

Section 3

Economic Diplomacy

Overview

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

In 2016, in addition to actions by the U.S. toward the normalization of monetary policy, trends in crude oil prices, economic prospects for emerging countries including China, the impact of growing uncertainty in future economic relations between the UK and the EU after the UK's withdrawal from the EU attracted attention. Given this situation, the world economy showed signs of weakness among some developed countries in the first half of the year, but these signs began to fade in the latter half of the year, along with signs of recovery in the Chinese economy, leading to the continued moderate recovery of the overall world economy. Although the Japanese economy also had shown weakness, but it has continued a moderate recovery, helped by an improvement in the situations in employment and income.

Based on this recognition of the economic situation, the Government of Japan approved the "Japan Revitalization Strategy 2016" (hereinafter the "Growth Strategy") in June with the aim of "achieving a 600 trillion yen GDP, Japan's largest GDP in the

post-war era, by turning the current virtuous economic cycle into sustainable economic growth." 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 a 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 2016, while taking into account the "Growth Strategy," Japan carried out economic diplomacy from three aspects: (1) rule-making to bolster free and open global economic systems, (2) supporting the overseas business expansion of Japanese companies through promotion of public-private partnerships, and (3) promoting of resources diplomacy along with direct investment toward Japan.

〈Rule-Making to Bolster Free and Open Global Economic Systems〉

(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% (18.9% in 2012) by 2018. The Trans-Pacific Partnership (TPP) Agreement signed in February 2016 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, Japan will aim to contribute to global rule-making on trade and investment, by carrying out various negotiations in parallel, including the Japan-EU Economic Partnership Agreement (EPA), the Regional Comprehensive Economic Partnership (RCEP), and the Japan-China-ROK FTA.

(2) Multilateral Trade Liberalization (WTO)

Although negotiations to liberalize multilateral trade have been in a deadlock for many years, the multilateral trading system centered on the World Trade Organization (WTO) has played a vital role in making new rules and putting existing rules into practice, including disputes settlement.

Negotiations have continued since 2001 in the Doha Development Agenda (DDA), but its future prospects are uncertain due to disagreements between developed and developing countries. On the other hand, success in the Information Technology Agreement (ITA) expansion negotiations, and agreements on export competition in agriculture, including export subsidies, at the 10th WTO Ministerial Conference (MC10) showed that the WTO's

negotiation function is indeed still working and effective. There is a need to consider new ways of dealing with issues, including those that change with the times, from the perspective of revitalizing and bolstering the negotiation functions of WTO, and Japan also intends to take active part in the discussions. At WTO's Informal Ministerial Meeting held in October in Oslo, Norway, participants shared view such as on the importance of mutual confidence building under increasing pressure for protectionism, the need to avoid the risks of setting overambitious goals, and the need to carry out negotiations to ensure the achievement of incremental results in achievable fields at every ministerial conference etc. Progress is being made in discussions to achieve steady results at the 11th WTO Ministerial Conference (MC11) to be held in December 2017.

(3) International Discussions Led by Japan

The G7 summit is a meeting where leaders of developed countries meet to discuss policy cooperation, and in 2016, Japan, as the G7 presidency, hosted the G7 Ise-Shima Summit on May 26 and 27. G7 countries confirmed their solidarity at the summit, while Japan exercised leadership as the presidency not only in discussions on the summit's main focus of the global economy, but also Japan's top-priority issues on "quality infrastructure investment," "health," "women" and maritime security. By achieving results through specific action, Japan succeeded in making an impact on the global arena. Regarding the global economy in particular, G7 leaders reaffirmed the importance of taking a three-pronged approach of implementing monetary, fiscal and structural policies, pledging to work hand-in-hand to tackle risks and lead the

sustainable, strong growth of the global economy.

Moreover, the global economy was also the main theme of the G20 Hangzhou Summit (in China), following the G7 Ise-Shima Summit. On the basis of the discussions at the Ise-Shima Summit that Japan, as the G7 presidency, stressed, with the world economy facing various risks, it is important that we strengthen international cooperation. The leaders of the G20 concurred on the need to take all appropriate policy responses including monetary and fiscal policies, as well as restructuring. The leaders, including emerging economics such as China, were able to reach the agreement on steadily addressing structural problems, such as excess capacity.

Asia Pacific Economic Cooperation (APEC) is an economic cooperation framework participated in by 21 countries and regions (economies) in the Asia-Pacific Region. At the APEC Economic Leaders' Meeting in Peru in November, under the general theme of "Quality Growth and Human Development," extensive discussions took place focusing on advancing regional economic integration and quality growth, enhancing the regional food market, towards the modernization of micro, small and medium-sized enterprises in the Asia-Pacific, and developing human capital. Prime Minister Abe stressed that free trade is the foundation of global economic growth, and expressed Japan's intention to promote free trade by progressing policies to bring about inclusive growth.

The Organization for Economic Cooperation and Development (OECD) is the "world's largest think tank," covering a wide range of economic and social issues.

Discussions were held at the Ministerial Council Meeting held in June on the theme of "Enhancing Productivity for Inclusive Growth." Acting as vice-chair for the tenth time, Japan contributed to the discussions by playing a leading role in the setting of the theme and efforts to prepare and negotiate documents, and communicated the need for a "positive cycle between economic growth and enhanced opportunities and income." Moreover, Japan returned to the OECD Development Centre (development think tank of the OECD) on June 1 for the first time in 16 years.

〈Supporting the Overseas Business Expansion of Japanese Companies through Promotion of Public-Private Partnerships〉

(1) Support for Japanese Companies' Overseas Business Expansion

The Government of Japan places great importance on promoting the overseas businesses of Japanese companies to incorporate the vigorous economic growth in foreign countries, including emerging countries, and to promote the steady growth of the Japanese economy. Under the command of the Headquarters for the Promotion of Japanese Business Support which is headed by Foreign Minister Kishida, MOFA proactively supports the overseas business expansion of Japanese companies. These initiatives are centered on the "Division for Promotion of Public and "Private Partnership," established in September 2015, working closely with diplomatic missions overseas under the leadership of ambassadors and consul-generals.

In addition, to "achieve the Government's target of approximately 30 trillion yen in

infrastructure exports by 2020,” set in the “Growth Strategy,” Japan is engaging proactively in top-level sales to sell the country’s infrastructure and technology overseas. This has resulted in steady progress being made toward attaining the goal, with the value of orders reaching around 19 trillion yen in 2014.

Moreover, with the aim of achieving the Government’s target (Economic Measures to Realize Investments for the Future) of “one trillion yen in exports of agricultural, forestry, and fishery products and food by 2019,” MOFA has utilized its diplomatic missions overseas to allow companies involved in exporting agricultural, forestry, and fishery products and foods to provide consultation and hold events to promote Japanese products. In particular, Japanese business support officers (in charge of the food industry) at 58 diplomatic missions overseas in 54 countries and regions have been assigned by MOFA to bolster initiatives. Moreover, the governments of the ROK, Taiwan, China, Hong Kong, Macao, Singapore and Russia continue to place import restrictions due to the Great East Japan Earthquake and the accident at TEPCO’s Fukushima Daiichi Nuclear Power Plant. MOFA has been providing accurate information promptly to these countries and regions, and has been urging them to relax or remove the restrictions as soon as possible based on scientific evidence.

〈Promoting of Resources Diplomacy along with Direct Investment in Japan〉

(1) Energy, Mineral Resources and Food Security

In the field of energy and mineral resources, Japan led international discussions on energy issues as the G7 presidency in 2016.

Japan also took a leading role in issuing the Guiding Principles towards Sustainable Development regarding the strengthening of assistance for complex contract negotiations in extractive industries (CONNEX Initiative) and the holding of the G7 CONNEX Initiative International Conference on Capacity Building and Transparency in September. In November, Japan also hosted the Meeting of the Energy Charter Conference as the first chair from East Asia, as parts of outreach efforts of the Energy Charter Treaty, which aims to promote the protection and deregulation of energy investments. Moreover, Prime Minister Abe and the leaders of the main resource-rich countries took these opportunities to bolster bilateral ties.

As for food security, Japan has been making efforts to lay down specific measures to be implemented by the G7 in aiming to achieve Sustainable Development Goals (SDGs), and organized the G7 International Symposium on Food Security and Nutrition in October. Faced with the possibility of global food shortages in the future, Japan has been implementing initiatives to secure a stable food supply through balancing the world’s food supply and demand by increasing the world food production.

(2) Sustainable Use of Living Marine Resources

As one of the responsible major fishing and consuming countries in the world, Japan has a basic policy of proper conservation and management and sustainable use of living marine resources. As such, Japan plays an active role as a member of many Regional Fisheries Management Organizations (RFMOs), which are the most important international organizations to decide and enforce conservation and

management of fisheries resources. On the whaling issue, although the international situation remains difficult, Japan is making persistent efforts to deepen understanding among the international community, based on international law and scientific evidence, under the basic policy that diversity in culture and customs should be respected in the sustainable use of whale resources.

(3) Promotion of Foreign Direct

Investment in Japan

The Council for Promotion of Foreign Direct Investment in Japan, formed in 2014, has been spearheading government-wide initiatives to find or attract investments, or realize the necessary systematic reforms in aiming to achieve the goal of doubling foreign companies' direct investment in Japan to 35 trillion yen by 2020, as addressed in the government's Growth Strategy.

As an initiative to make use of diplomatic resources, MOFA has been engaging proactively in calling for investments in Japan and holding events to promote it through "contact points for Direct Investment towards Japan," established at 126 diplomatic missions overseas. Additionally, a variety of strategic initiatives have been implemented both domestically and internationally through top-level sales carried out by government officials, and cooperation with related organizations such as the Japan External Trade Organization (JETRO).

1 Rule-Making to Bolster Free and Open Global Economic Systems

(1) Promotion of Economic Partnerships Economic Partnership Agreements (EPAs)

and Free Trade Agreements (FTAs) help capture the vitality of growing overseas market 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 signed and brought into force 16 EPAs with 20 countries. In order to achieve the goal set out in the "Growth 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 18.9% in 2012, Japan is strategically promoting economic partnerships including those with the Asia-Pacific region and Europe. Under these circumstances, an agreement in principle was reached on the Trans-Pacific Partnership (TPP) Agreement in October 2015, 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. Japan intends to work toward the entry into force of the TPP Agreement, and continues to promote other economic partnership negotiations in the future.

A Multilateral Cooperation (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. If the TPP Agreement enters into force, it will form a free and fair economic zone and create a huge value chain in a market encompassing 40% (3.1 quadrillion yen) of the global GDP and 800 million people.

This agreement will establish 21st century rules in a wide range of areas, including tariffs, services, investments, intellectual property, and state-owned enterprises. It will provide Japanese companies an opportunity to be more active in markets overseas, and will be a major driving force for the economic growth of Japan. Furthermore, strengthening the rule of law from an economic perspective through the TPP Agreement with countries that share fundamental values will have a strategic significance of contributing to Japan's security, and stability of the Asia-Pacific region.

In Japan, the TPP Agreement and its related bills were approved by the Diet in December 2016, and in January 2017, the Government notified New Zealand, which is designated as the Depository of the Agreement, of the completion of domestic procedures for the TPP. Also in New Zealand, relevant domestic legislative amendments were approved in November 2016. In the United States, President Trump signed a Presidential memorandum to withdraw from the TPP, and the Office of the United States Trade Representative issued a letter for each country, including New Zealand, the Depository, of its

intention to withdraw the U.S. as a signatory to the TPP. However, Japan and the U.S. have agreed on the need to establish a free and fair economic zone in the Asia-Pacific region led by Japan and the U.S., and Japan intends to exercise leadership in the TPP Agreement to discuss what can be done to move forward with signatories to the TPP other than the U.S.

(B) Japan-EU EPA

After Japan decided to launch negotiations in March 2013 with the EU, which shares fundamental values with and is a major trade and investment partner for Japan, a total of 17 rounds of negotiations were held by December 2016. Japan and the EU discussed a wide range of issues, such as trade in goods, trade in services, intellectual property rights, non-tariff measures, government procurement and investments. Both leaders reaffirmed their strong commitment to the negotiations at Japan-EU leaders meetings held in May and July as well as through the joint statement issued on the sidelines of the G7 Ise-Shima Summit held in May. A decision was made in November by the cabinet to establish a Meeting amongst Main Ministers¹ to ensure the early conclusion of negotiations, and a decision was made to set up the Task-force on the Japan-EU EPA, chaired by Deputy Chief Cabinet Secretary Hagiuda. In December, Foreign Minister Kishida and European Commissioner for Trade Malmstrom held a telephone conference and shared the aim to reach agreement in principle as early as possible. A sustained effort has been made in negotiations since then.

¹ Members include Chief Cabinet Secretary, Minister in Charge of Economic Revitalization, Minister of State in charge of general coordination on Japan-EU EPA negotiations, Minister for Internal Affairs and Communication, Minister for Foreign Affairs, Minister of Finance, Minister of Health, Labour and Welfare, Minister of Agriculture, Forestry and Fisheries, Minister of Economy, Trade and Industry, and Minister of Land, Infrastructure and Transport.

Current Status of EPA/FTA Negotiations, etc.

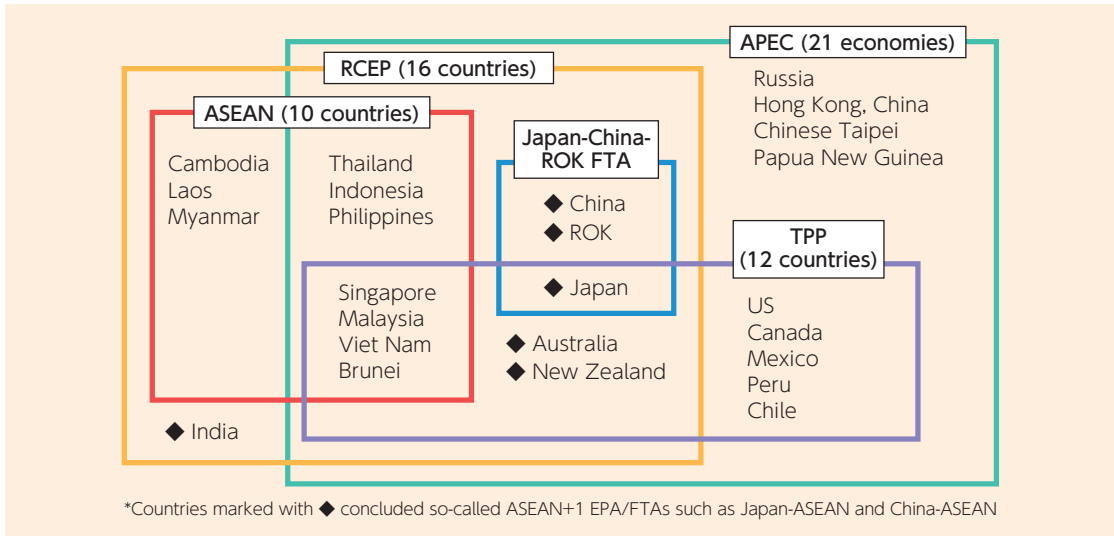
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ASEAN-Japan Comprehensive Economic Partnership (AJCEP)				Negotiation	The agreement on negotiations on trade in goods was reached	Entry into force		Start of continuous negotiations on service and investment chapters		March and October: 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	June: Joint committee meeting
Mongolia								Jun: start of Joint study	Mar: completion of Joint study	Mar: Japan-Mongolia summit (Agreed to start negotiation) Mar: Preparatory meeting for negotiation Jun: 1 st Round of negotiation Dec: 2 nd Round of negotiation	Apr: 3 rd Round of negotiation Jul: 4 th Round of negotiation Dec: 5 th Round of negotiation	Apr: 6 th Round of negotiation Jul: Agreement in principle	Feb: Signing	Jun: Entry into force
Canada									Mar: start of Joint study	Mar: completion of Joint study Mar: Japan-Canada summit (agreed to start negotiation) Jul: preparatory meeting for negotiation Nov: 1 st Round of negotiation	Apr: 2 nd Round of negotiation Jul: 3 rd Round of negotiation Nov: 4 th Round of negotiation	Mar: 5 th Round of negotiation Jun: 6 th Round of negotiation Nov: 7 th Round of negotiation		
Colombia								Nov: start of Joint study		Jul: completion of Joint study Sep: Japan-Colombia summit (agreed to start negotiation) Dec: 1 st Round of negotiation	May: 2 nd Round of negotiation Oct: 3 rd Round of negotiation	Feb: 4 th Round of negotiation May: 5 th Round of negotiation Jul: 6 th Round of negotiation Sep: 7 th Round of negotiation Oct: 8 th Round of negotiation Dec: 9 th Round of negotiation	Mar: 10 th Round of negotiation May: 11 th Round of negotiation Jul: 12 th Round of negotiation Aug: 13 th 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 st Round of negotiation Jul-Aug: 2 nd Round of negotiation Nov: 3 rd Round of negotiation	Mar: 4 th Round of negotiation Jun: 5 th Round of negotiation Dec: 6 th Round of negotiation (Director-General/Deputy Director-General level meeting)	Jan: 6 th Round of negotiation (Chief-delegates meeting) Apr: 7 th Round of negotiation (Director-General/Deputy Director-General level meeting) May: 7 th Round of negotiation (Chief-delegates meeting) Jul: 8 th Round of negotiation (Director-General/Deputy Director-General level meeting) Sep: 8 th Round of negotiation (Chief-delegates meeting) Dec: 9 th Round of negotiation (Director-General/Deputy Director-General level meeting)	Jan: 9 th Round of negotiation (Chief-delegates meeting) Apr: 10 th Round of negotiation (Director-General/Deputy Director-General level meeting) Jun: 10 th 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 st Round of negotiations Jun: 2 nd Round of negotiations Oct: 3 rd Round of negotiations	Apr: 4 th Round of negotiations Mar: Apr: 5 th Round of negotiations Jul: 6 th Round of negotiations Oct: 7 th Round of negotiations Dec: 8 th Round of negotiations	Feb: 9 th Round of negotiations Apr: 10 th Round of negotiations Jul: 11 th Round of negotiations Oct: 12 th Round of negotiations Dec: 13 th Round of negotiations Dec: 14 th Round of negotiations	Feb: 15 th Round of negotiations Apr: 16 th Round of negotiations Sep: 17 th Round of negotiations
Regional Comprehensive Economic Partnership (RCEP)								Sep: start of Discussion on CEPEA* and EAFTA*	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 st Round of negotiation Aug: 1 st Ministerial meeting Sep: 2 nd Round of negotiation	Jan: 3 rd Round of negotiation Mar: Apr: 4 th Round of negotiation Jun: 5 th Round of negotiation Aug: 2 nd Ministerial meeting Dec: 6 th Round of negotiation	Feb: 7 th Round of negotiation Jul: 8 th Round of negotiation Jul: Inter-Sessional Ministerial Meeting Aug: 9 th Round of negotiations and 9 th Ministerial meeting Oct: 10 th Round of negotiation	Feb: 11 th Round of negotiation Apr: 12 th Round of negotiation Jul: 13 th Round of negotiation Aug: 4 th Ministerial meeting and 14 th Round of negotiation and 15 th Ministerial meeting Nov: Inter-Sessional Ministerial Meeting Dec: 16 th 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: 18 th Round of negotiation (with participation of Japan) Aug: 19 th Round of negotiation Oct: TPP summit and ministerial meeting Dec: 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 st Round of negotiation	Apr: 2 nd Round of negotiation Sep: 3 rd Round of negotiation	Jan: 4 th Round of negotiation Jun: 5 th Round of negotiation
ROK										May: 2 nd 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(*)														
<p>*GCC: Gulf Cooperation Council consisting of Saudi Arabia, Qatar, Kuwait, United Arab Emirates, Bahrain and Oman</p> <p>Nov: Preparatory meeting Sep: Entering negotiation</p> <p>Mar: 4th interim meeting</p> <p>November 2004 Negotiation suspended</p> <p>Negotiation suspended</p> <p>Negotiation postponed because of initiation by GCC of the review of their overall FTA policy</p> <p>Negotiation Postponed</p>														

(C) 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

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



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 the ten ASEAN member states and their FTA partner states (six countries, namely Japan, China, the ROK, Australia, New Zealand and India), have been working together toward the early conclusion of negotiations to achieve a comprehensive and balanced, high-quality agreement in areas such as trade in goods, trade in services, investment, intellectual property and electronic commerce. As of December 2016, six Ministerial Meetings (including Intersessional Ministerial Meetings) and 16 rounds of negotiations were held. At an ASEAN-related summit meeting in September, the ministers reconfirmed the importance of advancing RCEP negotiations, and issued a joint statement announcing their intention to further intensify negotiations for a swift conclusion of the negotiations.

(D) Japan-China-ROK FTA

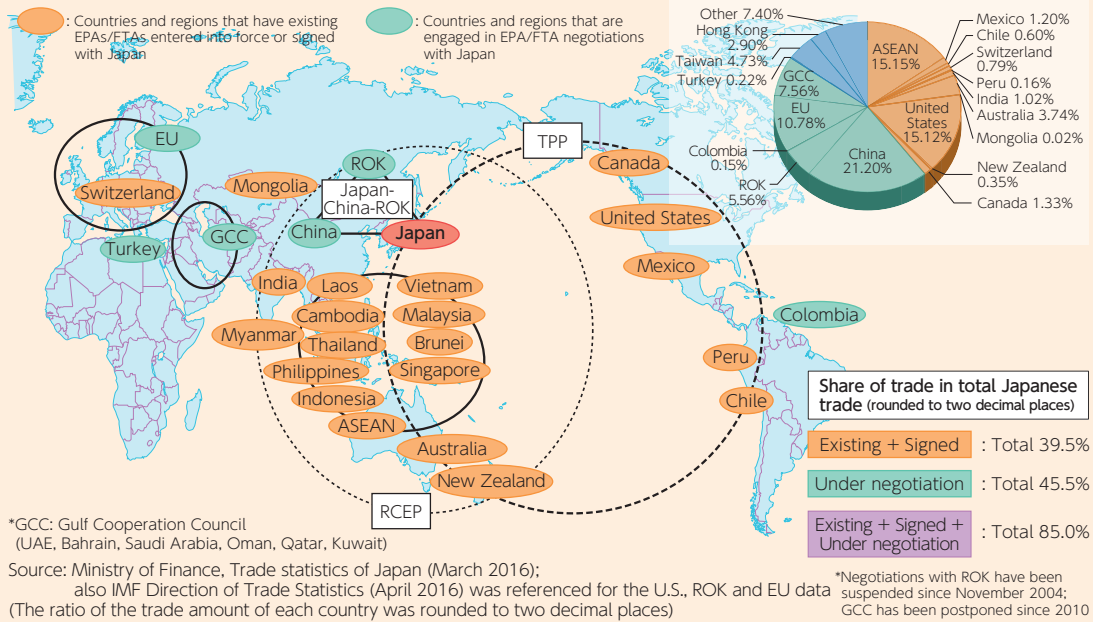
The Japan-China-ROK FTA is a negotiation with Japan's major trading partners: China (1st, about 21%) and the ROK (3rd, about 6%). The negotiations were launched in March 2013, and eleven rounds of negotiations were held by January 2017. At the Japan-China-ROK Trilateral Summit held in November 2015, the leaders confirmed to accelerate the negotiations, and the three countries have been engaged in vigorous discussions 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.

(E) Free Trade Area of the Asia-Pacific (FTAAP) Concept

For the eventual realization of the FTAAP, discussions are being held in APEC on next-generation trade and investment issues that need to be addressed in future FTAAP, and capacity building program

Japan's Efforts for Economic Partnership Agreement (EPAs)

- 16 Economic Partnership Agreements (EPAs) have entered into force or been signed with 20 countries
 - 39.5% of Japan's overall trade is conducted with countries which have EPAs entered into force or signed with Japan (corresponding figures for other countries US: 47.4%; ROK: 67.4%; EU: 32.5%)
 - 85.0% of Japan's overall trade is conducted with countries which have EPAs entered into force, signed, or under negotiations with Japan
- Reference: "Japan Revitalization Strategy" sets a policy goal of bringing up the FTA ratio to 70% by 2018



toward developing economies to realize greater inclusiveness. The “Collective Strategic Study on Issues Related to the Realization of the FTAAP,” launched in 2015, was concluded in 2016. Based on the results of this study, the “Lima Declaration on FTAAP” stressing the need for greater capacity building in developing economies, was adopted at the APEC Economic Leaders’ Meeting in Peru held in 2016.

B Bilateral Agreements and Other 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 that 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. The negotiations were suspended in 2004, and after that both countries continued working level discussions.

(B) Gulf Cooperation Council (GCC)

GCC member states constitute one of the most important regions for Japan as an oil and gas supplier, a market for infrastructure and others. The Japan-GCC FTA negotiations were launched in 2006 to reinforce economic ties with GCC member states, but have been suspended since

2009 on the grounds of the GCC side being not fully ready. Japan has been calling for an early resumption of the negotiations with the aim of further strengthening the economic ties with the GCC.

(C) Canada

In 2012, Japan launched EPA negotiations with Canada, with which Japan shares fundamental values and has a complementary economic relationship. The seventh round of negotiation meetings was held in November 2014 in order to achieve an EPA that can contribute to stable supply of energy, minerals and food from Canada to Japan. Since then, no bilateral negotiations have been held since both countries have focused on TPP negotiations.

(D) Colombia

In 2012, Japan started EPA negotiations with Colombia, a country which is rich in resources and maintains a high economic growth rate, and by December 2016, thirteen rounds of negotiations had been held. The EPA is also important for the consolidation of peace and nation-building in Columbia, and negotiations are at the final stage.

(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 Prime Minister Erdogan 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 December 2016, five rounds of negotiations had been held.

C Existing Bilateral Agreements

(A) Mongolia

Japan launched EPA negotiations in 2012 with Mongolia, where high mid-and-long-term 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 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, Prime Minister Saikhanbileg of Mongolia and Prime Minister Abe signed the agreement when the Prime Minister of Mongolia visited Japan in February 2015. Then on June 7, 2016, the EPA entered into force following the completion of respective necessary legal procedures in both countries.

(B) 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.

D Movement of Persons

In accordance with the EPAs, Japan has started to accept candidates for nurses and certified care workers from Indonesia, the Philippines and Viet Nam. In 2016, 279 Indonesians (46 nurses and 233 care workers), 336 Filipinos (60 nurses and 276 care workers) and 180 Vietnamese (18 nurses and 162 care workers) entered Japan. In 2016, 47 nurses (11 Indonesians,

22 Filipinos, and 14 Vietnamese) and 82 care workers (48 Indonesians and 34 Filipinos) passed the national examination. As for nurses and certified care worker candidates from Viet Nam, Japan accepted the first group in June 2014, the second group in May 2015, and the third group in May 2016, totaling 470 candidates.

E 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, expansion of investment opportunities, procedures for investment dispute settlement, 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 negotiating the investment treaties.

In 2016, an investment treaty with Iran was approved by the Diet, and an investment treaty was signed with Kenya. Moreover, as for EPAs that include an investment chapter, the Japan-Mongolia EPA entered into force, and the TPP Agreement was approved by the Diet. There are currently 35 investment-related treaties that have been entered into force (23 investment treaties and 12 EPAs), and six (five investment treaties and one EPA) that have been signed but not yet entered into force, bringing the total to 41, covering 43 countries and regions. Including investment-related treaties that are currently being negotiated, they will cover 80 countries and regions, and around 93% of Japan's direct investments overseas

(as of the end of December 2016).

Seven ministries and agencies including the Ministry of Foreign Affairs (Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism), adopted the "Action plan aiming to facilitate an investment environment through promoting the conclusion of investment-related treaties" to lay down policies on concluding investment-related treaties in the future. It stipulated the goal to sign and enact investment-related treaties with 100 countries and regions by 2020. This goal is also mentioned in the Growth Strategy.

In an effort to achieve this goal, Japan intends to engage actively in negotiations to conclude investment-related treaties with the Middle East, Africa, Central and South America, and other resource-producing countries. Japan will continue to incorporate the economic growth of emerging countries through overseas investments, while actively engaging in the conclusion of investment-related treaties with the aim of attracting foreign investment to the Japanese market.

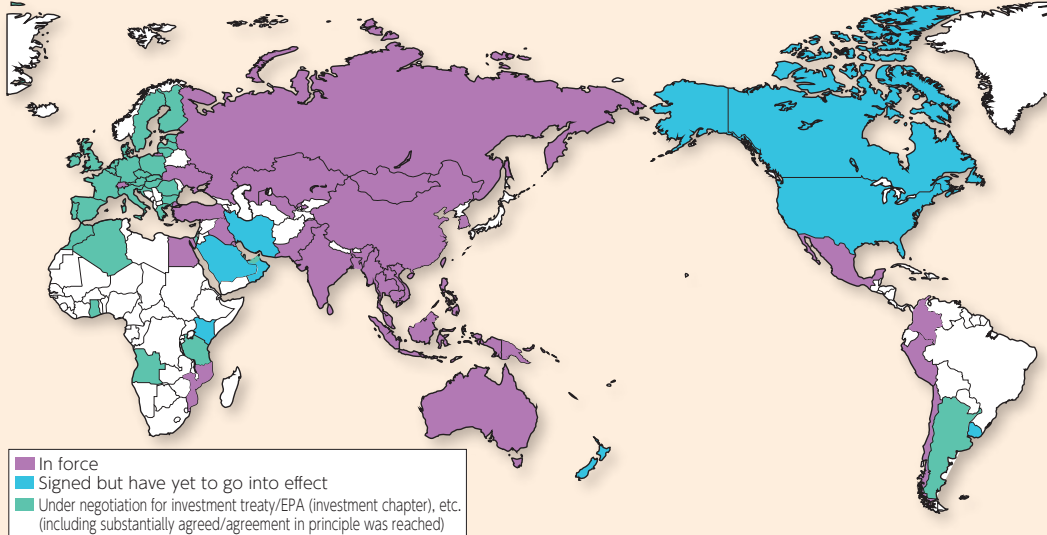
(B) Tax Conventions

Tax conventions are intended to eliminate international double taxation in cross-border economic activities (e.g., to reduce or exempt withholding taxes imposed on investment income such as dividends etc.), or to prevent tax evasion or avoidance, and provides an important legal basis for promoting sound investment and economic exchanges between two countries. Initiatives are being implemented

Current Status of Investment Related Treaties

Status of Negotiating Investment Related Treaties (*) (* investment treaties and EPA/FTA including investment chapters)

• In force: 35 (23 investment treaties and 12 EPAs) } 43 countries/regions covered
 • Signed but have yet to go into effect: 6 (5 investment treaties and 1 EPAs)
 • Under negotiation: 15 (9 investment treaties and 6 EPAs) ——— If these treaties enter into force, 80 countries and regions covered.



IN FORCE (except treaties that have ended) () : Year treaty entered into force
 *treaties based on liberalization

Investment treaties	
1 Egypt (1978)	13 Uzbekistan (2009)*
2 Sri Lanka (1982)	14 Peru (2009)*
3 China (1989)	15 Papua New Guinea (2014)
4 Turkey (1993)	16 Kuwait (2014)*
5 Hong Kong (1997)	17 Iraq (2014)
6 Pakistan (2002)	18 Japan-China-ROK (2014)
7 Bangladesh (1999)	19 Myanmar (2014)*
8 Russia (2000)	20 Mozambique (2014)*
9 ROK (2003)*	21 Colombia (2015)*
10 Vietnam (2004)*	22 Kazakhstan (2015)
11 Cambodia (2008)*	23 Ukraine (2015)
12 Laos (2008)*	

Note: Japan has a Japan-Taiwan Private Investment arrangement based on liberalization in 2011.

EPAs including investment chapter

1 Singapore (2002)	7 Indonesia (2008)*
2 Mexico (2005)	8 The Philippines (2008)*
3 Malaysia (2006)*	9 Switzerland (2009)*
4 Chile (2007)*	10 India (2011)*
5 Thailand (2007)*	11 Australia (2015)*
6 Brunei (2008)*	12 Mongolia (2016)*

Under negotiation

Investment Treaty	EPA/FTA including investment chapters
1 Israel	1 AJCEP*
2 Angola	2 Canada
3 Algeria	3 Japan-China-ROK
4 Qatar	4 EU
5 The United Arab Emirates	5 RCEP**
6 Ghana	6 Turkey
7 Morocco	
8 Tanzania	
9 Argentine	

*AJCEP: ASEAN-JAPAN Comprehensive Economic Partnership
 **RCEP: Regional Comprehensive Economic Partnership

Signed but have yet to go into effect

- Saudi Arabia (signed in April 2013 and approved by the Diet) (investment treaty)
- Uruguay (signed in January 2015 and approved by the Diet) (investment treaty)*
- Oman (signed in June 2015 and approved by the Diet) (investment treaty)
- TPP (signed in February 2016 and approved by the Diet) (EPA)*
- Iran (signed in February 2016 and approved by the Diet) (investment treaty)
- Kenya (signed in August 2016, not yet approved) (investment treaty)

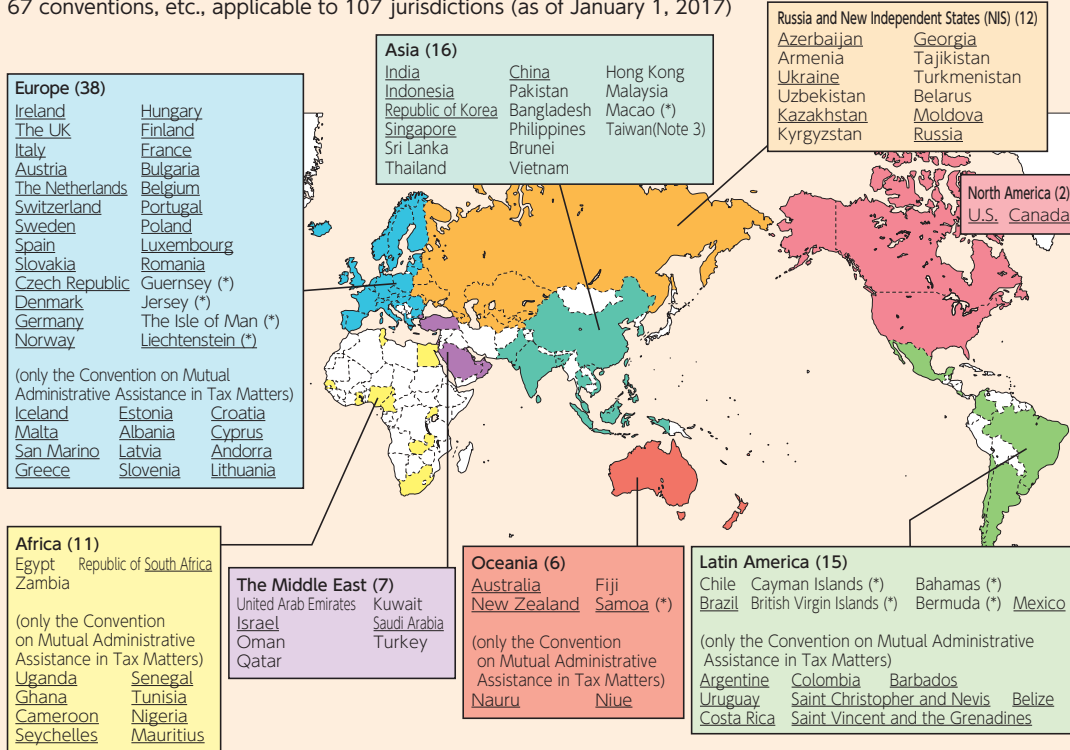
TPP: TRANS-PACIFIC PARTNERSHIP

proactively in accordance with the policy (“Growth Strategy”) of the Government of Japan to expand the tax convention network. In 2016, the Protocol Amending Tax Convention with India (October), the New Tax Agreement with Germany (October), and the Tax Convention with Chile (December) entered into force, and

the Tax Information Exchange Agreement with Panama (August), the Tax Convention with Slovenia (September) and the New Tax Convention with Belgium (October) were signed. Moreover, negotiations for new tax conventions with Latvia (June) and Lithuania (December), and amendment with Austria (October) were agreed in

Japan's Tax-Related Convention Networks

67 conventions, etc., applicable to 107 jurisdictions (as of January 1, 2017)



Note 1: Since the Convention on Mutual Administrative Assistance in Tax Matters is a multilateral treaty, and the tax conventions with the former Soviet Union and with the former state of Czechoslovakia were succeeded by more than one jurisdiction, the number of jurisdictions does not correspond to those of tax conventions

Note 2: The breakdown of the number of conventions and jurisdictions are as follows:

- Tax conventions for the avoidance of double taxation and the prevention of fiscal evasion: 55 conventions and 66 jurisdictions
- Tax information exchange agreements: 10 conventions and 10 jurisdictions (these jurisdictions are marked with (*) above)
- The Convention on Mutual Administrative Assistance in Tax Matters: 75 jurisdictions (these are underlined above)
- Private-sector tax arrangement with Taiwan: 1 arrangement and 1 jurisdiction

Note 3: With respect to Taiwan, a framework equivalent to a tax convention is established in combination of (1) a private-sector arrangement between the Interchange Association (Japan) and the Association of East Asian Relations (Taiwan) and (2) Japanese domestic legislation to implement the provisions of that private-sector arrangement in Japan.

principle. As of the end of 2016, Japan has concluded a total of 66 tax-related conventions, and these conventions and Private-sector arrangement with Taiwan are applicable to 107 jurisdictions.

(C) Agreements on Social Security

The purpose of agreements on social security is to resolve the issues of double payment of social security insurance premiums and no refund of annuity insurance. 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. The total number of countries, which concluded or signed such agreements with Japan, now stands at 19 as of the end of 2016. In addition, in 2016, Japan held negotiations for new agreements with Turkey, China, Sweden and Slovakia.

(2) Initiatives with International Organizations (WTO, OECD, etc.)

A WTO

(A) History of WTO and Doha

Development Agenda Negotiations

The development of the Japanese economy has largely benefited from the multilateral trading system led by the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). While 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 several decades, not all negotiations have made smooth progress. In the WTO Doha Development Agenda (DDA) negotiations 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 such factors as confrontation between emerging and developed countries. At the WTO's 9th Ministerial Conference (MC9) in December 2013, the "Bali Package," consisting of the three areas of (1) trade facilitation, (2) agriculture, and (3) development, was concluded as a partial agreement of the DDA. While there was some progress, the disagreements between emerging and developed countries remained deep-seated, indicating that the conclusion of DDA negotiations is still a long way off.

(B) The 10th and 11th WTO Ministerial Conference (MC10 and MC11)

At the 10th WTO Ministerial Conference (MC10) held in 2015, members concluded the ITA expansion negotiations led by Japan as the chair. Though it was a plurilateral agreement, eliminating tariffs on 201 items by 53 countries and regions was expected to bring benefits to all WTO members. With regard to DDA, after 15 years of negotiations, WTO members agreed on export competition in agriculture including export subsidies, which had not been agreed for a long time. 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. Although each of the eight areas including development covered by DDA remain important, it is necessary to explore new approaches including up-to-date issues, in order to revitalize and reinforce the WTO's negotiation function. At MC11 to be held in Argentina in December 2017, it will be necessary to carry out negotiations to achieve outcomes incrementally in doable areas, as was confirmed at WTO's Informal Ministerial Meeting held in October 2016.

(C) Plurilateral Negotiations

Since the 8th 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 Technology Agreement (ITA)² since 1997, the ITA expansion negotiations were conducted since 2012 with the aim of including newly-developed products³ 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 2015 through the negotiations of the tariff elimination period. (As of the end of December 2016, 54 countries and regions⁴ joined the ITA expansion). It is expected that the expansion of product coverage will promote IT trade, enforce economic growth and boost productivity through IT.

b Trade in Services Agreement (TiSA) Negotiations

In order to contribute to further liberalization of trade in services, intensified negotiations on the Trade in Services Agreement (TiSA) have been underway among 50 countries and regions⁵ including the U.S., the EU (28 nations), and Australia (as of the end of 2016) since the summer of 2013. Participants agree not to have a priori exclusion of any specific sector from the subject of negotiations, and aim to build on the General Agreement on Trade in Services (GATS), by establishing reinforced rules that are suitable for the

trade in services of today. Japan actively participates in the negotiations.

c Environmental Goods Agreement (EGA) Negotiations

Environmental Goods Agreement (EGA) negotiations began in July 2014. These negotiations are aimed at eliminating tariffs on environmental goods in accordance with the list of environmental goods endorsed by APEC Leaders in 2012 as well as the commitment made in the APEC Leaders' Declaration in 2013. So far, 46 members⁶ have participated and conducted 18 negotiations. Japan has been actively taking part since the start of the negotiations, and these negotiations are expected to expand the trading of environmental goods, and contribute to the achievement of sustainable development. At the G20 Hangzhou Summit (in China) held in September 2016, the leaders confirmed efforts to bridge the remaining gaps and to conclude a future-oriented EGA that seeks to eliminate tariffs on a broad range of environmental goods by the end of 2016. This led to the acceleration of negotiations. However, in the EGA Ministerial Meetings held on December 3 and 4, negotiations could not be concluded due to differences in the demands of participating members. It is important for Japan to continue working toward an early conclusion of the negotiations.

² 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 in 1996 and executed from 1997. Currently, 82 members (including 28 EU member states) such as Japan, the U.S., the EU, China and Russia are participating.

³ Digital audiovisual equipment (camcorders, DVD/HD/BD players), digital multifunction machines and printers, medical equipment (electronic endoscopes, etc.), semiconductor manufacturing equipment, etc.

⁴ Japan, the U.S., the EU, Australia, Canada, China, the ROK, Hong Kong, Taiwan, Singapore, Israel, Colombia, Costa Rica, Malaysia, Thailand, the Philippines, New Zealand, Norway, Switzerland, Liechtenstein, Mauritius, Montenegro, Guatemala, Iceland, Albania and Macao (54 members including 28 EU member states).

⁵ Japan, the U.S., the EU, Australia, Canada, the ROK, Hong Kong, Taiwan, Pakistan, Israel, Turkey, Mexico, Chile, Colombia, Peru, Costa Rica, Panama, Mauritius, New Zealand, Norway, Switzerland, Iceland, and Liechtenstein (50 members including EU member states).

⁶ Japan, the U.S., the EU, Australia, Canada, the ROK, China, Hong Kong, Taiwan, Singapore, Costa Rica, New Zealand, Norway, Switzerland, Liechtenstein, Israel, Turkey, and Iceland (46 members including 28 EU member states).

d Dispute Settlement in International Trade

The WTO dispute settlement system⁷ 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 since the inauguration of WTO in 1995 through the end of 2016 (the number of requests for consultation) stands at 518. In recent years, the increase in the number of dispute cases and the increase in the complexity of cases heightened the burden on the dispute settlement system. This is now posing a major challenge to the system. Japan has been involved, in the following cases:

- China's measures imposing anti-dumping duties on high-performance stainless steel seamless tubes from Japan⁸: The WTO Dispute Settlement Body recognized anti-dumping duties as being inconsistent with the WTO Agreements, and recommended China abide by the agreement, leading to the abolition of the anti-dumping duties by China in August 2016.

- The ROK's import bans on Japanese fishery products, and testing and certification requirements for radionuclides⁹: A panel was established in September 2015. The panel procedures are currently in progress.
- Brazil's measures concerning taxation¹⁰: A panel was established in September 2015. The panel procedures are currently in progress.
- The ROK's measures imposing anti-dumping duties on pneumatic transmission valves produced in Japan: A panel was established in July 2016. The panel procedures are currently in progress.
- India's safeguard measures on imports of certain steel products¹¹: Japan requested consultations with India in December 2016, in accordance with the WTO dispute settlement procedures.

Japan has contributed significantly to further improvements to the dispute settlement system, including the clarification of the procedures through the DSU¹² review negotiations.

(D) Efforts toward the Elimination and Correction of Protectionism

Since 2008, against the backdrop of

⁷ If a dispute is not resolved through the consultations process the dispute settlement procedures provide for, the disputing member may refer the issue to a panel and contest, e.g., 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 Panel's findings. Since the establishment of WTO in 1995 through the end of 2016, Japan was involved as a party (either as complainant or respondent) in 38 out of 518 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 (members may be reappointed once). Three Japanese nationals have served as Appellate Body members since the establishment of the WTO in 1995.

⁸ Japan requested the establishment of a panel in May 2013. The case related to anti-dumping duties, which China imposed on high-performance stainless steel seamless tubes used in the boilers in coal-fired thermal power plants. Anti-dumping duty is the duty imposed up to the dumping margin which is the difference between "the normal price" and the export price causing dumping.

⁹ The case involving import bans on Japanese fishery products, as well as testing and certification requirements for radionuclides the ROK introduced after the accident at TEPCO's Fukushima Daiichi Nuclear Power Plant in March 2011 and reinforced in September 2013.

¹⁰ The case of Brazil's tax advantage scheme that treats domestic products and exporting companies of Brazil favorably in the automotive and information and communication technology sectors.

¹¹ The Indian government applied provisional safeguard measures on hot-rolled coils in September 2015. In 2016, definitive safeguard measures were imposed by India. Moreover, the Indian government imposed the Minimum Import Price System on zinc plating, iron rods, etc., in February 2016, and prohibited or restricted the import of these products.

¹² Understanding on Rules and Procedures Governing the Settlement of Disputes

such occurrences as the failure of Lehman Brothers and the European debt crisis, an increasing number of countries throughout the world 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 (TPRM) and dispute settlement procedures. Japan actively engages in resisting and fighting protectionism.

B Organisation for Economic Cooperation 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 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 when 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 the region. In April, parliamentarians

from Southeast Asian countries visited Japan to coincide with OECD Secretary General Gurría’s visit to Japan. The OECD is promoting policy dialogues between OECD member countries and Southeast Asia through the Southeast Asia Regional Programme, of which Japan is the co-chair of the steering group. The parliamentarians from Southeast Asia exchanged opinions with the members of the OECD Parliamentary Association in Japan, and an OECD Global Parliamentary Network Meeting, a framework of the OECD for exchanges at the parliamentary level, was held in Tokyo. Moreover, at the Southeast Asia Regional Forum held in Viet Nam in June, Japan shared the discussions of the G7 Ise-Shima Summit and OECD Ministerial Council Meeting for the benefit of participants from Southeast Asia. At the same time, Japan reaffirmed its role as a bridge between the OECD and Southeast Asia providing full support to their cooperation.

(C) The 2016 OECD Ministerial Council Meeting

The OECD Ministerial Council Meeting chaired by Chile was held in June under the theme of “Enhancing Productivity for Inclusive Growth.” Japan contributed to discussions at the OECD as Vice-Chair along with Finland and Hungary, while exercising maximum leadership as Chair of the G7 Ise-Shima Summit. The Ministerial Council Statement issued as the result of the OECD Ministerial Council Meeting confirmed the need for a “positive cycle of economic growth and enhanced opportunities and income,” which is also a key element of Abenomics. Furthermore, member countries gave strategic reflection

on the future size and membership of the Organization, and agreed to present a report on the results at the 2017 OECD Ministerial Council Meeting. They also welcomed further progress of initiatives, including the enhancing cooperation with the Economic Research Institute for ASEAN and East Asia (ERIA).

(D) Initiatives in Various Sectors

Regarding excessive tax avoidance strategies by multinational enterprises, which attracted international attention through the release of the Panama papers in 2016, the “Base Erosion and Profit Shifting (BEPS) Project” was launched in June 2012 by the OECD Committee on Fiscal Affairs¹³, and countermeasures have been discussed. In this project, discussions were held upon the request of the G20 Finance Ministers in accordance with the “BEPS Action Plan,” which identified 15 actions to address BEPS. The final report was published in October 2015, and, was also reported in November at the G20 Antalya Summit. The measures agreed upon in the project have now entered their implementation phase (“BEPS Implementation Phase”), and to ensure their effective and consistent implementation, the “Inclusive Framework on BEPS” was established at the end of June 2016 in Kyoto. This framework was expanded to include 94 countries and jurisdictions (as of January 5, 2017). Moreover, negotiations were held to develop the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, and the Convention was opened for signature at the end of 2016. Japan actively takes part in discussions in the international arena, including the

OECD and G20, and is spearheading global initiatives related to taxes.

(E) Contributions in Terms of Financial and Human Resources

Japan was the second biggest financial contributor to the OECD after the U.S. in 2016, covering 10.79 % of the OECD’s mandatory contributions (Part I Budget). Moreover, Japanese nationals have successively served as the Deputy Secretary General, the number two post of the OECD Secretariat. Japan is also the greatest contributor (contributing the same amount as Germany in 2016) to the OECD Development Centre, and a Japanese national has been serving as a Deputy Director of the center since July. Japan has supported the OECD through such contributions in terms of financial and human resources.

(3) Initiatives in International Meetings (G7 and G20 Summits, APEC, etc.)

A 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 Ise-Shima Summit held on May 26 and 27, hosted by Japan as the G7 presidency, the G7 leaders agreed to jointly take a leading role in international efforts to address pressing issues, such as downside risks for the global economy and challenges to the international order through unilateral actions, as a group guided by common values and principles, including freedom, democracy, the rule of law and respect for

¹³ Chairman at the time of the launch of the BEPS Project was Masatsugu Asakawa, Vice Minister of Finance for International Affairs, Ministry of Finance (served from June 2011 to December 2016)

human rights. In doing so, they adopted the G7 Ise-Shima Leaders' Declaration.

Regarding the global economy, discussions were held on the current situation, and the G7 leaders committed to reinforce their efforts to address the current economic situation in order to avoid falling into another crisis. While reaffirming the important role of fiscal, monetary and structural policies, the three-pronged approach, G7 leaders concurred on (1) strengthening economic policy responses in a cooperative manner, (2) using all policy tools - monetary, fiscal and structural - individually and collectively to strengthen global demand and address supply constraints, especially on the importance of strengthening efforts in a cooperative manner to implement fiscal strategies flexibly as well as to advance structural reforms decisively. Moreover, as Presidency, Japan prioritized the issues of "quality infrastructure investment," "health" and "women" to lead the international community as G7, and agree to take specific actions.

In the field of politics and diplomacy, discussions centered on topics concerning Asia, such as maritime security and North Korean issues, due to the summit being held in Asia for the first time in eight years. Regarding maritime security, the leaders reaffirmed the importance of the "Three Principles of the Rule of Law at Sea," and confirmed their intent to closely cooperate in finding comprehensive solutions to the various pending problems related to North Korea, including the nuclear problem, missile problem and abduction issue. Moreover, discussions were held on issues faced by the international community, such as terrorism, violent extremism and the

refugee crisis, and the leaders agreed on the need to spearhead international initiatives.

For Japan it was the first summit to be held in the country in eight years, since the Hokkaido Toyako Summit, and Japan succeeded in making an impact in the global arena by leading discussions and achieving specific results in not only addressing the issue of the global economy, which was the summit's biggest theme, but also the priority issues of Japan of "quality infrastructure investment," "health" and "women," as well as maritime security.

At the G20 Hangzhou Summit (in China), in light of the various downside risks the global economy is currently facing, the leaders exchanged views on how the G20 can strengthen policy coordination to foster an innovative, invigorated, interconnected and inclusive world economy, and the G20 Leaders' Communique was adopted at the closing of the summit.

The G20 expressed its determination to use all policy tools - monetary, fiscal and structural - individually and collectively and formulated the Hangzhou Action Plan incorporating the latest macroeconomic and structural policy measures, as well as the G20 Blueprint on Innovative Growth, which along with structural reforms covers the areas of innovation, the new industrial revolution and the digital economy. Moreover, the leaders reiterated their opposition to protectionism, as well as reaffirming cooperation in areas such as international tax, including the BEPS (Base Erosion and Profit Shifting) Project and measures to fight corruption, and confirming efforts to further liberalize trade and investment. The leaders also agreed to conclude negotiations on the Environmental Goods Agreement (EGA)

Outcome of the APEC Economic Leaders' Meeting in Peru in 2016

		Points of the Leaders' Declaration
Promotion of regional economic integration	Global economy	● Remain committed to using all policy tools – monetary, fiscal, and structural.
	Promotion of free trade	● Reaffirmed the commitment to fight against all forms of protectionism. ● Affirmed the need to reach out to all sectors of societies to better explain the benefits of open markets.
	Inclusive growth	● Reaffirmed the aspirations to achieve balanced, inclusive, sustainable, innovative, and safe growth in the APEC region.
	Free Trade Area of the Asia-Pacific (FTAAP)	● Endorsed the Recommendations of the Study as the Lima Declaration on FTAAP. ● FTAAP should be high quality and comprehensive, and incorporate and address 'next generation' trade and investment issues. ● Reaffirmed commitment that FTAAP should be built upon ongoing regional undertakings, and through possible pathways including the TPP and RCEP.
	Services	● Endorsed the APEC Services Competitiveness Roadmap (2016–2025). Established targets to be achieved by 2025 including securing an environment for access to the services market, and expansion of APEC services trade.
	Digital trade	● Welcomed initiatives by respective economies to explore potential economic growth in the field of digital trade. Recognized the importance of implementing the APEC Cross-Border Privacy Rules (CBPR) System.
	Quality infrastructure	● Reaffirmed the importance of quality infrastructure for sustainable economic growth.
Enhancing the regional food market	Food security	● Possibility of contributing to address challenges to food security through promoting sustainable agriculture, enhancing food markets, and integrate food producers into food value chains. ● Commitment to enhance cooperation on implementing policies to address the relationship between food security and climate change issues in the respective economies.
Modernization of micro, small, and medium-sized enterprises	Global value chains (GVCs)	● Recognized that micro, small, and medium-sized enterprises are an essential component to achieve quality growth and prosperity. ● Encouraged further efforts to enable better participation of developing economies and MSMEs in GVCs.
Developing human capital	Education	● Encouraged economies to collaborate on improving education in the Asia Pacific region.
	Women	● Welcomed efforts to support women's entrepreneurship, grow women-led SMEs, enhance women's digital literacy, promote women's career development, strengthen women and girls' access to science, technology, engineering and mathematics (STEM) education and careers.
	Health	● Emphasized the importance of promoting resilient and sustainable health systems toward the achievement of Universal Health Coverage (UHC).
Looking forward	Terrorism	● Strongly condemned acts of terrorism in all its forms and manifestations.
	Anti-corruption measures	● Encouraged all economies to implement anti-corruption actions.

by the end of 2016, and agreed on further initiatives to tackle the excess capacity in the steel industry and other industries

At the G20 Hangzhou Summit, the world economy was the biggest theme as it was at the G7 Ise-Shima Summit. On the basis of the discussions at the Ise-Shima Summit, Japan, as the G7 presidency, stressed that,

with the world economy facing various risks, it is important that we strengthen international cooperation. The leaders of the G20 concurred on the need to take all appropriate policy responses including monetary and fiscal policies, as well as restructuring. The leaders, including emerging economics such as China, were

able to reach the agreement on steadily addressing structural problems, such as excess capacity in some industries.

B 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 of the 21 economies¹⁴ in order to promote regional economic integration and cooperation. APEC consists of 21 countries and regions (economies) in the Asia-Pacific region, and it is a “world growth center” with about 40% of the world population, around 50% of the trade volume, and about 60% of the world GDP. 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 APEC 2016 chaired by Peru, under the overall theme of “Quality Growth and Human Development,” the four priority issues were identified as (1) the promotion of regional economic integration and quality growth, (2) the enhancement of the regional food market, and (3) the modernization of micro, small and medium-enterprises, and (4) the development of human capital. At the APEC Economic Leaders’ Meeting held



APEC Economic Leaders’ Meeting in Peru, 2016 (November 20, Lima, Peru (Photograph of representatives) Photo: Cabinet Public Relations Office)

in November, active discussions were held on the overall theme and priorities described above. As a result, the meeting adopted the APEC 2016 Leaders’ Declaration, and as its annexes, the “Lima Declaration on the Free Trade Area of the Asia-Pacific (FTAAP)” and the “APEC Services Competitiveness Roadmap (2016 – 2025).

Prime Minister Abe expressed the need for leaders to use all policy measures – monetary, fiscal, and structural – individually and collectively, to respond to the growing downside risks to the global economy. Prime Minister Abe also stated that free trade is the foundation of global economic growth, and expressed Japan’s intention to continue to promote free trade by progressing policies to bring about “Inclusive Growth” in response to the protectionism brought about by growing disparity. He further expressed that the TPP Agreement would create a free and fair international economic zone which would serve as a foundation of the “Inclusive Growth,” and that aiming to achieve a comprehensive and high quality agreement in the Free Trade Area of the Asia-Pacific (FTAAP) would work as another basis of “Inclusive Growth.”. He also stated that realizing the Inclusive

¹⁴ APEC participating units including Hong Kong, China and Chinese Taipei

Economy is indispensable to cultivating sustained public support for free trade, and introduced Japan's activities to realize its initiative of "The Japan's Plan for Dynamic Engagement of All Citizens," emphasizing it as a strong example of a growth strategy based on a "virtuous cycle of growth and distribution. Moreover, Prime Minister Abe asserted the need to establish a free and fair business environment in response to new businesses such as in the service sector and digital trade.

Viet Nam will host APEC in 2017.

(4) 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) and the World Intellectual Property Organization (WIPO). In March, Japan deposited instruments of accession to the Patent Law Treaty (PLT) and the Singapore Treaty on the Law of Trademarks (STLT) to the WIPO, and the treaties came into force for Japan in June. Japan has been stipulating rules on intellectual property rights in all possible EPAs: While making effective use of provisions providing a high level of protection set forth in international agreements, such as Anti-Counterfeiting Trade Agreement (ACTA) and the TPP Agreement, as the basis for calling for stronger protection, Japan has been negotiating EPAs diligently to ensure the adoption or maintenance of an internationally harmonized intellectual

property system and the effective enforcement of relevant laws. Furthermore, 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.

2 Support for Japanese Companies' Overseas Business Expansion in Promoting Public and Private Partnerships

(1) 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 71,129¹⁵ as of October 2015. The ratio of overseas manufacturing production has risen in recent years to 24.3% – a record-high level

¹⁵ The Statistics on the Japanese Nationals Residing Overseas, MOFA



Reception to promote Japanese food, sake, and food culture (Embassy of Japan in Italy)

in 2013¹⁶. One of the 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, 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 Support¹⁷” 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. The “Division for Promotion of Public and Private Partnership,” established in September 2015 within the Economic Affairs Bureau, oversees the forming of public and private partnerships in the expansion of Japanese companies overseas by gathering information and laying down policies in support of companies, responding to inquiries from companies, engaging in PR activities, etc. Initiatives are being

implemented with the support of the entire ministry.

At the diplomatic missions overseas, all staff, including those 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 with the aim of providing meticulous and specific support according to the conditions in various regions, and under the motto of being “the most open and responsive government office in the world.” Moreover, promoting the “Japan brand,” such as the products, technologies, services and agricultural, forestry and fishery products of Japanese companies at receptions to celebrate the birthday of His Majesty the Emperor, and various other events and exhibitions held by overseas diplomatic missions, is another important initiative in supporting Japanese companies. MOFA is also proactive in providing embassies and ambassadors’ residences as venues for holding exhibitions of the products of Japanese companies and local governments, food tasting events, etc., as well as holding seminars on business expansion, and social gatherings for local companies and associated organizations.

(2) 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 to Infrastructure Export

¹⁶ The 45th Survey of Overseas Business Activities, METI

¹⁷ Established in December 2013. The system was bolstered in May 2015 by appointing the two state ministers for foreign affairs as deputy chiefs, and all Parliamentary vice-ministers for foreign affairs as acting chiefs.

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 28 meetings have been held as of the end of 2016, to focus on individual issues, including specific countries and regions, railways, and information communication, in addition to discussing the laying down of “Strategy for Exporting Infrastructure Systems” and following up on them, with the aim of strengthening qualitative and quantitative support through expansion of the risk-money supply, the speeding up of yen loans, expansion of targets for overseas loans and investments, implementing of strategic PR, etc.

The framework to promote the development of overseas business expansion of Japanese infrastructure systems is being maintained and reinforced through schemes such as the promotion of “top-level sales” led by officials including Prime Minister Abe and Foreign Minister Kishida, 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 “officers in charge of Infrastructure Projects,” who gather and consolidate information on infrastructure projects, in the diplomatic missions overseas in countries of focus (173 personnel, at 88 diplomatic missions overseas in 69 countries as of December 2016).

As concrete results of these efforts, Japanese companies or their group companies received orders for such projects as the launching of a Mars probe (UAE), thermal power plants (Indonesia, Uzbekistan, etc.), and an urban railway

system (Thailand).

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

The Government of Japan has set a goal of expanding the value of the export of Japanese agricultural, forestry and fishery products and food to 1 trillion yen by 2019 (“Economic Measures for Realizing Investment for the Future”). 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 attractiveness of Japanese products at events held at embassies and consulate generals, etc., such as receptions to celebrate the birthday of His Majesty the Emperor. At the same time, MOFA has responded to inquiries from business operators, including those involved in exporting agricultural, forestry and fishery products and food. In particular, Japanese business support officers (in charge of the food industry) were assigned to 58 diplomatic missions overseas in 54 countries and regions to strengthen initiatives to promote the export of agricultural, forestry and fishery products and food.

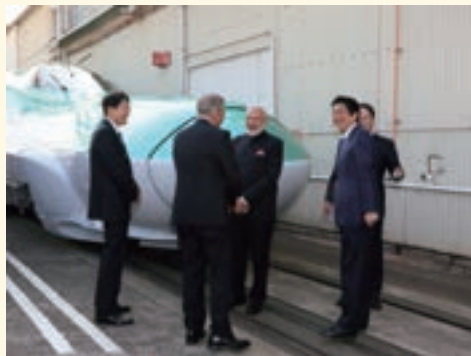
Although six years have passed since the Great East Japan Earthquake and the accident at Tokyo Electric Power Company’s Fukushima Daiichi Nuclear Power Plant (TEPCO’s, Fukushima Daiichi NPS), many countries and regions continue to place import restrictions on Japanese agricultural and fishery products and food. Based on scientific evidence, MOFA has requested other countries to consider the relaxation or abolition of import restrictions as soon

Column Quality Infrastructure Investment

The global supply and demand gap in infrastructure investment, and the realization of sustainable growth are serious issues facing the international community. In order to tackle these issues, the international community is becoming more aware that it is necessary to pursue both the quality and quantity of infrastructure and to promote quality infrastructure investment. "Quality infrastructure investment" refers to investment that takes into account not only the cost of infrastructure itself but also elements such as the life-cycle cost including maintenance and management, safety and resilience, consideration for environmental and social aspects, local job creation and human resource development, and effective utilization of public and private funds including through public-private partnerships (PPP) under full consideration of the developmental phase of the recipient country and other factors. In May 2016, at the G7 Ise-Shima Summit with Japan holding the G7 Presidency, G7 agreed on the "G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment," which incorporates the fundamental elements of quality infrastructure investment.

With the aim of promoting quality infrastructure investment, Prime Minister Abe unveiled the "Partnership for Quality Infrastructure" in May 2015. Under this initiative, Japan, in collaboration with the Asian Development Bank (ADB), will provide approximately US\$110 billion for quality infrastructure investment in Asia over the next five years starting in 2016, and through efforts to improve loan assistance systems, work toward providing even more attractive financing to fulfill infrastructure demand in Asia. On May 23, 2016, Prime Minister Abe announced the "Expanded Partnership for Quality Infrastructure", through which the public and private sectors will provide financing of approximately US\$200 billion to fulfill infrastructure demand not only in Asia but across the world. At the same time, he also announced plans to further improve loan assistance systems and to strengthen the structures of government institutions that provide assistance, including the Japan International Cooperation Agency (JICA).

Alongside these initiatives to provide funds and improve various systems, Japan is also working on concrete projects on quality infrastructure. In India, for example, Japan and India cooperate to advance the high-speed railway project that connects around 500 km between Mumbai and Ahmedabad. In this project, the decision has been made to introduce Japan's Shinkansen (bullet train) system. It is expected to utilize Japan's advanced technology to develop high-speed railways through human resource development for the operation, maintenance, and management of the high-speed railways as well as technology transfer. Japan intends to financially support the realization of this project by providing funds for the project in a timely manner. This project will contribute to promoting the flow of people and goods in India, revitalizing the Indian economy, and transferring Japan's safe and high-performance technology to India which makes this project a good example of quality infrastructure investment. Going forward, Japan hopes to continue cooperating with countries and international institutions in Asia and around the world to promote such quality infrastructure investment in various countries.



Prime Minister Abe inspecting the *Shinkansen* and *Shinkansen* factory with Prime Minister Modi of India (November 12, Tokyo Station, and factory specializing in the production of railway cars in Kobe City, Hyogo Prefecture. Photo: Cabinet Public Relations Office)

as possible by providing each country with timely and accurate information and using WTO frameworks in collaboration with relevant ministries and agencies, in order to eliminate harmful rumors about agricultural and fishery products, which are the main products of the disaster-stricken area.

As a result of these efforts, import restrictions were lifted in India (February), Kuwait (May), Nepal (August), Iran (December), and Mauritius (December). So far, 21 countries have removed their import restrictions (Canada, Myanmar, Serbia, Chile, Mexico, Peru, Guinea, New Zealand, Colombia, Malaysia, Ecuador, Viet Nam, Iraq, Australia, Thailand, Bolivia, India, Kuwait, Nepal, Iran and Mauritius). In addition, restrictions were eased in 2016 by the U.S., 28 EU Member States, Switzerland, Norway, Iceland, Liechtenstein, Egypt, Brunei, French Polynesia, Israel, Qatar, New Caledonia and the UAE, and the number of regions and items subject to

import restrictions are on the decline (as of the end of December 2016).

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

(4) The UK's Withdrawal from the EU: Message from Japan

In response to the impact on the activities of Japanese business and the real economy, resulting from the national referendum on June 23 in support of the UK's withdrawal from the EU, Japan established the Government Task Force Regarding the Withdrawal of the UK from the EU¹⁸ in July, chaired by Deputy Chief Cabinet Secretary Hagiuda.

¹⁸ The Government Task Force Regarding the Withdrawal of the UK from the EU, chaired by Deputy Chief Cabinet Secretary Hagiuda, was established in July 2016. It compiled concerns and requests of the business community, centered on Japanese businesses operating in Europe, through the relevant ministries and agencies (the Cabinet Office, Financial Services Agency, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, Ministry of Land Infrastructure and Transport, and the Personal Information Protection Commission Secretariat). Four meetings have so far been held (the 1st meeting was held on July 27, 2016, the 2nd on August 18, the 3rd on September 2, and the 4th on January 19, 2017).

Japanese businesses operating in the UK and the EU, in their diversity in size, sectors and the context in which they invested in the market, are said to have more than 6,000 bases throughout Europe. Many Japanese businesses made their way into the EU market, assuming that the freedom of economic activities is ensured. In the UK amongst others, where diverse industries locate their bases, there are outstanding voices calling for the UK to continue to participate in the “Single Market¹⁹” and “Single Passport²⁰.”

“Japan’s Message to the UK and the EU”²¹ was adopted at the 3rd meeting of the government task force to address the UK’s withdrawal from the EU held in September, to ensure that the views of business are represented appropriately during withdrawal negotiations between the UK and the EU. The Message was conveyed promptly to the UK and the EU, including during the brush-by meeting at the G20 Hangzhou Summit between the leaders of Japan and the UK (September 5), and the Japan-UK leaders’ meeting held during the UN General Assembly (September 20). Moreover, the Embassy of Japan in the UK has continued dialogue with the British government, based on the Message. While holding a series of explanatory meetings for Japanese businesses with the participation of British dignitaries, Japan’s diplomatic missions to relevant countries have also been gathering the latest information

related to the UK’s withdrawal from the EU and providing information to Japanese businesses.

3 Promoting Resource Diplomacy along with Foreign Direct Investment in Japan

(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

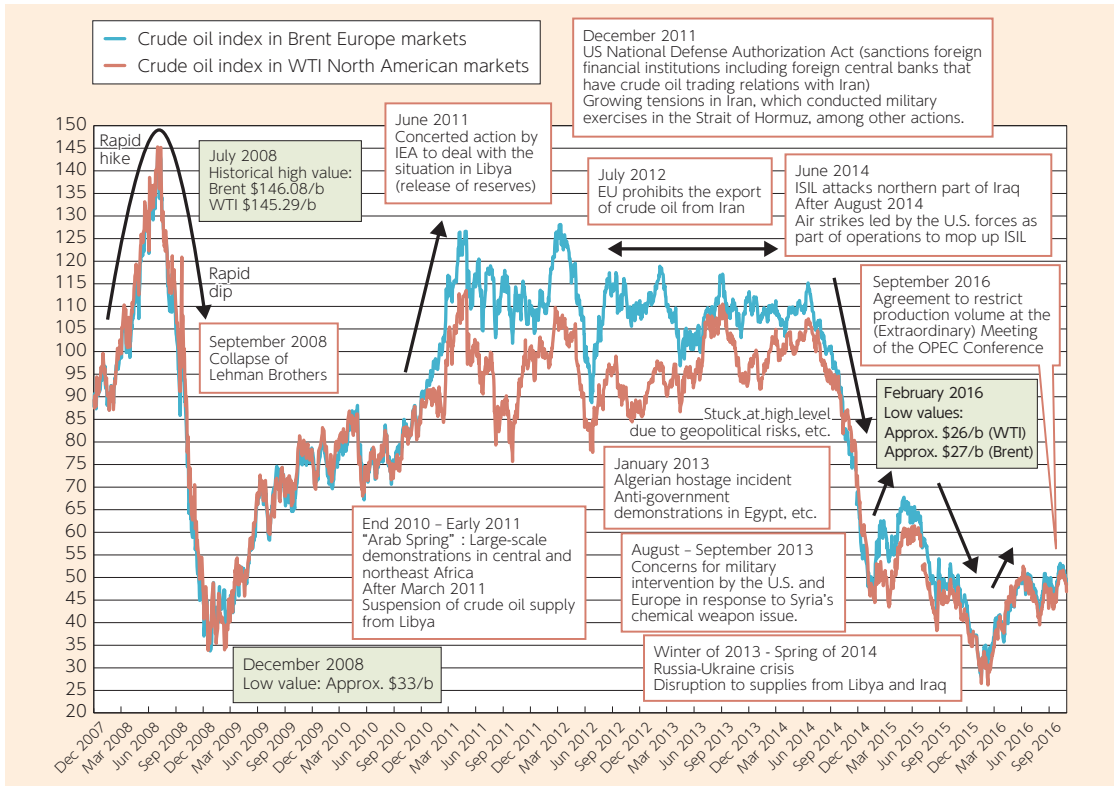
Crude oil prices had remained at high levels since the end of 2010, reflecting factors such as increased energy demand centered on emerging countries, intensifying competition, the rise of resource nationalism, and changing situations in the Middle East. However, the price of crude oil declined from the latter half of 2014 mainly as the result of a slowdown in oil demand due to economic stagnation in China, and the relaxation of supply and demand caused by a steady increase in oil production by non- OPEC member states, including shale oil production in the U.S. The price remained low, temporarily falling below 30 US dollars per barrel in 2016. Concerns of a prolonged stagnation in oil prices led to an agreement among member countries, as well as non-member countries, at OPEC’s meeting in November to reduce production output. Prices temporarily rose to above

¹⁹ A system allowing the free movement of people, goods, services and capital between EU Member States without being hindered by borders or other obstacles, just as they move freely within each Member State.

²⁰ A system ensuring the freedom to establish and operate branch offices and to provide financial services in all other EU Member States, upon acquiring a license in one Member State.

²¹ The main points of Japan’s message to the UK and the EU are as follows: (1) Japan expects to continue cooperating and collaborating closely with the UK and the EU for international peace, stability and prosperity, (2) Japan expects the maintenance of an open Europe with its free trade system, and agreement in principle on the Japan-EU EPA during the year, (3) Japan requests the securing of predictability in BREXIT negotiations through an uninterrupted and transparent process, (4) Japan requests the UK and the EU to heed the voices of Japanese businesses to the fullest extent and to do their utmost to cooperate in taking the necessary measures, and (5) Japan is willing to cooperate with the UK and the EU so that the process of negotiations for the UK’s withdrawal will not cause major disturbance to the world economy.

Crude Oil Price Trends



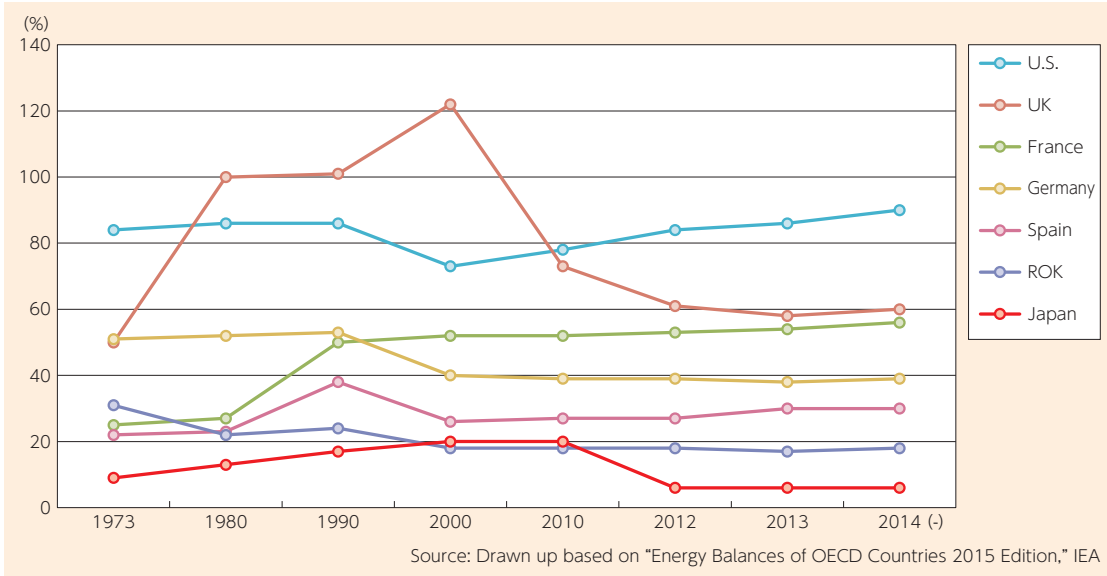
50 US dollars per barrel, and oil prices appear to be rising over the mid-to-long-term. While the decline in oil prices brings benefits to energy consuming countries in the short term, it is financially detrimental to oil producing countries, and leads to decreased investment in energy-related projects, so it is important to continue to keep a close eye on its mid-to-long-term impact on energy security.

(B) Situation in Japan

Japan's reliance on fossil fuels for 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 2014 with increasingly serious consideration being given to the securing of a stable supply of energy at reasonable

prices, due to the undesirable impact of rising fuel procurement costs on the trade balance. In July 2015, based on the Strategic Energy Plan, the "Long-term Energy Supply and Demand Outlook" (outlook for the structure of energy supply and demand that can be realized if appropriate measures are taken based on the fundamental direction of energy policies laid down upon envisioning the policy objectives to be achieved, from the perspective of safety, stable supply of energy, economic efficiency and the eco-friendliness of the energy policies) was approved. Moreover, full liberalization of the electricity retail market began in Japan, in April 2016.

Energy self-sufficiency rate in major countries



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 the following activities.

(A) G7 Summit

In 2016, Japan led discussions on energy security as the G7 chair. The G7 Kitakyushu Energy Ministerial Meeting was held in May, in Kitakyushu City, Fukuoka Prefecture. As a result, the "Kitakyushu Initiative on Energy Security for Global Growth" was issued as a joint statement. This was also carried over to the G7 Ise-Shima Summit, and the G7 Ise-Shima Leaders' Declaration included a statement on the importance of initiatives to continue stable investment in quality energy infrastructure and upstream developments, which Japan prioritizes, and continue taking

actions toward strengthening a transparent and flexible natural gas market. Moreover, the "CONNEX Guiding Principles towards Sustainable Development" were endorsed as part of the Leaders' Declaration. The CONNEX Initiative aims to realize Sustainable Development Goals (SDGs), and it is a framework for promoting the development of resources in a way that ensures the appropriate benefitting of emerging countries through cooperation by G7 countries in fostering human resources and legislation. Japan is actively involved in this framework.

(B) 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 at the leaders' and ministerial level 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 Hiroshige Seko have engaged in proactive resource energy diplomacy while visiting major resource-rich countries or holding meetings with their leaders in North America, the Middle East, Africa, Latin America and the Asia-Pacific region. In 2016, Prime Minister Abe visited Russia and Mongolia, in addition to holding leaders' meetings with various countries in the Middle East (Iran, Qatar, Kuwait, Saudi Arabia, etc.), Kazakhstan, Brazil, etc., to strengthen bilateral ties.

(C) 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 the capability to enforce maritime law, cooperating on information sharing among countries concerned, and developing navigation facilities. Japan has also been dispatching units of the Japan Self-Defense Forces and Japanese Coast Guard officers to areas off the coast of Somalia and the Gulf of Aden to engage in escort operations of ships from all over the world (See 3-1-3(4) Oceans and Seas).

(D) 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 (as of the end of December 2016). Furthermore, MOFA holds "Strategy Meetings 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.

(E) Making Use of International Fora and Rules

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 striving to quickly and accurately grasp information, such as trends in the global energy markets, the medium and long-term outlooks for supply and demand, and trends in resource-producing countries. Moreover, in 2016, Japan hosted the Meeting of the Energy Charter Conference in Tokyo for the first time in East Asia. Japan led discussions as Chair of this meeting, which is the highest decision-making body of the Energy Charter Treaty (ECT) that prescribes liberalizing trade and transit, and protecting

and promoting investment in the energy sector. The “Tokyo Declaration on the Energy Charter” was issued as an outcome document referring to the promotion of clean energy in an effort to simultaneously address the international issues such as energy security and climate change, ensuring the stability and transparency of the environment for investing in, e.g., quality infrastructure, and bolstering of outreach activities to attract new members to the ECT. Furthermore, with regard to LNG, Japan held the “LNG Producer-Consumer Conference 2016” (hosted by METI and the Asia Pacific Energy Research Centre (APEREC)) in November 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 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 deep seabed, two Japanese contractors concluded contracts with the International Seabed Authority (ISA) and gained exclusive rights to explore for deep-sea mineral resources in a designated exploration area in search of manganese nodules and cobalt-rich ferromanganese crusts.

D Efforts toward Green Growth and a Low Carbon Society

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 (e.g., in human resources development and cooperation through international frameworks) through the use of renewable energy (solar, wind, biomass, geothermal, hydraulic, the use of the oceans, etc.) and promotion of energy-efficient technologies. With a view to disseminating and promoting the sustainable use of renewable energy, Japan has been engaged actively in the International Renewable Energy Agency (IRENA) and served as President of the Assembly in January 2015. Moreover, in March 2016, Prime Minister Abe expressed his intention to implement the “Fukushima

Column Adoption of the “Tokyo Declaration on the Energy Charter” ~ Outcome of Japan's diplomacy in the energy sector in 2016 ~

On November 25 and 26, 2016, the Meeting of the Energy Charter Conference was held in Tokyo, chaired by Foreign Minister Kishida. This Meeting brought together the observers and members that are party to the Energy Charter Treaty, which is the only multilateral legal framework that provides for the protection and liberalization of investment in the energy sector. The Meeting, held for the first time in East Asia, offered a space for engaging in discussions about future approaches. It was attended by 32 delegates at the Ministerial level, including the energy ministers of Iran, Georgia, and Uganda, as well as representatives from about 80 countries and international organizations. Lively discussions on energy issues took place during the Meeting.

With respect to the medium to long-term challenges of the energy situation faced by Japan, the importance of stable and continuous investment in the energy sector has been pointed out. On the demand side, energy consumption is expected to continue growing in emerging countries going forward, particularly in Asia. However, the impact of sluggish crude oil prices has contributed to a decline in investment in the energy sector for two consecutive years, and may threaten the stable supply of energy in the future. On the other hand, in response to the heightened interest in climate change issues after the Paris Agreement came into effect in November 2016, it is expected that the investment in the energy sector will contribute to promoting clean energy and energy efficiency. In light of these circumstances, the importance of investment in ensuring energy security was affirmed at this Meeting of the Energy Charter Conference. The Meeting also provided an opportunity for coming up with the future image of the Energy Charter processes that can contribute to global issues including sustainable development and climate change. The discussions were summarized in the outcome document, “Tokyo Declaration on the Energy Charter.”



Ministerial level participants



Scene of the signing ceremony held at the Iikura Guest House of the Ministry of Foreign Affairs

This Meeting of the Energy Charter Conference also welcomed the signing of the International Energy Charter (a political declaration that supports the modernization of the Energy Charter Treaty) by Iran, Iraq, Guatemala, and three regional organizations in Africa, which acquired Observer status to the Energy Charter Conference. In his speech delivered during the signing ceremony,

Foreign Minister Kishida noted that the expansion in contracting parties to the Energy Charter Treaty and the growing universality of the International Energy Charter hold great potential for contributing to stabilizing global energy demand and supply, and strengthening the energy security. Taking the opportunity of this Meeting of the Energy Charter Conference held in Tokyo, the participation of an increasing number of countries in the Energy Charter Treaty is highly anticipated going forward.

In addition to securing a stable supply of energy for Japan, in the aspect that Japan communicated clearly to the world its energy diplomacy stance of contributing to the achievement of the Sustainable Development Goals (SDGs) through the realization of global energy security, the success of this Meeting of the Energy Charter Conference and the Tokyo Declaration on the Energy Charter could be described as the culmination of Japan's diplomacy efforts in the energy sector for 2016, the year Japan assumed the G7 presidency. To secure a stable supply of energy, which is the foundation for robust economic growth, Japan will continue to put effort into energy and resource diplomacy going forward.

Plan for a New Energy Society²² to promote Fukushima as the center of research into renewable energy. Regarding this plan, MOFA organized a study tour (Fukushima Study Tour) in August of the same year for diplomatic corps including ambassadors from various countries based in Tokyo, and they visited various places including the “Fukushima Renewable Energy Institute.” The tour promoted throughout the world Japan's proactive stance toward the spread and promotion of renewable energy.

(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) estimated in 2012 that by 2050, global food production must be about 60 percent higher than that of 2005 – 2007 in order to ensure adequate food for

the increased population. Since Japan relies on imports for a lot of its food, ensuring global food security is directly connected to securing a stable food supply for Japan. While increasing domestic food production, it is necessary to simultaneously promote global food production and contribute to the establishment of stable markets of agricultural products and trade systems.

Regarding starvation, which is a pressing issue in global food security, the target of halving the percentage of people suffering from hunger between 1990 and 2015, was set as one of the Millennium Development Goals (MDGs). This target has almost been achieved in developing regions, with the actual undernourished population decreasing by more than 100 million over the past 10 years, or by more than 200 million when compared to 1990 – 1992 levels. On the other hand, according to the “State of Food Insecurity

²² Plan based on Prime Minister Abe's initiative to create a model in Fukushima for the realization of a future new energy society, while providing the world with information on this model, and establishing Fukushima as a pioneering location with regard to renewable energy and the future hydrogen society.

in the World 2015” issued by FAO, the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP), about 795 million people remain undernourished around the world. Moreover, although international grain prices, which affect people’s access to food, have remained low compared to the period around 2007 – 2008 when prices spiked, prices remain volatile due to the weather and other factors. In light of such issues in securing a stable supply of food, the international community, including Japan, has a responsibility to contribute to the achievement of the Sustainable Development Goals (SDGs) (Goal2) in the 2030 Agenda for Sustainable Development to alleviate this situation of people in developing countries suffering from food insecurity, and to end hunger by 2030, by vitalizing global partnerships.

A Efforts in the International Frameworks Concerning Food Security

At the G7 Ise-Shima Summit held in May 2016, Japan led the formation of the “G7 Vision for Action on Food Security and Nutrition” as part of the Leaders’ Declaration. This vision laid out specific actions to be taken in cooperation among G7 countries based on the goal to “lift 500 million people in developing countries out of hunger and malnutrition by 2030,” set during the G7 Summit 2015 in Schloss Elmau (in Germany), and the “Broad Food Security and Nutrition Development Approach” developed to achieve this target. The three prioritized areas in this vision for action are (1) empowering women within agriculture and food systems, (2) improving nutrition through a people-centered approach, and (3) ensuring sustainability

and resilience within agriculture and food systems. Moving forward, Japan will promote the G7 initiative by ensuring the implementation of actions. Moreover, the G7 Agriculture Ministers’ Meeting was held in Niigata City, Niigata Prefecture, in April, and discussions were held on policies and initiatives needed to handle new issues on agriculture, with the results being compiled in the G7 Niigata Agriculture Ministers’ Meeting Declaration.

Furthermore, at the Sixth Tokyo International Conference on African Development (TICAD VI: Held in Nairobi Kenya), Japan declared its policy of supporting the boosting of agricultural productivity such as by spreading rice-growing techniques among the Coalition for African Rice Development (CARD) as an initiative to strengthen food security in Africa. In addition, it was announced that the Initiative for Food and Nutrition Security in Africa (IFNA) would be launched as a joint project implemented in cooperation with the New Partnership for Africa’s Development (NEPAD) and other initiatives and organizations in the African region.

Moreover, at the APEC Ministerial Meeting on Food Security held in September in Peru, the Piura Declaration on APEC Food Security was adopted, summarizing the specific initiatives to be implemented to strengthen food security among APEC countries. The ministers agreed to ensure the promotion of initiatives to bolster food security in accordance with the specific conditions within APEC regions.

In addition, at the ASEAN+3 Summit Meeting in September, Prime Minister Abe mentioned that Japan provided rice assistance to the Philippines and Cambodia

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.

• Nutritional support:

Nutrition guidance, provision of supplements, Nutrition Japan Public-Private Platform (NJPPP), etc.

• Support for building of social safety net:

provision of means of livelihood to the poorest

*Toward the realization of the G7 Elmau Summit (held in Germany, 2015) commitment to raising 500 million people out of hunger and malnutrition by 2030, the G7 Vision for Action on Food Security and Nutrition was formulated at the G7 Ise-Shima Summit.

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)

Note: FAO: Food and Agriculture Organization

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 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. In light of this issue, Japan advocated the concept of "Responsible Agricultural Investment" at the G8 L'Aquila Summit held in Italy in 2009, so that investments would be promoted in a manner to create a triple win situation for recipient countries,

local communities, including smallholders, 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). Building on this, 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. At the G7 Ise-Shima Summit in 2016, these principles were also incorporated into the “G7 Vision for Action on Food Security and Nutrition,” mentioned above, forming the basis for actions to be taken by G7 countries. Japan will continue to lead the execution of these principles as the main issues in realizing worldwide food security.

(3) Fisheries (Including Tuna and Whaling Issues)

Japan is one of the major fishing and consuming countries of marine products in the world and plays an active role in the proper conservation, management and sustainable use of living marine resources.

With respect to tuna, Japan, as one of the largest tuna-consuming countries, has joined all Regional Fisheries Management Organizations (RFMOs) for tuna, including the Western and Central Pacific Fisheries Commission (WCPFC), whose convention area includes waters around Japan, and Japan leads discussions on strengthening measures for the conservation and management of the resources. In 2016, International Commission for the Conservation of Atlantic Tunas (ICCAT) conducted the second performance review by independent reviewers, which highly

appreciated the long-term efforts by the ICCAT and its members, while the increase of the Total Allowable Catch (TAC) for Atlantic Bluefin tuna for three consecutive years was confirmed. Moreover, South Africa became a new member of the Commission for the Conservation of Southern Bluefin Tuna (CCSBT). At the annual meeting of the CCSBT, a resolution was adopted to prohibit large-scale high seas driftnet fishing, in addition to agreeing to set the TAC increase to the current 3,000 tons for three years after 2018.

Upon Japan's proposal, the North Pacific Fisheries Commission (NPFCC), covering high seas fishing for Pacific saury, mackerel species, splendid alfonsino, etc., adopted conservation and management measures to limit the number of ships with permits to fish for chub mackerel, and implement procedures to prepare a list of illegal, unreported, and unregulated (IUU) fishing vessels.

With regard to the Japanese eel (*Anguilla japonica*), which was listed as an endangered species in 2014 by the International Union for Conservation of Nature and Natural Resources (IUCN), and was also discussed at the 17th meeting of the Conference of the Parties (CoP17) to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Japan continues to hold consultations within the East Asia region in order to establish an international framework on conservation and management of the species.

Moreover, as IUU fishing, carried out by ships operating in a disorderly manner, becomes a major threat to sustainable fishing, Japan takes the posture to proactively work against the IUU fishing, including stressing the importance of implementing

measures aimed at preventing IUU fishing through the Foreign Ministers' Statement on Maritime Security issued at the G7 Hiroshima Foreign Ministers' Meeting held in April.

Regarding the whaling issue, under the basic policy of pursuing the resumption of commercial whaling by conducting scientific whale research programs, based upon international law and scientific evidence in order to gather scientific data that is necessary for the proper management of whale resources, Japan developed and conducted the "New Scientific Whale Research Program in the Antarctic Ocean (NEWREP-A)" from December 2015 to March 2016, which was finalized taking into account the Judgment of the International Court of Justice (ICJ), in March 2014, and issues pointed out by the Scientific Committee of the International Whaling Commission (IWC). Moreover, regarding the western North Pacific, a proposal for the New Scientific Whale Research Program in the Western North Pacific (NEWREP-NP) was submitted to the Scientific Committee of the IWC in November 2016. The program will be finalized through discussions held by the Scientific Committee. Anti-whaling countries occupy the majority at the IWC, and the international situation regarding whaling still remains difficult, but based on international law and scientific evidence, Japan is making persistent efforts to deepen understanding among the international community.

(4) Foreign Direct Investment in Japan

The target to double foreign companies' direct investment in Japan to 35 trillion yen (24.4 trillion yen as of the end of 2015) by 2020, addressed in the 2013 "Japan Revitalization Strategy," was reaffirmed in the "Growth Strategy." With the "Council for Promotion of Foreign Direct Investment in Japan," which has been held since 2014 to spearhead the initiative to promote activities for discovering and attracting investments, while gathering opinions from foreign company managers, Japan continues to make further progress in implementing additional measures such as regulatory and institutional reforms contributing to the improvement of the investment environment in Japan, responding to the needs of foreign companies, and supporting measures to expand investments effectively.

Based on the "Five Promises for Attracting Foreign Businesses to Japan"²³ adopted by the 2nd Council for Promotion of Foreign Direct Investment in Japan in March 2015, foreign companies have made use of one of the five promises, the "Investment Advisor Assignment System"²⁴, since April 2016, to hold meetings with the Assigned State Minister. Moreover, at the 4th Council for Promotion of Foreign Direct Investment in Japan held in May 2016, a policy package for promoting foreign direct investment in Japan with the aim of making Japan a global hub for trade and investment was laid down, and reflected in the "Basic Policy on Economic and Fiscal Management and Reform 2016" and the "Growth Strategy."

²³ (1) Bolstering of the multilingualization of the service in the retail industry, restaurants, medical institutions, public transportation, etc., (2) Promoting the preparation of free public wireless LAN in cities and simplifying procedures for use, (3) creating an environment in which all regional airports are able to receive business jets with short advance notice, (4) support for international students in looking for employment in Japan, and (5) the implementation of the "Investment Advisor Assignment System."

²⁴ A system in which a State Minister will be assigned as an advisor to each foreign company that has made important investments in Japan. A State Minister will be assigned according to the company's field of specialty, and the State Minister for Foreign Affairs will attend all meetings.

MOFA has been implementing the measures adopted by the Council for Promotion of Foreign Direct Investment in Japan, as well as initiatives making use of diplomatic resources through diplomatic missions overseas. Efforts are being made to strengthen the system of gathering information on identifying cases of foreign direct investment in Japan, and “contact points for Direct Investment towards Japan” were established at 126 diplomatic missions overseas in April 2016 to create a system for supporting such investments. As points of contact for communication and coordination, they have been working in collaboration with the Japan External Trade Organization (JETRO). They are also engaging in related support activities, and are carrying out surveys of case studies in various countries, and surveys of requests for improvements to Japanese regulations and systems, as well as calling for investments in Japan by making maximum use of networks of contacts at diplomatic missions overseas, holding events for promoting foreign direct investment in Japan, and implementing other proactive initiatives. In July 2016, JETRO held the first Invest Japan Seminar (with the support of the Embassy of Japan in Viet Nam) in Viet Nam. Other than that, Japan is engaging in various strategic initiatives with the aim of promoting foreign direct investment in Japan, from within and outside Japan, through “top-level sales” by government officials and associated organizations, such as the holding of “Investment Japan Seminars” by Prime Minister Abe (hosted by JETRO) in September 2016, during his visit to the U.S., and an “INVEST JAPAN Forum 2016” (hosted jointly by associated ministries, agencies and JETRO) held in

October 2016, in Tokyo.