

Japan's Trade Strategy in the 21st Century and Economic Partnership with Latin American Countries Revisited

Retreat of Globalization and How Japan deals with it

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Today's Content

- Prelude
- 1. Introduction
- 2. Japan's FTA Policy: the TPP and the Japan-EU EPA
- 3. Trump Shock in Trade Policy of the US
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- 6. Conclusions

Two Major Sources of Uncertainty BREXIT & Trump Shock



Two Major Sources of Uncertainty BREXIT & Trump Shock

Friday 20 January 2017

FINANCIAL TIMES

FT BIG READ. BREXIT

The British prime minister's speech laid out her terms for a deal and the UK's possible emergence as a low-tax Singapore of the west. While EU officials saw the proposals as hollow, others plan defensive measures.
By George Parker, Jonathan Ford and Alex Barker

Plan B: May's elaborate bluff?

Theresa May this week summoned EU diplomats to the ornate Long Gallery of Lancaster House for a classic British power play. In a gilded Georgian mansion looking across The Mall to Buckingham Palace, the UK prime minister was in charge and laying down her terms on Brexit.

The precariousness of Britain's position was revealed within hours, however, as HSBC confirmed it was moving 1,000 jobs from London to Paris and Toyota said it was considering how it would "survive" after Britain leaves the EU. But for now Mrs May was a latter-day Margaret Thatcher, unimpressed by the British tabloids as a new Iron Lady.

The ambassadors nodded politely as she set out her objectives for Brexit, a speech couched in conciliatory language about a "new partnership", shared values and her desire to find a Brexit deal that worked for both sides. But when her peroration approached, the mood changed abruptly as she abandoned diplomatic niceties and delivered an outright threat to the assembled guests.

If Britain did not get the trade deal it wanted, Mrs May would walk away with no agreement. If Europe tried to impose "a punitive" arrangement on Britain, she would fight back, ripping up the country's European economic model and setting "the competitive tax rates and the policies that would attract the world's best companies and biggest investors".

This threat to turn Britain into a low-tax Singapore of the west — coupled with an implicit suggestion that Britain's defence and intelligence contribution to Europe might be at risk if the EU cut up rough — delighted the British press. But Europe is asking: is she bluffing?

Mrs May's decision to get her threats in early — before the expected start of Brexit negotiations on the UK triggers Article 50 in March — were intended as a show of strength, an indication that the prime minister would not travel to Brussels for talks as a supplicant, but with a Plan B in her pocket. Yesterday she took

Theresa May leaves Downing Street ahead of Tuesday's speech on Brexit. Below: Philip Hammond, the chancellor



Stop blaming foreigners for loss of manufacturing jobs — COMMENT, PAGE 9

Poles apart The political divide that is splitting Poland — BIG READ, PAGE 7

Work s Job satisfac you unhapp

Trump trade chief accuses Berlin of using weak euro to exploit US

◆ Navarro says currency is 'implicit Deutsche Mark' ◆ Transatlantic accord declared dead

SHAWN DONNAN — WASHINGTON

Germany is using a "grossly undervalued" euro to "exploit" the US and its EU partners, Donald Trump's top trade adviser has said in comments set to trigger alarm in Europe's largest economy.

Peter Navarro, head of Mr Trump's new National Trade Council, told the Financial Times the euro was an "implicit Deutsche Mark" whose low valuation gave Germany an advantage over its main trading partners. His views suggest the new administration is focusing on currencies as part of its hard-charging approach on trade ties.

The euro jumped to an eight-week high of \$1.08 after Mr Navarro's comments.

In a departure from US policy, Mr Navarro also said Germany was one of the main barriers to a US trade deal with the EU and declared talks with the bloc over the Transatlantic Trade and Investment Partnership to be dead.

Angela Merkel, German chancellor, responded by saying Germany could not influence the euro. Speaking in Stockholm with Stefan Lofven, Sweden's prime minister, Ms Merkel said Germany had always "supported an independent European Central Bank".

The Trump administration has denounced alleged currency manipulation by its trading partners. At a meeting with pharmaceutical bosses yesterday, Mr Trump accused Japan and China of using monetary policy to pursue "devaluation" to gain an advantage. "They play the money market, they play the devaluation market, while we sit here like a bunch of dummies," he said.

The new president has said he prefers bilateral trade deals to the broad multilateral accords pursued by Barack Obama. Mr Trump last week withdrew from a 12-country Pacific Rim deal negotiated by his predecessor.

"A big obstacle to viewing TTIP as a bilateral deal is Germany, which continues to exploit other countries in the EU as well as the US with an 'implicit Deutsche Mark' that is grossly undervalued," Mr Navarro said.

Germany's trade surplus with the US and much of the eurozone has caused friction in Brussels and Washington for years, with both urging Berlin to boost domestic demand to rebalance its economy. Critics have argued Berlin has benefited from weakness in the rest of the eurozone, which has held the euro lower than other currencies, such as the Swiss Franc, making its exports cheaper.

The debate over German policy during the Obama presidency was cloaked in diplomatic language; Mr Navarro's comments highlight an apparent willingness by the Trump administration to antagonise EU leaders and, particularly, the German chancellor.

Mr Navarro's intervention follows a visit to Washington last week by Theresa May, the British prime minister, in which she and Mr Trump discussed ways to launch negotiations for a US-UK trade deal. Mr Navarro said the Brexit vote marked the death knell of a US-EU deal; Britain had been one of its advocates.

"Brexit killed TTIP on both sides of the Atlantic even before the election of Donald Trump," Mr Navarro said.

Additional reporting by Claire Jones in Frankfurt

Refugees ban page 2
Trade under Trump page 3
Tusk urges EU to stand firm page 5
Martin Wolf page 9
Lex page 10
Pharma rally page 12
Markets pages 18-20

Donald Trump greets Robert Huglin, executive chairman of biotech group Celgene

German business groups react

'My fear is that [Trump's] policies won't work and then he'll look for scapegoats. And German companies are going to make great scapegoats'



What happens if the UK fails to keep free market access to the EU Single Market ?

- The UK should resume **a full membership of the WTO**: British products become subject to the MFN duties imposed by the EU Common External Tariff; e.g. 10 % on passenger car, 14% on Plasma TV, etc.
- The UK should establish its own **national tariff schedule** in accordance with the GATT Art. II, which implies inevitable **tariff negotiations** with the WTO Members including the EU
- Likewise, the UK should negotiate its own commitment in trade in services under the **GATS** (General Agreement on Trade in Services, WTO)
- Accordingly, the UK shall be obliged to negotiate its national commitment on **Government Procurement** under the WTO/**GPA** to establish its own entity list

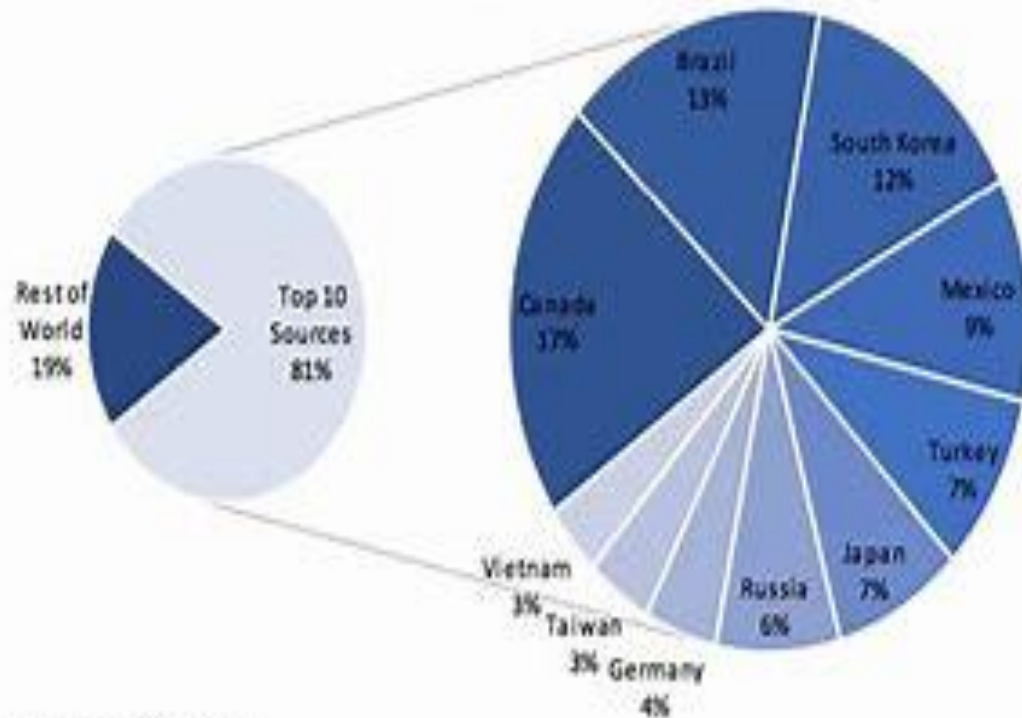
Why Brexit matters?: Major Japanese Companies Presence in the UK



company	Sales in the EU (Oku Yen)	British Employee	Export to the EU
Toyota	23,233	3,000	75% of the UK production to the EU
SONY	18,813	5,000	Headquarters function for the EU
Nissan	17,481	8,000	80% of the UK production to the EU
Canon	10,743	2,800	Camera, Multi-function equipment
Hitachi	9,511	5,000	8000 OkuYen awarded order trains
Toshiba	5,599	n.a.	Headquarters Function for the EU
Ricoh	5,310	3,000	Overall sales in the EU
Mitsubishi Electric	3,699	n.a..	Air conditioning system in the EU
KonicaMinolta	3,197	1,300	Multifunction office equipment
Takeda Pharma.	3,093	n.a.	Experiments for the entire EU market
Nomura HD	1,458	2,500	Supporting M&A, security, banking

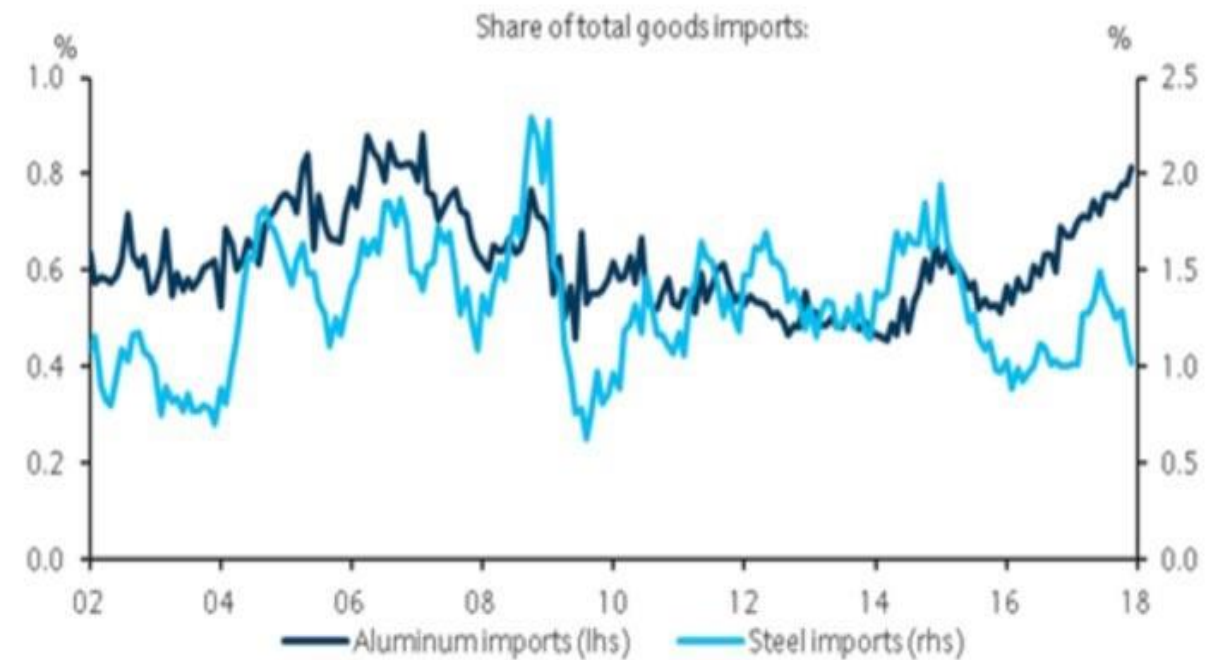
“Trade war fears mount as Trump vows to sign order for steel tariffs” (FT, Friday 2 March 2018)

U.S. Steel Imports - Top 10 Sources
2016 - Millions of Metric Tons



Source: IHS Global Trade Atlas

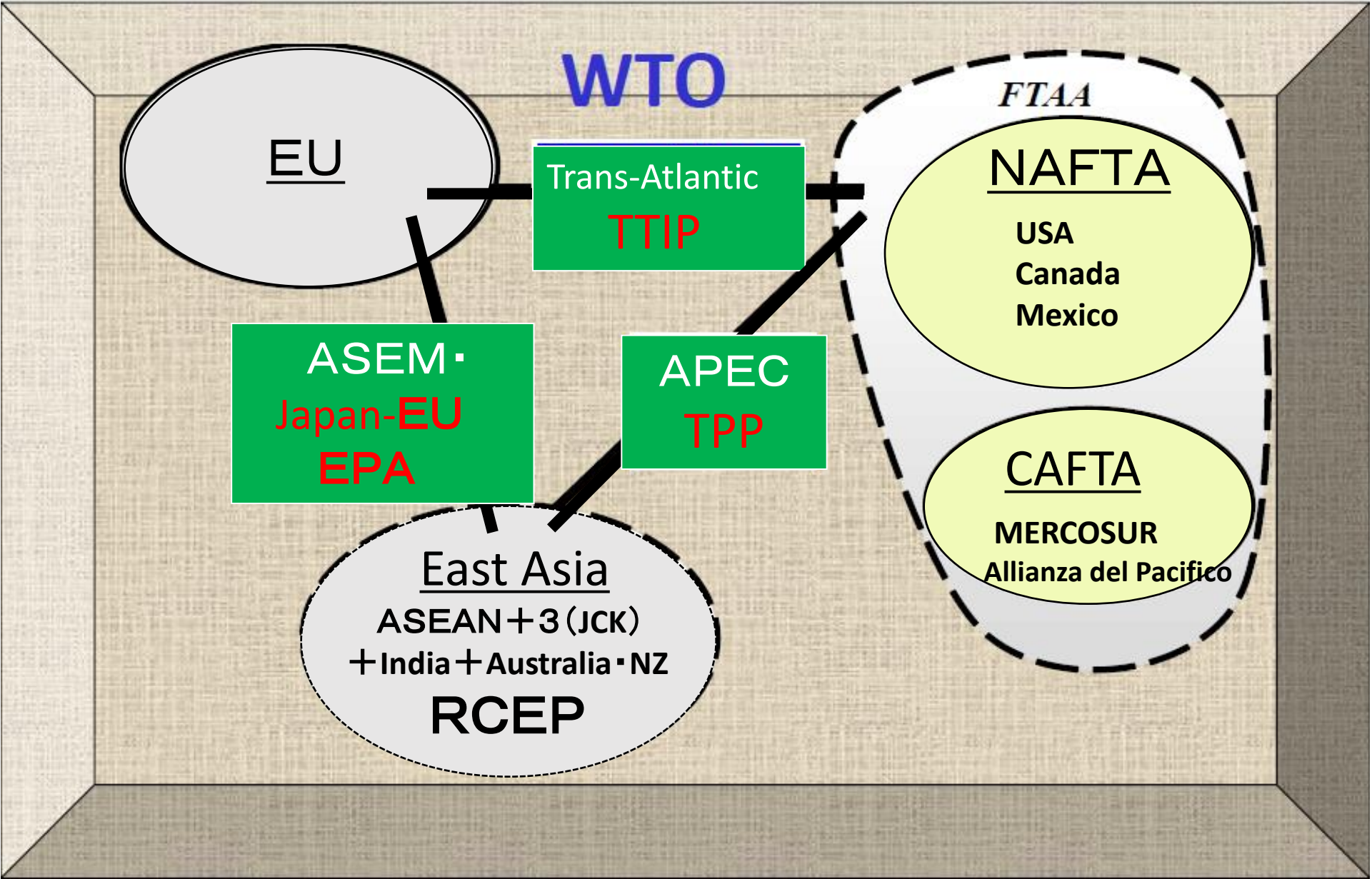
Figure 1: Steel and aluminum imports account for only about 2% of total goods imports



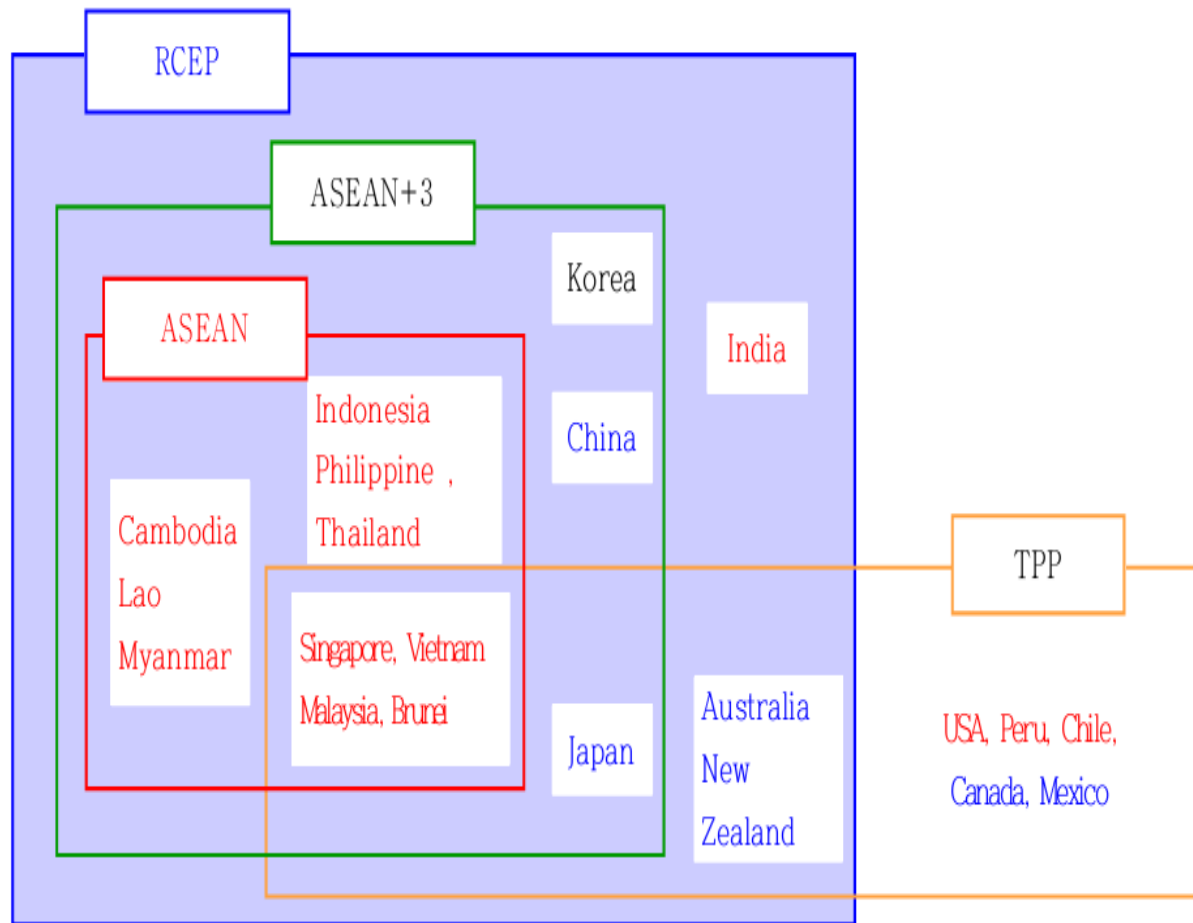
Source: Census Bureau, Barclays Research

1. Introduction

State of Play before the US Presidential Election in November 2016 and thereafter

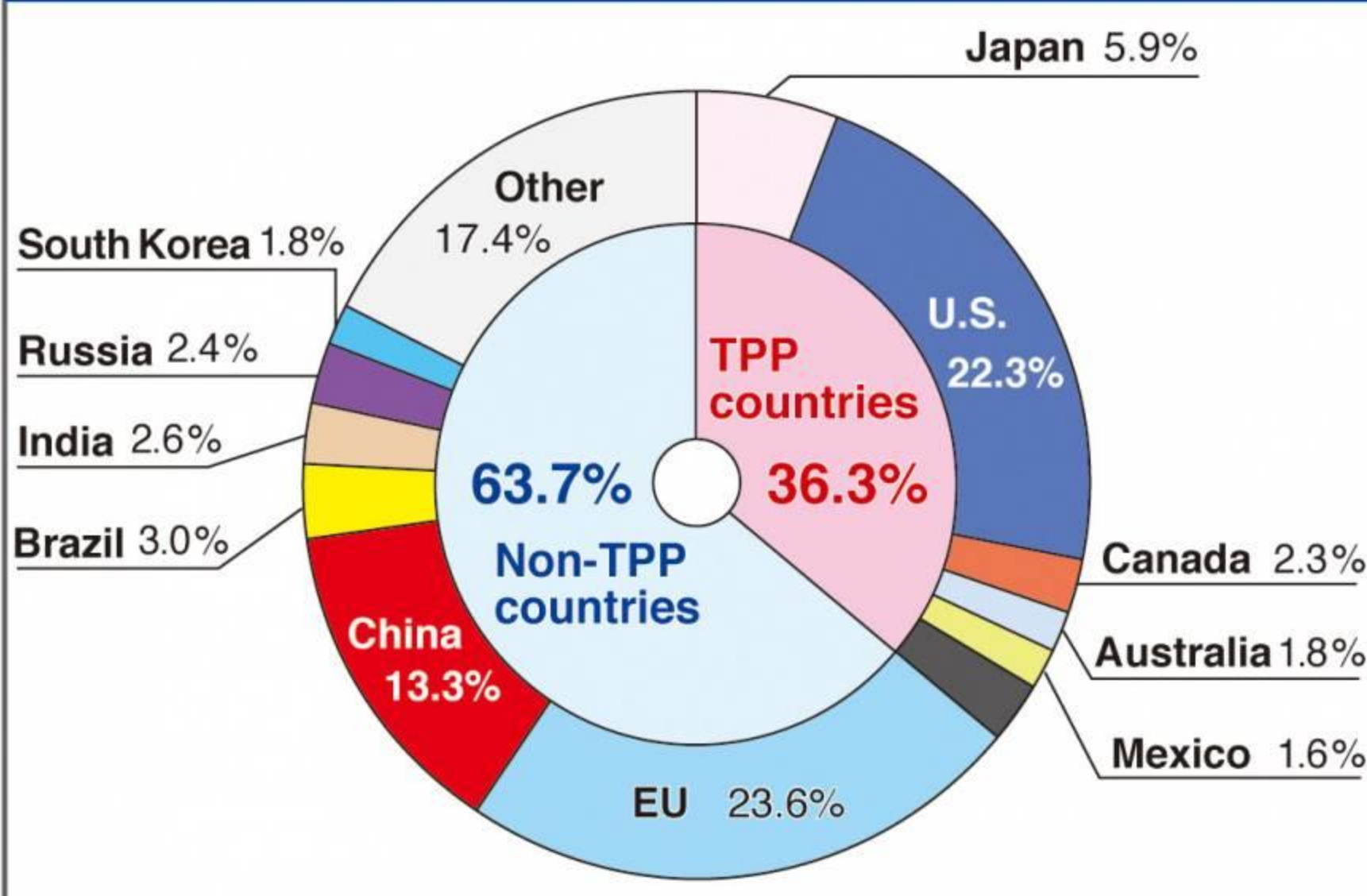


Membership and Economic Importance of the Mega-FTAs



	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
TPP	9,545	25.9	26,593.4	38.0
TTIP	15,602	42.3	32,686.5	46.8
World	36,890	100.0	69,899.2	100.0

Share of global GDP (2014)



SOURCE: World Economic Outlook Database April 2014

2. Japan's FTA/EPA Policy

From “*de-facto* business-driven integration” to “*de-jure* EPA-driven integration”

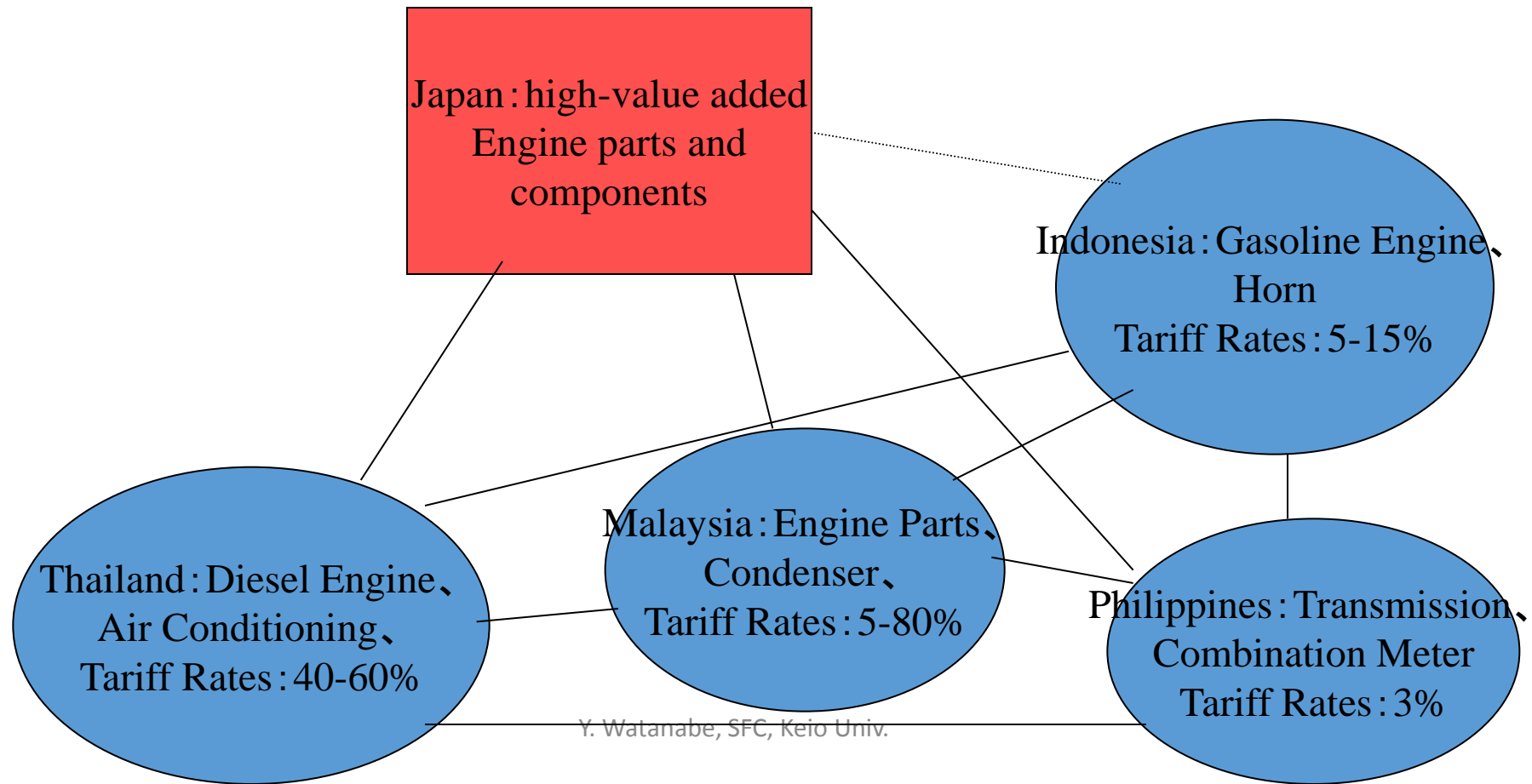
Definition of Terms

- "**Article XXIV of the GATT**"= Members of the WTO may form a customs union or a free trade area as an exception to the MFN principle under certain conditions such as it covers "substantially all the trade"
- "**FTA**"=A group of two or more customs territories in which the duties and other restrictive regulations of commerce are eliminated on substantially all the trade (GATT XXIV:8 (b))
- "**TPP**"=Trans-Pacific Strategic Partnership Agreement; an inter-regional FTA among Asia-Pacific countries with high-level commitment in tariff elimination as well as in making new rules on investment, competition, IPRs etc.
- "**TTIP**" = Trans-Atlantic Trade and Investment Partnership; a bilateral FTA to be negotiated between the US & the EU

De-facto Business-driven Integration in East Asia

- “**The Plaza Accord**” by G5 in September 1985 as the major cause
- The major exchange-rate realignment
- $\$1 = ¥ 248 \Rightarrow \$1 = ¥ 180$
- Japanese manufacturers shifted production sites of their parts and components abroad, firstly in ASEAN countries and later in other East Asian countries in order to avoid negative effects of appreciated Japanese Yen

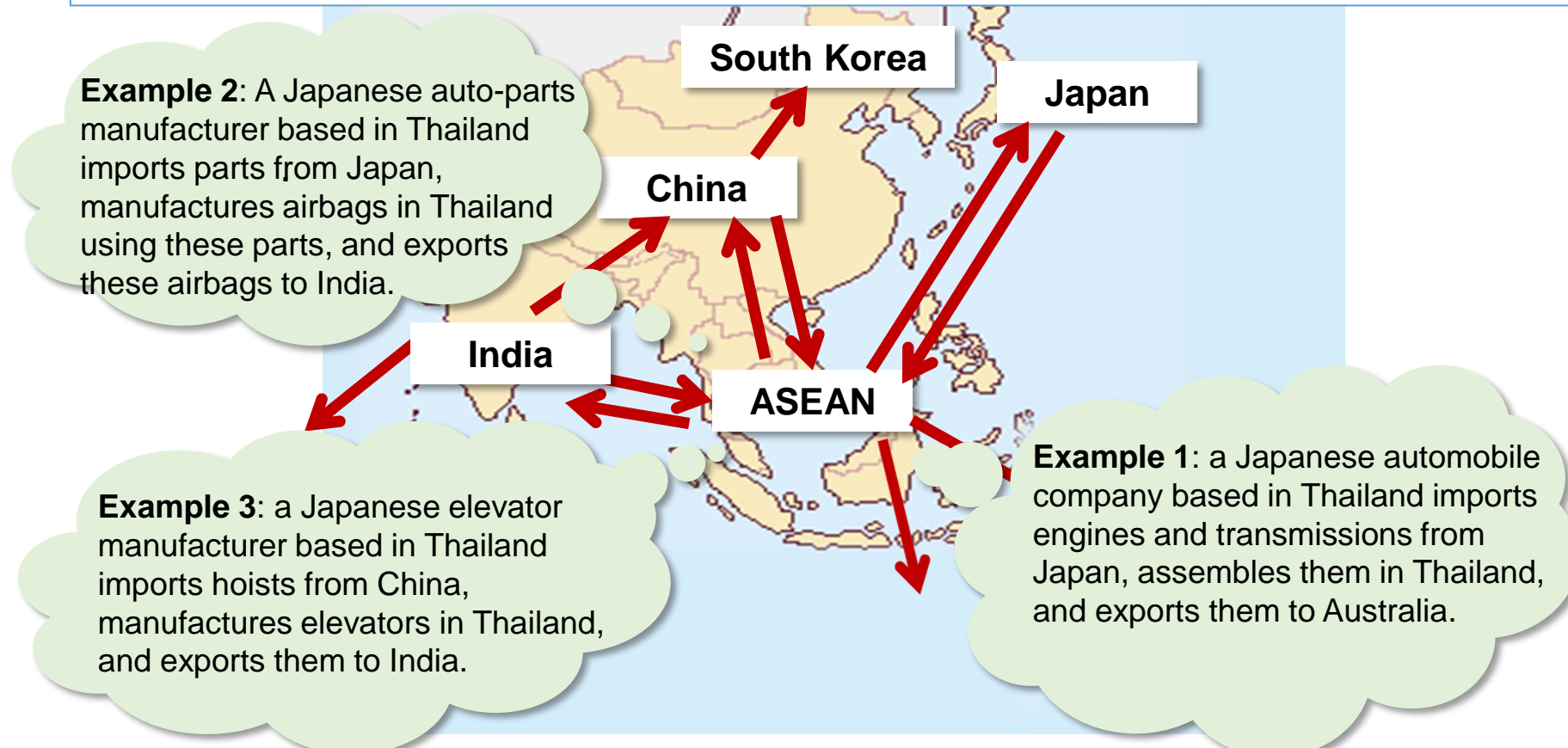
Japanese Car Industry: Optimal Supply System in Asia



The significance of participation in R C E P

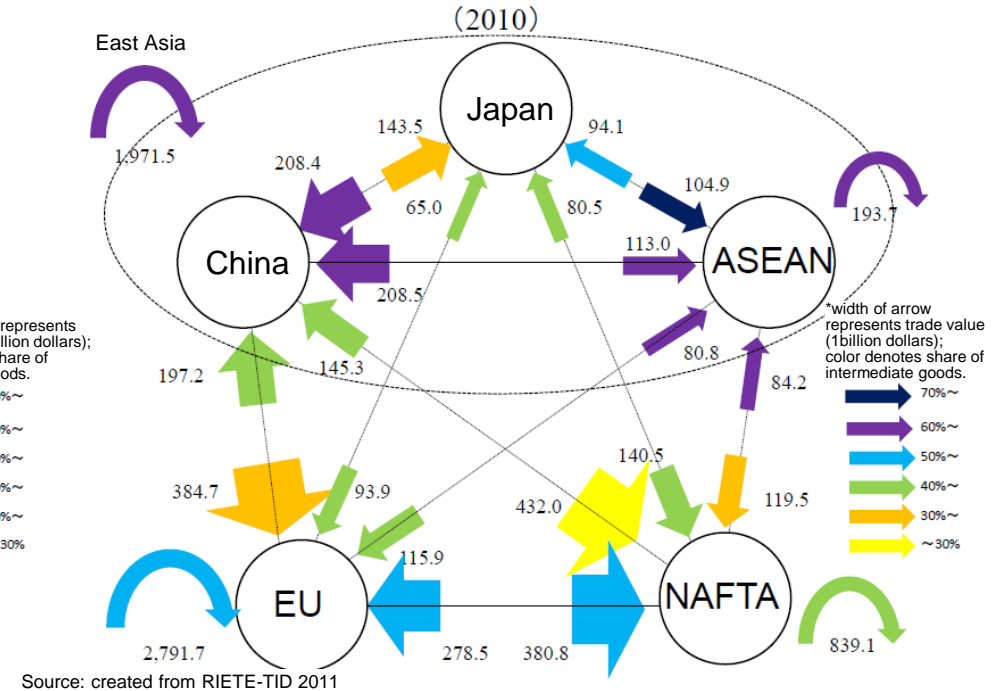
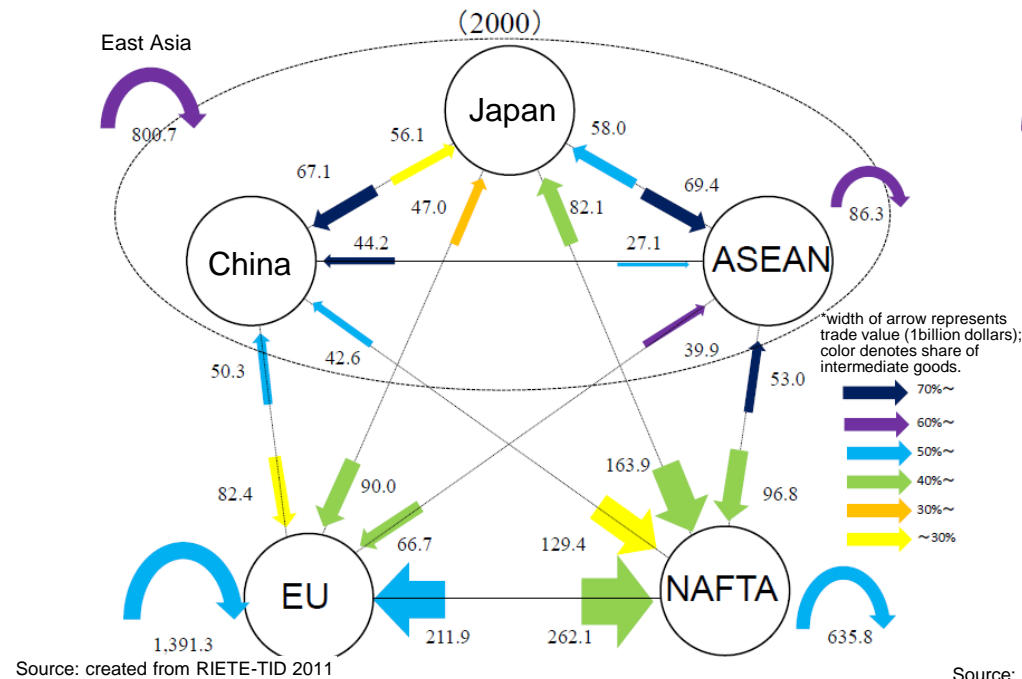
Unification of supply chain networks in the East Asia region

- In order to increase exports to growth markets both inside and outside the East Asia region, the unification of corporate supply chains is essential.
- At present, each EPA has its own set of regulations (e.g. rules of origin), and the differences between these regulations hinder corporate activities. By unifying these regulations into a single set of simple, easy-to-use rules for corporations, RCEP will facilitate the establishment of an trans-national supply chain network.



Change in quality of Japan-ASEAN-China trade

- Transaction volumes of intermediate goods have risen rapidly among ASEAN states. → This reflects the increasing sophistication of production networks in East Asia.



Regional Economic Integration in East Asia

- **Business-driven** integration through FDI
- Production networking = *de facto* integration
- How to consolidate and improve the merits of such development ?
- ⇒ “FTA Policy Paper” by MOFA, Japan,
in 2002.10 ⇒ the first EPA with Singapore

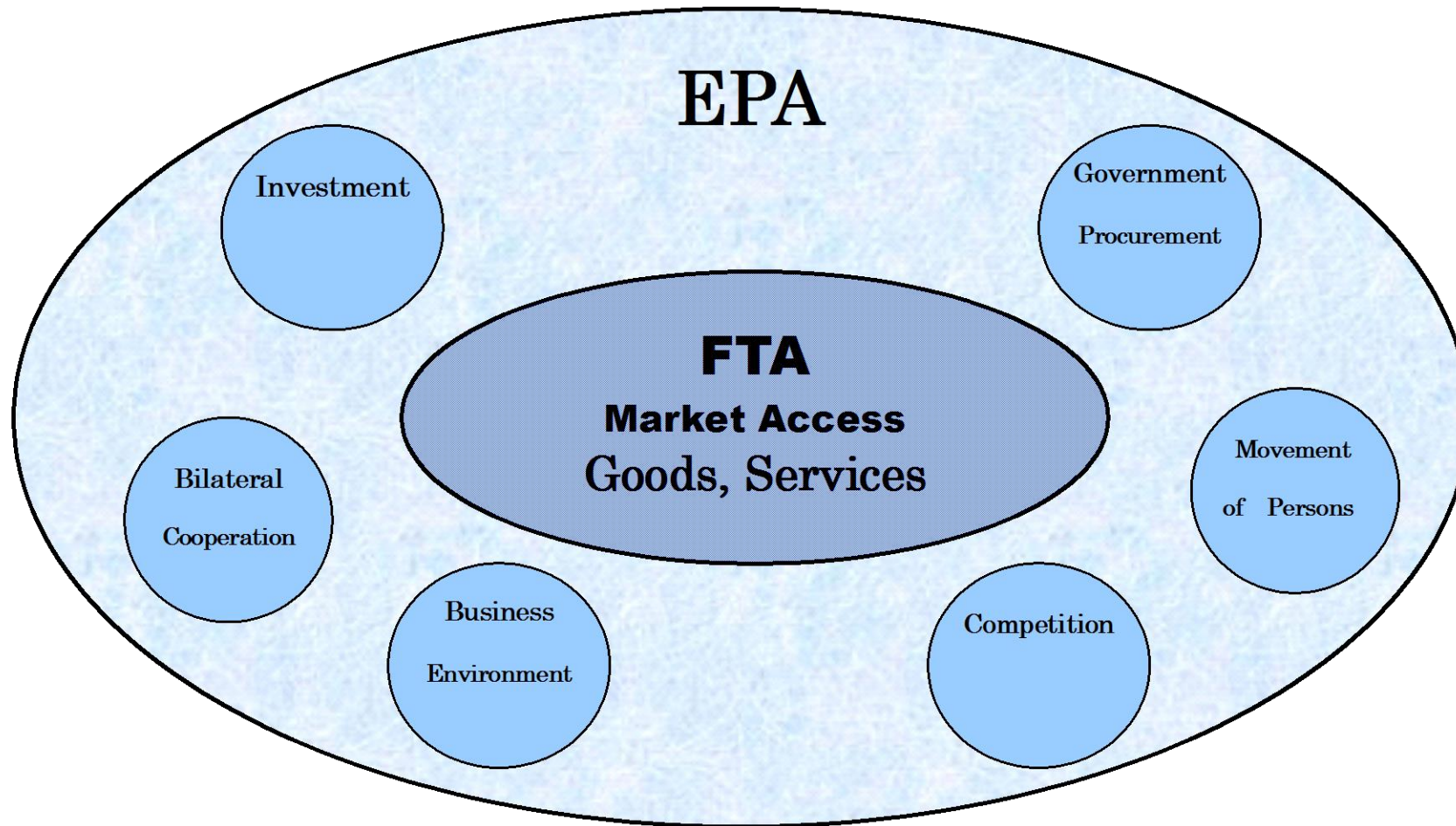
From “*de-facto* business-driven integration” to “*de-jure* EPA-driven integration”

Japan's FTA/EPA Achievement so far

- Japan-**Singapore** EPA (in force since 2002.11)
- Japan-**Mexico** EPA (negotiations started in 2002.11, in force since 2005.4)
- Japan-**Malaysia** EPA (in force since 2006.7)
- Japan-**Chile** EPA (negotiations started in 2006.2, in force since 2007.9)
- Japan-**Thailand** EPA (agreement in substance 2005.9, in force 2007.11)
- Japan-**Indonesia** EPA (negotiations started in 2005.7, in force 2008.7)
- Japan-**Brunei** EPA (negotiations started in 2006.6, in force 2008.7)
- Japan-**ASEAN** EPA (negotiations started in 2005.4, in force 2008.12)
- Japan-**Philippines** EPA (agreement in substance 2004.11, in force 2008.12)
- Japan-**Switzerland** EPA (negotiations started in 2007.5, in force 2009.2)
- Japan-**Vietnam** EPA (negotiations started in 2007.1, in force 2009.10)
- Japan-**India** EPA (negotiations started in 2007.1, in force 2011.8)
- Japan-**Peru** EPA (negotiations started in 2009.5, in force 2012.3)
- Japan-**Australia** EPA (negotiations started in 2007.4, agreement in substance in 2014.04, in force 2015.01)
- Japan-**Mongolia** EPA (negotiation started in 2012.6, signed in 2015.02)
- **Japan-EU** EPA (negotiation started in 2013.03, agreement in principle reached in 2017. 07 confirmed in 2017. 12)
- Japan-**Korea** EPA (negotiations started in 2003.12, suspended in 2004.11)
- Japan-**GCC** EPA (negotiations started in 2006.9)
- Japan-**Canada** EPA (negotiation started in 2012. 10)
- Japan-**Colombia** EPA (negotiation started in 2012. 12)
- Japan-**Turkey** EPA (negotiation started in 2014.12)

Economic Partnership Agreement

EPA: Japan's FTA Strategy



Substance of Japan's EPA

	Trade in goods			Trade in service				Investment				Government Procurement	Intellectual Property	Competition	Improvement Of Business Environment	Cooperation	Energy and Mineral Resources		
	Market Access	SPS/TBT	Mutual Recognition	Market Access	National Treatment	MFN Treatment	Movement of Natural Person	National Treatment	MFN Treatment	Prohibition of performance requirements	Dispute Settlement between state and investor								
ASEAN	Vietnam	○	○		○	○		○			○			○	○	○			
	Philippine	○		○	○	○	○	○	○	○			○	○	○	○	○		
	ASEAN	○	○													○			
	Brunei	○			○	○	○	○	○	○	○	○			○	○	○	○	
	Indonesia	○			○	○	○	○	○	○	○	○		○	○	○	○	○	
	Thailand	○		○	○	○	○	○	○	○	○	○		○	○	○	○	○	
	Malaysia	○	○		○	○	○	○	○	○	○	○		○	○	○	○		
	Singapore	○		○	○	○		○	○	○	○	○	○	○	○				
Latin America	Chile	○	○			○	○	○	○	○	○	○	○	○	○	○			
	Mexico	○	○			○	○	○	○	○	○	○	○	○	○	○	○		
Europe	Switzerland	○	○		○	○	○	○	○	○	○	○	○	○	○				

Japan's FTA/EPA Strategy in Asia-Pacific & beyond

- **De-facto Business-driven Integration** through Supply-chain and Production Networks
- FTA/EPAs to consolidate the merits of the De-facto Integration
- From Bilateral FTA/EPAs to **Wider Regional FTA/EPAs**: (ASEAN+1)x5, ASEAN+3, ASEAN+6=**RCEP**, Japan-China-Korea FTA
- Beyond Regional FTA/EPAs $\Rightarrow \Rightarrow \Rightarrow$ the **TPP** as an inter-regional FTA, the **Japan-EU EPA + Japan-CH EPA** to bridge East Asia and Europe

TPP an Agreement on Substance, Atlanta, Oct. 5 2015 ⇒ signed in Feb. 2016

- 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)
- Membership requested by: Korea, the Philippines, Thailand, Taiwan, and Indonesia

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%)

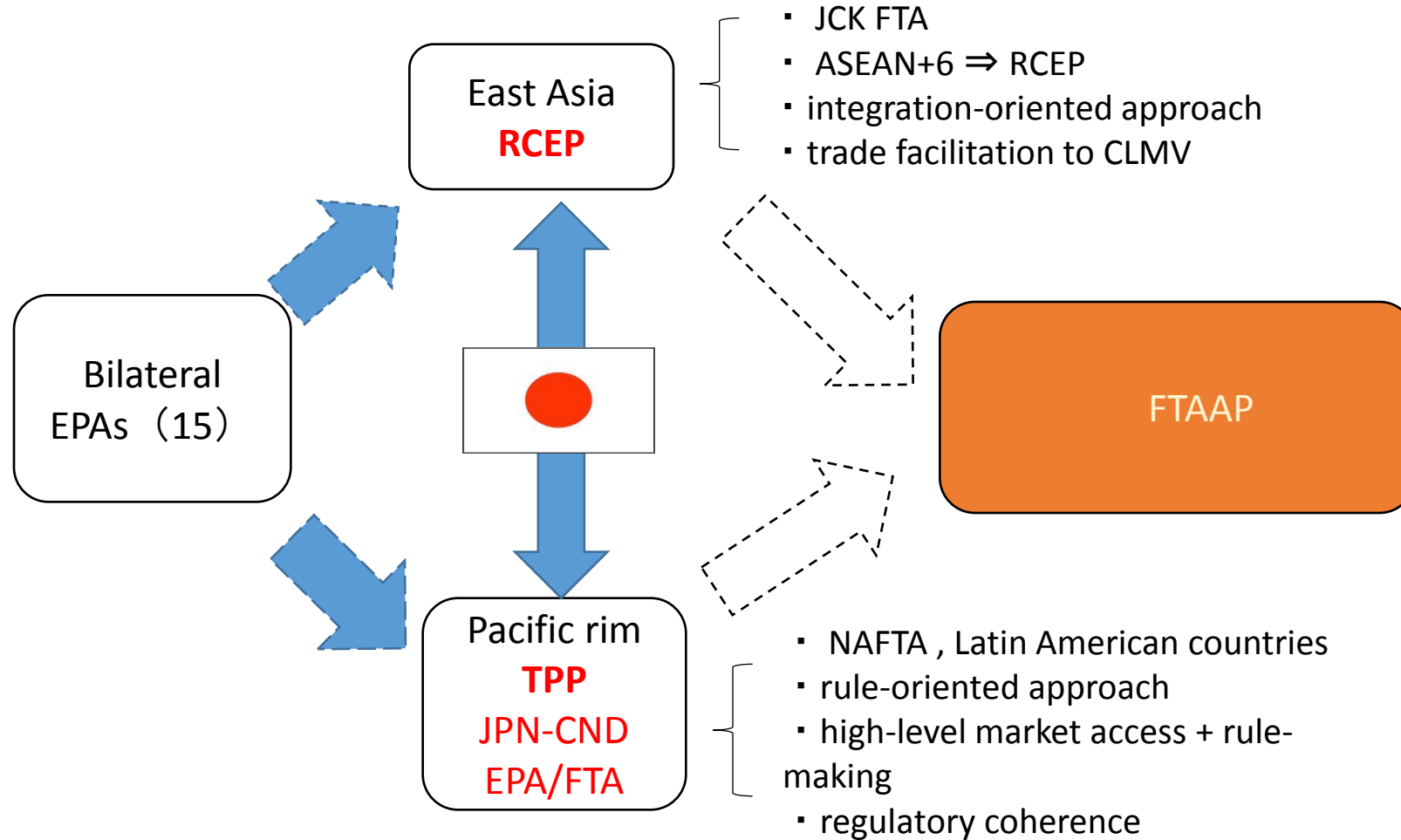
⇒⇒⇒ some shift of production might take place from non-TPP countries to TPP member countries

CPTPP: “TPP11” after the US Departure

- Withdrawal of the US from the TPP on January 23 2017
- TPP11 Ministerial Meeting in Chile in March 2017
- TPP11 Ministerial Meeting in Viet Nam in November 2017
- Senior Officials’ Meetings in Hakone, Japan, to accelerate the agreement in substance
- **Twenty Provisions, mainly in the area of IPRs, to be suspended**
- **No Substantial Changes in the Market Access Deals in the original TPP**
- **Agreement in Substance reached in January 2018**, signed in Chile in March 2018, and expected to come-into-force by the end of 2018

Japan's FTA/EPA Strategy

— a pivotal centre between TPP & RCEP —



Japan-EU Economic Partnership Agreement (1)

- May-December 2011: “Scoping Exercise”
- September 2012: Public Hearing at European Parliament
- March 2013: Summit Talks by telephone
- **April 2013: the First Round of Negotiations**
- April 2017: the 18th Round of Negotiations
- May 2017: Japan-EU Summit Talks
- July 2017: an Agreement in Principle reached before G20
- **December 2017: an Agreement on Substance reached**
- **July 17 2018: Japan-EU EPA Signed in Tokyo**
- Early 2019(?): Coming-into-Force of the Agreement

Japan-EU Economic Partnership Agreement (2)

- **A Comprehensive Coverage:** Market Access in Goods and Services, NTMs, Trade Remedies, Customs/Trade Facilitation, SPS/TBT, Investment, E-commerce, Government Procurement, Railway Equipments, IPR, GI(Geographical Indication), Competition Policy, Corporate Governance, Sustainable Development, SMEs, Dispute Settlement, Transparency, Regulatory Cooperation, General & Final Provisions etc.
- **Trade in Goods (2016):**
 - EU ⇒ Japan: 8.8 trillion JPY (dutiabale 27.6%, non-dutiabale 72.4%)
 - Japan ⇒ EU: 7.9 trillion JPY (dutiabale 67.3%, non-dutiabale 32.2%)

3. Trump Shock in Trade

Withdrawal of the US from the Trans-Pacific Partnership (TPP) Agreement and possible departure from the trade multilateralism

Policy Confusion: “Trump leaves other nations striving to guess true intent” (F.T.Jan.20)

- “Donald Trump has already kept one campaign promise: he has made **American diplomacy more difficult to read**” (D.J.Lynch)
- “The base of all decisions is going to be **“America first”**, which implies that everyone else is second, third, or fourth.”
- “The question we get asked a lot is: are we going to continue to govern by tweets or not ?” (Richard Armitage)
- The President’s unconventional style puzzles non-US audiences; i.e. a blend of 21st century communications and the classic American bravado

“Trump puts **protectionism** at heart of US economic policy” (F.T. Jan. 24)

- Executive order signed to withdraw from the TPP (Jan. 23)
- US Business leaders warned over offshoring jobs: border tax to be imposed
- **John McCain:** “ (the US withdrawal was) **a serious mistake**. It will create an opening for China to rewrite the economic rules at the expense of American workers. And it will send **a troubling signal of American disengagement in the Asia-Pacific region** at a time we least afford it”
- Unwinding the **NAFTA** would hit Mexico hard, but Japan and the EU would be adversely affected as well
- **Germany** accused by Peter Navarro of “grossly undervalued” euro to “exploit” the US and its EU partners (Feb. 1)
- Navarro: “Germany was one of the main barriers to a US trade deal with the EU.” “the talks with the EU over the **TTIP declared dead**”

Trump opts for “bilateral trade deals”

- “**bilateral deals**” does **not** mean necessarily Free Trade Agreement (FTA): the only FTA Trump mentioned was the one with the UK
- “bilateral deals” with countries which run **trade surplus** with the US; e.g. Japan(\$68.6 billion), Mexico(\$58.4 billion), China (\$365.7 billion)
- The deals could imply balancing trade account via political interventions by governments: “**numerical targets**” of auto imports by Japan until “**reciprocity**” to be achieved
- Revival of “**procedural protectionism**” of 1980’s by way of Section 301 type of “**unilateralism**” ⇒⇒⇒WTO inconsistent

	Section 201 (SG)	Section 232 (national security)	Section 301(unfair trade practices)	Other Instruments (WTO DS etc.)
2017 April		Investigation initiated on steel & aluminum		
2017 May-June	Investigations initiated on solar panel and washing machine			
2017 August			Investigation on China's IPR	
2017 Oct./Dec.	USITC recommendation			US-China Summit \$250 billion deal
2018 January		USDOC report on security concerns		
2018 February	SG measures launched			
2018 March		25% tariff on steel, 10% on aluminum	25% tariffs on \$50 billion China goods	WTO DS on IPR

Ross: Multilateralist camp talking “rubbish”

- **Wilbur Ross:** “we(US) are the least protectionist of the major areas. We are far less protectionist than Europe. We are far less protectionist than Japan. We are far less protectionist than China.” . . . “We also have trade deficits with all three of those places. So they talk free trade. But in fact what they practice is protectionism. And every time we do anything to defend ourselves, even against the puny obligations that they have, they call that protectionism. It’s **rubbish**” (FT 17 April)
- **Christine Lagarde + Jim Yong Kim:** stepping up their public defense of multilateralism warning that the “**sword of protectionism**” hung over the world economy (idem)

Now the US withdraws from the TPP, China will

- take advantage of the US withdrawal from **rule-making in trade and investment** across Asia-Pacific by imposing its own power-oriented trade policies: aggressive use of anti-dumping measures, state subsidies on steel
- lose incentives to enhance FTAs (RCEP, JCK) in absence of the TPP **jeopardizing further trade liberalization** in East Asia: China-Korea FTA(2015)
- instead accelerate the “**One Belt, One Road**” Initiatives by making full use of the **AIB** as well as the BRICS Bank

⇒⇒⇒ Market economy principles are to be irreversibly pushed back and diminished if not completely abandoned

⇒⇒⇒ a **major crisis for the free democracy**

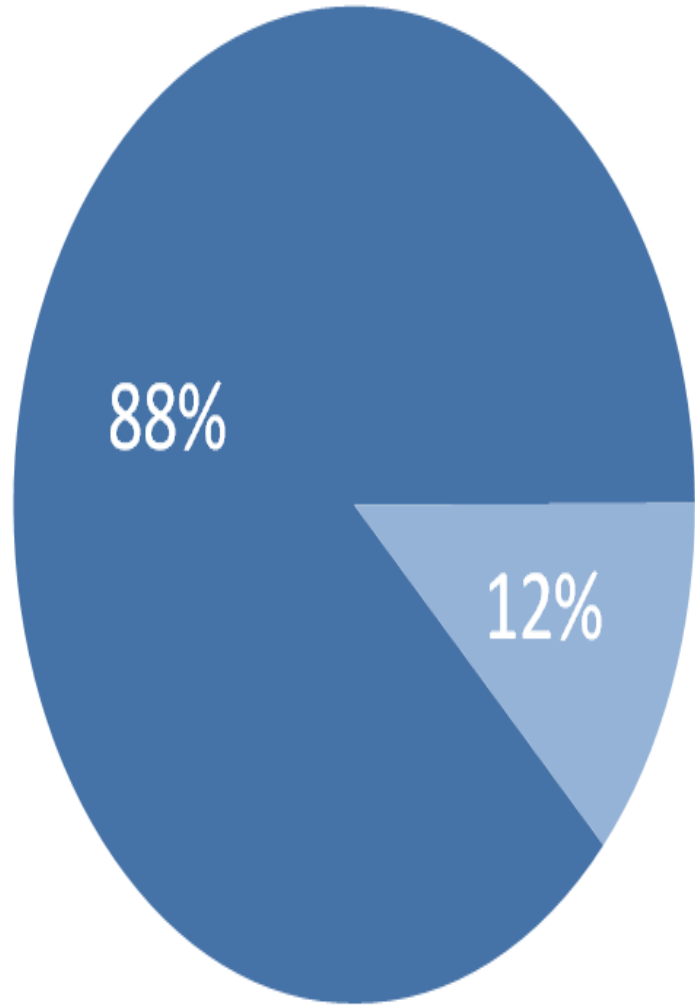
4. How does Japan cope with this new situation ?

Japan rejects US proposal of a bilateral FTA maintaining that the TPP is the best for the Japan-US economic relations

In case of Car Industries: changing patterns of trade and local production in the US

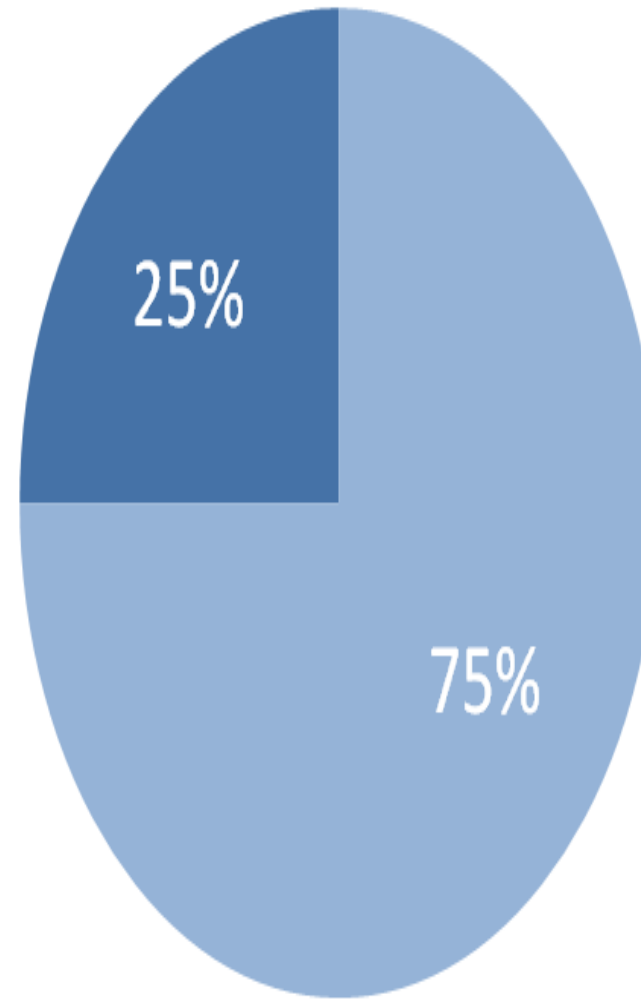
Japanese car producers deploy 26 factories and 36 R&D centers in the US making **3.9 million passenger vehicles** as well as 4.6 million engines and creating jobs for **1.5 million people**.

1986



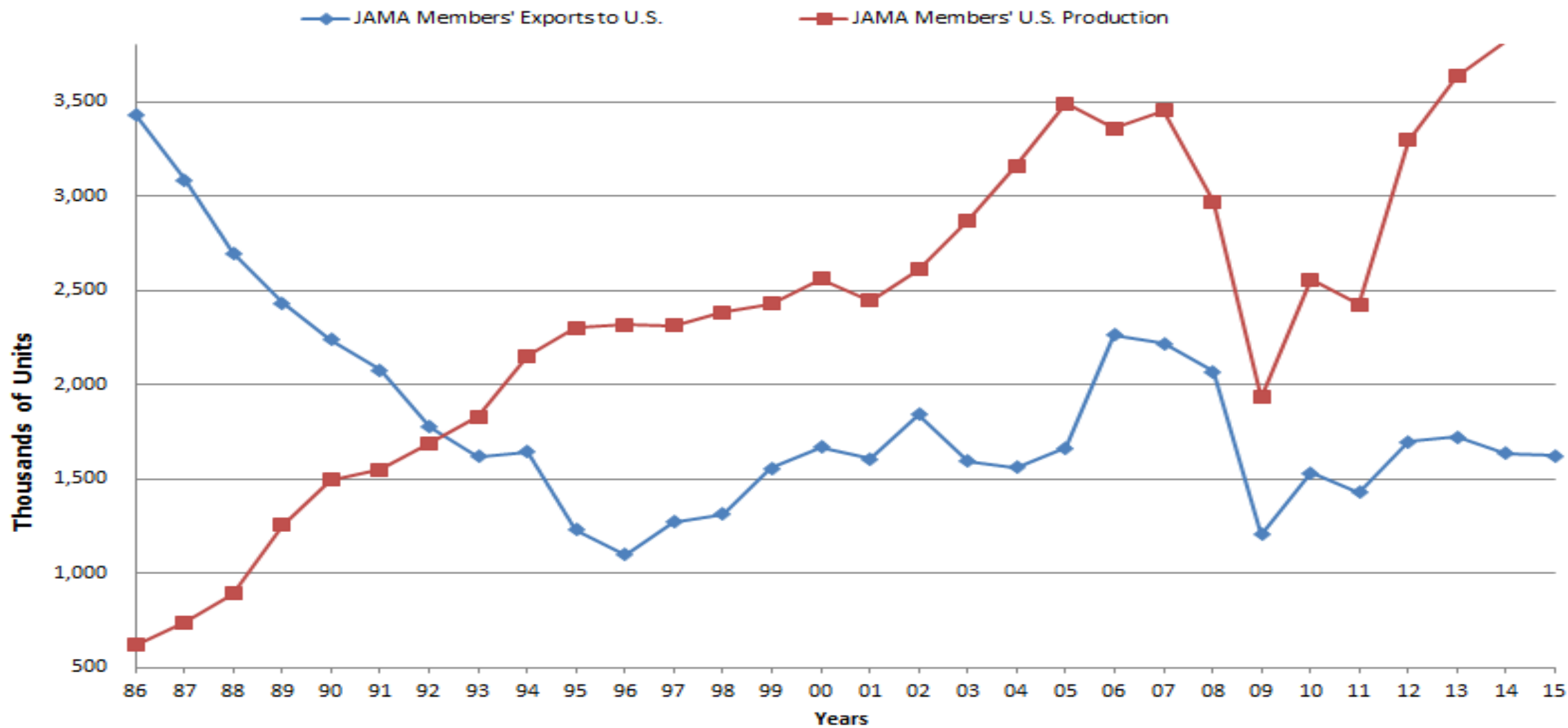
- Sales of Imported Vehicles
- Sales of Vehicles Manufactured in North America

2015



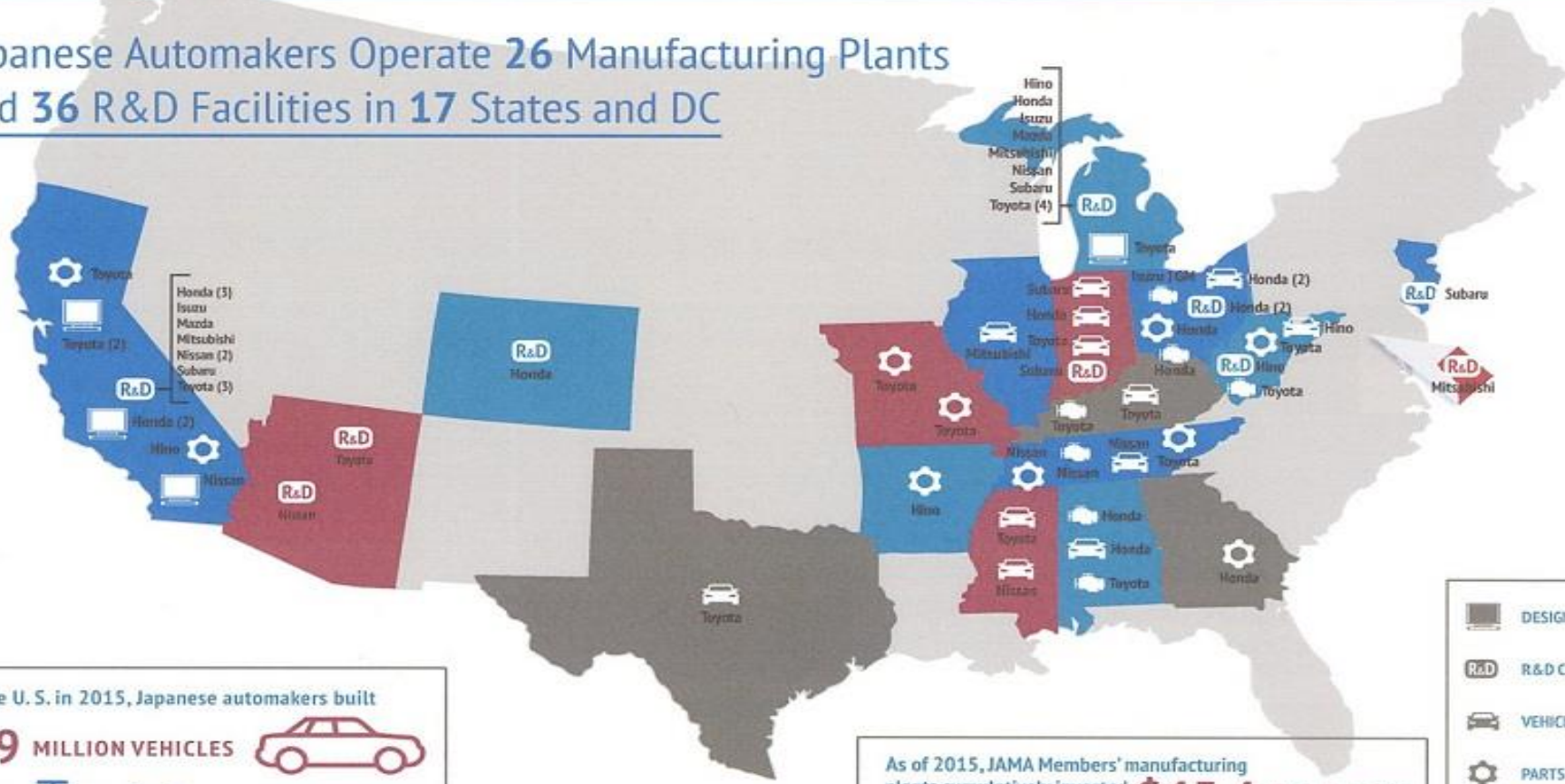
- Sales of Imported Vehicles
- Sales of Vehicles Manufactured in North America



JAMA Members' U.S. Vehicle Production and Exports to U.S.



Note: JAMA members' production figures for years 1987-2009 include their production for Chrysler, Ford, and/or GM.


Japanese Automakers Operate **26** Manufacturing Plants and **36** R&D Facilities in **17** States and DC





In the U.S. in 2015, Japanese automakers built **3.9 MILLION VEHICLES**  and  **4.6 MILLION ENGINES**


As of 2015, JAMA Members' manufacturing plants cumulatively invested **\$45.4 BILLION** in the U.S. Economy

-  DESIGN CENTER
-  R&D CENTER
-  VEHICLE MFG. PLANT
-  PARTS MFG. PLANT
-  ENGINE MFG. PLANT

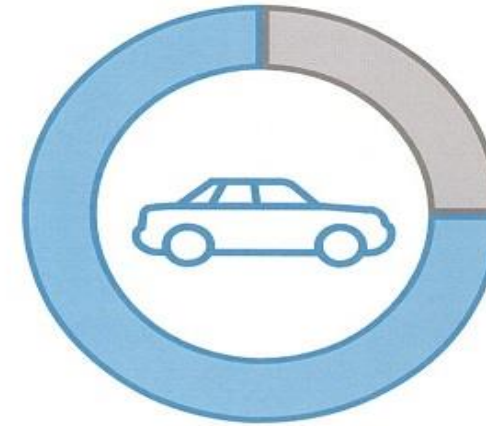
 **87,788** DIRECT EMPLOYEES

375,143 NEW VEHICLE DEALERS' EMPLOYEES 

 **1,043,000** INTERMEDIATE & SPIN-OFF

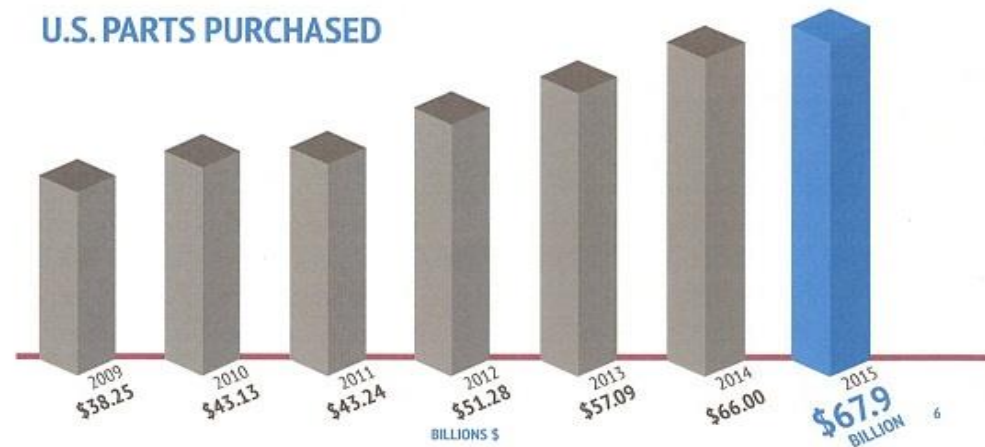
1,505,931 TOTAL AMERICAN JOBS 

EMPLOYMENT 2015	AUTOMAKERS	NEW VEHICLE DEALERS	TOTAL
Manufacturing	60,640		
R&D/Design	5,086		
Headquarters, Sales & Others	22,062		
Subtotal	87,788	375,143	462,931
Suppliers	231,000	122,000	353,000
Spin-Off	409,000	281,000	690,000
Grand Total	727,788	778,143	1,505,931



75%
of Japanese-Brand
Vehicles Sold in the
U.S. are Built in
North America

U.S. PARTS PURCHASED





Accord

HONDA

Accord Coupe | Accord Sedan | Accord Hybrid
Civic Sedan | Crosstour | CR-V | Odyssey
Acura (ILX, MDX, RDX, TLX)



Altima

NISSAN

Altima | LEAF | Maxima | Rogue | Pathfinder
Frontier | Armada | Titan | NV Cargo
NV Passenger | Murano | Infiniti QX60



Outback

SUBARU

Legacy | Outback



Tacoma

TOYOTA

Avalon | Camry | Corolla | Highlander | Sequoia
Sienna | Tacoma | Tundra | Venza



417,699

Cars & Trucks Exported
from Japanese Auto Plants
in the U.S. in 2015

5. Strengthening the Economic Relations between Japan and the Latin American Countries

Untapped Potentiality: rich agriculture, natural resources, energy, growing market with young population beyond long-time historical ties

Japan-Mercosur EPA: How we make it ?

- Mercosur is a **customs union** that requires a single common commercial policy with third countries and a common external tariff regime
- Mercosur is, however, **far from a complete customs union**, and **its imperfect current status requires an interim arrangement** when negotiating trade agreements with third countries
- Market access negotiation could be started bilaterally between Japan and Member Countries of Mercosur while final results of such negotiations shall be bundled all together under the comprehensive framework of a possible Japan-Mercosur EPA
- The principle of “Single Undertaking” shall be applied throughout the bilateral negotiations as well as the plurilateral part of negotiations

Japan-*Alianza del Pacifico* Comprehensive Economic Partnership

- Japan has bilateral EPAs with Mexico, Chile and **Peru**
- Japan-Colombia EPA at its Final Stage of Negotiation
- $\Rightarrow \Rightarrow \Rightarrow$ **A Comprehensive EPA** between Japan & the *Alianza* Member Countries to foster further production network
- Complementarity with the TPP11+X
- Japan as a **Hinge** to connect Value Chain in East Asia and the *Alianza*

6. 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 like-minded countries like **Pacific Alliance Members** across Asia-Pacific and beyond.

Concluding Remarks: from a Japanese Perspective

- **TPP/12** as a template for 21st Century-type trade agreements
- **TPP/11** to keep momentum for freer trade, signed in Chile on March 8 2018. Coming-into-force after six countries ratify the agreement
- **RCEP/JCK FTA** for updating the production network in East Asia
- **Japan-EU EPA**: the major inter-regional Mega-FTA concluded in December 2017, expected to come into force in 2019
- **“Japan-Mercosur EPA”** to be promoted
- **“Japan-Alianza del Pacifico Comprehensive EPA”** to be elaborated

⇒⇒⇒ to keep trade multilateralism embodied in the **WTO**,
and thus to enhance **predictability** in international business

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

