, DG Trade, by Copenhagen Economics

- real gains by reducing regulatory differences.
- estimates that trade flows could increase by €43 billion for the EU and €53 billion for Japan.
 - e.g.) - EU motor vehicle exports to Japan +84% or + €4.7billion
 - EU pharmaceutical exports to Japan +60-100% or + €3.4billion
 - EU medical device exports to Japan +51% or +€1.1billion
- The study uses information on the trade costs of regulatory barriers obtained through a survey of European firms operating in Japan.

Summary of impact	EU	Japan
Export Effects (Tariffs)	+€14bn	+€25bn
Export Effects (NTMs)	+€29bn	+€28bn
Welfare Effects	+€33bn	+€18bn

The Japan-EU Summit

May 27-28 2011

- An agreement on the launch of preliminary talks: “scoping exercise”
- EU seeks tangible improvement in NTMs (Non-Tariff Measures), Government Procurement, more Investment Possibilities, and Agriculture
- Japan wants to accelerate the process to fill in the preferential gap with Korea in the EU market

NTM reforms already accomplished in response to EU requests

- A new guideline on automotive service shops was issued in late March 2012, enabling automakers to build maintenance shops more easily in urban areas.
- Preparations are now underway to revise an implementing regulation which will ease the conditions for acquiring liquor wholesaling licenses, with a view to having the new regulation enter into force in September 2012.
- In April 2012 the Government Revitalization Unit announced that 15 remaining food additives should be examined with a view to approving them by the end of fiscal year 2012.
- The administrative notice of the Explosive Control Act was revised in February 2012 in order to enable pyrotechnic safety devices for autos to be exempted from this act under certain conditions.
- In April 2012 the Government Revitalization Unit also announced the future reform of regulations on various items, including medical devices, pharmaceuticals and radio equipment.

Rising EU car sales in Japanese market

New registrations of European vehicles imported into Japan

New registrations of vehicles imported from Europe (especially Germany) to Japan rose from 2010 to 2011.

Group	2011	2010	% Change
VW (VW , Audi) *1	71,801	63,561	12.9%
BMW (*BMW, BMW Mini) *1	48,545	43,764	10.9%
Daimler (Mercedes, Smart)	34,426	32,037	7.5%
FIAT (Fiat, Alfa Romeo, Maserati, Lancia) *2	8,554	8,226	4.0%

*1. Including brands with headquarters located in Germany.

*2. Including brands with headquarters located in Italy.

Source: Japan Automobile Importers Association (JAIA)
(passenger cars, trucks and buses)

Bigger share of imported European cars in Japan than that of imported Japanese cars in Europe

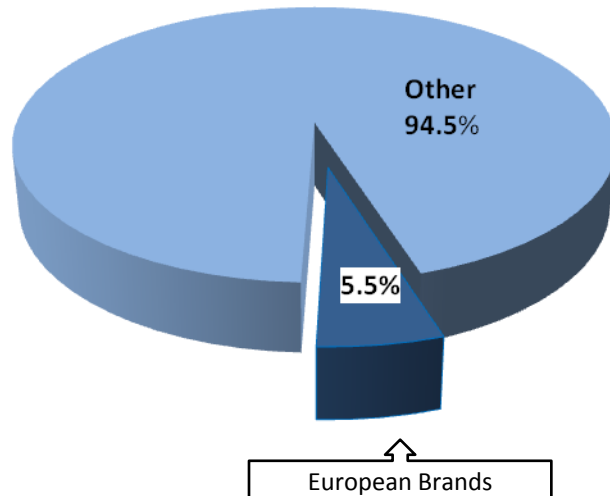
Share of imported cars

(Passenger cars)

5.5% (Imported European cars in Japan) vs. 3.9% (Imported Japanese cars in the EU)

Market share in Japan

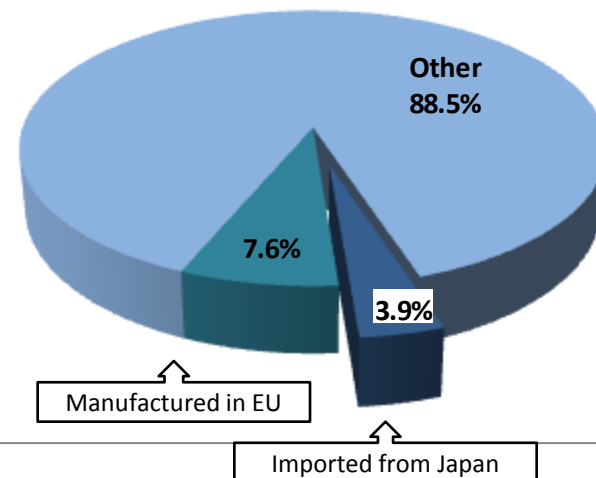
(2011)



(Source: JAMA)

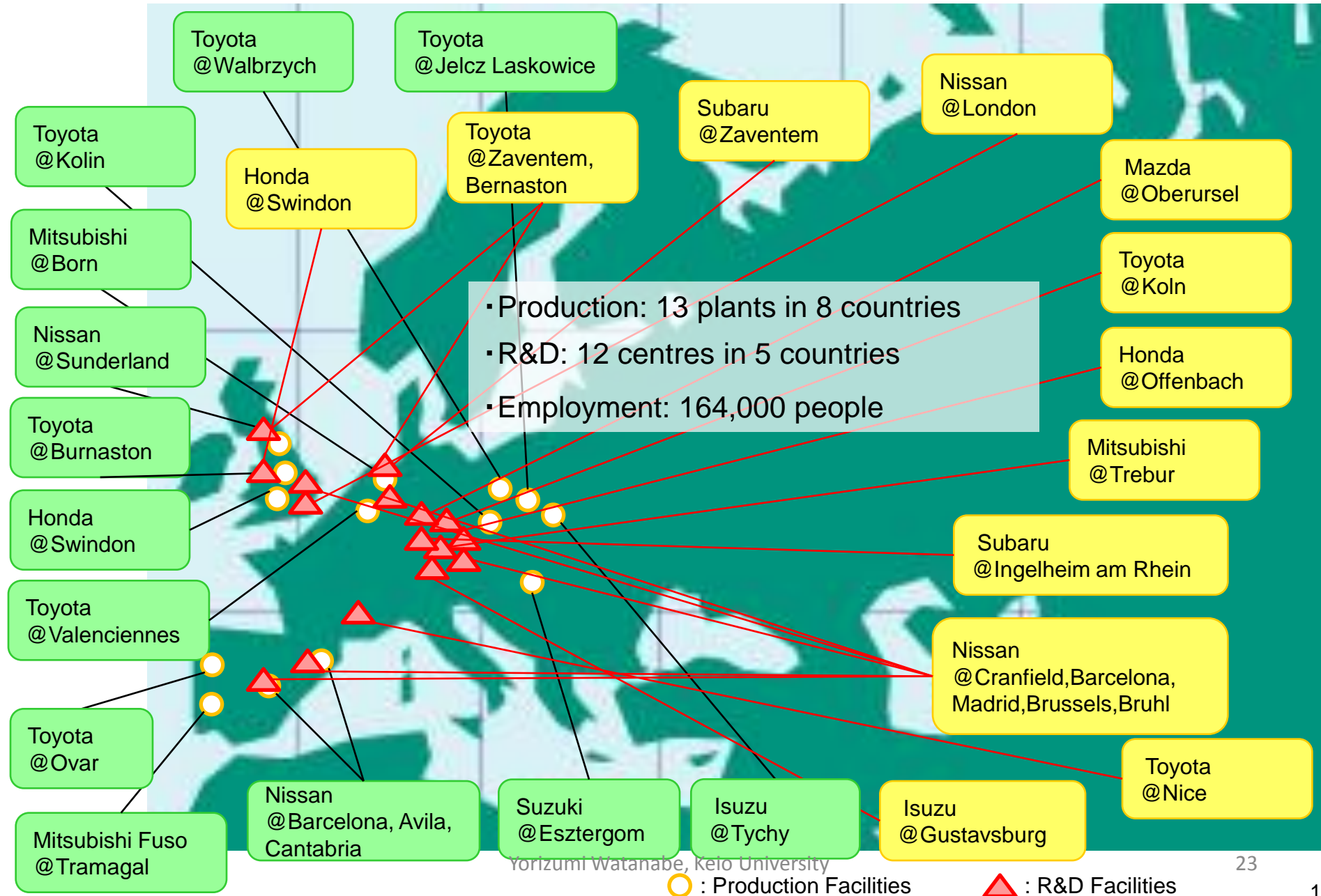
Market share in the EU

(2011)



(Source: ACEA, JAMA)

Japanese Automakers' Production and R&D Facilities in the EU



Railway Products trade balance of Japan with the European countries

(Source : Trade statistics of the Ministry of Finance, Japan)

Nations	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Average	Total
France	-811	-490	-528	-44	-330	-892	111	-3,394	-236	-164	-678	-6,778
Germany	-2,150	-2,645	-2,405	-834	-1,308	-2,325	-2,380	-3,455	-248	-318	-1,807	-18,069
Italy	-1,556	-27	-733	-2,493	-1,285	-2,815	-608	-899	-1,314	-2,146	-1,388	-13,876
U.K.	-572	-284	-582	-322	-513	-1,523	5,555	14,975	14,026	-54	3,071	30,706
Austria	-1,258	-1,225	-1,078	-679	-3,622	-5,312	-4,619	-4,598	-5,908	-4,953	-3,325	-33,252
EU Total	-5,639	-4,868	-3,527	-1,666	-7,628	-14,477	-3,613	2,141	6,202	-8,375	-4,145	-41,451
World Total	50,214	36,507	32,145	77,940	127,812	69,685	57,899	81,443	55,797	47,998	63,744	637,440

EU's Appendix to WTO/GPA

EU's Appendix Covers only Urban Transport

⇔ Japan's Appendix Covers All Distance Transport including High-speed Railway.

ex) JR-East New Shinkansen's brake is made by Knorr-Bremse AG.



EU Trade Ministers' Council

May 31, 2012

- The Council was informed by the Commission of the results of an EU-Japan “scoping exercise”
- The Council welcomed progress, whilst noting several concerns expressed during its discussion
- The Commission would shortly present to the Council a draft mandate and negotiating directives with a view to authorising the Commission to open free trade negotiations with Japan.

Some Suggestions:

Japan-EU EIA/EPA should be viewed

- As an effective tool for **boosting the growth** on the both sides
- Within the context of **enhancing the Asia-EU relations**; Japan-EU EIA/EPA as a core element of the inter-regional cooperation
- With a view **to strengthening the trade multilateralism** embodied in the WTO

Concluding Remarks

-- Institutionalizing the Japan-EU Cooperation --

- **TPP has been gaining a momentum**: US seems successful in associating herself with the dynamic development of the Asian economy
- **Japan-EU EPA/EIA could be a solid platform** for EU to strengthen its economic ties with East Asia
- The Scoping Exercise should be defined as an **integral part** of the entire negotiations towards a possible Japan – EU EIA/EPA

Thank You for Your Attention
--- Free Trade for a Better Future ---
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