Section 3

Economic Diplomacy

Overview

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

Although the world economy has been on a recovery trend in 2017, the recovery has not been a complete one; the downside risk is still present in the medium-term, and it is necessary to establish a robust foundation for the economy precisely at this time when the economy is improving. Based on this recognition of the economic conditions, Japan has set out a strategic target that aims, in its economic diplomacy, to maintain and strengthen an international economic system that is free and open, and founded upon the rule of law. Alongside this, it has moved forward on the four dimensions of negotiations, namely the Trans-Pacific Partnership (TPP) Agreement, the Japan-EU Economic Partnership Agreement (EPA), Regional Comprehensive Economic Partnership (RCEP), and the Japan-U.S. Economic Dialogue. The four dimensions of Japan’s economic diplomacy are not dealt with separately as individual issues; rather, they have been tackled based on the basic strategy of expanding a network of free trade across the world with Japan as a central hub, and at the same time, creating a virtuous cycle where the dimensions are deeply linked to one another, and where the conclusion of one negotiation gives impetus to other negotiations. Based on this strategy, in 2017, Japan-U.S. economic relations advanced smoothly through the establishment of the Japan-U.S. Economic Dialogue, an agreement in principle was reached for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP11), and negotiations of the Japan-EU EPA were finalized. Furthermore, in March 2018, Japan signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP11 Agreement).

Japan has developed its economic diplomacy with the aim of further accelerating the promotion of economic diplomacy as one of the priority areas of Japan’s diplomacy, centered around the following three aspects: (1) rule-making to bolster free and open global economic systems by promoting the mega-EPA as described above; (2) supporting the overseas business expansion of Japanese companies through promotion of public-private partnerships; and (3) promoting
resources diplomacy along with inward investment towards Japan.

(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 in the Asia-Pacific, and creates a huge economic zone. The inauguration of the President Trump’s new administration in the U.S. in January 2017 saw the U.S. declare its withdrawal from the TPP Agreement. However, under Japan’s leadership, 11 countries signed the TPP11 Agreement in Santiago, Chile, in March 2018. Furthermore, negotiations of the Japan-EU Economic Partnership Agreement (EPA) were finalized in December 2017. While aiming for the signing and entering into force of these agreements, Japan aims to continue contributing to global rule-making on trade and investment by carrying out various negotiations in parallel, including the Regional Comprehensive Economic Partnership (RCEP) and the Japan-China-ROK FTA.

(2) Multilateral Trade Liberalization (WTO)

The multilateral trading system centered on the World Trade Organization (WTO) plays a vital role in negotiations aimed at trade liberalization as well as putting existing rules into practice, including disputes settlement. With regard to WTO negotiations that have been stalled for many years, efforts are ongoing to explore approaches towards revitalization, including addressing issues that are current and relevant to the times. At the 11th WTO Ministerial Conference (MC11) held in December, a ministerial declaration based on consensus among the WTO Members was not issued. However, with respect to issues such as e-commerce and fisheries subsidies, post-MC11 work programmes were decided upon, and ministerial statements by like-minded Members were issued. In the fields of e-commerce, micro, small and medium-sized enterprises (MSMEs), and investment facilitation. Such efforts by like-minded Members point to a new approach in the WTO. In particular, with regard to e-commerce, Japan demonstrated its leadership in the discussion process, and 71 Members, including the U.S., EU, and developing countries, participated in the joint statement.

(3) International Discussions Led by Japan

Concerning the G7 Summit, where the leaders of developed countries meet to discuss policy cooperation, the G7 Taormina Summit was held in May under the Presidency of Italy. Half of the G7 leaders, including the U.S. President Trump, were participating in the G7 for the first time, marking an “era of change” in the G7. At the same time, candid discussions were held on the matters of securing peace and stability in the world, as well as realizing inclusive growth in the global economy, against the growing severity of problems such as the issues of North Korea, terrorism and violent extremism, and refugees. In addition to deepening the personal relationships of trust between the respective leaders, the leaders concurred that the G7, as a driving force of an
international community established based on rules and the sharing of fundamental values, will stand more united than ever before to address these issues.

At the G20 Hamburg Summit (Germany) held in July, the leaders engaged in a frank exchange of opinions on topics under the theme of “Shaping an interconnected world,” including the question of how the G20 can work together to address various downside risks while strengthening growth amidst global economy that remains at a moderate level alongside the presence of such risks of a downward turn. Concerning the response to problems such as the global economy, trade, and excess capacity, which were also regarded as issues of importance at the G7 Taormina Summit, Prime Minister Abe and other Japanese representatives lobbied strongly for the causes, contributing to agreement among the G20 on the relevant commitments to these issues. With the support of the G20 leaders, it was decided that Japan will assume G20 Presidency in 2019.

Asia-Pacific Economic Cooperation (APEC) is an economic cooperation framework in which 21 countries and regions from the Asia-Pacific Region participate. At the APEC Economic Leaders’ Meeting in Da Nang, Viet Nam, in November 2017, extensive discussions took place on a wide range of topics, including deepening regional economic integration, strengthening MSME’s competitiveness and innovation in the digital age, and promoting sustainable, innovative and inclusive growth. Prime Minister Abe commented about Japan’s proactive stance for establishing “free and fair” trade rules, as well as Japan’s initiatives such as the “productivity revolution,” the “human resources development revolution,” and “digital trade,” to the world.

The Organization for Economic Cooperation and Development (OECD) is the “world’s largest think tank,” covering a wide range of economic and social issues. At the Ministerial Council Meeting held in June, discussions were held on the theme of “Globalization.” Japan emphasized the importance of maintaining and strengthening the multilateral trading system, ensuring level playing field, and developing “quality infrastructure with open and fair access,” all of which were reflected in the outcome documents of the meeting. In this way, Japan contributed to discussions in the OECD. Coinciding with the Ministerial Council Meeting, a signing ceremony was held for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“Multilateral Instrument” or “MLI”).

(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. Concerning the support it offers for overseas business expansion of Japanese companies, Japan has been engaged in nationwide efforts towards the achievement of concrete Government goals, such as, for example, “achieving the Government’s target of approximately
30 trillion yen in infrastructure exports by 2020” and “one trillion yen in exports of agricultural, forestry, and fishery products and food by 2019.”

Against this backdrop, the Ministry of Foreign Affairs has been working closely with diplomatic missions overseas, which serve as the liaison for Japanese companies in each country. It is also developing systems to support businesses in the respective countries, such as by establishing offices to support Japanese businesses and assigning officers in charge of infrastructure projects as well as business support officers (in charge of the food industry) at the relevant diplomatic missions overseas. The diplomatic missions overseas provide various consultation services, and support overseas expansion by Japanese companies in ways such as providing support for activities to promote Japanese products through the utilization of the diplomatic missions’ facilities, and organizing seminars to help Japanese companies ensure that they are compliant with the local legal systems. In FY2016, the number of consultation cases received by Japanese embassies and consulates-general around the world reached 53,675, exceeding the 46,762 cases from the previous year. This number is expected to continue rising.

(2) Import Regulations on Agricultural, Forestry, and Fishery Produce as well as Food Products Produced in Japan

The Governments of the ROK, Singapore, Taiwan, China, Hong Kong, Macao, and Russia are maintaining the import restrictions, including import suspension, they have placed on agricultural, forestry, and fishery produce as well as food products produced in Japan, due to the Great East Japan Earthquake and the accident at TEPCO’s Fukushima Daiichi Nuclear Power Station. MOFA has been disseminating accurate information promptly to the Governments and general public of these countries and regions, and has been tirelessly urging them to abolish the restrictions as soon as possible based on scientific evidence. After 2017, six countries, namely Qatar, Ukraine, Pakistan, Saudi Arabia, Argentina, and Turkey, have abolished such regulations, while the U.S., EU, and others have further relaxed restrictions.

(Promoting of Resources Diplomacy along with Foreign Direct Investment in Japan)

(1) Energy, Mineral Resources and Food Security

For Japan, which is dependent on other countries for many resources, efforts to secure a stable and cheap supply of resources remain important. MOFA is making use of various means of diplomacy in an effort to strengthen comprehensive and mutually-beneficial relationships with resource-producing countries, and to engage in strategic resource diplomacy such as by diversifying the supplier countries. In light of the structural changes arising in the energy industry worldwide in recent years, a new vision was launched in July 2017 after numerous reviews on the approach for new energy and resource diplomacy policies in the future (See Column “Japan’s New Energy and Resource Diplomacy - Unveiling the “Global Vision” -”).

As for food security, 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. Taking the opportunity of Food and Agriculture Organization (FAO) Director General Graziano’s first visit to Japan in four years in 2017, Japan put effort into further strengthening its relationship with the FAO. (See Column “Strengthening Relations with the Food and Agriculture Organization of the United Nations (FAO)”).

(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 scientific evidence and international law, 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).

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 the growing market overseas 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 on 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. One of the
outcomes of these efforts was the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP11 Agreement) by 11 countries in March 2018. In addition, active and tireless negotiations spanning many long years have also borne fruit, as exemplified by the finalization of negotiations of the Japan-EU EPA in December 2017.

Japan, as a champion of free trade, will work towards the early entry into force of the Japan-EU EPA and TPP11, and will continue to promote other negotiations on economic cooperation in the future.

A Multilateral Agreements (Mega FTAs) (A) Trans-Pacific Partnership (TPP) Agreement

The TPP Agreement is an effort to establish new trade and investment rules in the rapidly-growing Asia-Pacific Region. The 12 countries, namely Japan, Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the U.S., and Viet Nam, participated in negotiations, and the TPP Agreement was signed in February 2016. If the TPP Agreement enters into force, it will form a free and fair “single economic zone” while creating a huge value chain.

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, domestic procedures for the TPP Agreement were completed in January 2017. Domestic procedures were also completed in New Zealand, which is designated as the Depositary of the Agreement, in May 2017. However, in January 2017, President Trump’s new administration in the U.S. announced its withdrawal from the TPP Agreement. While the Agreement cannot enter into force without the U.S. based on the provisions for the entering into force of the Agreement, the TPP Agreement still has great economic and strategic significance as described above.

As such, in order to bring about the early realization of the TPP as soon as possible among the 11 countries, Japan took the lead in dynamic discussions. At the TPP Ministerial Meeting held in Da Nang (Viet Nam) in November 2017, ministers agreed to move forward on the TPP among 11 countries by incorporating the articles of the original TPP Agreement drawn up by the 12 countries into a new agreement entitled “Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP11 Agreement),” and through the exceptional suspension of the application of some of the articles (agreement in principle). Subsequently, the TPP11 was signed in Santiago, Chile, in March 2018. Amidst the spreading wave of protectionism around the world, this served as a powerful message from Japan, a standard-bearer of free trade, to the world. Japan will continue to aim for the early entry into force of the Agreement.

(B) Japan-EU EPA

After Japan decided to launch negotiations
on EPA in March 2013 with the EU, which shares fundamental values and is a major trade and investment partner for Japan, the agreement in principle was reached in July 2017 after four years and three months of negotiations. Negotiations were finalized in December.

Since negotiations on the Japan-EU EPA commenced, the Government has been working as one and engaging actively in negotiations. In particular, at the meeting between Foreign Minister Kishida and European Commissioner for Trade Malmström held in Bonn (Germany) in February 2017, the Japan-EU EPA was positioned as an issue of top priority between Japan and the EU, and the two parties reaffirmed the great importance of
reaching an agreement in principle of the EPA as soon as possible in order to counter protectionism movements. Thereafter, negotiations were accelerated; after the Summit Meeting held in May (Taormina, Italy) and a telephone conversation between Foreign Minister Kishida and European Commissioner for Trade Malmström in June, intensive negotiations took place between them from the end of June to July. To align with the progress and pace of the negotiations, Meetings amongst Main Ministers¹ (Second and Third Meetings) were held in Japan in June and July to make the final adjustments towards the realization of an agreement in principle. After various negotiations and coordination, Foreign Minister Kishida

¹ Members include Deputy Chief Cabinet Secretary, Minister in Charge of Economic Revitalization, Minister of State in charge of general coordination on the 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.
and European Commissioner for Trade Malmström confirmed the agreement in principle in Brussels (Belgium) on July 5. On the next day, at the 24th EU-Japan Summit held in Brussels as well, Prime Minister Abe, President Tusk of the European Council, and President Juncker of the European Commission confirmed the agreement in principle at the leaders’ level.

After the agreement in principle, intensive consultations were carried out in order to finalize negotiations as soon as possible. After telephone talks between Foreign Minister Kono and European Commissioner for Trade Malmström on November 15 and December 8, Prime Minister Abe and President Juncker of the European Commission confirmed the finalization of negotiations over the telephone talk held on the same day.

(C) Regional Comprehensive Economic Partnership (RCEP)

The RCEP is the pillar of East Asian economic integration, aimed at realizing the establishment of a broad and integrated economic zone that covers approximately half of the world population, and about 30% of the world’s GDP and total trade amount. Since the launch of negotiations in May 2013, the ASEAN member states and their FTA partner states (six countries, namely Japan, China, the ROK, Australia, New Zealand and India) have been working together to achieve a comprehensive and high-level agreement in areas that include trade in goods, trade in services, investment, competition, rules of origin, intellectual property, and electronic commerce. As of December 2017, nine Ministerial Meetings and 20 rounds of negotiations have been held. At the RCEP Leaders’ Summit held in November 2017, coinciding with the ASEAN Summit, the leaders issued a joint statement on the RCEP negotiations. This joint statement reaffirmed their commitment towards achieving a modern, comprehensive, high-quality, and mutually-beneficial economic partnership agreement, and instructed to intensify efforts in 2018 to bring the RCEP negotiations to conclusion.

(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 12 rounds of negotiations were held by April 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, and capacity building programs mainly for developing economies are implemented to realize greater inclusiveness. At the APEC Economic Leaders’ Meeting held in Da Nang, Viet Nam, in 2017, the leaders reaffirmed their commitment to these efforts, and encouraged to develop work programs which enhance APEC economies’
ability to participate in the negotiations for a high-quality and comprehensive free trade agreement in the future.

B Bilateral Agreements and Other Agreements (Arranged in Chronological Order According to the Time at Which Negotiations Started)

(A) Republic of Korea (ROK)
Japan has a mutually dependent and strong economic relationship including trade and investment with the ROK. 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 exporting 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 not being 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 Agreement 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. By December 2017, 13 rounds of negotiations had been held. The EPA is also important for the new nation-building in Columbia after the consolidation of peace in the country, 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 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 2017, seven rounds of negotiations had been held.

3 Existing EPAs
The existing EPAs contain provisions concerning the Joint Committee, which is a body that discusses the implementation of the Agreements, and a process to review the Agreements after a certain period of time since the entry into force. In addition, a variety of consultations are held in order to smoothly implement the existing EPAs.

D Movement of Persons
In accordance with the EPAs, Japan
has been accepting candidates for nurses and certified care workers from Indonesia, the Philippines and Viet Nam. In 2017, 324 Indonesians (29 nurses and 295 care workers), 310 Filipinos (34 nurses and 276 care workers) and 203 Vietnamese (22 nurses and 181 care workers) were accepted into Japan. In 2017, 65 nurses (21 Indonesians, 29 Filipinos, and 15 Vietnamese) and 104 care workers (68
Indonesians and 36 Filipinos) passed the national examination. As for nurses and certified care worker candidates from Viet Nam, Japan began accepting the first group in 2014, and has since accepted a cumulative total of 673 candidates by 2017.

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

(A) Investment Treaties

Investment treaties are important pieces of legal infrastructure to promote investments by stipulating the protection of investors and their investment, enhancement of transparency in laws and regulations, 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 concluding the investment treaties.

In 2017, investment treaties entered into force with Saudi Arabia, Uruguay, and Iran in April, with Oman in July, with Kenya in September, and with Israel in October respectively. There are currently 41 investment-related treaties that have entered into force (29 investment treaties and 12 EPAs), and one (null investment treaties and one EPA) that has been signed but not yet entered into force, bringing the total to 42, covering 44 countries and regions. Including investment-related treaties that are currently being negotiated, they will cover 90 countries and regions, and around 93% of Japan’s direct investments overseas (as of the end of December 2017).²

The “Action plan aiming to facilitate an investment environment through promoting the conclusion of investment-related treaties” was formulated in May 2016. 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 Investments for the Future Strategy 2017. In this context, the Investment Policy Division was established in May 2017, under the Economic Affairs Bureau of MOFA, to fulfill the role of enacting and implementing investment-related policies in an integrated manner.

In an effort to achieve the goals outlined in the Action Plan, 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 actively engage in the conclusion of investment-related treaties from the perspective of incorporating the economic growth of emerging countries through foreign investment, and 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 proactively in accordance with the policy (“Growth Strategy”) of the Government of Japan to expand the tax convention

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² Regional balance of Direct Investment (Assets), Ministry of Finance (All regions) (End 2016)
The Japan-EU Economic Partnership Agreement (EPA)

On December 8, 2017, after nearly five years of negotiations, Japan and the European Union finalized the negotiations of the Japan-EU Economic Partnership Agreement (EPA). Amid widening protectionist movements in the world, the agreement in principle was reached in July, and negotiations were finalized in December; the year 2017 could be described as the year when Japan demonstrated to the world its presence as a flag-bearer of free trade through the Japan-EU EPA.

What changes will be brought about when the Japan-EU EPA enters into force? This Special Feature illustrates the merits to be brought by this EPA.

(Securing access to a huge market)

When the Japan-EU EPA enters into force, Japan will be able to capture the massive EU market with 510 million people, and the EPA will create one of the largest free and advanced economic zones in the world, with approximately 640 million people, 28 percent of the world’s GDP and 37 percent of the world’s trade.

Within this new economic zone, the EU side will eliminate about 99% of customs duties, as well as relax or eliminate various regulations, and these are consequently expected to contribute to the expansion of exports from Japan and the opening up the market for various Japanese products. Specifically, the EPA will lead to the elimination of all customs duties (100%) on the EU side for industrial products. With regard to automobiles, which make up 21.9% (as of 2016) of the value of Japan’s exports to the EU, existing customs duties will be eliminated in the eighth year for finished cars, while 92.1% (as of 2016) of customs duties on the basis of trade value will be eliminated immediately for automotive parts. For agricultural, forestry and fishery products, customs duties on the EU side will be eliminated immediately for most goods, including fishery products, green tea, and beef, which are priority items for Japan to export to the EU. In addition to these, the oenological practices of Japanese wine, which is made only from grapes harvested in Japan and is produced in Japan, will be authorised by the EU, and wine producers in Japan will be able to export Japan wine with their self-certifications. Furthermore, the protection of geographical indication (GI) for agricultural products and alcoholic beverages (such as Japanese sake) will be mutually secured.
**Establishing high-standard rules**

Additionally, in the 21st century, the Japan-EU EPA will be the model of high standard, free, open and fair trade and investment rules. It provides comprehensive rules that encompass a wide scope, including service trade, liberalization of investment, intellectual property, government procurement, and trade and sustainable development. Therefore, the EPA offers Japanese businesses, including small and medium-sized enterprises, opportunities to break into the EU market with their excellent services and technologies along with a broad agreement in principle reached on the TPP among 11 countries in November 2017. It is also expected to become an important driving force for Japan's economic growth, as a “decisive tool” in our growth strategy.

**Effects on the Japanese economy**

In the analysis of the economic impact of the Japan-EU EPA and other trade agreement, the Japan-EU EPA is estimated to increase the real GDP by about 1%, or approximately 5 trillion yen if converted based on GDP levels in FY2016. Japan will aim at realizing the early signing and entry into force of the Japan-EU EPA, and measures incorporated into the “Comprehensive TPP-Related Policy Framework” will be steadily implemented.
network. In 2017, the Information Exchange Agreement with Panama (March), Tax Convention with Latvia (July), and Tax Convention with Slovenia (August) entered into force, while the New Tax Agreement with Austria (January), Protocol Amending the Tax Information Exchange Agreement with the Bahamas (February), the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”) (June), Tax Convention with Lithuania (July), Tax Convention with Estonia (August), New Tax Convention with Russia (September), and New Tax Convention with Denmark (October) were signed. Moreover, negotiations for tax conventions with Iceland (May) and Colombia (December) were agreed to in principle. As of the end of 2017, Japan has concluded a total of 69 tax-related conventions, and these conventions, combined with the private-sector arrangement with Taiwan, are applicable to 123 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 reducing the burden on Japanese companies and citizens working overseas. The total number of countries that have concluded or signed such agreements with Japan now stands at 20 as of the end of 2017. In addition, in 2017, Japan held negotiations for new agreements with Finland, China, and Sweden.

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

A World Trade Organization (WTO)

(A) History of WTO Negotiations

The development of the Japanese economy has largely benefited from the multilateral trading system with the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) at its center, and maintaining and enhancing the system is a central pillar of Japan’s trade policy. On the other hand, negotiations in the WTO have not necessarily made smooth progress. The WTO Doha Development Agenda (DDA) negotiations launched in 2001 aimed to achieve the single undertaking of eight areas. However, since 2008, negotiations have remained in a stalemate. Nevertheless, a certain degree of success was achieved later, boosted by allowing Members to reach agreements based on consensus earlier than the full conclusion of the single undertaking at the 8th WTO Ministerial Conference (MC8) held in 2011. For example, the Trade Facilitation Agreement (TFA), which is the first binding agreement for all WTO Members since the establishment of the WTO, was agreed upon at the 9th WTO Ministerial Conference (MC9) in 2013, and entered into force in February 2017. At the 10th WTO Ministerial Conference (MC10) held in 2015, Members concluded the ITA expansion negotiations led by Japan as the chair, and Japan eliminated tariffs on the targeted items based on this agreement in May 2017.

3 Agriculture, non-agricultural market access, services, rules, trade facilitation, development, environment and intellectual property rights
(B) Plurilateral Negotiations

Against this backdrop, since the 8th WTO Ministerial Conference (MC8) in 2011, the following plurilateral negotiations have been carried out.

a  The Information Technology Agreement (ITA) Expansion Negotiations

While implementing the Information Technology Agreement (ITA)\(^4\) since 1997, the ITA expansion negotiations were launched in 2012 with the aim of including newly-developed IT products\(^5\) reflecting technological innovations to the coverage, and the negotiations were concluded in December 2015. In May 2017, Japan eliminated tariffs on the targeted items.

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 regions since the summer of 2013, and Japan has participated actively in the negotiations. The parties did not achieve the goal of reaching a substantive agreement by 2016, and since then no negotiation rounds were held to date (as of December 2017). Japan has nevertheless taken advantage of various opportunities to appeal for the early resumption of negotiations.

c  Environmental Goods Agreement (EGA) Negotiations

Environmental Goods Agreement negotiations, launched in July 2014, are aimed at eliminating tariffs on environmental goods. Japan has been actively taking part since the beginning of the negotiations, and these negotiations are expected to expand the trading of environmental goods, and contribute to the achievement of sustainable development. To date, 46 countries and regions have participated in the negotiations with the aim of reaching an agreement during 2016. However, negotiations could not be concluded, and no negotiation rounds were held to date (as of December 2017). Japan has nevertheless taken advantage of various opportunities to appeal for the early resumption of negotiations.

(C) Visit by WTO Director-General Azevêdo to Japan

Amidst concerns for the rise of anti-globalism and an inward-looking trend around the world, the Government of Japan invited WTO Director-General Azevêdo to Japan in May, in anticipation of a series of economic diplomacy events including the G7 Summit, the Organization for Economic Co-operation and Development (OECD) Ministerial Council Meeting, the G20 Summit, Asia-Pacific Economic Cooperation (APEC) meetings, and the 11th WTO Ministerial Conference (MC11). During his visit to Japan, Director-General Azevêdo paid a courtesy call to Prime Minister Abe and held talks with Foreign Minister Kishida and Parliamentary Vice-Minister for Foreign Affairs Takisawa, engaging in fulfilling exchanges of opinions. In particular, during

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\(^4\) Plurilateral framework to eliminate tariffs on IT products (such as semiconductors, computers, cellular phones, printers, fax, and digital still image cameras) ("Ministerial Declaration on Trade in Information Technology Products"), Agreed in 1996 and implemented from 1997. Currently, 82 WTO Members (including 28 EU member states) such as Japan, the U.S., the EU, China and Russia are participating.

\(^5\) Digital audiovisual equipment (camcorders, DVD/HD/BD players etc), digital multifunction machines and printers, medical equipment (electronic endoscopes, etc.), semiconductor manufacturing equipment, etc.
his courtesy call to Prime Minister Abe, a Joint Statement between Japan and the World Trade Organization entitled “Three Cornerstones for the Promotion of Free Trade” was issued by Japan and the WTO. They shared the recognition of the three cornerstones for the promotion of free trade: (1) Free Trade as a Key Driver of Growth; (2) Achievement of an Inclusive Economy; and (3) Further Reinforcement of the Multilateral Trading System. They also concurred on strengthening cooperation in delivering this message across the world. Furthermore, they also affirmed that Japan and the WTO will work even more closely towards the 11th WTO Ministerial Conference (MC11), as well as towards the further increasing of confidence in the multilateral trading system through revitalization of negotiations function, enhancement of the monitoring function, and ensuring the enforcement through the dispute settlement mechanism.

(D) 11th WTO Ministerial Conference (MC11)

MC11 was held in Buenos Aires, Argentina, in December 2017. Although intensive discussions were held at the ministerial level on this occasion, they did not lead to the issuance of a ministerial declaration based on consensus among the WTO Members. The differences in positions between the developed and developing country Members once again highlighted the difficulty of reaching a consensus among all Members. On the other hand, decisions were made at the Ministerial Conference pertaining to the work programme in the area of e-commerce, work programme in the area of fisheries subsidies, and the extension of the moratorium on non-violation complaints related to the Trade-Related Aspects of Intellectual Property (TRIPS) Agreement. They presented some guidelines for future WTO negotiations. Furthermore, with regard to today’s challenges in trade such as e-commerce, micro, small and medium-sized enterprises (MSMEs), and investment facilitation, a large number of Members demonstrated their willingness, in the form of ministerial statements by like-minded Members, that discussions should be pursued in the WTO on these matters. Particularly with regard to e-commerce, prior to MC11, Japan had announced that it is prepared to provide support of 33 billion yen over the next three years in the field of information and communications technology (ICT), including e-commerce. During MC11, Japan also explained the importance of promoting discussions to ministers from each country, and asked for their cooperation. Japan took an active lead in discussions, including organizing a ministerial meeting of like-minded Members. As a result, 71 WTO Members including the U.S., EU and developing countries participated in the joint statement. This demonstrates Japan’s ability to exert its leadership in WTO discussions and serve as a bridge connecting a wide range of WTO Members of differing positions.
(E) Dispute Settlement in International Trade

The WTO dispute settlement system is a quasi-judicial system among WTO Members for resolving trade disputes regarding the WTO Agreements in accordance with the dispute settlement procedures. It serves as a pillar in providing security and predictability to the WTO system. In recent years, the increase in the number of dispute cases and the growing complexity of cases has led to the increase of the burden on the dispute settlement system. Other problems have also arisen in 2017, such as the lack of consensus on launching the selection process for the appointment of the new Appellate Body Members to fill vacancies. These are now posing a major challenge to the system. Japan has been involved as a party in the following cases:

- The Republic of Korea (ROK)’s import bans on Japanese fishery products: A panel was established in September 2015. In February 2018, a panel report finding the ROK’s measures are inconsistent with the WTO Agreement was circulated.

- Brazil’s measures concerning taxation: A panel was established in September 2015. In August 2017, a panel report that found inconsistencies between Brazil’s measure and the WTO Agreement was circulated. In September 2017, Brazil, dissatisfied with the panel report, appealed to the Appellate Body. The Appellate Body proceedings are currently under way.

- The Republic of Korea (ROK)’s measures imposing anti-dumping duties on pneumatic transmission valves produced in Japan: A panel was established in July 2016. As of December 2017, the panel proceedings are currently under way.

- India’s safeguard measures on imports of certain steel products: A panel was established in April 2017. As of December 2017, the panel proceedings are currently under way.

III. Organization 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 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.

6 If a dispute is not resolved through the consultations process the dispute settlement procedures provide for, the disputing member may refer the disputed measure at issue to a panel for addressing, inter alia, the consistency of the measures concerned with the WTO Agreements. A party dissatisfied with a finding by the panel may appeal to the Appellate Body to contest the panel’s findings. Since the establishment of WTO in 1995 through to December 4, 2017, Japan was involved as a party in 38 out of 534 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). To date, three Japanese nationals have served as Appellate Body Members.

7 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.

8 The case of the tax advantage scheme put in place by the Government of Brazil, which treats domestic products and exporting companies of Brazil favorably in the automotive and information and communication technology sectors.

9 The Government of India applied provisional safeguard measures on hot-rolled coils in September 2015. In 2016, it moved to impose definitive safeguard measures.
at committees and working groups as well as through contributions in terms of financial and human resources.

(B) Visit by OECD Secretary-General Gurria to Japan

During the visit by OECD Secretary-General Gurria to Japan in April 2017, he engaged in talks with Prime Minister Abe, Foreign Minister Kishida, and other officials. Both sides reaffirmed the importance of resisting protectionism and maintaining and strengthening the multilateral trade system, as well as the importance of the future membership of Southeast Asia. The first International Economic Forum on Asia was also held during his visit, which highlighted the importance of the development of quality infrastructure, and the provision of funds for that purpose.

(C) The 2017 OECD Ministerial Council Meeting

The OECD Ministerial Council Meeting (MCM) was held in June, chaired by Denmark and under the theme of “Globalization.” Japan emphasized the importance of maintaining and strengthening the multilateral trade system, ensuring level playing field, and developing quality infrastructure with open and fair access. Japan contributed to discussions in the OECD, as exemplified by the incorporation of its views into the outcome documents. Furthermore, MCM adopted a “framework” that sets out the standards for considering whether to open accession discussion with a prospective member, and had a discussion aimed at its application to prospective members. In addition, it was also reaffirmed that Southeast Asia is a strategic priority region for outreach efforts by the OECD.

(D) Initiatives in Various Sectors

The global steel market faces the problem of excess capacity for crude steel and other products, which far exceeds actual demand (looking at the global market situation in 2016, the gap between crude steel production capacity and actual production volume was approximately 740 million tons (according to OECD)). In view of this problem, following the G20 Summit held in Hangzhou (China) in 2016, the Global Forum on Steel Excess Capacity (GFSEC) was established with the participation of China, which makes up approximately half (about 810 million tons) of the global production volume of crude steel (about 1.63 billion tons). After discussions in six working level meetings, the Forum adopted a report identifying the concrete policy solutions at the Ministerial Meeting held at the end of November 2017.

Furthermore, regarding excessive tax avoidance strategies by multinational enterprises, the “Base Erosion and Profit Shifting (BEPS) Project” was launched in 2012, and the BEPS Action Plan presented in 2013. After discussions spanning two years, the BEPS 2015 Final Reports were released in 2015. In order to ensure the faithful and consistent implementation of the measures incorporated in the Final Reports, the first meeting of the Inclusive Framework on BEPS was held in Kyoto in 2016. Taking the opportunity of the Ministerial Council Meeting held in June 2017, a signing ceremony was held for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”). 67 countries and regions, including Japan,
signed the Convention (State Minister for Foreign Affairs Sonoura attended as Japan’s representative).

(E) Strengthening Relations with Asia

In view of the growing importance of Southeast Asia as a center for the growth of the global economy, OECD places importance on strengthening relations with the region. At the Southeast Asia Regional Forum held in Thailand in August, discussions were held, based on OECD’s knowledge and analysis, on the opportunities and policy challenges brought about by digitalization. State Minister for Foreign Affairs Nakane attended the Forum as Japan’s representative. In addition to emphasizing the importance of utilizing digitalization in Southeast Asia, he also expressed his anticipation of the further development of OECD’s Southeast Asia regional program.

(F) Contributions in Terms of Financial and Human Resources

Japan was the second biggest financial contributor to the OECD after the U.S. in 2017, covering 9.43% 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 2017) to the OECD Development Centre, and a Japanese national has been serving as a Deputy Director of the center. 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.

(A) G7 Taormina Summit (Italy)

At the G7 Taormina Summit (Italy) held in May 2017, Prime Minister Abe, as the first speaker, and based on his experiences as the former chair, appealed strongly for the significance of unity amongst the G7 members. He also took the lead in discussions on the following topics in particular: (1) North Korea, (2) Maritime security, (3) The global economy, and (4) Trade.

Prime Minister Abe expressed that the G7 has, until now, worked in unity to lead the international community in addressing various issues, and pointed out that the international order underpinned by the fundamental values that the G7 has consistently promoted is now being exposed to serious challenges. It is precisely at times like this when it is important for G7 leaders, including the new members in their midst, to build a new foundation for trust, and for G7, which shares fundamental values, to stand united and promote an international order that is based on rules. The leaders of the G7 concurred with his remarks.

Concerning (1) North Korea, members concurred on the recognition that it is a matter of the highest priority among issues confronting the international community, and that it poses a new level of threat of a serious nature. At the same time, they affirmed that the G7 is prepared to
strengthen its measures towards ensuring North Korea’s immediate and complete compliance with the UN Security Council Resolution, and its abolition of its nuclear and missile programs.

In regard to (2) Maritime security, the members concurred on the importance of order based on rules in the maritime sector, and reaffirmed their commitment towards the peaceful resolution of disputes over the seas, including the use of arbitration. At the same time, they expressed their concern over the situation in the East and South China Sea, and concurred on requesting all the parties involved to pursue demilitarization in the disputed territories.

As for (3) Global economy, with growth remaining at a moderate level and the continued presence of downside risks, discussions were held concerning the G7’s efforts to realize higher living standards and quality job. Continuing from the Ise-Shima Summit, the leaders also reaffirmed their commitment towards the use of all policy tools, including monetary, fiscal, and structural policies.

With regard to (4) Trade, the G7 stands firm against unfair trade practices, including the problem of excess capacity, based on the recognition that free, fair, and mutually-beneficial trade and investment are the key driving forces for growth and job creation. At the same time, the leaders reaffirmed their commitment to keep their markets open and to fight protectionism, recognized the importance of the rules based an international trading system, and committed to working together to improve the functioning of the WTO and to achieve a successful 11th WTO Ministerial Conference. In addition, an independent statement summarizing the discussions on terrorism and violent extremism was adopted and signed by the leaders of the G7 member states.

(B) G20 Hamburg Summit (Germany)

At the G20 Hamburg Summit (Germany) held in July, Prime Minister Abe took the lead in discussions among the leaders as the lead speaker for the first session on economic growth and trade of the Premier Forum for International Economic Cooperation, which addresses the most important issues for G20. With regard to the themes of counter-terrorism measures and promoting female empowerment, he also contributed to discussions at the Retreat Session based on the theme of counter-terrorism measures, and played an active role by participating in the events for the launch of the Women Entrepreneurs Finance Initiative (We-Fi). At Japan’s strong urging and encouragement, the G20 reached an agreement mainly on the following areas, which were also areas of focus at the G7 Taormina Summit (Italy) held in May.

(1) The use of all policy tools—monetary and fiscal policies, as well as structural reform—either individually or collectively, to respond to downside risks and strengthen the growth of the global economy. Furthermore, in pursuing economic growth and the job creation, to promote greater inclusiveness and fairness, and to reduce inequality.

(2) To keep markets open, and continue to fight protectionism including all unfair trade practices.

(3) To further strengthen cooperation in order to tackle the problem of excess capacity in industrial sector, including steel.
(4) For the U.S. to commit strongly to an approach to reduce greenhouse gas emissions, and for other G20 member states to promptly implement strong commitments to the Paris Agreement.

(5) In addition to promoting female empowerment, and from that perspective, to launch the Women Entrepreneurs Finance Initiative (We-Fi) aimed at expanding support for female entrepreneurs in developing countries.

At the closing session, Japan was elected to the G20 presidency for 2019 with the support of the G20 leaders. Based on Japan’s efforts and contributions to the G20 Summit until now, Japan will further demonstrate its leadership towards its assumption of Presidency in 2019.

**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 countries and regions in order to promote regional economic integration and cooperation. APEC consists of 21 countries and regions in the Asia-Pacific region. This region is the “world’s 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 the APEC 2017 hosted by Viet Nam, under the overall theme of “Creating New Dynamism, Fostering A Shared Future,” the four priorities were identified as (1) deepening regional economic integration, (2) strengthening MSMEs’ competitiveness and innovation in the digital age, (3) promoting sustainable, innovative and inclusive growth, and (4) enhancing food security and sustainable agriculture in response to climate change.

At the APEC Economic Leaders’ Meeting held in Da Nang, Viet Nam, in November 2017, Prime Minister Abe spoke about the need to remain committed to the “three arrows” of monetary and fiscal policies, and structural reform, in order to consolidate the foundations of the economy. He declared that Japan will put its fullest effort into tackling the issue of population decline through the “productivity revolution” and the “human resource development revolution.” Furthermore, Prime Minister Abe stated that Japan will proactively contribute to digital trade, the “Asia Health and Human Well-Being Initiative” for...
realizing UHC and responding to aging societies, promoting sustainable agriculture and energy cooperation, with the aim of creating positive cycles of growth for the Asia-Pacific region. With regard to trade, Prime Minister Abe stated that free trade is

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10 Universal Health Coverage (UHC): Where all people are able to receive the appropriate healthcare services, including prevention, treatment, and rehabilitation, when they need them, and at affordable costs.
the foundation of peace and prosperity and also stressed the importance of eliminating unfair trade practices, alongside with correcting market distorting measures and expanding the “level playing field” across the world. Prime Minister Abe also emphasized the importance of enhancing the rules-based multilateral trading system centered on the WTO, and declared that Japan, as a standard-bearer of free trade, will continue to actively promote economic cooperation treaties and investment treaties, such as the TPP Agreement and high-quality RCEP. Furthermore, Prime Minister Abe explained that quality infrastructure is indispensable towards appropriately fulfilling the growing demand for infrastructure in the Asia-Pacific region, as well as strengthening connectivity.

The Leaders’ Declaration was adopted at the end of the Meeting. It encompassed the issues, such as ensuring a “level playing field,” supporting a multilateral trading system, quality infrastructure investment, growth through monetary and fiscal policies and structural reform, enhancing women’s economic empowerment, and disaster risk reduction.

In 2018, Papua New Guinea will host APEC for the first time.

(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), and is working to develop an environment to ensure that Japanese intellectual property is appropriately protected and utilized overseas. In the area of EPAs as well, Japan strives to establish regulations on intellectual property right and thereby to ensure the adequate and effective protection of intellectual property. TPP11, for which an agreement in principle was reached in November, and the Japan-EU EPA, for which the finalization of negotiations was reached in December, both incorporate contents on further promotion of the protection and use of intellectual property. 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 have suffered from counterfeit and pirated goods overseas, 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 requests to their counterpart governments. Japan is also engaged in efforts to improve the capacity of government employees in developing countries to counter the spread of counterfeit and pirated goods, and to strengthen the protection of intellectual property, such as by dispatching experts through the Japan International Cooperation Agency (JICA).
Support for Japanese Companies' Overseas Business Expansion in Promoting Public and Private Partnerships

(1) Promotion of Japanese Companies’ Overseas Business Expansion by the Ministry of Foreign Affairs (MOFA) and Accompanying Diplomatic Missions Overseas

The number of branches for Japanese companies holding overseas branches has increased in recent years, reaching 71,820\(^{11}\) as of October 2016. One of the reasons behind this is that many Japanese companies, which underpin the economic development of Japan, have embarked more actively than ever before on expansion overseas, with the aim of further cultivating 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 this situation, MOFA is actively engaged, alongside the diplomatic missions overseas, in supporting Japanese companies in their efforts to expand their businesses overseas. At the diplomatic missions overseas, all staff, including those responsible for Japanese business support, provide Japanese companies with various information and lobby foreign governments under the leadership of ambassadors and consuls-general, with the aim of providing meticulous and specific support that corresponds with the conditions in the respective regions, and under the motto of being “the most open and responsive government office in the world.” They also offer legal services such as seminars and consultations about local laws. In FY2017, these were provided at 15 diplomatic missions in 11 countries, with a focus on Asia.

Among the activities implemented at diplomatic missions overseas, in addition to consultations about business troubles, the promotion and publicity of the “Japan Brand” for products, technologies, services, and agricultural, forestry, and fishery products by Japanese companies at receptions to celebrate the Emperor’s birthday and various other events and exhibitions, also forms an important part of their support for Japanese companies. They actively offer the embassies and official residences of the Ambassadors as publicity spaces for Japanese companies to hold product exhibitions or local governments to hold local products exhibitions and food-tasting events, as spaces for conducting seminars on business expansion, and as spaces for exchanges with local companies and the relevant organizations. A wide range of publicity activities are being implemented, from countries that already have a strong affinity with Japan, to countries that have not had much contact with Japan until now.

From the perspective of public-private cooperation and support for companies, it is important not only to support Japanese businesses which are seeking to expand their businesses overseas, but also to support those which already have business interests overseas. In June 2016, the UK held a national referendum on whether to remain or leave the EU. Negotiations towards the UK’s withdrawal from the EU are currently ongoing between the UK and the EU. As actions taken by the UK and the EU and

\(^{11}\) MOFA “The Statistics on the Japanese Nationals Residing Overseas”
the results of their negotiations could have a significant impact on Japanese businesses and the global economy, the Government of Japan launched the Government Task-force regarding the Withdrawal of the UK from the EU, chaired by the Deputy Chief Cabinet Secretary, in July 2016. Information was consolidated across all sectors of the government, and Japan’s message to the UK and the EU was adopted at the third meeting of the Task-force and swiftly delivered to the UK and the EU. In these ways, Japan has been engaged in efforts that harness its strategic diplomatic relationship with the UK and the EU.

The fourth meeting of the Task-force was held in January 2017, and Deputy Chief Cabinet Secretary Koichi Hagiuda issued instructions for activities to be implemented in 2017. Thereafter, in response to the UK’s official submission of its notice to withdraw from the EU on March 29, the fifth meeting was held on March 30. The sixth meeting was held thereafter on August 28 to prepare for the visit to Japan by the UK’s Prime Minister May, which was scheduled on August 30, and the seventh meeting was held on December 18 in response to the decision by the European Council to move into the second phase of UK-EU negotiations on December 15 (in which discussions are to be held on matters including the future economic relations between the UK and the EU).

MOFA has commissioned investigation in Japan, the UK, Belgium, and Germany to analyze the relation between Japan and the UK and Japan and the EU after the UK’s withdrawal from the EU. In addition to reporting on the results of this investigation at the 5th meeting, these reports and other materials have also been published on MOFA’s website.

(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
and Economic Cooperation,” consisting of relevant cabinet ministers with the Chief Cabinet Secretary serving as chair, was established in 2013. Since then, a total of 35 meetings have been held (as of February 2018). In addition to discussing the formulation and follow-up of the “Strategy for Exporting Infrastructure Systems,” with the aim of strengthening qualitative and quantitative support through the implementation of strategic publicity, this Ministerial Meeting also engages in discussions on issues in the respective fields as well as issues in specific regions such as India and the Middle East (32nd meeting) and ASEAN (33rd meeting).

The first edition of the Infrastructure System Export Strategy was drawn up in May 2013, and it has undergone successive follow-up revisions since. The revised edition for 2017 sets out guidelines based on the “Free and Open Indo-Pacific Strategy,” including support for strengthening physical, institutional, and human connectivity within and among regions, including Asia, Middle East, and Africa, through the development of quality infrastructure based on international standards, the strengthening of the economic and social infrastructure of the relevant countries and securing stability and prosperity for the target regions by promoting the development of the said regions, support towards efficient economic activities by Japanese companies, and supporting business expansion efforts by Japanese companies.

Japan has also been driving forward the dynamic development of trade promotion by the Government, and systemic improvements aimed at the strategic use of ODA loans and overseas loans and investments, and has steadily produced results. For example, during his visit to India in September, Prime Minister Abe attended the groundbreaking ceremony for the Mumbai-Ahmedabad High-Speed Railway Project that will introduce Japan’s Shinkansen (bullet train) system, and the two countries exchanged notes on the provision of yen loan of 100 billion yen. Moreover, after the conclusion of the Japan-Philippines Summit Meeting in November, the two leaders witnessed an exchange of notes on the provision of yen loan for the Metro Manila Subway Project, which is expected to utilize the technologies of Japanese companies. As described, steady results have been produced.

Furthermore, with regard to diplomatic missions overseas, 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 (192 personnel, at 93 diplomatic missions overseas in 72 countries as of the end of December 2017). This initiative has also proven to be effective.

(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 function and facilities of diplomatic missions etc. all over the world, is energetically
promoting the attractiveness of Japanese products. In particular, Japanese business support officers (in charge of the food industry) have been 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 seven years have passed since the Great East Japan Earthquake and the accident at Tokyo Electric Power Company’s (TEPCO) Fukushima Daiichi Nuclear Power Plant, some countries and regions have continued to place import restrictions on Japanese agricultural and fishery products and food. MOFA is requesting these countries and regions to consider the abolition of import restrictions as soon as possible based on scientific evidence, by providing them with timely and accurate information and using WTO frameworks in collaboration with the relevant ministries and agencies. MOFA is also working hard to disseminate information about the safety of Japanese food products in countries and regions around the world, with the aim of dispelling harmful rumors about Japanese agricultural, forestry, and fishery products as well as food products.

As a result of these efforts, import restrictions were lifted in Qatar (April), Ukraine (April), Pakistan (October), Saudi Arabia (November), and Argentina (December) in 2017, as well as Turkey (February) in 2018. So far, 26 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, Mauritius, and the five countries mentioned above). In addition, restrictions were eased in 2017 by Lebanon, Russia, the U.S., 28 EU Member States, Switzerland, Norway, Iceland, and Liechtenstein, and the number of regions and items subject to import restrictions are on the decline (as of the end of February 2018).

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

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 the high level of around 100 US dollars/barrel since the end of 2010, reflecting factors such as increased energy demand centered on emerging countries, the rise of resource nationalism, and geopolitical risks in the Middle East. However, since the second half of 2014, crude oil prices have fallen significantly on the back of sluggish demand in China and other countries due to a slowdown in the economy, increased production of shale oil in the U.S., the sustained high-level production in major oil producing countries, excess supply and the high levels of inventory accompanying that. By February 2016,
prices fell at one point to as low as 30 US dollars/barrel. Thereafter, prices rose as a result of observations of the tightening of supply and demand in the second half of the year. After OPEC member states and major oil producers that are not members of the OPEC agreed, at the end of the year, to coordinate and reduce production by approximately 1.8 million barrels per day, prices have generally stabilized at around 50 US dollars/barrel.

In the second half of 2017, growth in
demand accompanying strong economic growth and coordination among major oil producers to reduce production contributed to a fall in the high level of oil stocks, and this in turn contributed to a rising trend in the prices due to the tightening of the demand and supply environment. The re-extension of a coordinated reduction in production decided on at the OPEC meeting held at the end of November 2017, geopolitical risks such as the uncertain situation in the Middle East, as well as increased shale oil production in the U.S. that could potentially inhibit the rise in crude oil prices are some of the issues that bear watching.

On the other hand, according to the International Energy Agency (IEA), although the amount of upstream investment for oil and gas worldwide in 2016 declined for two consecutive years in 2015 and 2016, the amount for 2017 is expected to exceed that of the previous year slightly, driven by the significant increase in the amount of investment in shale oil in the U.S. brought about by the decline in investment costs.

(B) Situation in Japan

After the Great East Japan Earthquake, the proportion of fossil fuels among Japan’s power generation sources rose from about 65% before the earthquake to about 85%, as a result of the suspension of the operation of nuclear power stations. In particular, the proportion of liquefied natural gas (LNG) has been on the rise. At the same time, Japan’s primary energy self-sufficiency ratio (including nuclear power), which relies heavily on overseas imports for virtually all its oil, natural gas, and coal, fell significantly from 20% before the earthquake to 8%. Furthermore, more than 80% of Japan’s crude oil imports come from the Middle East. In light of this situation, efforts to secure stable and cheap supplies of energy are becoming increasingly important. Against this backdrop, the Long-term Energy Supply and Demand Outlook (Energy Mix) was decided upon in July 2015. This Outlook, which presents the ideal vision for energy supply and demand, serves as a forecast of the future energy structure that should be realized when measures are put in place based on the basic direction of policies, based on the assumption of policy goals that should be achieved in the aspects of stable supply, economic efficiency, environmental compliance, and safety (3E + S), which are the basic perspectives of the energy policy, and taking into account the Basic Energy Plan approved by the Cabinet in April 2014. In August 2017, discussions commenced on the review of the Basic Energy Plan.

3 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) The Foreign Minister’s Policy Speech on Japan’s New Energy and Resource Diplomacy

To present its vision and strategy on Japan’s new energy and resource diplomacy, MOFA published the Foreign Minister’s policy speech entitled “Energy and Resource Diplomacy of Japan – global vision for a shared future.” This speech was read by Parliamentary Vice-Minister for
Foreign Affairs Takisawa on behalf of the Minister at the international symposium on “Energy Security and Investment in Asia” hosted by MOFA in July 2017.

This speech sets out Japan’s future vision for energy and resource diplomacy, as well as its strategies towards the realization of this vision. Specifically, it states that Japan’s efforts will focus on “three pillars”: (1) Strengthen the strategic approach to energy and resource issues as part of Japan’s diplomacy; (2) Take a multi-layered approach when conducting energy and resource diplomacy so that Japan can provide solutions to diverse needs; and (3) consolidate “Japan’s unique strengths” and apply them in the field of energy and resources.

(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 by approaching them at the leaders’ and ministerial level, and offering cooperation utilizing its ODA, including technical cooperation and human resources development in the resource sector. In particular, since the inauguration of the Abe Administration, the Prime Minister and Foreign Minister have engaged in proactive resource energy diplomacy, visiting major resource-rich countries such as North America, the Middle East, Africa, Central and South America and the Asia-Pacific region.

(C) Ensuring Security of Transportation Routes

Piracy incidents have been occurring 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. In response to this situation, Japan has supported the coastal countries through such measures as supporting the capacity building for maritime law enforcement, 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 60 diplomatic missions overseas in 53 countries to work intensively on the acquisition and stable supply of energy and mineral resources (as of the end of December 2017). Furthermore, MOFA holds “Strategy Meetings on Natural Resources” every year, which bring together officials who are assigned to the diplomatic missions overseas in countries that are important in terms of ensuring a stable supply of energy and mineral resources. In 2017, the Meeting was held in Tokyo in February, and was also attended
by representatives of the relevant ministries and private-sector agencies. Active discussions were held on the international situation surrounding energy and mineral resources, as well as on the direction of Japan’s strategies corresponding to the international situation.

(E) Making Use of International Fora and Rules

Japan makes active use of international fora and rules to cooperate with the international community towards maintaining 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 and resource-producing countries, and revisions to the medium and long-term outlooks for supply and demand.

The G7 Energy Ministerial Meeting was held in Rome, Italy, on April 9 and 10. Taking into account the international energy situation, which has entered a period of significant change in recent years, discussions were held on the role of natural gas, the shift towards low-carbon energy, and improvements to energy access in Africa. Italy, as the chair of the Meeting, issued the Chair’s Summary “Energy Security: from Rome 2014 to Rome 2017.”

At the G20 Hamburg Summit held in Hamburg, Germany in July, the leaders affirmed their close cooperation on making the economic and energy systems consistent and aligned with the 2030 Agenda, and their continued efforts to develop an open, flexible, and highly transparent market for energy products and technology, in order to ensure energy security. In addition, the Climate and Energy Action Plan for Growth was adopted as an annex to the Leaders’ Declaration.

At APEC, the APEC Energy Working Group (EWG) is convened as a framework to promote energy trade and investment and strengthen energy security, so as to contribute to the sustainable economic growth of the Asia-Pacific region. The 53rd EWG was held in Singapore in April 2017, and the 54th EWG was held in New Zealand in November. Japan participated actively in both meetings.

In relation to ASEAN, the ASEAN+3 (Japan, China, and ROK) Ministers on Energy Meeting and the East Asia Summit (EAS) Energy Ministers Meeting were held in Manila, the Philippines in September. At the 2017 meeting, the respective countries agreed to put effort into promoting investment, human resource development, and the development of legal systems in the field of LNG, in order to build a highly transparent and fluid LNG market. Furthermore, Japan proposed the strengthening of precise energy conservation cooperation that matches the levels of progress of each ASEAN country, and this proposal was received with gratitude from the respective countries.
Japan’s New Energy and Resource Diplomacy
- Unveiling the “Global Vision” -

In recent years, dramatic changes that could even be described as cataclysmic have been taking place in the global energy landscape. Firstly, there has been “the shift in suppliers” with the rise of new energy exporters such as the U.S. as a result of technological innovation such as the shale revolution. Secondly, there has also been “the shift in consumers” as the center for rising energy demand moves towards emerging economies, in particular Asian countries such as India, China, and ASEAN member states. Thirdly, as climate change becomes a common challenge faced by all countries in the world, the wave of “the shift towards low-carbonization” has been applying pressure on the energy sector, which makes up more than two-thirds of the greenhouse gas emissions generated in the world. Moreover, policy trends in countries around the world including changes of the energy policy under the Trump administration in the U.S. are also drawing attention to the impact they may have on the global energy situation.

Responding to such changes in the international situation, Japan is fully aware of the need for its energy and resource diplomacy. With this awareness, in 2017, MOFA conducted in-depth discussions on how to reshape Japan’s energy and resource diplomacy, harnessing the opportunities such as meetings involving Special Assistants for Natural Resources deployed in Japan’s diplomatic missions all around the world. Taking into account the outcome of the discussions, a new vision and strategy were unveiled in July entitled “Energy and Resource Diplomacy of Japan – global vision for a shared future.”

Given Japan’s limited resources, securing a stable supply of energy and resources continues to be a greatly important issue. However, it is difficult for any country to achieve energy security on its efforts alone under the current international situation; rather, there is a need to consider an approach for energy and resource diplomacy on the premise of mutual dependence. The Global Vision sets out five points of particular emphasis (refer to the chart below), based on the idea that contribution to providing solutions for global key issues concerning energy will assure Japan’s own energy security. “Win-win” relationships with resource-rich countries will be strengthened by making Japan’s utmost efforts to achieve this vision, eventually leading to a stable supply of energy and resources to Japan. At the same time Japan can demonstrate leadership in strengthening energy security in the world. In addition, towards realizing this vision, Japan has also announced that it will focus on “three pillars” (refer to the chart below) as the core of its “Roadmap for a strengthened energy and resource diplomacy.”

Energy and resource security is a challenge not only for Japan, but also for the world, and is directly connected to economic, social, and environmental issues on a global scale. MOFA will continue to take a proactive approach towards energy and resource diplomacy,
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. 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 announced...
the “Fukushima Plan for a New Energy Society”\(^{17}\) to promote Fukushima as the center of research into renewable energy. Based on this plan, MOFA organized a study tour in August 2016 of the “Fukushima Renewable Energy Institute,” and a study tour of the Nakoso Power Station and other reconstruction-related facilities in June 2017 for ambassadors of each country in Tokyo. The tours promoted Japan’s proactive stance toward the spread and promotion of renewable energy externally.

**(2) Ensuring Food Security**

According to reports by the UN Population Division, global population in 2017 is estimated to be about 7.6 billion. However, global population is expected to increase mainly in Sub-Saharan Africa and South Asia in the future, and to reach about 9.8 billion by 2050. Furthermore, as demand for grains will double with the increase in consumption of livestock, demand for feed for livestock will also increase rapidly in tandem with the rise in the amount of livestock consumed, should dietary habits in developing countries change in the future. According to a report by the Food and Agriculture Organization (FAO) in 2017, there is a need to increase food production by approximately 50% by 2050, against food production levels in 2012. On the other hand, if we were to turn our eyes to the domestic situation in Japan, while the country’s food self-sufficiency rate (calorie basis (published by the Ministry of Agriculture, Forestry and Fisheries)) has been on a downward trend in the long-term, it has been levelling out in recent years, and reached 38% in FY2016. Japan continues to be dependent on the import of much of its food over the long-term; in order for Japan to avoid the problem of food supply shortage, it needs to increase domestic food production, and at the same time, actively promote food production worldwide in order to ensure the stability of imports. In the event that global food supply falls short due to a large-scale drought or other factors, it is also necessary for Japan to contribute as a member of the international community, including providing support to other countries. Furthermore, rather than temporarily increasing food production amidst rising food demand, there is a need to secure the sustainability of increased food production while reducing the burden on the environment. In addition, food also suffers from quality deterioration over time, and is easily damaged by diseases and pests. As such, to ensure the efficient consumption of agricultural produce, it is necessary to create stable markets for agricultural products as well as trading systems, and to improve logistics. It is vital to consolidate Japan’s food security through these efforts.

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

In the G7/G8 frameworks, since the topic of food security was raised at the Toyako Summit held in Hokkaido in 2008, various initiatives have been implemented to strengthen food security. At the G7 Taormina Summit (Italy) held in May 2017, food security was brought up as an important issue; in particular, a decision

\(^{17}\) 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.
was made to enhance joint support towards food security, nutrition, and sustainable agriculture in Sub-Saharan Africa. At the G7 Agriculture Ministers’ Meeting held in October 2017 (Italy), the focus was placed on strengthening the resilience of farmers and the development of agricultural communities. Discussions were held on risk management policies in agriculture and the tools for disaster prevention and countermeasures, as well as food security and the increasing number of refugees.

In the G20 framework, at the G20 Agriculture Ministers’ Meeting held in Germany in January 2017, the ministers agreed to take serious responsibility for realizing agriculture-related goals aimed at ensuring food security and improving nutrition around the world, including the second goal of the Sustainable Development Goals (SDGs) (End hunger, achieve food security and improved nutrition and promote sustainable agriculture). They also affirmed their commitment towards the regular convention of the G20 Agriculture Ministers’ Meeting, and the implementation of action plans.

There has also been progress in regional cooperation. In APEC, the relevant cooperation has been ongoing through the APEC Policy Partnership on Food Security (PPFS), which involves cooperation not only among the agencies of the participating countries and regions, but also with their private sectors. In August, the APEC High Level Policy Dialogue on Food Security and Sustainable Agriculture in Response to Climate Change was held in Viet Nam, where the Can Tho Statement On Enhancing Food Security and Sustainable Agriculture in Response to Climate Change, the Food Security and Climate Change Multi-Year Action Plan, and the Action Plan on Rural - Urban Development to Strengthen Food Security and Quality Growth, were adopted.

The ASEAN Plus Three Emergency Rice Reserve Agreement (APTEERR) entered into force in 2012, under the cooperative framework of ASEAN+3 (Japan, China, and ROK). Based on this, Japan provided the Philippines and Cambodia with assistance in rice supply in 2016. At the ASEAN+3 Summit Meeting held in Manila, the Philippines, in November 2017, the Statement on Food Security Cooperation was adopted.

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 relevant 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,” 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.

Japan, as one of the largest tuna-consuming countries, has joined all Regional Fisheries Management Organizations (RFMOs) for tuna, and leads discussions on strengthening measures for the conservation and management of the resources. In 2017, at the annual meeting of the Western and Central Pacific Fisheries Commission (WCPFC), conservation and management measures that enable changes in catch quotas, based on the results of resource evaluations on Pacific bluefin tuna and the extent of changes in the probability of achieving the interim recovery target, were adopted. With regard to bigeye tuna, yellowfin tuna, and skipjack tuna, the prohibition period for fish aggregating devices (FAD) was reduced for purse seine fishery, and new regulations on the limit for the number of FAD were established, as temporary measures for a one-year period in 2018. With regard to longline fishing, measures that include increasing Japan’s catch quota for bigeye tuna from 16,860 tons to 18,265 tons, were adopted. At the annual meeting of International Commission for the Conservation of Atlantic Tunas (ICCAT), an agreement was reached to increase the total allowable catch (TAC) for Atlantic bluefin tuna resources gradually from the existing 23,655 tons to 36,000 tons by 2020.

In the North Pacific Fisheries Commission (NPFC), discussions were carried out based on Japan’s proposals, and decisions were made on the following matters: (1) For Pacific saury, measures to prohibit an increase in the number of vessels permitted to fish in deep-sea fishery countries and regions (limited for one year); (2) For mackerel, completion of resource evaluation as soon as possible, and during that time, measures to prohibit an increase in the number of fishing vessels permitted to fish for mackerel in international waters; (3) To place 23 non-flag vessels on the list of illegal, unreported, and unregulated (IUU) fishing vessels. Japan recognizes the importance of the role of the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (entered into force in 2016), which provides for the adoption of measures on denying the entry of IUU vessels into ports of calls, on countermeasures against IUU fishing vessels. In May 2017, Japan deposited its instrument of accession, and the Agreement entered into force for Japan in June.

With regard to the Japanese eel (Anguilla japonica), which 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), the 10th Informal Consultation was held in June 2017. Four countries and regions, namely Japan, China, Taiwan, and the ROK, are strengthening initiatives to build an international management system,
Strengthening Relations with the Food and Agriculture Organization of the United Nations (FAO)

The Food and Agriculture Organization of the United Nations (FAO) is the leading United Nations’ specialized agency in the fields of food, agriculture, forestry and fisheries, and plays an important role in strengthening food security around the world. Since it became a member of FAO in 1951, Japan has maintained its cooperative relationship with the organization for many years. Recently, Japan is working toward a further strengthening of relations with FAO, with a focus on efforts to have closer consultations with FAO, to make information on FAO’s activities more readily available in Japan, and to increase the numbers of Japanese employees at FAO.

In January 2017, the first Japan-FAO Strategic Consultation Meeting was held at FAO Headquarters in Rome. Looking back at many years of collaboration, Japan and FAO reaffirmed the importance of further advancing their strategic partnership to address major challenges and opportunities related to food security, nutrition, agriculture, forestry and fisheries, as they move towards the achievement of the Sustainable Development Goals (SDGs). The two sides also discussed how to further boost the visibility of the FAO’s mandate, work and achievements in Japan.

Following this first Strategic Consultation Meeting, FAO Director-General Graziano da Silva visited Japan in May for the first time in four years. During his stay, he held dialogues with key government officials including Foreign Minister Kishida, attended various events in Tokyo, visited a site designated as Globally Important Agricultural Heritage Systems (GIAHS) in Gifu Prefecture, and gave interviews to various media outlets as a part of their active efforts to spread information about overview and importance of FAO’s activities.

With the aim of increasing the number of Japanese employees at FAO, Director-General Graziano da Silva also delivered a lecture at Sophia University, where he spoke about FAO’s role in increasing food production, improving nutrition and promoting sustainable agriculture and fisheries, as well as about the appeal and rewarding aspects of working at FAO to Japanese youths, and contributed to potential candidates for FAO employees.

Director-General Graziano da Silva also tasted sweets made from fruits produced in Fukushima City at the Fukushima Sweets Tasting Event organized by MOFA. He highly appraised the safe and delicious agricultural products of Japan, and explained that food products from Fukushima are safe and that there is no need to raise concerns about safety. In this way, he provided support for Fukushima’s reconstruction to counter the reputation damage.
such as by issuing the joint press release that includes reviews on the management measures adopted by each of the countries or regions.

While conditions at the high seas of the Arctic Ocean are not suitable for direct commercial fishery soon, there have been growing concerns on future unregulated fishing there with the partial melting of the ice due to global warming. Against this background, Meetings on High Seas Fisheries in the Central Arctic Ocean have been held six times since December 2015, involving nine countries and one organization: the five Arctic coastal countries (Canada, Denmark, Norway, Russia, and the U.S.), Japan, China, the ROK, Iceland, and the EU. At the sixth meeting in November, an agreement in principle was reached on the draft agreement, which covers contents such as the prevention of unregulated fishing.

Regarding the whaling issue, under the basic policy of pursuing the resumption of commercial whaling by conducting scientific whale research programs, based upon scientific evidence and international law in order to gather scientific data that is necessary for the proper management of whale resources, Japan has been implementing the “New Scientific Whale Research Program in the Antarctic Ocean (NEWREP-A)” since December 2015, which was finalized taking into account the Judgment of the International Court of Justice (ICJ) in March 2014 as well as 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 research program was finalized fully taking into account the discussions within the Scientific Committee in May 2017, and the research program was implemented from June 2017.

Anti-whaling countries occupy the majority at the IWC, and while the international

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situation regarding whaling still remains difficult, Japan is making persistent efforts to deepen understanding among the international community based on scientific evidence and international law.

(4) Foreign Direct Investment in Japan

The target to double foreign companies’ direct investment in Japan to 35 trillion yen by 2020, addressed in the 2013 “Japan Revitalization Strategy,” was reaffirmed in the “Investments for the Future Strategy 2017.” (27.8 trillion yen as of the end of 2016) 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, decided at the 2nd meeting of the Council for Promotion of Foreign Direct Investment in Japan held in March 2015, foreign companies have been utilizing the Investment Advisor Assignment System since April 2016, and are meeting with the relevant State Ministers in charge. In addition, the Working Group for Revising Regulations and Administrative Procedures has been convened since August 2016, to review the streamlining of regulations and administrative procedures that pose a challenge to foreign companies when they are investing in Japan. The summaries of the Working Group meetings have also been reflected in the Basic Policy on Economic and Fiscal Management and Reform 2017 and Investments for the Future Strategy 2017.

MOFA has been implementing various measures adopted by the Council for Promotion of Foreign Direct Investment in Japan, initiatives making use of diplomatic resources through diplomatic missions overseas, and trade promotion by key government officials. It is also strategically implementing various initiatives towards promoting foreign direct investment in Japan. The “Contact Points for Direct Investment towards Japan” established at 126 diplomatic missions overseas in April 2016, have been working in collaboration with the Japan External Trade Organization (JETRO), carrying out surveys of requests for improvements to Japanese regulations and systems, calling for investments in Japan by making use of networks of contacts at diplomatic missions overseas, holding events for promoting foreign direct investment in Japan, and implementing other proactive initiatives. The track record of activities at each diplomatic mission one year after the establishment of the “contact points” exceeded 700 cases. Recently, seminars to promote investment in Japan have been organized through cooperation with

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18 (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.”

19 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.
between the JETRO overseas office and the Japanese embassy or local public organization, and such seminars were held in Switzerland in February 2017, Finland in May, and Ireland in June. In Japan, MOFA hosted the Japan-U.S.-Europe Business Seminar on “Ringing in a Renewed Economic Relationship between Japan, the U.S. and Europe Pioneered by Mutual Investments” in March 2017 (organized jointly with the relevant ministries, the Japan Institute of International Affairs, and JETRO). During Prime Minister Abe’s visit to the U.S. in September 2017, he introduced the results and future direction of reforms through Abenomics, and called for greater investment in Japan at a meeting with U.S. CEOs and in his economic speech delivered at the New York Stock Exchange.

Column

Bringing the World Expo 2025 to Osaka, Kansai!

Preparations for the Olympic and Paralympic Games 2020 Tokyo have been generating much excitement across Japan. However, are you aware that Japan is also bidding to be the host country for the World Expo 2025? In fact, the public and private sectors of Japan are now working together on activities to pitch Osaka, Kansai as the host for the World Expo in 2025.

In 1970, about half a century before today, the World Expo was held in Osaka based on the theme “Progress and Harmony for Mankind.” It attracted as many as 64 million visitors—the largest number of visitors to an Expo up to that point, and became an Expo that would be much talked about by future generations. That had precisely been the apex of Japan’s period of rapid economic growth, and the World Expo, alongside with the Tokyo Olympic Games of 1964, provided Japan with a splendid opportunity to disseminate the new image of postwar Japan to the international community.

This time, the proposed theme for EXPO 2025 Osaka, Kansai is “Designing Future Society for Our Lives.” It places the focus on people, and aims to consider, together with people around the world, the way how each individual can live a happy life, and the future vision for a sustainable socio economy that supports that life. Our approach is to connect the 8 billion people of the world to co-create the society of the future. To realize this aim, we plan to come up with mechanisms that can offer various encounters and discoveries even to those who are not able to come to the venue itself by harnessing technologies to facilitate participation by all the people around the world, such as the Internet and Virtual Reality (VR).

The World Expo is also a venue that provides people with an opportunity to experience new technologies of the future. Technologies such as the moving walkway and mobile phones, which were featured at the last World Expo held in Osaka in 1970, have now become indispensable parts of our daily life. The World Expo 2025 will provide mobility
systems that harness self-driving technology which can be used by the elderly and disabled. Health check-up services that utilize Internet of Things (IoT) technology in the pavilions and restrooms that automatically check the participants’ health conditions as well as mechanisms that enable participants from around the world to enjoy the World Expo without being hindered by any language barriers using machine translation systems are also under consideration. Participants may even have the chance to experience delivery systems of future societies, such as the delivery of a pre-booked lunch to a specific location using drones.

The host city for the World Expo 2025 will be selected in November 2018. Moving towards that date, we are taking advantage of Japan’s attractiveness such as its soft power and are actively engaged in an all-Japan effort to bring the event to Osaka. Pokemon and Hello Kitty, which enjoy immense popularity worldwide, are also offering their cooperation as Special Envoys (Mascot Characters) to bring the World Expo to Japan. Enthusiasm among the citizens is important in efforts to promote Osaka as the host city. We ask for everyone’s support towards success in bringing the World Expo to Japan!

*You can register as a supporter of Osaka’s bid by visiting the following link. http://www.expo2025-osaka-japan.jp/recruit-ind