

**“Rapidly Rising Protectionism and East Asia’s Responses”**  
**Talking Points by Prof. Yoriyumi WATANABE**

- 1 . Given unprecedented ongoing trade disputes between G2 economies, what would be the short and medium-term consequences?

⇒ As the world stock markets have been clearly sending the message by showing the sharp decline of shares of major European carmakers, the short- and medium-term consequences of the trade disputes are detrimental to the world economy as a whole. On Thursday 21 June, the German car producers led the decline with its shares losing more than 4 percent.(Daimler; -4.3%, Fiat Chrysler;-4.2%, BMW;-2.9%, Volkswagen; -3.1%)

It is an alarming sign that the escalation of tariff war between the major trading partners dampens the international business transactions and adversely affect the mindset of the business communities all over the world.

According to the FT of Friday June 23, Daimler was the first big company to issue a profit warning that blamed higher tariffs on US vehicles into Chinese market, which was a retaliatory response by Chinese government to President Trump’s duties on \$50 billion worth of Chinese goods. Daimler, the parent company of Mercedes, has large plants in the US that ship their vehicles to China.

By the way, the expression of “G2” should better not be used as it is rather misleading. Like some examples such as G7 or G20 clearly imply, G-something has been usually utilized to indicate a group of like-minded countries that share basic values and objectives to work together. In the present case of “G2”, it is very doubtful to what extent the two big super-powers are like-minded in regard of common values and common objectives to work together.

- 2 . How should East Asia adjust to a rapidly emerging protectionist trade regime?

⇒ East Asia, particularly three North East Asian countries, namely Japan, China and RoK, are the major beneficiaries of the free and open world market including the US market, they have to assume the responsibility of maintaining the multilateral and rule-based trading system embodied in the WTO. It is, therefore, the time for East Asian nations to show that they are abiding by those rules seeking rule-based solutions to the trade problems not power-oriented solutions through unauthorized tit-for-tat retaliations.

3. Should East Asia push harder to conclude the RCEP, the TPP 11 minus the US, or expanded version of the TPP?

⇒ The RCEP negotiations have been held since May 2013 missing deadline for three times. Thanks to the Trilateral Summit held in Tokyo among Japan, China and RoK, there could be a new momentum to promote the JCK Trilateral FTA negotiations as well as the RCEP process. Japan's Diet is now finalizing its ratification procedures on the CPTPP (better known as "TPP11") which will be expected to further accelerate other member countries' efforts to bring the 21st Century type free-trade agreement into practice. Upon the coming-into-force of the TPP11 Agreement which is expected sometime early 2019, there will be further expansion of membership of the TPP adding such countries as Thailand, Indonesia, Taiwan, the Philippines. RoK should like to join the TPP11, but it necessities for RoK to negotiate a free-trade deal with Japan, which seems to be almost impossible as South Korea's manufacturing sectors such as the auto industry as well as the electronics are firmly opposed to eliminate duties on Japanese products.

4. No matter how they develop, East Asian economies need to work out significant intra-regional trade facilitation measures through efficient logistics and connectivity using big data and IoT to increase cross-border B2B, and B2C.

What are other alternatives for East Asian economies, especially for China, Japan, and South Korea to minimize the serious negative impacts expected due to a possible U.S.-China trade war ?

⇒ Refer to reply #2 and #3

5. Japan's Prime Minister Shinzo Abe appears to have established a very friendly relationship with President Trump to share common values on security matters and market economic principles. However, Japan has been no exception to high tariffs on exports and has also been appalled by how the U,S. scrapped TPP right after Mr. Trump took office. How does the Japanese public see Mr. Trump's protectionist policy and scrapping the TPP, the conclusion for which Japan has played a leadership role?

⇒ The Japanese business community has been deeply disappointed by the US withdrawal in January 2017 as Japan channeled significant amount of political resource to overcome the domestic opposition fueled by agricultural protectionism. With a view to maintaining the momentum created by the TPP12 to realize a high level market access

as well as new rules on investment, competition policy, principles on state-owned enterprises(SOEs), government procurement, e-commerce etc. Japan took an unprecedented leadership in promoting the TPP11. The TPP11 should be considered as an interim agreement while the US is away from the original TPP12 and serves as a platform to accommodate the US once it decides to make a u-turn to the Pan-Pacific trade pact.

- 6 . Japan has been pushing several intra-Asia-Pacific Trade deals including the TPP, RCEP, and CJK free trade agreement. Given the slow progress of the TPP without the U.S., how does Japan view prospects of concluding RCEP and CJK? How soon and in what order?

⇒ It is not a view of this commentator that the TPP11 was a slow process. On the contrary, the TPP11 was quite expeditious in a sense that a kind of “rescue” operation by remaining eleven countries initiated as early as March 15 2017 at a meeting in Vina Del Mar in Chile and reached an agreement at a ministerial meeting held along side of the APEC ministerial meeting in Danang, Vietnam, in November 2017.

There are roughly one thousand provisions in the TPP 12 and only some twenty provisions have been suspended in order to facilitate the agreement of the TPP11 without making any substantial changes in market access commitments of the remaining eleven countries.

With regard to the RCEP and the JCK FTA, Japan gives priority to the quality of the agreements rather than the speed of the concluding negotiations. While Japan prefers to wrap up the RCEP/JCK negotiations at the earliest timing, for instance, by the end of 2018, it largely depends on other participants’ level of ambitions on the content of the possible agreements. (end of the text)