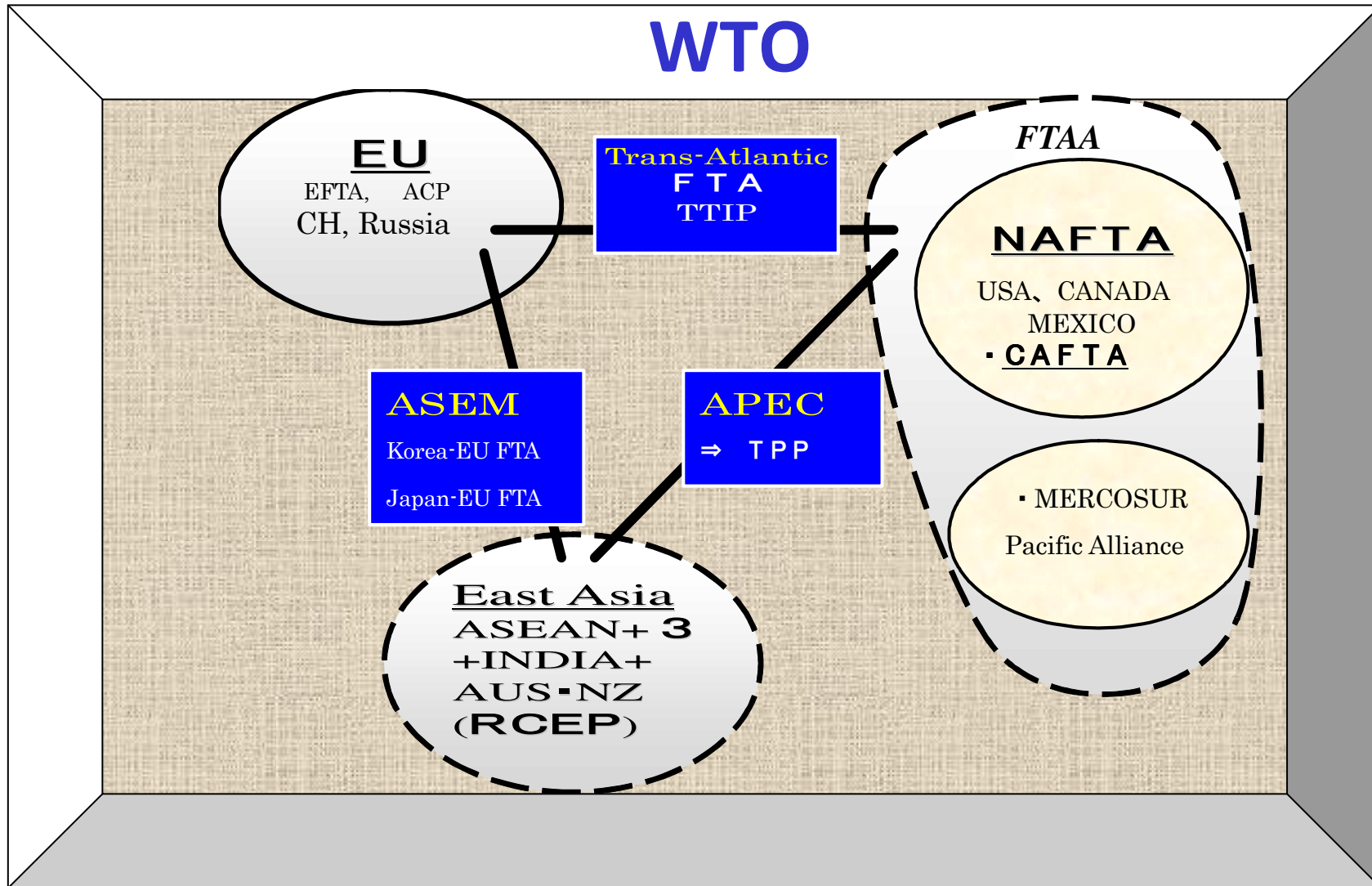


Private Sector Strategies: What Kind of Trade Regimes are Needed for Dynamic Economic Development ? --- A Case of Northeast Asia ---

Prof. Yoriyumi Watanabe
Keio University, Tokyo, Japan
Shanghai, July 5 2013

1. The World Economy and Economic Integration in East Asia

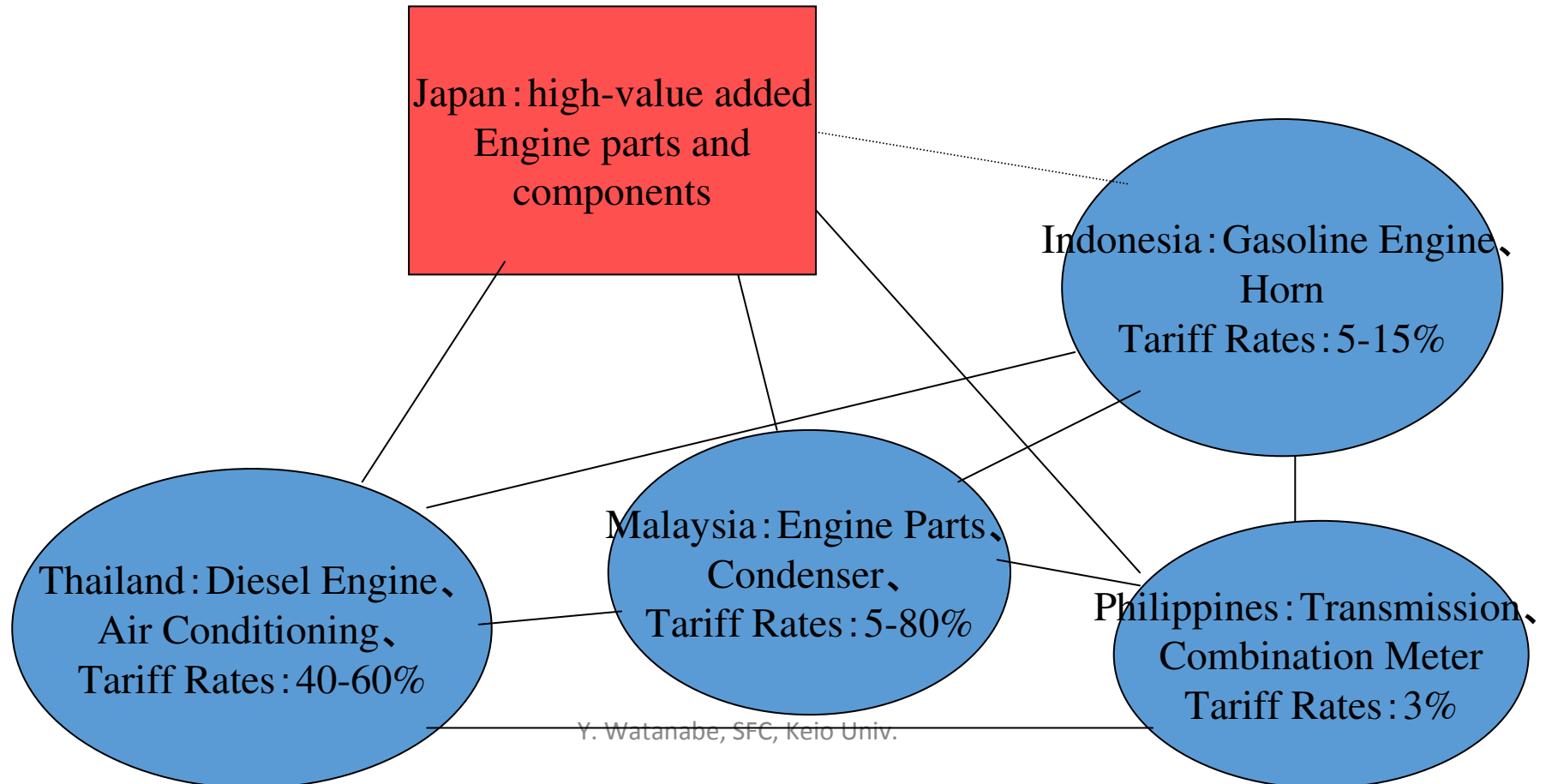
WTO & 3 Mega-regions



De-facto Business-driven Integration in East Asia

- “The Plaza Accord” by G5 in September 1985 as the major cause
- The major exchange-rate realignment
- $\$1 = \backslash 248 \Rightarrow \$1 = \backslash 180$
- Japanese manufacturers shifted production sites of their parts and components abroad, firstly in ASEAN countries and later in other East Asian countries in order to avoid negative effects of appreciated Japanese Yen

Japanese Car Industry: Optimal Supply System in Asia



Intra-regional Trade (%)

		East Asia	EU(15)	NAFTA
Export	1980年	33.9	61.0	33.6
	2003年	50.5	61.4	55.4
Import	1980年	34.8	56.9	32.6
	2003年	59.7	63.5	39.9

Source: Japan Economic Journal (5/11/2004)

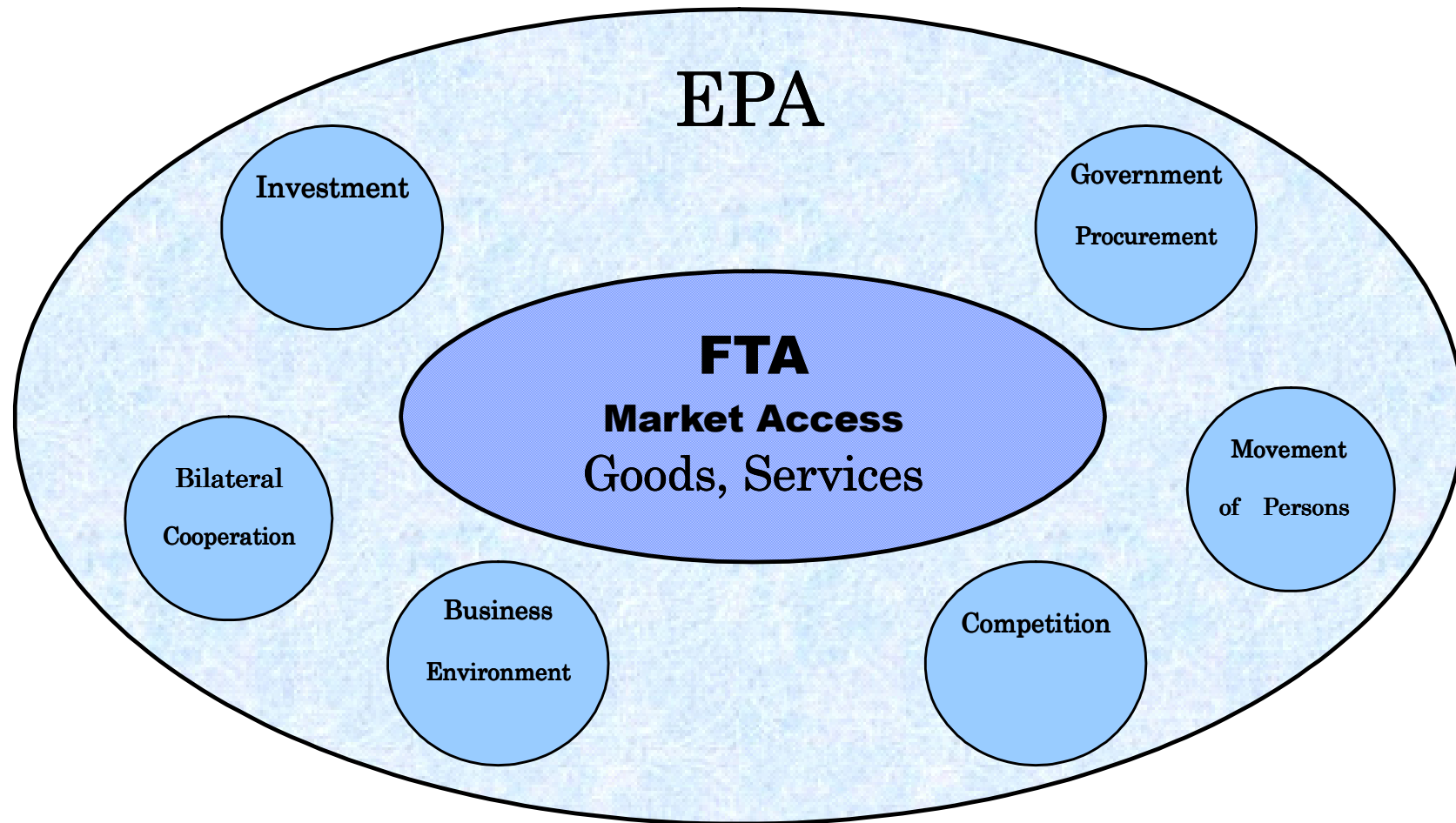
Regional Economic Integration in East Asia

- **Business-driven** integration through FDI
- Production networking = *de facto* integration
- How to consolidate and improve the merits of such development ?
- ⇒ “FTA Policy Paper” by MOFA, Japan,
in 2002.10 ⇒ the first EPA with Singapore

2. Economic Partnership Agreement (EPA): Japan's FTA Strategy

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
	Market Access	SPS/TBT	Mutual Recognition	Market Access	National Treatment	MFN Treatment	Movement of Natural Person	National Treatment	MFN Treatment	Prohibition of performance requirements	Dispute Settlement between state and investor					
Vietnam	○	○		○	○		○			○				○	○	○
Philippine	○		○	○	○	○	○	○	○	○			○	○	○	○
ASEAN	○	○														○
Brunei	○			○	○	○	○	○	○	○	○				○	○
Indonesia	○			○	○	○	○	○	○	○	○		○	○	○	○
Thailand	○		○	○	○	○	○	○	○	○	○		○	○	○	○
Malaysia	○	○		○	○	○	○	○	○	○	○		○	○	○	○
Singapore	○		○	○	○		○	○		○	○	○	○	○		
Chile	○	○			○	○	○	○	○	○	○	○	○	○	○	
Mexico	○	○			○	○	○	○	○	○	○	○	○	○	○	○
Switzerland	○	○		○	○	○	○	○	○	○	○	○	○	○	○	

Guideline for EPAs

(Ministerial Council's Decision, Dec.21 2004)

- EPA to **complement** the multilateral trading system embodied in **WTO**
- EPA to **develop further Japan's external economic relations** and ensure its economic benefits
- EPA to enhance **domestic structural reform**
- EPA as a **diplomatic device** to create sound international environment, notably in East Asia
- EPAs **to be concluded expeditiously** by the Government in its totality

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)
- Japan-**Mongolia** EPA (negotiation started in 2012.6)
- Japan-**Canada** EPA (negotiation started in 2012. 10)
- Japan-**Colombia** EPA (negotiation started in 2012. 12)

3. Twenty-first Century FTA: Deeper and Wider Coverage

RCEP: ASEAN+3+3 production network

[Case 1]

Electric company A (Plasma TV)

- Basic, intermediate parts production: Japan, China, Korea, Thailand etc...
- Final product production: Viet Nam etc...

Export to India, Australia, New Zealand

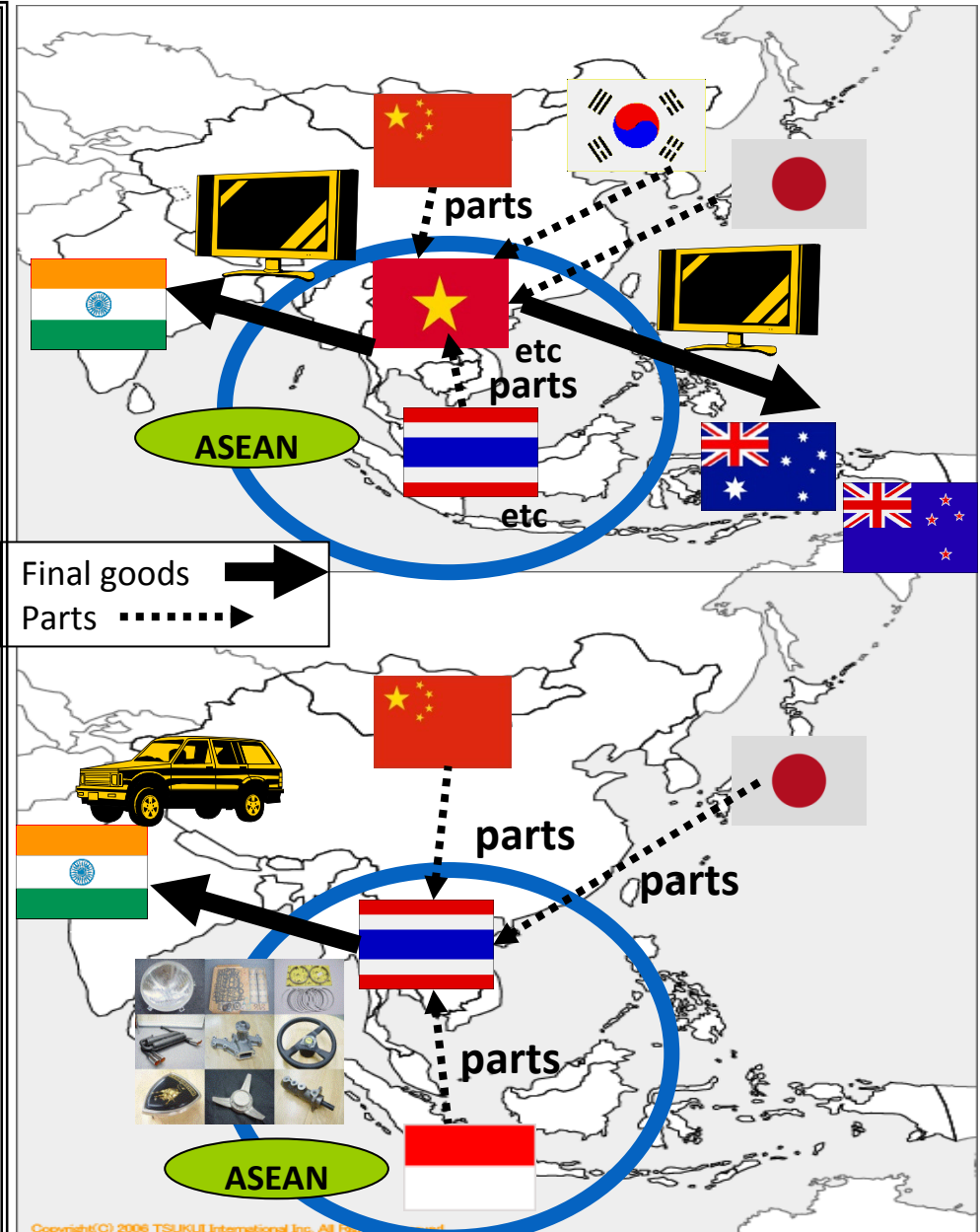
[Case 2]

Automobile company B

- Basic, intermediate parts production: Japan, China, Indonesia

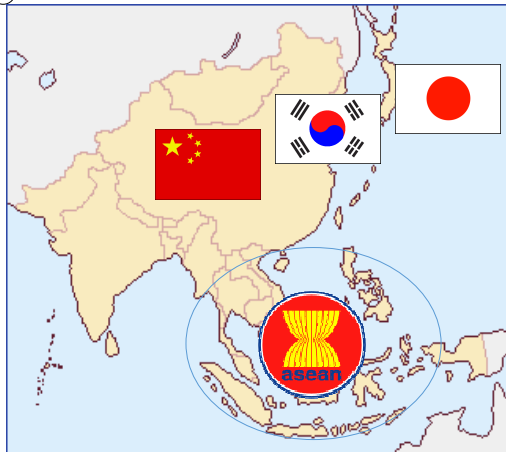
Final product production: Thailand

Export to India



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%

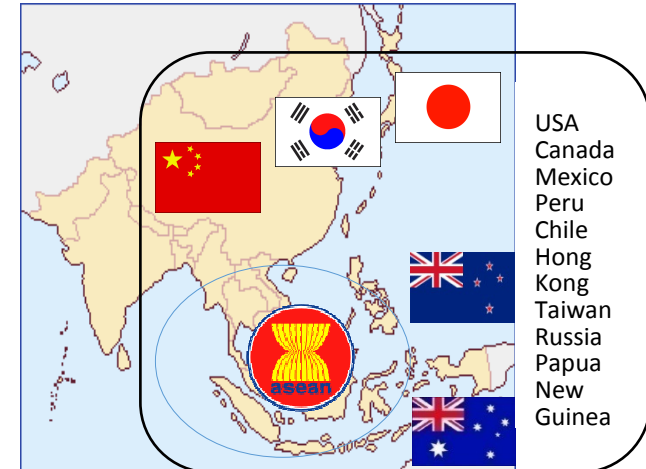
ASEAN+6 EPA → RCEP
(ASEAN, Japan, China, Korea, India, Australia, New Zealand)



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%

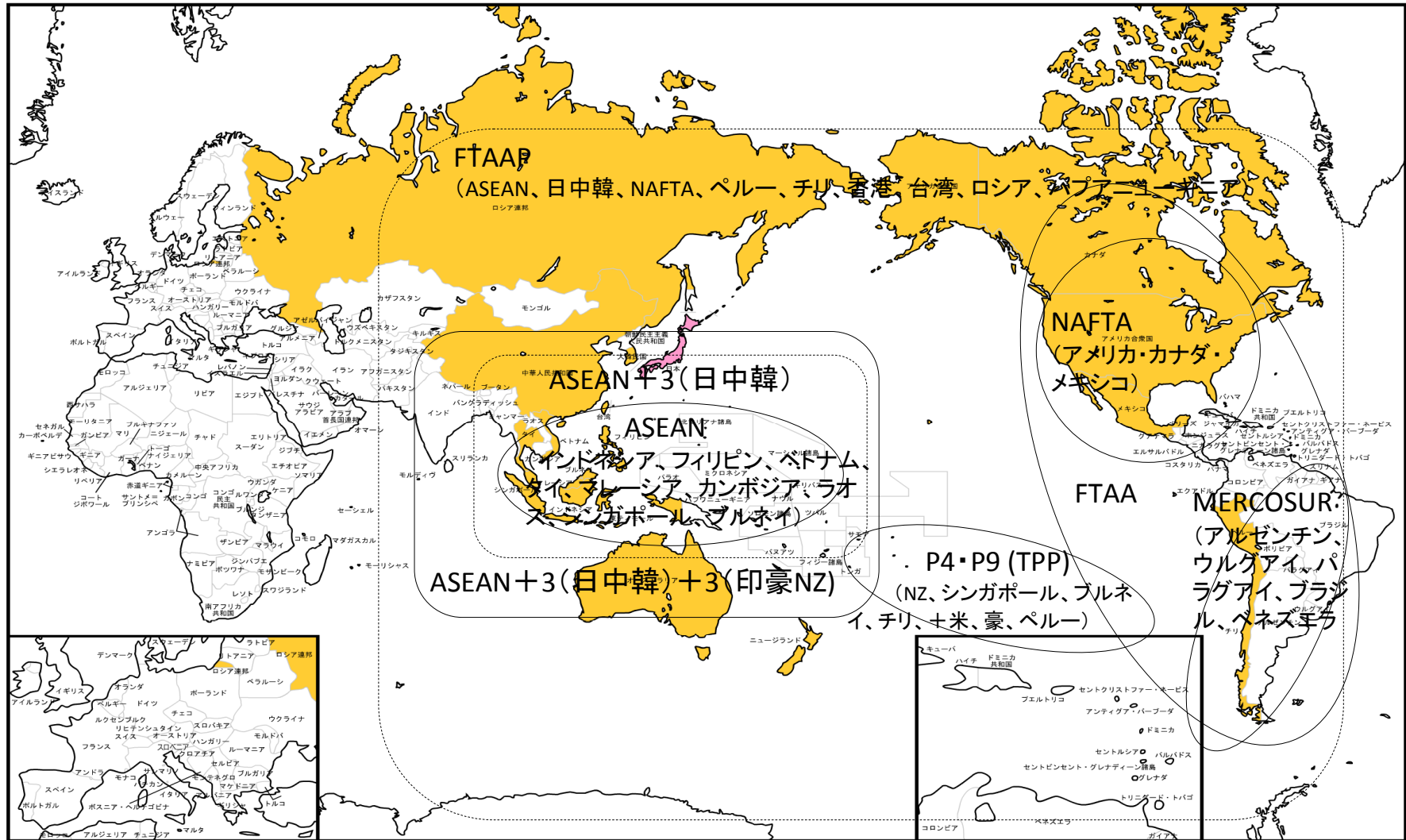
Free Trade Area of Asia-Pacific (FTAAP)



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%

FTAAP: APEC-wide Free Trade



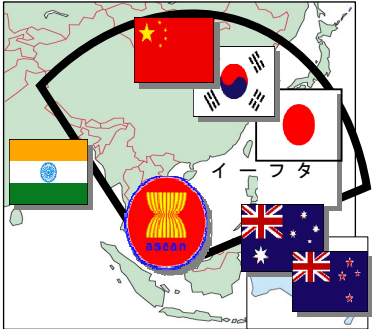
APEC参加メンバー: ASEAN7カ国(ブルネイ、インドネシア、マレーシア、フィリピン、タイ、ベトナム、シンガポール)、日本、韓国、中国、中国香港、チャイニーズタイペイ、メキシコ、パプアニューギニア、豪、NZ、米、カナダ、ペルー、チリ、ロシア、

APEC-wide Economic Integration

FTAAP (Free Trade Area of Asia-Pacific)

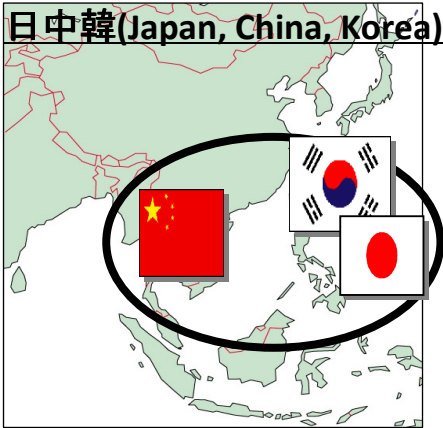
ASEAN+3 (EAFTA)

(ASEAN・日・中・韓)



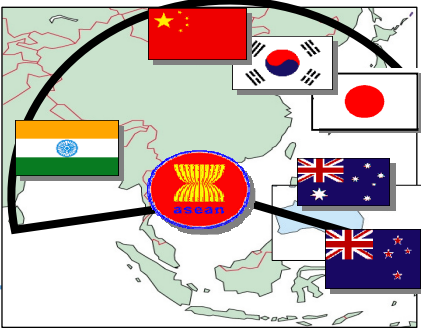
The Trilateral FTA

日中韓 (Japan, China, Korea)

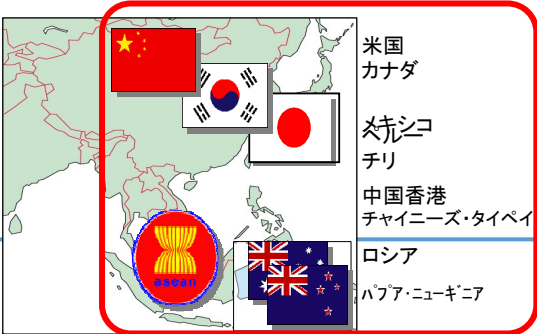


ASEAN+6 (RCEP)

(ASEAN・日・中・韓・印・NZ・豪)



FTAAP (APEC)



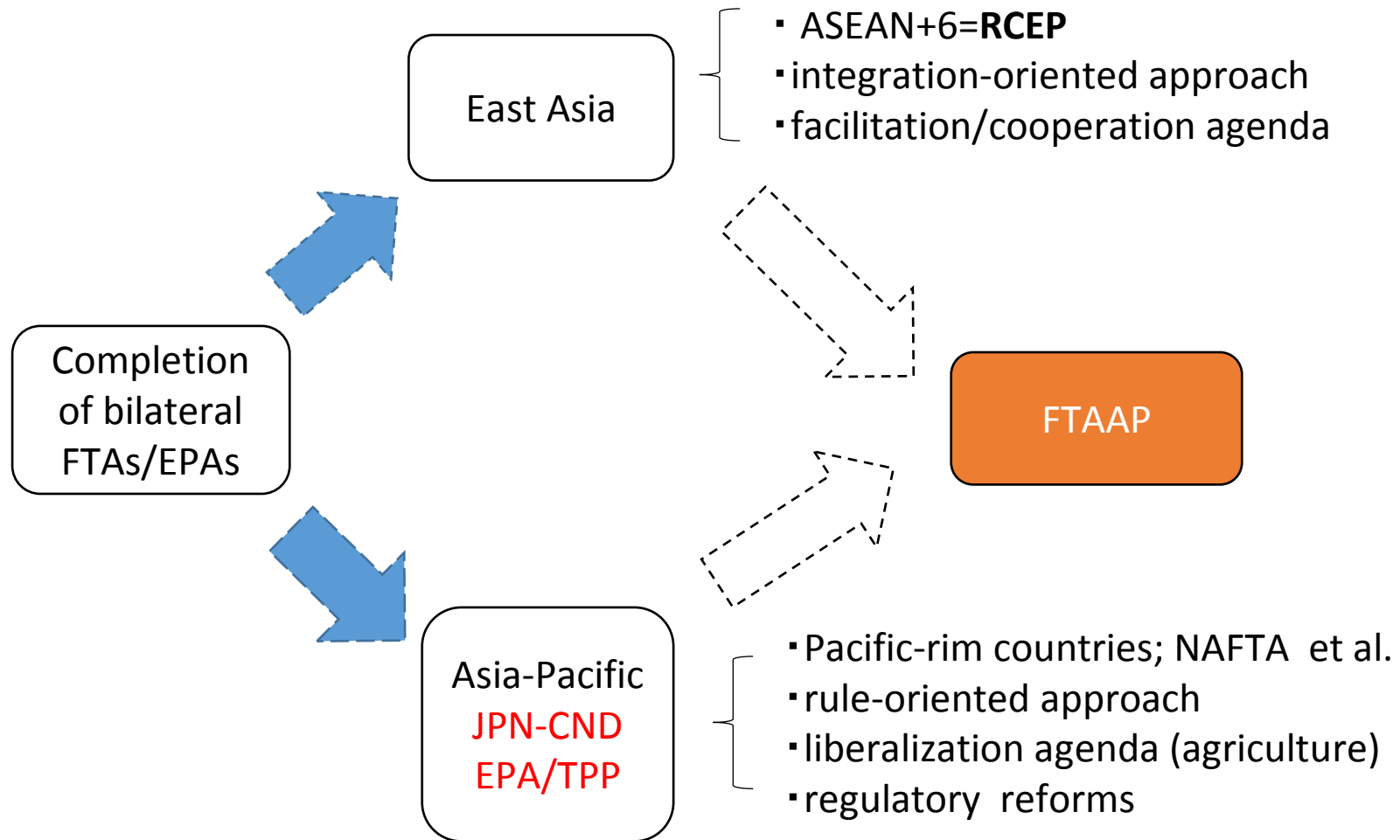
TPP



Japan-China-Korea Share of Trade (2010)

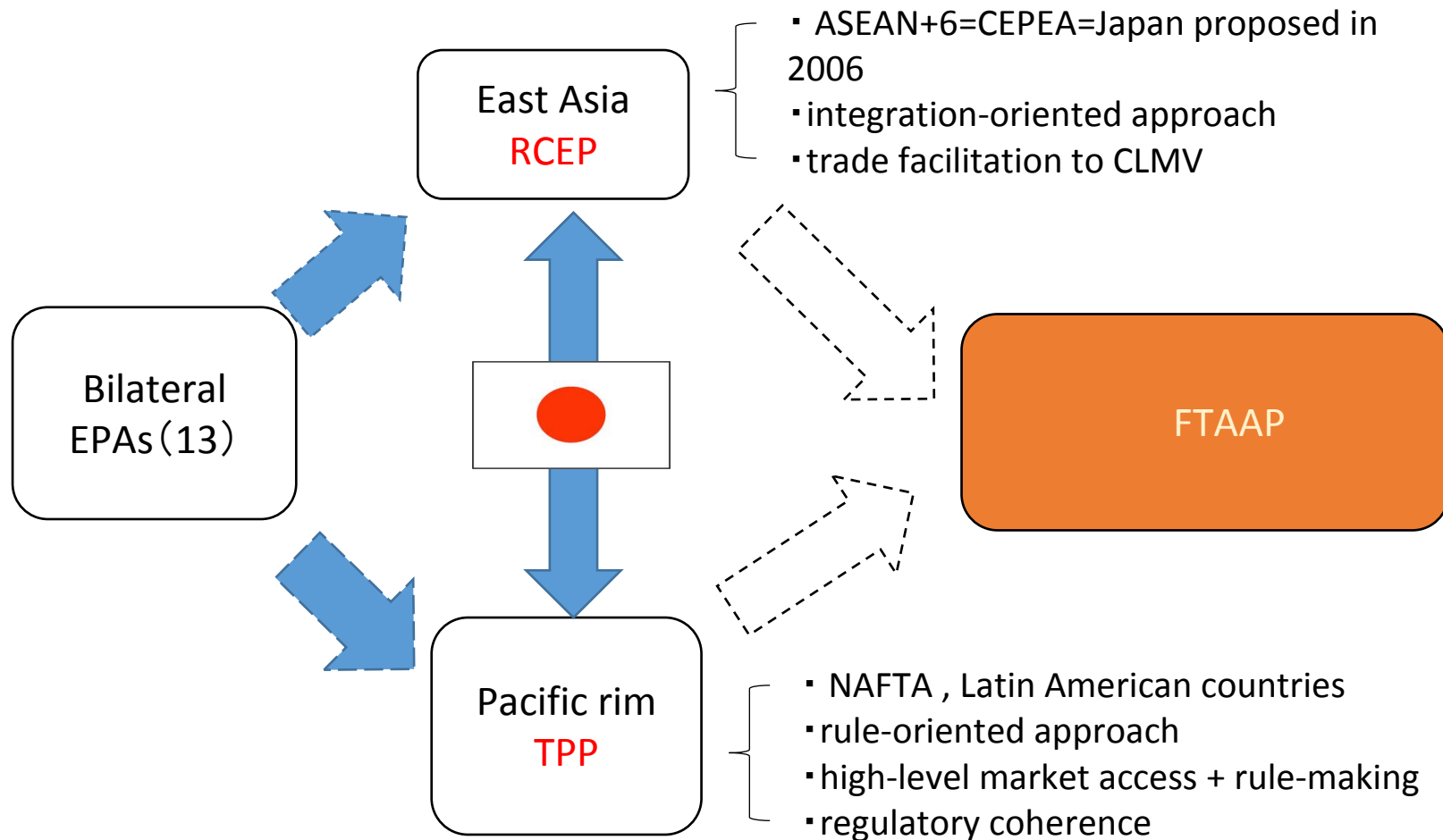
EXPORT (%)	Japan	China	Korea	IMPORT (%)	Japan	China	Korea
Japan	-----	19.4% (No.1)	8.1% (No.3)	Japan	-----	22.1% (No.1)	4.1% (No.6)
China	7.7% (No.3)	-----	4.4% (No.4)	China	12.7% (No.1)	-----	9.9% (No.2)
Korea	6.0% (No.3)	25.1% (No.1)	-----	Korea	15.1% (No.3)	16.8% (No.1)	-----

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



Japan's FTA/EPA Strategy

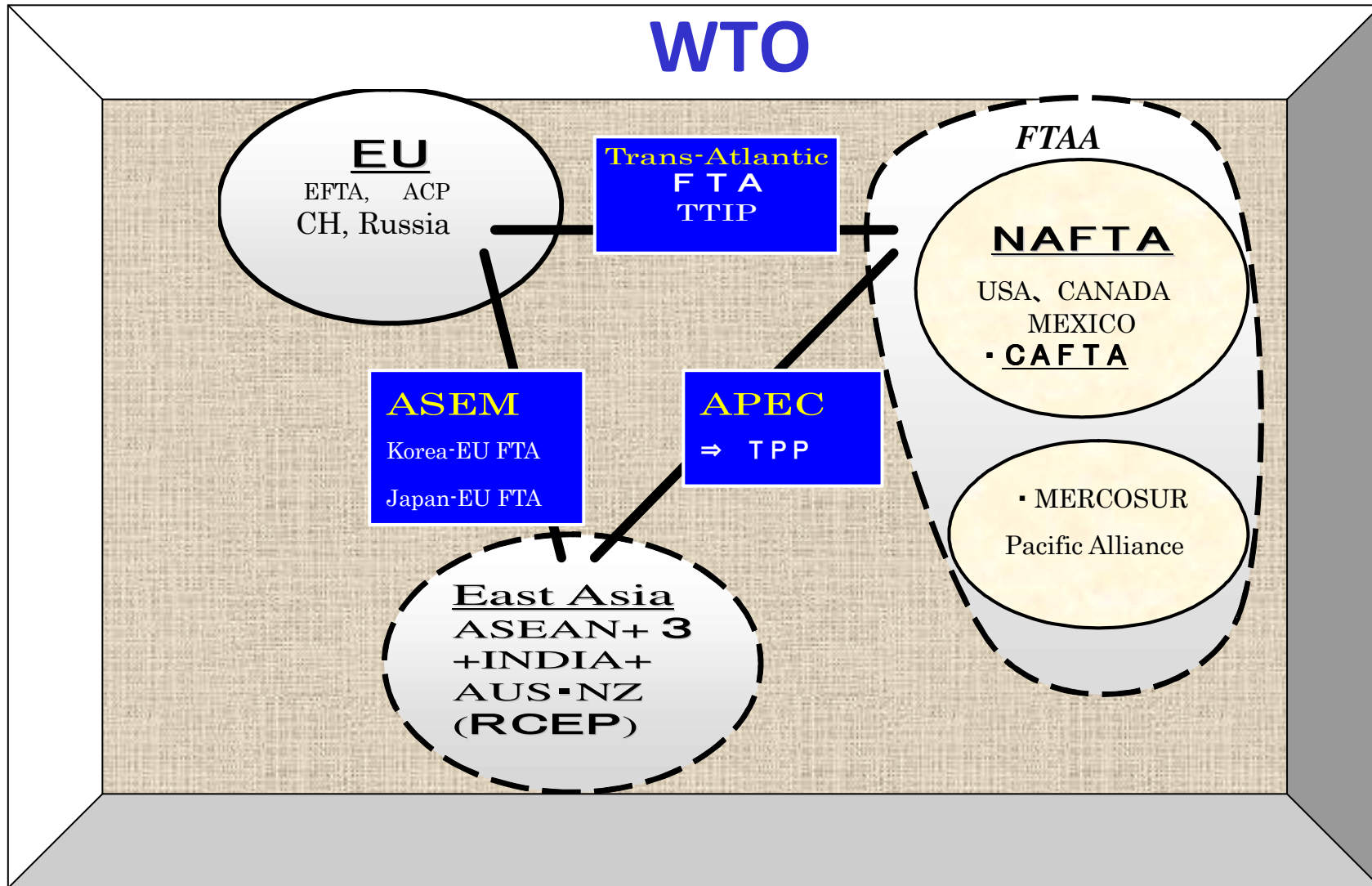
— a pivotal centre between TPP & RCEP —



Increasing Coherence in Sector-specific Rules

- Market Access of Goods that Japan has comparative advantage (environmental goods, medical/health care products, etc.)
- Simple Customs Procedures (simplified rules of origin, single-window services, etc.)
- Disciplines on Export Restrictions of Natural Resources and Food
- ICT Services (e-commerce, telecommunications)
- Protection of Intellectual Property Rights (counterfeit/pirated goods)
- Investment Protection and Liberalization
- Competition Policy (state-owned enterprises to be disciplined)
- Preservation of Environment and Biodiversity
- Government/Public Procurement

WTO & 3 Mega-regions



Concluding Remarks: Increasing Coherence

Japan's FTA Policy to Multilateralise Regionalism

- **TPP**(Asia-Pacific): an ultimate FTA with the ultimate partner; i.e. USA
- **RCEP**(East Asia): Providing a **Legal Framework** to Secure “de-facto Business-driven Integration”
- **Japan-China-Korea FTA**: missing parts of the jigsaw puzzle
- **Japan-EU FTA**: towards an Asia-Europe partnership
- Joint Efforts to **Multilateralise the Preferential Deals** with a view to Strengthening the **WTO**

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

