



TPP versus RCEP: From the perspective of Japan's trade policy

Katalin VÖLGYI, PhD

Shifts in Japan's trade policy

- multilateral trade liberalization (GATT/WTO)
- bilateralism (EPAs)
- mega FTAs (TPP, RCEP, CJK FTA, EU-Japan EPA)

From multilateralism to bilateralism

- stalled WTO negotiations

Main features of bilateralism

- **15 EPAs** between 2002-2015
- covering **22.3 percent** of Japan's total trade
- elimination of (only) **86-87 percent** of customs tariffs in EPAs
- protection of **agriculture** and **service industries**
- securing access in partner countries' market who have **little leverage in opening Japanese markets**

Japan's EPAs

- Singapore (2002),
- Mexico (2005),
- Malaysia (2006),
- Chile, Thailand (2007),
- Indonesia, Brunei, Philippines, ASEAN (2008),
- Switzerland, Viet Nam (2009),
- India (2011), Peru (2012),
- Australia, Mongolia (2015))

From multilateralism to bilateralism

- **facilitating the operation of Japanese companies and further investments**
- no EPA with China, South Korea
- rapid export-led growth (integration with East Asia, especially with China) between 2002 and 2007

From bilateralism to mega FTAs

- post-global crisis era: sluggish global economic growth and trade, need for diminishing „noodle bowl” effects, poor results of Doha Round → mega FTAs
- in 2013 Japan started FTA negotiations with the **world's three biggest economic regions:**
 - EU: EU-Japan EPA
 - NAFTA: TPP
 - East Asia: RCEP (CJK FTA)
- trade coverage of EPAs: from **22.3%** to **70%** (85%)
- **bigger impact** on real income growth

TPP versus RCEP

□ 1. Member countries

- **TPP:** USA, Mexico, Canada, Japan, Viet Nam, Brunei, Singapore, Malaysia, New Zealand, Australia, Peru, Chile
- **RCEP:** ASEAN countries, Japan, China, South Korea, Australia, New Zealand, India

TPP versus RCEP

□ 2. Origin/birth

TPP

- negotiations started in 2009
- initiator: **USA** (highly influenced by strengthening trilateral cooperation in Northeast Asia)
- economic part of the **new Asia-Pacific strategy of the USA** (2011)
- Japan only joined in 2013 (internal debate/agricultural organizations)

RCEP

- negotiations started in 2013 (China started to support ASEAN+6 FTA, this decision was influenced by the new Asia-Pacific strategy of the USA)
- initiator: ASEAN (**Japan**)

TPP versus RCEP

□ 3. Conclusion

TPP: concluded in October 2015, signed in February 2016

RCEP: under negotiation, deadline: at the first time 2015, now there is no deadline, conclusion is expected in 2018

□ 4. Content

TPP

- new global rules and standards for the global trade,
- deep and wide liberalization (elimination of **99-100 percent of customs tariffs**, extensive elimination of **non-tariff measures**)

TPP versus RCEP

- wide coverage beyond liberalization of trade in goods: **30 chapters**

RCEP

- still under negotiation
- **less ambitious** in terms of depth and scope of liberalization **than TPP** (developing countries)
- it has **14 chapters**, none of them has been concluded so far.
- coverage may be expanded later

TPP versus RCEP

□ 5. Japan

TPP

- eliminates **95 percent of customs tariffs**, highest level of liberalization that Japan has committed to in any trade negotiations, but its former reluctance from liberalization has remained.
- elimination of customs tariffs in case of industrial products: Japan **95.1 percent**, other TPP members almost **100 percent**
- elimination of customs tariffs in case of agricultural products: Japan **81 percent** (no tariff elimination: rice, dairy products, wheat etc., long period of elimination: 10-20 years), the others **90 percent or more**.
- the ambitious liberalization plan of TPP can provide significant economic benefits to Japan through improving **market access** and stimulating **Japanese global value chains** by upgrading its former EPAs concluded with TPP partners and **covering economic relations with** its most important market of consumer product exports and outward FDI destination country which is the **USA**.
- **structural reforms** (?), third arrow of abenomics

TPP versus RCEP

RCEP

- Japan's aim is to deepen the liberalization and widen the scope of RCEP, but **protect its agricultural sector** as much as it is possible.
- **preferences** Japan can get from **China and South Korea** (no FTA before) which represent more than 25 percent in Japan's total trade
- covering Japanese companies's **extended production networks** in East Asia with one regional FTA (unified rules of origin)
- a region-wide FTA would provide new final demand market for East Asia through trade creation. Japan could **rely more on the final demand of the growing middle class in neighbouring countries**. This trend can already be seen.

TPP versus RCEP

Recent developments

- Japan will **ratify TPP** this year.
- But without the US ratification TPP cannot come into effect. On 21 November, Donald Trump said that the USA would withdraw from the TPP.
- Japan **will continue to support the trade liberalization** because it is interested in the growth of exports which is the key driver of economic growth in Japan.



Thank you for your attention!

volgyi.katalin@krtk.mta.hu