

TPP11 Agreement in Principle: Japan's Role in Mega-regional Trade Agreements

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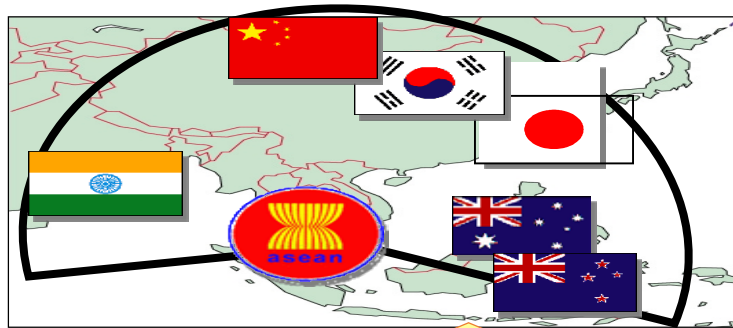
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Mega-regional FTA Negotiations (competitive regionalism)

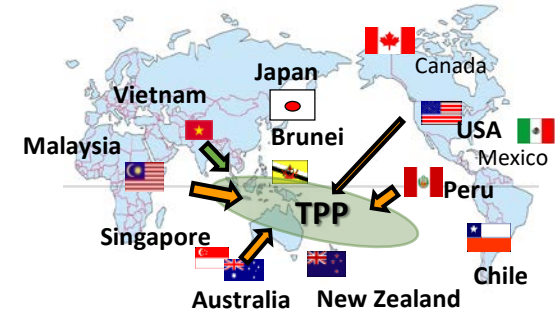
- Trans-Pacific Partnership (TPP) negotiations began with eight APEC member countries (March 2010)
- Japan announced to join TPP negotiations (March 2013)
- China-Japan-Korea FTA negotiations began (March 2013)
- Japan-EU EPA negotiation began (April 2013)
- Regional Comprehensive Economic Partnership (RCEP) negotiations began with 16 East Asian countries (May 2013)
- Transatlantic Trade and Investment Partnership (TTIP) negotiations began (July 2013)

Region-wide FTAs in East Asia: RCEPP, TPP, China-Japan-Korea (CJK) FTA

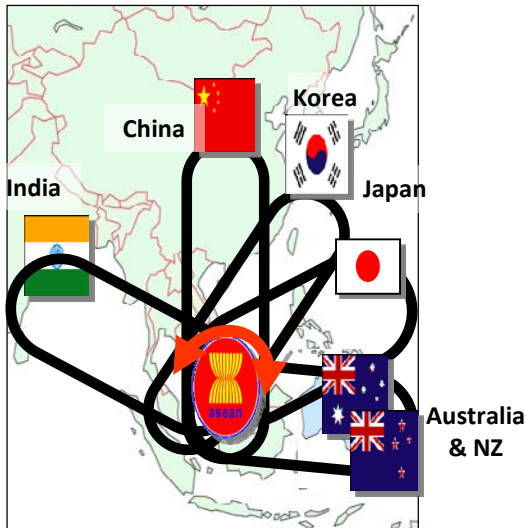
RCEP(ASEAN+6)
(ASEAN+CH, JP, KR, IND, AUS, NZ)



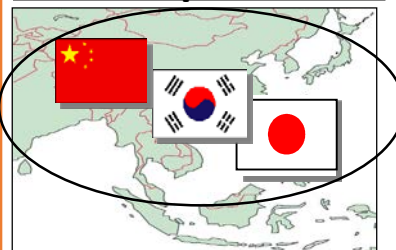
TPP



ASEAN+1 FTA



China-Japan-Korea



FTAAP (APEC)



Japan's objectives behind mega-regional FTAs

- Revitalize Japanese economy (Growth strategy, 3rd arrow of Abenomics)
- Increase business opportunities for Japanese companies in foreign markets in the forms of export and foreign direct investment (FDI) by opening FTA members' markets through elimination/reduction of import tariffs and business barriers/obstacles (foreign markets are important in the face of population decline in Japan)
- Promote domestic policy reform in Japan (e.g. agricultural reform)

Background of TPP11

- TPP negotiations began in March 2010 with eight APEC members (Brunei, Chile, New Zealand, Singapore, Australia, Peru, US and Vietnam)
- Malaysia joined in October 2010
- Canada and Mexico joined in November 2012
- Japan joined in July 2013
- Reached an agreement in October 2015
- Signed in February 2016
- Japan ratified TPP in December 2016
- US withdrew in January 2017
- TPP11 talks began in May 2017
- Reached an agreement in principle in November 2017: Comprehensive and Progressive for TPP (CPTPP)

Contents of TPP11:

High level (trade and FDI liberalization) and comprehensive coverage: 21st century trade agreement

	Total	Agricultural products		Industrial products	
	Eventual elimination	Immediate elimination	Eventual elimination	Immediate elimination	Eventual elimination
Japan	95	51.3	81	95.3	100
US	100	55.5	98.8	90.9	100
Canada	99	86.2	94.1	96.9	100
Australia	100	99.5	100	91.8	99.8
NZ	100	97.7	100	93.9	100
Singapore	100	100	100	100	100
Mexico	99	74.1	96.4	77	99.6
Chile	100	96.3	99.5	94.7	100
Peru	99	82.1	96	80.2	100
Malaysia	100	96.7	99.6	78.8	100
Vietnam	100	42.6	99.4	70.2	100
Brunei	100	98.6	100	70.2	96.4

Issue Coverage: TPP, RCEP, WTO

	TPP	RCEP	WTO
Market Access for Goods	●	●	●
Rules of Origin and Origin Procedures	●	●	●
Textiles and Apparel	●	●	●
Customs Administration and Trade Facilitation	●	●	●
Trade Remedies	●	○	●
Sanitary and Phytosanitary Measures	●	●	●
Technical Barriers to Trade	●	●	●
Investment	●	●	▲
Cross Border Trade in Services	●	●	●
Financial Services	●	●	●
Temporary Entry for Business Persons	●		●
Telecommunications	●	●	●
Electronic Commerce	●	●	
Government Procurement	●		▲
Competition Policy	●	●	
State-Owned Enterprises and Designated Monopolies	●		
Intellectual Property	●	●	●
Labor	●		
Environment	●		
Cooperation and Capacity Building	●	●	
Competitiveness and Business Facilitation	●		
Development	●	●	
Small and Medium-Sized Enterprises	●	●	
Regulatory Coherence	●		
Transparency and Anti-corruption	●		
Administrative and Institutional Provisions	●	●	
Dispute Settlement	●	●	●

Note: ● indicates the issue is covered, ○ is likely to be covered, ▲ is partially covered.

Sources: TPP are taken from the TPP text and RCEP are based on the information given by RCEP "Guiding Principle and Objectives for Negotiating RCEP" and other sources

From TPP12 to TPP11

- Suspended provisions: Annex of CPTPP
- 20 provisions including:
- Intellectual property rights related provisions including data protection for new medicines including biologics, copyright term
- Investment: Investor-state dispute settlement (ISDS)
- Services: express shipments
- Four remaining issues
- State owned enterprises (Malaysia)
- Services and Investment non-conforming measures: coal (Brunei)
- Dispute settlement (trade sanctions): (Vietnam)
- Cultural exception (Canada)

Rationale for TPP11

- Enacting a high-level and comprehensive agreement would promote economic growth
- Can be a model FTA for future FTAs
- Can be a step toward larger FTA such as FTAAP: Especially important as China is attempting to construct China-driven business environment by the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB)
- Fight against rising protectionism
- Prepare for a possible return of the US to the TPP

Economic Impacts of TPP11 and Other FTAs

	National Income in 2030 (billion)	Changes in value (change in %)					
		TPP (TPP12)	TPP11	TPP16	Japan-US FTA	RCEP	TPP11+ RCEP
Japan	4,924	125	46	98	60	56	93
		(2.5)	(0.9)	(2.0)	(1.2)	(1.1)	(1.9)
US	25,754	131	-2	-6	52	1	-2
		(0.5)	(0)	(0)	(0.2)	(0)	(0)
TPP11 Members	15,257	333	157	280	58	75	214
		(2.2)	(1.0)	(1.8)	(0.4)	(0.5)	(1.4)
World	133,801	492	147	449	120	286	408
		(0.4)	(0.1)	(0.3)	(0.1)	(0.2)	(0.3)

RCEP: Negotiations

- Since the early 2000s, discussions on China-led ASEAN+3 FTA (EAFTA) and Japan-led ASEAN+6 FTA (CEPEA) began to be discussed.
- China and Japan jointly proposed to accelerate discussions in either form, i.e. EAFTA or CEPEA in 2011
- ASEAN responded by proposing RCEP (ASEAN+6) in 2011
- RCEP negotiations began in May 2013
- RCEP negotiations missed targeted goals of concluding negotiations several times

RCEP and TPP

- Contents
- Issue Coverage: TPP > RCEP
- Level of liberalization: TPP > RCEP
- Objectives
- RCEP: equitable development, cooperation
- TPP: high aspiration, innovation
- Relationship
- Complementary: Low income and developing countries can join RCEP and achieve economic development and then can join TPP11

Japan's Role in constructing mega-regional FTAs

- Japan and 10 TPP11 members successfully achieved an agreement in TPP11 (CPTPP) negotiations in November 2017
- Japan and the EU finalized their EPA negotiations in December 2017
- Japan and other TPP11 members should invite potential members including South Korea, Indonesia, Thailand, Philippines and Taiwan to join the TPP11
- Japan-US Bilateral FTA: with a condition that the US consider return to the TPP
- Japan should approach the Pacific Alliance (Mexico, Chile, Peru, and Colombia) for possible FTA
- Japan should also approach Mercosur (Brazil, Argentina, Uruguay, and Paraguay) for possible FTA

Japan's Role in Reconstructing/Improving Global Trading Environment

- Japan should lead talks (with like-minded countries) on rules in new issues including IT-related services such as e-commerce possibly in the form of plurilateral agreements such as information technology agreements (ITA)
- Japan should use various platforms including TPP11, APEC, and WTO
- Japan has to deal with its own challenges such as protected sectors including agriculture, in order for Japan to lead the discussions