

Proposal for Strengthening Strategic Relations with the Gulf Countries in the Middle East

Urgent Need to Resume Japan-GCC FTA Negotiations

Outline

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Keidanren (Japan Business Federation)

- ❑ As Japan faces high energy prices and supply concerns, **strengthening strategic relations with the Gulf countries in the Middle East, which are major producers of crude oil and natural gas, is an urgent matter.**
- ❑ Japan started FTA negotiations with the Gulf Cooperation Council (GCC) in 2006, but talks were suspended in 2009. **In light of the GCC's positive stance on concluding FTAs in recent years, various countries and regions (China, South Korea, India, etc.) are moving to initiate or reopen negotiations.**
- ❑ If Japan neglects the current situation, it may not only lag behind other countries and regions in competitiveness, but the very survival of Japan as a country may also be threatened. **We are strongly urging the resumption of Japan-GCC FTA negotiations and the conclusion of an FTA as soon as possible.**

I. Importance of Strengthening Strategic Relations with the GCC Countries

1. Securing Stable Energy Supply

The GCC countries supply over 90% of Japan's crude oil needs and some 20% of its natural gas needs. They are of vital importance for Japan's energy security.

2. Expansion of Exports and Investment

They are an extremely important and promising market for investment and exports of automobiles and auto parts, steel products, motors, construction and mining equipment, beverages, etc.

3. Contribution to Economic Growth and Solution of Social Problems

The GCC's goals of breaking away from overdependence on fossil fuels and industrial diversification have generated enormous demand for infrastructure. It is necessary to capture such demand without fail and to support the GCC countries' economic growth and contribute to solving their social problems through the building of quality infrastructure.

II. Improvement of Business Environment in the GCC Countries through the Conclusion of FTA

1. Liberalization and Facilitation of Trade in Goods

Such as virtual elimination of all tariffs, including on automobiles and auto parts, transport machinery, and construction and mining equipment.

2. Liberalization of the Investment and Service Sectors

Such as relaxation or abolition of restrictions on foreign capital and excessive obligation to hire local employees, abolition of local regulations impeding foreign investors' activities, and eliminating the requirement to set up regional headquarters in Saudi Arabia.

3. Facilitation of Human Mobility

Easing requirements for issuing working and residence visas, simplification of application procedures, and exemption of working visa.

4. Liberalization and Facilitation of e-Commerce

Ensuring free transfer of data, ban on data localization requirements.

5. Building the Legal Foundation

Such as explicit regulations, advance notification when legal systems are newly established or revised, and fair and transparent system management, etc.

6. Strengthening Cooperation in the Environmental and Energy Sectors

Measures for stable supply, such as advance notification and consultation when introducing energy export restrictions; regulations relating to cooperation toward the achievement of carbon neutrality.