

Some Thoughts on the Future of Asia-Europe FTAs

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1 Status Quo

EU-Korea: in force

EU-Singapore: negotiation completed

EU-Malaysia: under negotiation

EU-ASEAN: under negotiation

EU-India: under negotiation

EU-Japan (EIA): under negotiation

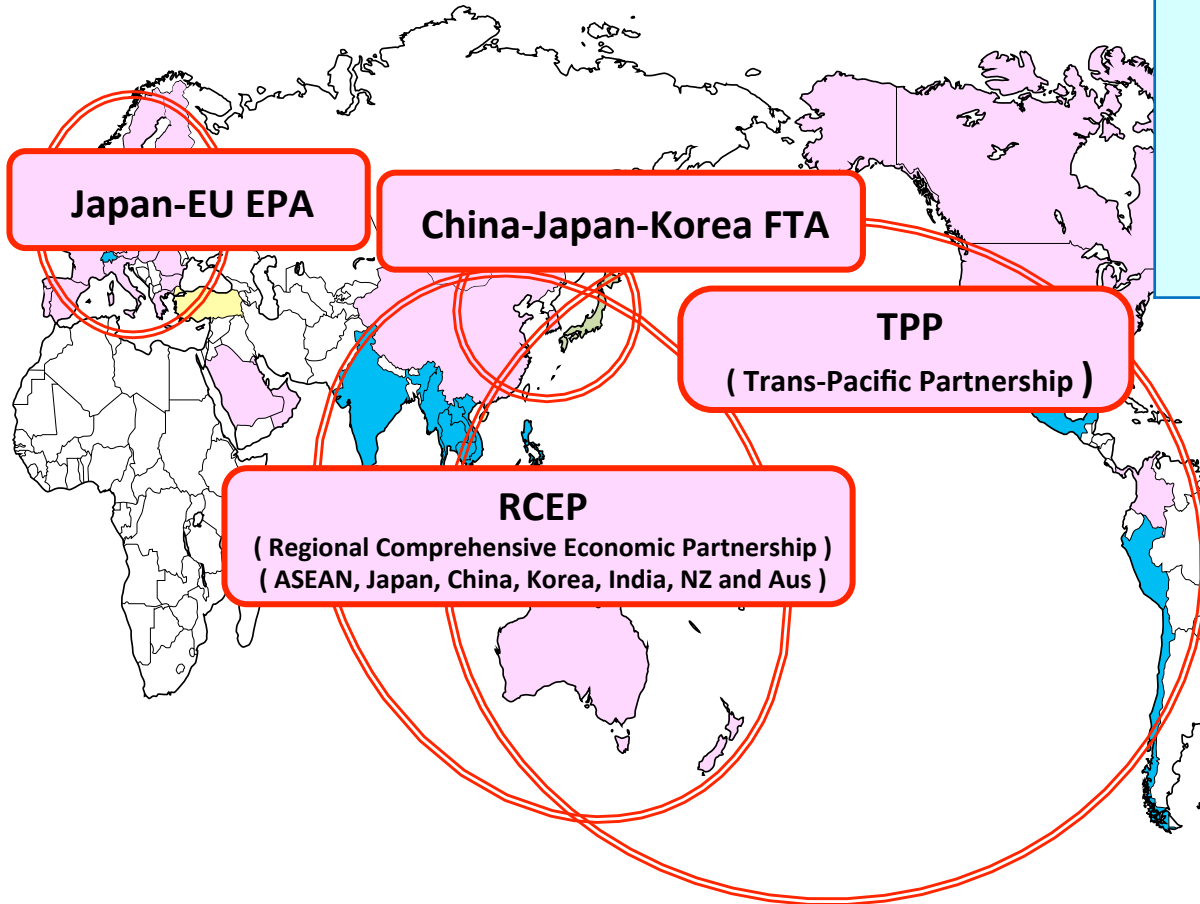
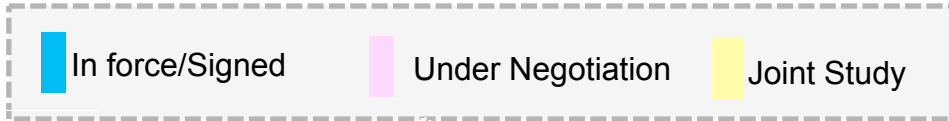
EFTA-Korea: in force

Switzerland-Japan: in force

Turkey-Korea: negotiation completed

Turkey-Japan: joint study completed

Development of Japan's EPA/FTA Network



In force/Signed (12 countries and 1 region)			
Asia	Singapore	Asia	Vietnam
	Malaysia		India
	Thailand		Mexico
	Indonesia	Latin America	Chile
	Brunei		Peru
	ASEAN	Europe	Switzerland
	Philippines		

Under Negotiation (5 countries and 5 regions)			
Asia	Mongolia	Pacific	Australia
	C-J-K	Europe	EU
	RCEP	North America	Canada
	Republic of Korea (Negotiation suspended)	Latin America	Colombia
Asia/Pacific	TPP	Middle East	GCC*

Joint Study (1 country)	
Middle East	Turkey

* GCC: Gulf Cooperation Council (UAE, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia) 3

2 Japan-EU FTA

History

- **Scoping Exercise (May 2011-)**
- **Agreement for initiating negotiation (Mar. 2013)**

Characteristics

- **Comprehensive negotiation covering tariff and non-tariff issues**
- **Comprehensive and ambitious FTA**
- **Deep implication for future global rules**

Benefit of EIA for EU and Japan through Reducing Tariffs and NTMs

“Assessment of barriers to trade and investment between the EU and Japan”
(February 3, 2010) prepared for the European Commission, DG Trade, by Copenhagen Economics

- While tariff dismantling would be beneficial to both economies, the real gains would be reaped by lowering regulatory differences.
- The study focuses predominantly on regulatory measures in seven key sectors in Japan.
(Pharmaceuticals, medical devices, processed foods, cars, transport equipment, telecoms and financial services)
 - The study estimates that trade flows could increase by €43 billion for the EU and €53 billion for Japan.
 - e.g.) - EU motor vehicles exports to Japan could increase by up to 84% (by up to €4.7 billion)
 - EU pharmaceutical exports to Japan could increase by 60%-100% (by up to €3.4 billion)
 - EU medical devices exports to Japan could increase by 51% (by €1.1 billion)
 - While more than half of the trade benefits go to Japan, two-thirds of the welfare benefits go to the EU (€33 billion for the EU and €18 billion for Japan).
- The study uses information on the trade costs of regulatory barriers obtained through a survey of European firms operating in Japan.

Summary of Impact	EU	Japan
Export Effects (Tariffs)	+€14bn	+€25bn
Export Effects (NTMs)	+€29bn	+€28bn
Welfare Effects	+€33bn	+€18bn

3 EIA-TTIP-TPP-RCEP-CJK

How can we develop and formulate future global trade rules?

1) Importance of the Global Value Chain

IDE/Jetro-WTO study on value added trade (See IDE/Jetro-WTO)

WEF Enabling Trade Report 2013 (See Hoeckman and Jackson)

Think Supply Chain

Whole of the Supply Chain Approach

WTO2.0? (See Baldwin 2011,2012)

2) Think Globally—Necessity of vision on future global trade system

Forming the basis of future WTO rules

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3) “Unified axis” (Keidanren)

Avoiding creation of spaghetti bowls in rules

“Proposals for Redefining of Trade Strategy: Towards a proactive new trade strategy that takes the initiative to establish global rules”

April 16, 2013, Keidanren

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- a. **Pursue regional FTAs (TPP, Japan-China-Korea FTA, RCEP as a step towards FTAAP, Japan-EU EPA)**
- b. **Establish a common approach as a “unified axis” for Japan to negotiate trade and investment rules to ensure coherency across Japan's various FTAs with a view to establishing rules that can be adopted in the future multilateral regime (part of the WTO agreement)**
- c. **Proactively pursue issue/sector-specific agreements (e.g., revision of the WTO Information Technology Agreement [ITA], the Trade in Services Agreement [TISA]) and encourage developing country involvement in such agreements)**
- d. **Continue utilization of WTO functions (compliance monitoring and dispute settlement) and efforts to amend and formulate rules**

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Possible examples/areas of spaghetti bowls in rules

TBT (standards)

**cf. KORUS, Korea-EU FTA definition of standards in auto
and electronics**

Cross border data flow/privacy

Intellectual property

Investment

Competition (State-owned enterprise)

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4) How can we avoid emergence of spaghetti bowls in rules?

- 1 Coordination within FTAs**
- 2 Coordination outside FTAs**
- 3 Industry to industry collaboration**
- 4 Government to industry collaboration**
- 5 Issue-based thinking**
- 6 Vision for GVC and future WTO**

**with a view to establishing consistent and harmonized
'global' trade rules**

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5) Necessity of business/industry involvement

Crucially important

Already taking place in Japan-EU FTA

Necessary in other fora

6) First come, first served?

The first mega FTAs to be concluded will likely set the basis of future mega FTAs.

In this regard, TPP/Japan-EU will have crucial importance.

CJK and RCEP should follow? Or do they come first?

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7) Necessity of issue-based thinking

Necessity for issue-based plurilateral agreements (e.g. ITA, Telecommunication and Financial Services Agreements)

See Nakatomi(2012ab,2013ab)

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