Progress Towards Asia-Pacific Economic Integration and the Role of the US and Japan

May 14, 2013
Hiroyuki Ishige
Chairman and CEO



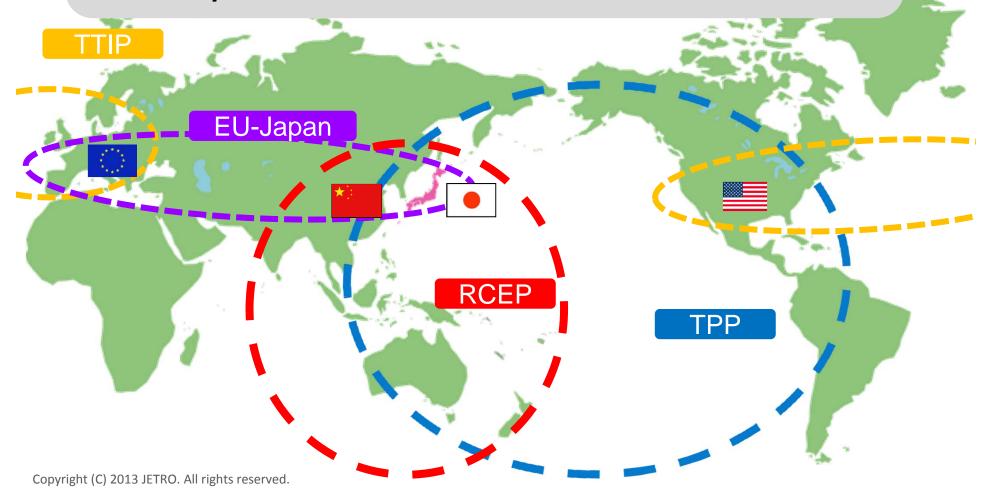
Japan's participation would expand the economic coverage of the TPP from the current 30% to 40% of the world GDP.

It would also allow the four mega-FTAs, the TPP, EU-Japan EPA, TTIP and RCEP, to drive future global rules of trade and investment.

4 mega-FTAs and 4 major economic powers

Core message

<u>Promoting these four mega-FTAs is essential for global</u> <u>liberalization of trade and investment. To achieve this goal, the</u> <u>US and Japan should take the lead.</u>



Schedule of recent negotiations for mega-FTAs

		TPP	RCEP	EU-Japan	TTIP
	2012	Oct Formal participation of Mexico and Canada	Nov Launch of negotiations agreed on		
	2013	Feb 22 US-Japan Summit		Mar 25 Launch of negotiations announced	Feb 13 Planned launch of negotiations announced
		<u>May 15-24</u> 17 th round (in Peru)	May 9-13 1st RCEP round (TNC) RCEP WG	April 15-19 1 st round (in Brussels)	
		July 18 th round? Formal participation of Japan?	(in Brunei)		July Negotiations launch before summer (target)
C	opyright (C) 2	Within 2013 Conclusion of negotiations (target)	End of 2015 Completion of negotiations (target)	Source: J	ETRO Daily. USTR press releases.

negotiations (target)
Copyright (C) 2013 JETRO. All rights reserved.

Source: JETRO Daily, USTR press releases, ASEAN website

What form should economic integration in the Asia-Pacific take in the future?

- Advanced rules with an extensive economic coverage
- Global competition towards liberalization through regional economic integration

TPP

Innovation function aimed at advanced 21st
 Century agreement

RCEP

 Function to improve regional economy by including lesser developed countries

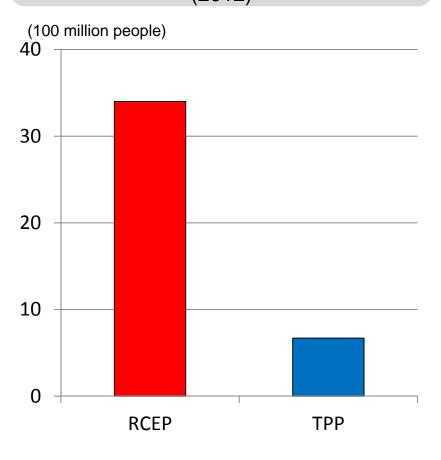
TPP and RCEP are mutually complementary.

Advantage of RCEP

Wide economic coverage

China Japan Korea Vietnam Philippines Malaysia Singapore Indonesia Australia **New Zealand**

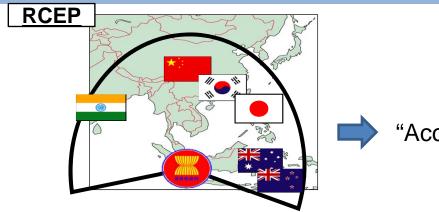
Growth potential Population covered by RCEP and TPP (2012)



Source: WEO, April 2013 (IMF)

Region-wide FTAs

User friendly ROO



"Accumulation" allows for easy fulfillment of ROO

ROO (rules of origin) should not be a burden for business, especially for SMEs.

Required simple & business-friendly rules:

1. Co-equal (or alternative) rule

Use of either regional value content (RVC) or change in tariff classification (CTC)

2. Full accumulation rule

Regardless of its value-added (VA) proportion, all value added in a country of the region is accumulated and considered as originating in the region

3. Approved Exporter Self Certification System

Approved exporters may produce an origin declaration

Core members of 4 mega-FTAs

Economic	scale of regi	(trillion dollars)					
	TPP	RCEP	EU-Japan	TTIP		56.9 trillion dollars in total (79.4	
Economic scale	21.6 (30.1%)	21.2 (29.5%)	22.5 81.4%)	32.3 (45.0%)		of the world GDP)	
Japan	< O > (Note)	Ö	Ö	×	TPP+RCEP+ EU-Japan 56.9 TPP+TTIP 38.1 EU-Japan+ TTIP 38.2		
US	Ö	×	×	Ö			
EU	×	×	Ö	Ö			
China	×	Ö	×	×	RC 21	EP .2	

Note: At present, Japan is not participating in the negotiations

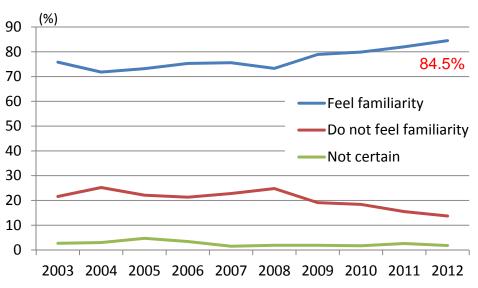
Source: WEO, April 2013 (IMF) Copyright (C) 2013 JETRO. All rights reserved.

If each of the four schemes, which together account for 80% of the global economy moves in uncoordinated competition, it may adversely impact global trade and investment.

How can we lead them to a coordinated competition?

 Proposal: <u>A meeting of trade ministers/senior</u> <u>officials of major economic powers</u> regarding potential global trade and investment rules.

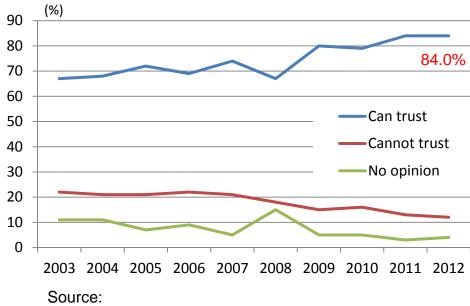
Japanese who feel familiarity with the United States (2012)



Source:

Opinion poll concerning diplomacy, conducted by the Cabinet Office of Japan

Americans who said they can trust Japan (2012)



Opinion poll concerning how Americans see Japan, conducted by the Ministry of Foreign Affairs of Japan

