

Next Steps for Alliance Trade and Technology Policy Coordination

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

Live-streamed Panel Discussion

Session 1:

Pros and Cons of an “America First” Trade Agenda

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Two Major Sources of Uncertainty (2016)

BREXIT & Trump Shock



“Trump puts **protectionism** at heart of US economic policy” (F.T. Jan. 24)

- Executive order signed to withdraw from the TPP (Jan. 23 2017)
- US Business leaders warned over offshoring jobs: border tax to be imposed
- John McCain: “ (the TPP move is) **a serious mistake**. It will create an opening for China to rewrite the economic rules at the expense of American workers. And it will send **a troubling signal of American disengagement in the Asia-Pacific region** at a time we least afford it”
- Unwinding the **NAFTA** would hit Mexico hard, but Japan and the EU would be adversely affected as well
- **Germany** accused by Peter Navarro of “grossly undervalued” euro to “exploit” the US and its EU partners (Feb. 1)
- Navarro: “Germany was one of the main barriers to a US trade deal with the EU.” “the talks with the EU over the **TTIP declared dead**”

Trump opts for “**bilateral** trade deals”

- “bilateral deals” does **not** mean necessarily Free Trade Agreement (FTA): the only FTA Trump mentioned was the one with the UK
- “bilateral deals” with countries which run **trade surplus** with the US; e.g. Japan(\$68.6 billion), Mexico(\$58.4 billion), China (\$365.7 billion)
- The deals could imply balancing trade account via political interventions by governments: “**numerical targets**” of auto imports by Japan until “**reciprocity**” to be achieved
- Revival of “**procedural protectionism**” of 1980’s by way of Section 301 type of “**unilateralism**” ⇒⇒⇒WTO inconsistent

TPP an Agreement on Substance, Atlanta, Oct. 5 2015 ⇒ signed in Feb. 2016

- Tariff Elimination: ① 99.9% on Industrial Products, ② 97.1% on Agricultural Products
- New Rules: ① SOEs (regulations on non-commercial assistance by government), ② Labour and Environment (subject to dispute settlement procedures), ③ Government Procurement (obligations extended to non-WTO/GPA signatories)
- User-friendly Rules: Rules of Origin, Trade Facilitation, SMEs-related provisions, Investment (ISDS)
- Membership requested by: Korea, the Philippines, Thailand, Taiwan, and Indonesia

Following the US withdrawal from the TPP, China was tempted to . . .

- take advantage of the US withdrawal from **rule-making in trade and investment** across Asia-Pacific by imposing its own power-oriented trade policies: aggressive use of anti-dumping measures, state subsidies on steel
- lose incentives to enhance FTAs (RCEP, JCK) in absence of the TPP **jeopardizing further trade liberalization** in East Asia: China-Korea FTA(2015)
- instead accelerate the “**One Belt, One Road**” Initiatives by making full use of the **AIB** as well as the BRICS Bank

⇒⇒⇒ Market economy principles are to be irreversibly pushed back and diminished if not completely abandoned

⇒⇒⇒ a **major crisis for the free democracy** in the region

⇒⇒⇒⇒⇒ “**TPP-minus US**” (or TPP/11) pursued as the template for the 21st century trade rules across Asia-Pacific to keep momentum

CPTPP: “TPP11” after the US Departure in 2017

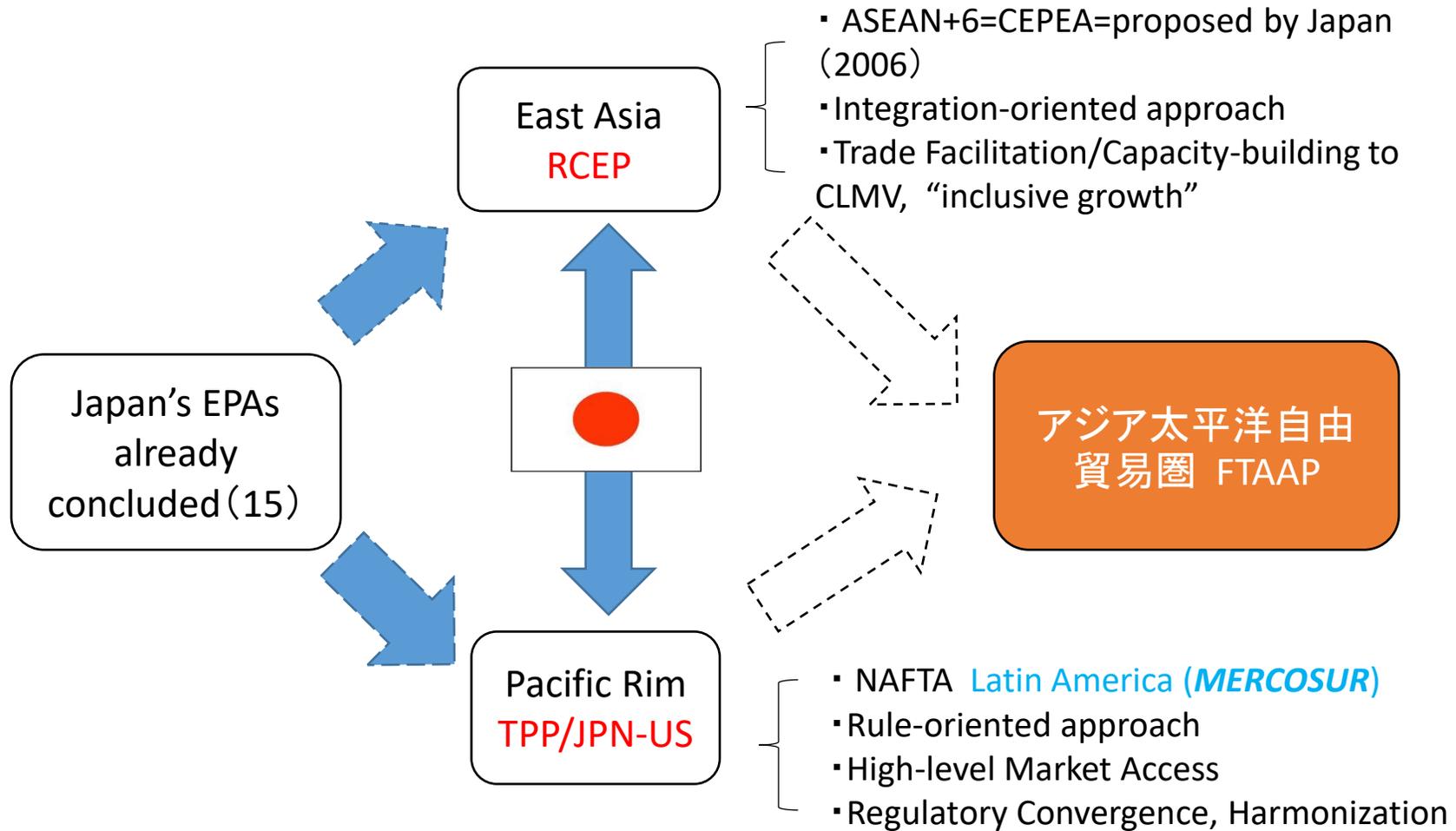
- Withdrawal of the US from the TPP on January 23 2017
- TPP11 Ministerial Meeting in Chile in March 2017
- TPP11 Ministerial Meeting in Viet Nam in November 2017
- Senior Officials’ Meetings in Hakone, Japan, to accelerate the agreement in substance
- **Twenty Provisions, mainly in the area of IPRs, to be suspended**
- **No Substantial Changes in the Market Access Deals in the original TPP**
- **Agreement in Substance reached in January 2018**, signed in Chile in March 2018, and **come-into-force by the end of 2018** (Dec. 2018)

Japan-US Trade Talks under Trump 2017-2019

- Aso-Pence Economic Dialogue since 2017
- FFR(Free, Fair, and Reciprocal) Trade Talks since April 2018
- Trade Agreement on Goods (TAG) Talks and the conditions agreed on the **26th Sept.2018**
- Summit talks frequently held in the first half of 2019 confirming **the September 26 Agreement** in 2018
- Negotiations initiated in April 2019
- Negotiations concluded in September 2019
- The Agreement came **into force in January 1 2020**

Japan's EPA Strategy

-- Japan as a Pivotal Centre between **TPP & RCEP** --

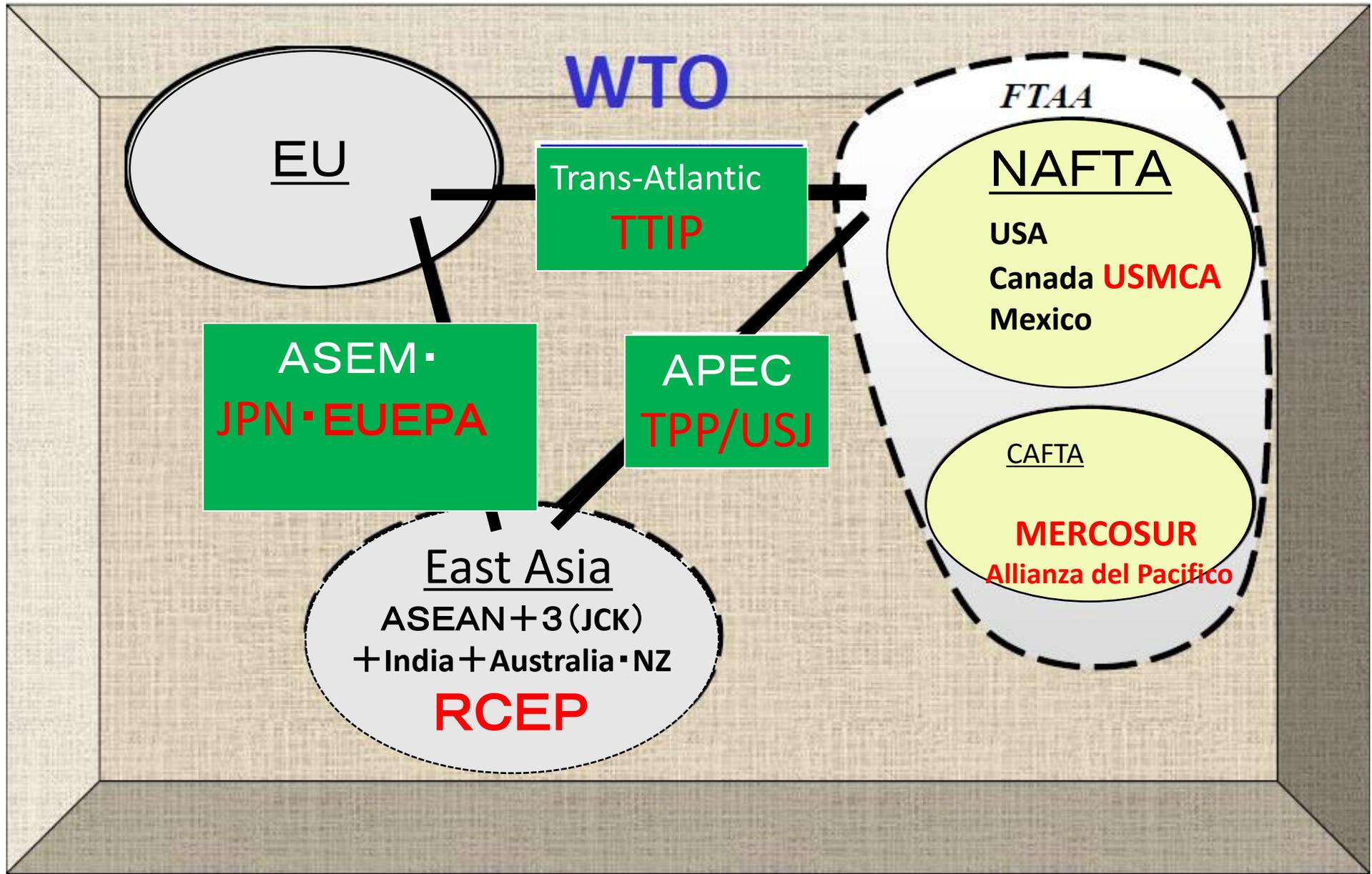


Japan's EPAs: achievements so far (as of August 2017)

- 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, in force 2009.10)
- Japan-India EPA (negotiations started in 2007.1, in force 2011.8)
- Japan-Peru EPA (negotiations started in 2009.5, in force 2012.3)
- Japan-Australia EPA (negotiations started in 2007.4, agreement in substance in 2014.04, in force 2015.01)
- Japan-Mongolia EPA (negotiation started in 2012.6, signed in 2015.02, in force 2016.06)
- **Japan-EU** EPA (negotiation started in 2013.03, agreement in principle reached in 2017.07, in force since 2019.02)
- **Japan-US** Trade Agreement on Goods (negotiation started in 2019.04, agreed in 2019.09, came into force 2020.01.01)
- **Japan-UK** EPA (negotiation started in 2020.6.9, agreement in substance in 2020.9.11, in force 2021.1.1.)
- Japan-Korea EPA (negotiations started in 2003.12, suspended in 2004.11)
- Japan-GCC EPA (negotiations started in 2006.9)
- Japan-Canada EPA (negotiation started in 2012. 10)
- Japan-Colombia EPA (negotiation started in 2012. 12)
- Japan-Turkey EPA (negotiation started in 2014.12)

Multilateralizing Regionalism

- **Convergence of Liberalization Efforts in 3 Mega FTAs**, i.e. CPTPP(TPP11), the Japan-EU EPA, and the RCEP(ASEAN+JCK+Australia/New Zealand)
- **A New Momentum to reinforce the Trade Multilateralism** embodied in the WTO: rule-making in the digital trade, cooperation in the WTO Reform discussions
- **Japan and the UK** should work together to strengthen the **WTO System**
- **Mercosur countries** constitute a last remaining piece of jigsaw puzzle for Japan's trade architecture



Concluding Remarks: from a Japanese Perspective

- **TPP/12** as a template for 21st Century-type trade agreements
 - **TPP/11 (CPTPP)** to keep momentum for freer trade in Asia-Pacific
 - **RCEP/JCK FTA** for updating the production network in East Asia
 - **Japan-EU EPA + Japan-UK EPA**: the major inter-regional Mega-FTA connecting East Asia and the EU/UK via Japan
 - **Japan-Mercosur EPA** to be further explored as a subsequent policy agenda, a **joint study group** comprising three sectors; i.e. private sector, administration, and academia, to be established to scrutinize the merits as well as demerits
- ⇒⇒⇒ to maintain/strengthen trade multilateralism embodied in the **WTO**, and thus to enhance **predictability** in international business

Thank you for Your Attention
--- Free Trade for a Better Future ---

