

Japan's FTA/EPA Strategy: Current Status and Challenges

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Outline

1. Current Status of Japan's FTAs/EPAs
2. RCEP vs. TPP
3. Impacts of TPP and RCEP on Japanese Economy (GDP)
4. Strong Opposition from Agriculture
5. Concluding Remarks

1. Current Status of Japan's FTAs/EPAs

Some notable characteristics

- Enacted relatively a large number of FTAs/EPAs (Free trade agreements/Economic partnership agreements)

but

- Low country coverage in terms of trade: FTA coverage ratio
- Low issue coverage
- Low tariff elimination: lower than 90% in terms of tariff lines, whereas for the US higher than 95%

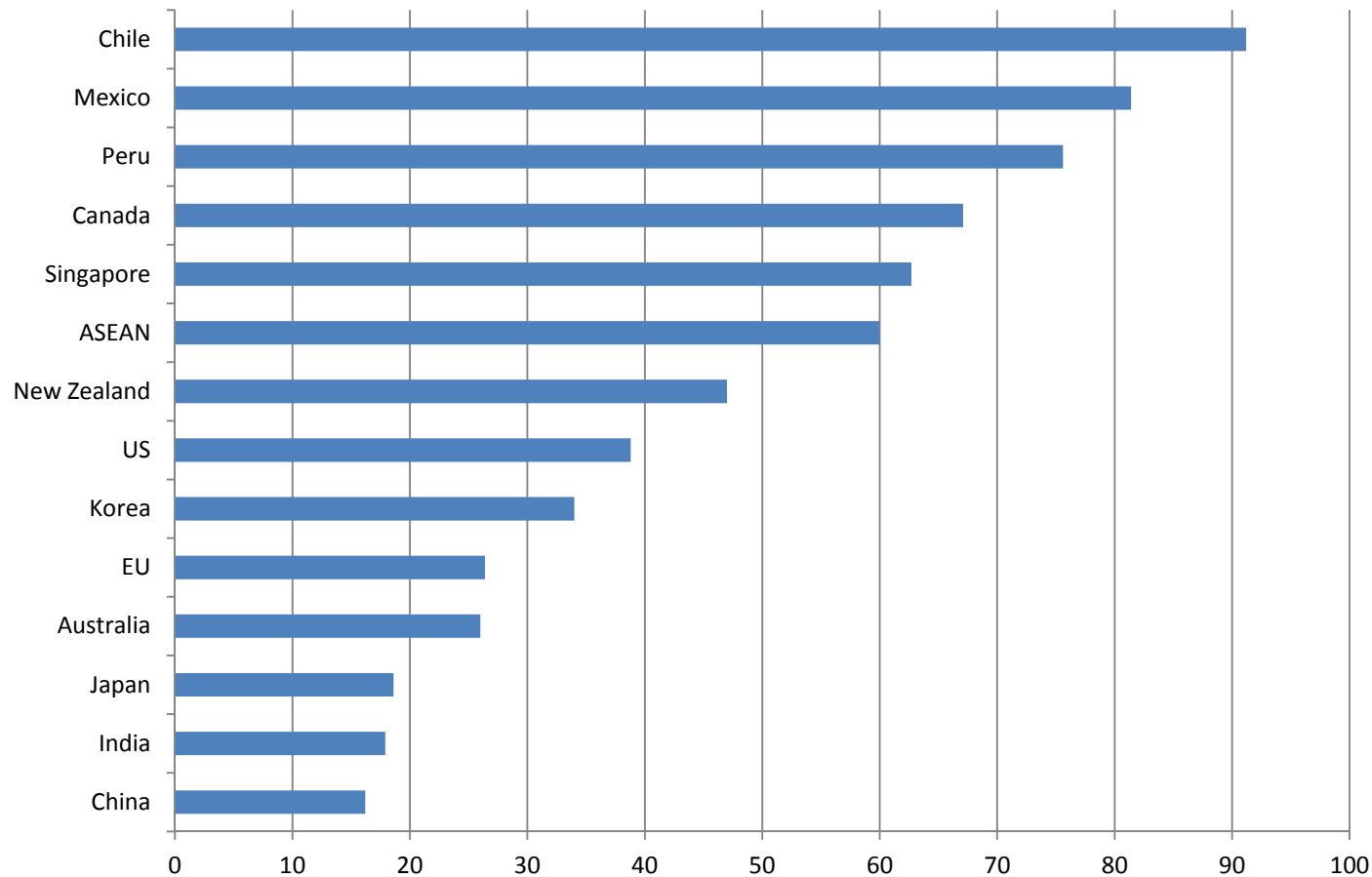
Japan's FTAs (EPAs): May 2013

<u>Implemented</u>		<u>Under negotiation</u>	<u>Applied to participate.</u>
Singapore	November 2002	Korea	TPP
Mexico	April 2005	GCC	
Malaysia	July 2006	Australia	
Chile	September 2007	Mongolia	
Thailand	November 2007	Colombia	
Indonesia	July 2008	Canada	
Brunei	July 2008	China, Korea	
Philippines	December 2008	EU	
ASEAN	December 2008	RCEP	
Switzerland	September 2009		
Vietnam	October 2009		
India	August 2011		
Peru	March 2012		
Share in Japan's trade (2010)		18.7%	

FTA Coverage Ratios:

Proportion of trade with FTA partners in total trade (%), FTA (July, 2012), Trade data (2011)

Source: JETRO



Comparison of Contents of FTAs:

ASEAN-Japan vs ASEAN-Australia/New Zealand

	ASEAN-Japan FTA	ASEAN-Australia/New Zealand FTA
Preamble		
Chapter 1	General provisions	Objectives etc
Chapter 2	Trade in goods	Trade in goods
Chapter 3	Rules of origin	Rules of origin
Chapter 4	SPS measures	Customs procedures
Chapter 5	Standards, etc	SPS measures
Chapter 6	Trade in services	Standards, etc
Chapter 7	Investment	Safeguard measures
Chapter 8	Economic Cooperation	Trade in services
Chapter 9	Settlement of disputes	Movement of natural persons
Chapter 10	Final provisions	Electronic commerce
Chapter 11		Investment
Chapter 12		Economic cooperation
Chapter 13		Intellectual property
Chapter 14		Competition
Chapter 15		General provisions and exceptions
Chapter 16		Institutional provisions
Chapter 17		Consultations and Dispute settlement
Chapter 18		Final provisions

Tariff Elimination in ASEAN+1 FTAs (%)

	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA	Average
Brunei	99.2	98.3	85.3	97.7	99.2	95.9
Cambodia	89.1	89.9	88.4	85.7	97.1	90
Indonesia	93.7	92.3	48.7	91.2	91.2	83.4
Lao PDR	91.9	97.6	80.1	86.9	90	89.3
Malaysia	97.4	93.4	79.8	94.1	95.5	92
Myanmar	88.1	94.5	76.6	85.2	92.2	87.3
Philippines	95.1	93	80.9	97.4	99	93.1
Singapore	100	100	100	100	100	100
Thailand	98.9	93.5	78.1	96.8	95.6	92.6
Vietnam	94.8	n.a.	79.5	94.4	89.4	89.5
Australia	100					
China		94.1				
India			78.8			
Japan				91.9		
Korea					90.5	
New Zealand	100					
Average	95.7	94.7	79.6	92.8	94.5	

Notes: HS2007 version, HS 6 digit base. Data for Vietnam for the ASEAN-China FTA are missing. Data for Myanmar for the ASEAN-China FTA are missing for HS01-HS08.

AANZFTA: ASEAN-Australia/New Zealand FTA

ACFTA: ASEAN-China FTA

AIFTA: ASEAN-India FTA

AJFTA: ASEAN-Japan FTA

AKFTA: ASEAN-Korea FTA

Figures indicate the proportion of tariff elimination in terms of tariff lines.

Source: Kuno (forthcoming)

2. RCEP vs. TPP

Positions in FTAAP

- FTAAP: Long-term goal of regional economic integration in Asia-Pacific
- RCEP and TPP are both pathways to FTAAP
- RCEP and TPP should be complementary

Issue Coverage

- RCEP: limited coverage, trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, other areas
- TPP: comprehensive coverage not only market access, services, and investment but also labor, environment, and cross-cutting “horizontal issues” such as regulatory coherence, competitiveness and business facilitation, development and Small and Medium Enterprises (SMEs)

Objectives

- RCEP: To support and to contribute to economic integration, equitable economic development, and strengthening economic cooperation among the participating countries (Guiding Principles and Objectives)
- TPP: To establish a high standard, regional agreement that addresses new and emerging issues, incorporates new elements reflecting our values and priorities, and responds to the 21st century challenges our citizens face. (USTR website)

Some Comparisons

Level of trade and FDI liberalization:

- RCEP: ?
- TPP: high

Mode of Agreement

- RCEP: Stepwise, gradual
- TPP: Single undertaking

Developing and Least-developed countries

- RCEP: Flexibility, special and differential treatment
- TPP: Capacity building, staging of commitments

3. Impacts of TPP and RCEP on Japanese Economy (GDP)

- Japan's Cabinet Office:
0.66% (TPP)
- Petri, Plummer and Zhai (2012):
2.0% (TPP 12 members)
1.8% (RCEP)
4.3% (FTAAP)

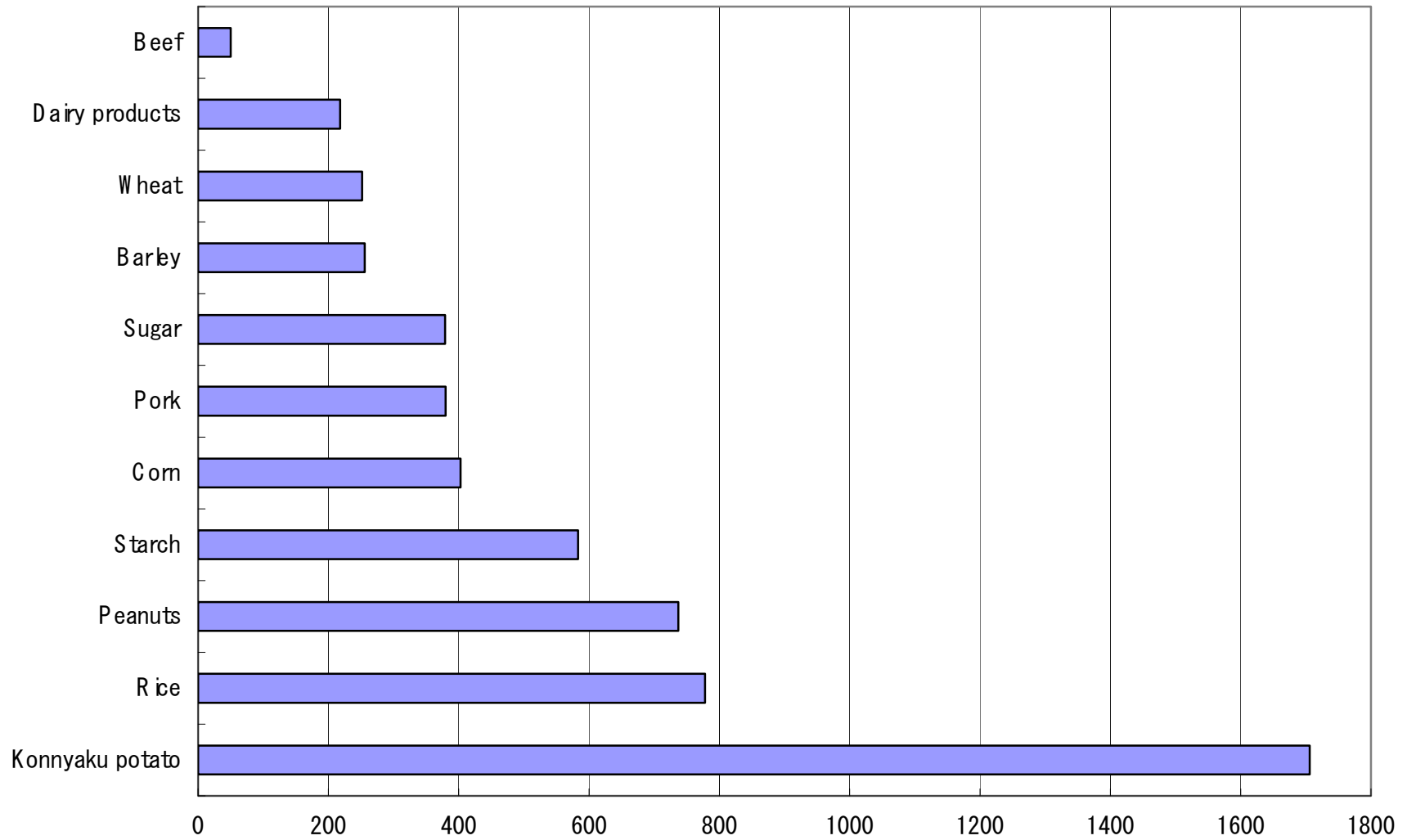
The Trans-Pacific Partnership and Asia-Pacific
Integration: A Quantitative Assessment,
Petersons Institute of International Economics

4. Strong Opposition from Agriculture

Reasons

- Food security (stable and sufficient supply)
- Multi-functionality of agriculture
 - Protection of environment
 - Maintenance of culture
 - Maintenance of regional economy
- Protection of vested interest

High Tariff Agricultural Products (%)



5. Concluding Remarks

- Japan should contribute to quick conclusion of FTAs such as TPP, RCEP, CJK, Japan-EU FTAs through close communication with relevant negotiating members and implementing domestic reforms
- Japan should establish high level FTAs in issue coverage and tariff elimination to maximize the benefits from FTAs
- Japan should prepare safety nets to deal with negative impacts of FTAs such as unemployment of workers, and to deal with opposition
- Japan should establish a body to oversee and coordinate all FTA negotiations
- Political leaders have to show a strong leadership in pushing FTA negotiations forward, as FTAs (particularly TPP) are considered important policies in Prime Minister Abe's Growth Strategy (the last arrow in Abenomics, the first two are an aggressive monetary policy, flexible fiscal spending.)₁₄