

Japan-US Leadership  
in the Asia-Pacific

--- Ramifications to the Japan – EU Relations ---

# Towards a New Trilateral Cooperation: Japan, EU and US

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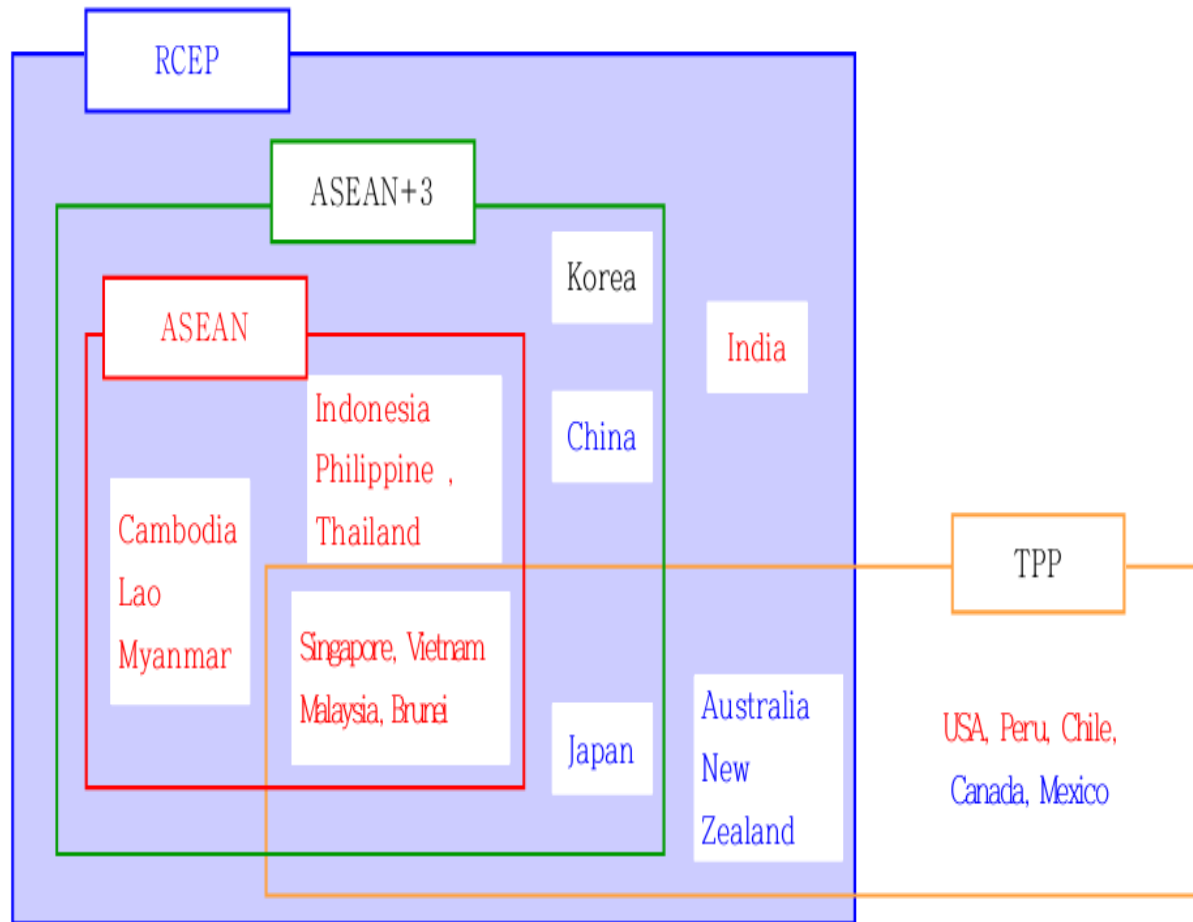
Bruxelles, November 16<sup>th</sup> 2015

# Outline of Today's Presentation

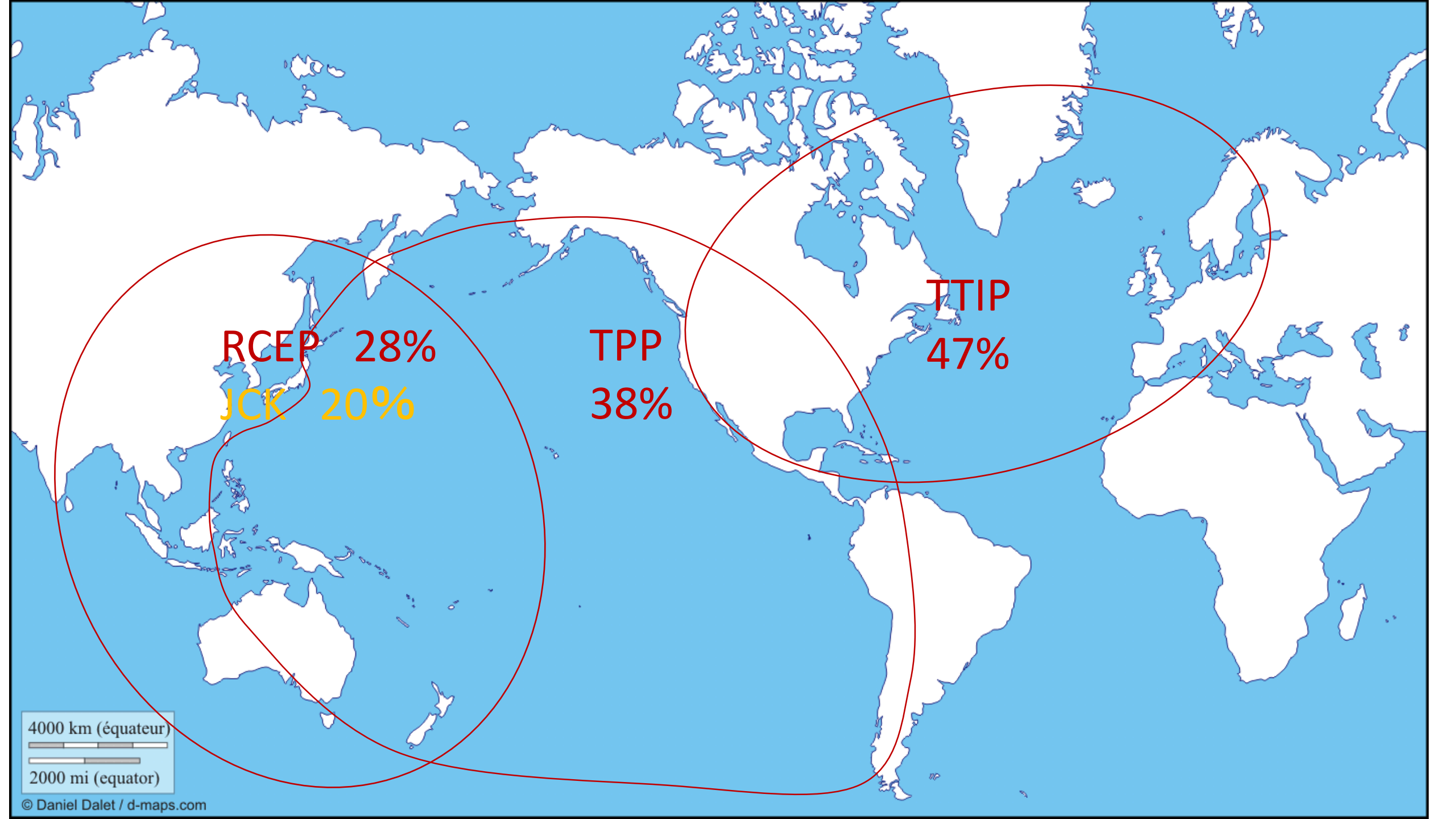
- Mega-Regions and Mega-FTAs i.e. TPP, RCEP+JCK/FTA, Japan-EU FTA, TTIP
- TPP Agreement at the Atlanta Round and Its Implications to the Rest of the World
- More Liberalization or More Managed Trade ??
- Conclusions

1. Mega-Regions and Mega-FTAs;  
TPP, RCEP+JCK/FTA, Japan-EU FTA,  
TTIP

# Membership and Economic Importance of the Mega-FTAs



	Trade (2012)	Trade (2012)	GDP (2011)	GDP (2011)
	Billion US \$	Share (%)	Billion US \$	Share (%)
JCK FTA	6,619	17.9	14,280.9	20.4
RCEP	10,470	28.4	19,929.9	28.5
<b>TPP</b>	<b>9,545</b>	<b>25.9</b>	<b>26,593.4</b>	<b>38.0</b>
TTIP	15,602	42.3	32,686.5	46.8
World	36,890	100.0	69,899.2	100.0

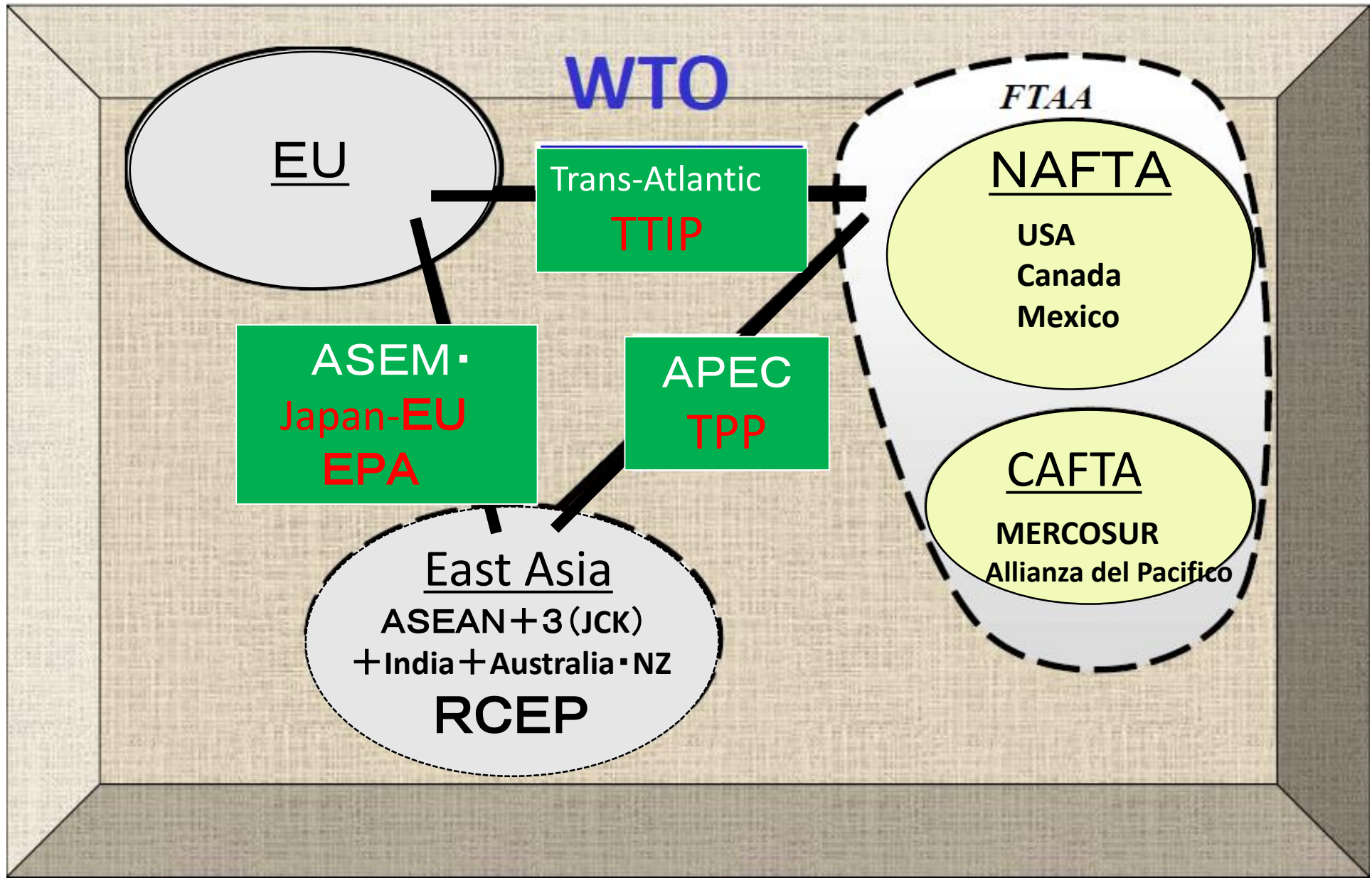


**RCEP 28%**  
**JCK 20%**

**TPP 38%**

**TTIP 47%**

4000 km (équateur)  
2000 mi (equator)



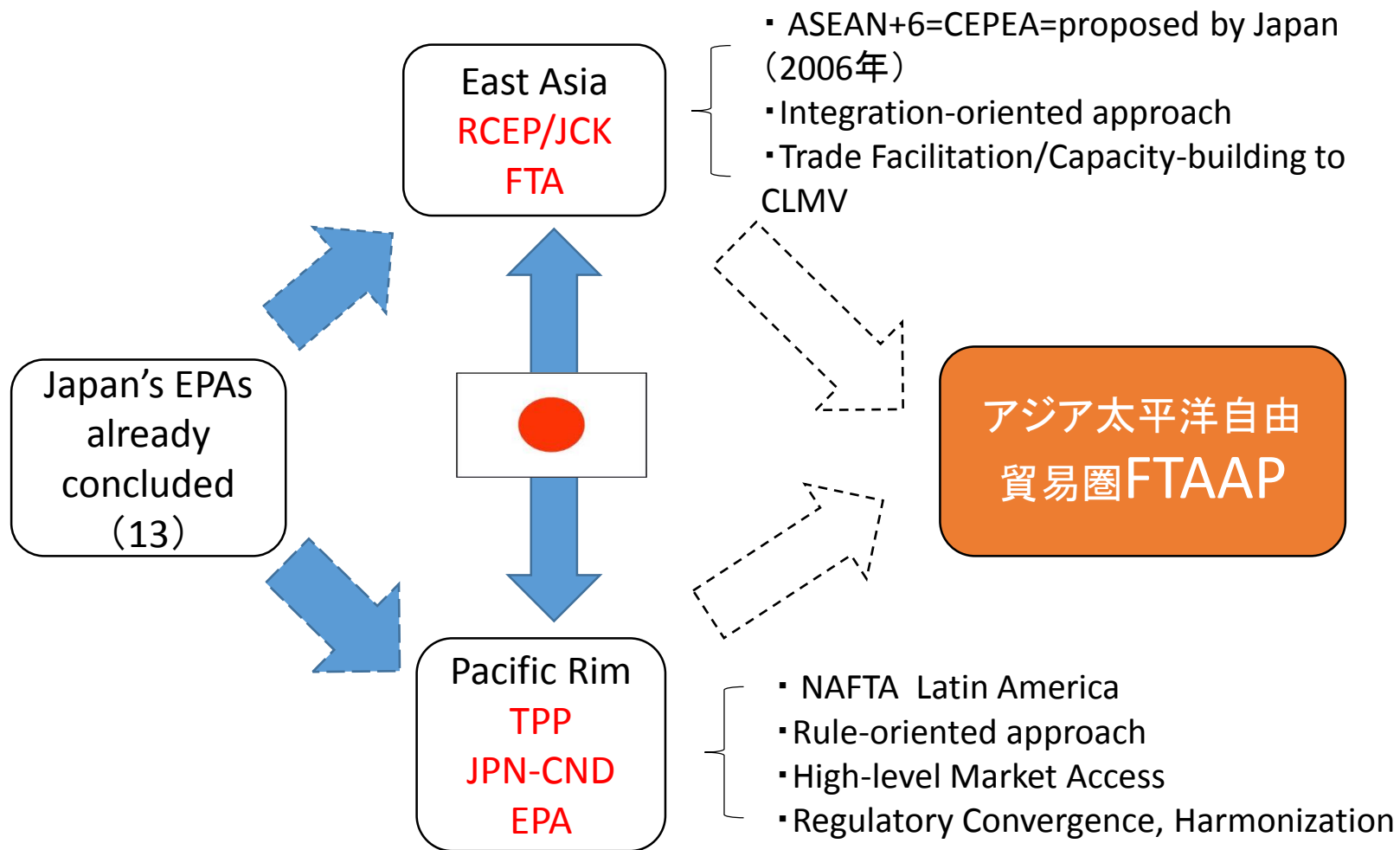
# Increasing Coherence

## Japan's FTA Policy to Multilateralise Regionalism

- **TPP**(Asia-Pacific): an ultimate FTA with the ultimate partner; i.e. USA
- **RCEP**(East Asia): Providing a **Legal Framework** to Secure “de-facto Business-driven Integration”
- **Japan-China-Korea FTA**: missing parts of the jigsaw puzzle
- **Japan-EU FTA**: towards an Asia-Europe partnership
- Joint Efforts to **Multilateralize the Preferential Deals** with a view to Strengthening the **WTO**

# Japan's Perspective

## -- Japan as a Pivotal Centre between TPP & RCEP --





## 2. TPP Agreement at the Atlanta Ministerial Meeting and Its Implications to the Rest of the World



# TPP an Agreement on Substance, Oct. 5 2015

- Tariff Elimination: ① 99.9% on Industrial Products, ② 97.1% on Agricultural Products
- New Rules: ① SOEs (regulations on non-commercial assistance by government), ② Labour and Environment (subject to dispute settlement procedures), ③ Government Procurement (obligations extended to non-WTO/GPA signatories)
- User-friendly Rules: Rules of Origin, Trade Facilitation, SMEs-related provisions, Investment (ISDS)
- Further Membership: Korea, the Philippines, Thailand, Taiwan, and even Indonesia !

# Tariff Elimination in the TPP Negotiations: Tariff Offer by Japan (81% of agri-tariffs)



**95%:** tariffs maintained on 412 products (rice, sugar, wheat, dairy products, beef/pork, etc)

Provided that the tariffs to be eliminated on leather products, wine, chocolate, cookies, salt, tobacco, beef tongue, etc

**93.5%:** tariff maintained on 586 products (rice, wheat, dairy, beef/pork, sugar, pineapple, etc.)

**89.7%:** tariffs maintained on 929 products that Japan has never offered zero-duty

**88.4%:** the highest level of tariff concession by Japan's EPA (the Japan-Philippines EPA)

# Rules of Origin in TPP (most generous **accumulation rule** to facilitate supply chain)

- ASEAN CEPT scheme: 40%
- NAFTA scheme: 62.5% (in case of auto/auto-parts)
- Completed Passenger Vehicle: **55%** (exceptions where special considerations provided to such items as; tempered glass, car-body for passenger vehicle, car-body of commercial vehicle, bumper, door, axle)
- Car Parts/Components: Change in Tariff Classification Criteria or Value-added Criteria (**45~55%**)

⇒⇒⇒ some shift of production might take place from non-TPP countries to TPP member countries

# Duties on Cars & Car-parts vis-à-vis US

Product	Current Rate of Import Duties	Duty Elimination/Reduction
Passenger vehicle	2.5%	Reduction from the 15 <sup>th</sup> year, to be eliminated in the 25 <sup>th</sup> year
Bus	2.0%	Elimination in the 10 <sup>th</sup> year
Truck	25.0%	Duties maintained for 29 years, to be eliminated in the 30 <sup>th</sup> year
Cab-chassis	4.0%	Reduction from the 15 <sup>th</sup> year, to be eliminated in the 25 <sup>th</sup> year
Car air-conditioning	1.4%	Immediate elimination
Shield beam lamp	2.0%	Immediate elimination
Engines 1000~2000 cc, wiper, bumper, brake, gear box, airbags, etc.	2.5%	Immediate elimination For engine above 2000cc, duty will be eliminated in the 5 <sup>th</sup> year

# Duties on Cars & Car-parts vis-à-vis **Canada**

Product	Current Rate of Import Duties	Duty Elimination/Reduction
Passenger vehicle	6.1%	To be eliminated in the 5 <sup>th</sup> year
Bus	6.1%	To be eliminated in the 11 <sup>th</sup> year
Large gasoline truck	6.1%	To be eliminated in the 6 <sup>th</sup> year
Truck	6.1%	To be eliminated in the 11 <sup>th</sup> year
Car air-conditioning, car body, brake, suspension, steering gear, etc.	6.0%	<b>Immediate elimination</b>
tire	7.0%	To be eliminated in the 4 <sup>th</sup> year

# Duties on Cars & Car-parts vis-à-vis Mexico

Product	Current Rate of Import Duties	Duty Elimination/Reduction
Passenger vehicle	15~30%	Immediate elimination
Bus	15~30%	Phasing-out over 10 years
Small truck	15~30%	Immediate elimination
Medium-sized & large truck	30%	Phasing-out over 10 years
Used car	50%	Reduction at coming-into-force
Engine parts	5%	Immediate elimination
Shock-absorber parts	5%	To be eliminated in the 5 <sup>th</sup> year

# Duties on Cars & Car-parts vis-à-vis Others

Country	Product	Current Rate of Import Duties	Duty Elimination/Reduction
New Zealand	Passenger vehicle	10%	Immediate elimination
New Zealand	Bus	5%	Immediate elimination
New Zealand	Truck	5%	Immediate elimination
Peru	Passenger vehicle	9%	Immediate elimination
Viet Nam	Passenger vehicle above 3000cc	77/80 %	To be eliminated in the 10 <sup>th</sup> year
Viet Nam	Passenger vehicle below 3000cc	77~83%	To be eliminated in the 13 <sup>th</sup> year
Viet Nam	Truck	10~80%	To be eliminated in the 12 <sup>th</sup> ~13 <sup>th</sup> year



# 3. More Liberalization or More Managed Trade ??

Japan-US Trade Disputes on Cars/Car-parts,  
June 1995, Mr. Hashimoto, MITI Minister, and  
Mr. Mickey Kantor, USTR, to meet in Geneva.



# Surplus Capacity in the Automotive Industry?

- The **Great Panic** in 1929: triggered by surplus capacity/over-investment in auto industry in 1920's
- History of world trade is closely associated with management of surplus capacity: a **free trade**  $\Rightarrow$  a **managed trade**
- Textile; the Short-term Cotton Textile Agreement (STA,1961), the Long-term Cotton Textile Agreement (LTA,1962) to the Multi-fiber Agreement (MFA, 1974)
- Ship-building: Le Plan d'Avignon (1979)
- Semi-conductors: the Japan-US Semi-conductor Agreement (1986)
- Japan-US/EC Auto Disputes resulted in "Voluntary" Export Restraints

# Automotive Trade, Quo Vadis ?

- **Free Trade Scenario:** Mega-FTAs increase coherence among them and make the multilateral trading system embodied in the WTO further strengthened and regional production networks become truly global value chains with free flow of investment facilitating best allocation of production sites and most efficient use of natural resources
- **Managed Trade Scenario:** surplus capacity in automotive sector worldwide compels some leading auto producing countries to adopt a slow-growth hypothesis and restrain auto exports with a view to avoiding market disruptions in importing countries that could have resulted in more harsh import restrictions or trade wars

# 4. Conclusions

TPP provides a momentum to free trade arrangements such as RCEP, JCK FTA and ASEAN Economic Community.

In the absence of WTO/DDA development on rule-making, the TPP rules could become “model rules” in such area as Investment, Competition, and Government Procurement etc.

Japan is interested in high-quality rules as well as high-level market access liberalization with the European Union as well as across Asia-Pacific.

Thank you for Your Attention  
--- Free Trade for a Better Future ---

