

## Section 3



# Economic Diplomacy

## Overview

### (Recognition of the Economic Situation and Japan's Economic Diplomacy)

The world economy as a whole recovered moderately in 2015, despite concerns about the effects of a downfall in crude oil prices and geopolitical risks in the Middle East and other regions, while the U.S. actions toward the normalization of monetary policy and prospects for emerging countries including China drew attention. The Japanese economy is on a moderate recovery, helped by an improvement in corporate performance, which led to an improvement in the employment situation.

Based on this recognition of the economic situation, Japan revised its “Japan Revitalization Strategy” (hereinafter the “Growth Strategy”) in June 2015 to “ensure the movement towards the exit from deflation and reconstruct the basis for development in the future.” The “Growth Strategy” shows a course to incorporate the world's growth into Japan's growth through Japanese companies and citizens proactively entering into overseas markets and attracting the “global flow of people, goods, and money” into Japan.

Strengthening economic diplomacy as means of driving the growth of the Japanese economy is regarded as one of the three pillars of Japan's foreign policy, alongside strengthening the Japan-U.S. Alliance and enhancing our relations with neighboring

countries. Japan has made earnest efforts to strengthen it. In 2015, while taking into account the “Growth Strategy,” Japan carried out economic diplomacy from three aspects: (1) contributing to the growth of the Japanese economy, (2) building an attractive country where people can have peace of mind in life, and (3) making international rules.

### (Contribution to the Growth of the Japanese Economy)

#### (1) Promotion of Economic Partnerships

The promotion of high-level economic partnerships constitutes one of the pillars of the Growth Strategy, which aims to raise the FTA ratio to 70% by 2018. In October, an agreement in principle was reached on the Trans-Pacific Partnership (TPP) Agreement and it was signed in February 2016. The TPP Agreement establishes new trade and investment rules among 12 Asia-Pacific countries. When the agreement enters into force, a huge economic zone that accounts for 40% of the world's GDP and 10% of its population will be realized. Furthermore, in 2015, Japan made steady efforts on promoting economic partnerships. For example, the Agreement between Japan and Australia for an Economic Partnership (EPA) entered into force in January, and the Agreement between Japan and Mongolia for an Economic Partnership was signed in February. Based on these achievements, Japan aims to contribute to global rule-making on trade and investment,

by striving to the early entry into force and expansion of participating economies of the TPP Agreement, and carrying out negotiations in parallel, such as the Japan-EU EPA, the Regional Comprehensive Economic Partnership (RCEP), and the Japan-China-ROK FTA.

## **(2) Support for Japanese Companies'**

### **Overseas Business Expansion**

To translate the signs of recovery of the Japanese economy into steady growth, it is necessary to tap into the growth of other countries, including emerging countries, through promoting the overseas business of Japanese companies. The activities of Japanese companies have been promoted through public-private partnerships, under the command of the Headquarters for the Promotion of Japanese Business Support, headed by Foreign Minister Kishida, at MOFA, and under the leadership of the heads of Japan's diplomatic missions overseas. In September, the "Division for Promotion of Public and Private Partnership" was established to comprehensively handle these tasks.

In addition, to "achieve the government's target of approximately 30 trillion yen in infrastructure exports by 2020" ("Growth Strategy"), Japan has made the most of the opportunities including mutual visits of dignitaries and conducted top-level sales to promote Japan's infrastructure and technology overseas.

Aiming "to accelerate the achievement of the export value target of 1 trillion yen by 2020 ahead of schedule" ("Growth Strategy" and the "Comprehensive TPP-related policy framework"), MOFA has utilized its diplomatic missions overseas and actively promotes the attractive points of Japanese products. After the decision on the "Comprehensive TPP-

related policy framework" in November, MOFA appointed staff in charge of supporting Japanese companies (food industry) at 58 diplomatic missions overseas. The Government of Japan has urged other governments to relax or remove import restrictions put in place due to the Great East Japan Earthquake and the accident at TEPCO's Fukushima Daiichi Nuclear Power Plant as soon as possible based on scientific basis, and also promptly provided correct information.

### **(Building an Attractive Country Where People can Have Peace of Mind in Life)**

As Japan relies heavily on imports of energy, mineral resources and food from other countries, MOFA has been making the following efforts to secure their stable supply and ensure people's peace of mind in life.

#### **(1) Energy, Mineral Resources and Food Security**

It continues to be important that Japan takes steps to secure a stable supply of resources at reasonable prices, as Japan relies on other countries for many resources and has increased its dependence on fossil fuels to 90 % since the Great East Japan Earthquake. Utilizing a variety of diplomatic tools, MOFA has been exerting resource diplomacy strategically including through strengthening comprehensive and mutually beneficial ties with resource-rich countries and diversifying its resource-supply countries. In particular, Prime Minister Abe actively engaged in resource diplomacy by visiting major resource-rich countries, including countries in the Middle East, Asia and the Pacific, and Central Asia in 2015. In addition, MOFA has made good use of the inputs from "Special Assistants for Natural Resources" appointed at diplomatic missions overseas since 2013, and continued to strengthen its systematic functions, including information

gathering.

As for food security, in the face of expected world population growth and global food shortages, Japan has been making efforts to contribute to securing stable food supply to Japan through balancing the world's food supply and demand by increasing the world food production.

## **(2) Sustainable Use of Living Marine**

### **Resources**

Japan plays also an active role in proper conservation and management of living marine resources and their sustainable use. "Convention on the Conservation and Management of High Seas Fisheries Resources in the North Pacific Ocean" entered into force in July, and the Secretariat of the North Pacific Fisheries Commission (NPFCC) was established in Tokyo based on the Convention. Japan assessed that additional work pointed out by the Scientific Committee of the International Whaling Commission (IWC) had been completed. Therefore, Japan finalized the New Scientific Whale Research Program in the Antarctic Ocean (NEWREP-A) and decided to implement the plan from 2015.

### **(International Rule-Making)**

To ensure the rule of law in the international economy and the stable development of the world economy, Japan has actively participated in rule-making in the World Trade Organization (WTO) and led international discussions in various fields such as economy and society at the Organisation for Economic Co-operation and Development (OECD), Asia-Pacific Economic Cooperation (APEC), G7 and G20 Summits, etc.

### **(1) Multilateral Trade Liberalization (WTO)**

While the negotiations for multilateral trade liberalization have remained in deadlock for many years, the multilateral trading system centered on the World Trade Organization

(WTO) plays a key role in creating new rules and implementing existing rules that include dispute settlement. As for creating new rules, conclusion of the Information Technology Agreement (ITA) expansion negotiations and the agreement on export competition in agriculture including export subsidies at the Tenth WTO Ministerial Conference (MC10) in December show that WTO's negotiation function is still indeed working and effective. On the other hand, developed and developing countries have failed to converge their opinions about what WTO negotiations should be in the future, including whether to continue the Doha Development Agenda (DDA) negotiations, the biggest recent WTO issue, and there is no prospect on reaching an agreement. It is necessary to explore a new approach to revitalize and reinforce the WTO's negotiation function, including "up-to-data" issues, which change over time. Japan would actively participate in such discussions. Japan also actively participates in implementing appropriate application of the existing rules.

### **(2) International Discussions Led by Japan**

The G7 summit is a place where leaders of developed countries meet to make discussions for coordination of policy. The year 2015 marked the 70<sup>th</sup> anniversary since the end of World War II and the 40<sup>th</sup> anniversary since the Rambouillet Summit (the first summit in France). At the G7 summit in Schloss Elmau, Germany, in June, Prime Minister Abe pointed out that the G7 has underpinned the order of the international community, based on the fundamental values of freedom, democracy, human rights, and the rule of law and stated that it is the G7 that is capable of reacting from a global perspective, that the responsibility of G7 members is significant, and that the solidarity of the G7 is becoming increasingly important.

At the G20 Antalya Summit held in Turkey in November, the leaders exchanged frank opinions concerning specific initiatives for realizing strong, sustainable, and balanced economic growth. The “Antalya Action Plan” was announced, stating the current status and future plans of countries regarding individual macro-economic policies and growth strategies. The leaders strongly condemned the acts of terrorism in Paris, and agreed that the G20 countries will carry out measures against terrorism in a coordinated manner. A “G20 Statement on the Fight against Terrorism” was also issued.

The Asia Pacific Economic Cooperation (APEC) is an economic cooperation framework for the participation of 21 countries and regions (economies) in the Asia-Pacific Region. At the APEC Leaders’ Meeting in the Philippines in November, under the general theme of “Inclusive Growth,” vigorous discussions took place focusing on regional economic integration and building sustainable and resilient communities. Prime Minister Abe stressed the importance of strengthening the “rule of law in the economic field” and explained a target of realizing a “Society with the Dynamic Engagement of All Citizens” and measures supporting women’s empowerment.

The Organization for Economic Cooperation and Development (OECD) is the “world’s largest think tank,” covering a wide range of economic and social issues. The “OECD Southeast Asia Regional Program” was launched at the 2014 Ministerial Council Meeting chaired by Japan. Its first steering group meeting was held in March in Jakarta, Indonesia in March 2015. Japan became a co-chair and contributed to strengthen the relations between the Region and the OECD. Moreover, in June 2015, Japan communicated the importance of “quality infrastructure” as

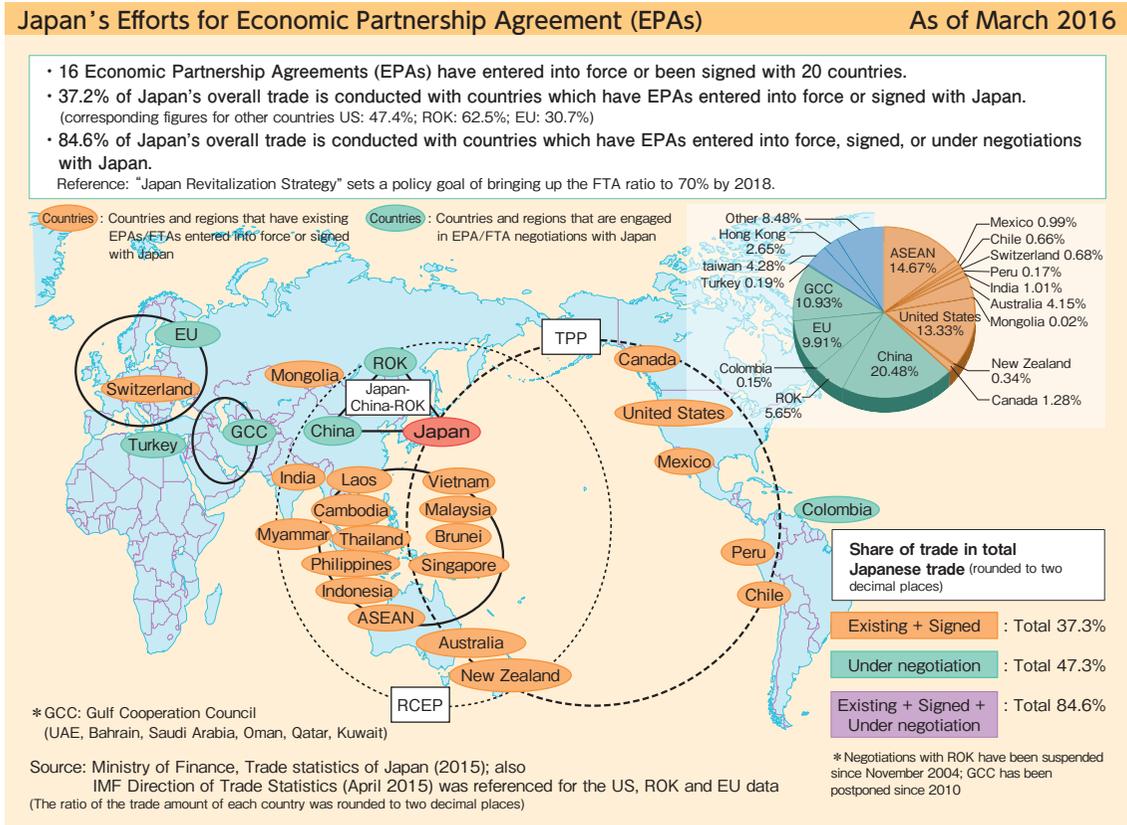
well as Japan’s contribution policy related to climate change at the Ministerial Council Meeting under the theme of “Unlocking Investment for Sustainable Growth and Jobs.”

## 1 Means of Driving the Growth of the Japanese Economy

### (1) Promotion of Economic Partnerships

Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) help capture the vitality of growing overseas markets and strengthen the basis of the Japanese economy, through measures such as the reduction or elimination of tariffs on goods as well as trade barriers for services, and through trade and investment rule making. The Government of Japan has concluded 16 EPAs with 20 countries. In order to achieve the goal set out in the “Japan Revitalization Strategy” to increase the FTA ratio in Japan’s trade (the ratio of trade value with countries which have FTAs already signed or entered into force with Japan to the total trade value) to 70% by 2018 from 19% in 2012, Japan is strategically promoting economic partnerships including those with the Asia-Pacific region and Europe.

Under these circumstances, in October 2015, an agreement in principle was reached on the TPP Agreement, and it was signed in February 2016. The new economic order that will be established by the TPP will serve as a basis for creating rules in the Free Trade Area of the Asia-Pacific (FTAAP), which is an even broader effort. With the signing of the TPP agreement as a driving force, Japan intends to promote other economic partnership negotiations.



## A Multilateral Cooperations (Mega FTAs)

### (a) Trans-Pacific Partnership (TPP) Agreement

The TPP Agreement is an effort to establish new trade and investment rules in the fast-growing Asia-Pacific Region. The twelve countries, namely Japan, Singapore, New Zealand, Chile, Brunei, the U.S., Australia, Peru, Vietnam, Malaysia, Mexico and Canada held negotiations and reached an agreement in principle at the TPP Ministerial Meeting held in Atlanta in October 2015, and the TPP Agreement was signed in February 2016. This Agreement establishes new 21<sup>st</sup> century rules in a wide range of areas, including customs, services, investments, intellectual property, and state-owned enterprises, and gives Japanese companies an opportunity to be more active in markets overseas, and

will be a large driving force for the economic growth of Japan. Moreover, strengthening the rule of law in the economic field through the TPP Agreement with countries which share fundamental values has a strategic significance and contributes to Japan's security and the stability of the Asia-Pacific region.

The TPP Agreement, which incorporates the Asia-Pacific region's growth into Japan, is the core of the growth strategy of Abenomics. Japan will push for the early entry into force of the TPP agreement and the expansion of participating economies.

### (b) European Union (EU)

Japan decided to launch negotiations in March 2013 with the EU, who shares fundamental values with and is a major trade and investment partner for Japan. Since the

first round of negotiations was held in April 2013, fifteen rounds of negotiations were held by February 2016. Japan and the EU discussed a wide range of areas, such as trade in goods, trade in services, intellectual property rights, non-tariff measures, government procurement and investments. At the Japan-EU summit meeting, which was held on the occasion of the G20 Antalya Summit (Turkey) in November 2015, Japan and the EU shared the view to aim to reach an agreement in principle at the earliest possible time in 2016.

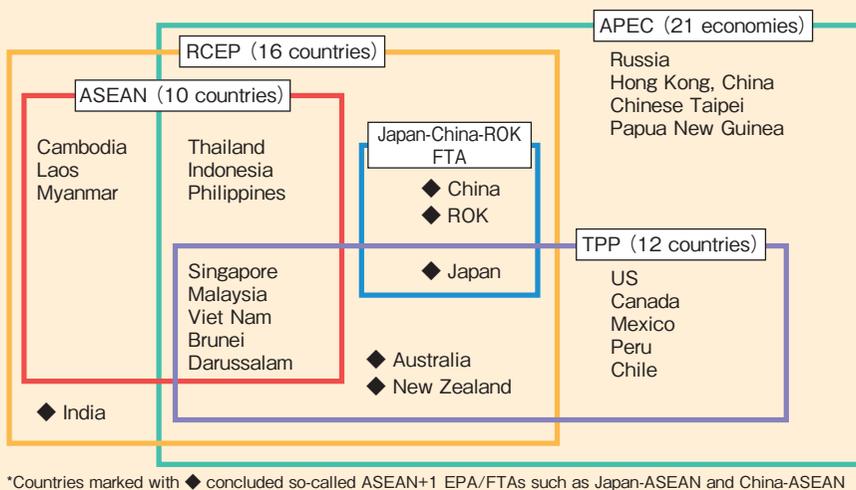
### (c) Japan-China-ROK FTA

Japan-China-ROK FTA is a negotiation with Japan's major trade partners: China (1<sup>st</sup>, about 20 %) and the ROK (3<sup>rd</sup>, about 6 %). The negotiation was launched in March 2013, and nine rounds of negotiations were held by January 2016. The three countries have held the negotiations over a wide range of fields including trade in goods, investment, trade in services, competition, intellectual property and electronic commerce, with the shared objective of pursuing a comprehensive and high-level FTA.

### (d) Regional Comprehensive Economic Partnership (RCEP)

The RCEP negotiations aim at realizing the establishment of a broad economic integration, which covers a population of about 3.4 billion (approximately half of the world population), GDP of about 20 trillion US dollars (approximately 30% of the world GDP), and a total trade amount of about 10 trillion US dollars (approximately 30% of the total value of world trade). Since the launch of negotiations in May 2013, the leaders of ASEAN member states and their FTA partner states (six countries, namely Japan, China, the ROK, Australia, New Zealand and India), have been working together to achieve a comprehensive and high-level agreement in areas such as trade in goods, trade in services, investment, competition and intellectual property. By December 2015, three Ministerial meetings and ten rounds of negotiations had been held. At an ASEAN-related summit meeting in November, a joint statement was announced, saying the leaders welcome the promotion of substantive negotiations in the areas of trade in goods, trade in services and investments.

### The progress of the broad regional economic partnership in the Asia-Pacific region



**(e) FTAAP Concept**

At Yokohama APEC in 2010, “Pathways to FTAAP” were agreed. It was confirmed that FTAAP should be pursued as a comprehensive high-quality free trade agreement by developing and building on ongoing regional undertakings such as ASEAN+3, ASEAN+6<sup>1</sup>, and the TPP agreement. In the “Beijing Roadmap for APEC’s Contribution to the Realization of the FTAAP” adopted at the 2014 Beijing APEC Leaders’ Meeting, the launch of “collective strategic study on issues related to the realization of the FTAAP” was agreed upon. The study started in 2015 and the final report will be submitted to leaders and ministers by the end of 2016.

**B Bilateral Agreements (Arranged in chronological order according to the time at which they start.)**

**(a) Republic of Korea (ROK)**

Japan has a mutually dependent and strong economic relationship including trade and investment with the ROK, which is the most important neighboring country and shares strategic interests. Based on the recognition that an EPA with the ROK will provide both countries with a stable economic framework and bring about mutual benefits for the future, the two countries launched negotiations in 2003. Though the negotiations have been suspended since 2004, both countries have continued working level discussions.

**(b) Gulf Cooperation Council (GCC)**

GCC<sup>2</sup> member states are one of the most important regions for Japan as a supplier for oil and gas and a market for infrastructure and others. The Japan-GCC FTA negotiations were launched in 2006 to reinforce economic relations with GCC member countries, but it

has been suspended by the GCC side due to its internal procedures. Japan has been calling for an early resumption of the negotiations with the aim of further strengthening the economic relations with the GCC.

**(c) Canada**

Japan launched negotiations with Canada, which shares fundamental values and has a mutually complementary economic relationship with Japan, in 2012. By December 2015, seven rounds of negotiation meetings had been held, in order to have the EPA contribute to a stable supply of energy, minerals and food to Japan.

**(d) Colombia**

Colombia, which is rich in resources and maintains a high economic growth rate, has concluded FTAs with various countries. From the viewpoint of improving the investment environment for Japanese companies, Japan started EPA negotiations with Colombia in 2012, and by December 2015, thirteen rounds of negotiations had been held.

**(e) Turkey**

With Turkey, which has high economic potential and promotes an open economy, Japan agreed to launch EPA negotiations at a bilateral Summit Meeting between Recep Tayyip Erdogan, Prime Minister of the Republic of Turkey, and Prime Minister Abe during Prime Minister Erdogan’s visit to Japan in January 2014. Japan and Turkey started EPA negotiations in December 2014. By January 2016, four rounds of negotiations had been held.

**C Signed and Existing Bilateral Agreements****(a) Mongolia**

Japan launched EPA negotiations in 2012 with Mongolia, where high mid-and-long-term

<sup>1</sup> The current RCEP

<sup>2</sup> GCC: Gulf Cooperation Council; Consisting of six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE)

Current Status of EPA/FTA Negotiations, etc. As of February 2016

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ASEAN-Japan Comprehensive Economic Partnership (AJCEP)					The agreement on negotiations on trade in goods was reached.			Start of continuous negotiations on service and investment chapters			March and October: Joint committee meetings	Apr: Joint committee meeting Oct: Joint committee meeting Dec: Substantial agreement on service and investment chapters	March and October: Joint committee meeting	April and October: Joint committee meeting
Mongolia								Jun: start of Joint study	Mar: completion of Joint study	Mar: Japan-Mongolia summit (agreed to start negotiation) Apr: Preparatory meeting for negotiation Jun: 1 <sup>st</sup> Round of negotiation Dec: 2 <sup>nd</sup> Round of negotiation	Apr: 3 <sup>rd</sup> Round of negotiation Jul: 4 <sup>th</sup> Round of negotiation Dec: 5 <sup>th</sup> Round of negotiation	Apr: 6 <sup>th</sup> Round of negotiation Jul: 7 <sup>th</sup> Round of negotiation Jul: Agreement in principle	Feb: Signing	
Canada								Mar: start of Joint study	Mar: completion of Joint study Apr: Preparatory meeting for negotiation Nov: 1 <sup>st</sup> Round of negotiation	Mar: completion of Joint study Mar: Japan-Canada summit (agreed to start negotiation) Jul: preparatory meeting for negotiation Nov: 1 <sup>st</sup> Round of negotiation	Apr: 2 <sup>nd</sup> Round of negotiation Jul: 3 <sup>rd</sup> Round of negotiation Nov: 4 <sup>th</sup> Round of negotiation	Mar: 5 <sup>th</sup> Round of negotiation Nov: 6 <sup>th</sup> Round of negotiation Nov: 7 <sup>th</sup> Round of negotiation		
Colombia								Nov: start of Joint study	Jul: completion of Joint study Sep: Japan-Colombia summit (agreed to start negotiation) Dec: 1 <sup>st</sup> Round of negotiation		May: 2 <sup>nd</sup> Round of negotiation Oct - Nov: 3 <sup>rd</sup> Round of negotiation	Feb: 4 <sup>th</sup> Round of negotiation May: 5 <sup>th</sup> Round of negotiation Jul: 6 <sup>th</sup> Round of negotiation Sep: 7 <sup>th</sup> Round of negotiation Oct: 8 <sup>th</sup> Round of negotiation Dec: 9 <sup>th</sup> Round of negotiation	Mar: 10 <sup>th</sup> Round of negotiation May: 11 <sup>th</sup> Round of negotiation Aug: 12 <sup>th</sup> Round of negotiation Jul: 13 <sup>th</sup> Round of negotiation	
China, Japan and ROK								May: start of Joint study	Dec: completion of Joint study	Reference: Agreement in principle on Japan-China-ROK Investment Treaty in March May: Japan-China-ROK summit (Agreement on starting negotiation by the end of the year) Nov: Japan-China-ROK Economic and Trade Ministers' meeting (declaration of starting negotiation)	Feb: Preparatory meeting for negotiation Mar: 1 <sup>st</sup> Round of negotiation Jul-Aug: 2 <sup>nd</sup> Round of negotiation Nov: 3 <sup>rd</sup> Round of negotiation	Mar: 4 <sup>th</sup> Round of negotiation Sep: 5 <sup>th</sup> Round of negotiation Dec: 6 <sup>th</sup> Round of negotiation (Director-General/Deputy Director-General level meeting)	Jan: 6 <sup>th</sup> Round of negotiation (Chief-delegates meeting) Apr: 7 <sup>th</sup> Round of negotiation (Director-General/Deputy Director-General level meeting) May: 7 <sup>th</sup> Round of negotiation (Chief-delegates meeting) Jul: 8 <sup>th</sup> Round of negotiation (Director-General/Deputy Director-General level meeting) Sep: 8 <sup>th</sup> Round of negotiation (Chief-delegates meeting) Dec: 9 <sup>th</sup> Round of negotiation (Director-General/Deputy Director-General level meeting)	Jan: 9 <sup>th</sup> Round of negotiation (Chief-delegates meeting)
EU								Apr: start of Joint examination	May: start of the process for negotiation	Jul: completion of the scoping exercise to decide the outline of the negotiations Nov: adoption by the Foreign Affairs Council of the mandate of the European commission to negotiate	Mar: Japan-EU summit telephone conference (decided to start negotiation) Apr: 1 <sup>st</sup> Round of negotiations Jun: 2 <sup>nd</sup> Round of negotiations Oct: 3 <sup>rd</sup> Round of negotiations	Jan: 4 <sup>th</sup> Round of negotiations Mar - Apr: 5 <sup>th</sup> Round of negotiations Jul: 6 <sup>th</sup> Round of negotiations Oct: 7 <sup>th</sup> Round of negotiations Dec: 8 <sup>th</sup> Round of negotiations	Feb: 9 <sup>th</sup> Round of negotiations Apr: 10 <sup>th</sup> Round of negotiations Jul: 11 <sup>th</sup> Round of negotiations Sep: 12 <sup>th</sup> Round of negotiations Oct: 13 <sup>th</sup> Round of negotiations Dec: 14 <sup>th</sup> Round of negotiations	Feb: 15 <sup>th</sup> Round of negotiations
Regional Comprehensive Economic Partnership (RCEP*)								Sep: start of Discussion on CEPEA* and EAFTA* started	Nov: ASEAN-related summit meeting (adopted RCEP framework based on the proposals of CEPEA and EAFTA)	Nov: ASEAN-related summit meeting (declared to start negotiation)	Feb: Preparatory meeting for negotiation May: 1 <sup>st</sup> Round of negotiation Aug: 1 <sup>st</sup> Ministerial meeting Sep: 2 <sup>nd</sup> Round of negotiation	Jan: 3 <sup>rd</sup> Round of negotiation Mar - Apr: 4 <sup>th</sup> Round of negotiation Jun: 5 <sup>th</sup> Round of negotiation Aug: 2 <sup>nd</sup> Ministerial meeting Dec: 6 <sup>th</sup> Round of negotiation	Feb: 7 <sup>th</sup> Round of negotiation Jun: 8 <sup>th</sup> Round of negotiation Jul: Inter-sessional Ministerial Meeting Aug: 9 <sup>th</sup> Round of negotiations and 3 <sup>rd</sup> Ministerial meeting Oct: 10 <sup>th</sup> Round of negotiation	Feb: 11 <sup>th</sup> Round of negotiation
TPP									Nov: declared the intention to start consultation toward participation in the negotiation		Feb: Japan-US summit (Japan-US joint statement issued) Apr: Agreement of the Japan-US consultation, TPP ministerial meeting Jul: 16 <sup>th</sup> Round of negotiation (with participation of Japan) Aug: 19 <sup>th</sup> Round of negotiation Oct: TPP summit and ministerial meeting December: TPP ministerial meeting	Feb: TPP ministerial meeting May: TPP ministerial meeting Oct: TPP ministerial meeting Nov: TPP summit and ministerial meetings	Jul: TPP ministerial meeting Oct: TPP ministerial meeting (Basic agreement reached) Nov: TPP ministerial meetings	Feb: TPP ministerial meeting (Signing)
Turkey										Nov: start of Joint study	Jul: Completion of Joint study	Jan: Japan-Turkey summit (agreed to start negotiation) Dec: 1 <sup>st</sup> Round of negotiation	Apr: 2 <sup>nd</sup> Round of negotiation Sep: 3 <sup>rd</sup> Round of negotiation	Jan: 4 <sup>th</sup> Round of negotiation
ROK										May: 2 <sup>nd</sup> director-general level prior consultation Oct: Japan-ROK summit (both countries agreed on full-fledged practical works which are necessary for resumption of negotiation)				
GCC (※)														

economic growth is expected, aiming at the improvement of the investment environment, including the energy and mineral resource sectors, as well as further expansion of the trade and investment. After seven rounds of negotiations, the two countries reached an agreement in principle in July 2014. At the Japan-Mongolia Summit Meeting, H.E. Mr. Chimed Saikhanbileg, Prime Minister of Mongolia and Prime Minister Abe signed the agreement when the Prime Minister of Mongolia visited Japan in February 2015.

### (b) Australia

Japan and Australia are important strategic partners closely collaborating in the Asia-Pacific region and in the international community. They share close relationships not only in the area of the economy as major partners in energy and food trading, but also in the areas of politics and security. The two countries decided to launch bilateral EPA negotiations at the Japan-Australia Summit Telephone Talk in 2006, and held sixteen rounds of negotiations by 2012. As a result, the agreement was signed by the leaders of both countries on the occasion of Prime Minister Abe's visit to Australia in July 2014, and entered into force in January 2015.

### (c) Existing EPAs

The existing EPAs contain provisions concerning the Joint Committee, which is a body to discuss implementation of the Agreements, and a process to review the agreements after a certain period of time since the entry into force of each Agreement. In addition, a variety of consultations are held in order to utilize the existing EPAs effectively.

## E Movement of Persons

In accordance with the EPAs, Japan has



Introducing Japanese Sake and Shochu at the reception to celebrate the birthday of His Majesty the Emperor (at the Embassy of Japan in France)

started to accept candidates for nurses and certified care workers from Indonesia, the Philippines and Vietnam. In 2015, 278 Indonesians (66 nurses and 212 care workers), 293 Filipinos (75 nurses and 218 care workers) and 152 Vietnamese (14 nurses and 138 care workers) entered Japan. In 2015, 26 nurses (11 Indonesians, 14 Filipinos, and 1 Vietnamese) and 78 care workers (47 Indonesians and 31 Filipinos) passed the national examination<sup>3</sup>. As for nurses and certified care workers candidates from Vietnam, Japan accepted the first group in June 2014 and the second group in May 2015. The total number of candidates is 290.

## (2) Support for Japanese Companies' Overseas Business Expansion

### A Promotion of Japanese Companies' Overseas Business Expansion by Ministry of Foreign Affairs (MOFA) and Accompanying Diplomatic Missions Overseas

The number of Japanese companies holding overseas branches has increased in recent years and reached 68,573<sup>4</sup> as of October 2014. The ratio of overseas manufacturing production is 22.9 % - a record-high level in 2013<sup>5</sup>. One of

<sup>3</sup> The number of Vietnamese passing the national examination was released in March 2015.

<sup>4</sup> The Statistics on the Japanese Nationals Residing Overseas, MOFA

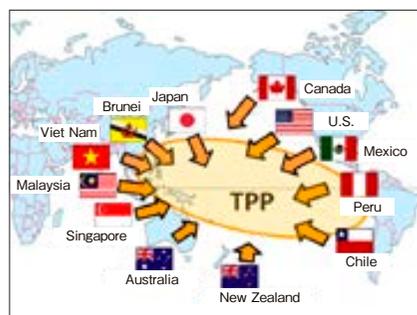
<sup>5</sup> The 44<sup>th</sup> Survey of Overseas Business Activities, METI

## Trans-Pacific Partnership (TPP) Agreement

On October 5, 2015, the negotiations for the Trans-Pacific Partnership (TPP) reached an agreement in principle, which was signed in New Zealand on February 4, 2016. In this Feature, we introduce the TPP Agreement, which will become the new standard for trade and investment rules in the 21<sup>st</sup> century.

### 1 What is the TPP Agreement?

The TPP Agreement is intended to establish new trade and investment rules in a wide range of areas, such as custom duties, services, investment, intellectual property and state-owned enterprises among the 12 Asia-Pacific countries. When the TPP Agreement enters into force, a huge “single economic zone” will be formed in the area, which can be called the growth center of the world, where people, goods, capital and information have no boundary for its movement. In this market, there live 800 million people, equivalent to about 10% of the world population. The aggregate GDP amounts to 3,100 trillion yen, accounting for approximately 40% of the world GDP. The economic scale in terms of GDP of the TPP-covered area is 1.5 times, 11 times and 6 times as large as European Union (EU), ASEAN and Japan, respectively. It may be called the dawn of a new “Asia-Pacific Century.”



TPP Agreement participating countries

### 2 Benefits for the Japanese economy

Japanese consumers will have access to better goods from abroad conveniently and more cheaply through the TPP Agreement. Since almost all of the customs duties imposed on Japan’s exports will be ultimately eliminated, Japanese producers should be provided with a chance to promote their high-quality products in foreign markets. Furthermore, in such fields of services and investment as finance and distribution, entry regulations will be eased under the TPP Agreement.

In the same way, the conditions for fair competition will be ensured, with respect to the environment and labor fields, and entry into the infrastructure market pertaining to government procurement will be promoted.

The added value created by Japanese producers will be evaluated correctly by properly developing these trade and investment rules. Thus, the opportunity arises for Japanese businesses, including those small- and medium-sized, to extend its reach over a dynamic market. It would provide a significant driving force for Japan’s economic growth.

### 3 Strategic significance

The TPP Agreement will deepen the economic interdependence with the United States (U.S.) and other countries that share universal values such as freedom, democracy, fundamental human rights and the rule of law. Thus, the Japan-U.S. Alliance will be further strengthened. It greatly contributes to Japan’s security and the stability of the Asia-Pacific region. The trade and investment rules for the 21<sup>st</sup> century to be created by the TPP Agreement have a substantial strategic significance that it will enhance the “rule of law” to secure regional and global peace and prosperity.



TPP Agreement Leaders’ meeting (November 18, Manila, Philippines; Photo: Cabinet Public Relations Office)

#### 4 Future development of economic partnership policy

In order to bring TPP Agreement-derived benefits into the Japanese economy, we intend to cooperate with other countries toward early entry into force of the TPP Agreement and expansion of the participating countries and regions in the future. Furthermore, with the signing of the TPP Agreement as a driving force, we intend to promote other economic partnership negotiations, such as the Japan EU Economic Partnership Agreement (EPA), Regional Comprehensive Economic Partnership (RCEP) and Japan- China- ROK Free Trade Agreement (FTA), thereby continuing to play a proactive role toward building and expanding new trade and investment rules in the world.

reasons behind this is that a lot of Japanese companies supporting Japanese economic development, have embarked on expansion overseas, aiming at further cultivation of foreign markets. To incorporate vigorous economic growth abroad, mainly in Asia, into the Japanese economy, the support for Japanese companies by the government has become more important.

In light of such a situation, under the leadership of “Headquarters for the Promotion of Japanese Business Support” headed by the Foreign Minister, MOFA has engaged in tandem with the diplomatic missions overseas in supporting Japanese companies in order to promote expanding businesses overseas. In May, the both state ministers for foreign affairs were appointed as deputy chiefs and all parliamentary vice-ministers for foreign affairs as acting chiefs to strengthen the headquarters system, and a “Public-Private-Partnership Taskforce” was launched in MOFA with the deputy minister of foreign affairs (economy) as a head. In September, the Business Support Division, the Office of Infrastructure Overseas Operation Promotion, and the Investment Office, which were in the Economic Affairs Bureau, were consolidated into the Division for Promotion of Public Private Partnership, which has overall responsibility for public-private partnership operations to support Japanese companies’ to expand their businesses overseas.

At the diplomatic missions overseas, all

staff, including those in responsible for Japanese business support, have supplied various pieces of information for Japanese companies and lobbied foreign governments under the leadership of ambassadors and consul-generals. MOFA also has made use of events at the diplomatic missions overseas, such as a reception to celebrate the birthday of His Majesty the Emperor, exhibited products and technology from Japanese companies through cooperation between the public and private sectors and held PR seminars for Japanese companies’ products and tasting parties, as well as exchanging meetings with local companies co-sponsored by Japanese companies through utilizing facilities of the diplomatic missions overseas.

#### **B** Promotion of Overseas Business

##### Expansion of Japanese Infrastructure System

In order to respond to infrastructure demands mainly in emerging countries and promote infrastructure exports by Japanese companies, a “Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation,” consisting of relevant cabinet ministers with the Chief Cabinet Secretary serving as chair, was established within the Cabinet Secretariat in 2013. Since then, a total of 22 meetings by category have been held in accordance with the diplomatic schedule of the prime minister (as of December 2015),

for example, meetings focused on countries or regions such as “Indonesia,” “the Mekong region,” “Central Asia” and “India” or on specific themes such as “public-private partnerships,” “railways” and “partnerships for quality infrastructure.”

The framework to promote the development of overseas business expansion of Japanese infrastructure system is maintained and reinforced. Through the schemes including the promotion of “top-level sales” led by officials including Prime Minister Abe and Foreign Minister Kishida, the reopening of JICA’s overseas investment and loans, the improved system to make use of yen credits more strategically, and the support for Japanese companies through embassies and consulates-general in various nations. MOFA has appointed 129 “Specialists in Infrastructure Projects,” who gather and consolidate information regarding infrastructure projects, in the diplomatic missions overseas in countries of focus (at 63 diplomatic missions overseas in 51 countries as of December 2015).

As concrete results of these efforts, Japanese companies or their group companies received orders for such projects as a coal-fired thermal power plant (Malaysia), a dedicated freight train railroad (India), a bridge construction and existing bridge repair project (Bangladesh), a plant for producing ammonia and urea (Uzbekistan), a metro (Qatar) and a gas-fired power and water distillation plant (Qatar).

## **C Investment Treaties/Tax Conventions/Agreements on Social Security**

### **(a) Investment Treaties**

An investment treaty is an important piece of legal infrastructure to promote investments by stipulating the protection of investors and

investment, enhancement of transparency in rules and expansion of opportunities, etc. In order to promote the improvement of the investment environment overseas and attract foreign investment to the Japanese market, Japan has actively engaged in the conclusion of investment treaties. In 2014, investment treaties with Papua New Guinea, Kuwait, China, the ROK (Japan-China-ROK trilateral investment treaty), Iraq, Myanmar and Mozambique each entered into force. Moreover, in 2015, respective investment treaties with Colombia, Kazakhstan and Ukraine took effect. Furthermore, investment treaties were signed with Uruguay, Oman and Iraq, which brought the total number of signed or concluded investment treaties to 28 (as of February 2016). It is also noteworthy that Japan reached an agreement in principle with Israel. Currently, negotiations of investment treaties with Angola, Algeria, Qatar, the UAE, Kenya, Ghana, Morocco and Tanzania are in progress. Japan has worked on the conclusion of EPAs (Economic Partnership Agreements) including rules concerning investment. Eleven out of 14 EPAs, including the Japan-Australia EPA, which entered into force in January 2015, contain independent chapters about investment. In addition, the Japan-Mongolia EPA, which was signed in February, and the TPP agreement, which was signed in February 2016, includes investment-related chapters. Furthermore, Japan is conducting discussions about investments in the ongoing negotiations for the following agreements: the Japan-China-ROK FTA, Regional Comprehensive Economic Partnership (RCEP), the ASEAN-JAPAN Comprehensive Economic Partnership (AJCEP), and EPAs with the EU, Canada and Turkey.

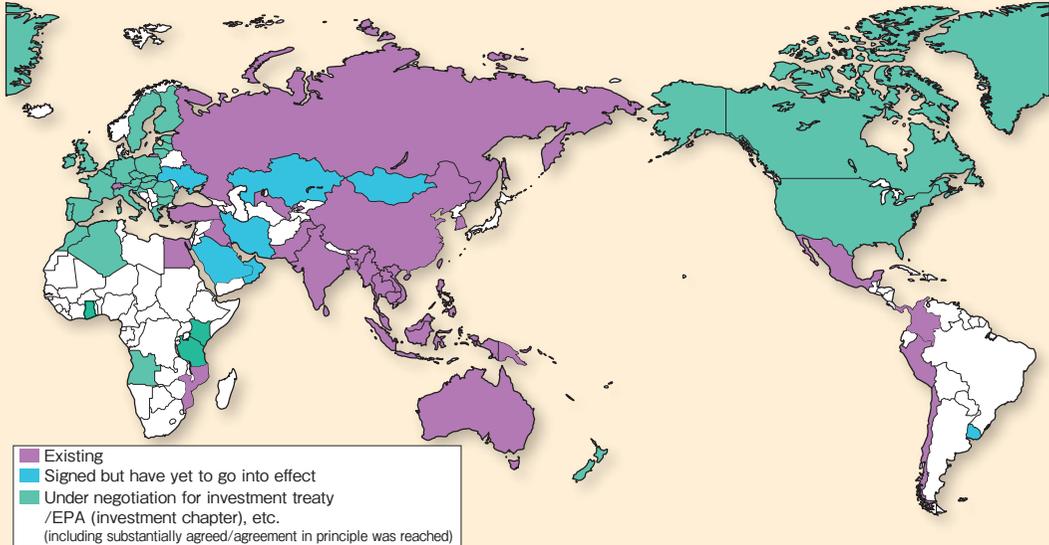
Further, within international frameworks such as the OECD and APEC, Japan has vigorously promoted the creation of multilateral rules for liberalization and

Current Status of Investment Related Treaties (February 2016)

Status of Negotiating Investment Related Treaties (\*)

- Existing: 35 (24 investment treaties and 11 EPAs)
- Signed but have yet to go into effect: 6 (4 investment treaties and 2 EPAs)
- Under negotiation: 15 (9 investment treaties and 6 EPAs)

(\*) Investment treaties and EPA/FTA including investment chapters



Existing investment treaties \*treaties based on liberalization

- 1 Egypt (Entered into force in 1978)
  - 2 Sri Lanka (Entered into force in 1982)
  - 3 China (Entered into force in 1989)
  - 4 Turkey (Entered into force in 1993)
  - 5 Hong Kong (Entered into force in 1997)
  - 6 Pakistan (Entered into force in 2002)
  - 7 Bangladesh (Entered into force in 1999)
  - 8 Russia (Entered into force in 2000)
  - 9 Mongolia (Entered into force in 2002)
  - 10 ROK (Entered into force in 2003)\*
  - 11 Vietnam (Entered into force in 2004)\*
  - 12 Cambodia (Entered into force in 2008) \*
  - 13 Laos (Entered into force in 2008)\*
  - 14 Uzbekistan (Entered into force in 2009)\*
  - 15 Peru (Entered into force in 2009)\*
  - 16 Papua New Guinea (Entered into force in 2014)
  - 17 Kuwait (Entered into force in 2014)\*
  - 18 Iraq (Entered into force in 2014)
  - 19 Japan-China-ROK (Entered into force in 2014)
  - 20 Myanmar (Entered into force in 2014)\*
  - 21 Mozambique (Entered into force in 2014)\*
  - 22 Colombia (Entered into force in September 2015)\*
  - 23 Kazakhstan (Entered into force in October 2015)
  - 24 Ukraine (Entered into force in November 2015)
- Note: Japan has a Japan-Taiwan Private Investment arrangement based on liberalization in 2011.

Existing EPAs including investment chapter

- 1 Singapore (Entered into force in 2002)
- 2 Mexico (Entered into force in 2005)
- 3 Malaysia (Entered into force in 2006) \*
- 4 Chile (Entered into force in 2007) \*
- 5 Thailand (Entered into force in 2007) \*
- 6 Brunei (Entered into force in 2008) \*
- 7 Indonesia (Entered into force in 2008)\*
- 8 The Philippines (Entered into force in 2008)\*
- 9 Switzerland (Entered into force in 2009)\*
- 10 India (Entered into force in 2011)\*
- 11 Australia (Entered into force in 2015)\*

Under negotiation (investment treaty)

- 1 Israel (Essentially concluded)
- 2 Angola (Basic agreement reached)
- 3 Algeria (Under negotiation)
- 4 Qatar (Under negotiation)
- 5 The United Arab Emirates (Under negotiation)
- 6 Kenya (Under negotiation)
- 7 Ghana (Under negotiation)
- 8 Morocco (Under negotiation)
- 9 Tanzania (Under negotiation)

Under negotiation (EPA/FTA including investment chapters)

- 1 AJCEP\* (The investment chapter is essentially concluded)
- 2 Canada (Under negotiation)
- 3 Japan-China-ROK (Under negotiation)
- 4 EU (Under negotiation)
- 5 RCEP\*\* (Under negotiation)
- 6 Turkey (Under negotiation)
- ROK (Negotiation suspended)
- GCC\*\*\* (Negotiation postponed)

\*AJCEP: ASEAN-JAPAN Comprehensive Economic Partnership  
 \*\*RCEP: Regional Comprehensive Economic Partnership  
 \*\*\*GCC: Gulf Cooperation Council

Signed but have yet to go into effect

- Saudi Arabia (signed in 2013 and approved by the Diet )(investment treaty)
- Uruguay (signed in January 2015 and approved by the Diet )(investment treaty) \*
- Mongolia (signed in February 2015 and approved by the Diet )(EPA)\*
- Oman (signed in June 2015)(investment treaty)
- TPP(Trans-Pacific Partnership) (signed in February 2016)\*
- Iran (signed in February 2016) (investment treaty)

Special  
Feature

## We support for Japanese companies' overseas expansion! Establishment of Division for Promotion of Public-Private Partnership

The number of Japanese-affiliated companies based abroad increased in recent years to 68,573 as of 2015. The number of business-related consultation cases received by Japanese embassies and consulates-general reached 41,000 as of 2014. Based on these trends, the Ministry of Foreign Affairs (MOFA) in September 2015 set up a "Division for Promotion of Public-Private Partnership" in the Economic Affairs Bureau to further support overseas business by Japanese companies.

"Japanese business support officers" are currently posted at 276 diplomatic missions overseas. They are responsible for giving advice on how to do business in accordance with local business practices. "Specialists in Infrastructure Projects" are posted at diplomatic missions overseas in 51 countries, while "Japanese business support officers (in charge of food industry)" are posted at diplomatic missions overseas in 58 countries/regions. The former is responsible for overseas expansion of the area of infrastructure, while the latter is responsible for providing specific consultation services on agriculture, forestry and marine products, food and the food industry. For enquiries on overseas business operation, such as "we have had trouble with our overseas business" or "we want to use the facilities and network of diplomatic missions overseas to sell our products," please contact the Division for Promotion of Public-Private Partnership, MOFA.



Japanese food reception at Japanese Embassy in France (Photo: Cabinet Public Relations Office)

● **Contact: Division for Promotion of Public-Private Partnership, Economic Affairs Bureau, MOFA**

Phone: 03-3580-3311 (main number); Fax: 03-5501-8325

E-mail address: [business-support@mofa.go.jp](mailto:business-support@mofa.go.jp)

Homepage: [http://mofa.go.jp/mofaj/annai/zaigai/kigyo/ichiran\\_i.html](http://mofa.go.jp/mofaj/annai/zaigai/kigyo/ichiran_i.html)

facilitation of investment.

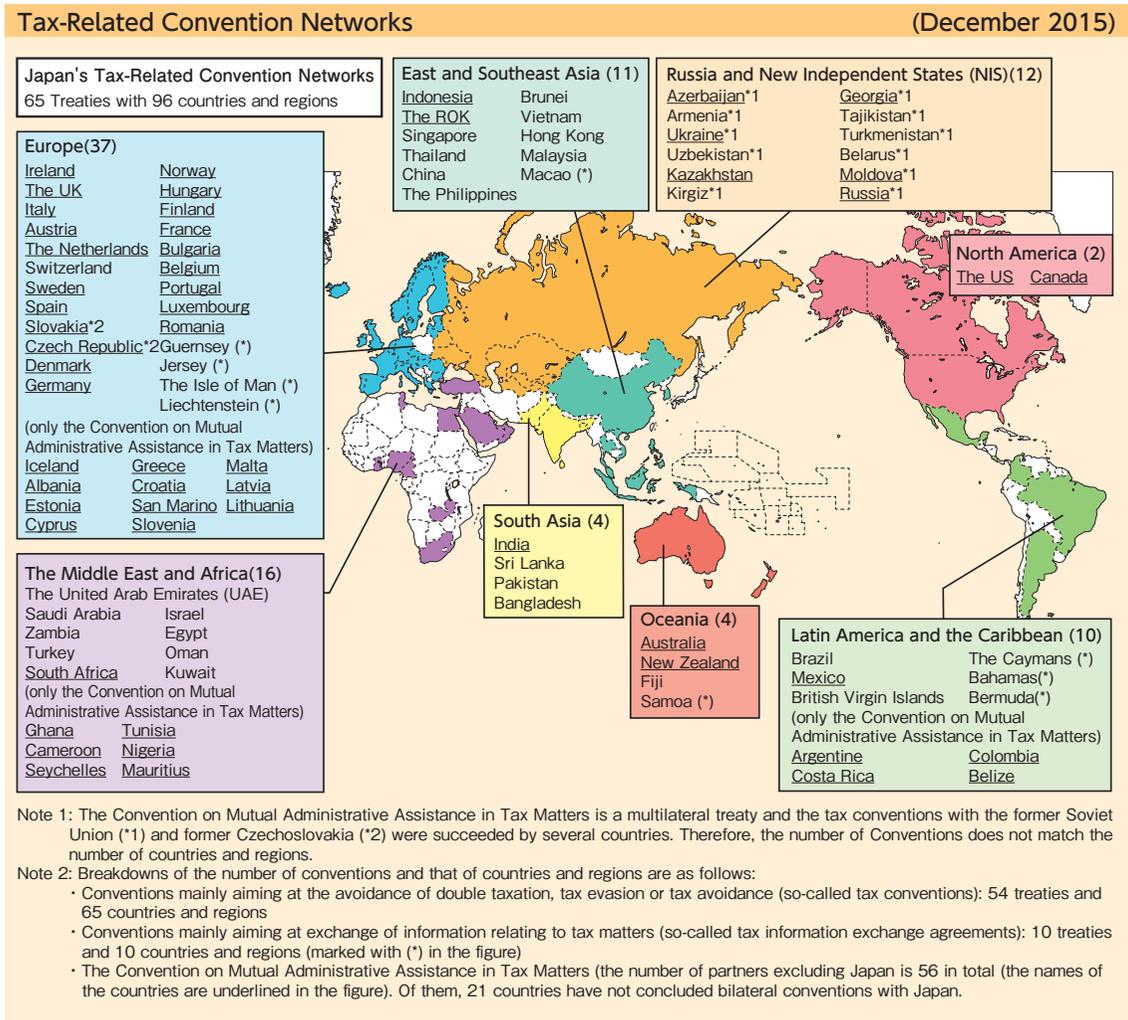
### (b) Tax Conventions

Tax conventions provide an important legal basis not only to avoid international double taxation against cross-border economic activities, but also to reduce, or exempt from, taxation in the source-country on investment income (dividends, interest, and royalties), and thus promote investment exchanges. They are also important from the viewpoint of preventing international tax evasion or tax avoidance, given provisions to promote international cooperation between tax authorities through such measures as information exchange in tax matters. Japan has been actively making efforts in promoting the expansion and improvement of tax convention networks. In concrete terms, an convention with Qatar was entered into force

in December, and a new tax convention with Germany and a convention with Chile were agreed in principle in July and October respectively as well as the amending protocol with India was signed in December. As a result, Japan had concluded a total number of 65 tax-related conventions (applicable to 96 countries and regions) as of the end of 2015.

### (c) Agreements on Social Security

The purpose of agreements on social security is to resolve the issues of double payment and no refund of social security insurance premiums. It is expected to facilitate people-to-people exchange and strengthen further bilateral relations including economic exchanges, by unloading the burden of Japanese companies and citizens working overseas. Japan signed an agreement with the



Philippines in November, which brought the total number of countries which concluded or signed such agreements on social security to 19 as of the end of 2015. In addition, in 2015, Japan held negotiations with Turkey, China and Slovakia.

#### D Intellectual Property

Strengthening the protections of intellectual property is extremely important for the promotion of technological innovation,

and eventually for the development of the economy. Japan has actively participated in multilateral consultations, such as APEC, the WTO (TRIPS Council<sup>6</sup>) and the World Intellectual Property Organization (WIPO). In February 2015, Japan deposited an instrument of accession to the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs with WIPO. Accordingly, applicants in Japan can utilize the international registration

<sup>6</sup> The TRIPS Council is assigned to execute the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), in particular, monitor compliance by the member states and discuss issues related to the agreement.

## Column

## Five years after the Great East Japan Earthquake

~ We express our appreciation to the world and correctly report on the reconstruction under way ~

Counselor in charge of Public Relations and International Affairs, Reconstruction Agency ● Shinya Fujita

News of the Great East Japan Earthquake that occurred on March 11, 2011, shot around the world in an instant. At that time I worked at a diplomatic mission overseas, and I heard a preliminary report on my car radio. Since then, it has been a big challenge imposed on Japan to revive the Tohoku area and make Japan a more resilient country than before the earthquake.

After the earthquake, Japan received support from about 160 countries and regions, and about 40 international organizations.

Assistance came also from developing countries, as a token of "gratitude in return for the support given by Japan so far." Large-scale *Tomodachi* (friendship) Operations by U.S. forces made us reaffirm the strength of the ties in the Japan-U.S. Alliance. In October 2015, at the reception held on the occasion of entering the Yokosuka Port of the aircraft carrier "Ronald Reagan" which had been engaged in *Tomodachi* Operation, Reconstruction Minister Wataru Takeshita gave a speech to express gratitude to the U.S.

Japan experienced an actually unprecedented disaster, but five years have passed since then, and now reconstruction is progressing steadily. In order to get such developments communicated to foreign countries properly, I have been explaining how far the reconstruction has proceeded to foreign reporters invited by MOFA and foreign government officials visiting Japan for trainings organized by Japan International Cooperation Agency (JICA).

It is becoming especially important to get rid of the so-called reputation damage. After the accident at the Fukushima Daiichi Nuclear Power Station, about 50 countries and regions put restrictions on grocery imports from Japan. Japan patiently explained that only food products that have passed through the most severe level of radioactive substance inspections in the world are delivered onto the market. Subsequently, some of the restrictions have been relaxed or removed. In October, an event that showcases attractive food produced in Fukushima Prefecture was jointly organized by New Zealand's Ambassador to Japan and the Governor of Fukushima. Reconstruction Minister Tsuyoshi Takagi was also present there. Air radiation dose has been getting less. We intend to make further efforts so that the remaining restrictions will be removed.

Grassroots exchanges have also been progressing between the disaster area and other countries. Women in Higashimatsushima City, Miyagi Prefecture make use of Danish stitches (embroidery) for the reconstruction, through which interaction between the city and Denmark is deepening. Given that Japan hosts the G7 Ise-Shima Summit Meeting in 2016, the eyes of the world are expected to be on Japan. Japan hosts the Rugby World Cup in 2019, and the Tokyo Olympic and Paralympic Games in 2020. Looking ahead to these opportunities, we hope that more people from abroad will visit the Tohoku region and enjoy the local food.



Briefing for a reporter from Kuwait



Briefing for U.S. graduate students

system under the Geneva act according to the Agreement since May 2015. With

regard to EPAs, Japan has aimed to include provisions concerning intellectual property

7 Agreements including provisions of intellectual property were concluded with Australia, ASEAN, Brunei, Chile, India, Indonesia, Malaysia, Mexico, Peru, the Philippines, Singapore, Switzerland, Vietnam and Thailand, and enacted accordingly.

to the greatest extent possible<sup>7</sup>. In addition, Japan has engaged in activities leading to the enforcement of the Anti-Counterfeiting Trade Agreement (ACTA). Also, in order to contribute to strengthening the protections of intellectual property and enhancing the abilities of government officials in developing countries in such fields as countermeasures against counterfeited or pirated goods, Japan has dispatched experts to those countries through JICA.

Moreover, MOFA has been taking measures to reinforce the protection of intellectual property rights overseas, and countermeasures against counterfeited or pirated goods. For example, for the purpose of rapidly and efficiently providing assistance for Japanese companies that are suffering from counterfeit and pirated goods, Intellectual Property Officers are assigned at almost all of the diplomatic missions overseas, so that they can advise Japanese companies and make inquiries with or suggestions to their counterpart governments.

### (3) Promotion of the Export of Agricultural, Forestry and Fishery Products and Food

The Government of Japan set a goal of expanding the value of the export of Japanese agricultural, forestry and fishery products and food to 1 trillion yen by 2020 in the “Japan Revitalization Strategy,” which was approved at a Cabinet Meeting in June 2013. MOFA, in collaboration with relevant ministries and agencies, Japanese companies, local governments etc. and by utilizing the diplomatic missions overseas all over the world, is energetically promoting the attractive points of Japanese products at events held at embassies and consulate generals etc., such as reception to celebrate the birthday of His

Majesty the Emperor.

In addition, after agreement in principle was reached regarding the TPP agreement in October, based on the “Comprehensive TPP-Related policy framework” decided in November, which stipulates “reaching the target figure of 1 trillion yen in the export of agricultural, forestry and fishery products, and food, ahead of the original target year of 2020” and “developing marketing frontiers to export high-quality Japanese agricultural, forestry and fishery products,” MOFA appointed staff in charge of supporting Japanese companies (food industry) at 58 diplomatic missions overseas in 54 countries and regions. MOFA intends to more actively promote the export of agricultural, forestry and fishery products and food in a closer collaboration with relevant ministries and agencies including the Ministry of Agriculture, Forestry and Fisheries (MAFF).

Though five years have passed since the Great East Japan Earthquake and the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant (TEPCO's, Fukushima Daiichi NPS), 37 countries and regions still have kept import restrictions on Japanese agricultural, forestry and fishery products and foods (as of February 2016). MOFA has urged other countries to consider the relaxation or abolition of import regulations as soon as possible by providing each country with timely and accurate information and using WTO frameworks based on scientific evidence in collaboration with relevant ministries and agencies to eliminate harmful rumors about agricultural and fishery products, which are the main products of the disaster area (see 2-2-1(2) C).

As a result of these efforts, import restrictions were eliminated by Thailand in May, Bolivia in November 2015 and India

in February 2016. So far, 17 countries have eliminated restrictions (Canada, Myanmar, Serbia, Chile, Mexico, Peru, Guinea, New Zealand, Colombia, Malaysia, Ecuador, Vietnam, Iraq, Australia, Thailand, Bolivia, and India). Additionally, as seen in the tendency for reducing the number of areas and items subject to import suspension, restrictions were eased in 2015 by Brunei in February, the U.S. in March, April, May and August, and Russia in July, and in 2016 by the EU in January and the U.S. in January and February (as of February 2016).

MOFA will continue persistent efforts to make requests at leaders' and ministerial levels and collaborate with relevant ministries and agencies to urge countries and regions, which maintain import restrictions, to ease or remove restrictions as soon as possible, through all routes, including bilaterally and through the WTO.

## 2 Building an Attractive Country Where People can Enjoy Peace of Mind in Life

### (1) Securing a Stable Supply of Energy and Mineral Resources at Reasonable Prices

#### A Current Situation of Energy and Mineral Resources at Home and Abroad

##### (a) Situation in the World

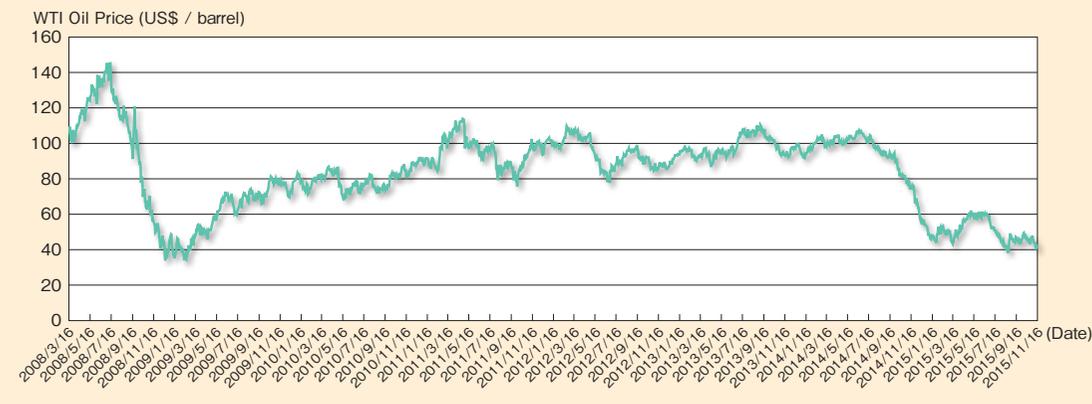
Crude oil prices had remained at high levels in recent years, reflecting factors such as increased energy demand in emerging and other countries, intensifying competition for natural resources, the rise of resource nationalism, and changing situations in the Middle East. The price, however, declined from the latter half of 2014 because of various factors such as a slowdown in oil demand due to economic stagnation in China, and the relaxation of supply and demand caused

by steady increase in oil production by non-OPEC member states, including shale oil production by the U.S. The price dropped below the level of 50 US dollars per barrel in January 2015. After that, prices temporarily increased due to supply disruption from Libya. Meanwhile, steady high-level oil production by both OPEC and non-OPEC member states such as the U.S. and Russia led to a global oversupply of crude oil. In December 2015, crude oil prices dropped down to the level of 30 US dollars per barrel, which is the lowest price level in about seven years. While the decline in oil prices brings benefits to energy consuming countries in the short term, it affects the financial conditions and new investments in oil producing countries. It is important to continue to keep a close observation over its medium- and long-term impact on energy security.

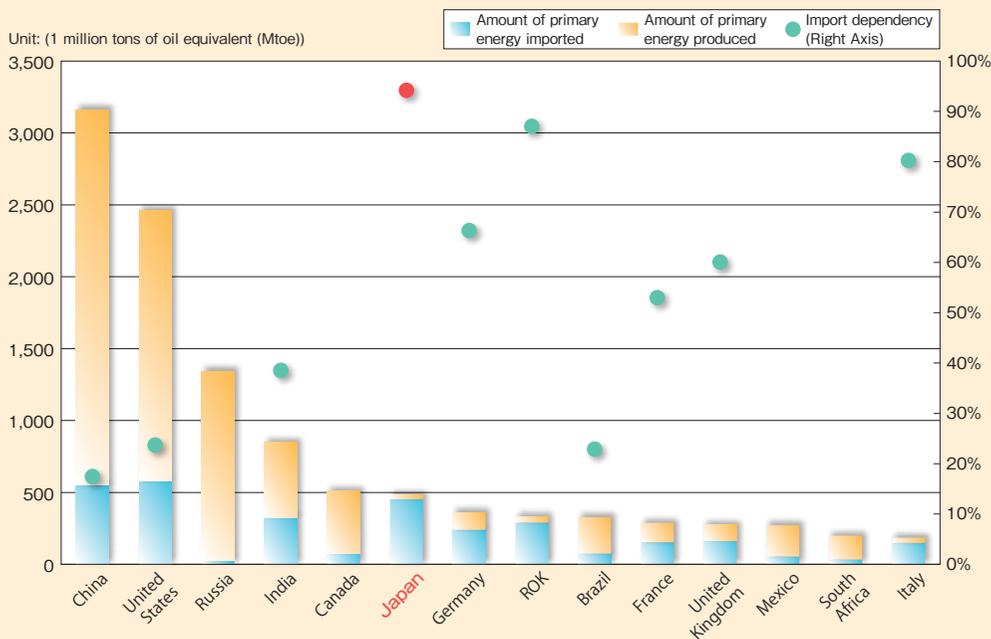
##### (b) Situation in Japan

The share of fossil fuels in Japan's power generation reached about 90% after the Great East Japan Earthquake, while it had been about 60% before. The "Strategic Energy Plan" was approved by the Cabinet in April 2014 with increasingly serious consideration to secure a stable supply of energy at reasonable prices in a situation where the fuel procurement cost deteriorates the trade balance due to the depreciation of the yen. Moreover in July 2015, the "Long-term Energy Supply and Demand Outlook" based on the Strategic Energy Plan was adopted, which presents an ideal structure of energy supply and demand that can be realized if appropriate measures are taken based on the fundamental direction of energy policies by envisioning policy objectives to be achieved on safety, energy security, economic efficiency and the environmental protection, which are the basic ideas of the policies.

### Crude Oil Price Trends



### Energy Import Dependency of Major Countries (2013)



Source : AEnergy Balance of OECD Countries (2015)  
IEA Energy Balance of Non-OECD Countries (2015)

#### B Diplomatic Efforts to Secure a Stable Supply of Energy and Mineral Resources at Reasonable Prices

Securing a stable supply of energy and mineral resources at reasonable prices forms the foundation for the vital economy of Japan and the livelihoods of its people. Japan has been strengthening diplomatic efforts, focusing on following activities:

#### (a) Strengthening Comprehensive and Mutually-Beneficial Ties with Resource-Rich Countries

In order to secure a stable supply of energy and mineral resources, Japan has been making efforts to strengthen comprehensive and mutually-beneficial ties with resource-rich countries by working on at the summit and the ministerial levels and thorough

cooperation utilizing its ODA, including technical cooperation and human resources development in the resource sector. In particular, since the inauguration of the Abe Administration, Prime Minister Abe, Foreign Minister Kishida, and Economy, Trade and Industry Minister Hayashi visited major resource-rich countries in North America, the Middle East and Africa, Latin America and the Caribbean, and Asia and the Pacific, and engaged in proactive resource energy diplomacy. In 2015, for example, Prime Minister Abe visited Ukraine, the Central Asian countries (including Turkmenistan, Kazakhstan) and Mongolia and worked on these countries to seek cooperation in the resource sector.

#### **(b) Ensuring Security of Transportation**

##### **Routes**

There have been threats posed by piracy along the sea lane stretching from the Middle East to Japan, through which approximately 80% of the total oil imports to Japan passes, and along other internationally important sea lanes such as those off the coast of Somalia and the Gulf of Aden. With this in mind, Japan has supported the coastal countries through such measures as enhancing capacities to police piracy, cooperating on information sharing among countries concerned, and developing navigation facilities. Japan has also been dispatching units of the Japan Self-Defense Forces and the Japanese Coast Guard officers to the areas off the coast of Somalia and the Gulf of Aden to be engaged in escort operations for any country's commercial ships (see 3-1-3(4)).

#### **(c) Gathering and Analysis of Resource-Related Information at the Diplomatic Missions Overseas**

With a view to strengthening the function of the diplomatic missions overseas, “Special

Assistants for Natural Resources” have been assigned to 55 diplomatic missions overseas in 50 countries to work intensively for the acquisition and stable supply of energy and mineral resources. Furthermore, MOFA holds a “Strategy Meeting on Natural Resources” by gathering officials who are assigned to the diplomatic missions overseas in countries which are important in terms of ensuring a stable supply of energy and mineral resources. The meetings involve active discussions concerning current situations and the future direction of Japan's efforts for securing resources.

#### **(d) Utilization of International Fora and Rules for Market Stabilization, Emergency Response and Others**

Japan has actively participated in various International Energy Agency (IEA) activities for international collaboration and cooperation to maintain a stable supply of energy. Japan endeavors to strengthen its capability to respond to emergencies such as disruptions in oil supply, while working for a quick and accurate grasp of such information as the trends in the global energy markets, the medium- and long-term outlooks for supply and demand, and the trends in resource-producing countries. With regard to LNG prices, Japan held the “LNG Producer-Consumer Conference 2015” (hosted by METI and the Asia Pacific Energy Research Centre (APEREC)) in September 2015 following on the last year's Conference. The conference is an international meeting gathering public and private sectors from countries producing and consuming LNG. At the conference, participants shared awareness about the latest trends concerning both producers and consumers in LNG markets, and held discussions toward the development of LNG markets premised on ensuring stability,

competition, and flexibility. In addition, Japan has been supporting the “Extractive Industries Transparency Initiative (EITI),” on the appropriate development and use of finite energy and mineral resources. Furthermore, Japan is advancing international cooperation in implementing the Energy Charter Treaty (ECT), which provides for the promotion of free trade and transit of energy materials and products as well as the promotion and protection of investments. In December, the 27<sup>th</sup> Meeting of the Energy Charter Conference was held in Georgia and Japan was approved to become the host country for the conference in 2016.

### C Oceans and Seas (continental shelves and deep seabed)

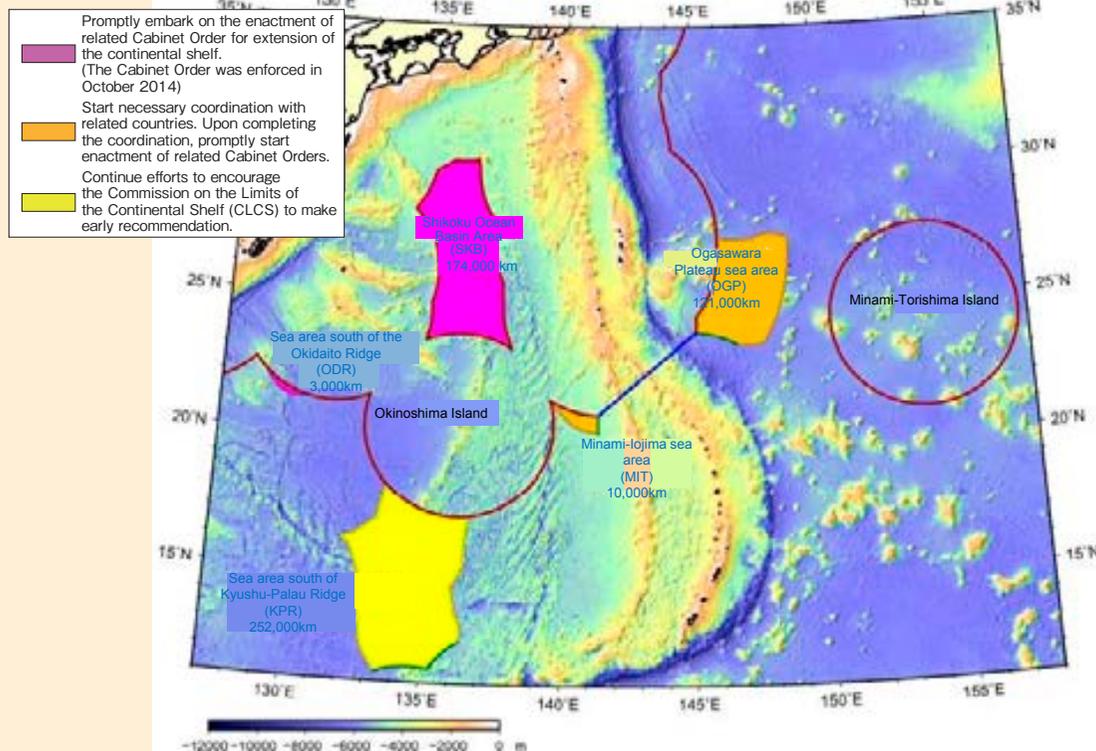
As Japan is not abundant in energy and

mineral resources on its land, marine living resources and natural resources in the continental shelf and the sea-bed and ocean floor and subsoil thereof beyond the limits of national jurisdiction (the Area) in the surrounding waters are important, from the perspective of securing stable supply sources and ensuring the sound development of the economy. Japan is proceeding with necessary measures to secure its interests at sea based on the United Nations Convention on the Law of the Sea (UNCLOS).

Toward the establishment of its outer limits of the continental shelf beyond 200 nautical miles, Japan received the recommendations from the Commission on the Limits of the Continental Shelf (CLCS) in April 2012 in which four out of seven regions that Japan made its submission to the CLCS, were

#### Extension of the Continental Shelf of Japan

Extension of the Continental Shelf of Japan  
(Future policy initiative: decision by the Headquarters for Ocean Policy in July 2014)



recognized and following this, in October 2014, Japan established extended continental shelves in two regions in accordance with the “Future Policy for Extending the Continental Shelf” decided by the Headquarters for Ocean Policy in July of the same year. Japan is also coordinating with a state concerned regarding another two regions and is making continuous efforts for early recommendations of the remaining one region, on which recommendations were deferred (see 3-1-6).

With regard to the Area, two Japanese contractors conducted contracts with the International Seabed Authority (ISA) and gained the exclusive rights to explore for deep-sea mineral resources in a certain exploration area and are exploring manganese nodules<sup>8</sup> and cobalt-rich ferromanganese crusts<sup>9</sup>.

#### **D Efforts toward Green Growth and a Low Carbon Society**

Through the use of renewable energy (solar, wind, biomass, geothermal, hydraulic, the use of oceans, etc.) and promotion of energy-efficiency, Japan has been making contributions toward the realization of green growth and the promotion of a low-carbon society in the international community, including in developing countries (through human resources development and providing know-how and expertise through international frameworks, for example).

With a view to disseminating and promoting the sustainable use of renewable energy, Japan has actively been engaged in the International Renewable Energy Agency (IRENA) and served as President of the Assembly in January 2015. Japan

invited parties related to IRENA and held an international seminar on Energy Security in the Pacific Island Countries in June, as a part of its support.

#### **(2) Ensuring Food Security**

According to the latest UN report, the world population is estimated to increase to approximately 9.7 billion people by 2050. The Food and Agriculture Organization of the UN (FAO) estimates that by 2050, global food production should be about 60 percent higher than in 2005/2007. Since Japan imports most of its food from abroad, ensuring global food security contributes to securing of stable food supply for Japan as well. While increasing domestic food production, it is necessary to promote global food production and establish stable markets of agricultural products and trade systems.

According to the “State of Food Insecurity in the World 2015” (SOFI2015) issued by FAO, the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP), about 795 million people are undernourished around the world. However, the number of undernourished people has decreased by more than 100 million in the past 10 years, particularly by more than 200 million people since the 1990–1992 period. A target under the Millennium Development Goals (MDGs) to “Halve the proportion of people who suffer from hunger between 1990 and 2015” has almost been achieved in developing regions. International grain prices, however, remain at a high level amid the situation where the prices may fluctuate subject to the weather and

<sup>8</sup> Spherical or elliptical nodules about 2-15 cm in diameter, which are half-buried on relatively flat ocean floors at depths between 4,000 - 6,000 m. Containing useful metals such as nickel, copper, and cobalt as well as manganese.

<sup>9</sup> A layer deposited on the flanks or summits of seamounts at depths between 800-2,400 m with a thickness of several to several tens of centimeters, similar to asphalt.  
The percentage of cobalt is higher than that of manganese nodules.

## Japan's diplomatic efforts for Food Security

## [Background]

## Japan's situation

- 60% (in terms of calorie supply) or 40% (in terms of production value) of food supply are imported
- Challenges for production increase include decrease in farmland area and aging of farmers



## World's situation'

- Increase of the world population
- Changes in diet caused by economic development of emerging countries
- Increase in bioenergy generation
- Climate change and frequent abnormal weather
- Only a few countries have export capacity
- Expanding volatility in food prices; agricultural products made into financial products

## [Diplomatic efforts]

## Enhance global food production

- **Promote investment:**  
Promotion of responsible agricultural investment through promoting the Principles for Responsible Investment in Agriculture and Food Systems adopted by the Committee on World Food Security (CFS) and supporting research studies by FAO, the World Bank and others; establishment of food value chains by public-private partnership through holding bilateral dialogues and public-private missions..
- **Promoting agricultural/rural development, Research and Development and technology dissemination**  
Example: Coalition for African Rice Development (CARD), etc.
- **Response to climate change:**  
Construction of prevention and early warning systems for droughts and other natural disasters

## Form a stable market and trade system of agricultural products

- **Efforts to maintain and strengthen the free trade system and surveillance of market functions:**  
Ban on export restrictions in principle under the WTO; stricter discipline on export restrictions in economic partnership agreements; monitoring price trends (the Agricultural Market Information System (AMIS), etc.); measures against price volatility, etc.

## Support and safety net for the vulnerable

- **Food aid:**  
Provision of grains, etc.
- **Support for building of social safety net:**  
provision of means of livelihood to the poorest
- **Nutritional support:**  
Nutrition guidance, provision of supplements

## Constructing a structure for emergencies and food crisis

- **International framework for cooperation:**  
ASEAN + 3 Emergency Rice Reserve (APTERR), G20 Rapid Response Forum (RRF)  
(\*There are Emergency Food Security Guidelines for domestic system development)

Source: FAO

other factors. The international community, including Japan, has a responsibility to contribute to achieving the goal on food security (Goal 2) in the 2030 Agenda for Sustainable Development, which is to alleviate this appalling situation of people in developing countries suffering from food insecurity and to end hunger.

### A Efforts in the International Frameworks Concerning Food Security

At the G7 Elmau Summit held in Germany in June 2015, Japan actively contributed

to formulating an aim to lift 500 million people in developing countries out of hunger and malnutrition by 2030 and the “Broad Food Security and Nutrition Development Approach.” Based on the “New Alliance for Food Security and Nutrition” (New Alliance) announced at the G8 Camp David Summit held in the U.S. in 2012, Japan has been working on the agenda as a joint leading country together with the U.S.<sup>10</sup> to support Mozambique. In the 5<sup>th</sup> Tokyo International Conference on African Development (TICAD V) held in Yokohama in 2013, Japan expressed

<sup>10</sup> Countries leading the development and execution of the cooperative framework together with recipient countries in order to accelerate the cooperation framework by country covered by the New Alliance.

commitments including the continuing implementation of the Coalition for African Rice Development (CARD), expansion of the countries eligible for the Smallholder Horticulture Empowerment and Promotion Unit Project (SHEP) Approach, support to develop food value chains and the promotion of responsible agricultural investment.

Furthermore, at the G20 Antalya Summit in November 2015 held in Turkey, Japan contributed to the endorsement of the “G20 Action Plan on Food Security and Sustainable Food Systems,” aiming at promoting responsible investment in food systems, increasing incomes and quality jobs, and fostering sustainable productivity growth to increase food supply.

In May and October, the Policy Partnership on Food Security (PPFS) was held in the Philippines, and members discussed international efforts toward lasting food security in the APEC region based on the APEC Food Security Roadmap Towards 2020.

In addition, at the ASEAN+3 Summit Meeting in November, Prime Minister Abe mentioned that Japan provided rice assistance to the Philippines and Cambodia based on the ASEAN+3 Emergency Rice Reserve (APTERR Agreement), which entered into force in 2012, and that Japan intended to further expand public-private partnerships to establish food value chains, which are promoted by Japan. He also asked for relaxing and lifting of the import restrictions that some countries have placed on Japanese food products regarding the nuclear accident.

### **B Japan’s Efforts to Promote “Responsible Agricultural Investment”**

While promoting international agricultural investments aimed at increasing global food

production, large-scale “land grabbing” in developing countries has been a concern. Thus Japan advocated the concept of “Responsible Agricultural Investment” at the G8 L’quila Summit held in Italy in 2009, so that investments should be promoted in a manner to create a triple win situation for recipient countries, local communities including small-holders, and investors. In April 2010, four international organizations (FAO, IFAD, the United Nations Conference on Trade and Development (UNCTAD), and the World Bank (WB)) adopted the “Principles for Responsible Agricultural Investment (PRAI). Taking the PRAI into account, the “Principles for Responsible Investment in Agriculture and Food Systems” was adopted at the general assembly of the Committee on World Food Security (CFS) in October 2014. In order to reflect case studies in discussions as well as to utilize them in application of the principles in the future, Japan has been contributing proactively to global efforts through such measures as providing a financial assistance to the “Forward-looking Research and Analysis Programme for Responsible Agricultural Investment,” which has been operated by the four international organizations since 2013.

### **C Fisheries (Including Tuna Fishing and Whaling Issues)**

Japan is one of the major fishing and consuming countries of marine production in the world and plays an active role in proper conservation and management of living marine resources and their sustainable use. “Convention on the Conservation and Management of High Seas Fisheries Resources in the North Pacific Ocean” entered into force in July, and the first meeting of the North Pacific Fisheries Commission (NPFC), which

was established based on the Convention, was held in September. In addition, the Secretariat of the North Pacific Fisheries Commission (NPFCC) was established in Tokyo.

With regard to tuna, Japan, as the largest tuna-consuming country, has joined all regional fishery management organizations (RFMOs) for tuna, and leads discussions to strengthen measures for conservation and management of resources. Japan promoted efforts against illegal, unreported and unregulated (IUU) fishing operations, such as the Resolution for a Commission for the Conservation of Southern Bluefin Tuna (CCSBT) Scheme for Minimum Standards for Inspection in Port and establishment of the Electronic Bluefin Tuna Catch Document (eBCD) System for the International Convention for the Conservation of Atlantic Tunas (ICCAT). As regards Pacific bluefin tuna, the Commission for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (WCPFC) decided, by the initiative of Japan, to develop in 2016 an emergency rule which will be taken when drastic drops of recruitment are detected.

With regard to the Japanese eel (*Anguilla japonica*), which is designated as an endangered species by the International Union for Conservation of Nature and Natural Resources (IUCN), Japan had discussion with China, the ROK and Taiwan, which produce and export the Japanese eel, about the establishment of a framework on conservation and management of eel species and restrictions on eel farming volumes.

Japan's basic whaling policy is to pursue the resumption of commercial whaling, by conducting whale research programs, based upon international law and scientific

evidence in order to gather scientific data that is essential for the management of whale resources. Under this policy, with regard to whale research in the Antarctic Ocean, Japan developed the "New Scientific Whale Research Program in the Antarctic Ocean (NEWREP-A)" taking account of the Judgment of the International Court of Justice (ICJ) in March 2014 and submitted the proposed plan to the Scientific Committee of the International Whaling Commission (IWC) in November 2014. The proposed plan was reviewed at the Scientific Committee in May-June 2015. As a result of the discussions, the Scientific Committee pointed out that it would be necessary for Japan to undertake additional work. As a result of additional work by Japanese scientists, the Government of Japan assessed that all of the items pointed out by the Scientific Committee that needed to be conducted prior to the start of NEWREP-A had been completed. Therefore, Japan finalized the plan and decided to implement NEWREP-A (the special permit issued on December 7). All of the results of additional work and analyses will be reported to the IWC Scientific Committee in June 2016.

### (3) Globalization of the Japanese Market and Human Resources (Inward Direct Investments)

In the Strategy of Global Outreach addressed in the "Japan Revitalization Strategy (revised in 2015)," which was approved at a Cabinet Meeting in June 2015, Japan set a target to double foreign companies' direct investment in Japan to 35 trillion yen by 2020 (23.3 trillion yen as of the end of 2014) as a Key Performance Indicator (KPI). With the "Council for Promotion of Foreign Direct Investment in Japan," which has been held since 2014,

acting as a control tower to promote activities for discovering and attracting investments, while gathering opinions directly from foreign company managers in collaboration with organizations such as the Council on Economic and Fiscal Policy, the Council for Industrial Competitiveness, and the Council for Regulatory Reform, Japan continuously makes further progress in taking additional measures such as institutional reforms contributing to the improvement of the investment environment in Japan, responding to the needs of foreign companies, and supporting measures to expand investment effectively.

In March, the Council for Promotion of Foreign Direct Investment in Japan adopted “Five Promises for Attracting Foreign Businesses to Japan” to improve convenience in matters in business and life in Japan in response to requests from foreign companies. These five promises are (1) promotion of multilingualization at retail stores, restaurants, hospitals public transportation facilities, etc., (2) promotion of the development of free public wireless LAN around cities and simplification of procedures to use it, (3) creation of an environment in which all regional airports receive business jets with short advance notice, (4) support of international students in finding jobs at Japanese companies, and (5) implementation of an “Investment Advisor Assignment System” with State Ministers, etc., acting as advisors for businesses having made important investments in Japan from overseas. At present, relevant ministries are steadily implementing the measures they are in charge of.

In implementing the measures listed in the “Five Promises for Attracting Foreign Businesses to Japan,” MOFA, in collaboration with the Japan External Trade Organization

(JETRO) and local governments, makes use of international conferences and diplomatic missions overseas, including embassies and consulates-general, in order to appeal to foreign companies’ executives and conduct publicizing and dissemination (active PR activities on the websites of its diplomatic missions overseas, etc.), through which such activities as locating potential investors to Japan are strengthened. With regard to the promotion of individual cases, Japan is strengthening the one-stop support functions of JETRO in collaboration with the relevant ministries and agencies and creating opportunities for investment or alliance between Japanese small- and medium-sized enterprises (SMEs) and foreign companies. Furthermore, Japan has strategically conducted “top-level sales” by the Prime Minister and other ministers in collaboration with relevant organizations and forward-looking local governments, as shown by the “Investment Japan Seminar” by JETRO during Prime Minister Abe’s visit to the U.S. in September.

### 3 Participation in Making International Rules

#### (1) G7 and G20 Summits

G7 and G20 Summits continue to play an essential role in providing an opportunity to show Japan’s own efforts to the international community and to form a global economic order desirable for Japan.

At the G7 Elmau Summit (in Germany) in June, G7 leaders shared views to uphold freedom, sovereignty and territorial integrity. The year 2015 marked the 70<sup>th</sup> anniversary since the end of World War II and the 40<sup>th</sup> anniversary since the first Rambouillet Summit (in France). Prime Minister Abe pointed

out the following; the G7 has underpinned the order of the international community, based on the fundamental values such as freedom, democracy, human rights, and the rule of law; the G7 is capable of reacting to challenges from a global perspective, and its responsibility is significant; the solidarity of the G7 is becoming more important. At the summit, leaders had a frank exchange of views on foreign policy centering on Ukraine and Russia, East Asia, and the Middle East as well as the world economy, energy and climate change, and development. Prime Minister Abe mentioned that Abenomics is producing steady results and explained Japan's future initiatives on the economic and fiscal fronts. Prime Minister Abe also mentioned the "Partnership for Quality Infrastructure" that he had announced in May, and explained Japan's contributions toward promoting "quality infrastructure investment" worldwide.

As for the situation in East Asia, Prime Minister Abe discussed developments in the rising tensions in the East China Sea and South China Sea such as large scale land reclamation, and pointed out that unilateral actions that seek to change the status quo in the seas must not be overlooked. Additionally, Prime Minister Abe explained that the continuation of North Korea's nuclear and missile development programs poses a serious threat to both the region and the international community, and sought the cooperation of other countries on the abductions issue, which is a universal issue, as a violation of fundamental human rights.

At the G20 Antalya Summit held in Turkey in November, the leaders exchanged frank opinions concerning specific initiatives for realizing strong, sustainable, and balanced economic growth. The "Antalya Action Plan"



Prime Minister Abe attended the summit  
(Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

was announced, stating the current status and future plans of countries regarding individual macro-economic policies and growth strategies. The leaders strongly condemned the acts of terrorism in Paris, and agreed that the G20 countries will carry out measures against terrorism in a coordinated manner. A "G20 Statement on the Fight against Terrorism" was also issued. With regard to climate change, the leaders shared the view that they will promote the adoption of a new framework "applicable to all parties" at COP21.

Prime Minister Abe commented that the G20 countries need to implement comprehensive growth strategies and strengthen initiatives for structural reform, introduced the progress of Abenomics, including promotion of women's participation in society, and the newly announced "Second Stage" initiatives in particular, and stated his determination to contribute to the growth of the global economy. Furthermore, he mentioned that the TPP agreement, which was agreed to in principle, was at the core of growth strategies, and that he expected that this would lead to growth for Japan by boosting productivity and vitalizing industries, etc. Then, he briefly introduced the progress of the "Partnership for Quality Infrastructure," and explained that Japan would continue to promote quality

infrastructure investments.

## (2) World Trade Organization (WTO)

### A History of WTO and Doha Development Agenda Negotiations

The development of the Japanese economy has been largely benefited from the multilateral trading system led by the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). Though EPA/FTA negotiations are vigorously conducted, maintaining and enhancing the system is a central pillar of Japanese trade policy toward the revitalization of the Japanese economy, and trade liberalization through WTO negotiations and rule making remain important. However, for more than decades, not all negotiations have made smooth progress. In the WTO Doha Development Agenda (DDA) negotiations<sup>11</sup> launched in 2001, the single undertaking of the eight areas (agriculture, non-agricultural market access, services, rules, trade facilitation, development, environment and intellectual property rights) had been pursued. However, since 2008, negotiations have remained deadlocked due to confrontation between emerging and developed countries. At the WTO's 9<sup>th</sup> Ministerial Conference (MC9) in December 2013, the "Bali Package," consisting of the three areas of (i) trade facilitation, (ii) agriculture, and (iii) development, was concluded as a partial agreement of the DDA. While there was some progress, the confrontation between emerging and developed countries remained still deeply and showed that conclusion of DDA negotiations was still long way to achieve.

### B The 10<sup>th</sup> WTO Ministerial Conference (MC10)

At the 10<sup>th</sup> WTO Ministerial Conference (MC10) held in December, members concluded the ITA expansion negotiations led by Japan as the chair. Though it was the plurilateral agreement, eliminating tariffs on 201 items by 53 countries was expected to bring benefits to all WTO members. With regard to DDA, after the 14 years of negotiations, WTO members agreed on export competition in agriculture including export subsidies etc., which had not been agreed on for many years. These agreements show the WTO's negotiation function is indeed still working and effective.

Considering the future WTO negotiation function, including whether to continue DDA, was the biggest issues concerned before the conference, however, no concrete decision has been made due to the confrontation among members. The each of eight areas including development covered by DDA remain important, however, it is also necessary to explore new approaches including "up-to-date" issues, in order to revitalize and reinforce the WTO's negotiation function. Starting in 2016, it is necessary to analyze the reason for not being able to reach an agreement by members and constructively hold discussions.

### C Plurilateral Negotiations

Since the 8<sup>th</sup> WTO Ministerial Conference in 2011, while the DDA negotiations encountered difficulties, the following negotiations have been made by plurilaterally.

#### (a) The Information Technology Agreement (ITA) Expansion Negotiations

While implementing the Information

<sup>11</sup> DDA stands for Doha Development Agenda

Technology Agreement (ITA)<sup>12</sup> since 1997, the ITA expansion negotiations were conducted since 2012 with the aim of including newly-developed products<sup>13</sup> reflecting technological innovations to the coverage. In July 2015, 201 IT-related products were newly agreed, and the ITA expansion negotiations were concluded in December through the negotiation of the tariff elimination period. (As of the end of December, 53 countries and regions<sup>14</sup> joined the expanded ITA). It is expected that the expansion of product coverage will promote IT trade and enforce economic growth and boosting of productivity through IT.

#### (b) Trade in Services Agreement (TiSA) Negotiations

In order to contribute to further liberalization of services trade, full-scale negotiations on the Trade in Services Agreement (TiSA) have been underway among 50 voluntary countries and regions<sup>15</sup> including the U.S., the EU (28 nations), and Australia (as of the end of 2015) since the summer of 2013. The participating countries and regions in the negotiations agree on such points that it should not have a priori exclusion of any sector from the subject of negotiations, and it attempts to upgrade the General Agreement on Trade in Services (GATS), enhancing disciplines to meet the demands through the times. Japan actively participates in the negotiations.

#### (c) Environmental Goods Agreement (EGA) Negotiation

In July 2014, the Environmental Goods Agreement (EGA) negotiations started. These negotiations are aimed at eliminating tariffs on environmental goods in accordance with the list of environmental goods endorsed by the APEC Leaders in 2012 as well as the commitment made in APEC Leaders' Declaration in 2013. 45 countries and regions<sup>16</sup> have been participating and conducted 11 negotiations. Through these negotiations, it is expected to expand the trade of environmental goods, and to contribute on achieving sustainable development. Japan has actively participated in the negotiations since the launch.

#### D Dispute Settlement (DS)

The WTO dispute settlement system is a quasi-judicial system among the WTO members to resolve trade disputes regarding the WTO Agreements in accordance with the dispute settlement procedures. As a pillar to stabilize and secure predictability in the WTO system, it is functioning effectively. The number of dispute cases from the inauguration of WTO in 1995 to the end of 2015 (the number of requests for consultation) is 501. In recent years, an increasing number of dispute cases and more complex cases increased the burden on the dispute settlement system, and

<sup>12</sup> Plurilateral framework to eliminate tariffs on IT products (semiconductors, computers, cellular phones, printers, fax, digital still image cameras) ("Ministerial Declaration on Trade in Information Technology Products"). Agreed to in 1996 and executed from 1997. Currently, 82 members including Japan, the U.S., the EU (28 countries), China and Russia are participating.

<sup>13</sup> Digital audiovisual equipment (camcorders, DVD/HD/BD players), digital multifunction machines and printers, medical equipment (electronic endoscopes, etc.), semiconductor manufacturing equipment, etc.

<sup>14</sup> Japan, the U.S., the EU, Australia, Canada, China, the ROK, Hong Kong, Taiwan, Singapore, Israel, Turkey, Colombia, Costa Rica, Malaysia, Thailand, the Philippines, New Zealand, Norway, Switzerland, Liechtenstein, Mauritius, Montenegro, Guatemala, Iceland, and Albania (53 members including 28 EU members).

<sup>15</sup> Japan, the U.S., the EU, Australia, Canada, the ROK, Hong Kong, Taiwan, Pakistan, Israel, Turkey, Mexico, Chile, Columbia, Peru, Costa Rica, Panama, Paraguay, New Zealand, Norway, Switzerland, Iceland, and Liechtenstein (50 members including EU members).

<sup>16</sup> Japan, the U.S., the EU, Australia, Canada, China, the ROK, Hong Kong, Taiwan, Singapore, Costa Rica, New Zealand, Norway, Switzerland, Israel, Turkey, and Iceland (46 members including 28 EU members).

an effective response to this is a big issue.<sup>17</sup> Recent cases, in which Japan was involved, are as follows:

- Argentina's import restrictions<sup>18</sup>: In January 2015, followed by the Appellate Body report, the WTO Dispute Settlement Body recognized measures by Argentina as inconsistent with the WTO Agreements, and recommended Argentina abide by the WTO Agreement.
- China's measures imposing anti-dumping duties on high-performance stainless steel seamless tubes from Japan<sup>19</sup>: In February, a panel report was released to all Members, but some of Japan's claims were rejected. In May, Japan appealed to the Appellate Body. In October, followed by the Appellate Body Report, the WTO Dispute Settlement Body recognized measures by China as inconsistent with the WTO Agreements, and recommended China abide by the WTO Agreement.
- The ROK's import bans, testing and certification requirements for radionuclides<sup>20</sup>: A panel was established in September. The panel procedures are currently in progress.
- Brazil's measures concerning taxation<sup>21</sup>: A panel was established in September. The panel procedures are currently in progress. Japan has contributed significantly

toward further improvements to the dispute settlement system, including the clarification of the procedures through DSU<sup>22</sup> review negotiations, which are being conducted as part of DDA.

### **E Efforts toward the Elimination and Correction of Protectionism**

Since 2008, against the backdrop of such occurrences as the failure of Lehman Brothers and the European debt crisis, an increasing number of countries have introduced protectionist measures. In G7, G20 and APEC, leaders of the participating countries and regions have agreed to continue their efforts to restrain protectionism, and express political commitments accordingly. The WTO has also committed to rolling back protectionist measures through the Trade Policy Review Mechanism and dispute settlement procedures. Japan actively engages in resisting and fighting protectionism.

## **(3) Organisation for Economic Co-operation and Development (OECD)**

### **A Features**

The OECD is the "world's largest think tank" covering a wide range of economic and social fields such as macro economy, agriculture, industry, environment, science

<sup>17</sup> WTO members that believe that they are suffering disadvantages because of WTO-inconsistent measures by other members, may request consultations between the parties concerned. If a dispute is not resolved through consultations, the member states may refer the issue to a panel and contest the consistency of the measures concerned with the WTO Agreements. A party dissatisfied with a legal finding by the panel may appeal to the Appellate Body, the final adjudicator, to contest the findings. From the establishment of WTO in 1995 until the end of 2015, Japan was involved as a party (either as complainant or respondent) in 36 out of 501 disputes (the number of cases for which requests for consultation were made). The Appellate Body is composed of seven members and the term of members is four years (may be reappointed once). Japan has produced three members since the establishment of the WTO in 1995.

<sup>18</sup> Japan requested the establishment of a panel in December 2012, concurrently with the EU and the U.S. regarding the case of the requirement for the Advance Sworn Import Declaration, non-automatic import license, and the trade balancing requirements.

<sup>19</sup> In cases where the export price is lower than the normal value, a product is to be deemed as being dumped and the duty will be imposed up to the dumping margin. Japan requested the establishment of a panel in May 2013. Regarding the case of high-performance stainless steel seamless tubes used in superheaters and reheaters of supercritical and ultra-supercritical boilers in coal-fired power plants.

<sup>20</sup> The case of import bans, testing and certification requirements for radionuclides introduced by the ROK after the accident at TEPCO's Fukushima Daiichi Nuclear Power Station in March 2011 and reinforced in September 2013.

<sup>21</sup> The case of the tax advantage scheme that treats domestic products and exporting countries favorably in the automotive and information and communication technology sectors.

<sup>22</sup> Understanding on Rules and Procedures Governing the Settlement of Disputes

and technology. The OECD makes policy recommendations and forms international norms through discussions among members at committees and working groups. Japan acceded to the OECD as the first non-European and non-American country, in 1964 the same year it hosted the summer Olympic Games in Tokyo. Since then Japan has been actively engaged in the OECD through discussions at committees and working groups as well as through contributions in terms of financial and human resources.

### **B Strengthening the Relationship with Asia**

In view of the increasing importance of Southeast Asia as a world economic growth center, the OECD is focusing on strengthening the relationship with that region. At the Ministerial Council Meeting chaired by Japan and attended by Prime Minister Abe in 2014, which marked the 50<sup>th</sup> anniversary of Japan's accession to the OECD, the "Southeast Asia Regional Programme" was launched. Additionally, Japan actively continues to act as a bridge and to contribute to strengthening the relationship between the OECD and Southeast Asia, including by holding the first steering group meeting in Jakarta, Indonesia in March 2015 and becoming a co-chair with Indonesia, a representative of ASEAN.



Mr. Angel Gurría, Secretary General, OECD visiting Prime Minister Abe (April 15, Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

### **C The 2015 OECD Ministerial Council Meeting**

The OECD Ministerial Council Meeting chaired by the Netherlands was held in June 2015 under the theme of "Unlocking Investment for Sustainable Growth and Jobs." With COP21 and the UN summits concerning the "2030 Agenda for Sustainable Development" in mind, Japan pointed out the importance of "quality infrastructure investment" in development while underlining the contributions by Japan related to climate change again. In addition, many countries expressed support for the promotion of the "Southeast Asia Regional Programme." At the 2016 OECD Ministerial Council Meeting chaired by Chile, Japan will serve as a vice chairman with Hungary and Finland.

### **D Initiatives in Various Sectors**

In recent years, multinational companies, which are engaged in taxable economic activities, reduce their tax burdens by exploiting international tax loopholes. This problem has become evident. To resolve this, OECD's Committee on Fiscal Affairs (CFA), led by a Japanese chairman, launched the Base Erosion and Profit Shifting (BEPS) project in 2012 and the "BEPS Action Plan" in 2013. The final report was released as a result of this action plan in October 2015. Japan actively participates in discussions in fora such as the OECD, and leads international efforts on taxation.

### **E Contributions in Terms of Financial and Human Resources**

Japan was the second biggest financial contributor to the OECD after the U.S. in 2015, covering 11.92 % of the OECD's mandatory contributions (Part I Budget). Moreover, Japanese nationals have successively served as the Deputy Secretary General,

the number 2 post of the OECD Secretariat. Japan has supported the OECD through such contributions in terms of financial and human resources.

#### (4) Asia-Pacific Economic Cooperation (APEC)

APEC is a forum that aims at sustainable development in the Asia Pacific region on a voluntary basis by each individual 21 economies<sup>23</sup> in order to promote regional economic integration and cooperation. APEC consists of 21 countries and regions (economies) in the Asia-Pacific region, which is a “world growth center” with about 40% of the world population, about 60% of the world GDP, and 50% of the trade volume. Regional trade accounts for about two-thirds of the total trade, being comparable with the EU in terms of establishing a close regional economy. Strengthening economic cooperation and trust relationships in the APEC region is extremely important in pursuing Japan’s further development. APEC Economic Leaders’ Meetings and Ministerial Meetings provide the member economies with significant opportunities to exchange frank views among leaders and ministers regarding major interests in the international community, specifically

focused on various economic issues.

At the APEC Philippines 2015 hosted by the Philippines, under the theme of “Building Inclusive Economies, Building a Better World,” the following four priorities were established: (1) “promoting the regional economic integration agenda,” (2) “fostering SME participation in regional & global markets,” (3) “investing in human capital development,” and (4) “building sustainable and resilient communities.” At the APEC Economic Leaders’ Meeting held in Manila in November, vigorous discussions took place under the themes of “Inclusive Growth through Regional Economic Integration” and “Inclusive Growth through Sustainable and Resilient Communities.” As outcomes of the meeting, the “APEC Economic Leaders’ Declaration – Building Inclusive Economies, Building a Better World: A Vision for an Asia-Pacific Community,” and as its annexes, “APEC Strategy for Strengthening Quality Growth” and “APEC Services Cooperation Framework” were adopted, and “Statement on Supporting the Multilateral Trading System and the 10<sup>th</sup> WTO Ministerial Conference (MC10)” was released.

At the session on “Inclusive Growth through Regional Economic Integration,” Prime Minister Abe stressed the importance of “strengthening the rule of law in the economic field” for high quality growth and prosperity. He also explained Japan’s specific efforts inside and outside of APEC such as to support for the multilateral trading system, TPP and the Free Trade Area of the Asia-Pacific (FTAAP), improvement of the investment climate, enhancement of regional connectivity including maritime connectivity and quality infrastructure investment.



APEC Economic Leaders’ Meeting in the Philippines (November 18-19, Manila, the Philippines, Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

<sup>23</sup> APEC participating units including Hong Kong China and Taiwan

## Outcomes of the 2015 APEC Summit Meeting in the Philippines

		The points made by Prime Minister Abe	Points of the Leaders' Declaration
Inclusive Growth through Regional Economic Integration	Support for the multilateral trading system	<ul style="list-style-type: none"> <li>As for the multilateral trading system, leaders should continue to show strong resolution to resist protectionism</li> </ul>	<ul style="list-style-type: none"> <li>Committed to strengthening the rules-based, transparent, nondiscriminatory, open, and inclusive multilateral trading system. To further reinforce our commitment on the occasion of the 20<sup>th</sup> anniversary of the WTO, we have decided to issue a separate statement supporting the multilateral trading system and the 10<sup>th</sup> Ministerial Conference of the WTO.</li> </ul>
	FTAAP	<ul style="list-style-type: none"> <li>New economic order that will be created as a result of the TPP will serve as the foundation of the FTAAP.</li> </ul>	<ul style="list-style-type: none"> <li>Reaffirmed our commitment to advance the process in a comprehensive and systematic manner towards the eventual realization of the FTAAP as a major instrument to further APEC's regional economic integration agenda. Commended the progress made by our officials on the work on the implementation of the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP.</li> <li>Looked forward to receiving the findings and accompanying recommendations of the Collective Strategic Study on Issues Related to the Realization of the FTAAP when we meet again next year.</li> </ul>
	"Infrastructure investment/ connectivity"	<ul style="list-style-type: none"> <li>The "Partnership for Quality Infrastructure" that he announced in May 2015 was outlined.</li> </ul>	<ul style="list-style-type: none"> <li>Welcomed progress implementing the APEC Connectivity Blueprint for 2015-2025 under the pillars of physical, institutional and people-to-people connectivity. Emphasize the importance of investment quality infrastructure and connectivity to realize our vision for an Asia-Pacific community</li> </ul>
	"Improving the investment climate"	<ul style="list-style-type: none"> <li>The engagement of Japan in improving the investment climate in the region was introduced.</li> </ul>	<ul style="list-style-type: none"> <li>Welcomed the progress that has been made under the work streams of the APEC Strategic Blueprint for Promoting Global Value Chain Development and Cooperation and instructed officials to further develop this work.</li> </ul>
	"Growth strategy/ services"	<ul style="list-style-type: none"> <li>Japan would support the growth strategy discussions in the service sector led by the Philippines.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted the APEC Strategy for Strengthening Quality Growth that will prioritize institution building, social cohesion, and environmental impact to give further focus to our efforts to pursue quality growth, building upon the commitments in the 2010 APEC Growth Strategy</li> <li>Endorsed the APEC Services Cooperation Framework to ensure that all our citizens can benefit from and contribute to high quality growth. We instruct our officials to develop a strategic and long-term Services Competitiveness Roadmap in 2016 with the adoption of a concerted set of actions and mutually agreed targets to be achieved by 2025. We appreciate services-related initiatives such as manufacturing-related services.</li> </ul>
Inclusive Growth through Sustainable and Resilient Communities	"Women's empowerment"	<ul style="list-style-type: none"> <li>The development of laws relating to women's active participation and efforts to increase the rate of women in management positions in APEC was introduced.</li> </ul>	<ul style="list-style-type: none"> <li>Remained committed to advancing women's full participation in the economy in concrete, actionable, and measurable ways, including through enhancement of women's representation in leadership.</li> </ul>
	Disaster risk reduction	<ul style="list-style-type: none"> <li>Japan will pursue efforts in line with the "Sendai Framework for Disaster Risk Reduction" to support better recovery.</li> </ul>	<ul style="list-style-type: none"> <li>Welcomed and adopted the APEC Disaster Risk Reduction (DRR) Framework to facilitate collective work in building adaptive and disaster-resilient economies supporting inclusive and sustainable development. Noted the Sendai Framework for Disaster Risk Reduction 2015-2030.</li> </ul>
	Counter-terrorism	<ul style="list-style-type: none"> <li>Terrorism is a threat to economic activities and must be resolutely condemned. Japan welcomes APEC's specific efforts on counter-terrorism.</li> </ul>	<ul style="list-style-type: none"> <li>Welcomed the efforts and activities that APEC members have undertaken to counter terrorism, including capacity-building initiatives to combat terrorist financing, and to prevent foreign terrorist fighter travel through advance passenger risk analysis and other measures.</li> </ul>

Additionally, at the session on "Inclusive Growth through Sustainable and Resilient Communities," he explained the initiatives that Japan emphasizes in pursuing economic growth and quality growth at the second stage of Abenomics, such as the "Society with the Dynamic Engagement of All Citizens" and women's empowerment and expressed the intention to actively contribute to emergency

measures, enhancing the quality of electric power infrastructure and counter-terrorism.

Peru will be the host country in 2016.