

**The 12th Joint Meeting of the Japan-Brazil
Economic Cooperation Committee**



Integration of the East Asian Economy and Japan's Role in the Region

March 6th, 2007

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Executive Vice President

Japan External Trade Organization (JETRO)

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1. Stronger Ties with East Asia

2. Japan's Role in the Region

Policy of New Prime Minister

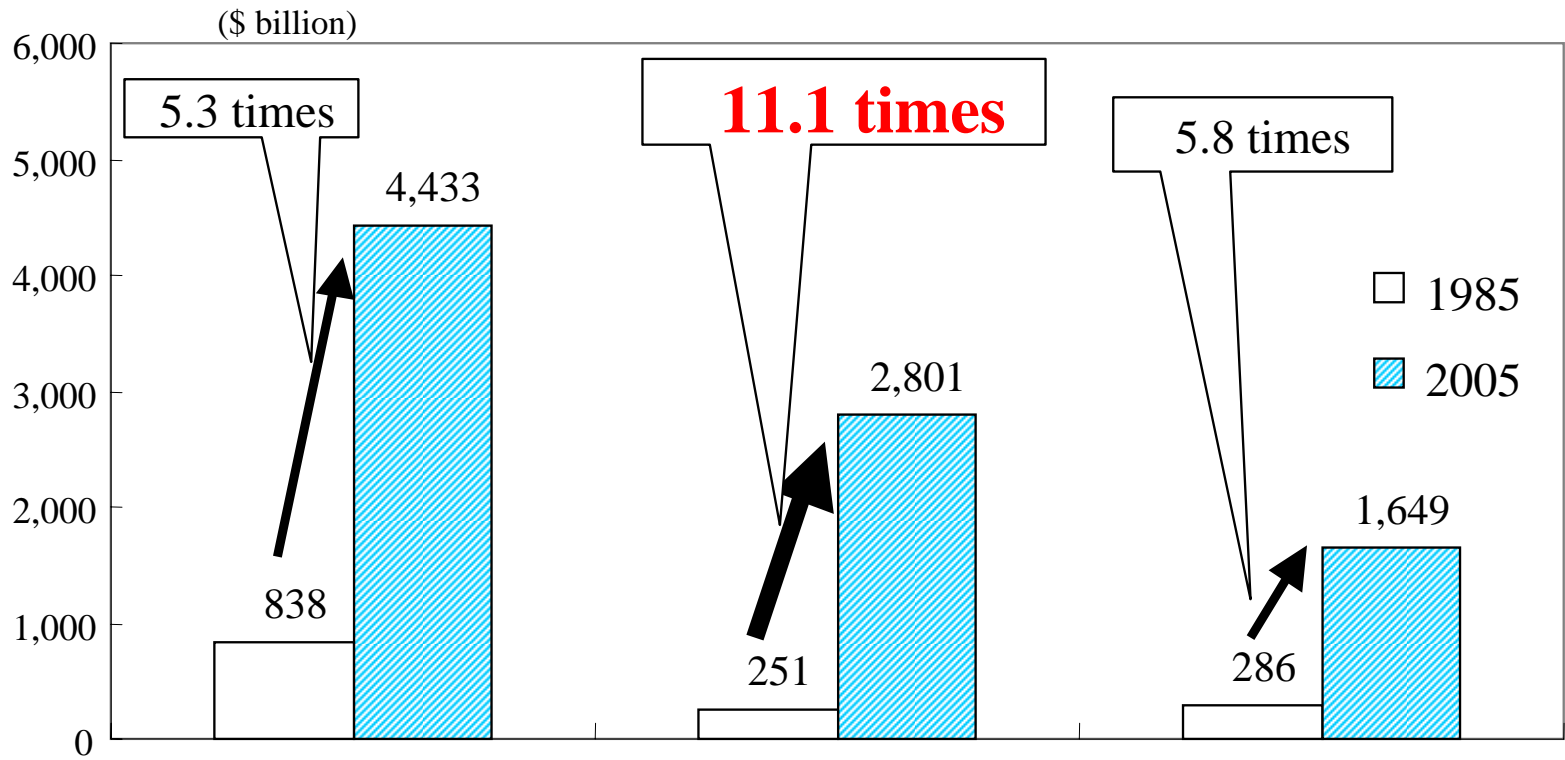


Shinzo Abe

“Shift to Proactive Diplomacy”

“In order for Japan to draw on the growth and vitality of Asia and the world, I will strengthen efforts to conclude EPAs as well as work towards the resumption of the WTO Doha Round negotiations.”

Comparison of Intra-regional Trade Expansion (1985-2005)



EU15

(60.3%)

East Asia

(55.4%)

NAFTA

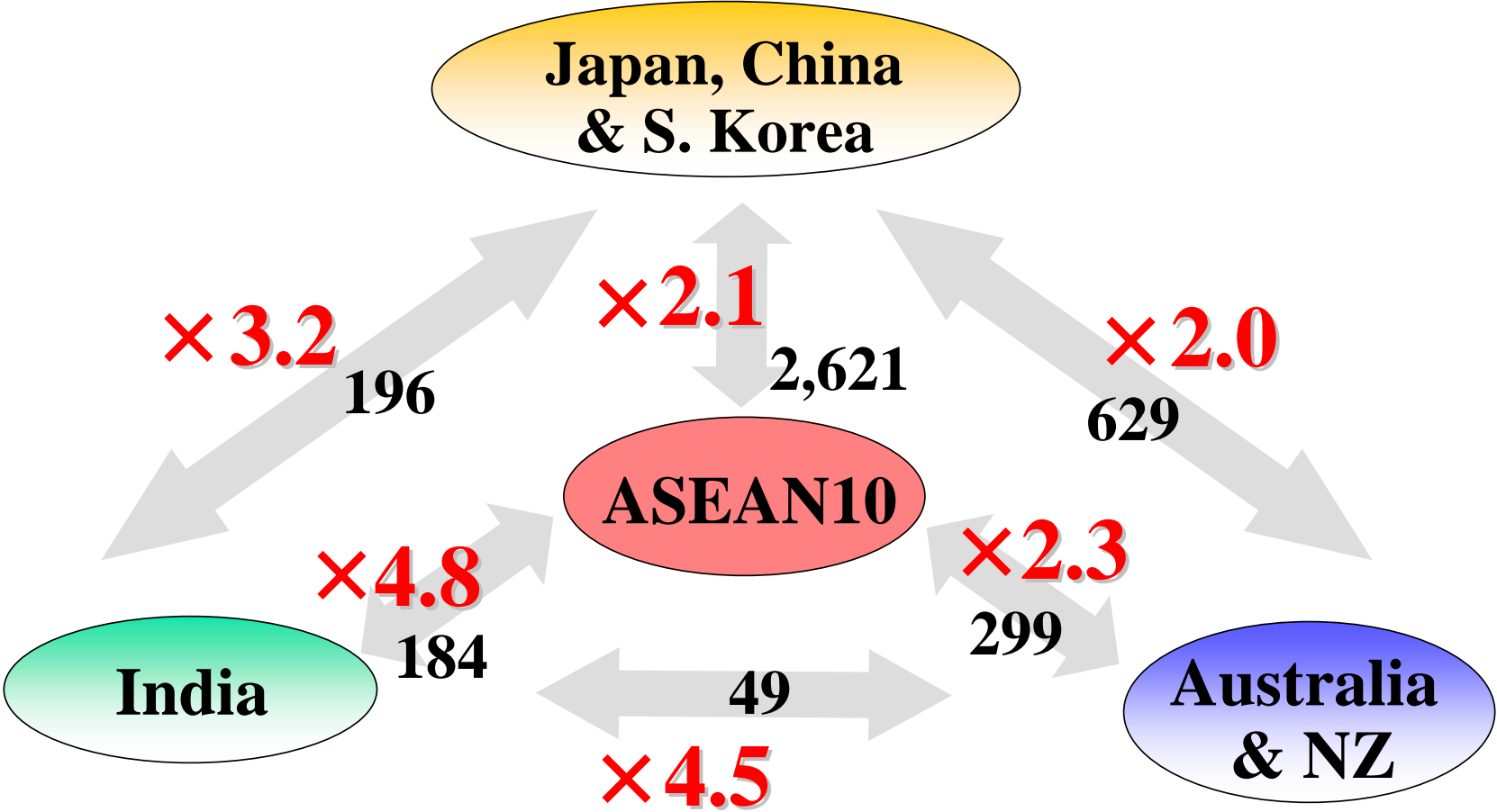
(46.0%)

(Intra-regional trade / total trade in 2005)

Sources: IMF "Direction of Trade" and JETRO

Change in Trade Volumes Over Past 10 Years

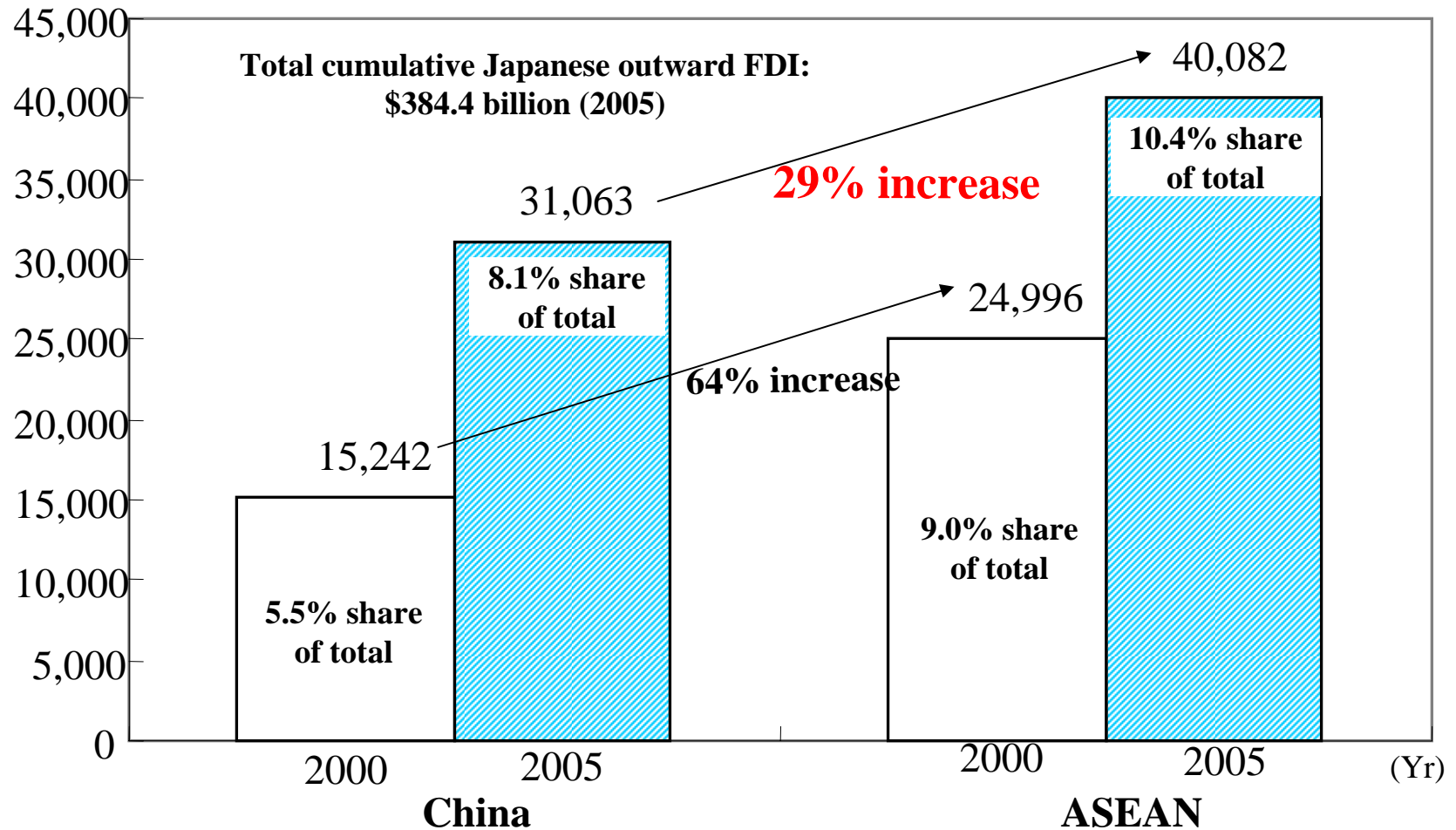
Imports + Exports (unit: \$100 million)



Source: Ministry of Economy, Trade and Industry

Japanese FDI Stock in China & ASEAN (2000-2005)

(\$ million)



Note 1. Balance of Payments basis, net.

2. China includes Hong Kong.

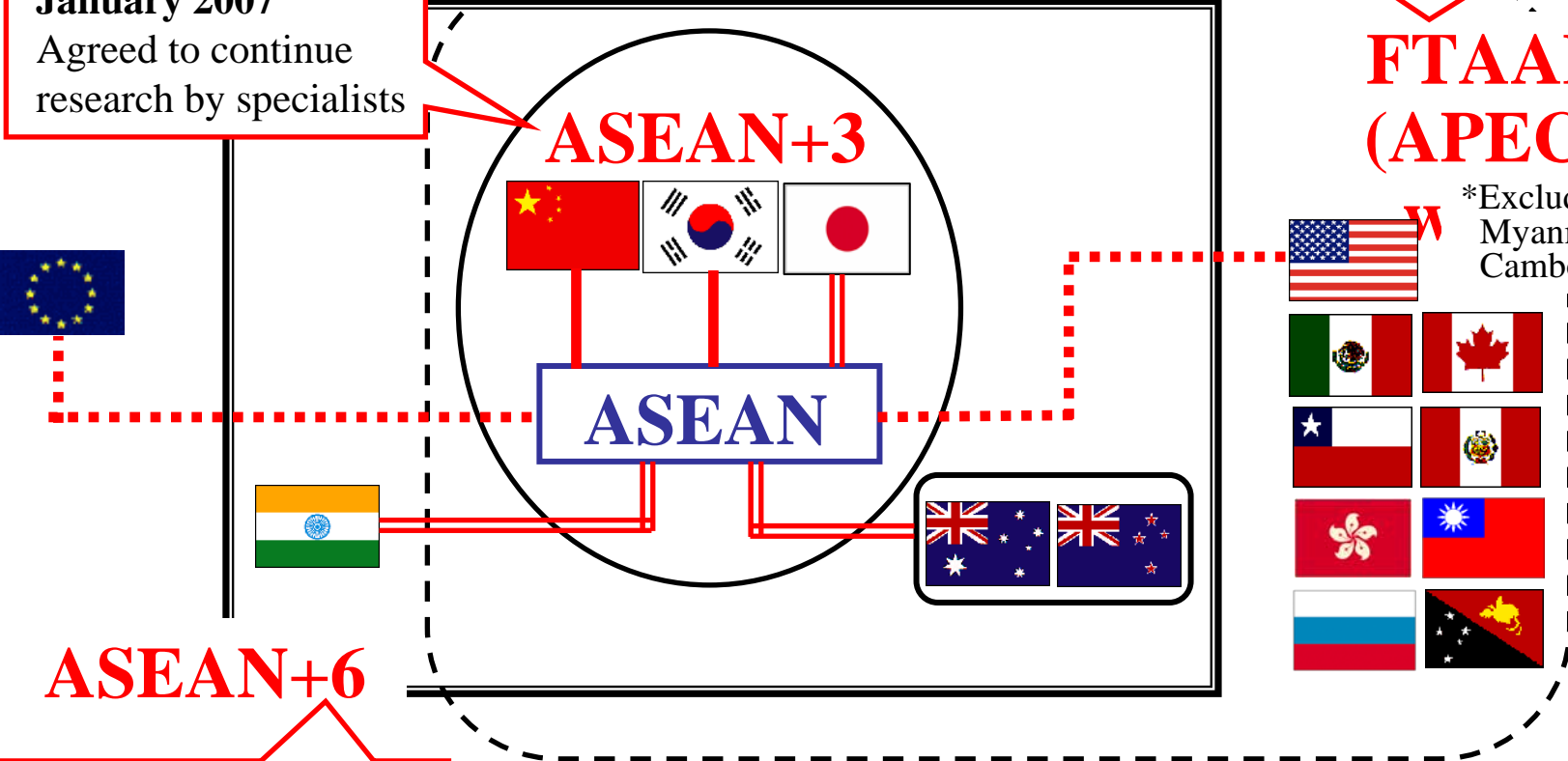
Source: Japanese Ministry of Finance

Shift From “Bilateral Economic Partnerships” to “Regional Economic Integration”

- Flexibility to utilize the most suitable framework according to the situation is needed -

November 2006
Agreed to start research as long-term prospect

January 2007
Agreed to continue research by specialists



January 2007
Agreed to start research by specialists

— Concluded == Under negotiation
... Under study

Accelerating ASEAN Economic Integration

12th ASEAN Summit (Cebu, Philippines / January 2007)

- Signing of Cebu Declaration on ASEAN Charter blueprint:
Review of ASEAN's two broad principles of “non-interference” and “consensus-based decision-making” is included in the blueprint Expected to be adopted at the 13th ASEAN Summit in November 2007, after the drafting
- Achieving the establishment of an “ASEAN Community” five years ahead of original schedule (by 2015)



Aimed at changing its policy and accelerating the region's integration

The “ASEAN Community” is ~~is~~ a concept launched by ASEAN in 2003 with the “Bali Concord II” resting on three pillars: the ASEAN Economic Community (AEC), the ASEAN Socio-Cultural Community (ASCC) and the ASEAN Security Community (ASC)

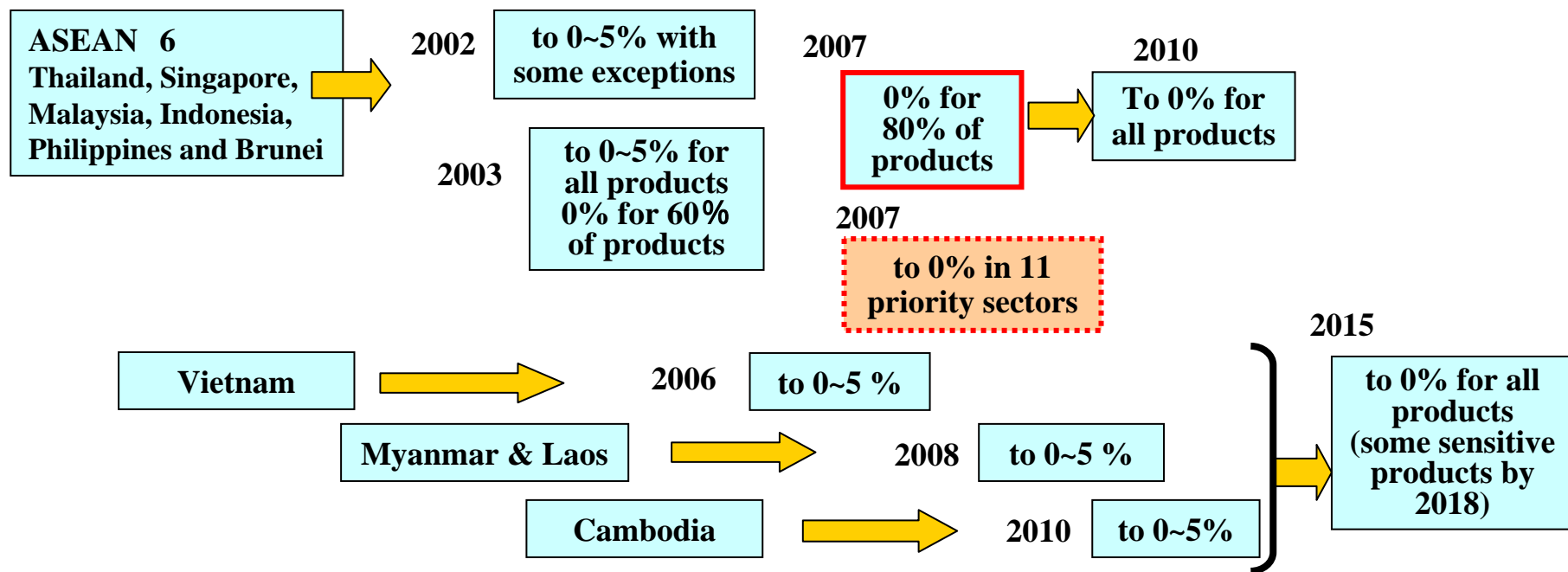
JETRO's 10 Recommendations on the Comprehensive Economic Partnership between ASEAN and Japan (October 2005)

1. Enhancing the Industrial Competitiveness of ASEAN through Promoting Partnerships with Japanese Firms
2. Supporting ASEAN's Efforts to Narrow Intra-regional Disparities
3. Facilitating Logistics Services
4. Cooperating in Environment and Energy Conservation
5. Harmonizing Rules of Origin, etc.
6. Establishing Transparent, Simple and Harmonized Customs Clearance Procedures
7. Eliminating Non-tariff Barriers and Promoting Harmonization and Mutual Recognition of Standards and Conformance
8. Improving Protection of Intellectual Property Rights (IPR)
9. Improving Business Environments
10. Strengthening Business Relationship between ASEAN and Japan, and between ASEAN and its Neighboring Countries

Asia's FTAs Advance to Next Phase in 2007

- AFTA: Common Effective Preferential Tariff (CEPT)
 - Reduce intra-regional tariffs (0~5%) and remove non-tariff barriers

AFTA started in 1993



- ASEAN-South Korea FTA will start; ASEAN-China FTA goes to 2nd stage of tariff reduction
- Negotiations on Japan-ASEAN CEP(AJCEP) and ASEAN-CER (Australia, NZ) expected to conclude

Japan's Policy on EPAs

5th Key Cabinet Members Meeting on Acceleration of Economic Partnership (March 2006)

Confirmed to accelerate EPA negotiations by: (1) making use of a model agreement created by referring to EPAs that have already been concluded; (2) narrowing the focus of negotiations; and (3) simplifying and omitting the study meetings beforehand

“Strategy in the Globalizing Economy” (Council on Economic and Fiscal Policy /May 2006)

- Accelerating negotiations in line with the EPA timetable
- Creating an East Asian Economic Zone: the desirable form of the East Asian Community, which includes ‘East Asian EPAs’, will be fully studied within the government
- Establishing “OECD-style international systems” in East Asia: ERIA

Basic Policies for Economic and Fiscal Management and Structural Reform 2006 (July 2006)

The government will:

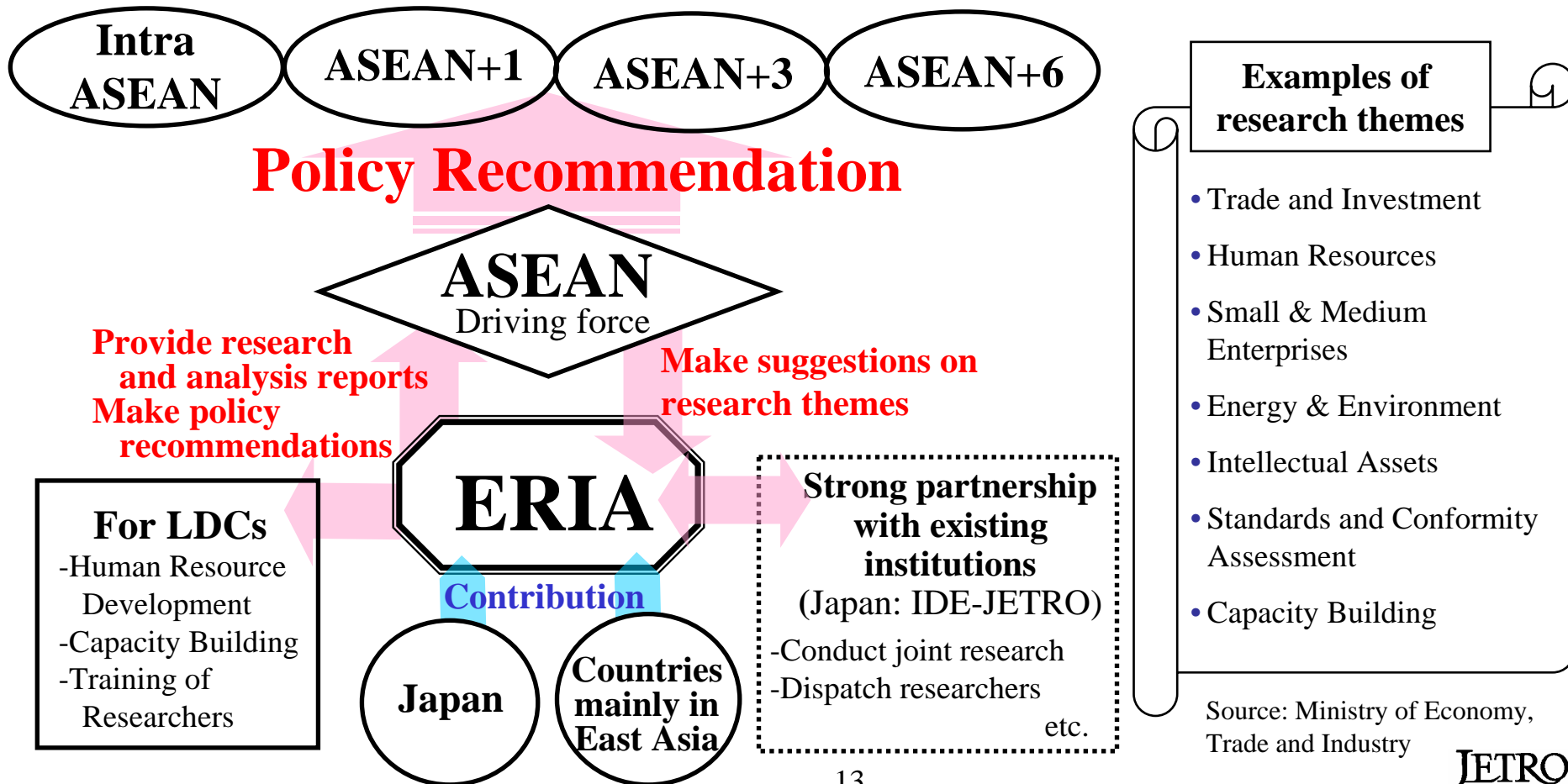
- conduct further negotiations on EPAs mainly with Asian countries in line with the “EPA Timetable” attached to the “Strategy in the Globalizing Economy”
- implement efforts to conclude EPAs towards the realization of an open community; “East Asian Community” as a medium to long-term prospect

Japan's FTAs & EPAs

Agreement	Stage
Japan-Singapore Economic Partnership Agreement for a New Age Partnership	Effective November 2002 / Under review
Japan-Mexico Economic Partnership Agreement	Effective April 2005
Japan-Malaysia EPA	Effective July 2006
Japan-Philippines EPA	Signed September 2006
Japan-Thailand EPA	Broad agreement reached September 2005
Japan-Chile EPA	Broad agreement reached September 2006
Japan-Indonesia EPA	Broad agreement reached November 2006
Japan-Brunei EPA	Broad agreement reached December 2006
Japan-Korea EPA	Negotiation started December 2003 / Suspended
Japan-ASEAN Comprehensive Economic Partnership (CEP)	Negotiation started April 2005
Japan-GCC FTA	Negotiation started September 2006
Japan-India EPA	Negotiation started January 2007
Japan-Vietnam EPA	Negotiation started January 2007
Japan-Australia EPA	Agreed to start negotiation December 2006
Japan-Switzerland EPA	Agreed to start negotiation January 2007
*Japan, China and S. Korea Trilateral Investment Agreement	Agreed to start negotiation January 2007
ASEAN+3 (EAFTA)	Agreed to continue research by specialists January 2007
ASEAN+6 (CEPEA)	Agreed to start research by specialists January 2007

ERIA (Economic Research Institute for ASEAN and East Asia)

- An OECD-like organization with the function of a think tank and a role in policy formulation and recommendations that will contribute to East Asia's regional integration



Japan-Mexico EPA

- In force since April 1, 2005
- Japan's first substantial FTA to involve agricultural sectors

Favorable Effects:

Round trade value increased 22.7% during a 1-year period after its entry into force

Note: Mexico's imports from Japan + Japan's imports from Mexico

Source: Drafted from customs statistics of both countries

	Type of Statistics	FY 2004	FY2005	
		Apr-Mar	Apr-Mar	Y on Y
Jpn to Mex	Jpn's exports	5,513.9	7,545.2	36.8
	Mex's imports	11,115.1	13,798.4	24.1
Mex to Jpn	Jpn's exports	2,237.6	2,582.3	15.4
	Mex's imports	777.7	1,508.5	94.0
Round Trade	Japan	7,751.5	10,127.5	30.7
	Mexico	11,892.8	15,306.9	28.7
	Total (Note)	13,352.8	16,380.7	22.7

Efforts towards the improvement of business environment

“Committee for the Improvement of Business Environment”

+ Participation by private sector

allows request and recommendation to Mexican govt.

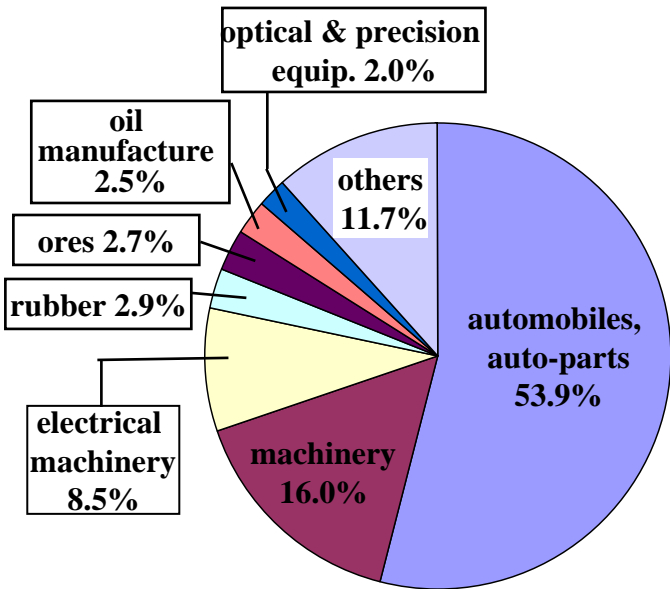
As a result, safety at the Mexico City airport, protection of intellectual property of Japanese firms and immigration procedures at US-Mexico border crossings have all improved.

Increase in Japan's investment in Mexico

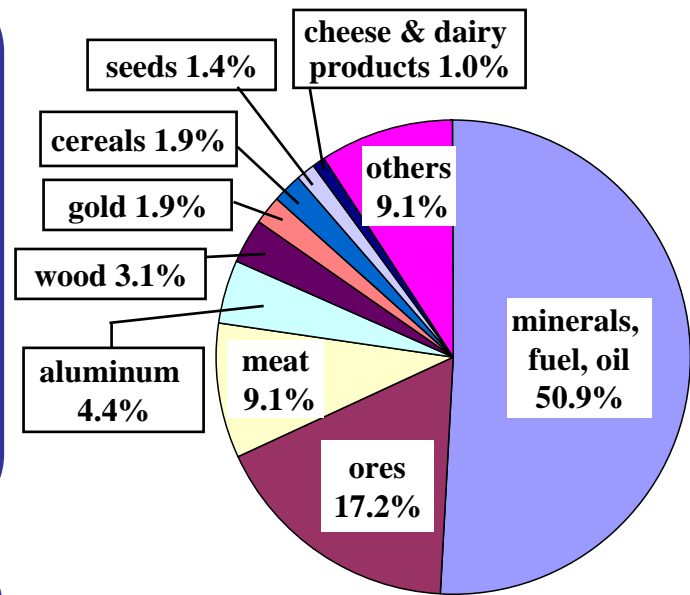
\$191 million (2004)
\$629 million (2005)
(approx. 3.3 times)

Japan-Australia EPA

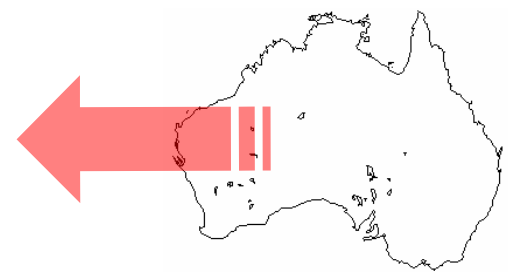
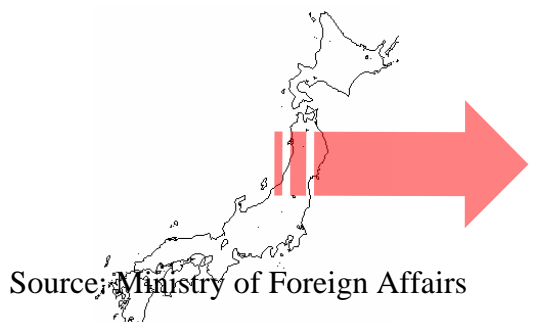
- Negotiations started in 2007
- First EPA negotiations with a major agricultural exporter



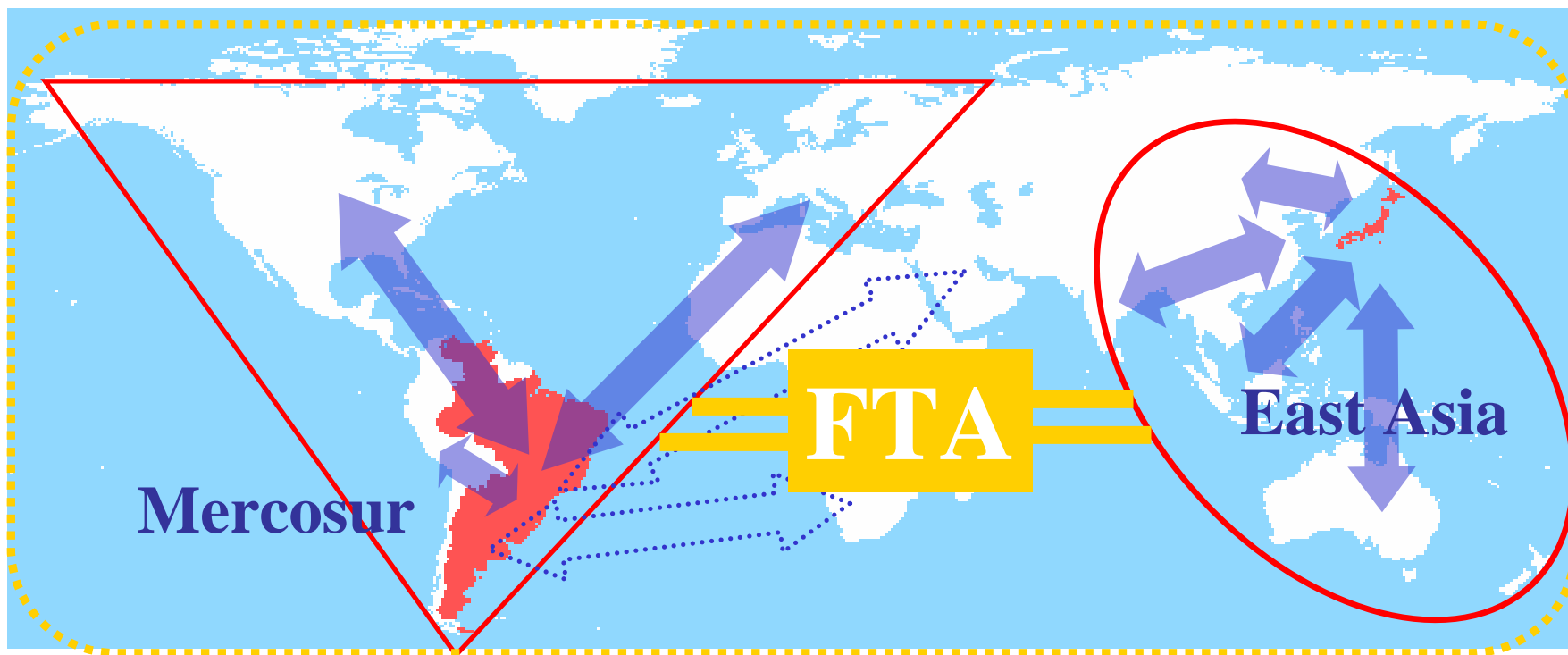
- FTA/EPAs concluded with NZ, Singapore, Thailand and the US
- Under negotiation with ASEAN, China and Malaysia
- Expected to start negotiations with Japan, GCC and Chile



- Japan is Australia's largest trading partner of goods. Australia is Japan's 7th largest trading partner.



Japan-Mercosur FTA



Japan-Mercosur FTA

- serves as a gateway for both countries
- helps improve the business environment

JETRO's "South America (Brazil) Logistics Network Program"

Background:
Improvement of the business environment is essential for revitalizing bilateral relations

Identify/study
needs

< STEP 1 >

Make recommendations to
the Brazilian government

Project planning

< STEP 2 >

Examine
the possibility
to expand the project
into neighboring
countries
in South America

Implementation of Logistics Facilitation Program

- Support for software capacity building through dispatching experts
- Dispatch of a mission for Japanese companies in Brazil to inspect cross-border logistics network
- Holding of Working Group for local companies and Japanese companies in Brazil
- Continuous information gathering and provision / holding of seminars
- (Making of logistics network map)

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- Latest Edition (2006) of "Food Sanitation Law in Japan" Now Available June 07, 2006
- [Press Releases] Japanese Business Sentiment in East Asia Declined in May May 30, 2006
- [Press Releases] JETRO Releases the Results of its Survey of Japanese Manufacturers in Europe and Turkey May 26, 2006

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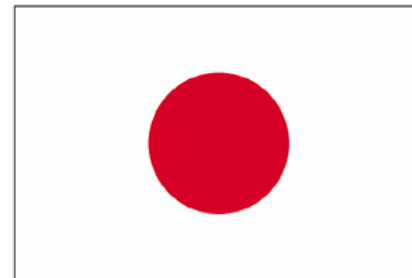
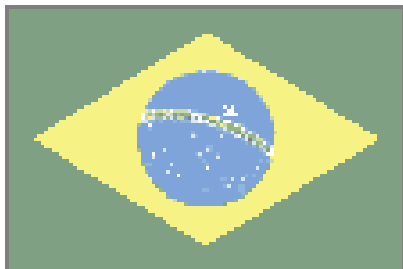
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