

A Call for the Development and Promotion of Proactive External Economic Strategies Toward A Nation Built on Trade and Investment, Pursuing Progress with Asia

[Outline]

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Part I: A Call for Proactive External Economic Strategies

Acceleration of globalization and the changes in the international business environment

- Japanese business activities have become increasingly globalized, and the transnational business networks are being developed in their pursuit of product development, production, distribution, and sales, especially within East Asia.
- Japan's service industries are also expanding abroad, especially in East Asia.
- Corporations in newly emerging economies (e.g., China, South Korea, India, and Russia) are raising their profile. Resource nationalism is growing stronger
- Governments of countries with a great demand for resources are taking the lead in efforts to acquire natural resources and energy. Resource nationalism is growing stronger.
- The number of infringement of intellectual property rights is growing.

Insufficiencies in institutional development

- Certain parts of East Asia still suffer from insufficient institutional development, lacking the economic infrastructure required to satisfactorily support the above-mentioned Japanese business activities.
- The Japanese government tends to lag behind other countries in its promotion of WTO negotiations and EPA negotiations with countries outside East Asia.
- Japan's infrastructure for trade and investment (financial and capital markets, air transport, distribution, and customs clearance, etc.) has become inferior to that of some advanced countries and regions in East Asia.

Japan needs proactive external economic strategies

The Japanese government must abandon its current passive, reactive stance for external economic policy, and instead take leadership and strategic initiative.

It should adopt a comprehensive perspective for domestic policies related to foreign matters including not only trade and investment but also the protection of intellectual property rights, the stable supply of natural resources and energy, the parallel pursuit of anti-global warming efforts and business opportunities, and the international standardization of specifications and rules. The Japanese government needs strategies targeting a comprehensive resolution of these issues.

Part II: External Economic Strategies Japan's Government Should Take

Studies for the Establishment of an "East Asian (Economic) Community"

The time has come for Japan to seriously discuss a concrete vision for a regional integration, building on what it has achieved through bilateral EPAs with ASEAN countries and the Comprehensive Economic Partnership Agreement with ASEAN(AJCEP).

- (1) **Development of a clear vision for an "East Asian Community"**
(It is necessary to come to a common understanding on such issues as Community ideals and objectives, etc.)
 - ➔ **Examination on Possibilities for a "Charter of the East Asian Community"**
Examples of common ideals: respect for the state sovereignty, peaceful resolution of dispute, and non-interference in the domestic affairs of other countries.
Examples of limits of powers and parameters of action: maritime cooperation; countermeasures to terrorism, trade in narcotics, and cross-border crime; monetary and financial cooperation; promotion of economic integration.
- (2) **Promotion of East Asian economic integration**
(It would be realistic to begin with economic issues when examining areas where integration is possible)
 - ➔ Free trade agreements between India and ASEAN, and between Australia-New Zealand and ASEAN are strongly expected to be promptly signed, as a step toward the establishment of ASEAN+6. Positive results could also be achieved by integration through ASEAN+1 FTAs, such as the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement, the China-ASEAN Free Trade Agreement and the South Korea-ASEAN Free Trade Agreement.
- (3) **Consideration of establishment of an "East Asian Government-Private Sector Council"**
(It would serve as a forum to develop a vision for an "East Asian (Economic) Community" and to ensure that business communities' views are reflected in it.)
 - ➔ Discussions on regional integration should be on track by 2010.
- (4) **Strengthening economic partnership with China** (It is an essential step toward a creation of an East Asian (Economic) Community)
 - ➔ Many benefits would arise from accelerating reform especially with regard to the application of laws and regulations such as further simplifying, expediting, and ensuring the greater transparency of various licensing and certification procedures in China. Japan, China, and South Korea should promptly sign an investment agreement and a free trade agreement.
- (5) **Significance of a Japan-US Economic Partnership Agreement**
(It is important that East Asian integration is open to other countries or regions.)
 - ➔ A Japan-US EPA would serve as a bridge between the United States and a future East Asian Community, and could become a springboard for the establishment of a Free Trade Area of the Asia Pacific (FTAAP).
- (6) **Use of the APEC framework** (to promote open regional integration)
 - ➔ FTAAP discussions should be vigorously promoted within APEC. As the host country for the APEC leaders' meeting in the target year for achieving the Bogor Goals, Japan should exhibit leadership in the promotion of free and open trade and investment.

Improvements in the Global Business Environment

- (1) **Maintenance and strengthening of the WTO and the regime; prompt and successful conclusion of the Doha Round of negotiations**
Indomitable resolve is needed to ensure the prompt and successful conclusion of the Doha Round. It is important to ensure adherence to existing rules and to maintain multilateral free trade systems, through the use of the WTO dispute settlement system.
- (2) **Promotion of EPAs (Japan -US, Japan -EU, etc.)**
Priority should be placed on promptly signing EPAs or FTAs with countries in East Asia (e.g., India, South Korea, and Vietnam), and with countries supplying Japan with resources, energy, and food (e.g., Australia and GCC). Joint inter-governmental studies should be started without delay by Japan and the U.S. and by Japan and the EU, with a view to establishing respective EPAs. In this regard, bilateral EPAs and FTAs covering issues such as market access, investment, competition, environmental protection and trade remedies will serve as a model for global agreements.
- (3) **Promotion of sectoral agreements**
Depending on countries and regions, Japan should also consider utilizing non-EPA and non-FTA tools such as investment treaties or mutual recognition agreements. We recommend that the Japanese government negotiate tax treaties, social security agreements, etc.
- (4) **Global issues other than those relating to trade and investment**
Protection of intellectual property; ensuring a stable supply of natural resources and energy; mitigating global warming; international standardization of specifications and rules.
- (5) **Strategic use of Official Development Assistance, etc.**
ODA which is conducive to the economic development of the developing countries should be further promoted.

Improvement and Reform of Japan's Domestic Systems

- (1) **Further development of infrastructure promoting trade and investment; simplification and facilitation of procedures**
Improvement of systems for the international logistics; fundamental reform of customs clearance systems; development of mutual recognition mechanisms for security-related systems; and establishment of convenient rules of origin.
- (2) **Establishment of mechanisms for corrective action against unfair trade measures and for trade remedies**
A petition system for initiation of investigations regarding unfair trade practices of foreign nations should be enacted.
Domestic Japanese law should be modified to ensure that the requirements for petitioning for an antidumping investigation in Japan is consistent with the ones specified in the WTO Antidumping Agreement. The safeguards system should include measures granting the right of a private-sector entity to petition for an investigation. Unified procedures consistent with the WTO Safeguard Agreement should be established.
- (3) **Promotion of reforms in Japan and strengthening the competitiveness of Japanese industry**
Accelerating structural reform of Japan's agriculture; accepting more non-Japanese workers and liberalization and facilitation of the movement of natural persons; promotion of financial market reforms; expanding foreign direct investment in Japan, etc.

Part III: Setting up a System to Promote Japan's External Economic Strategies

Unified control over external negotiations and domestic coordination

The Japanese government should establish an "External Economic Strategy Promotion Headquarters" and an "External Economic Strategy Council."

Strengthening Japan's diplomatic potential by promoting public-private partnership

Private-sector personnel should be brought in as top-echelon staff at governmental organizations such as embassies and other Japanese government offices overseas, etc.

A stronger voice of the private sector

Japanese corporations should present their opinions to the governments of foreign countries where they operate, etc.