

Toward a New Era of Japan – EU Economic Partnership

July 2014

Norihiko Ishiguro

Vice-Minister for International Affairs
Ministry of Economy, Trade, and Industry

Topics

- 1. Abenomics ~Strategy of Global Outreach~**
2. Structural Reform through Japan-EU EPA/FTA
3. Japan's experience on a "mega-FTA"
~Through ASEAN~
4. Economic Relationship between Japan and the EU

1. Price Stability Target and Bold Monetary Policy: The 1st Arrow

2. Flexible Fiscal Policy: The 2nd Arrow

3. Growth Strategy: The 3rd Arrow <Updated June 24, 2014>



(1) Plan for the Revitalization of Japanese Industry

(2) Strategic Market Creation Plan

(3) Strategy of Global Outreach

- Increase the trade conducted under FTAs to 70% by 2018 (currently 19%).
- Double the amount of direct investment in Japan by foreign companies to 35 trillion yen (*Approx. US\$ 350 billion*) by 2020.

Keynote Speech -OECD Ministerial Council Meeting - May 6, 2014

- The topmost agenda item on my list of reforms is to accelerate negotiations on EPAs with our economic partners around the world.
- Japan promotes multilateral EPA negotiations, such as those underway with the EU, not simply in pursuit of abolishing tariffs. Instead it also stems from our wish to build a new economic order.
- I regard you in Europe as surely the most likely to be able to share those values. Then we will certainly be able to overcome small differences in our positions and other such situations. I believe that an EPA between Japan and the EU should be concluded at the earliest possible time.

Topics

1. Abenomics ~ Strategy of Global Outreach ~
2. **Structural Reform through Japan-EU EPA/FTA**
3. Japan's experience on a "mega-FTA"
~ Through ASEAN ~
4. Economic Relationship between Japan and the EU

Background and State of Play

- **The first round of negotiations took place in April 2013. The sixth round will be in July 2014.**

Japan's main areas of interest

- Eliminate EU's high tariffs on industrial products
(e.g. automobiles:10%, electronic devices :14%)
- Regulatory issues facing Japanese companies in Europe

EU's main areas of interest

- NTMs(Non-Tariff Measures)
e.g. automobiles (harmonization with UN regulations) ,food safety(designation of food additives), medical devices and pharmaceuticals (simplification of evaluation and authorization), etc.
- Government procurement
- GI (Geographical Indications)

● Adoption of UNECE regulations

- Draft and publish a roadmap on 29 March 2013 by MLIT
- Currently 37/47 passenger vehicle regulations adopted.
- The adoption of the remaining regulations is in progress in accordance with the Roadmap.

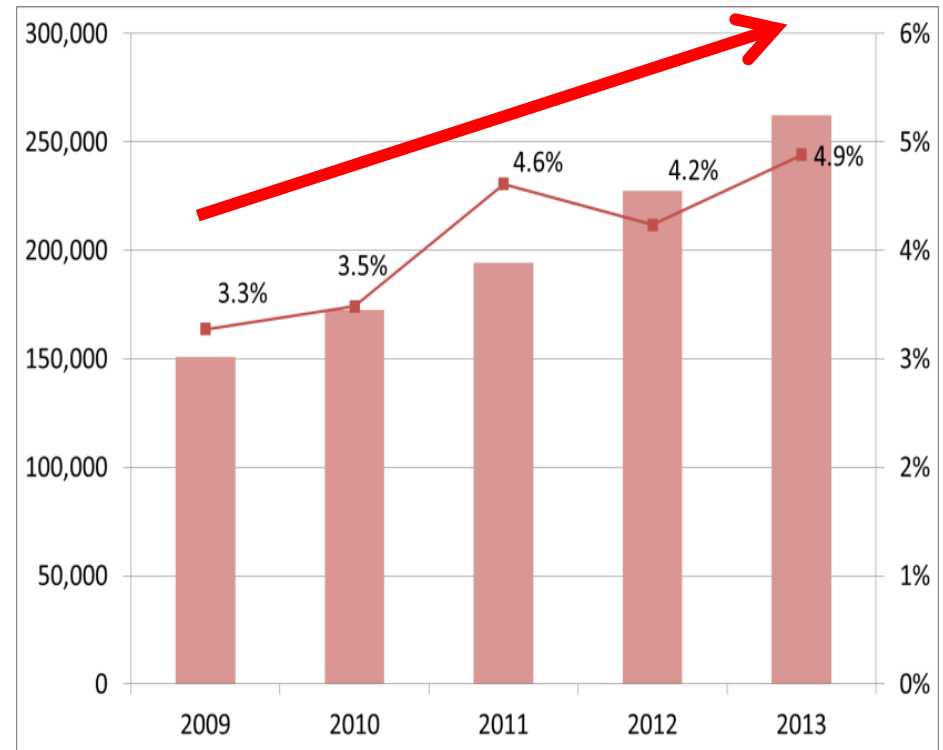
● High-pressure gas tanks (Fuel cell vehicle)

- Already started examination and preparation for adoption.
- Series of work to be finalized by the end of June 2014.

Gas tank for fuel cell vehicle



Share of European vehicles in Japan



Source: JADA, JAIA

2013-2014
CAR OF THE YEAR
Volkswagen Golf



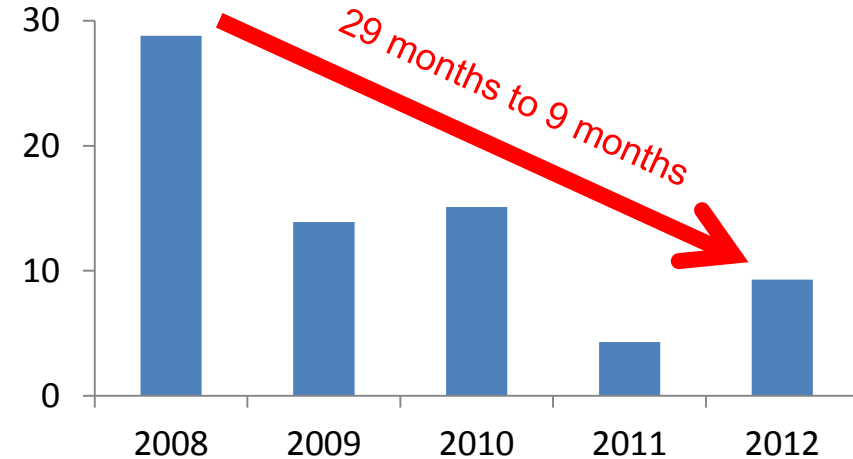
Photo: CAR OF THE YEAR JAPAN

Progress in Regulatory Reforms (2) Medical Devices and Pharmaceuticals

Revision of the Pharmaceutical Affairs Law was enacted in Autumn 2013, etc.

(1) Accelerate authorization procedures for innovative medical devices.

Review period for medical devices behind the US
(Priority Review Products)

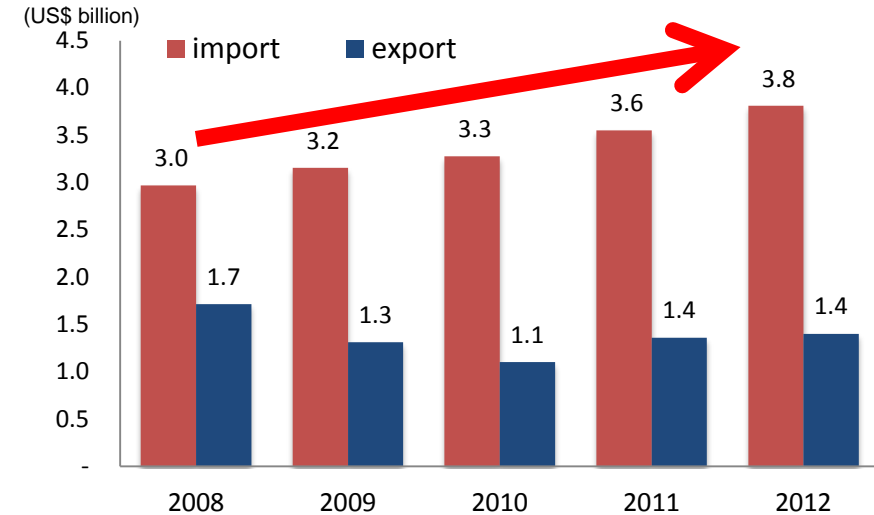


Source: Pharmaceuticals and Medical Devices Agency (PMDA)

(2) Faster authorization in Regenerative Medicine.

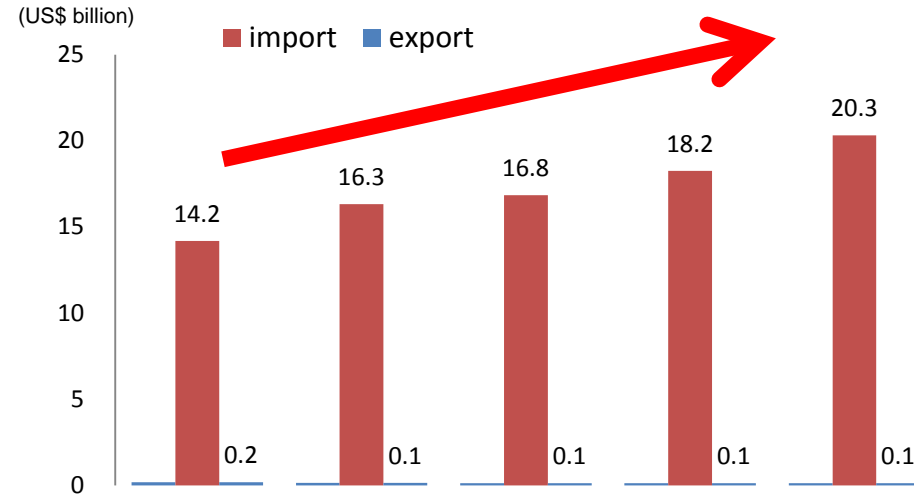
Establish an early authorization system.

Im/Export of Medical Devices between EU and Japan



Statistics of Production by Pharmaceutical Industry

Im/Export of Drugs between EU and Japan

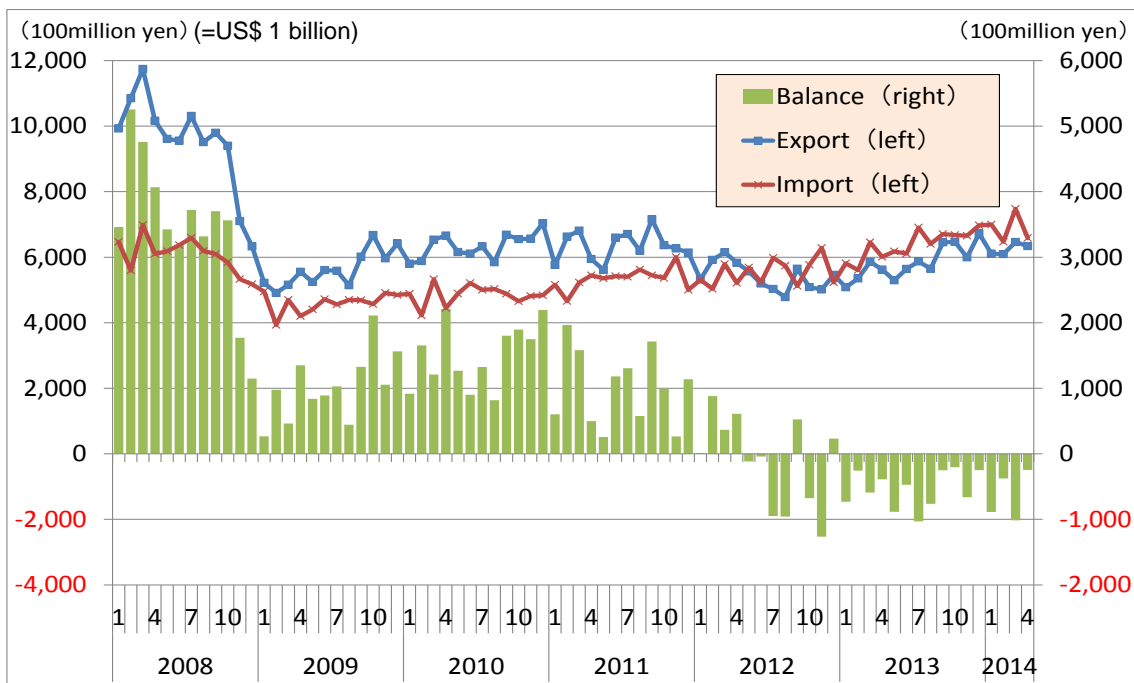


Statistics of Production by Pharmaceutical Industry

The EU marks Export Surplus to Japan

- The imports from the EU increased by **3.6 %** in 2012 and **15.2 %** in 2013 compared to the previous year.
- In 2012, the trade balance with the EU registered a deficit for the first time since 1980. In 2013, it registered another deficit.

Japan's trade balance with the EU



Source: Ministry of Finance Japan

| | 2013 (Growth rate) | 2012 (Growth rate) | 2011 (Growth rate) |
|---------|----------------------------|----------------------------------|----------------------------|
| Export | US\$ 70 billion (7.7%) | US\$ 65 billion (minus 14.7%) | US\$ 76 billion (0.0%) |
| Import | US\$ 76 billion (15.2%) | US\$ 66 billion (3.6%) | US\$ 64 billion (10.1%) |
| Balance | US\$ -6 billion | US\$ -1 billion | US\$ 12 billion |

Source: Ministry of Finance Japan

Topics

1. Abenomics ~ Strategy of Global Outreach ~
2. Structural Reform through Japan-EU EPA/FTA
3. **Japan's experience on a "mega-FTA"**
~ Through ASEAN ~
4. Economic Relationship between Japan and the EU

Japan's experience on a "mega-FTA" ~Through ASEAN~ (1)



Japan's EPAs with ASEAN countries

| | | | |
|---------|------------------|---------|------------------------|
| 11.2002 | Singapore | 07.2008 | Brunei |
| 07.2006 | Malaysia | 12.2008 | The Philippines |
| 11.2007 | Thailand | 10.2009 | Vietnam |
| 07.2008 | Indonesia | | |

Each bilateral FTA has its own unique trade rules and tariff reductions.



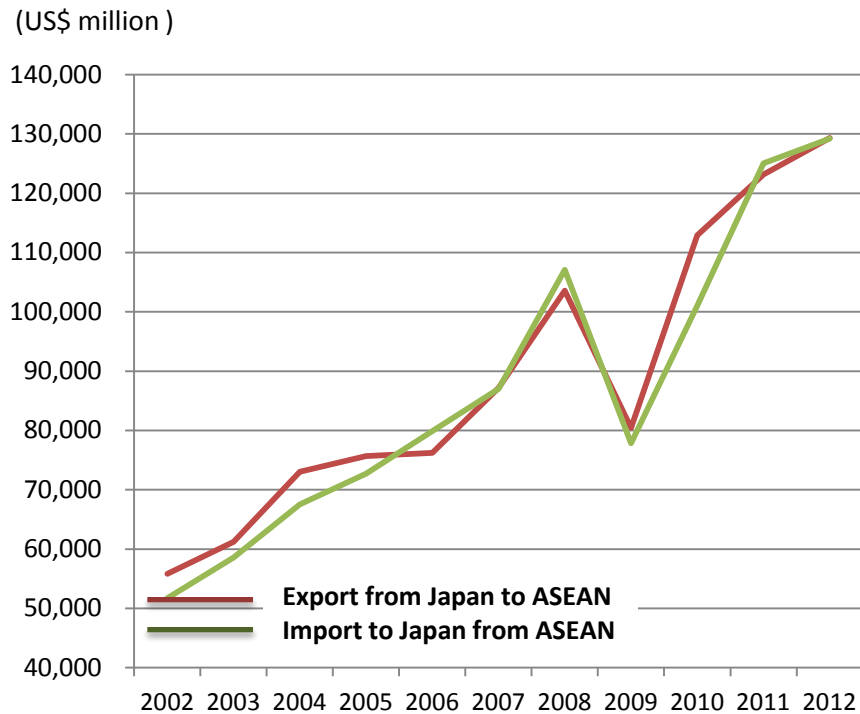
- Mega FTAs create borderless value chains through sharing simple and unified trade rules.
- Mega FTAs promote borderless business activities by companies through providing seamless business environments for services, investments and intellectual property rights.



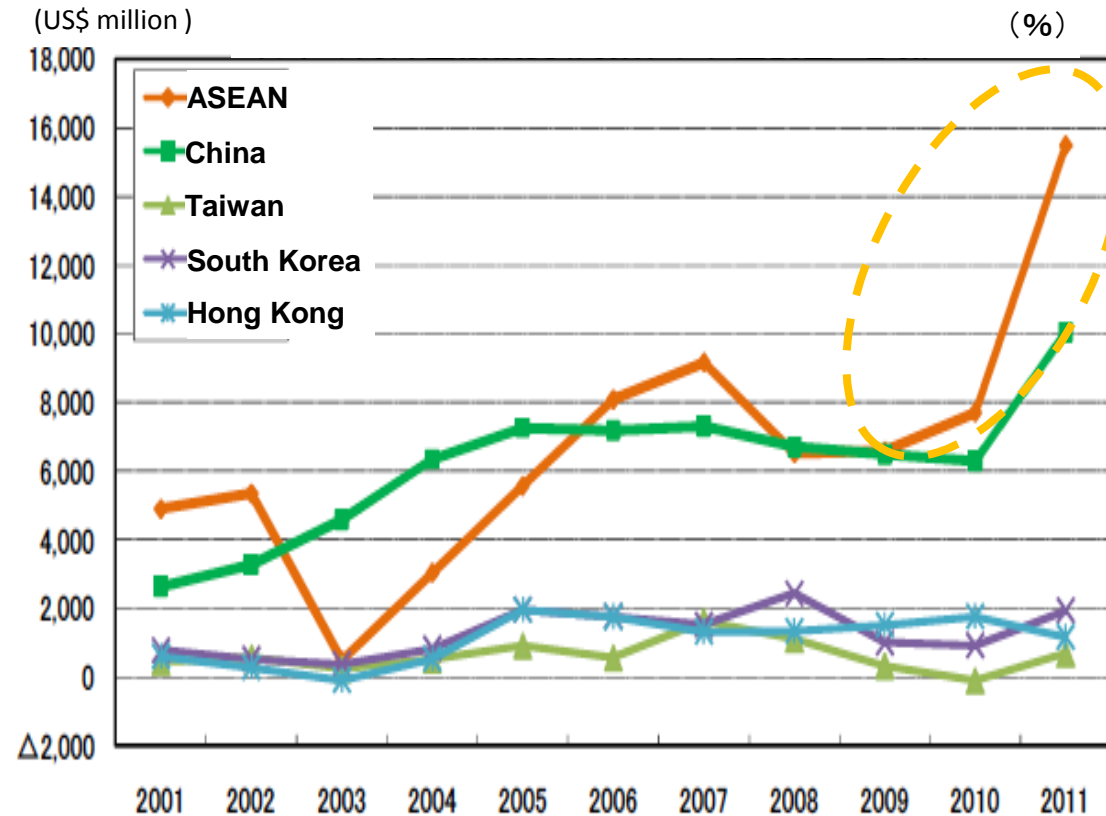
AJCEP (ASEAN-Japan Comprehensive Economic Partnership) in 2008

Japan's experience on a "mega-FTA" ~Through ASEAN~ (2)

Export/Import between Japan and ASEAN



Japan's FDI to Asian countries/region



Source : Global Trade Atlas

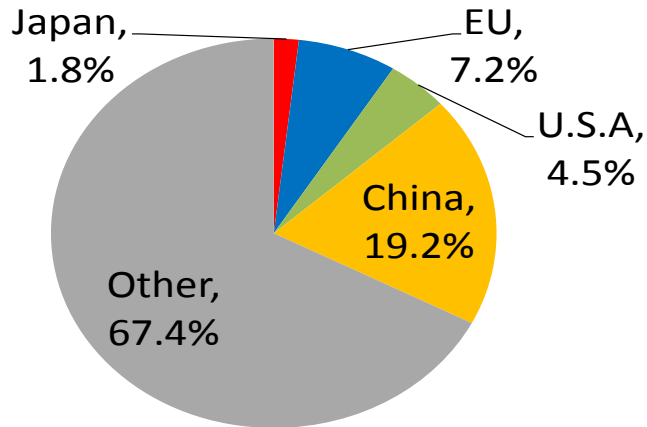
Topics

1. Abenomics ~ Strategy of Global Outreach ~
2. Structural Reform through Japan-EU EPA/FTA
3. Japan's experience on a "mega-FTA"
~ Through ASEAN ~
4. **Economic Relationship between Japan and the EU**

Japan-EU Position in the World

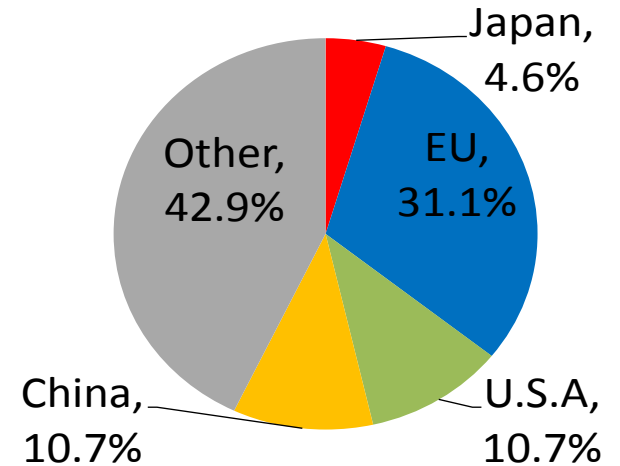
- Japan and the EU combined account for approximately 10% of the world's population, more than 30% of the world's GDP and global trade.

Population(2012)
Japan+EU=9.0%



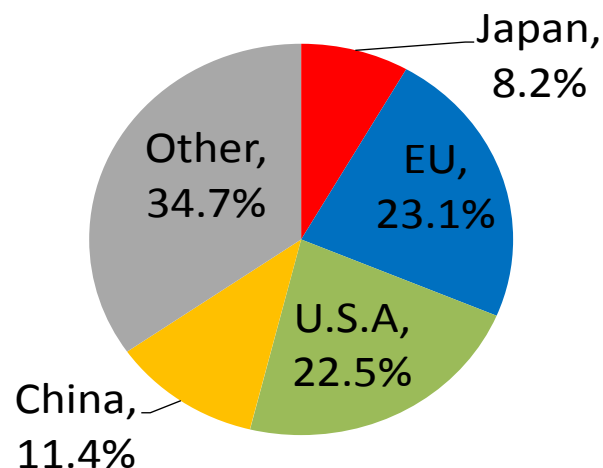
Source; World Bank, World Development Indicators, May 2014

Trade(2012)
Japan+EU=35.7%



Source; IMF, Direction of Trade Statistics, December 2013

GDP(2012)
Japan+EU=31.3%



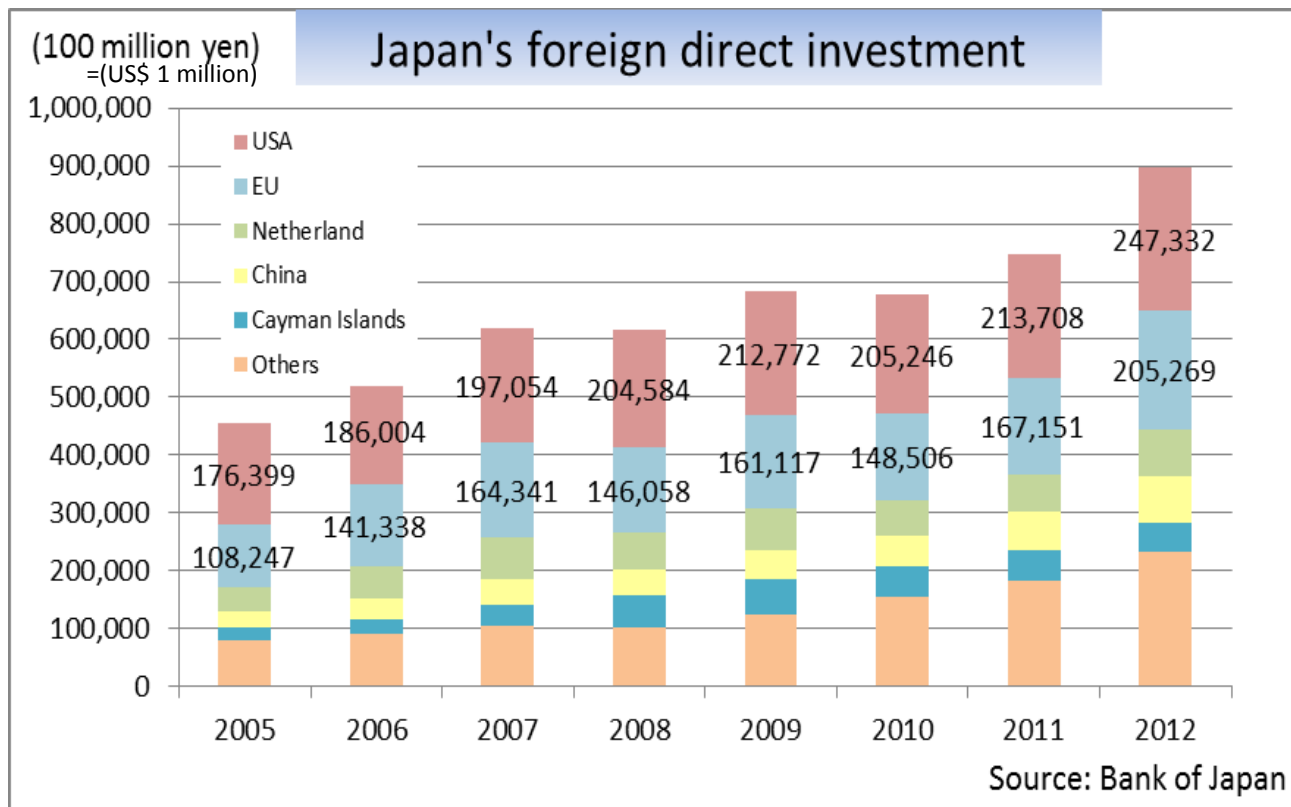
Source; IMF, World Economic Outlook Database, April 2014

Significant Investment and Job Creation by Japanese Companies in Europe

The EU: No.1 Investor to Japan €68 billion (2012)

Japan: No.3 Investor to the EU €144 billion (2011)

Source: BOJ(calculated in arbitrated foreign exchange rate by BOJ), Eurostat



Japanese overseas affiliates in Europe

Survey of Overseas Business Activities as of 2011(FY), METI

Number of employees: over 465,000

Number of companies: over 2,600

*Number of Employees by Japanese affiliates

| | |
|------------|---------|
| UK | 161,014 |
| Germany | 65,275 |
| Netherland | 63,242 |
| Belgium | 46,525 |
| France | 38,771 |
| Italy | 21,792 |

Current Situation of Economic Relationship between Italy and Japan

Japan-Italy Summit Meeting (6th June 2014)

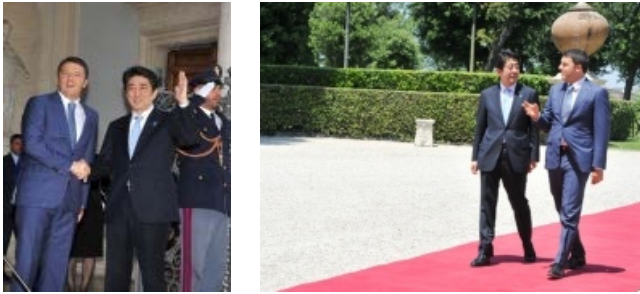


Photo:
Cabinet Public
Relations Office

Milano EXPO2015

Japan Pavilion's Theme
~Harmonious Diversity~

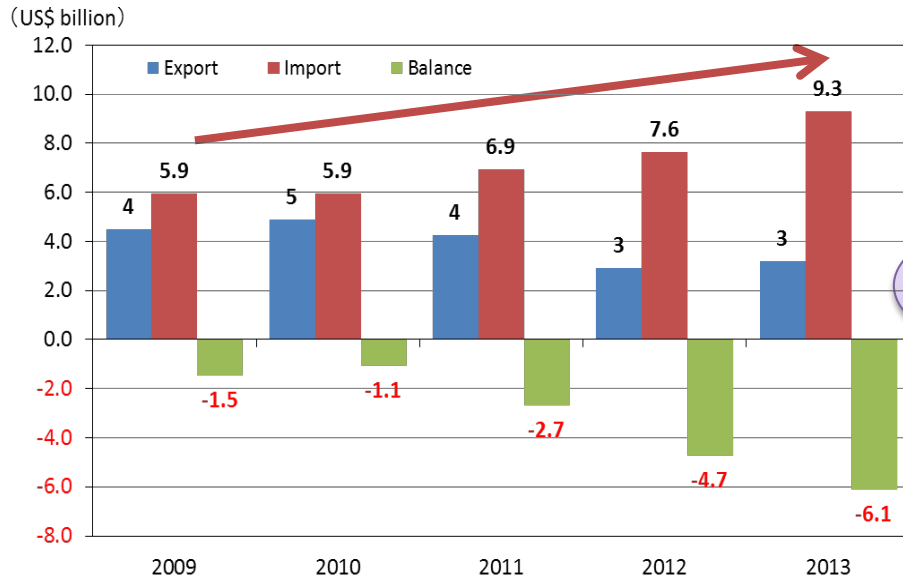


MILANO
NUTRIRE IL PIANETA
ENERGIA PER LA VITA



Investment and Trade Balance

- More than 250 Japanese companies in Italy, with more than 20,000 jobs.
- Italy's exports to Japan have steadily increased.



Source :Ministry of Finance Japan

Industrial Cooperation

~leverage each other's advantages~

Technological Alliance

Archimede
Solar Energy

Solar -Thermodynamics
demo plant

Chiyoda Corp

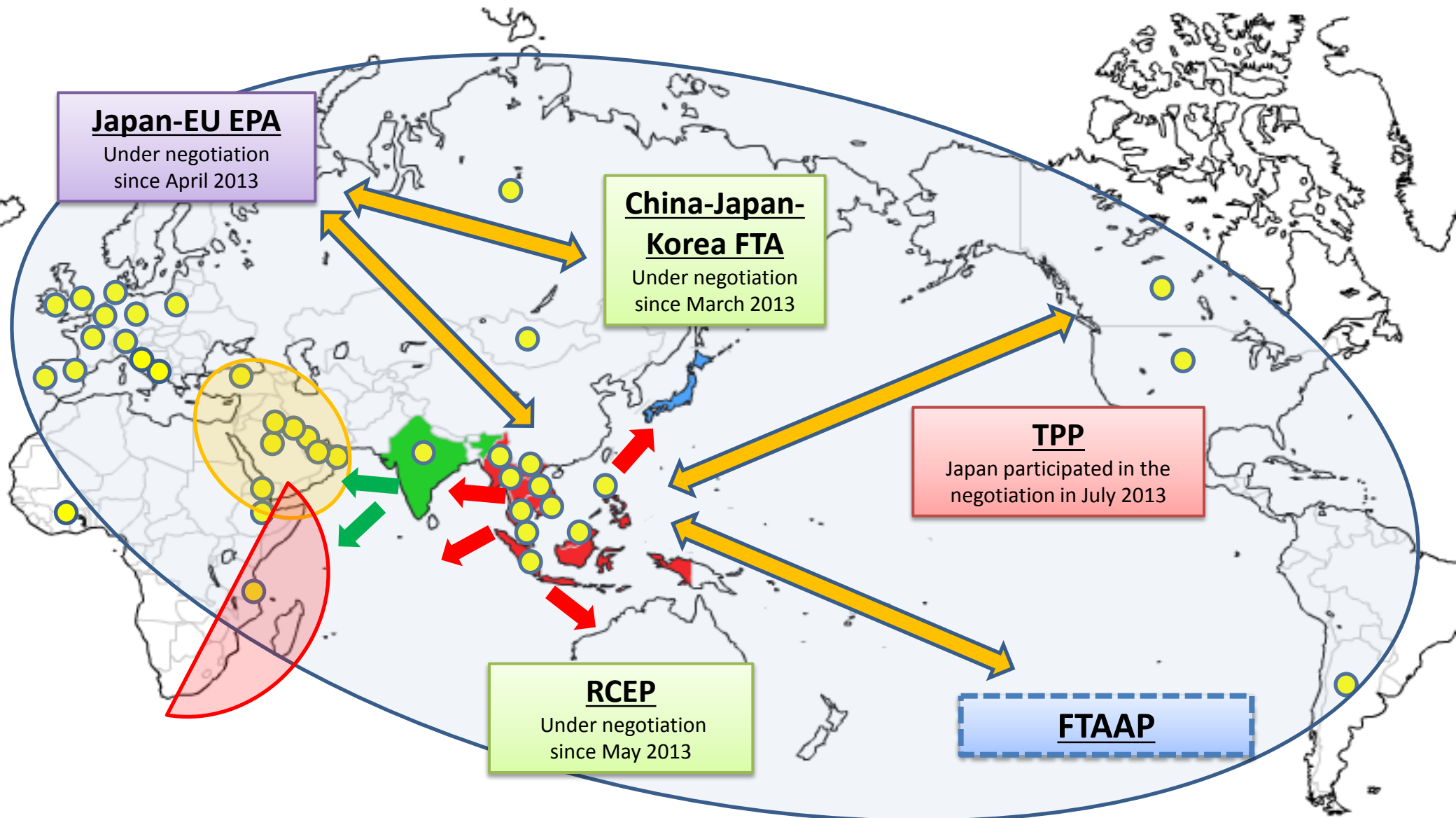
Manufacturing Tech
(thermodynamic
solar receivers)

Engineering



Photo: Chiyoda Corp

Establishment of Global Value Chains from ASEAN to the world



● Prime Minister Shinzo Abe has visited 39 countries since taking office.
<As of June, 2014.>

Summary

1. Reaching an agreement in principle on a Japan-EU EPA/FTA during 2015.

2. "Buy My Abenomics!"

3.  **INVEST JAPAN**