

International Division Labor in East Asia and EPA Strategy of Japan

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東アジアにおける国際分業と日本の EPA 戦略

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近年、グローバリゼーション (Globalization) が急速な進展を見せる中、我が国の貿易構造や貿易政策は大きな転換期を迎えることとなった。そして、グローバリゼーションの大きな流れの中で近年特に注目を集めているのが FTA (Free Trade Agreement: 自由貿易協定)、EPA (Economic Partnership Agreement: 経済連携協定) である。本稿では、まず EPA を締結する経済的メリットについて考察し、さらに、アジア地域における EPA の取り組みの最新の状況について論じた。我が国がこれまでに署名・締結した国・地域は 8 カ国 (シンガポール、メキシコ、マレーシア、フィリピン、チリ、タイ、ブルネイ、インドネシア、以上署名・締結順) 1 地域 (ASEAN: 東南アジア諸国連合) である。EPA には EPA を締結した両国に大きな経済的メリットがあり、EPA を締結することは EPA 締結国双方の経済発展に大きく寄与することが期待されている。しかしながら、EPA の締結によって、我が国の非効率な国内産業部門には、短期的には産業調整コストの発生や失業などの「痛み」をもたらす可能性がある。とはいえ、中・長期的には EPA の締結は、国内の資源の効率利用を促進し、産業構造の高度化を後押しすることになる。今後の政策課題として重要なことは、EPA の締結によって生じるコスト、換言すれば、貿易・投資の自由化に伴う短期的な失業者の発生や産業構造の転換に伴う構造調整に対してはセーフティネットを構築して適切なサポートをすることである。こうした短期的な「痛み」を克服した先には、長期的な経済発展や経済成長の利益があることを銘記しなければならない。

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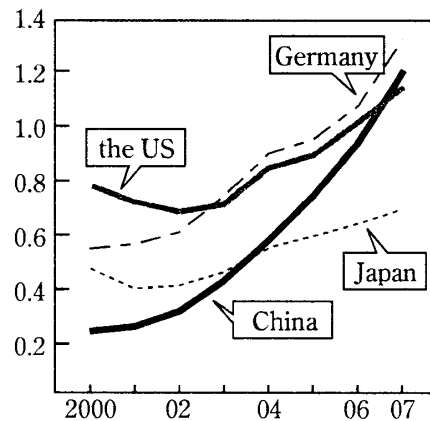
1. The Relationship between Globalization Development and FTA&EPA

Overview

From the late 1990s to the early 2000s, Japan had experienced the prolonged sluggish economy, called “Lost 10 years”, due to the recession after bursting bubble economy. Though Japan has not made stable economic growth yet, the economic activities are now getting brisk. Japan’s economic growth has been supported mainly by its export/import to and from foreign countries, and Japan has been the notable “export-excess country”, the country with its export over import. So the development of international trade has historically contributed much to Japan’s economic growth.

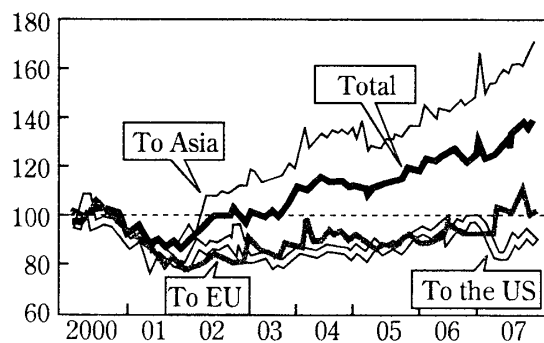
Amid the rapid development in globalization in recent years, however, Japan’s trade structure and policy have greatly changed its phases. Globalization is the phenomenon that many countries and regions are strongly connected across the borders, at the back of the development of telecommunication technology and transportation on the global scale.

Figure 1: Export amount of Japan, China the US and Germany



Source: WTO

Figure 2: Japanese export volume index to Asia in increasing



Source: Cabinet office

As far as the effects of it on economy are concerned, we can point out, in the first place, (1) trade development and changes in its structure with progress in multilateral division of works, (2) increasing international flows of capital among countries and regions, and (3) development of international financial markets and logistic networks. In addition, it has also effected on expansion of international human exchange: increased number of oversea travelers and sightseers as well as expanded exchange of goods and money, such as export/import and financial transactions, which are growing as the chances of exchange are increasing among different cultures.

Moreover, its diversification and internationalization of political organizations are the major characteristics of globalization. That is, UN, WTO, IMF and other international organizations have been playing more important roles in the world. Dealing with the problems in the course of globalization, the common rules among their member countries should be established. The increasing number of NGO and NPO is the one of the characteristics in globalization. In such a trend, FTA (Free Trade Agreement) and EPA(Economic Partnership Agreement) are now getting attention.

In this paper, we'll survey FTA and EPA, which are going to play more important role in Japan's overseas economic strategies.

What are FTA and EPA ?

FTA (Free Trade Agreement) is "The agreement to reduce or eliminate the tariffs on goods and to abolish barriers against service trade among some countries and regions", and is a major part of EPA (Economic Partnership Agreement), which includes, for example, reduction or elimination of tariffs as well as abolishment of regulation on foreign service investment.

EPA is "the agreement to encourage the liberalization and facilitation of trade as well as investment, abolish many kinds of regulations, and increase their economic partnership between or among its members", which is, to be more precise, "the multilateral agreement, in addition to the contents of FTA, to encourage the cooperation between or among its members in various areas, such as (1) liberalization of investment rules (e.g. protection of investment, deregulation on foreign investment, etc.), (2) increasing human exchange

(deregulation on employment of foreign specialists or engineers and on their short stay in other countries), (3) the protection of intellectual property rights, and others. That is, EPA is the wider range of agreements, which includes the contents of FTA. Japan has ever negotiated with each country, especially on EPA.

Japanese government expressed that the necessity for globalization to increase economic growth in its “The Principal Policy in 2007” decided upon by the Cabinet in 19, June 2007, in which they stressed on working on WTO and EPA; they designed to encourage its economic growth through positively tackling on EPA, as one of their policies. Their tackling the problems, especially in East Asia closely linked with Japan in geographic, cultural and economic terms, is the extremely important measures to consider our future development of the economic development and cultural exchange.

Now, we'll survey the way Japan has ever worked on FTA and EPA, how important they are for our country, what tasks we have in the future, and which direction we should go to.

The Advantages of EPA 1: Facilitation of International Trade

In general, we can give four economic advantages in conclusion of EPA. At first, through making efficient use of EPA, we can trade with lower tariffs (EPA tariff) in exporting/ importing, whereas we ordinarily should pay tariff set by every country. In many cases, MNF tariff (Most Favored Nation tariff) is applied to trade, followed by the rules of WTO, which are common and popular among WTO members.

However, the countries entering into EPA can set their original bilateral lower tariff (EPA tariff) than MNF tariff, which enables them to trade at lower tariff with each other than with any other country.

Now look at Figure 1 and 2, and consider its significance.

Assume the case, for example, that Japan, the US and China export the television to Thailand, in same quality and at same prices. In the case each country doesn't conclude EPA with Thailand, 5% tariff (MNF tariff) is commonly imposed on the television from each country. If, however, Japan concludes EPA with Thailand, the goods from Japan are free from tariff obligation, which allows far more profitable trade with Thailand than any other countries with 5% tariff.

Figure 3

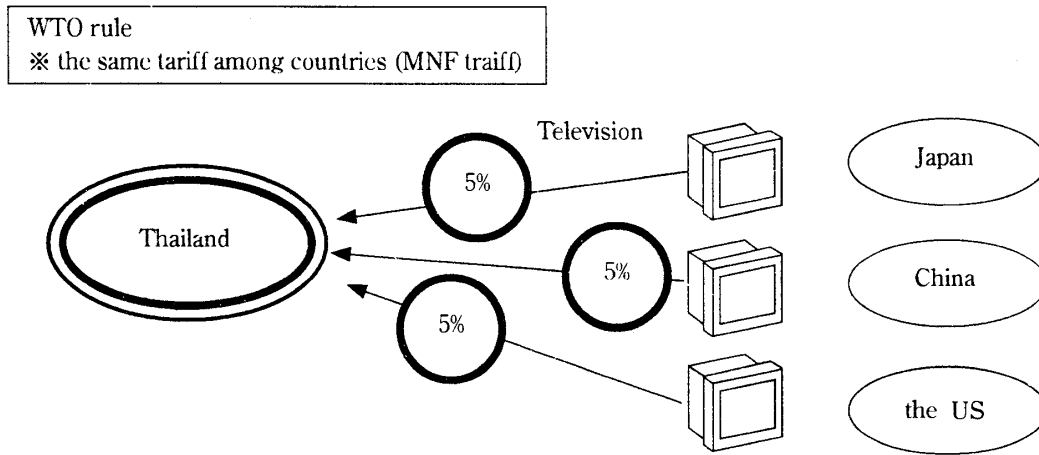
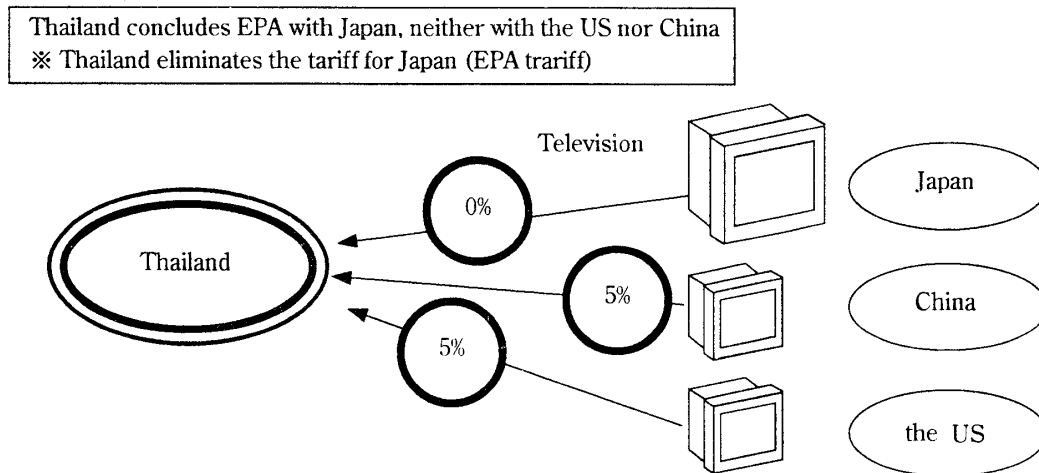


Figure 4



If Japanese television costs ¥10,000, it is imported to Thailand at the same cost as it, while the product from China or from the US is imported at ¥10,500. As the result, the products from China or the US cost ¥500 higher than Japanese ones, which gives ¥500 profit to Thailand consumers buying them. In this way, EPA gives a large profit to the consumers.

In addition, assuming another case that the enterprises import the parts used in producing televisions, the television-related businesses can be supplied with them from Japan at lower cost than from China and the US; more profit are given to not only the consumers but producers (enterprises) owing to EPA.

EPA has such an effect not on the one side of the countries but on the both side of countries entering into it, which subsequently encourages their transactions between Japan and Thailand, and contributes much to economic development of the two countries. Thus, it

is the important policy for Japan to conclude EPA with many countries in order to encourage its economic growth and development.

The Advantages of EPA 2: The Flexibility with Its Negotiation

The second advantage of EPA is that the members can easily negotiate with each other, because it is not the multilateral agreement but the one between or among a few countries. Moreover, different from WTO rules, the EPA members can set original articles by themselves, which have not been ruled by WTO, such as on free investment and human exchange as well as free trade; so we can expect it to realize more profitable economic cooperation to promote their economic growth.

In the case of EPA between Japan and the Philippines, for example, Japan can import, to its advantage at lower tariff, banana, pineapple, yellow-fin tuna, bonito and others from the country, and the Philippines can also import Japanese steel, cars and others at lower tariffs.

EPA also deregulates human exchange between or among the members, the entry of the nurses or nursing care workers from the Philippines to Japan as well as the employment of them in Japan, which can increase bilateral relationship in social and economic terms.

In this way, in addition to the advantages on tariff in international trade, EPA gives another advantage to its members through the negotiation along with the matters of their interest.

The Advantages of EPA 3: Encouragement of Structural Reform

The third advantage of EPA is that it leads to encouragement of the government's structural reform.

With globalization progressing in the world, liberalization of the nations' economies has been getting more important in order to realize economic growth. Japan has opened its economy after world War II, under the rules of international organizations, such as GATT (General Agreement on Tariffs and Trade), IMF and OECD. In the light of these facts, it has not willingly opened its market by itself: in other words, it traditionally has been reluctant to open its economy to other countries. Although they has officially advocated deregulation and globalization, the number of regulations by Japanese government is actually increasing in recent years.

Under these circumstances, Japan's entry into EPA with other countries leads to encouragement of structural reform in its domestic economy; not as its domestic policies for liberalization but as "the engagement with foreign countries": Japan can accelerate its structural reform to change the system into more efficient one for its economic development.

The Advantages of EPA 4:

Making Friendly International Partnerships in terms of Politics and Diplomacy

The fourth advantage of EPA is that it contributes much to making profitable international relationship in terms of politics and diplomacy. In order to grow our Japanese economy, we need to conclude EPA with many countries, especially Asian countries with which Japan has economically and geographically close relationship, which will lead to increasing economic correlation and political stability among members each other. Facilitating economic correlation and enjoying economic development among them will also develop their political and diplomatic relationship in medium or long period. In this way, entry into EPA is a very profitable policy in terms of politics and diplomacy as well as their economy.

The Effects of EPA on Business Activities

We've survived above on the advantages of EPA, so next we'll see how EPA has ever changed business activities and what effects it has had on the activities.

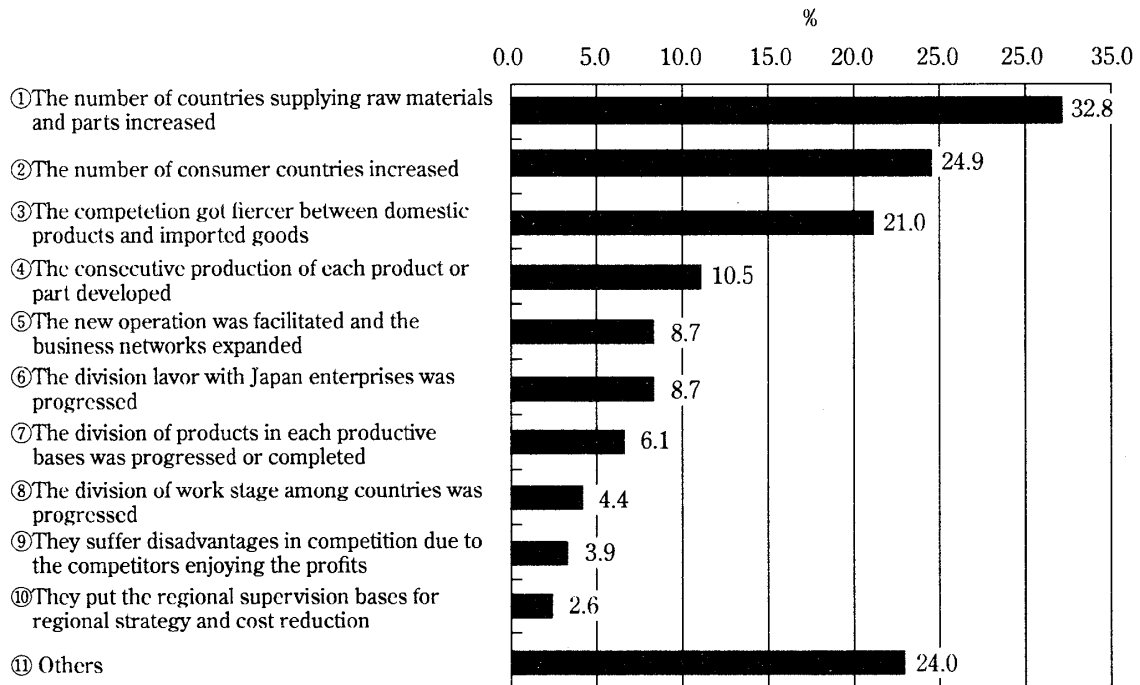
Figure 3 (quoted from White Paper on International Trade 2007) shows the effects of EPA on business activities, including manufacturing industry.

It shows that such answers have a high proportion as "increasing number of countries supplying Japan with raw materials and parts" (32.8%), and as "increasing number of consumer countries" (24.9%), which exemplify in EPA having encouraged international trade: the first advantage, facilitation and expansion of trade is confirmed in these answers.

The answer that "the competition got fiercer between domestic products and imported goods from other countries" (21%), occupying high proportion of the answers, which shows increasing international competition and exemplify promoting structural reform: the third advantage of EPA. Increasing international competition contributes much to our economic growth and development due to the enhancement of competitive edges and higher efficiency of Japanese manufacturing industry. On the contrary, when only the domestic enterprises

Figure 5: The effect of EPA on each country's business activities (manufacturing industry)

※ multiple answer



occupy their market, where there is little competition with other countries, even the enterprises ineffectively producing can easily continue to exist. So they are likely to neglect their efforts in management.

If, however, EPA allows enterprises to get labor force at lower cost, and enterprises with more efficient technologies to enter the market freely, then the competition get increasing among such enterprises, which gives them the incentive to change themselves into the ones with more highly competitive edges. As the result, only the enterprises capable of producing cheaper and higher-performance products, can exist in the market, which increase economic efficiency.

This means, at the same time, that the consumers can get cheaper products, and that international competition among enterprises can produce productive results for consumer as well as producers.

2. Survey on How Each Country Develop EPA in East Asia.

As seen in the above, EPA has many advantages in economy, politics and diplomacy, so we'll see how each country develop and work on EPA in East Asia around Japan.

On global scale, economic cooperation has ever been brisk among a number of nations, for example, as presented by EU (European Union), NAFTA (North American Free Trade Agreement) and others.

The number of regional trade agreements reported to WTO has been substantially increasing, from 6 in 1970 to 31 in 1990, and up to 183 in Sep. 2007.

The characteristics of present EPA are that the number of EPA is increasing between two countries rather than traditional multilateral EPA. This reflects the fact that each country well understand the significance of EPA, and is willing to enter into it.

Now look at how each country works on EPA in Asia. Table 1&2 show how they develop EPA and FTA in Asia.

Table 1 clearly shows that EPA was concluded mainly among ASEAN (Association of South East Asian Nations) countries in 1997. It also shows that Japan, South Korea, China and India had never made their efforts to develop EPA: only ten years before, they had never been positive with conclusion of EPA.

The first EPA in East Asia is the AFTA (ASEAN Free Trade Area) among six countries— Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei (with Viet Nam, Cambodia, Myanmar and Laos entering into AFTA in the early 1990s), which was reached an agreement in 1992 and concluded in 1993. In its early stage , EPA was thus positively concluded only among ASEAN countries.

However, 10 years after then, the circumstances drastically changed in 2007 (Table 2): among most countries in Asia, including Japan, South Korea, China and India, the negotiation for agreement began.

The recent move towards conclusion of EPA is now the main stream in Asia. It is, however, our concern that Japan is behind other countries, which take economic strategies to weigh on EPA. Table 2 shows that , except Australia and New Zealand, two countries geographically apart from Asia, Japan is behind other countries in EPA negotiation.

How does Japanese government work on EPA?–1: Singapore

Although Japan is behind other countries in working on EPA, it has already signed to conclude EPA with 8 countries— Singapore, Mexico, Malaysia, the Philippines, Chili, Thailand, Brunei and Indonesia, and with 1 region— ASEAN.

Japan is also negotiating or ready to negotiate with 5 countries— South Korea, Viet Nam, India, Australia and Switzerland, and with 1 region— GCC (Gulf Cooperation Council), and is now considering to negotiate with 1 country (South Africa), and with 2 regions (EAFTA, CEPEA). Now look at how much progress Japan has ever made in EPA.

Singapore is the first country with which Japan concluded EPA. The bilateral negotiation meeting started in 2000, consisting of industrial enterprises, universities and government members between Japan and Singapore. The Prime Minister, Junichiro Koizumi signed the agreement in visiting Singapore in Jan. 2002, which came into effect in Nov. 2002.

Table 1: The Present Situation of EPA/ FTA in Asia (1997)

1997	Japan	South Korea	China	ASEAN										India	Australia	New Zealand
				the Philippines	Indonesia	Malaysia	Thailand	Singapore	Brunei	Vietnam	Laos	Cambodia	Myanmar			
Japan																
South Korea																
China																
ASEAN	the Philippines			○	○	○	○	○	○	○	○	○				
	Indonesia			○	○	○	○	○	○	○	○	○				
	Malaysia			○	○	○	○	○	○	○	○	○				
	Thailand			○	○	○	○	○	○	○	○	○				
	Singapore			○	○	○	○	○	○	○	○	○				
	Brunei			○	○	○	○	○	○	○	○	○				
	Vietnam			○	○	○	○	○	○	○	○	○				
	Laos			○	○	○	○	○	○	○	○	○				
	Cambodia			○	○	○	○	○	○	○	○	○				
	Myanmar															
India																
Australia															○	
New Zealand														○		

(Note1) Signatory/ (partly) Effective

(Note2) The data above includes the multilateral EPA/ FTA

(Note3) The data is as of Oct.1997

source: “Japanese Negotiation of EPA-Present Condition and Tasks” (Economic Agency of Foreign Ministry)

“The study on EPA” (Ministry of Economy, Trade and Industry)

As the whole of the agreement, 94% of the amount of imported goods from Singapore is allowed tax-free (provided, however, that the agreement is applying only to the effective tax-free articles), while the goods imported from Japan to Singapore are all free of taxes.

Surveying the process after the agreement coming into effect, despite the troubles of Japanese economic stagnation and SARS (avian flu) spreading out in Asia, Japan has kept its trade volume increasing: the export amount to Singapore from Japan increased 14.6% for three years, from ¥1,774.5 trillion (in 2002) to ¥2,034.5 trillion (in 2005), while the amount to Japan from Singapore grew 17.9%, from ¥626.7 billion (in 2002) to ¥739.0 billion (in 2005).

Table 2: The Present Situation of EPA/ FTA in Asia (2007)

2007	Japan	South Korea	China	ASEAN										India	Australia	New Zealand	
				the Philippines	Indonesia	Malaysia	Thailand	Singapore	Brunei	Vietnam	Laos	Cambodia	Myanmar				
Japan		□	△	○	○	○	○	○	○	○	□	□	□	□	□	□	
South Korea	□		△	○	○	○	○	○	○	○	○	○	○	○	□	※	※
China	△	△		○	○	○	○	○	○	○	○	○	○	○	△	※	※
ASEAN	the Philippines	○	○												△	□	□
	Indonesia	○	○	○											○	□	□
	Malaysia	○	○	○	○										○	□	□
	Thailand	○	□	○	○	○									○	□	□
	Singapore	○	○	○	○	○	○								○	□	□
	Brunei	○	○	○	○	○	○	○							○	□	□
	Vietnam	□	○	○	○	○	○	○	○						○	□	□
	Laos	□	○	○	○	○	○	○	○	○					○	□	□
	Cambodia	□	○	○	○	○	○	○	○	○	○				○	□	□
	Myanmar	□	○	○	○	○	○	○	○	○	○	○			○	□	□
India	□	□	△	○	○	○	○	○	○	○	○	○	○	○	□	□	
Australia	□	※	□	□	□	□	○	○	□	□	□	□	□	□	□	□	○
New Zealand		※	□	□	□	□	○	○	○	□	□	□	□	□	□	□	○

(Note1) ○ Signatory/ (partly) Effective

○ Mostly Agreed/ Agreed

□ Under Negotiation

△ Under governmental Mutual Study or Conference

※ South Korea develops the study in the civil research institutions with Australia

(Note2) The data above includes the multilateral EPA/ FTA

(Note3) The data is as of Oct. 2007

source: "Japanese Negotiation of EPA-Present Condition and Tasks" (Economic Agency of Foreign Ministry)

"The study on EPA" (Ministry of Economy, Trade and Industry)

"White Paper on International Trade 2007"

Seeing the articles eliminated all their tariffs, for example, the export of beer from Japan to Singapore has increased 26.1%, and of plastic products from Singapore to Japan has increased as much as 125.7%.

As seen in the above, the trade between two countries has been becoming brisk due to EPA, which pushes up their economic growth.

(Continued)-2: Mexico

Mexico is the second country with which Japan concluded EPA. In the meeting in Oct. 2002, Prime Minister, Junichiro Koizumi and the President Fox agreed to start negotiating, the negotiation started in Nov. 2002, the agreement was signed in Sep. 2004, and finally it came into effect in April 2005.

The characteristics of EPA between Japan and Mexico are that they should eliminate or reduce tariffs both on agricultural, forestry and marine products, and on industrial products, and facilitate bilateral cooperation in 9 areas-facilitating trade and investment, growing the supporting industries, supporting the medium and small enterprises, and developing scientific technologies, intellectual property rights, agriculture, sightseeing, and environmental problems.

Studying the change in the effects of agreement (during 2004 to 2005), the export amount from Japan to Mexico increased 45%, from about ¥592.2 billion to about ¥858.0 billion, while the amount from Mexico to Japan grew 22%, from about ¥239.5 billion to about ¥292.8 billion. In this way, during only one year after EPA conclusion, trade activities between two countries became activated by leaps and bounds.

On articles, substantial increase was shown in the trade of the parts of audio & visual instruments and the parts of automobile. The export amount of the parts of audio & visual instruments from Japan to Mexico increased as much as 134%, from around ¥71.0 billion to ¥165.9 billion, and the parts of automobile increased no less than 46%, from ¥88.8 billion to ¥129.2 billion.

(Continued)-3: Malaysia

The Prime Minister, Junichiro Koizumi and the Head of Malaysia, Abdullah agreed to start negotiating in Dec. 2003, the negotiation started in Jan. 2004, they signed on the

agreement in Dec. 2005, and it came into effect in 13 Jul. 2006.

The outline of the agreement is that Malaysia should eliminate the tariffs on all automobile and its parts, most of steel products and others from Japan, while Japan should do on most of industrial products and of agricultural and marine products. In addition, as bilateral cooperation, they should develop 7 areas, including education, human resource training, scientific technologies and so on.

Studying the process of economic cooperation after the effect, in 2006 the trade between Japan and Malaysia achieved the highest level they had ever known, when the bilateral EPA came into effect. After that, the trade amount between them went up to about ¥33.4 billion, 12% up on the previous year. Moreover, the investment amount in Malaysia from Japan increased as much as 485% year-to-year, which led Japan to the first place as the investor country in Malaysia, outpacing the US on the basis of its effective performance.

(Continued)–4: Chili

Chili is the fourth country with which Japan concluded EPA. They decided to set bilateral meeting for study in Nov. 2004, started negotiation in Nov. 2005, and the Foreign Ministers of the 2 countries signed the agreement in Mar. 2007, which came into effect in Sep. 2007.

The outline of the agreement is that they should eliminate tariffs on most of industrial products within ten years. As the result, 99.8% of the export amount from Japan would be allowed tax-free, though almost all articles of which have ever been taxed, and 90.5% of the import amount from Chili would be expected to allow tax-free, though nearly 30% of which is now all taxed.

As is well known, Chili has concluded EPA with more than 40 countries and areas, including the US, EU, South Korea and China. The EPA between Japan and Chili is expected to largely change the conditions under which Japanese enterprises trade with or invest in that country. To Japan, Chili is also the largest supplier of copper, molybdenum and other minerals, so the EPA will contribute much to ensuring stable supply of them from Chili. Furthermore, the EPA with Chili will be most significant to Japan, in that it can establish the strategic base for Japan to make economic invasion in the South American market.

(Continued)-5: Thailand

Thailand is the fifth country with which Japan concluded EPA. Prime Minister, Junichiro Koizumi and the Head of Thailand, Thaksin agreed to start negotiating in their meeting in Dec. 2003, and signed the agreement in Apr. 2007, which took effect in 1 Nov. 2007.

The characteristics of the EPA are that Thailand should eliminate all tariffs on automobile parts, steel products and others, and that, in the future, they should give Japan more advantageous conditions of its tariff on automobile than any other automotive manufacturing countries, while Japan should eliminate the tariffs on almost all of industrial products and most of agricultural, forest and marine products from Thailand. On the other hand, in the affairs of human exchange, Japan should deregulate Thai cooks' entrance and their working conditions in Japan, while Thailand should do the conditions of Japanese stay or labor license in the country.

For Japan, Thailand is the 7th largest trade partner (see Table 3), as well as the 7th Japanese investment market. So the EPA with Thailand is expected to facilitate the economic cooperation among the countries in East Asia.

(Continued)-6: The Philippines

As seen in the above, surveying 5 countries which took effect in EPA with Japan, it is clearly showed that the EPA with above 5 countries have been giving substantial economic advantages to Japan, mainly in encouragement of international trade.

Next, we are going to see the EPA with 3 countries and 1 area, the EPA of which have been already signed in but not been effected yet.

With the Philippines, Japan agreed on the start of negotiation in the meeting in Dec. 2003 between the Prime Minister, Junichiro Koizumi and the President Arroyo, which really started in Dec. 2004, and finally signed in Sep. 2006.

As far as the agreement on trade is concerned, the Philippines should eliminate all tariffs on automobile, automotive parts, electronic & electronics products and electronic parts, while Japan should do on almost all products, and on some of agricultural, forestry and marine products.

On the other side, the EPA includes the agreement on human exchange between two

countries, which allows Filipino nurses and nursing care workers to stay and work in Japan, for the purpose of getting the Japanese license (the length of stay period is 3 years or 4 years, respectively). In addition, Japan creates the system which allows Filipino to study in Japanese training course to get nursing care worker's license in Japan.

This liberalization of human exchange is the remarkable characteristic of the EPA between Japan and the Philippines, which is expected to contribute much to bilateral economic cooperation and mutual development in the future, as the agreement both on human exchange and on trade relationships.

(Continued)-7: Brunei

Brunei is the second country that has signed in EPA with Japan. In the meeting in Dec. 2005, the Prime Minister, Junichiro Koizumi and the Head of Brunei, Bolkiah decided to start the preparatory consultation for starting their negotiation. They agreed on the outline of EPA in Dec. 2006, and finally signed in Jun. 2007.

The characteristics of the EPA are that 99.99998% of import amount from Brunei to Japan should be allowed tax-free, and at the same time 99.94% of export amount from Japan to Brunei should be free of tax.

Brunei has ever been a trade partner with Japan for long, and nearly 40% of the export amount from Brunei is to Japan. The EPA with Brunei contributes much to a stable supply of energy (NG, Oil) to our country, and is expected to be an important step for better economic cooperation with ASEAN countries.

(Continued)-8: Indonesia

Indonesia is the third country that has signed in the EPA with Japan. The Head of Japan and Indonesia had the preparatory consultation by consensus in Jun. 2003, agreed on the outline of EPA in Nov. 2006, and finally signed in Aug. 2007. Under the EPA, about 90% of export amount from Japan to Indonesia should be allowed tax-free (nearly 96%, if including tax-exempt on steel for specific use), and about 93% of import amount from Indonesia should be tax-exempted. Furthermore, they've agreed on the system which allows Indonesian nurses or nursing care applicants to enter and work in Japan.

The significance of EPA with Indonesia is in that it is the 11th largest trade partner, and

is the major investment market to Japan: Japan has invested more in that country any other country in ASEAN. Incidentally, the accumulated investment amount in Indonesia from Japan during 1990 to 2001, is about \$27.8 billion.

The EPA with Indonesia, as well as with Brunei, gives Japan a stable supply of energy and mineral resources (NG, Oil, Coal and etc.). Furthermore, Indonesia is a promising market with the largest population in ASEAN countries, which allows Japan to improve the access to the market and business environment in Asia.

(Continued)-9: ASEAN

The signatory region is ASEAN, where the Prime Minister, Junichiro Koizumi made his speech in Singapore in Jan. 2002, on “AJCEP (ASEAN-Japan Comprehensive Economic Partnership)”, and they adopted the framework of it in Oct. 2003, started the negotiation in Apr. 2005, and finally came to agreement in Nov. 2007.

The EPA with ASEAN is substantially significant, as ASEAN occupies an important place for Japanese trade and investment: it contributes 12.7% to all trade amount of Japan, which is the third largest after the US with 17.4% and China with 17.2%.

In addition, it is the first multilateral EPA for Japan, which has many advantages, such as broadening industrial networks all through the area, establishment of production base toward all over the world and improved access to the emerging markets in Asia.

3. “ The Idea of The Community in East Asia” and EPA

As described above, the development of EPA in Asia has resulted in establishment of the most profitable production system to supply the products in East Asia, as a definite market. With tariff barriers eliminated, the mutual supply of intermediate goods increased, and division of manufacturing process developed in the area, “The Idea of The Community in East Asia” is gradually realized.

The East Asia had achieved highest economic growth, namely “the miracle in East Asia” before Asian crisis in 1997. Following the crisis, the economy has smoothly recovered after the regulation period, and is expected to keep its economic growth in the future.

On the other hand, Japan and East Asia are strongly correlated in trade and investment.

Incidentally, many of top-ranking trade partners with Japan are the countries in East Asia. According to the gross amount of trade, the export/import amount from and to East Asia is 49.9%, nearly a half of the whole amount.

Although there has been a strong economic relationship with the area, Japan has not been positively concerned with East Asia, which Japan has traditionally made trade activities, complied with the free trade principle of WTO.

In addition, it has also been reluctant to push itself in East Asia, in terms of its diplomatic policy, which has delayed Japan joining the new and regional trade and investment in Asia, and resulted in the circumstances with Japan unconsciously behind other countries in its countermeasures. In the mean time, as is generally known, China has accelerated the FTA in Asia.

However, Japanese people got conscious of these changes in the world, and designed to shift its trade policy away from the traditional multilateral free trade policy complied with the rule of WTO, toward the policy based on regional trade agreements, such as EPA and FTA.

As is described above, the first EPA was concluded in 2002, between Japan and Singapore. Since then, Japan has already concluded EPA with 8 countries.

Table 3: The top-twenty trade partners (export/ import) from or to Japan in 2006

ranking	the country	export/ import amount (million yen)	the ratio to all amount (%)
1	the US	24844817	17.4
2	China	24578066	17.2
3	South Korea	9027148	6.3
4	Taiwan	7496542	5.3
5	Saudi Arabia	4865467	3.4
6	Australia	4701023	3.3
7	Thailand	4628556	3.2
8	German	4521902	3.2
9	Hongkong	4415844	3.1
10	the UAE	4375749	3.1
11	Indonesia	3664636	2.6
12	Malaysia	3338218	2.3
13	Singapore	3119814	2.2
14	England	2550431	1.8
15	Canada	2276775	1.6
16	the Philippines	1973650	1.4
17	the Netherland	1966866	1.4
18	France	1930798	1.4
19	Catar	1890607	1.3
20	Russia	1595807	1.1

Source: "The study on EPA" Ministry of Economy, Trade and Industry, 2007

As far as “The Idea of the Community in East Asia” is concerned, the former Prime Minister, Junichiro Koizumi announced in his political speech that they should aim at establishing of “The Community” consisting of ASEAN countries besides to Japan, South Korea, China, Australia and New Zealand, and he represented in his speech the idea, saying “A Community Walking and Developing together”.

In May 2006, the Council on Fiscal and Economic Policy decided “The Global Strategy” to show our foreign strategies in one or two years after then, and clearly stressed on the importance of EPA with the countries in East Asia, producing natural resources and with large population.

In addition, in “The Outline of Economic Growth Strategy” they said, willing to develop EPA, “We expect more than 12 countries to join EPA with Japan within two years since Jan. 2007”, and about the idea of the community in East Asia, said “We are aiming to establish an economic bloc in East Asia, with its market open to other countries, and working on economic cooperation with each other.”

In this way, Japanese government has been aiming to make the close relationships with East Asian countries, and to realize a community in East Asia, the members of which will walk and go ahead together.

The Tasks in The Future.

We’ve surveyed the significance and the way Japan has developed EPA, which gives substantial economic advantages to its members, and contributes much to economic development in them. In closing this paper, we’ll write up the future tasks of EPA.

The expected troubles in Japan concluding EPA with other countries in Asia, are the problems on drastically increasing import of agricultural and fishery products, and on the employment of foreign nurses and nursing care workers in Japan, that is, the problem of human exchange between our country and other country.

The liberalization due to EPA of importing such primary products and of accepting foreign workers, can trigger the industrial adjustment cost and unemployment of Japanese workers with flows of cheaper foreign products and labor force into our country. Against outbreak of the cost in short term, some people in our country are likely to launch the

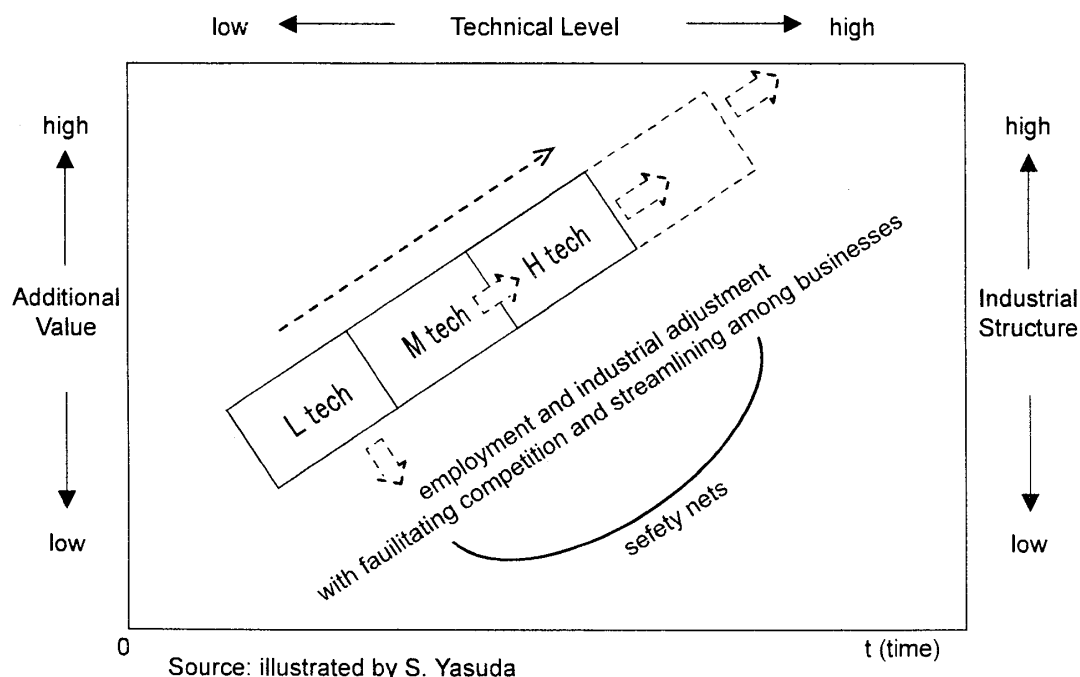
protest campaign in order to avoid it and keep vested their rights.

However, we cannot deny that EPA can facilitate, from mid-and long-term viewpoint, the efficient use of many resources in Asia and give more profit than the cost to EPA members: EPA gives economic advantages not to the one country but to both country concluding it.

Therefore, it is necessary for us to establish safety nets, under which we can smoothly change the industrial structure for jobless workers and their office closedown, allot the grant money to support them, and offer them the chances of reeducation and retraining. Such countermeasures are to minimize the industrial adjustment cost and to ease the anxieties and concerns among domestic workers.

Note that economic development and growth are sure to be achieved in the long run after solving such problems. Faced by the problem of population decline with the falling birthrate and the aging population, we have many troubles and difficulties in continuing the economic growth. To deal with the problems, we need to establish economic growth strategies and put them into practice. When we cannot brighten our prospect now, it is necessary for us to conclude EPA with as many countries as possible, mainly with Asian countries, in order to ensure economic development in the long term, where it is important for us to shift the economic structure toward the one in harmony with all over the world or

Figure 6: The Model of Industrial Adjustment with EPA



the one as open to the world as possible.

In order to achieve the economic growth through the above countermeasures, we are required to take in the dynamism of Asian areas, full of energy to develop and grow their economies.

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