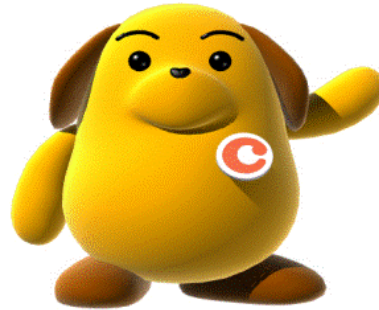


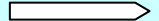


Japan's Economic Partnership Agreement (EPA)



**Customs & Tariff Bureau,
MOF JAPAN**

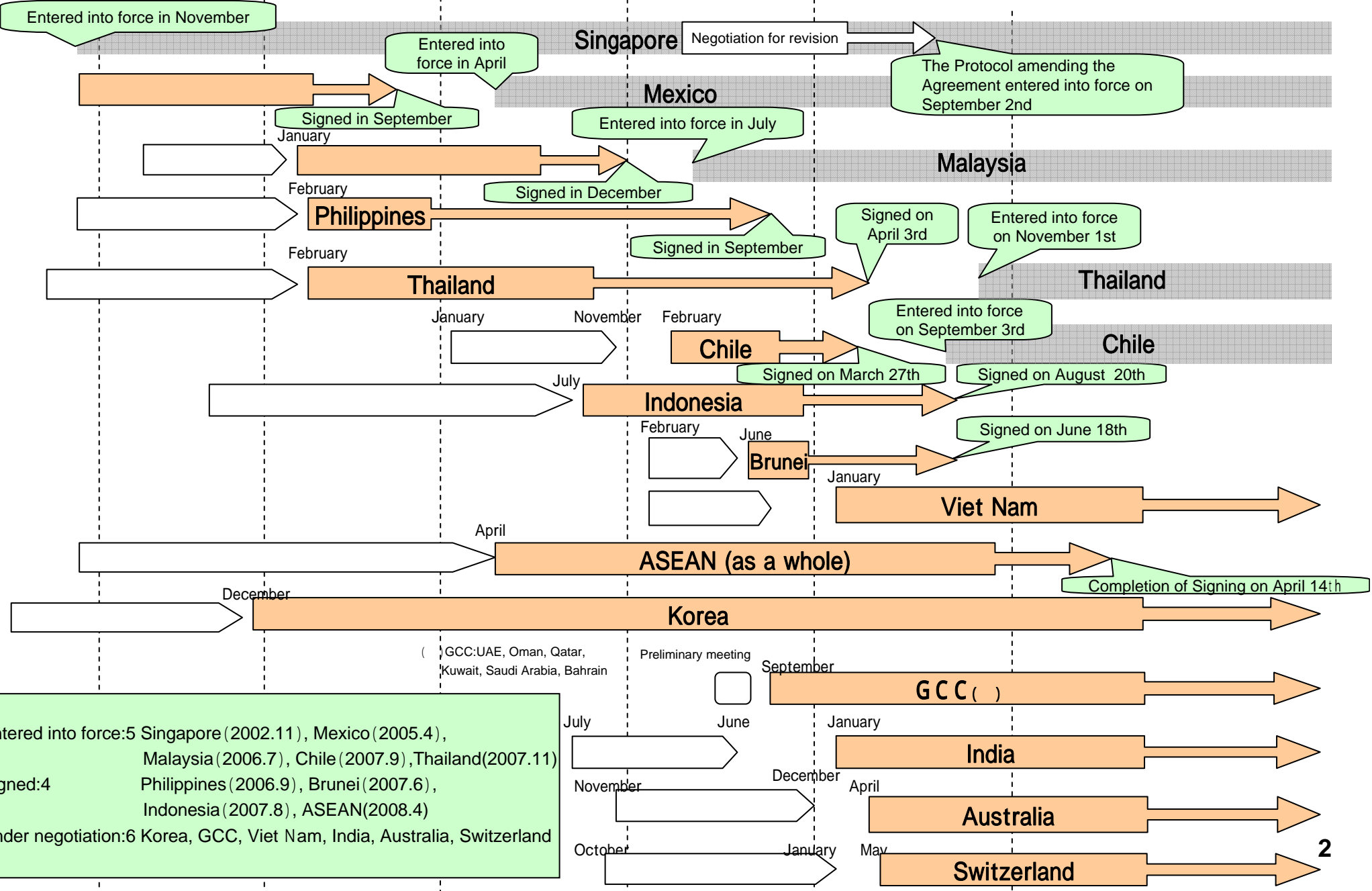
May 30 , 2008

Japan's Current Status of EPA/FTA negotiations

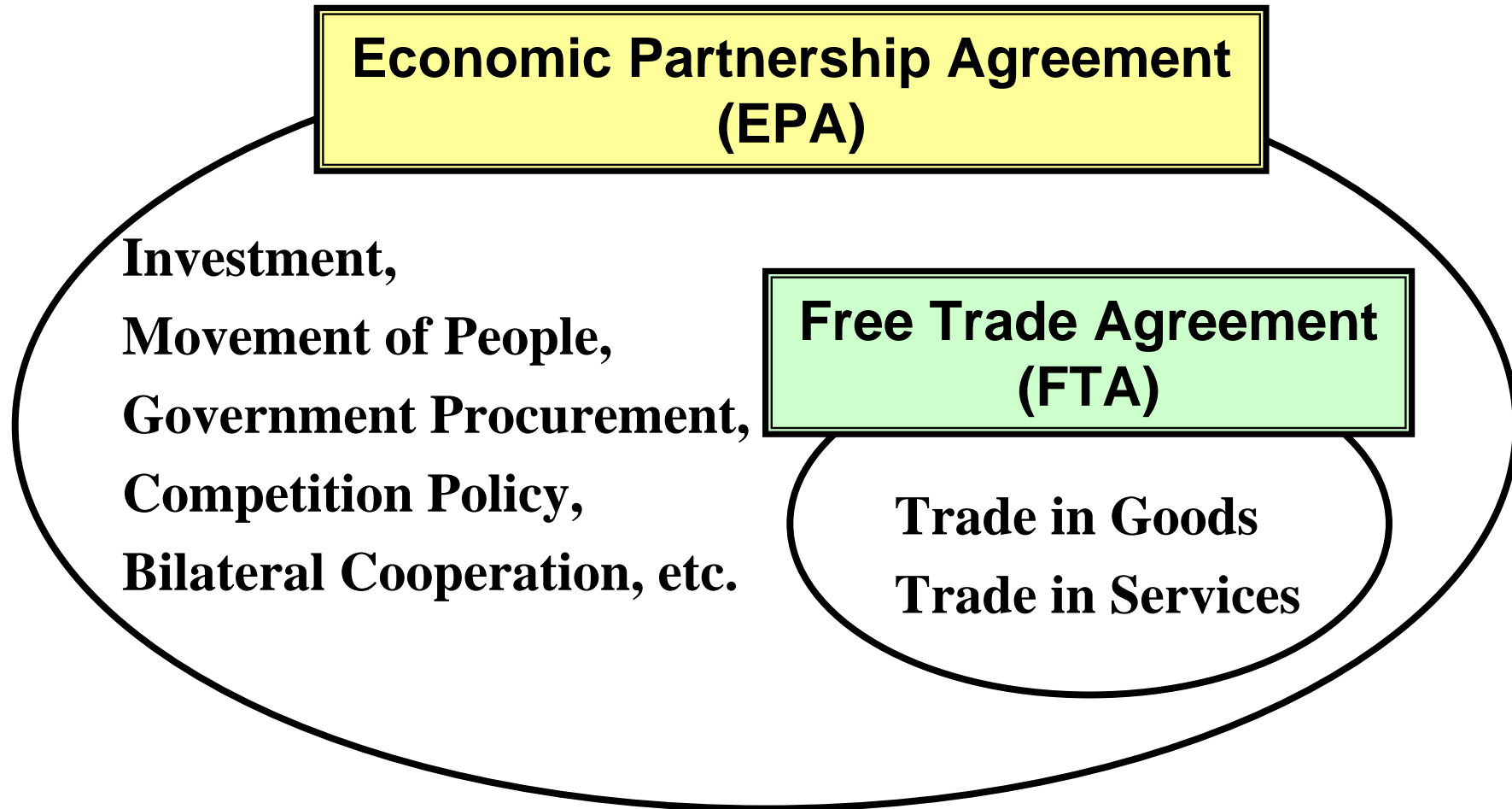
 :Preliminary discussions etc.
 :Under Negotiation
 :Entered into force

May 2008

2002 2003 2004 2005 2006 2007 2008



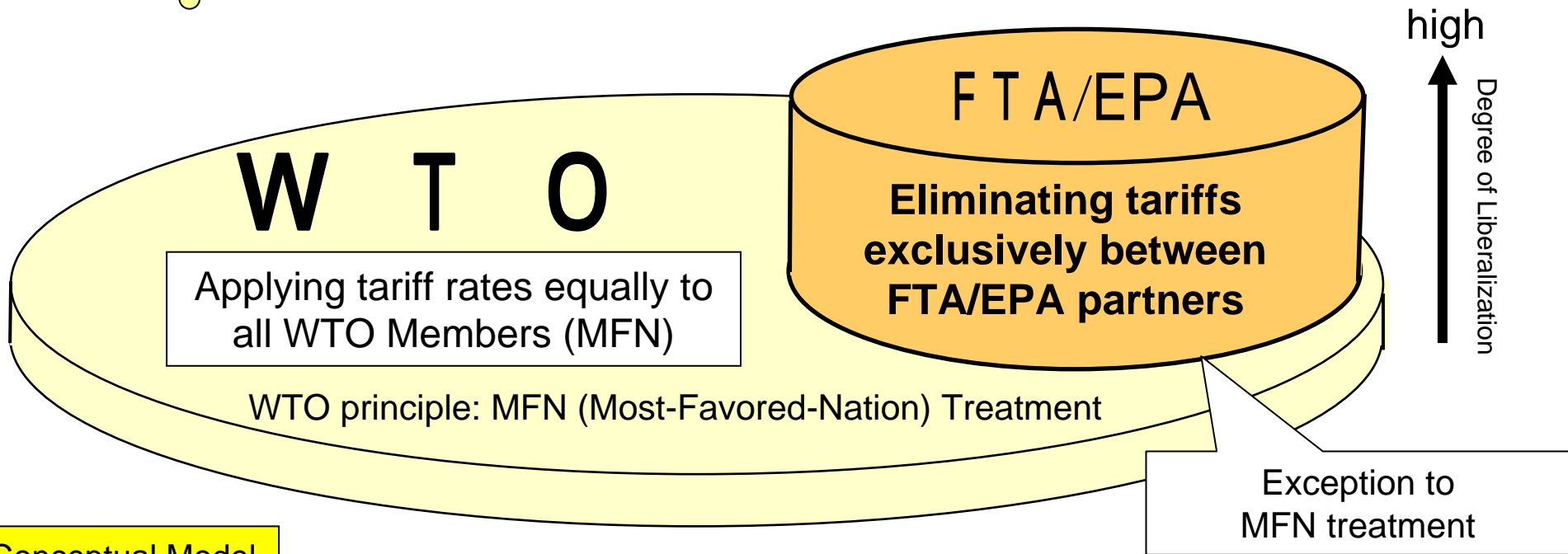
FTA and EPA



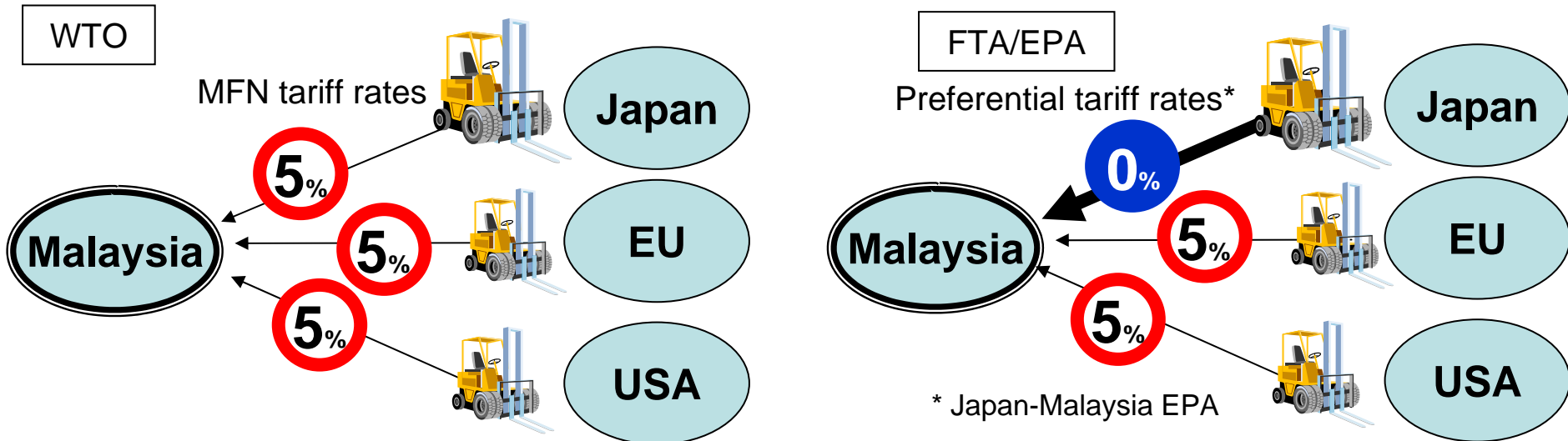
Example : Japan-Malaysia EPA (Entered into force in July 2006)

- Chapter 1: General Provisions
- Chapter 2: Trade in Goods
(e.g., Tariff elimination/reduction, bilateral safeguard measure)
- Chapter 3: Rules of Origin
(e.g., Rules to decide the origin of goods, Issuance of certificate of origin)
- Chapter 4: Customs Procedures
(e.g., Harmonization/simplification)
- Chapter 5: Technical Regulations, Standards, and Conformity Assessment Procedures (TBT)
(e.g., Exchange information)
- Chapter 6: Sanitary and Phyto-sanitary Procedures (SPS)
(e.g., Exchange information)
- Chapter 7: Investment
(e.g., Protection of investment, Liberalization of investment)
- Chapter 8: Trade in Services
(e.g., Liberalization of trade in service)
- Chapter 9: Intellectual Property
(e.g., IPR protection)
- Chapter 10: Controlling Anti-competitive Activities
(e.g., Measures against anti-competitive activities)
- Chapter 11: Improvement of Business Environment
(e.g., Establishment of Sub-Committee on improvement of Business Environment)
- Chapter 12: Co-operation
(e.g., Promotion of co-operation)
- Chapter 13: Dispute Settlement
- Chapter 14: Final Provisions

FTA/EPAs and WTO



Conceptual Model



WTO consistency of FTA/EPAs

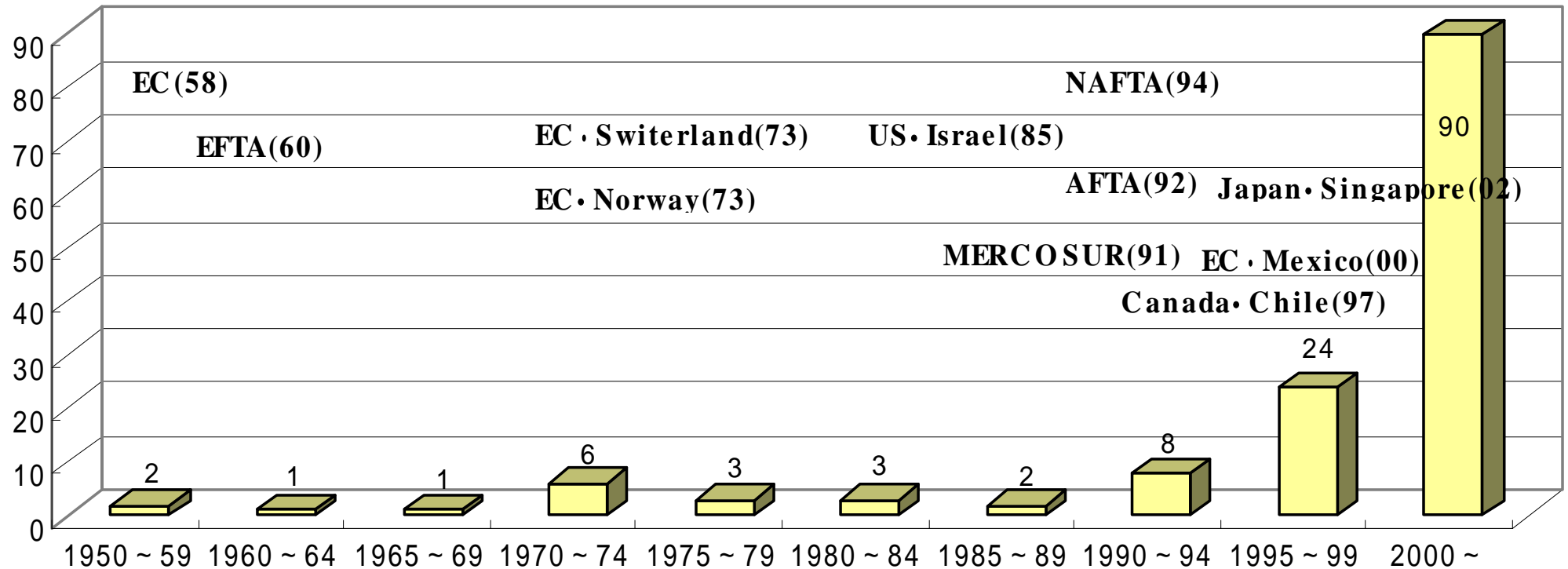
- **GATT Article XXIV (Trade in Goods)**
 - Prohibition against raising barriers to non-EPA/FTA members
 - Elimination of:
 - ✓ *Tariff on “substantially all the trade” between the parties*
 - ✓ Other restrictive regulations of commerce
 - Implementation with a “*reasonable length of time*”
 - Notification to the WTO
- **GATS Article V (Trade in Services)**
 - Substantial sectoral coverage
 - Notification to the WTO

Interpretation of GATT Article XXIV (Trade in Goods)

- **“Substantially all the trade” between the parties**
 - No internationally-agreed definition
 - One general idea :
 - ✓ covering more than 90% of trade value
 - ✓ not excluding of specific sector entirely
- **“Reasonable length of time”**
 - Understanding on the interpretation of Article XXIV of GATT 1994 :
 - ✓ 10 years unless *exceptional cases*

The number of RTA notified to the GATT/WTO

(number)



(source) Summarized by Ministry of Finance, based on Regional Trade Agreements Notified to the GATT/WTO and in Force (WTO)

(note) The number of RTA notified to GATT/WTO, counting one if notified under both GATT and GATS.
The number in bracket is the year that the RTA entered into effect.

* Total 140 RTAs as of 10 February 2008
(excluding ones between EU Member States)

FTA/EPA negotiations

As of April 2008

	Entered into force or signed		Under negotiation	
Japan	9	Singapore, Mexico, Malaysia, Philippines, Chile, Thailand, Brunei, Indonesia, ASEAN	6	Korea, GCC, Vietnam, India, Australia, Switzerland
Korea	5	Chile, Singapore, EFTA, ASEAN, USA	5	Japan, Canada, Mexico, India, EU
China	6	Hong Kong, Macao, ASEAN, Chile, Pakistan, New Zealand	6	Australia, SACU, GCC, Singapore, Iceland, Peru
USA	14	Israel, NAFTA, Jordan, Singapore, Chile, Australia, Morocco, Bahrain, Peru, Colombia, Panama, Korea, etc	6	FTAA, SACU, Thailand, Malaysia, UAE, Ecuador
EU	22	Turkey, Tunisia, South Africa, Morocco, Israel, Mexico, Croatia, Jordan, Chile, Egypt, etc	5	MERCOSUR, GCC, ACP (Africa-Caribbean-Pacific)* , Korea, India
Australia	4	New Zealand, Thailand, Singapore, USA	6	ASEAN, China, Malaysia, Japan, Chile, GCC
ASEAN	3	China, Korea, Japan	2	India, Australia-New Zealand

NAFTA (North American Free Trade Agreement): Canada, Mexico, USA

EFTA (European Free Trade Association): Iceland, Switzerland, Norway, Liechtenstein

MERCOSUR (Mercado Comun del Sur): Argentina, Uruguay, Brazil, Paraguay, Venezuela

SACU (Southern African Customs Union): South Africa, Swaziland, Namibia, Botswana, Lesotho

GCC (Gulf Cooperation Council) : UAE, Oman, Qatar, Kuwait, Saudi Arabia, Bahrain

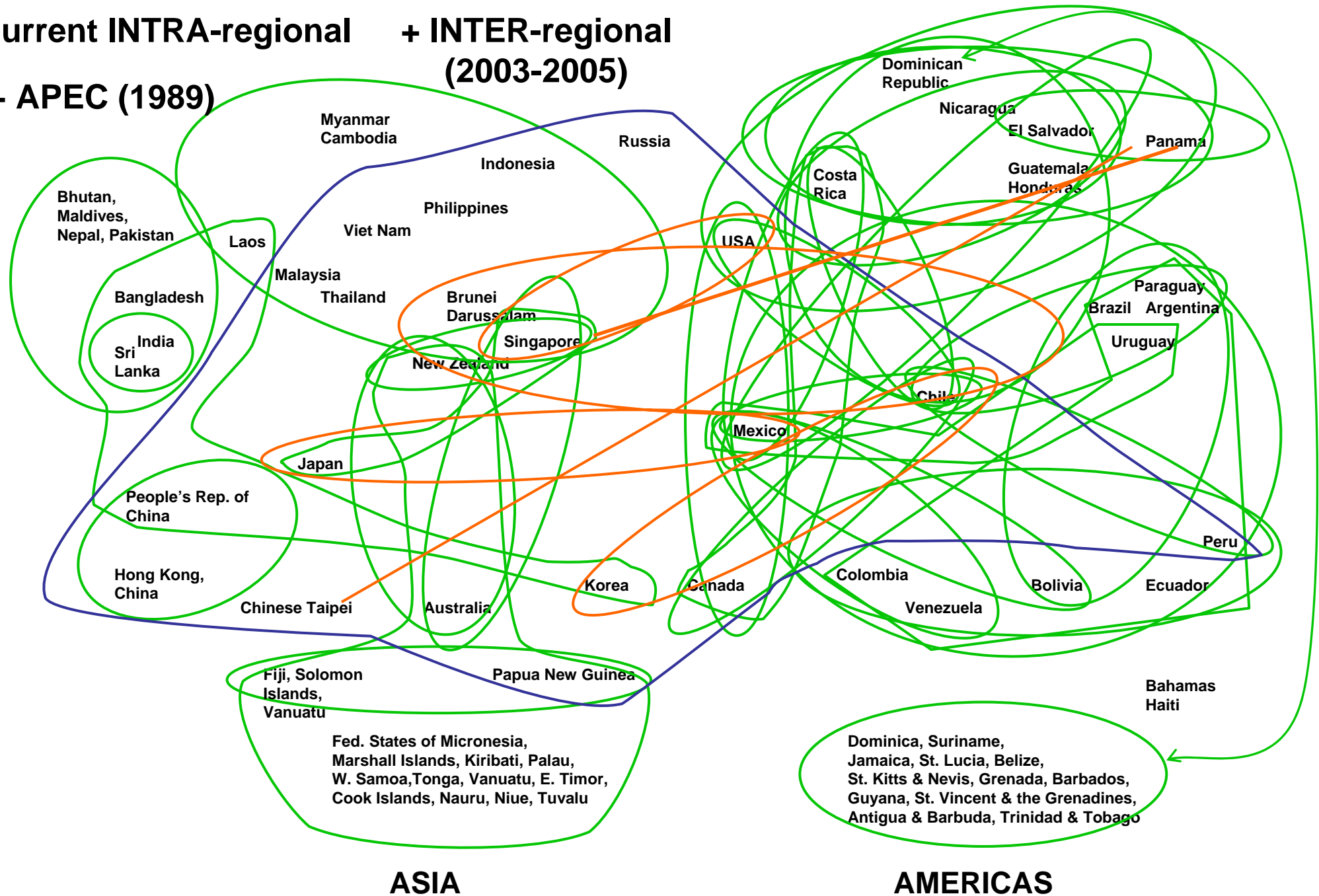
* Interim agreement entered into force with 39 ACP economies by 1 January 2008

(source) Summarized by Ministry of Finance, Japan

Would EPA/FTAs Complement WTO's Multilateral Trading System?

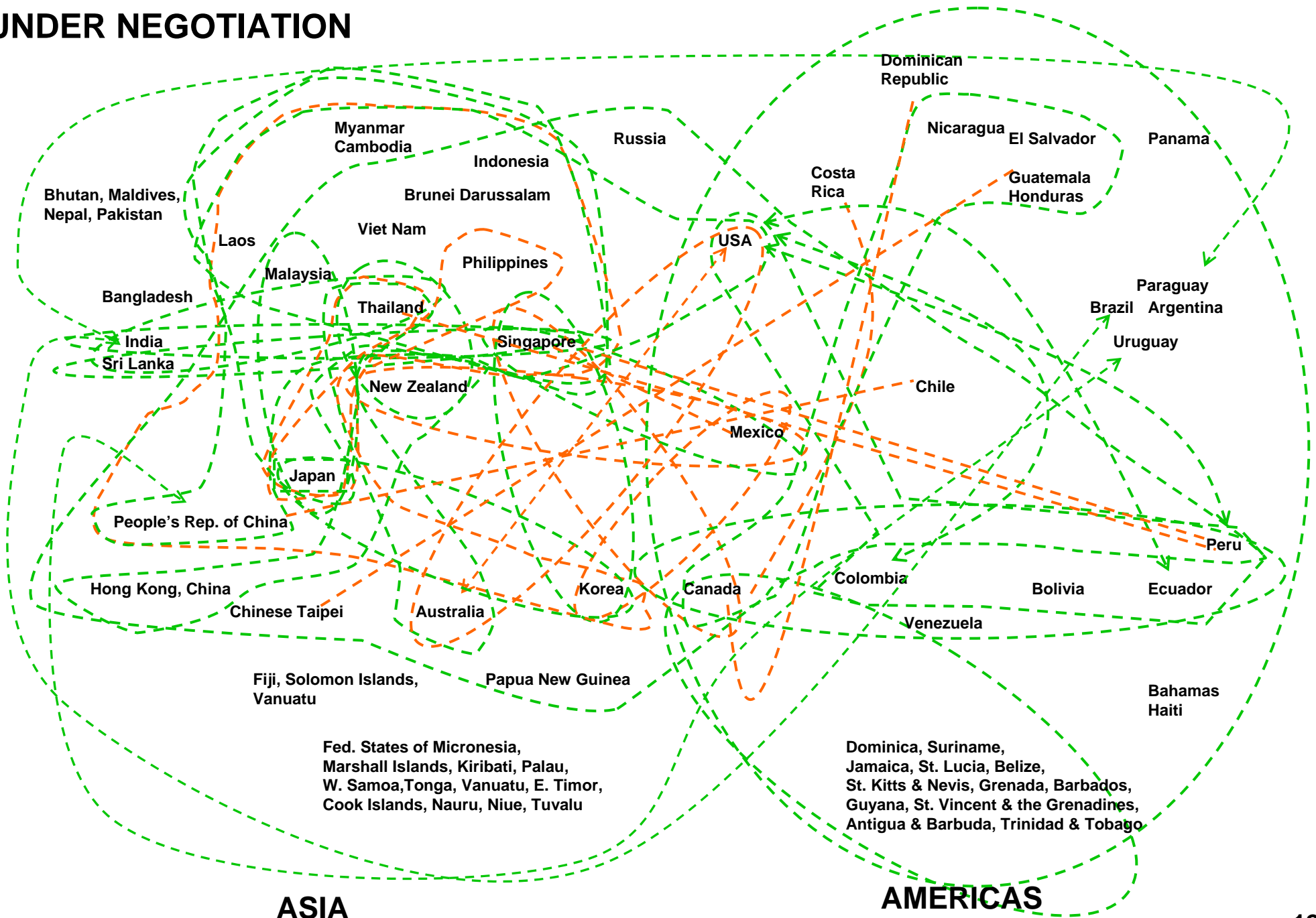
- **EPA/FTA as “*building block*” for the WTO system**
 - To promote multilateral negotiations
(e.g. Uruguay round vs. NAFTA)
 - Provide a basis/model for future WTO negotiations
(e.g. investment, competition)
- **EPA/FTA as “*stumbling block*” for the WTO system**
 - Preferential trade liberalization between EPA/FTA partners diverges from WTO MFN principle, even if the EPA/FTA concerned satisfies the GATT Article XXIV
 - ✓ Potential threat to the WTO system, Marginalization of LDCs
 - “*Spaghetti Bowl*” concerns
 - ✓ Complex web of different Rules of Origin of various EPA/FTAs, resulting in an increase in administrative burden of both traders & Customs, etc.

Current INTRA-regional + INTER-regional (2003-2005)
+ APEC (1989)



(source) APEC WORKSHOP ON BEST PRACTICES IN TRADE POLICY FOR RTAs/FTAs: PRACTICAL LESSONS AND EXPERIENCES FOR DEVELOPING ECONOMIES, February 2006, Ha Noi, Viet Nam

UNDER NEGOTIATION



(source) APEC WORKSHOP ON BEST PRACTICES IN TRADE POLICY FOR RTAs/FTAs: PRACTICAL LESSONS AND EXPERIENCES FOR DEVELOPING ECONOMIES, February 2006, Ha Noi, Viet Nam

Basic policy towards further promotion of Economic Partnership Agreements (EPAs)

approved by

the Council of Ministers on the
Promotion of Economic Partnership

on December 21, 2004

(source) www.mofa.go.jp/policy/economy/fta/policy0412.html

Japan's basic policy on FTA/EPAs (summary)

- Focus on partner countries in East Asia, with which Japan has vital economic/political interests.
- When selecting partner countries in other region, the following criteria should be taken into account:
 - Creation of international environment beneficial to Japan;
 - Attainment of overall economic interests of Japan;
 - Situation of the partner countries/regions and feasibility to realize EPA/FTA.
- Depending on the economic relation with partner countries, alternative measures other than EPA, such as investment promotion agreement, may be sought.

Japan's basic policy on FTA/EPAs: 12 criteria on identifying partners (summary)

1. Creation of international environment beneficial to Japan

- 1-1 Community building, stability and prosperity in East Asia
- 1-2 Strengthen Japan's economic power, tackle political/diplomatic challenges
- 1-3 Reinforce Japan's position at multilateral negotiations (e.g. WTO Doha round)

2. Attainment of economic interests of Japan as a whole

- 2-1 Expand and facilitate exports of industrial/agricultural goods, trade in services, and investment; improve the business environment for Japanese companies operating in the partner countries; facilitate movement of natural persons, etc.
- 2-2 Eliminate economic disadvantages caused by absence of EPA/FTA
- 2-3 Contribute to stable imports of resources, safe and reliable food
- 2-4 Promote Japan's economic and social structural reforms
- 2-5 Promote acceptance of professional/technical workers

3. Situation of the partner countries/regions and feasibility to realize EPA/FTA

- 3-1 "Appropriate consideration" to sensitive products.
- 3-2 Less potential frictions/problems with third countries
- 3-3 Capacity of partner country to implement the commitments
- 3-4 Whether or not an FTA the best means of economic partnership

Japan's future prospect on FTA/EPAs: revised EPA timetable (March 2008) (summary)

- Positive and strategic efforts according to the revised EPA timetable

the number of EPA: 4 (January 2007) -> 12 or more (January 2009, expected)
ref. trade share with EPA partners (Economic and Fiscal Reform 2006; July 2006): 6.9% (January 2007) -> 25% or more (2010, expected)

- Promoting EPA studies with large market/investment countries as a future task

e.g. USA, European Union (EU)

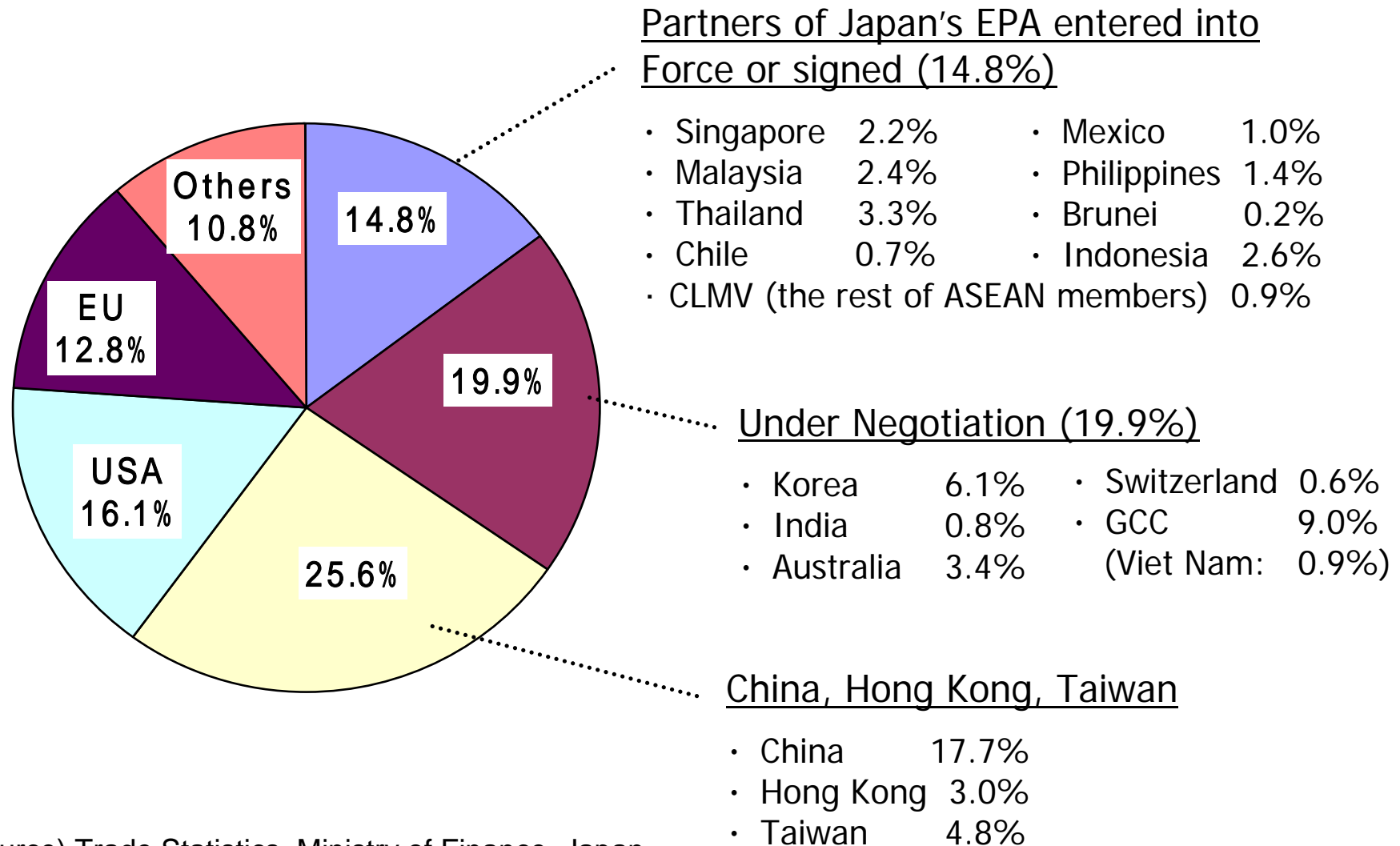
- Promoting EPA studies on a regional scale

e.g. ASEAN+3 (ASEAN, China, Japan, Korea)

ASEAN+6 (ASEAN, China, Japan, Korea, Australia, NZ, India)

FTAAP (Free Trade Area of the Asia–Pacific: 21 APEC economies)

Share of Japan's EPA partners in terms of it's total trade (2007)



(Source) Trade Statistics, Ministry of Finance, Japan

For more details, please refer to the followings;

<http://www.customs.go.jp/english/epa/index.htm> (In English)

http://www.customs.go.jp/kyotsu/kokusai/fta-epa_index.htm

(In Japanese)

[Ministry of Finance]

<http://www.mofa.go.jp/policy/economy/fta/index.html>

[Ministry of Foreign Affairs]