



AJBCC



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Basic Policy on Comprehensive Economic Partnerships

Significant Reforms Flagged

On 6th November, a week before the 2010 APEC Leaders' Meeting in Yokohama, the Government of Japan announced significant policy changes to "*open up the country*" and "*pioneer a new future*".

The Basic Policy on Comprehensive Economic Partnerships released by the Ministerial Committee on Comprehensive Economic Partnerships acknowledges that "*Japan is falling behind*" as a participant in the structural transformation taking place in the world economy. "*Japan's status is gradually declining while the emerging economies are experiencing dramatic growth*".

The policy recognises that **if Japan is to rebuild** the foundation for future growth and development, then it is necessary to deepen its economic relationships with Asian and emerging countries. Also recognised is that Japan would need to strengthen its trade and investment environment so as to relate competitively with these countries. This deepening and competitiveness would only occur with high level agreements of a bilateral nature concurrent with the various regional propositions and the Doha round.

The policy statement acknowledges that agriculture is the area most likely to be affected by trade liberalisation and observes there is a need to improve the sector's competitiveness and explore new markets overseas.

Significantly, the Basic Policy states with respect to such aspirant partnerships that "*while taking into consideration the sensitivity of trade in certain products, (the Government) **will subject all goods to negotiation for trade liberalisation***" it also links "**fundamental domestic reforms**" as a necessity "*in order to strengthen the competitiveness it will need for economic partnerships (of high level).*"

Under a heading of concrete actions to strengthen comprehensive economic partnerships, the Basic Policy states "*Japan will increase its efforts to conclude the ongoing EPA/FTA negotiations with Peru **and Australia** and resume the currently suspended Japan-Korea EPA negotiations*".

There have been eleven rounds of negotiation between Japan and Australia. To-date the Japanese side has refused to place any access offerings regarding agriculture on the table. It is anticipated that the twelfth round will take place about February 2011 and business will be interested to learn whether "*taking into consideration the sensitivity of trade in certain products*" will be used to excuse an offering being made.

Following a visit to Canberra by Japan's Foreign Minister Seiji Maehara on the 23rd November, Dr Craig Emerson, Australia's Minister for Trade, in a media release welcomed the intention to make a fresh start towards finalising a FTA. He observed "*The Basic Policy is a profoundly important change in Japanese thinking, heralding a new commitment to opening up Japan to more trade, more economic engagement in the region and associated domestic economic reform.*"

Of all the rival propositions for various configurations of regional FTAs, only the TPP is under negotiation with four rounds now completed. Importantly, because the United States is one of the nine negotiating parties of this "21st Century agreement", that is one without exclusions and including behind-the-border issues, the Japanese interest is very high and they have signalled that after additional information gathering that they would consider signing onto the negotiation principles after June 2011. The AJBCC sees a credibility gap between the past policies of the Japanese Government and the TPP negotiation principles.

The Basic Policy announced that

- a 'Ministerial Meeting for Realisation of a Free Trade Area in the Asia Pacific would be established to ensure the realisation of the aspiration of high level agreements;
- the Government will promote appropriate domestic reforms with respect to areas of the agricultural industry, movement of natural persons from abroad to Japan, and regulatory reforms..

The Basic Policy on Comprehensive Economic Partnerships also announced:-

- A Basic Policy regarding agricultural structural reform aimed at fostering sustainable and strong agriculture will be released about June 2011 to promote both high-level EPAs and improvement of Japan's food self-sufficiency and revitalisation of its agriculture industry and rural communities. An Action Plan with a medium and long-term perspective is expected to be released about October 2011. It is flagged that this will substitute fiscal support to farmers for the present tariff protection.
- A Basic Policy on the Movement of Natural Persons was flagged for release in June 2011. Based on past FTAs with ASEAN countries, the Government is likely to focus on categories such as nurses and certified care-workers.
- The Government's Revitalisation Unit will enhance Japan's potential for growth by deciding by March 2011 a concrete plan to achieve economic partnerships and eliminate non-tariff barriers.

The Basic Policy on Comprehensive Economic Partnerships together with June's New Growth Strategy represent new development strategies for the Japanese economy. It is clear that Prime Minister Kan sees these as a necessity. Indeed, he likened the liberalisation imperative as the second KUROBUNE (the American warship that became the decisive trigger for opening the Japan market in 1868) and told the House of Representatives "*Japan cannot miss this opportunity, timing and chance for free trade and revolutionary Reform of Agriculture.*"

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