

RIETI-JETRO Symposium
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- For Protecting Free Trade -
Handout

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The Trans-Pacific Partnership and Japan

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Introduction

- With the Doha Round of multilateral trade negotiations at an impasse, the Trans-Pacific Partnership (TPP) has taken center stage as the most significant trade initiative of the 21st century.
- TPP is a central pathway for region-wide economic integration efforts that envisage a Free Trade Area of the Asia Pacific (FTAAP) within a decade.
- Strategic value of the TPP: helps reinforce economic and political relationships among the Asia-Pacific countries.
- The TPP would provide substantial economic and strategic benefits for Japan. Japanese participation should be approved in the near future.

TPP Participants: How Alike? How like-minded?

- Current 9 TPP participants:
 - Australia, Brunei, Chile, New Zealand, Malaysia, Peru, Singapore, the United States and Vietnam.
 - Japan, Canada, and Mexico in consultations to join.
- The TPP encompasses countries of varying size, level of development and priorities on sensitive issues.
- The core group has a combined GDP of \$17 trillion; the United States accounts for 85% of the total GDP.
- Total merchandise trade among the TPP participants is \$6 trillion; the United States accounts for roughly 60%.

TPP: Scope and Coverage

- The goal of the TPP is to create a trade regime that is “state of the art.”
- TPP objectives:
 - Dismantle tariff and non-tariff barriers to trade in goods and services
 - Craft a new trade rulebook on issues like labor, the environment, investment, competition policy, and state-owned enterprises.
- The TPP also seeks to develop a more coherent approach across sectors with regard to regulatory policies that affect flows of trade and investment.

Japan would make the TPP a big deal

Table 1. TPP: Economic Indicators (US\$ billions)

	GDP	Exports	Imports
	2010	2011	
United States	14,587	1,481	2,265
Other TPP countries	2,193	1,187	1,065
Japan	5,459	823	854
Subtotal	22,239	3,491	4,184
World total	63,257	18,217	18,381

Sources: World Development Indicators 2012 and WTO Statistics Database, 2012.

- Its GDP is more than 2.5 times larger than the combined total of the non-US participants.
- Japan's merchandise trade (exports and imports) is almost the same as the other eight countries combined.

TPP: Current Status

- In November 2011, TPP leaders issued a framework for the TPP accord and urged their negotiators to finish the deal in 2012.
- Talks have accelerated. To date 12 negotiating rounds have produced extensive text on more than 20 chapters.
- But numerous issues unresolved:
 - Market access in agriculture
 - Intellectual property rights
 - Barriers to services trade and investment
 - Rules governing state-owned enterprises
 - Investor-state dispute settlement
 - New issues related to the environment and labor.
- Given the work still to be done, the 2012 target date is over-ambitious. Negotiations will likely extend well into 2013 before an initial deal can be cut.

Japanese Interests and Objectives

- Japan's major strategic interest is in strengthening the bilateral alliance with the United States while commercial benefits accrue from deeper trade and investment ties with all the member countries.
- Working together with the US in TPP would complement and reinforce cooperation in other areas, including energy security.
- Economic objectives:
 - Reinforce efforts to reform domestic economic policies
 - Upgrade and expand bilateral and regional trade arrangements
 - Avoid discrimination from other trade pacts

US Views on Japan's Participation in the TPP

- US officials strongly favor Japanese participation in the TPP talks, which would reinforce the robust US-Japan strategic relationship.
- Japan would be a good partner in working with US officials to craft strong rules on investment and other issues.
- But ongoing US concerns:
 - Is there sufficient political support in Japan to sustain the commitment to economic reform?
 - Will Japan create problems in developing new trade rules (e.g. on state-owned enterprises)?
 - Will Japan ask for wide-ranging exceptions for agricultural products (e.g. rice, dairy)?
 - Will longstanding US industry concerns about Japanese market access barriers be adequately addressed?

Final Comments

- Japanese participation in the TPP would be good for Japan and would substantially expand the economic and political profile of the TPP in the Asia-Pacific region.
- US concerns can be substantially mitigated in the current bilateral consultations; both countries seek the same end result, namely Japanese participation in the TPP talks.
- Japan should be able to join the negotiations in the near future and be a full partner at the negotiating table when the final deal is struck.

Thank You