

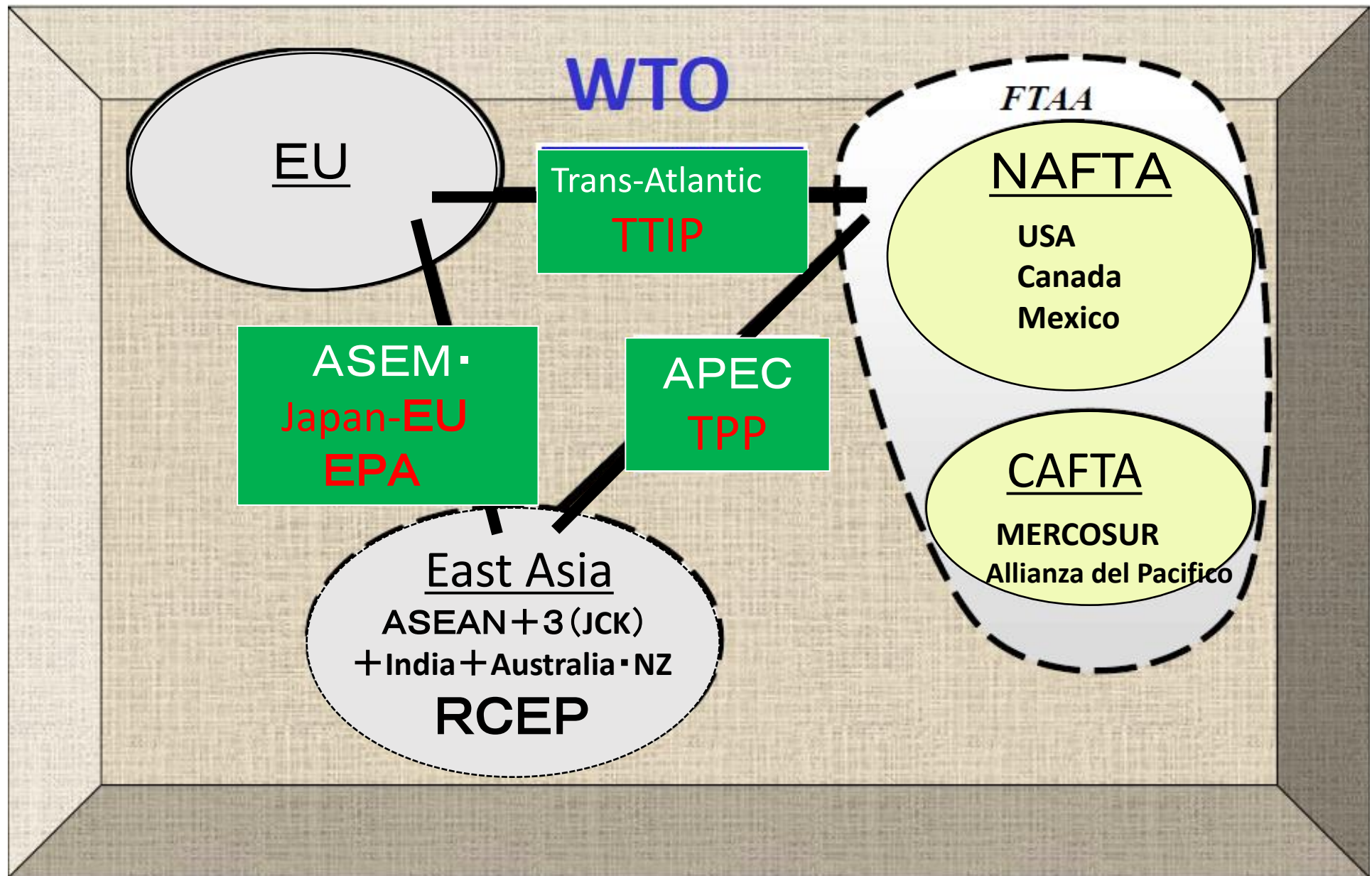
Japan's Trade Strategy in the 21st Century and Economic Partnership with Latin American Countries

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Brazilia, October 31st 2016

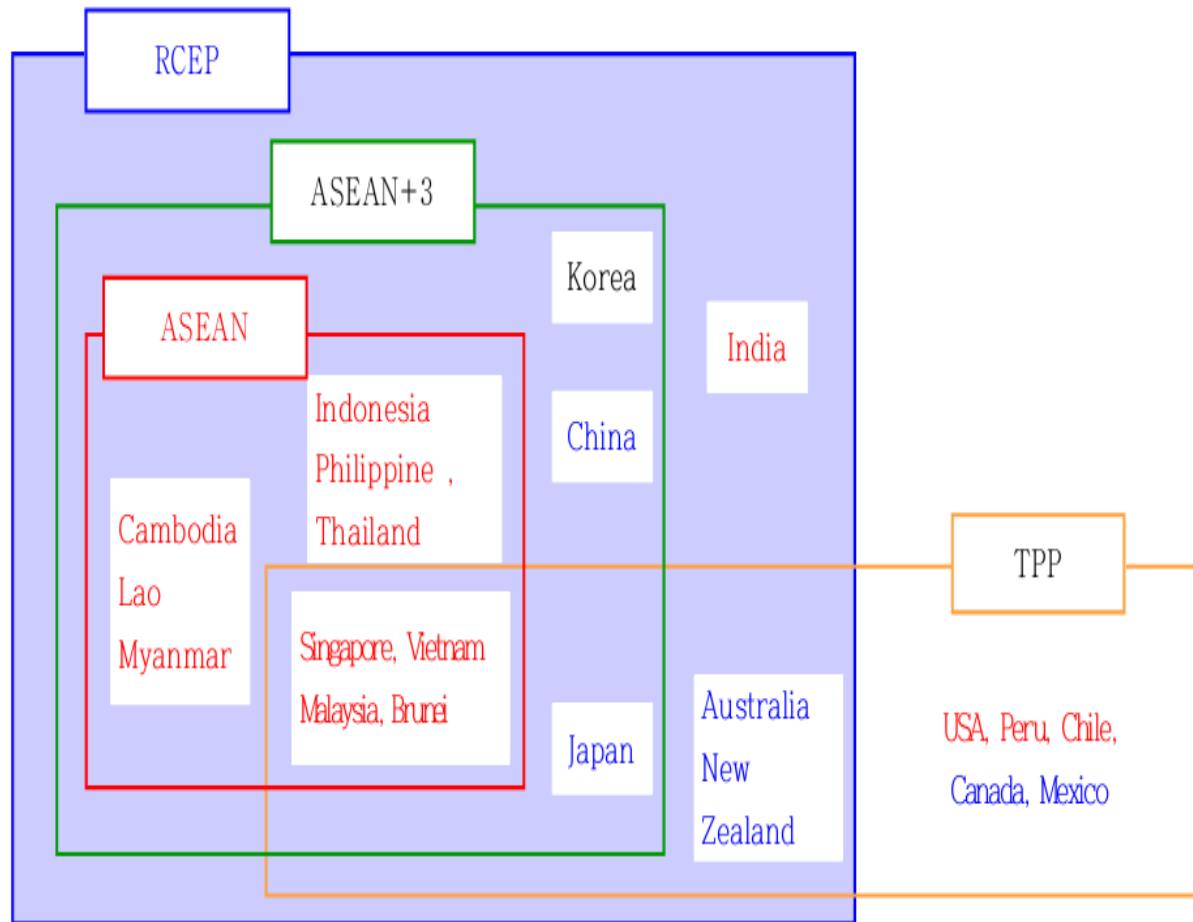
Outline of Today's Presentation

- 1. Mega-Regions and Mega-FTAs i.e. TPP, RCEP+JCK/FTA, Japan-EU FTA, TTIP
- 2. Japan's Bilateral FTA/EPA Policy
- 3. TPP Agreement at the Atlanta Round and Its Implications to the Rest of the World
- 4. The Japan-Mexico EPA(2005) as a Model for Future Japan-Latin America Economic Partnership
- 5. Bilateral Relations between Japan and Brazil
- 6. Concluding Remarks

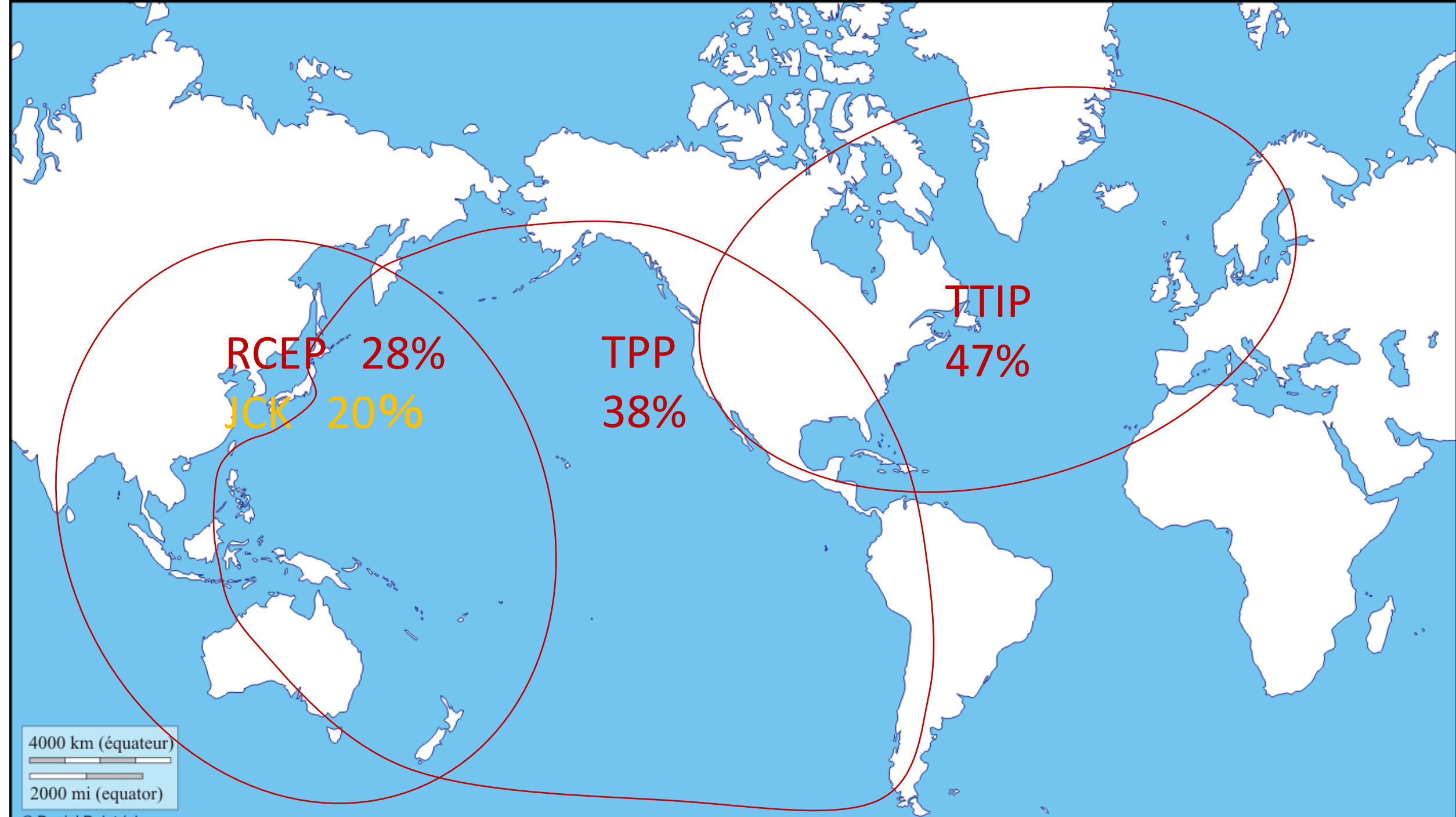
1. Mega-Regions and Mega-FTAs;
TPP, RCEP+JCK/FTA, Japan-EU FTA,
TTIP



Membership and Economic Importance of the Mega-FTAs



	Trade (2012)	Trade (2012)	GDP (2011)	GDP (2011)
	Billion US \$	Share (%)	Billion US \$	Share (%)
JCK FTA	6,619	17.9	14,280.9	20.4
RCEP	10,470	28.4	19,929.9	28.5
TPP	9,545	25.9	26,593.4	38.0
TTIP	15,602	42.3	32,686.5	46.8
World	36,890	100.0	69,899.2	100.0



4000 km (équateur)



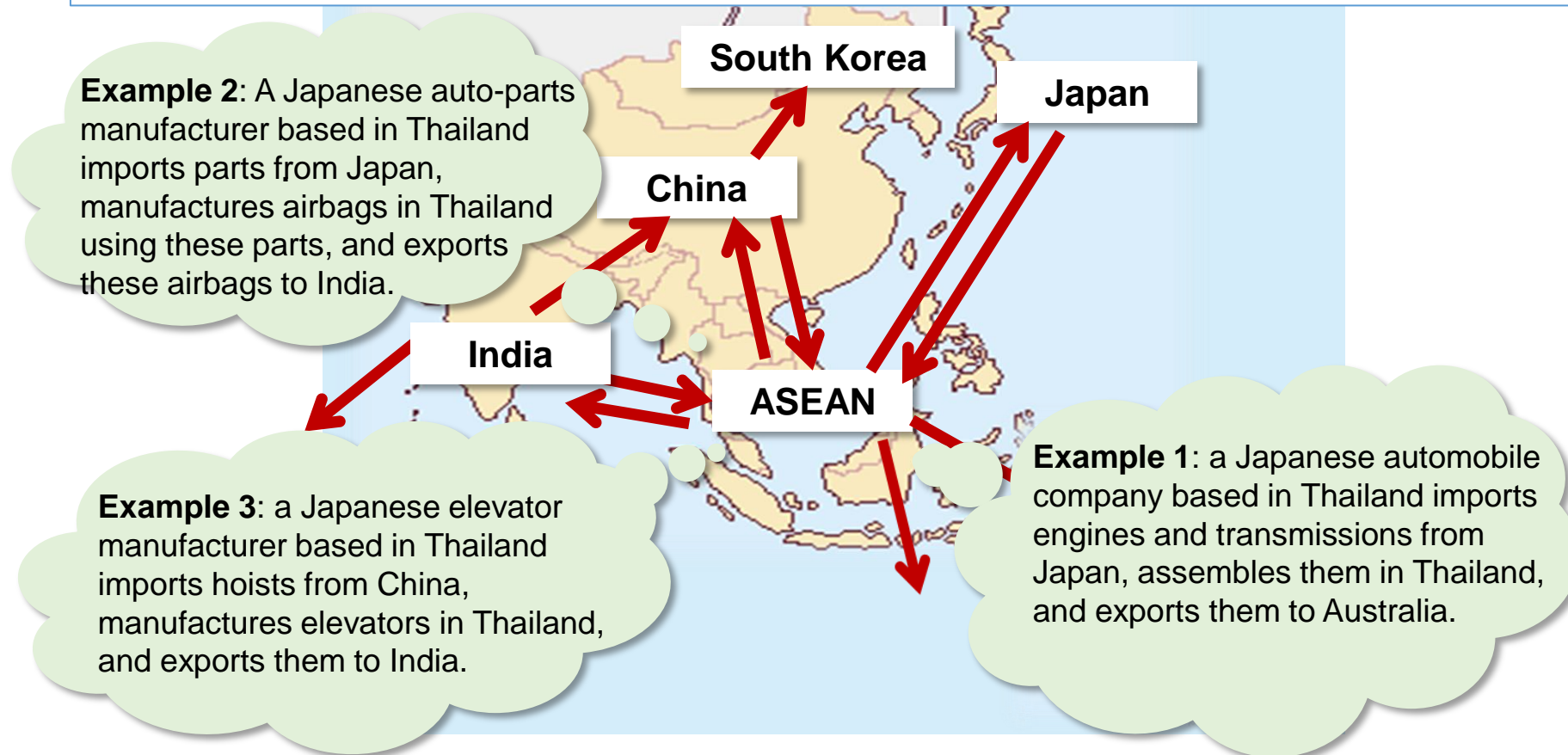
2000 mi (equator)

2. Japan's FTA/EPA Policy

The significance of participation in RCEP

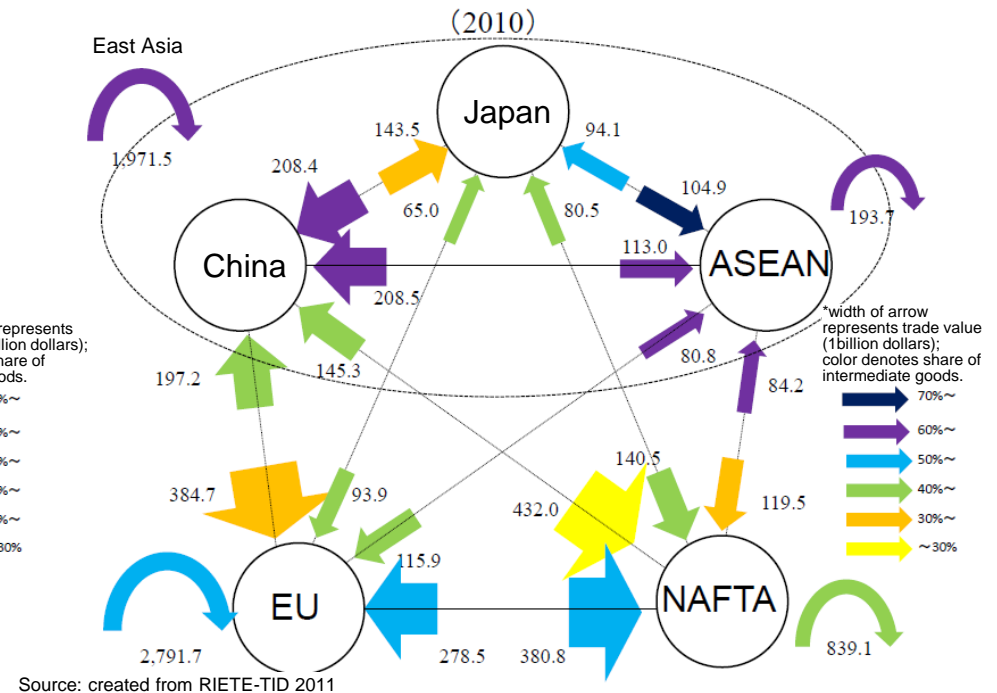
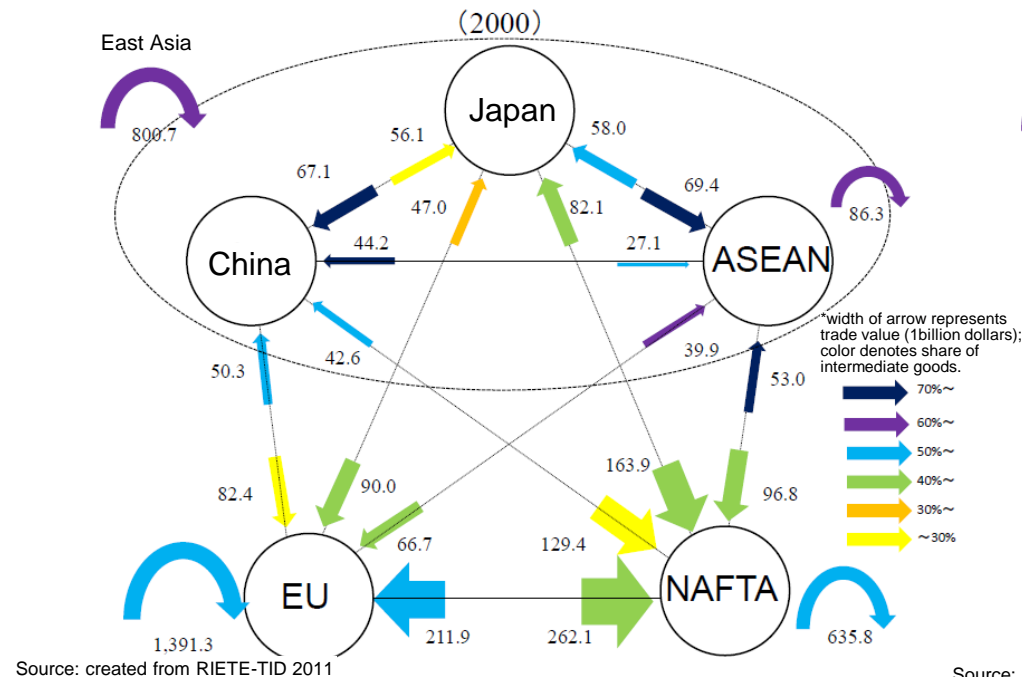
Unification of supply chain networks in the East Asia region

- In order to increase exports to growth markets both inside and outside the East Asia region, the unification of corporate supply chains is essential.
- At present, each EPA has its own set of regulations (e.g. rules of origin), and the differences between these regulations hinder corporate activities. By unifying these regulations into a single set of simple, easy-to-use rules for corporations, RCEP will facilitate the establishment of an trans-national supply chain network.



Change in quality of Japan-ASEAN-China trade

- Transaction volumes of intermediate goods have risen rapidly among ASEAN states. → This reflects the increasing sophistication of production networks in East Asia.



Japan's FTA/EPA Strategy in Asia-Pacific & beyond

- **De-facto Business-driven Integration** through Supply-chain and Production Networks
- FTA/EPAs to consolidate the merits of the De-facto Integration
- From Bilateral FTA/EPAs to **Wider Regional FTA/EPAs**: (ASEAN+1)x5, ASEAN+3, ASEAN+6=RCEP, Japan-China-Korea EPA
- Beyond Regional FTA/EPAs $\Rightarrow \Rightarrow \Rightarrow$ the TPP as an inter-regional FTA

Japan's FTA/EPA Achievement so far

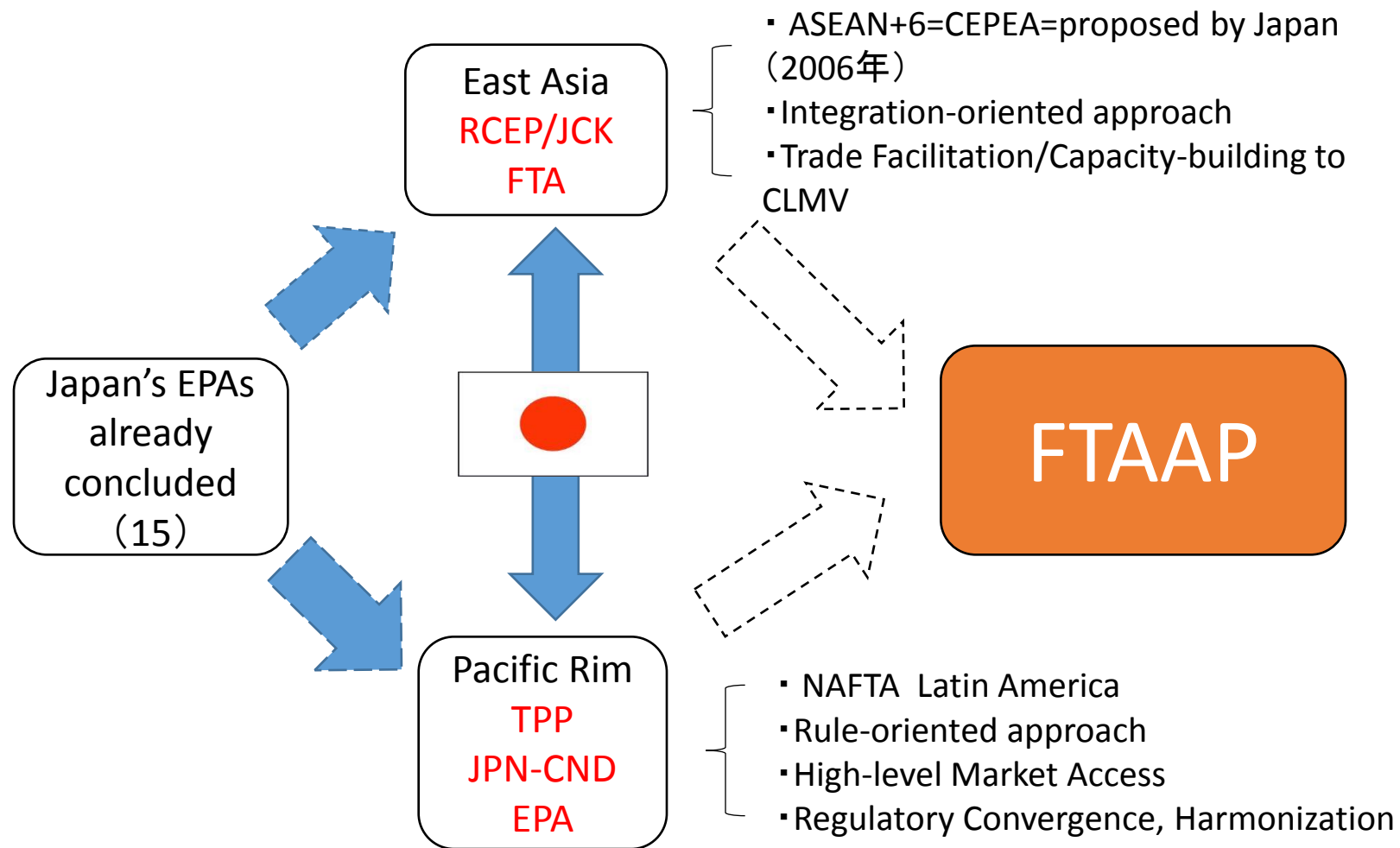
- Japan-Singapore EPA (in force since 2002.11)
- Japan-Mexico EPA (negotiations started in 2002.11, in force since 2005.4)
- Japan-Malaysia EPA (in force since 2006.7)
- Japan-Chile EPA (negotiations started in 2006.2, in force since 2007.9)
- Japan-Thailand EPA (agreement in substance 2005.9, in force 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-Australia EPA (negotiations started in 2007.4, agreement in substance in 2014.04, in force 2015.01)
- Japan-Mongolia EPA (negotiation started in 2012.6, signed in 2015.02)
- Japan-Korea EPA (negotiations started in 2003.12, suspended in 2004.11)
- Japan-GCC EPA (negotiations started in 2006.9)
- Japan-Canada EPA (negotiation started in 2012. 10)
- Japan-Colombia EPA (negotiation started in 2012. 12)
- Japan-EU EPA (negotiation started in 2013.03)
- Japan-Turkey EPA (negotiation started in 2014.12)

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 Treatment	Prohibition of performance requirements	Dispute Settlement between state and investor						
E AN	ASEAN	Vietnam	○	○				○			○				○	○	○	
		Philippine	○		○	○	○	○	○	○	○			○	○	○	○	
		ASEAN	○	○													○	
		Brunei	○			○	○	○	○	○	○	○				○	○	○
		Indonesia	○			○	○	○	○	○	○	○		○	○	○	○	○
		Thailand	○		○	○	○	○	○	○	○	○		○	○	○	○	
		Malaysia	○	○		○	○	○	○	○	○	○		○	○	○	○	
		Singapore	○		○	○		○	○		○	○	○	○	○			
Latin America		Chile	○	○		○	○	○	○	○	○	○	○	○	○	○		
		Mexico	○	○		○	○	○	○	○	○	○	○		○	○	○	
Europe		Switzerland	○	○		○	○	○	○	○	○	○	○	○	○	○		

Japan's Perspective

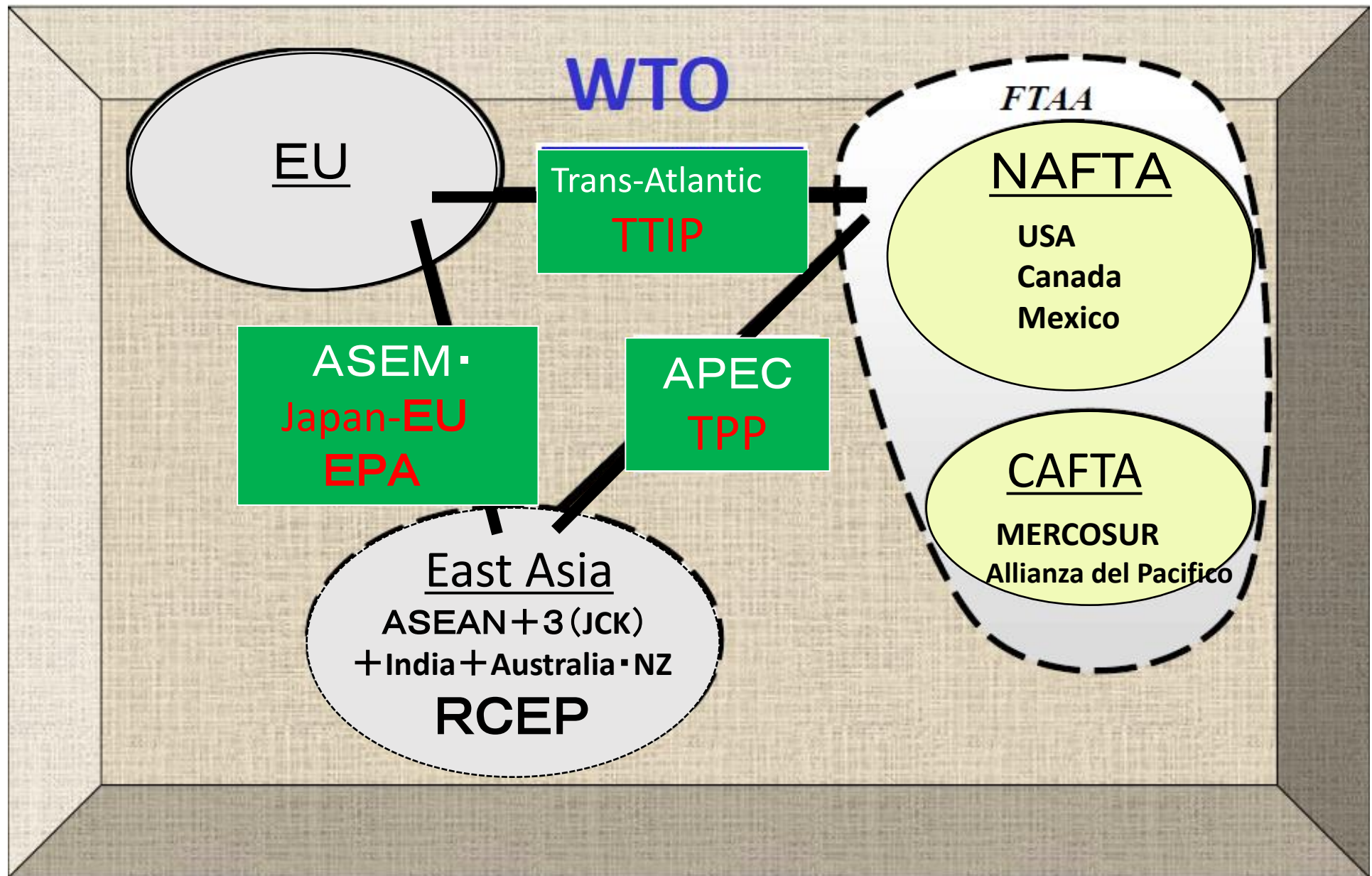
-- Japan as a Pivotal Centre between TPP & RCEP --



Increasing Coherence

Japan's FTA Policy to Multilateralise Regionalism

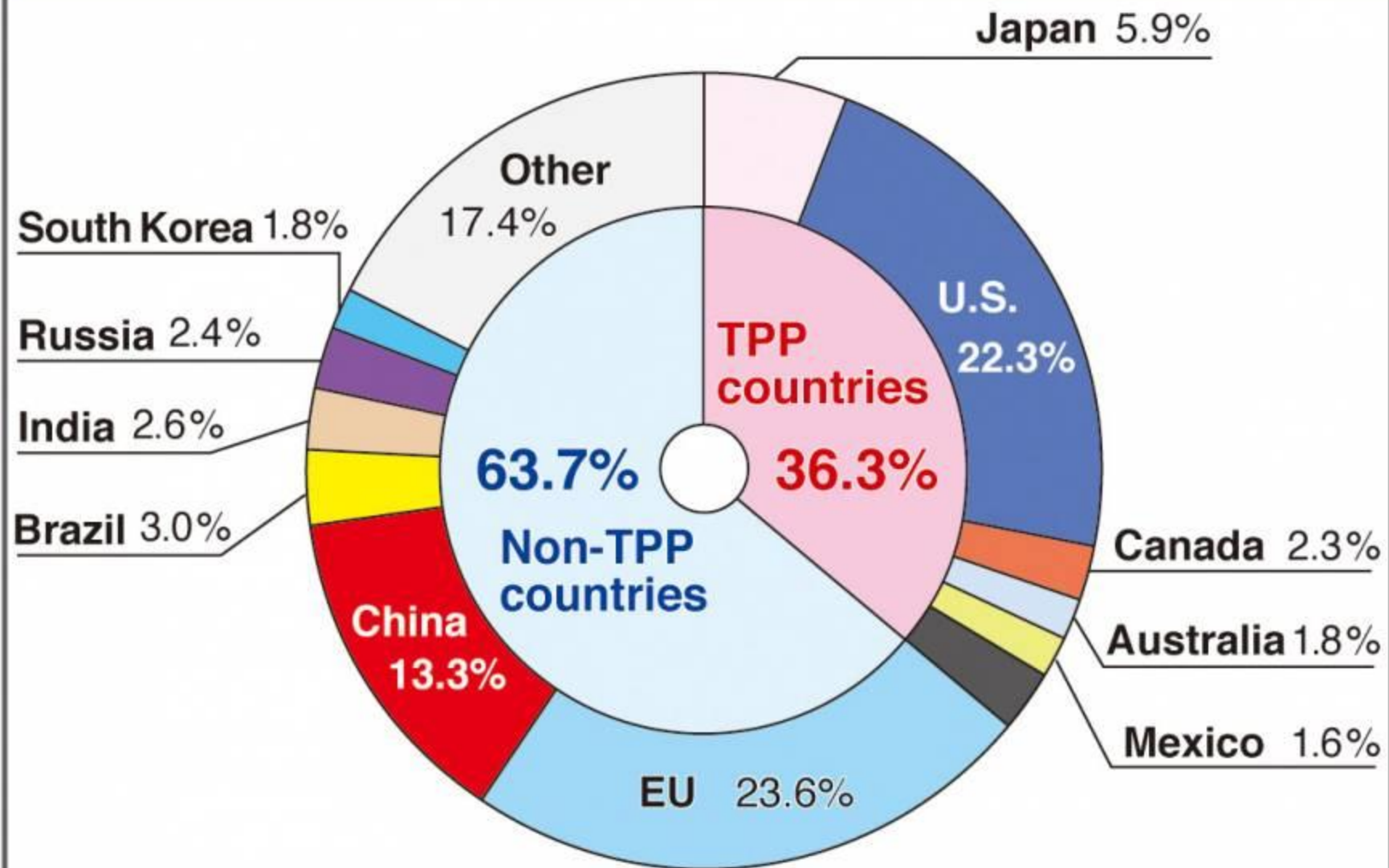
- **TPP**(Asia-Pacific): an ultimate FTA with the ultimate partner; i.e. USA
- **RCEP**(East Asia): Providing a **Legal Framework** to Secure “de-facto Business-driven Integration”
- **Japan-China-Korea FTA**: missing parts of the jigsaw puzzle
- **Japan-EU FTA**: towards an Asia-Europe partnership
-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



3. TPP Agreement at the Atlanta Ministerial Meeting and Its Implications to the Rest of the World



Share of global GDP (2014)



SOURCE: World Economic Outlook Database April 2014

Agenda of the TPP

Trans-Pacific Strategic Economic Partnership Agreement

- "P4": a comprehensive FTA including elimination of all tariffs among Chile, Brunei, New Zealand, and Singapore

- TPP/12:

• **Participants:** US, Canada, Mexico, Peru, Chile, Vietnam, Malaysia, Singapore, Brunei, Australia and New Zealand, Japan

• **Goal (missed):** to be completed by the end of 2013

• **Negotiating Agenda:** 21 chapters including 4 cross-cutting issues

- Competition (**SOEs**)
- Market Access for goods (**sugar, beef, rice,..**)
- Cooperation and Capacity building
- Cross-border services
- Customs
- E-commerce
- Environment
- Financial services
- Government Procurement
- **Intellectual Property Rights**
- Investment (**ISDS**)
- **Labour**
- Legal issues
- Rules of Origin (**textiles and apparel**)
- Sanitary and Phytosanitary Standards (SPS)
- Technical Barriers to Trade (TBT)
- Telecommunications
- Temporary Entry
- Textiles and apparel
- Trade remedies
- **Regulatory coherence**
- **Competitiveness and business facilitation**
- **SMEs**
- **Development**

Japan and the TPP

- President **Obama** Visit in Tokyo, November 2009: a wake-up call
- PM Kan(DPJ) on the TPP at the Diet, October 2010: a strategic failure provoking strong opposition against the TPP, inter alia, from Agriculture Lobby
- PM **Noda**(DPJ) to step forward, November 2011/2012: influence on China (ASEAN+3 \Rightarrow ASEAN+6/RCEP) and the EU (FTA with Japan)
- Canada, Mexico joined TPP Negotiations 2012
- PM **Abe** (LDP) to join TPP Negotiations, March 2013
- Japan-US Agreement on Bilateral Talks on **Cars & NTMs**, April 2013
- Japan joined TPP Negotiations, July 2013

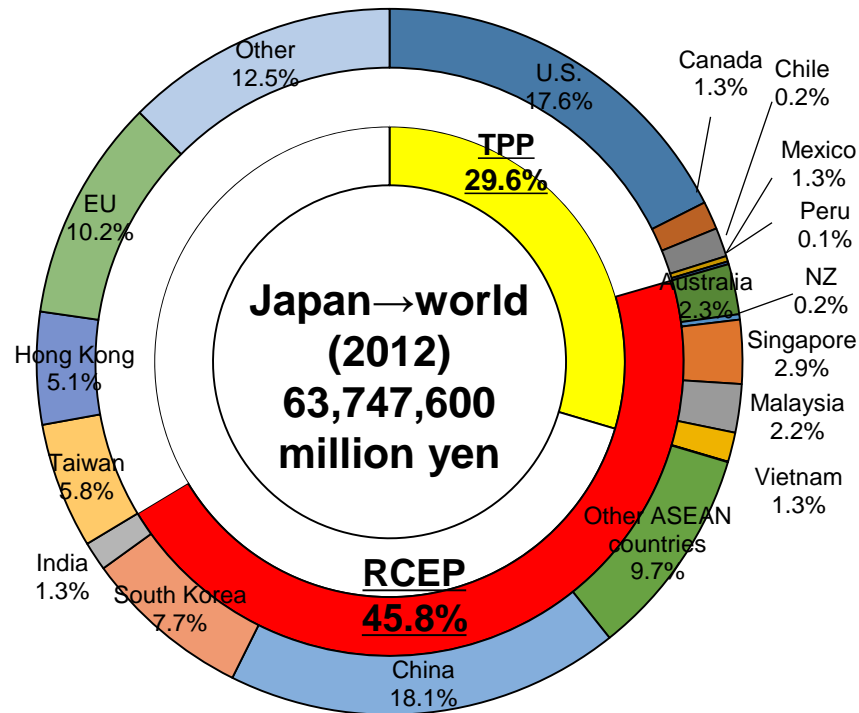
President Obama's Visit in Tokyo, 23-25 April 2014: “a key milestone in the TPP negotiations”

- No “Agreement on Substance” Announced
- “We have **identified a path forward** on important bilateral TPP issues.” (Joint Statement, 25/04/2014)
- “This marks **a key milestone** in the TPP negotiations and will inject fresh momentum into the broader talks” (idem)
- A major breakthrough in sensitive products: tariffs on beef, pork, dairy, rice, wheat, and sugar/sugar-contained products
- Exchange of “**Sensitivities**”; agricultural tariffs for Japan and tariffs on cars/trucks for the US

The significance to Japan of the Pacific-Asia region

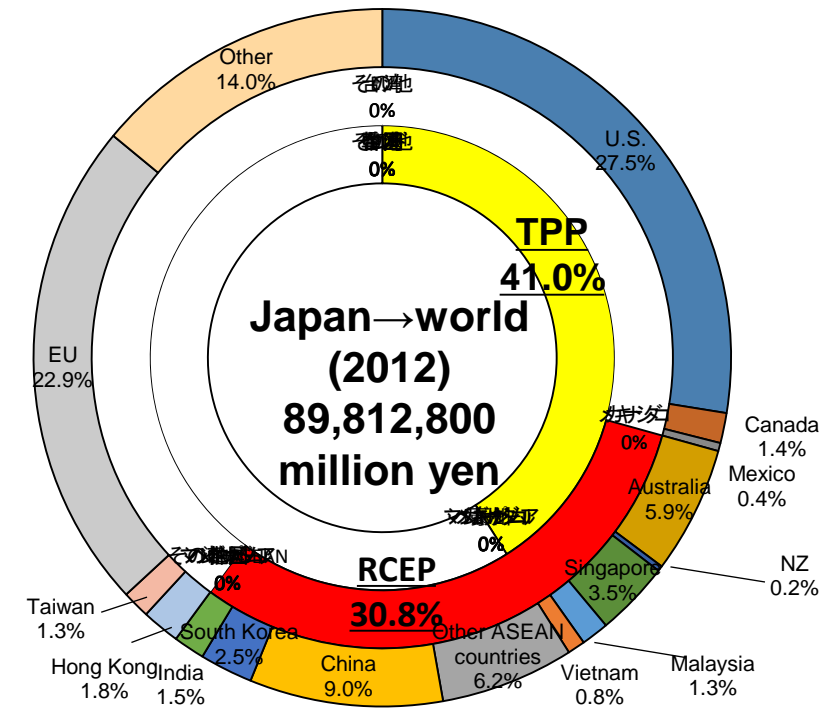
- Approx. 45.8% of exports by value were exported to states engaged in RCEP negotiations.
- Approx. 30.8% of foreign direct investment was invested in states engaged in RCEP negotiations.

Proportion of Japanese exports by region, in 2012



Trade data: Trade Statistics of Japan
(Ministry of Finance, 2012)

Proportion of Japanese FDI by region, in 2012



*Individual figures for Peru, Chile, Brunei, and Papua New Guinea are excluded, since they have not published stock results. However, total figures by region include those states that have not published their results.

Source: Japanese foreign assets and liabilities balance (Ministry of Finance)
Direct investment (assets) balance statistics, by region (Bank of Japan)

TPP an Agreement on Substance, Oct. 5 2015

- Tariff Elimination: ① 99.9% on Industrial Products, ② 97.1% on Agricultural Products
- New Rules: ① SOEs (regulations on non-commercial assistance by government), ② Labour and Environment (subject to dispute settlement procedures), ③ Government Procurement (obligations extended to non-WTO/GPA signatories)
- User-friendly Rules: Rules of Origin, Trade Facilitation, SMEs-related provisions, Investment (ISDS)
- Further Membership: Korea, the Philippines, Thailand, Taiwan, and even Indonesia !

Tariff Elimination in the TPP Negotiations: Tariff Offer by Japan (81% of agri-tariffs)



95%: tariffs maintained on 412 products (rice, sugar, wheat, dairy products, beef/pork, etc)

Provided that the tariffs to be eliminated on leather products, wine, chocolate, cookies, salt, tobacco, beef tongue, etc

93.5%: tariff maintained on 586 products (rice, wheat, dairy, beef/pork, sugar, pineapple, etc.)

89.7%: tariffs maintained on 929 products that Japan has never offered zero-duty

88.4%: the highest level of tariff concession by Japan's EPA (the Japan-Philippines EPA)

Rules of Origin in TPP (most generous **accumulation rule** to facilitate supply chain)

- ASEAN CEPT scheme: 40%
- NAFTA scheme: 62.5% (in case of auto/auto-parts)
- Completed Passenger Vehicle: **55%** (exceptions where special considerations provided to such items as; tempered glass, car-body for passenger vehicle, car-body of commercial vehicle, bumper, door, axle)
- Car Parts/Components: Change in Tariff Classification Criteria or Value-added Criteria (**45~55%**)

⇒⇒⇒ some shift of production might take place from non-TPP countries to TPP member countries

Duties on Cars & Car-parts vis-à-vis US

Product	Current Rate of Import Duties	Duty Elimination/Reduction
Passenger vehicle	2.5%	Reduction from the 15 th year, to be eliminated in the 25 th year
Bus	2.0%	Elimination in the 10 th year
Truck	25.0%	Duties maintained for 29 years, to be eliminated in the 30 th year
Cab-chassis	4.0%	Reduction from the 15 th year, to be eliminated in the 25 th year
Car air-conditioning	1.4%	Immediate elimination
Shield beam lamp	2.0%	Immediate elimination
Engines 1000~2000 cc, wiper, bumper, brake, gear box, airbags, etc.	2.5%	Immediate elimination For engine above 2000cc, duty will be eliminated in the 5 th year

Duties on Cars & Car-parts vis-à-vis Canada

Product	Current Rate of Import Duties	Duty Elimination/Reduction
Passenger vehicle	6.1%	To be eliminated in the 5 th year
Bus	6.1%	To be eliminated in the 11 th year
Large gasoline truck	6.1%	To be eliminated in the 6 th year
Truck	6.1%	To be eliminated in the 11 th year
Car air-conditioning, car body, brake, suspension, steering gear, etc.	6.0%	Immediate elimination
tire	7.0%	To be eliminated in the 4 th year

Duties on Cars & Car-parts vis-à-vis Mexico

Product	Current Rate of Import Duties	Duty Elimination/Reduction
Passenger vehicle	15~30%	Immediate elimination
Bus	15~30%	Phasing-out over 10 years
Small truck	15~30%	Immediate elimination
Medium-sized & large truck	30%	Phasing-out over 10 years
Used car	50%	Reduction at coming-into-force
Engine parts	5%	Immediate elimination
Shock-absorber parts	5%	To be eliminated in the 5 th year

Duties on Cars & Car-parts vis-à-vis Others

Country	Product	Current Rate of Import Duties	Duty Elimination/Reduction
New Zealand	Passenger vehicle	10%	Immediate elimination
New Zealand	Bus	5%	Immediate elimination
New Zealand	Truck	5%	Immediate elimination
Peru	Passenger vehicle	9%	Immediate elimination
Viet Nam	Passenger vehicle above 3000cc	77/80 %	To be eliminated in the 10 th year
Viet Nam	Passenger vehicle below 3000cc	77~83%	To be eliminated in the 13 th year
Viet Nam	Truck	10~80%	To be eliminated in the 12 th ~13 th year

4. The Japan-Mexico EPA(2005) and Beyond

The Renewed Partnership between Japan and Mexico as a
model for future Japan-Latin America Economic Relations

Japan-Mexico Renewed Partnership

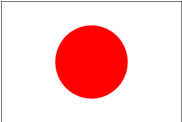

- 2002.7 Joint Study Group concluded its work
- 2002.11 Negotiation started on the Officials' Level
- 2003.10 President Fox's State Visit to Tokyo (negotiation broken down)
- 2003.11 Negotiation resumed ("Compare-notes")
- 2004.3 Agreement on Substance reached
- 2004.9 Agreement signed (PM Koizumi & President Fox, Mexico City)
- 2005.4 Coming-into-effect of the Agreement
- 2007.4 Coming-into-effect of the Protocol for Improved Market Access
- 2008.9 Negotiation for Amendment started
- 2011.2 Agreement reached on Amendment of the Agreement
- 2011.9 Signature on the Amended Agreement
- 2012.4 Coming-into-force of the Amended Agreement

Increase in Bilateral Trade between Japan and Mexico (2004-2013)

☆ Two-way Trade: JPY 785 billion (2004) ⇒ JPY 1,358 billion (2013)

Mexico  ⇒ Japan 

- Pork: 32,712 t (2004) ⇒ 57,379 t (2013)
- Beef: 1,772 t (2004) ⇒ 14,272 t (2013)

Japan  ⇒ Mexico 

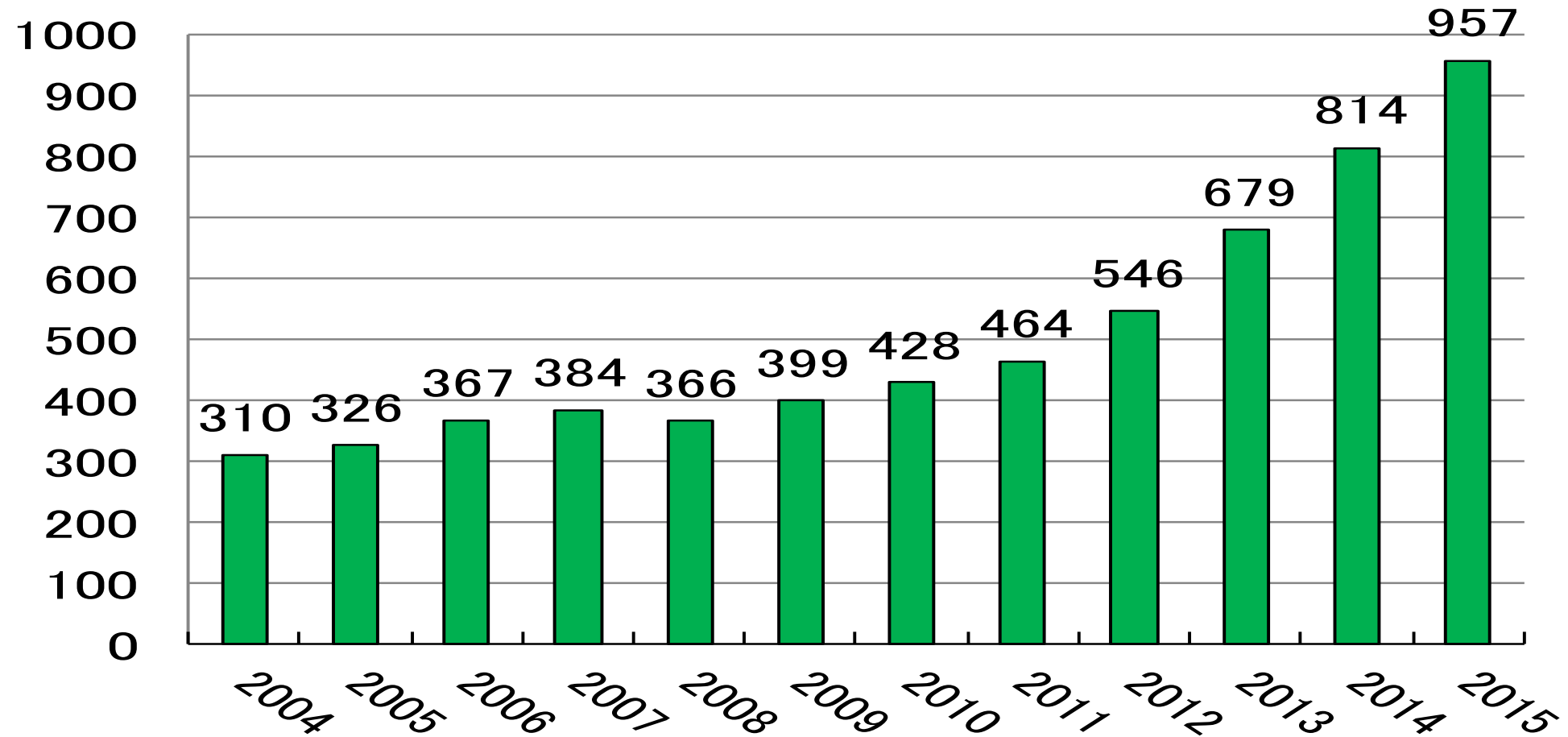
- Automobile: JPY 82.7 billion (2004) ⇒ JPY 135.3 billion (2013)
- Auto Parts: JPY 58.3 billion (2004) ⇒ JPY 137.2 billion (2013)

☆ Self-declaration for Certification in Rules-of-Origin

☆ Improvement of Business Environment

☆ Government Procurement

Japanese Companies in Mexico (2004-2015)



World Car Production Top 15 (2005-2014)

RANKING	2005	million unit	2013	million unit	2014	million unit
1	USA	11.9	China	22.1	China	23.7
2	Japan	10.8	USA	11.1	USA	11.7
3	Germany	5.8	Japan	9.6	Japan	9.8
4	China	5.7	Germany	5.7	Germany	5.9
5	ROK	3.7	ROK	4.5	ROK	4.5
6	France	3.5	India	3.9	India	3.8
7	Spain	2.8	Brazil	3.7	Mexico	3.4
8	Canada	2.7	Mexico	3.1	Brazil	3.1
9	Brazil	2.5	Thailand	2.5	Spain	2.4
10	UK	1.8	Canada	2.4	Canada	2.4
11	Mexico	1.7	Spain	2.2	Russia	1.9
12	India	1.6	Russia	2.2	Thailand	1.9

Multilateralizing Regionalism

- Convergence of Liberalization Efforts in 3 Mega FTAs, i.e. TPP, TTIP, and the Japan-EU EPA
- A New Momentum to reinforce the Trade Multilateralism embodied in the WTO
- Japan and the Mexico/US should demonstrate leadership in TPP and beyond

5. The Bilateral Relations between Japan and Brazil

The Bilateral Economic Relations between Japan and Brazil

- Japan's Export to Brazil: US\$ 5.9 billion, 2.6% of Brazil's Total Import (MDIC, 2014)
- Japan's Import from Brazil: US\$ 6.7 billion, 3% of Brazil's Total Export (MDIC, 2014)
- FDI from Japan: US\$ 3.8 billion (DECAM, 2014), 450+ Japanese Companies
- **Untapped Potentiality**: rich agriculture, natural resources, energy, growing market with young population, etc.
- MERCOSUR since 1995: Pros & Cons
- Proposal on "Japan-Brazil Economic Partnership Agreement" by Japan's Keidanren and CNI of Brazil, Aug.-Sept. 2015

6. Conclusions

TPP provides a momentum to free trade arrangements such as RCEP, JCK FTA and ASEAN Economic Community.

In the absence of WTO/DDA development on rule-making, the TPP rules could become “model rules” in such area as Investment, Competition, and Government Procurement etc.

Japan is interested in high-quality rules as well as high-level market access liberalization with the like-minded countries like Pacific Alliance Members across Asia-Pacific and beyond. Japan and Brazil should explore all the possibilities to establish a FTA between them.

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

