



The Japan–EU Economic Partnership Agreement (JEEPA) and Its Potentials

ECIPE Seminar

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Two Major Sources of Uncertainty & Trump Shock

BREXIT



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

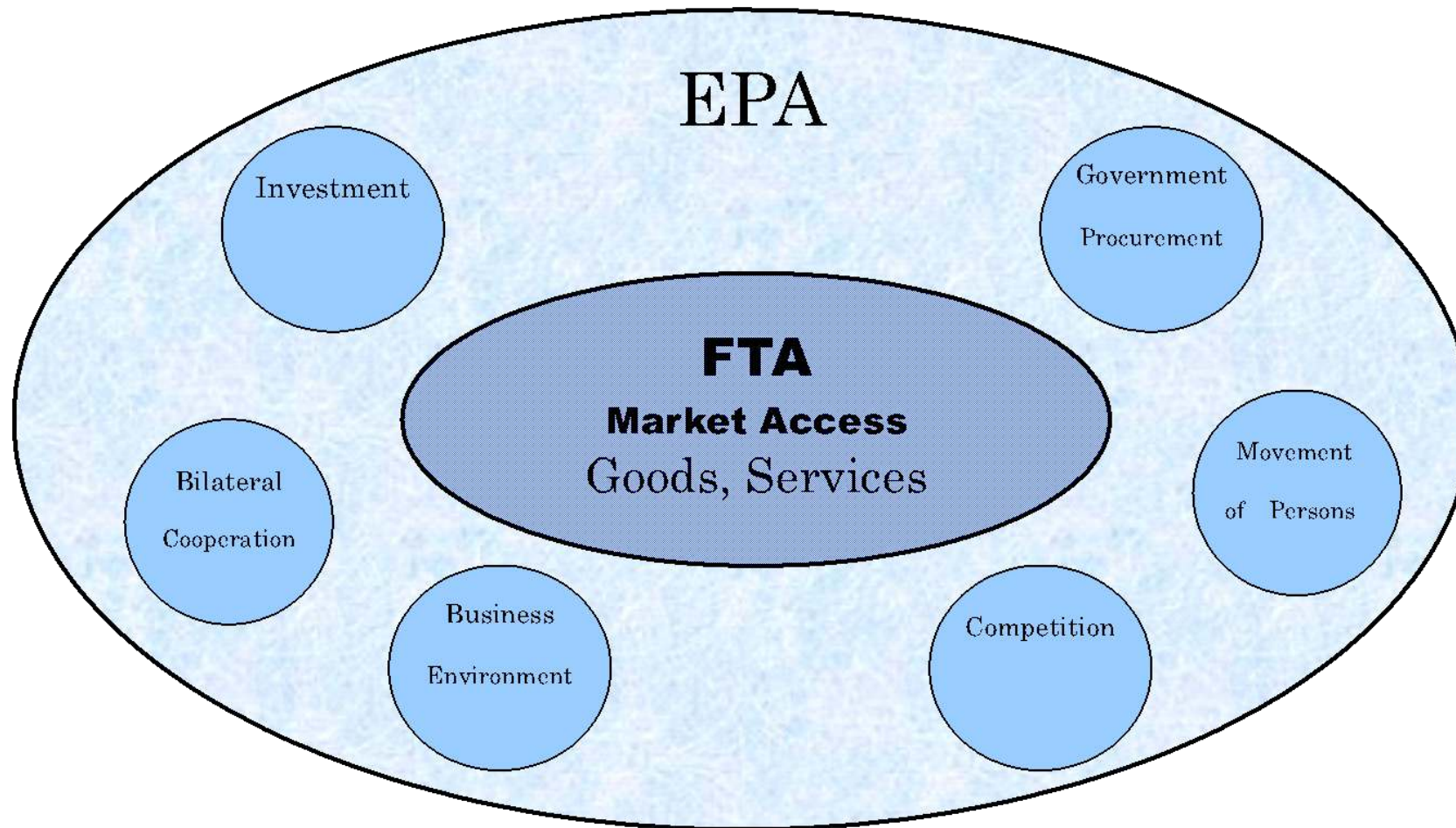
Regional Economic Integration in East Asia

- **Business-driven** integration through FDI since the Plaza Accord in September 1985
- **Production network/Global Value Chain** = *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**”

Economic Partnership Agreement

EPA: Japan's FTA Strategy



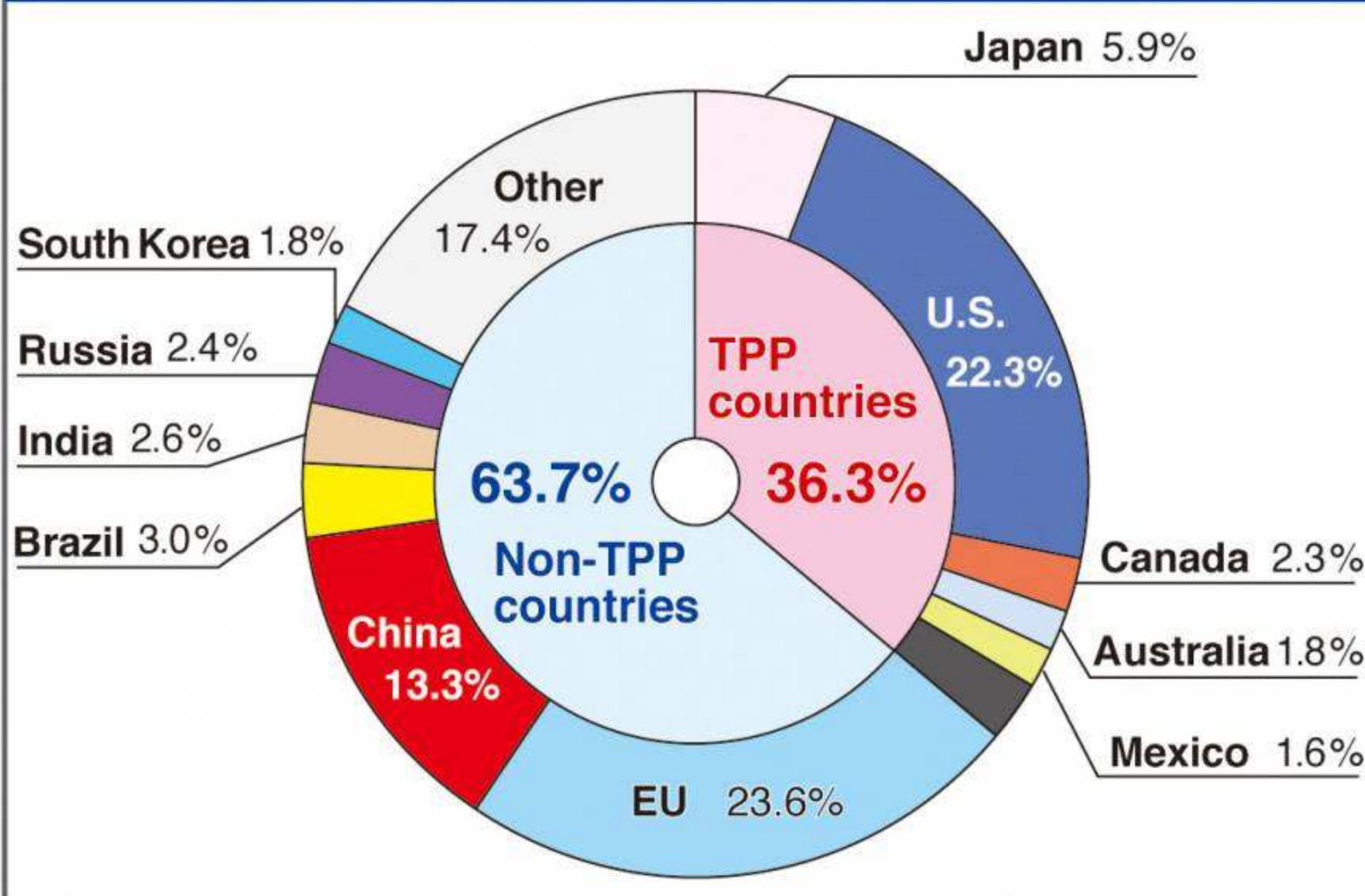
Substance of Japan's EPA

	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 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)

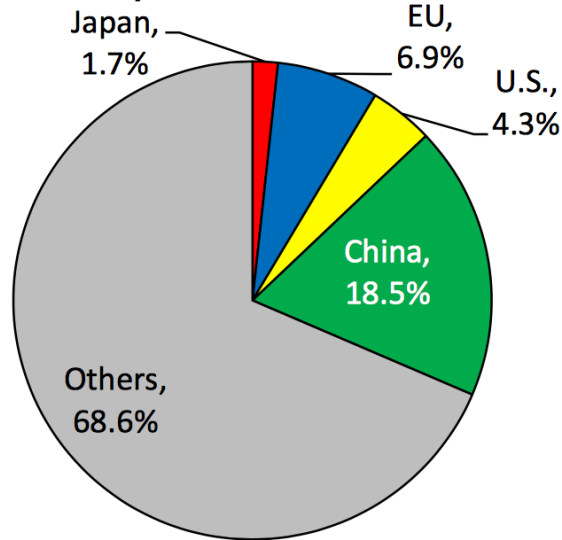
Share of global GDP (2014)



SOURCE: World Economic Outlook Database April 2014

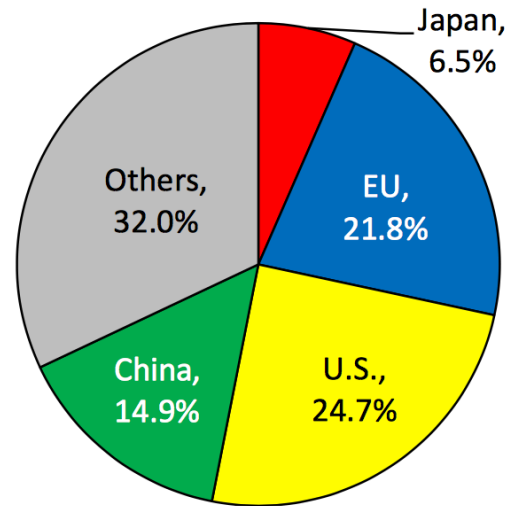
Population (2016)

Japan + EU = 8.6%



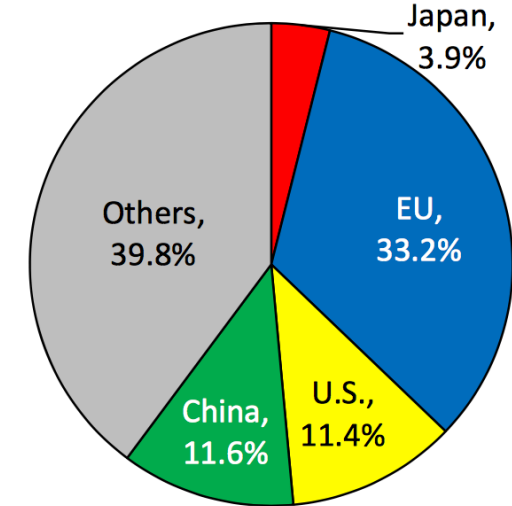
GDP (2016)

Japan + EU = 28.4%



Trade (Exports & Imports) (2016)

Japan + EU = 37.2%



	Population (2016, million)	Proportion
Japan	127	1.7%
EU	511	6.9%
U.S.	323	4.3%
China	1,379	18.5%
Others	5,102	68.6%
World	7,442	—

Source: World Bank, World Development Indicators, November 21, 2017

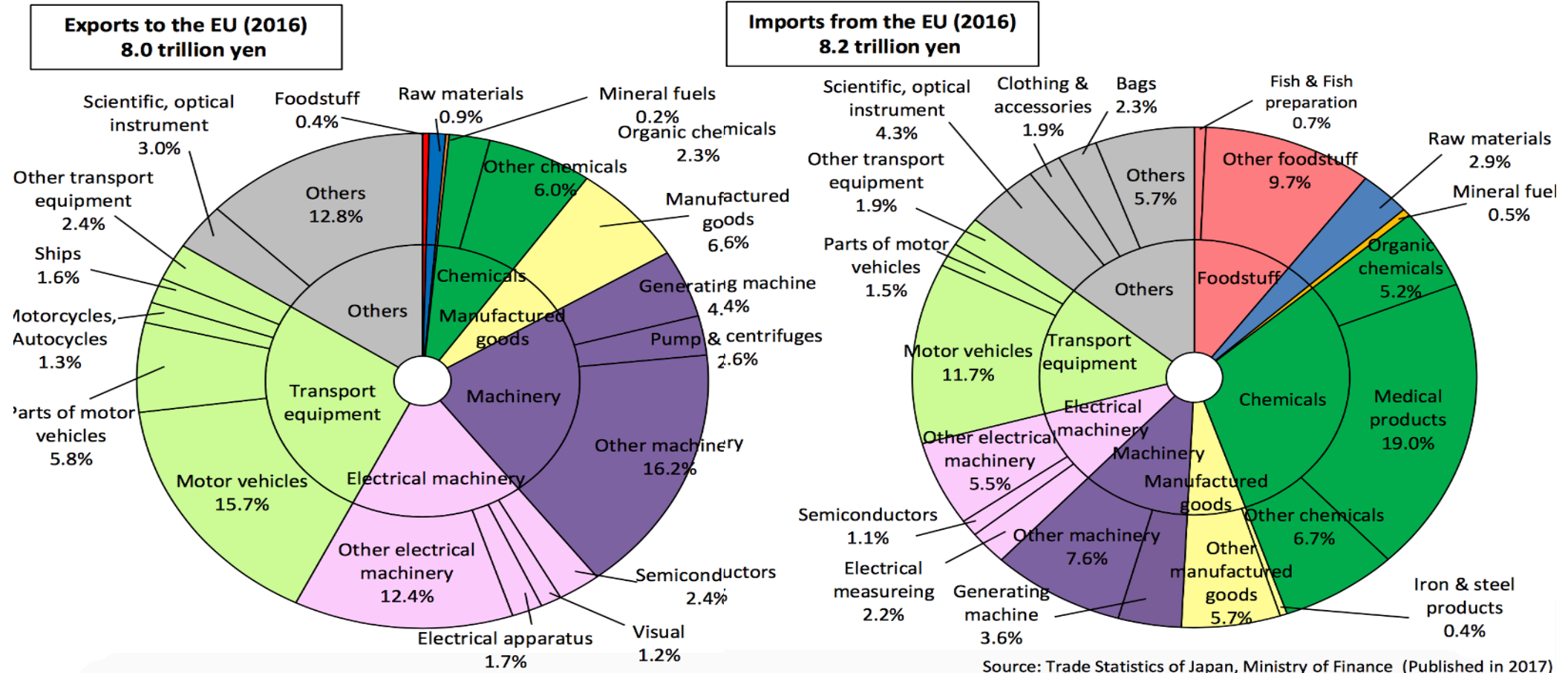
	GDP (2016, \$ billion)	Proportion
Japan	4,937	6.5%
EU	16,448	21.8%
U.S.	18,624	24.7%
China	11,232	14.9%
Others	24,127	32.0%
World	75,368	—

Source: IMF, World Economic Outlook Database, October 2017

	Trade (Exports & Imports)	Proportion
Japan	1,252	3.9%
EU	10,635	33.2%
Intra-trade	6,798	21.2%
U.S.	3,643	11.4%
China	3,726	11.6%
Others	12,739	39.8%
World	31,994	—

Source: IMF, World Economic Outlook Database, November 21, 2017

Asymmetry in Tariff Structure: more dutiable goods in EU imports from Japan



Japan-EU Economic Partnership Agreement (1)

- May-December 2011: “Scoping Exercise” ⇔ Noda steps up on **TPP**
- September 2012: Public Hearing at European Parliament ⇔ Abe wins the general elections and turns on **TPP** to get exceptions on agriculture
- March 2013: Summit Talks by telephone ⇔ March 15 Abe declares Japan’s participation in **TPP** negotiations
- April 2013: the First Round of Negotiations ⇔ Japan takes part in **TPP** negotiation for the first time in July 2013 → an agreement reached in Oct. 2015
- April 2017: the 18th Round of Negotiations ⇔ Trump declares an exit from **TPP** on January 23 2017
- May 2017: Japan-EU Summit Talks
- July 2017: an **Agreement in Principle** reached before G20
- December 2017: an Agreement in Substance reached ⇔ **TPP11** agreed
- 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 Equipment, 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 (dutiable 27.6%, non-dutiable 72.4%)
 - Japan ⇒ EU: 7.9 trillion JPY (dutiable 67.3%, non-dutiable 32.2%)

Japan-EU Economic Partnership Agreement (3)

What EU obtained:



- Non-tariff Measures
- Government Procurement
- Railway-product Procurement
- Agricultural and Agri-processed Products
- Geographical Indication
- Corporate Governance
- Sustainable Development
- Regulatory Cooperation

Japan-EU Economic Partnership Agreement (3)

What Japan obtained:

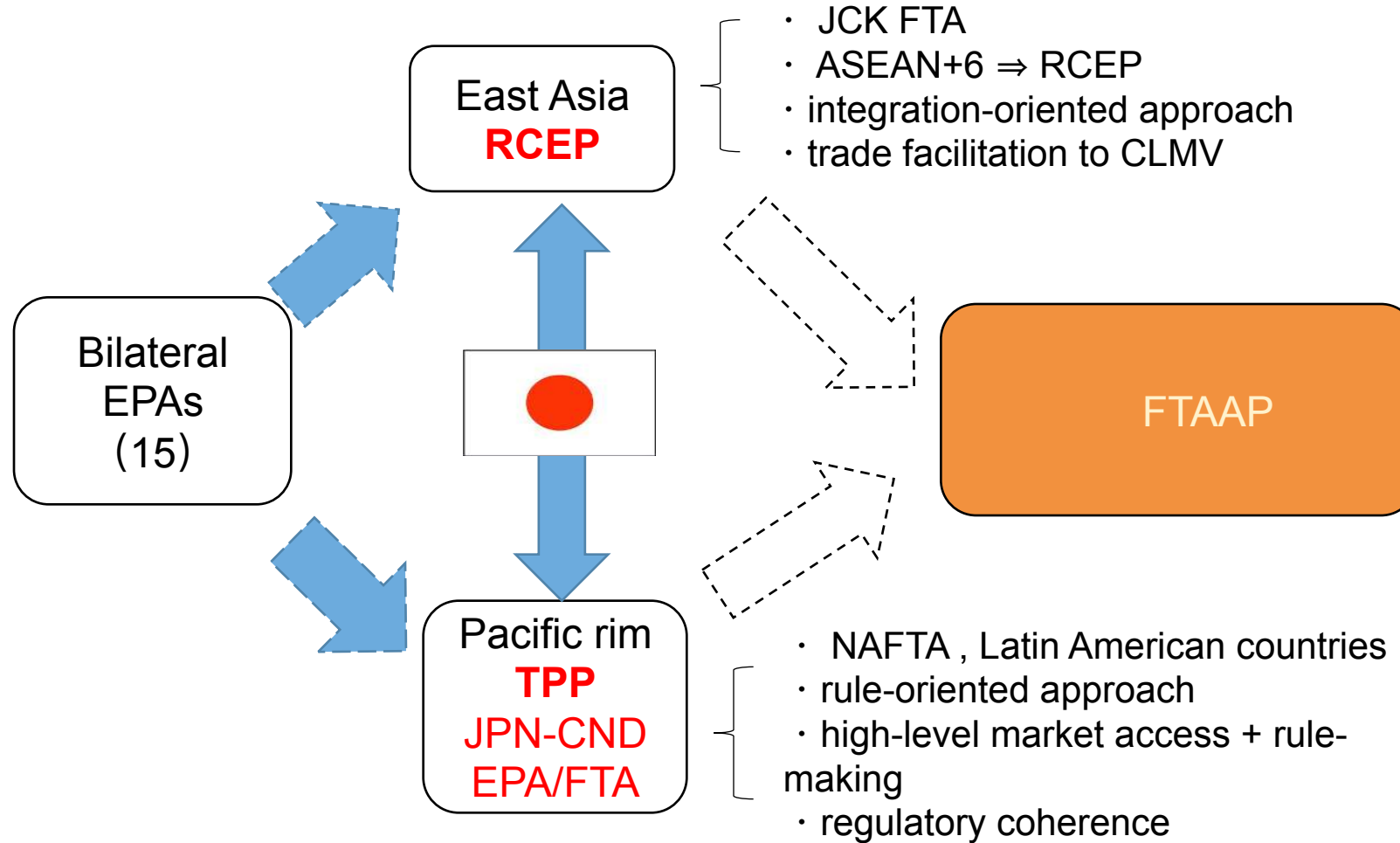


- **Tariff Elimination of Manufactured Products:** Cars (8 years), Car Parts (immediate elimination, 92.1%), Machinery (idem, 86.6%), Chemical (idem, 88.4%), Electric Machinery (idem, 91.2%) etc.
 - Short-term Business Travelers & Their Families
 - Agricultural Export to EU: soy sauce, (7.7% to be eliminated immediately),
Scallops (8%, 8 years to 0%), Beef (12.8%+ €141.4~304.1/100 kg, immediate elimination) etc.
- Japanese Wine, Sake, Shochu to be admitted regardless of types of bottle and container

Japan's FTA/EPA Strategy

— a pivotal centre between TPP & RCEP

—



“Asia-Pacific Problem”: 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 **AIIB** 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**

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-US Trade Talks under Trump

- Aso-Pence Economic Dialogue since 2017
- FFR(Free, Fair, and Reciprocal) Trade Talks since April 2018
- Trade Agreement on Goods (TAG) Talks set up in Sept.2018

Joint Statement of the US and Japan Summit Meeting, September 26, 2018

- “Japan and the United States will enter into negotiations..”
- “following the completion of necessary domestic procedures,” ⇒ notification to the US Congress by the TPA requirement
- “enter into negotiations, for **a Japan-United States Trade Agreement on goods, as well as on other key areas** including services, that can produce early achievement.”(para.3)
- “Japan and the United States also intend to have negotiations **on other trade and investment items following the completion of the discussions of the agreement mentioned above.**”(para.4)

Joint Statement of the US and Japan Summit Meeting, September 26, 2018

- “Japan and the United States will respect positions of the other government:”
- “For Japan, with regard to agricultural, forestry, and fishery products, **outcomes related to market access as reflected in Japan’s previous economic partnership agreements constitute the maximum level ;**”
- “For the United States, market access outcomes in **the motor vehicle sector** will be designed to **increase production and jobs** in the United States in the motor vehicle industries.”

Joint Statement of the US and Japan Summit Meeting, September 26, 2018

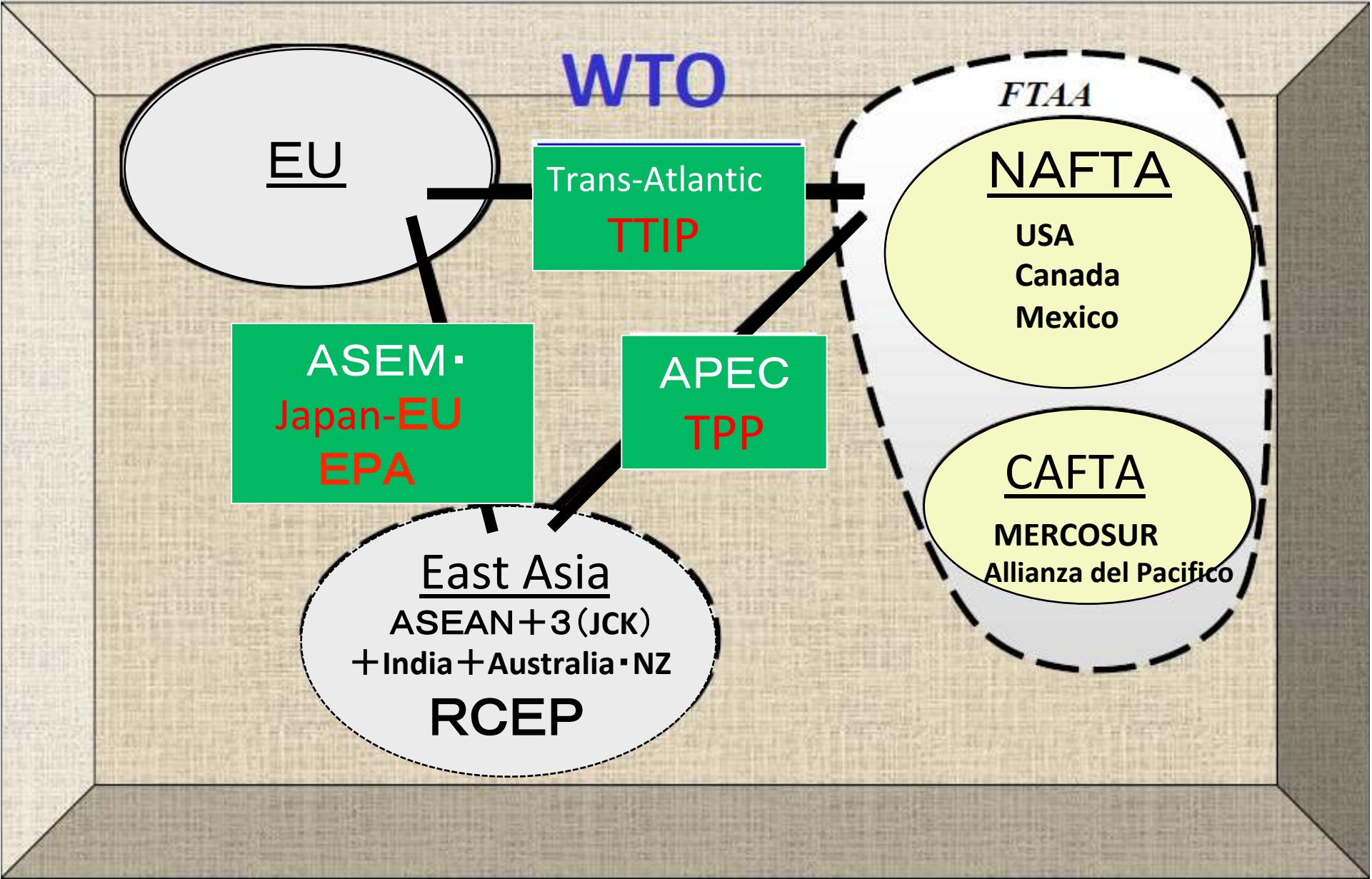
- “Japan and the United States will also strengthen cooperation to better protect Japanese and American companies and workers from **non-market oriented policies and practices by third countries.**”
- “through Japan-United States as well as Japan-United **States-European Union** cooperation,”
- “to promote discussion on **World Trade Organization reform** and e-commerce”
- “ (and) to address **unfair trading practices** including intellectual property theft, forced technology transfer, trade-distorting industrial subsidies, distortions created by state-owned enterprises, and overcapacity.” (para. 6)

Joint Statement of the US and Japan Summit Meeting, September 26, 2018

- “Japan and the United States will ...refrain from taking measures against the spirit of the this joint statement during the process of these consultations.”
- “In addition, we will make efforts for the early solution of other tariff-related issues.”(para.7)

September 26 Joint Statement was a typical case of the diplomatic paper-out exercise

- **The US President** can sell the bilateral meeting as a success in persuading Japan to engage in bilateral trade talks that Japan has been constantly rejecting
- **The Japanese Prime Minister** can demonstrate to the domestic constituencies that his government position has not been changed despite the strong US pressure
- Once the talks start in early next year, the US will bring up a number of market access requests, while Japan will deal with the US wish-list in line with the TPP12 that both countries have previously agreed in the bilateral negotiations 2014-15
- TAG could be a useful platform to bring the US back to TPP



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 in Asia-Pacific
- **RCEP/JCK FTA** for updating the production network in East Asia
- **Japan-EU EPA**: the major inter-regional Mega-FTA concluded in December 2017 ⇒⇒⇒ a **deterrent** against the US protectionism/bilateralism

⇒⇒⇒ to keep trade multilateralism embodied in the **WTO**, and thus to maintain **predictability** in international business by reducing uncertainties in the world market

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

