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JAPAN SHOULD ACTIVELY PUSH FOR A TPP11 AGREEMENT

Shujiro Urata

- TPP11 will not only offer economic benefits to Japan and other participating countries, but will also stimulate negotiations on RCEP and other mega-FTAs and put a halt to growing protectionism in the global economy.

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- It is important that Japan cooperate with Australia and other like-minded countries to wrap up negotiations. The aim should be to reach an agreement in principle at the TPP11 summit, to be held on the sidelines of the November APEC summit in which US President Trump is scheduled to participate, in order to demonstrate to him the strong commitment of the region to open markets and freer trade and investment relationships with or without the US.
- Once there are clear prospects for the TPP11, efforts should be made to expand the benefits of participation and to increase the number of participating countries in order to put more pressure on the US to rejoin the TPP. President Rodrigo Duterte has enjoyed an unprecedented high popularity rating and level of popular support. The main reason for this is not because of any progress made in fulfilling his election campaign promises but because of the political style by which he has mobilized support from the people.

Negotiations spanning five and half years from March 2010 to October 2015 resulted in an accord on the Trans-Pacific Partnership (TPP) that was signed in February 2016, but it has become impossible to put the TPP into effect since Donald Trump, who took office as US president in January 2017, signed an executive order withdrawing the US from the TPP. The TPP must be ratified by six or more countries accounting for 85% or more of the total gross domestic product (GDP) of the 12 countries participating in order to go into effect, and the withdrawal of the US, which accounts for 60% of the total GDP, means that this condition is no longer satisfied. The TPP is a free trade agreement among 12 countries belonging to the Asia-Pacific Economic Cooperation (APEC) Forum, including Japan, the US, and Australia, and together these countries account for a substantial 36% of global GDP and 26% of global trade, so it was believed that the TPP could someday even provide the rules for world trade.

Given that a US return to the TPP is not likely under President Trump, discussions to realize a TPP11 without the US were begun in May of this year at the initiative of Japan and Australia. The hope is that these discussions will lead

to an agreement in principle by TPP11 leaders at the November APEC summit. Japan, Australia and others appear to be working to bring about this TPP11 accord with minimal revisions to the TPP agreement, but there have been numerous calls to freeze certain provisions that were compromises to US demands and, although some of these provisions might be acceptable to all 11 countries, opinions differ on others. The agreement on the protection periods for pharmaceutical data is an example of the former, while restrictions on the advantages of state-owned enterprises can be counted among the latter. Japan's negotiating team appears to be taking active and constructive steps toward a broad accord, and such an accord could be reached by effectively cooperating with Australia and other like-minded countries.

There are at least three reasons that the TPP11 should be put into effect as soon as possible. The first reason is that, because the TPP was a comprehensive FTA (a "21st-century FTA") offering a high level of trade and investment liberalization as well as rules governing sectors such as e-commerce, state-owned enterprises, labor, and the environment not included in other FTA, the TPP11 as heir to the TPP will not only prove beneficial for Japan and other TPP11 participating countries but could very well end up serving as a model for future FTA. The second reason is that, with the US and many other countries around the world now increasingly disposed toward adopting protectionist measures, realizing a multilateral mega-FTA such as the TPP11 would not only check protectionist moves but would also stimulate negotiations on other mega-FTA such as the Regional Comprehensive Economic Partnership (RCEP), in which 16 East Asian countries – among them Japan, China, India, and Australia – are participating. The third reason is that, given the likelihood that the US as a non-member will suffer from the trade diversion effect that would reduce exports from TPP11 members, the TPP11 would create circumstances that might convince the US to rejoin the TPP to avoid these negative effects. The TPP11 thus must be put into effect in anticipation of the US' return.

Should the TPP11 discussions appear likely to reach an accord, Japan should join with the other TPP11 members to persuade South Korea, the Philippines, Thailand, Indonesia, Taiwan and other countries that have

expressed interest in TPP participation since the TPP Agreement to join the TPP11 and thereby expand its membership. An expanded TPP11 would economically benefit both the original and the new TPP11 member countries and would increase pressure on the US to return to the TPP.

President Trump is scheduled to attend the APEC summit so, to demonstrate to him the strong commitment of the region to open markets and freer trade and investment relationships with or without the US, it is important that a broad agreement be reached on the TPP11 at the TPP11 summit scheduled to be held on the sidelines of the APEC summit. Of course, a final accord would be preferable.✳

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