

The Importance of TPP for Asia-Pacific and Japan

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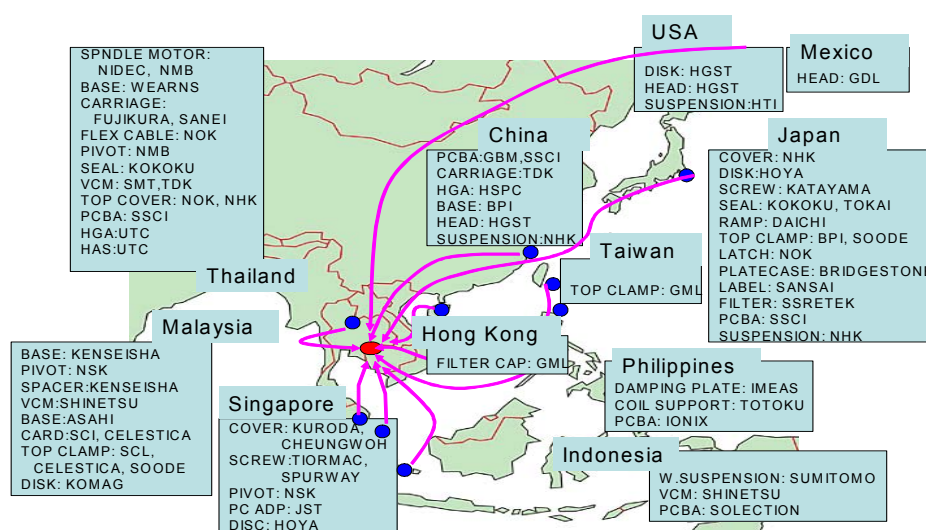
Outline

- Economic growth mechanism in Asia-Pacific
- Scenario for Japan's economic recovery
- Importance of TPP for achieving economic growth in Asia-Pacific and Japan's economic recovery
- TPP negotiations
- Remaining issues and possible solutions

Economic Growth Mechanism in Asia Pacific

- Expansion of trade and foreign direct investment (FDI)
- Formation of production networks (supply chains) by foreign multinational companies
- Promoting economic growth through the expansion of production and employment
- Increasing productivity through technology transfer

Hard Disk Drive Manufacturer in Thailand: Procurement Pattern of Parts and Components



Factors leading to activation of growth mechanism by increasing trade and FDI

- Reduction in trade cost (transportation and communication services)
- Liberalization of trade and FDI policy
- Technological development in transportation and communication services
- Policy reform such as privatization in transportation and communication service sectors

Scenario for Japan's economic recovery

- Current Situation: Slow growth
- Shortage of Supply (declining population, low level of investment)
- Depressed Demand (low income growth, low level of export and investment)
- The way out of sluggish economy
- Improve productivity: need structural reform
- Increase exports and investment: expanding export opportunities and attracting foreign direct investment

Importance of TPP for achieving economic growth in Asia-Pacific and Japan's economic recovery

- Slow and limited progress in Doha Round of Multilateral Trade Negotiations
- TPP increases trade and FDI opportunities by promoting trade and FDI liberalization in the TPP negotiating countries
- TPP promotes business activities by improving business environment through setting the rules on competition, government procurement, and others
- TPP leads to structural reforms such as agricultural reform in Japan
- TPP improves productivity, which would contribute substantially to economic growth

TPP Negotiations

- Comprehensive contents: trade and FDI liberalization, competition policy (state owned enterprises, SOEs), intellectual property rights (IPR), government procurement, environment, labor, regulatory coherence, small and medium-sized enterprises, etc
- Remaining issues:
- Japan-US negotiation: market access (agriculture and automobiles)
- Overall TPP negotiations: market access (trade liberalization), competition policy (SOE), IPRs, environment
- US issue: Trade Promotion Authority (TPA, US)

Possible Solutions for Overcoming Obstacles to Reach an Agreement

- Compromise: achieve 80% of the target to begin with, and then improve the quality of the agreement in subsequent negotiations, which should be scheduled before concluding the initial agreement
- Market access: agree to liberalize within certain period
- IPR, Competition policy: provide special treatment for developing countries (delay in the implementation of the agreement, capacity building, etc)