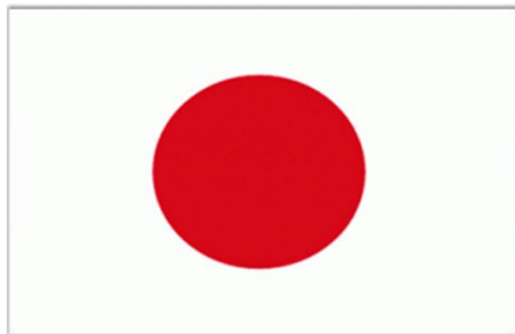


[The views expressed in this presentation do not necessarily reflect the official policy or the position of the Government of Japan.]

External Economic Policies in the Aftermath of the Great East Japan Earthquake and Tsunami: Japan's Trade Diplomacy in Asia-Pacific

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Keio University, SFC
Japan



[Slide 1]

Today's Menu

- The Disaster and Recovery
- Japan's External Trade and Investment
- Japan's FTA: Economic Partnership Agreement (EPA) – Achievements and Challenges –
- Bilateral Trade between Japan and New Zealand
- Conclusions

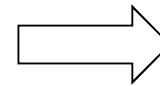
Reconstruction and recovery following the recent earthquake : (1)Tohoku Expressway

- The Tohoku Expressway is a transport and commercial artery which connects Tohoku and Kanto regions. Numerous factories are located along the route.
- 347 km out of 675 km of the expressway was damaged in the earthquake on March 11, but traffic restriction was lifted on March 24th, following the completion of emergency restoration measures.

Tohoku Expressway



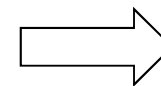
Mar 12th



Mar 17th



Mar 12th



Mar 17th

[Slide 3]

Reconstruction and recovery following the recent earthquake : (2) Railroads

- None of the 26 trains operating at the time of the earthquake derailed, nor was there any serious damage to elevated bridges and stations, or collapse of tunnels.
- The entire Tohoku Shinkansen resumed operation on April 29th.

Present status of operations as of April 29th



Morioka to Shin Aomori
Resumed operation April 13th

Ichinoseki to Morioka
Resumed operation April 23rd

Sendai to Ichinoseki
Resumed operation April 29th

Fukushima to Sendai
Resumed operation April 25th

Nasushiobara to Fukushima
Resumed operation April 12th



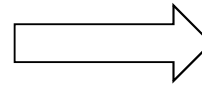
[Slide 4]

Reconstruction and recovery following the recent earthquake : (3) Airports

- The reconstruction of Sendai Airport which was badly damaged by the tsunami showed surprisingly rapid progress thanks to the cooperation between the US Armed Forces and Japanese Self-Defense Forces. The entire runway was restored and became useable by March 28th.
- Passenger flights from Haneda-Sendai and Osaka(Itami)-Miyagi resumed operation on April 13th, a month after the earthquake.



Sendai Airport damaged by the tsunami as of March 13th.



The first landing at Sendai airport since the earthquake on April 13th.

[Slide 5]

Effects on specific industries : Steel

- Although Sumitomo Metal's Kashima plant stopped production, other Japanese iron works could still produce plenty of crude steel.
- Sumitomo Metal's Kashima plant resumed its operation on April 30, with return to full production expected by the end of May.

Geographical locations of damaged iron works



※ The blast furnaces of Kashima Steelworks of Sumitomo Metal Industries, Ltd operated normally on April 30. Kashima Steelworks of Sumitomo Metal Industries, Ltd aims to increase pig iron output of the furnaces and achieve overall normal operation at Kashima by the end of May.

[Slide 6]

Effects on specific Industries : Auto / Electronics Industries

- Several weeks after the earthquake, certain major factories producing core parts and materials temporarily ceased operation, but gradually resumed . For factories that need more time to recover, companies are seeking substitute production from other factories.
- Most of the motor production companies have restarted production, depending on the supply level of core parts and materials.

Toyota Motor	All factories resumed production on April 18th.
Nissan	All factories, including a seismic-damaged engine factory in Iwaki-city, resumed production on April 18th.
Honda	After production resumed of finished automobiles at the Saitama factory and Suzuka factory, all factories resumed production on April 11th.
Hitachi Automotive Systems	Sawa and Fukushima Auto-parts manufacturing factories damaged in the earthquake partially resumed production on March 25th. Manufacturing facilities have been almost completely repaired.
Hitachi Vehicle Energy	Headquarter factory damaged in the earthquake at Hitachinaka-city resumed production of Lithium-ion batteries from March 28th.
Hitachi Ltd.	Operations resumed at the end of March, 2011, and most facilities returned to full production after mid-April.
Renesas Electronics	6 of 7 factories damaged in the earthquake have already resumed production. The NAKA Factory damaged by the earthquake is scheduled to resume production by June 1st. Original schedule was "before July".
Shinetsu Chemicals	Shirakawa Factory damaged in the earthquake partially resumed production on April 20th. Right now, carrying out the restoration work with the aim of returning the production capacity at the plant to the level prior to the earthquake by the end of June of this year.
IHI	Soma Factory damaged in the earthquake which produces engines and gas turbines, resumed operation on March 29th.

[Slide 7]

Effects of radioactivity from Fukushima Dai-ichi NPS

➤ Distance between Tokyo and Fukushima Dai-ichi NPA is 230km (about 144 miles) .

Tokyo - Fukushima Dai-ichi NPS : 230 km (about 144 miles)

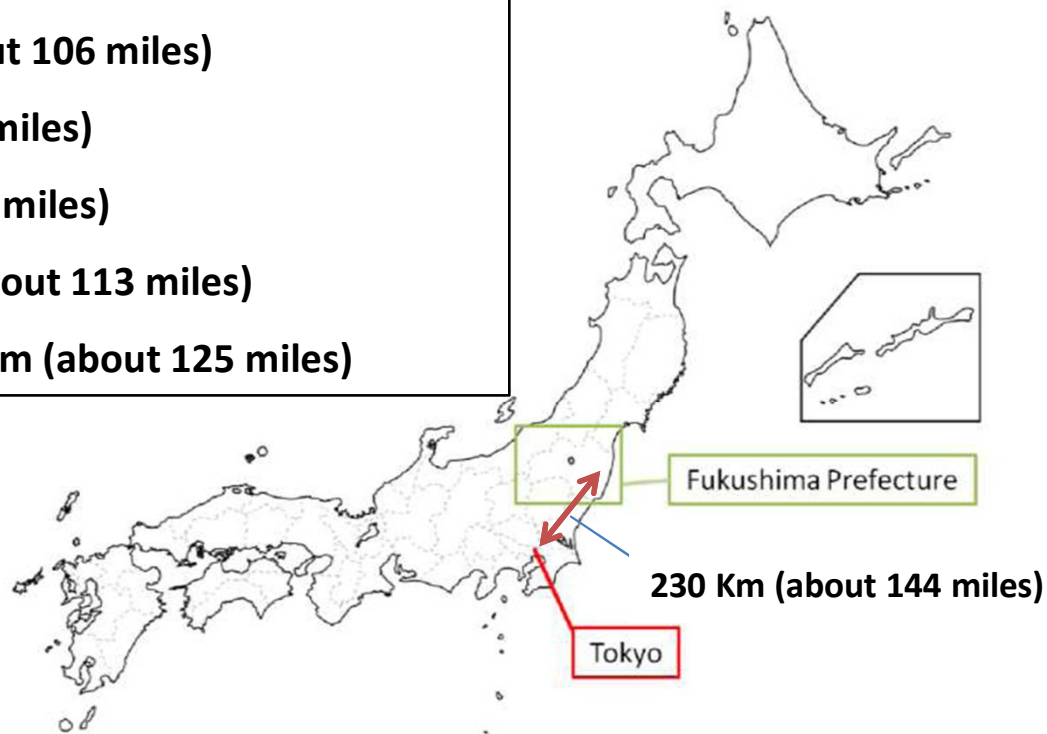
Amsterdam - Brussels : 170 km (about 106 miles)

Paris - Brussels : 266 km (about 166 miles)

NY - Philadelphia : 137 km (about 86 miles)

Los Angeles – San Diego : 180 km (about 113 miles)

Washington DC - Philadelphia : 200 km (about 125 miles)



[Slide 8]

Effects of radioactivity from Fukushima Dai-ichi NPS

- The recent environmental radioactivity level in Tokyo is lower than the level in New York and Hong Kong.
- Several UN agencies, including the WHO, have announced that radioactive materials have been of low concentrations and do not present health or transportation safety risks.

<International organizations press release>

○ International Civil Aviation Organization
(April 11, 2011)

“Continuous monitoring around these airports confirms that radiation levels are well within safe limits from a health perspective.”

○ World Health Organization
(April 5, 2011, FAQs)

“WHO is not advising general restrictions on travel to Japan.”

< Environmental radioactivity levels around the world >

Hong Kong: 0.14 $\mu\text{Sv}/\text{hour}$

New York: 0.095 $\mu\text{Sv}/\text{hour}$

Tokyo: 0.078 $\mu\text{Sv}/\text{hour}$

【Source】

Ministry of Education, Culture, Sports, Science and Technology (MEXT),
Hong Kong Observatory, Live radioactivity monitoring online USA
Hong Kong (as of 13 April, 2011), New York (7 days average to April 13, 2011) Tokyo (as of 12 April, 2011)

<Environmental radioactivity level in Tokyo>

○ The environmental radioactivity level in Tokyo, if the current level continues for three months, will be 168.5 μSv^* .

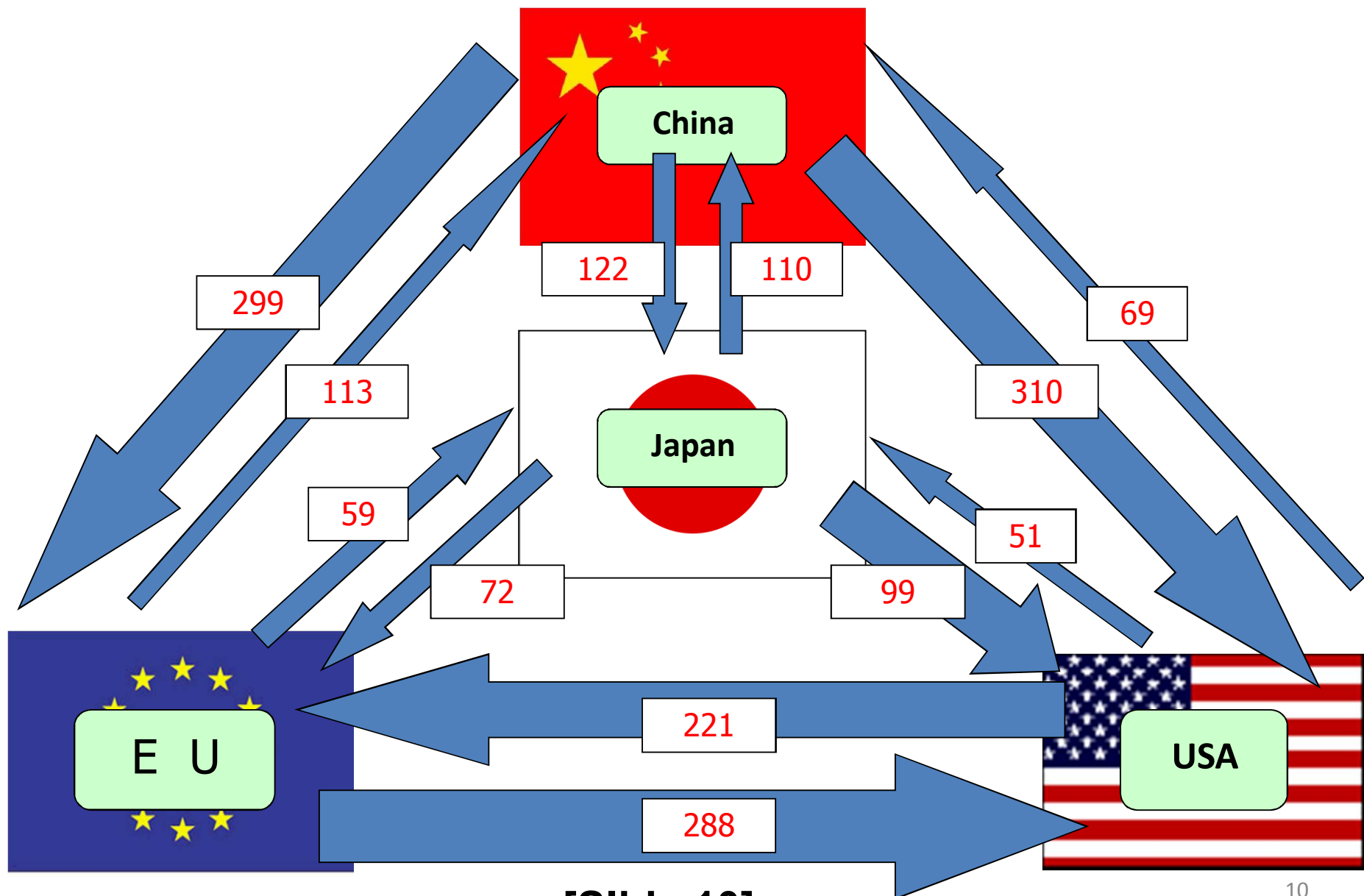
• $0.078 \mu\text{Sv}/\text{hr}$ (as April 12th, 2011) $\times 24\text{hour} \times 90\text{days} = 168.5 \mu\text{Sv}$

[Radiation in daily life]

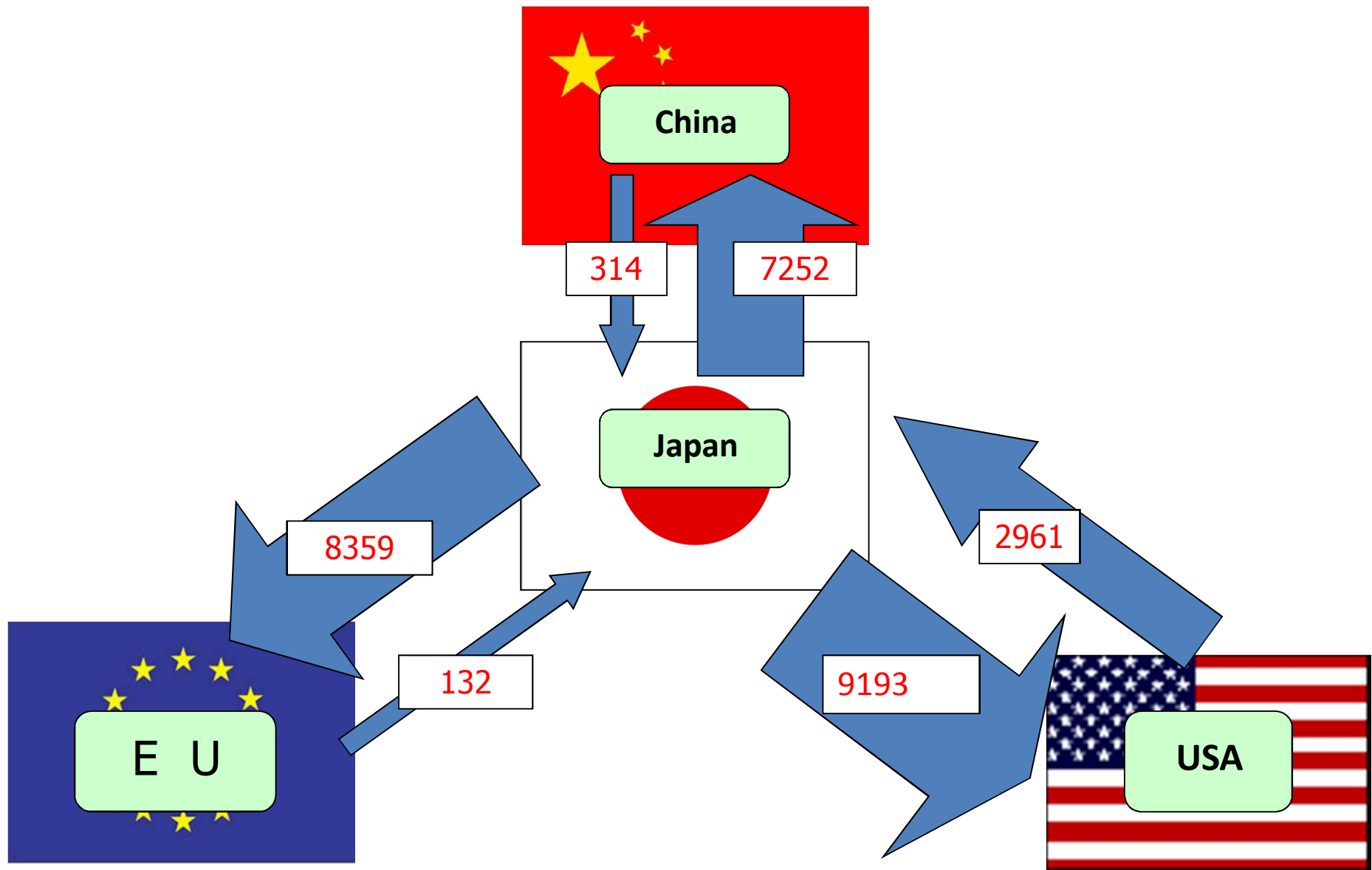
• An air trip between Tokyo and New York (RT): 200 μSv

• A gastrointestinal X-ray examination: 600 μSv

Japan's Trade with Major Trading Partners(2009, \$billion)



FDI net-flow with Major Partners(2010, \$million)

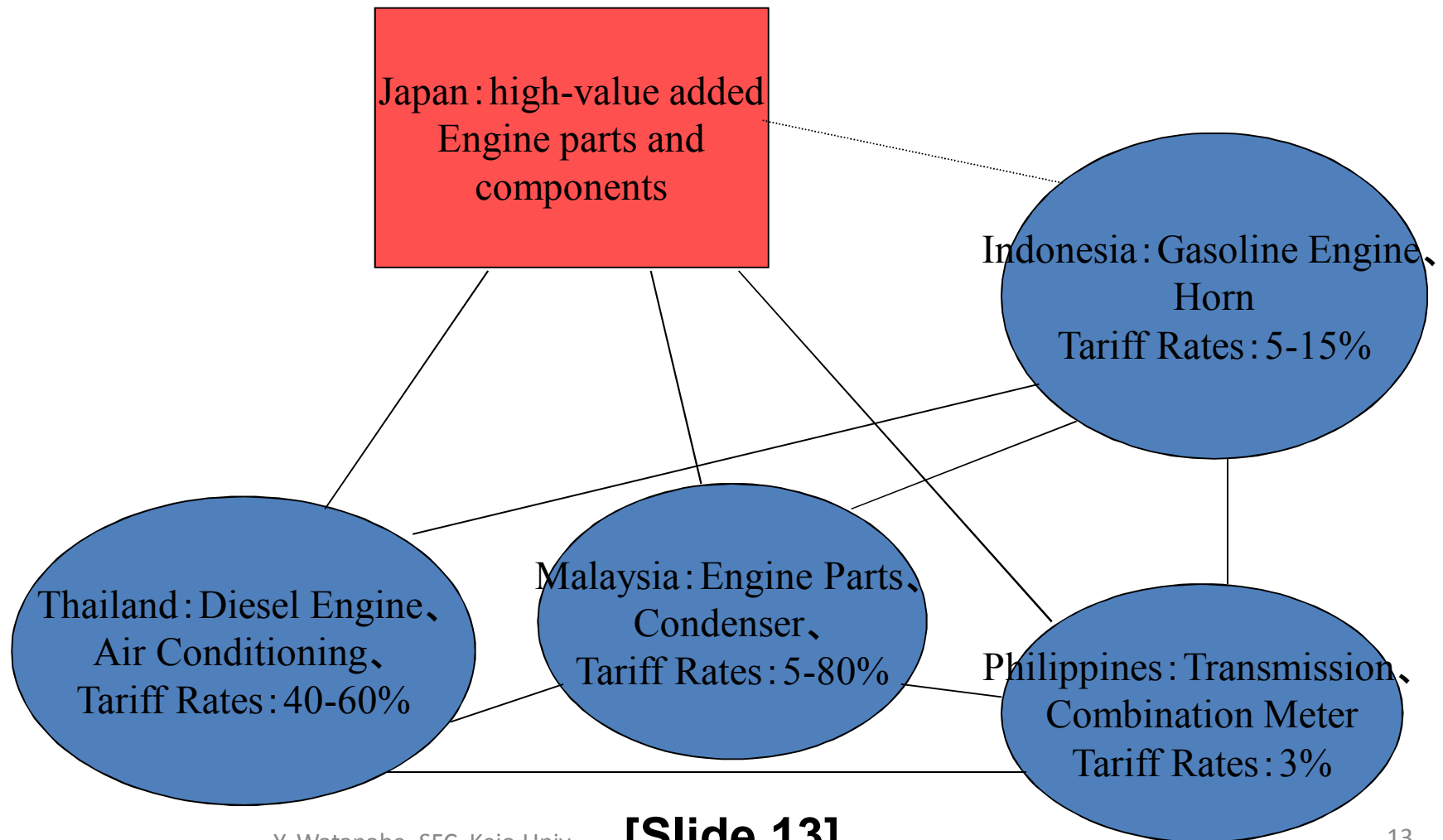


[Slide 11]

De-facto Business-driven Integration in East Asia

- “**The Plaza Accord**” by G5 in September 1985 as the major cause
- The major exchange-rate realignment
- $\$1 = ¥248 \Rightarrow \$1 = ¥180$
- Japanese manufacturers shifted production sites of their parts and components abroad, firstly in ASEAN countries and later in other East Asian countries in order to avoid negative effects of appreciated Japanese Yen

Japanese Car Industry: Optimal Supply System in Asia



Intra-regional Trade (%)

		East Asia	EU(15)	NAFTA
Export	1980年	33.9	61.0	33.6
	2003年	50.5	61.4	55.4
Import	1980年	34.8	56.9	32.6
	2003年	59.7	63.5	39.9
Source : Japan Economic Journal (5/11/2004)				

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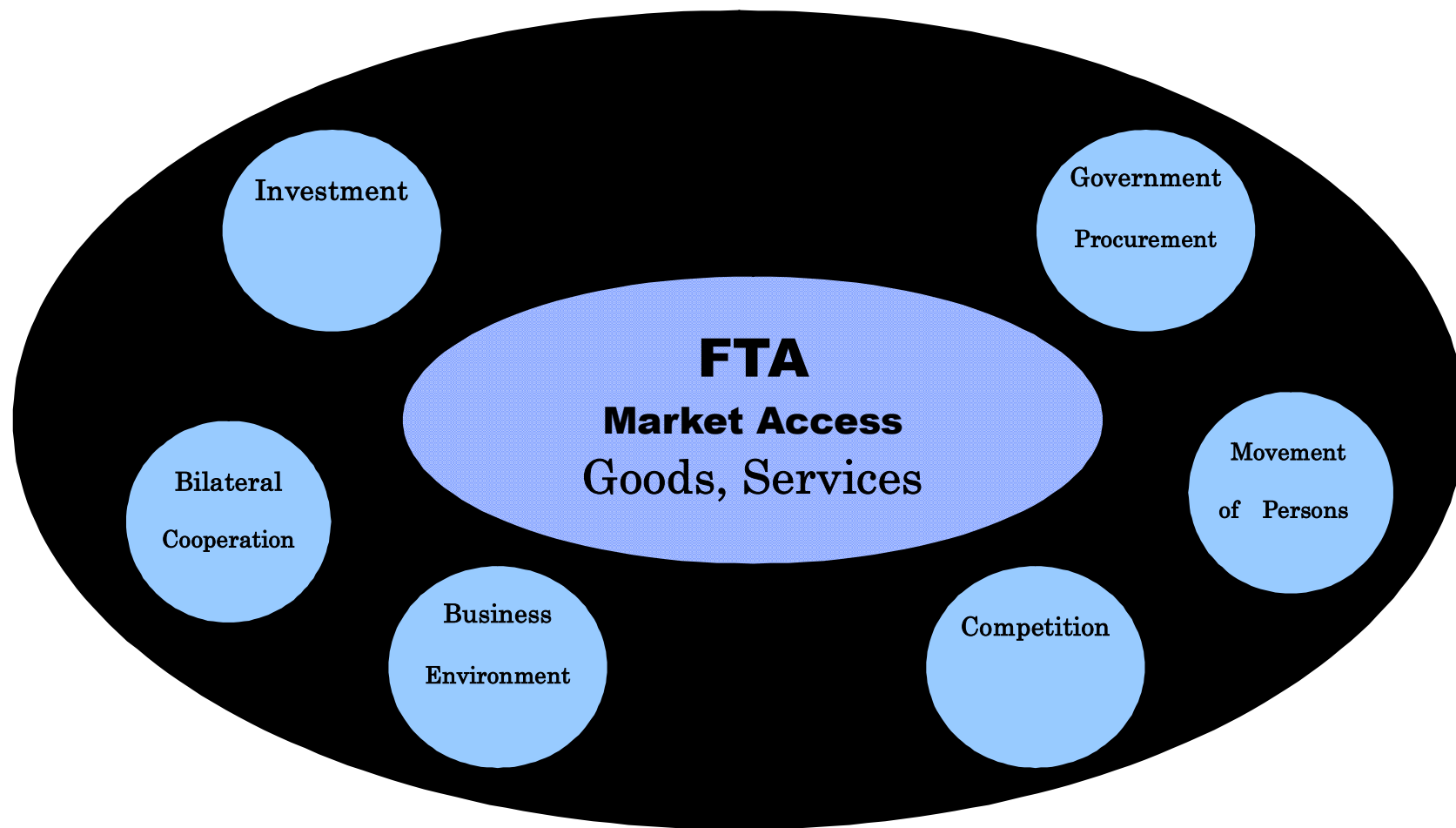
[Slide 14]

Regional Economic Integration in East Asia

- **Business-driven** integration through FDI
- Production networking = *de facto* integration
- How to consolidate and improve the merits of such development ?
- ⇒ “FTA Policy Paper” by MOFA in 2002.10

Economic Partnership Agreement

EPA: Japan's FTA Strategy



Substance of Japan's EPA

		Trade in goods			Trade in service				Investment				Government Procurement	Intellectual Property	Competition	Improvement Of Business Environment	Cooperation	Energy and Mineral Resources
		Market Access	SPS/TBT	Mutual Recognition	Market Access	National Treatment	MFN Treatment	Movement of Natural Person	Prohibition of performance requirements	Dispute Settlement between state and investor	MFN Treatment	National Treatment						
E	ASEAN	Vietnam	○		○	○		○	○						○	○	○	
		Philippine	○	○	○	○	○	○	○		○	○		○	○	○	○	
		ASEAN	○														○	
		Brunei	○		○	○	○	○	○	○	○	○				○	○	○
		Indonesia	○		○	○	○	○	○	○	○	○		○	○	○	○	○
		Thailand	○	○	○	○	○	○	○	○	○	○		○	○	○	○	
		Malaysia	○	○	○	○	○	○	○	○	○	○		○	○	○	○	
		Singapore	○	○	○	○		○	○	○		○	○	○	○			
	Latin America	Chile	○			○	○	○	○	○	○	○	○	○	○	○		
		Mexico	○			○	○	○	○	○	○	○	○		○	○	○	
	Europe	Switzerland	○		○	○	○	○	○	○	○	○	○	○	○	○		

[Slide 17]

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Guideline for EPAs

(Ministerial Council's Decision, Dec.21 2004)

- EPA to **complement** the multilateral trading system embodied in **WTO**
- EPA to **develop further Japan's external economic relations** and ensure its economic benefits
- EPA to enhance **domestic structural reform**
- EPA as a **diplomatic device** to create sound international environment, notably in East Asia
- EPAs **to be concluded expeditiously** by the Government in its totality

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[Slide 18]

Japan's FTA/EPA

Achievement so far

- Japan-Singapore EPA (in force since 2002.11)
 - Japan-Mexico EPA (negotiations started in 2002.11, in force since 2005.4)
 - Japan-Malaysia EPA (in force since 2006.7)
 - Japan-Chile EPA (negotiations started in 2006.2, in force since 2007.9)
 - Japan-Thailand EPA (agreement in substance 2005.9, in force 2007.11)
 - Japan-Indonesia EPA (negotiations started in 2005.7, in force 2008.7)
 - Japan-Brunei EPA (negotiations started in 2006.6, in force 2008.7)
 - Japan-ASEAN EPA (negotiations started in 2005.4, in force 2008.12)
 - Japan-Philippines EPA (agreement in substance 2004.11, in force 2008.12)
 - Japan-Switzerland EPA (negotiations started in 2007.5, in force 2009.2)
 - Japan-Vietnam EPA (negotiations started in 2007.1, signed 2008.12)
 - Japan-India EPA (negotiations started in 2007.1, agreed in substance 2010.10)
 - Japan-Peru EPA (negotiations started in 2009.5, agreed in substance 2010.11)
-
- Japan-Korea EPA (negotiations started in 2003.12, suspended in 2004.11)
 - Japan-GCC EPA (negotiations started in 2006.9)
 - Japan-Australia EPA (negotiations started in 2007.4)

Y.WATANABE

[Slide 19]

East Asia discriminates against East Asia:

East Asia imports from East Asia with high tariffs for agricultural products and light industry.

Tariff Rates in East Asia in 2002

Exporter Importer	East Asia East Asia	EU-25 EU-25	NAFTA NAFTA
Agricultural products	41.0	6.8	3.9
Light industry	26.8	0.0	0.1
Food & Beverages	21.8	5.3	9.4
Textile & Garment	7.3	0.0	0.1
Electrical appliances	1.4	0.0	0.1
Total	7.4	1.9	0.7
Exporter Importer	East Asia East Asia	EU-25 EU-25	NAFTA NAFTA
Agricultural products	41.0	30.9	29.7
Light industry	26.8	12.8	8.3
Food & Beverages	21.8	25.8	26.4
Textile & Garment	7.3	7.8	7.6
Electrical appliances	1.4	2.2	1.5
Total	7.4	7.2	5.5

Source: International Trade Centre.

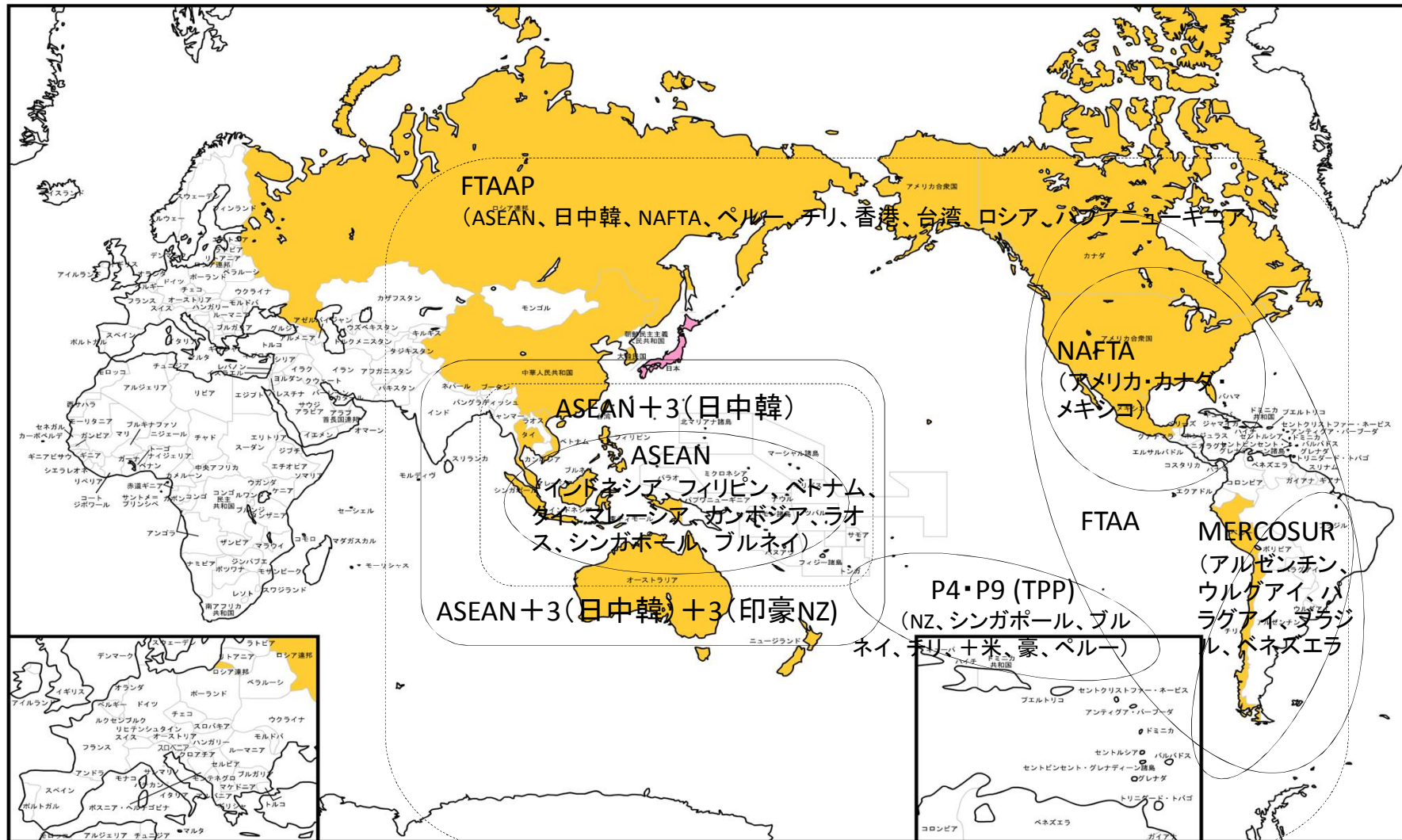
Note: East Asia includes ASEAN, China, Hong Kong, Japan, Korea and Taiwan.

Market Access of the WTO Members in 2007

	All goods		Agricultural goods		Non-agricultural goods	
	Final bound	MFN applied tariffs	Final bound	MFN applied tariffs	Final bound	MFN applied tariffs
Brunei Darussalam	25.3	3.6	30.7	7.9	24.5	3.0
Cambodia	19.0	14.2	28.1	18.1	17.7	13.6
China	10.0	9.9	15.8	15.8	9.1	9.0
Hong Kong, China	0.0	0.0	0.0	0.0	0.0	0.0
India	50.2	14.5	114.2	34.4	36.2	11.5
Indonesia	37.1	6.9	47.0	8.6	35.6	6.7
Japan	5.1	5.1	22.7	21.8	2.4	2.6
Korea, Republic of	17.0	12.2	59.3	49.0	10.2	6.6
Lao PDR	-	9.7	-	19.5	-	8.2
Malaysia	24.5	8.4	76.0	11.7	14.9	7.9
Myanmar	83.0	5.6	102.2	8.7	21.1	5.1
Philippines	25.6	6.3	34.6	9.6	23.4	5.8
Singapore	12.1	0.0	36.5	0.1	6.3	0.0
Taipei, Chinese	6.6	6.3	18.4	17.5	4.8	4.6
Thailand	28.1	10.0	40.2	22.0	25.5	8.2
Viet Nam	11.4	16.8	18.5	24.2	10.4	15.7

Source: WTO Country Profile.

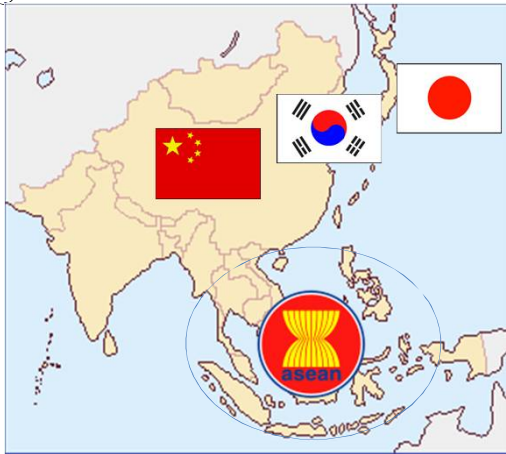
APEC-wide Free Trade



APEC参加メンバー: ASEAN7カ国(ブルネイ、インドネシア、マレーシア、フィリピン、タイ、ベトナム、シンガポール)、日本、韓国、中国、中国香港、チャイニーズタイペイ、メキシコ、パプアニューギニア、豪、NZ、米、カナダ、ペルー、チリ、ロシア、

Competitive Liberalization in Asia-Pacific

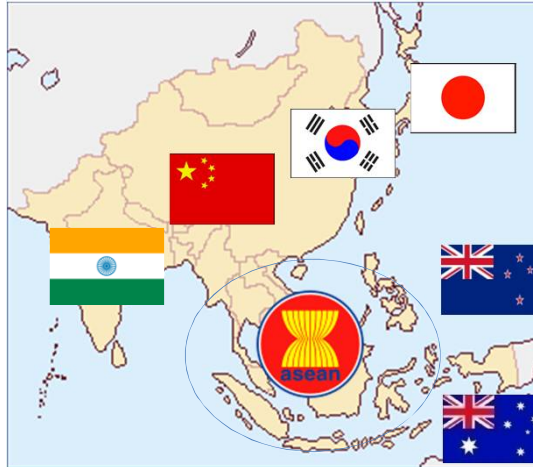
ASEAN+3 FTA (ASEAN, Japan, China, Korea)



November 2004
Proposed by China at
ASEAN+3 Summit

Population (thousand)	2,059,400
Trade (million \$)	2,533,847
GDP (million \$)	9,899,420
Intra-regional trade	43.1%

ASEAN+6 EPA (ASEAN, Japan, China, Korea India, Australia, New Zealand)



August 2006
Proposed by Japan at ASEAN
Economic Ministers' Meeting

Population (thousand)	3,207,960
Trade (million \$)	2,893,252
GDP (million \$)	13,835,060
Intra-regional trade	43.6%

Free Trade Area of Asia-Pacific (FTAAP)



November 2006
Proposed by the US

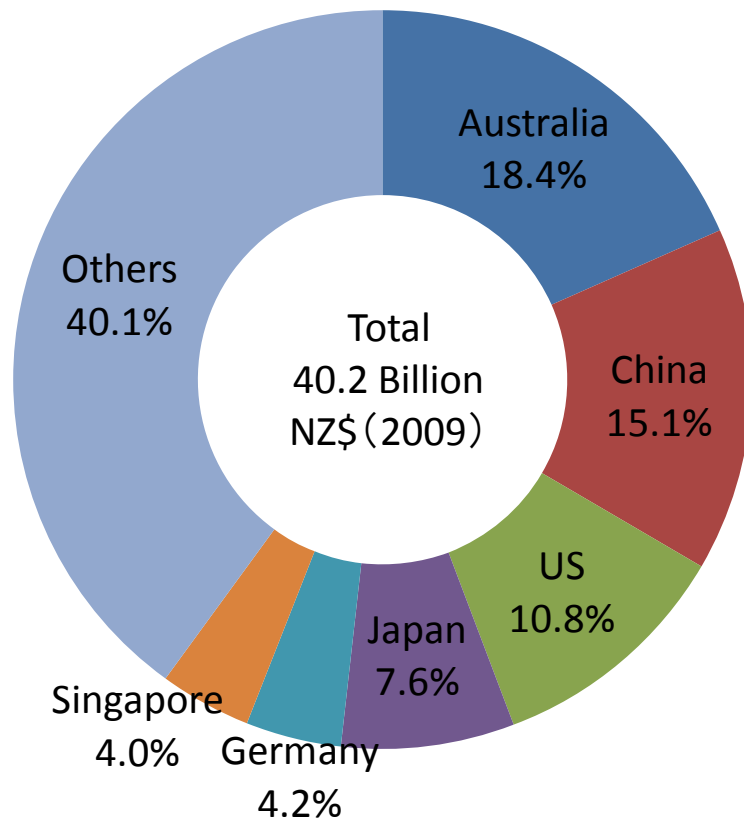
Population (thousand)	2,677,790
Trade (million \$)	8,469,530
GDP (million \$)	35,412,050
Intra-regional trade	67.1%

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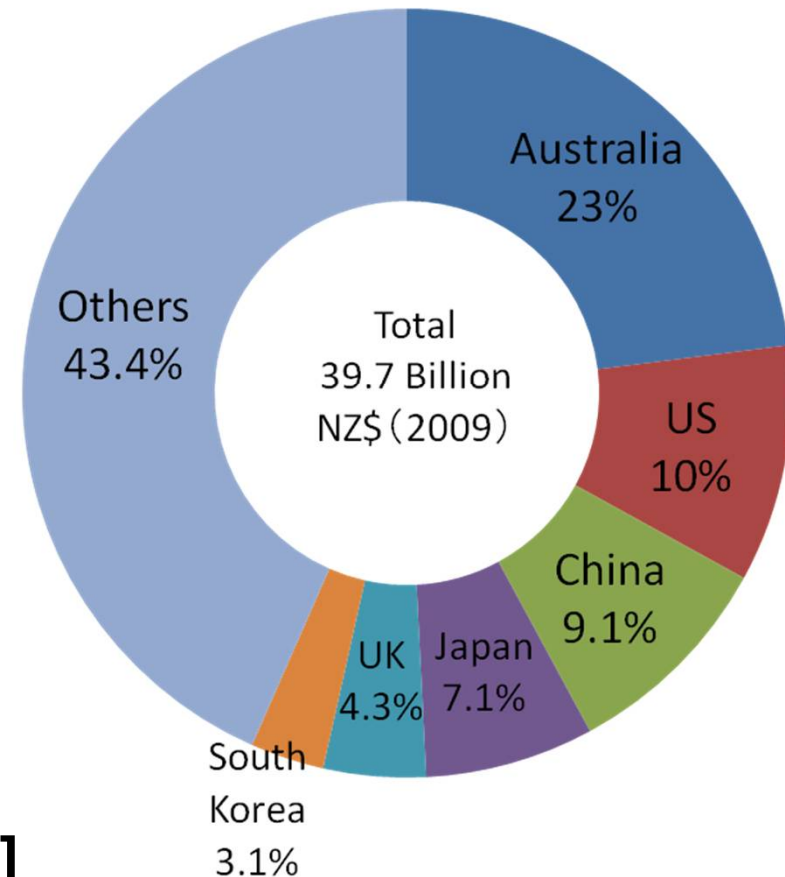
[Slide 22]

Major Trading Partners of NZ (2009)

Importing from



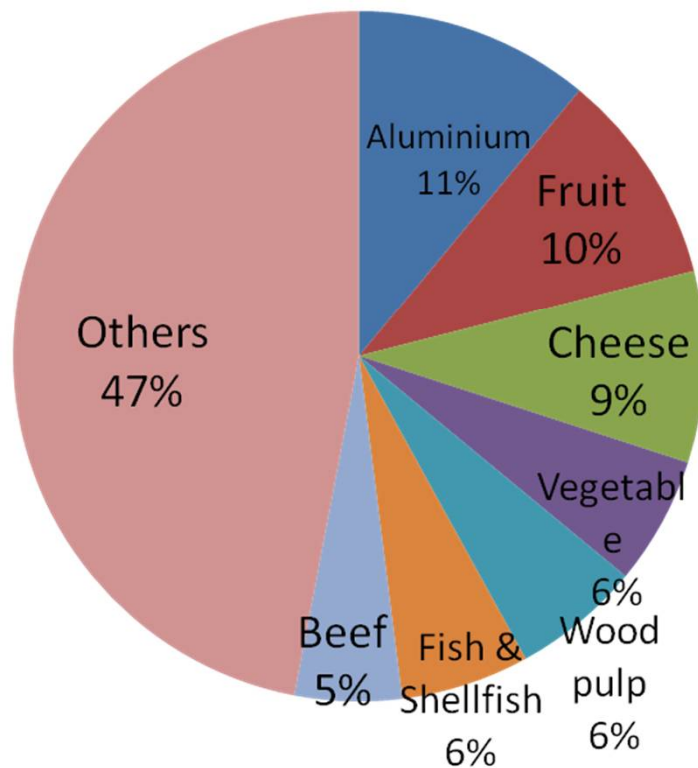
Exporting to



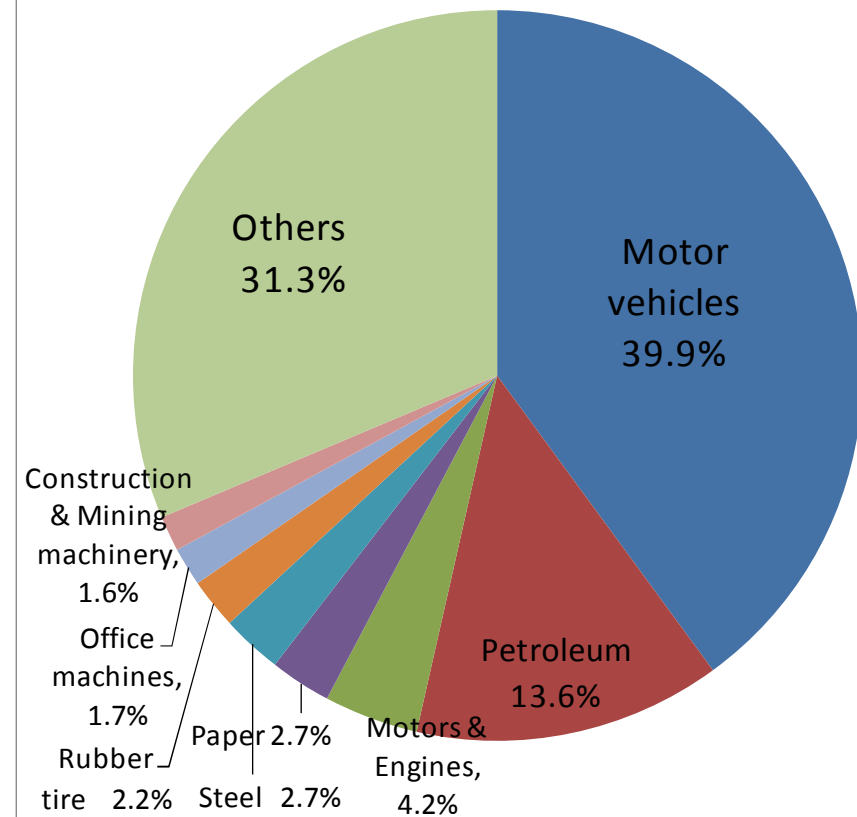
[Slide 23]

New Zealand's Trade with Japan (2009)

Exports to Japan

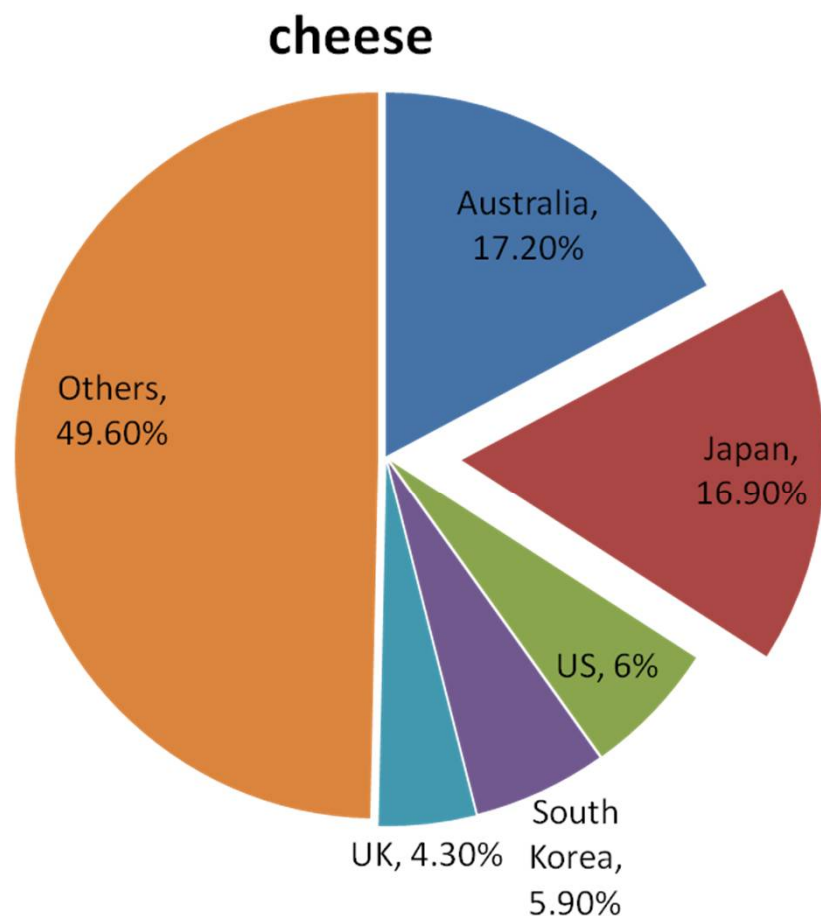


Imports from Japan

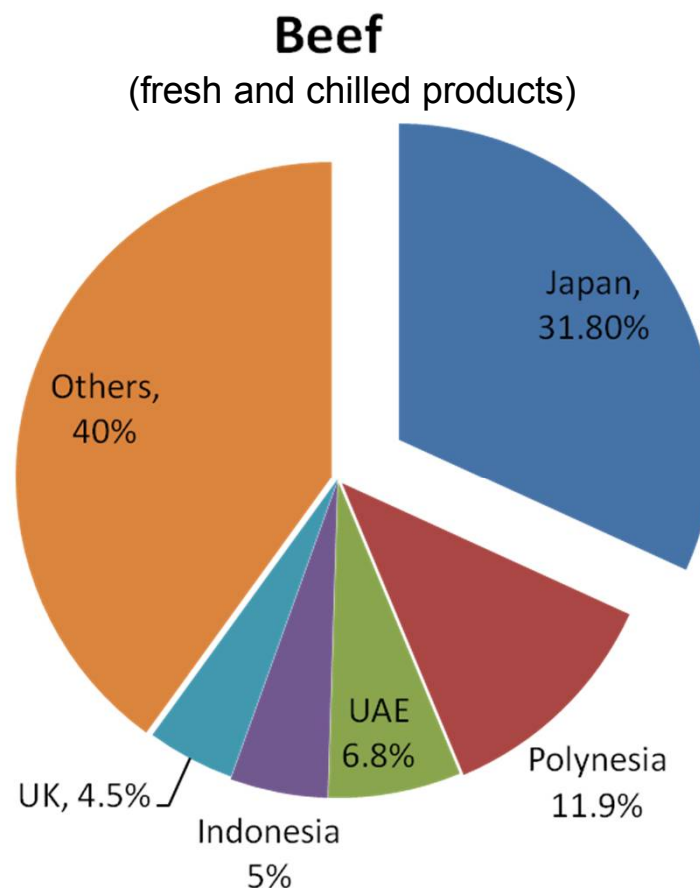


[Slide 24]

Exports by Destination of NZ's Main Products (2009)



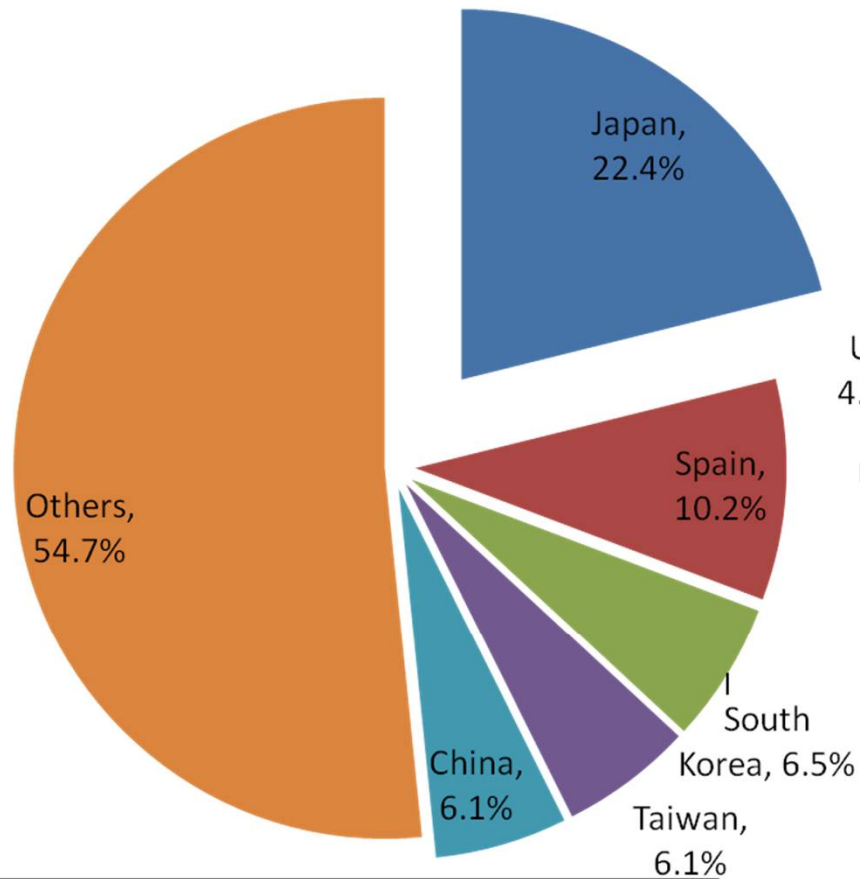
The amount of Export: 1.36 billion NZ\$



The amount of Export: 240 million NZ\$

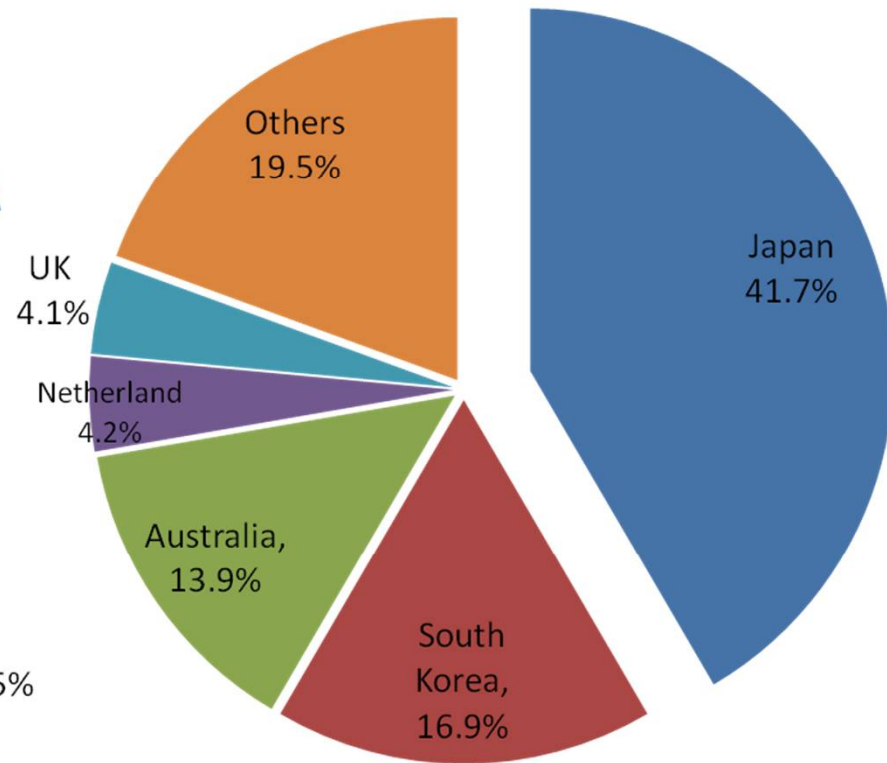
Exports by Destination of NZ's Main Products(2009)

Kiwi fruit



The amount of Export: 1.06 billion NZ\$

Aluminium

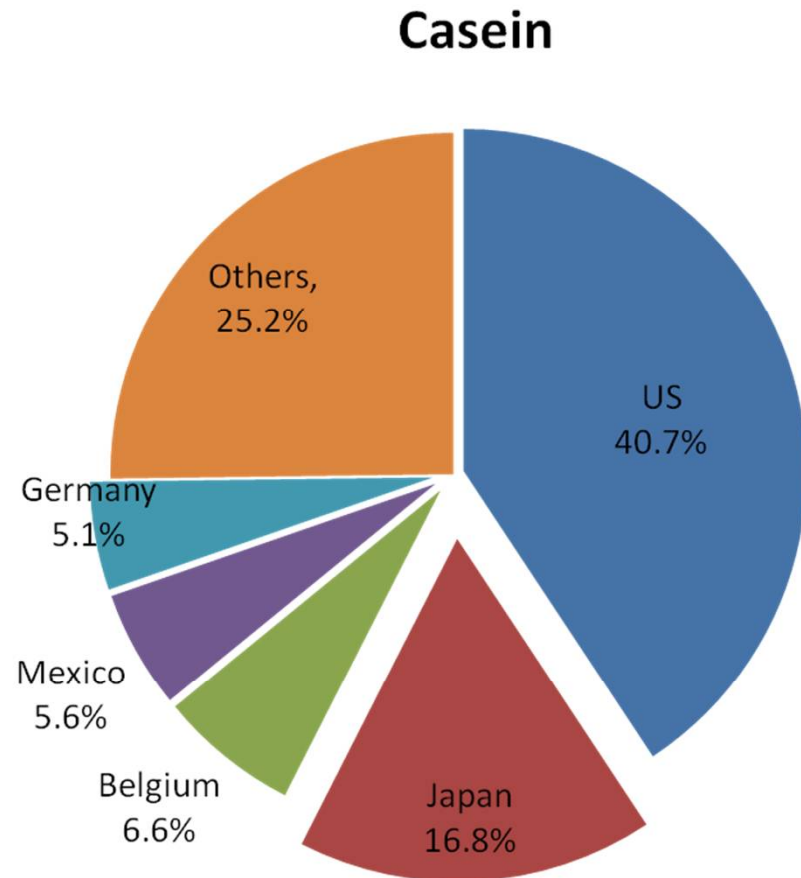


The amount of Export: 880 million NZ\$

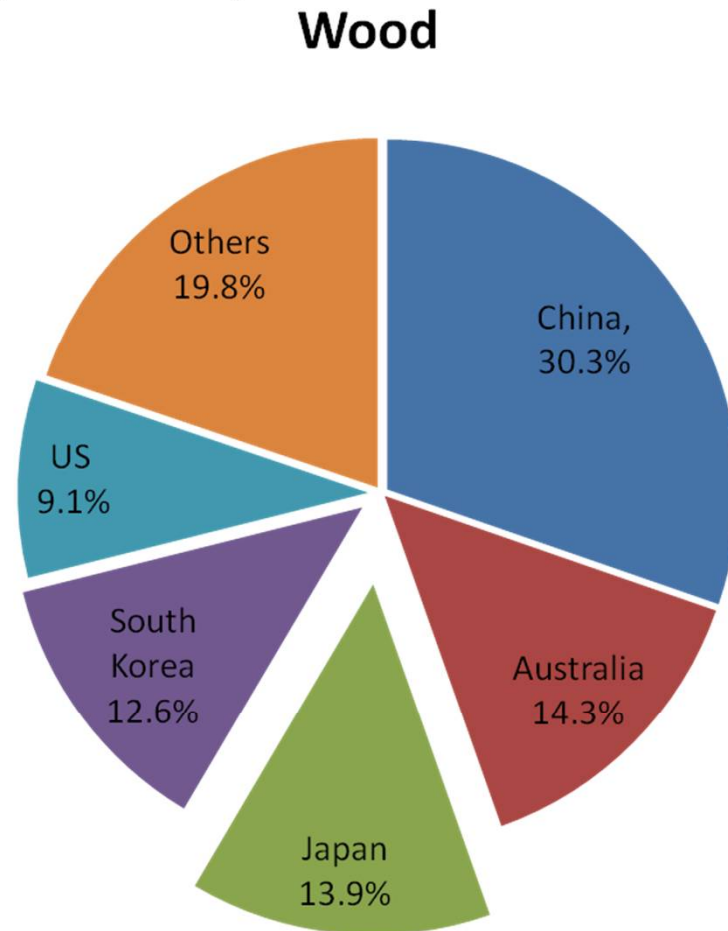
[Slide 26]

(Source) Statistics New Zealand

Exports by Destination of NZ's Main Products (2009)



The amount of Export: 840 million NZ\$



The amount of Export: 2.32 billion NZ\$

[Slide 27]

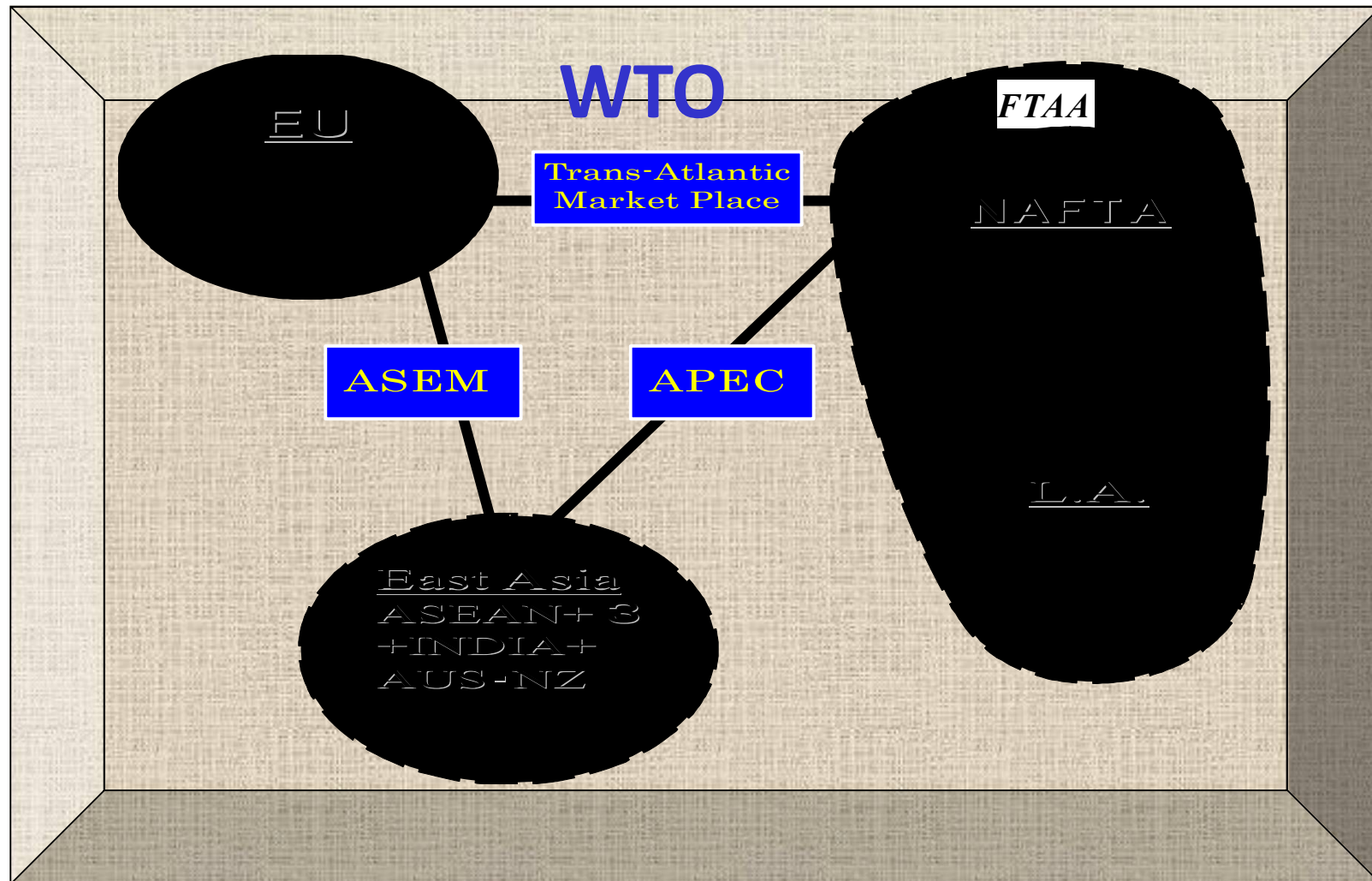
(Source) Statistics *New Zealand*

Japan-NZ Partnership Forum 2011

(Tokyo, 11 July 2011)

- Support was expressed for Japan's future participation in TPP
- Japan's involvement would increase TPP's attractiveness as a pathway to FTAAP
- Some parts of the economy could be addressed by transitional assistance to the affected sectors
- TPP would also deliver a freer climate for trade and investment between Japan & NZ

Three Mega-Regions



Conclusions :Japan's approach

- FTA/EPA as **complementary device** to multilateral trade liberalization
- East Asia: providing legal frameworks to secure **de-facto business-driven integration**
- World-wide: from “defensive FTA” to “**strategic FTA**” (CH, GCC, EU, SACU), beyond WTO
- “The **Second-generation EPA**” with USA, **NZ**, Canada, China ⇒ across the Asia-Pacific ⇒ **TPP** ⇒ FTAAP
- Further commitment in **WTO, APEC, ASEM**

Thank you for your attention
--- Free Trade for a Better Future ---



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[Slide 31]