

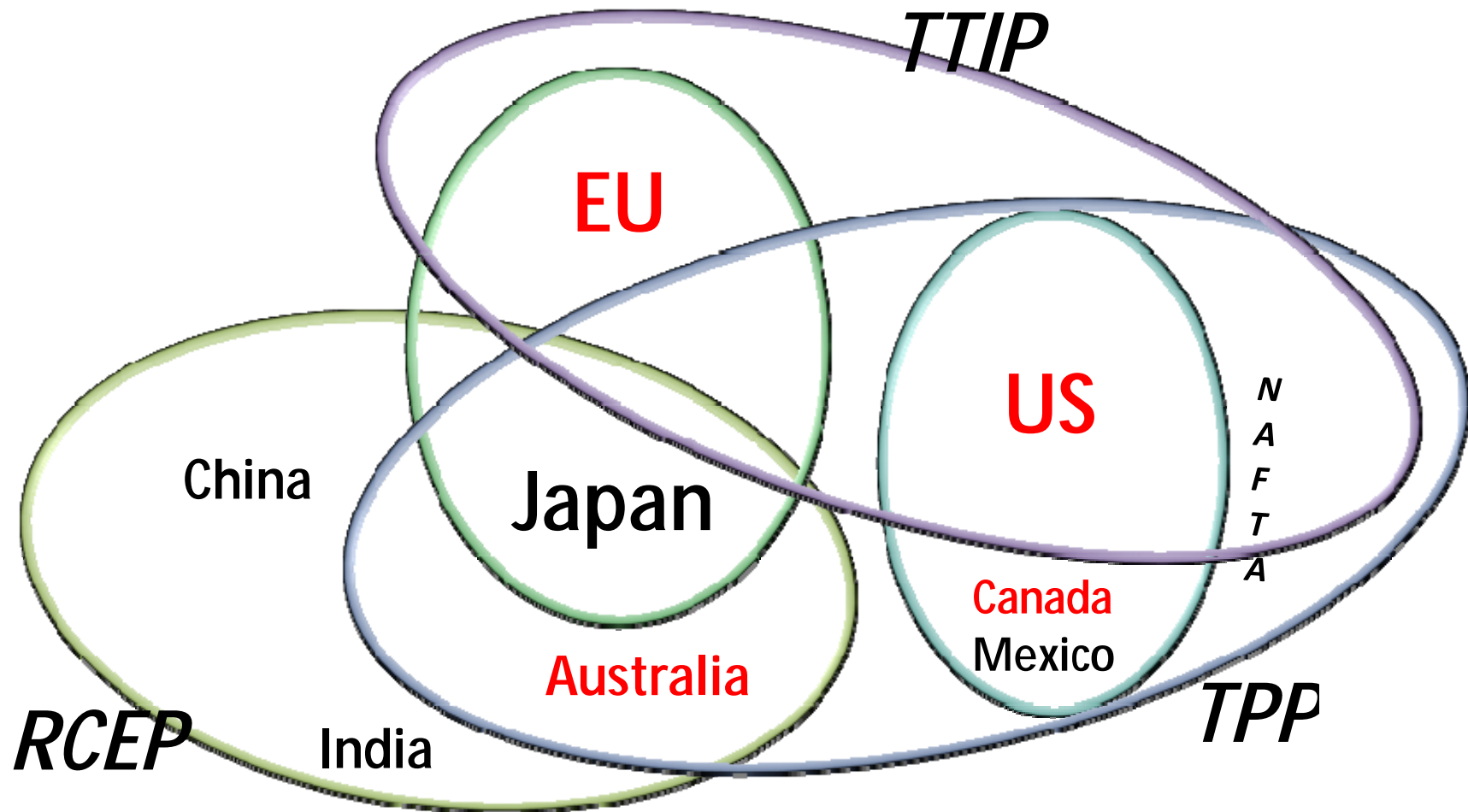
# Trade Policy in Trump Era

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# Mega-FTAs

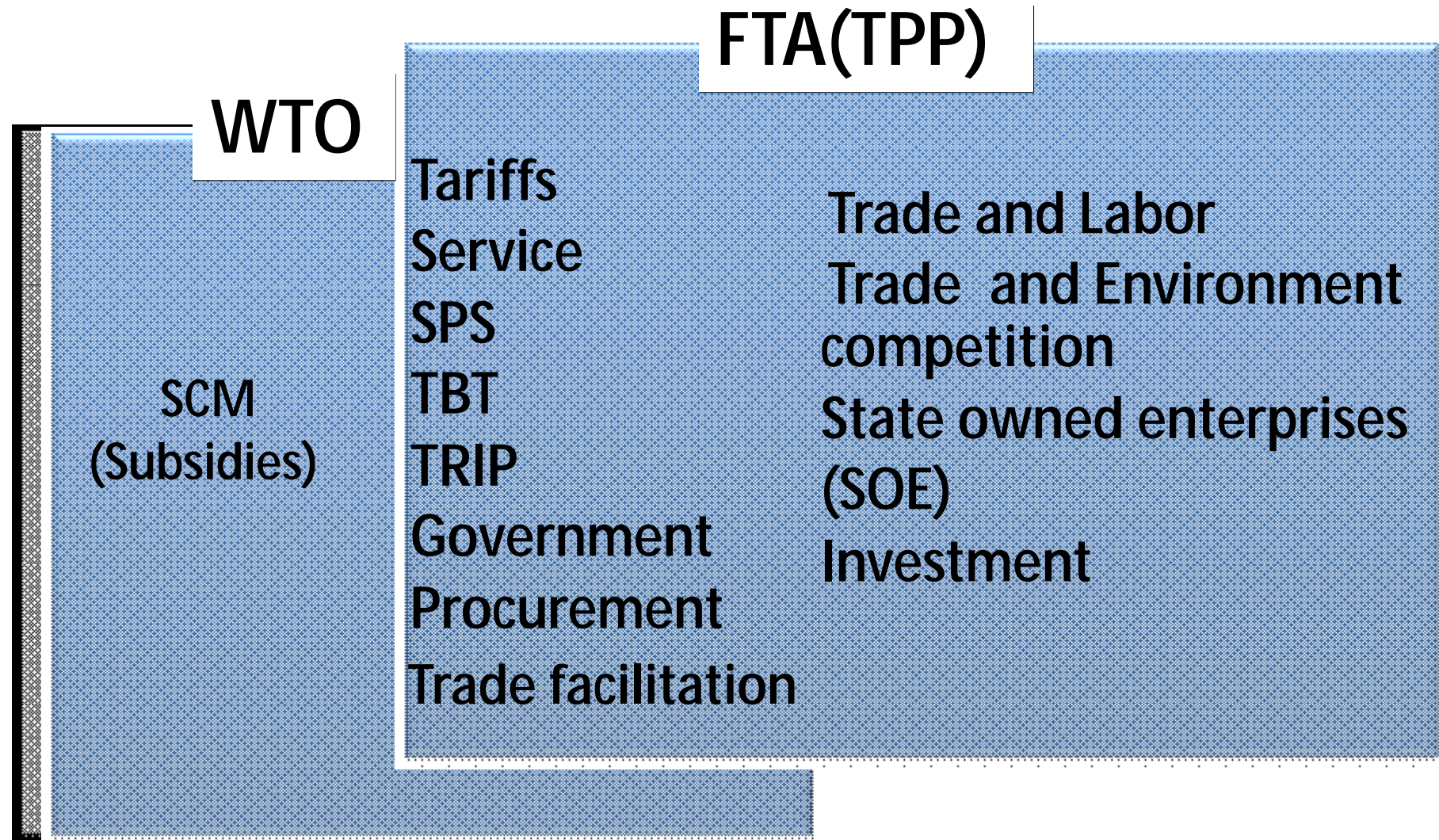


# Market Access improves by TPP

- ▶ **Tariffs** on both agricultural and industrial goods will be reduced or eliminated.
- ▶ **Service** trade will be more liberalized because commitments were made on not positive list but negative list basis.
- ▶ More shops and bank branches can be operated in other TPP countries.
- ▶ More access to **government procurement**



# The relationship between WTO and TPP



# New trade and investment rules


- ▶ **Export taxes** will be banned.
- ▶ **Race to the bottom** by manipulating labor and environmental regulations will be disciplined.
- ▶ **ISDS** protects overseas investment from discriminatory measures.
- ▶ Level playing field between State-Owned Enterprises, **SOEs** and private companies. Possible new disciplines on China.

# TPP will expand or accelerate other FTAs

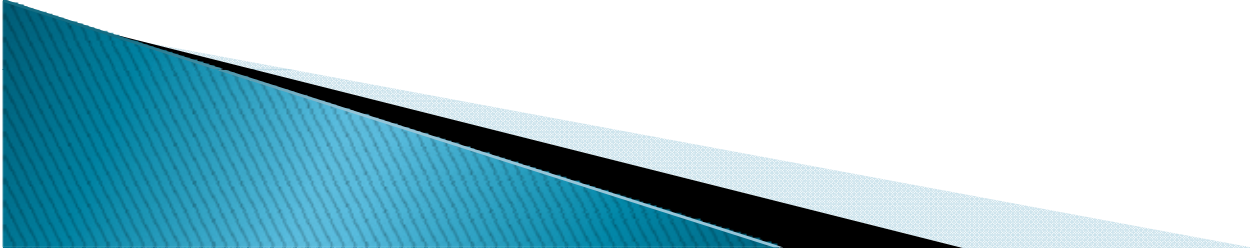
- ▶ The essence of FTA is **discrimination**: it is disadvantageous not to join it.
- ▶ Mega-FTA has **domino effects**: Korea, Taiwan, Philippine, Thailand and Indonesia show their interest to join TPP.
- ▶ China is also interested in TPP. RCEP is accelerated by TPP to say the least.
- ▶ EU become more eager to have FTA with Japan.



# Japan's agriculture in TPP

- ▶ **Tariffs on rice**, wheat, sugar, butter and smp (skim milk powder) are **maintained**
  - ▶ In return, **tariff rate quotas** of rice (70,000 tonnes for US, 8,400 tonnes TRQ Australia), wheat, butter and smp **expand**
  - ▶ Surcharge on wheat within tariff rate quota will be reduced by 45%
  - ▶ Tariffs on **beef** will be reduced from 38.5% to 9%
  - ▶ Tariffs on **pork, whey and** some kinds of **cheese** are eliminated
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# Job creation matters

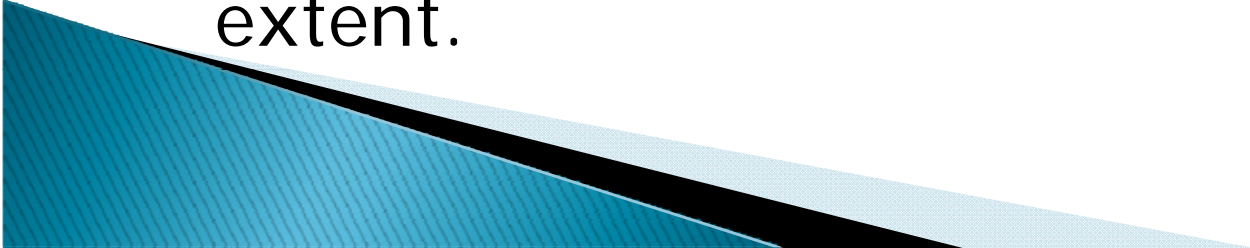
- ▶ **Immigration control** by building a wall along the border with Mexico
  - ▶ **The trade policy reviews** for withdrawing from the TPP and renegotiating the North American Free Trade Agreement (NAFTA)
  - ▶ All are believed to be for securing and promoting jobs.
  - ▶ But **how true?**
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# Jobs will be lost

- ▶ Tariffs on goods from Mexico will hurt not only the industry such as US or Japanese auto-makers operating in Mexico but also **the US industry exporting parts of the goods to Mexico.** ( More than 60 % of the goods traded internationally are parts or intermediate goods. )
- ▶ No longer exist **goods genuinely made in US or made in China.**(the rule of origin matters in FTAs) There are goods **made in the world.** **Any industry belongs to the worldwide supply chain.**
- ▶ If the US successfully kills jobs in Mexico, **more and more Mexicans will try to cross the border by all means.** The Great Wall of China hasn't succeeded in preventing invasions.

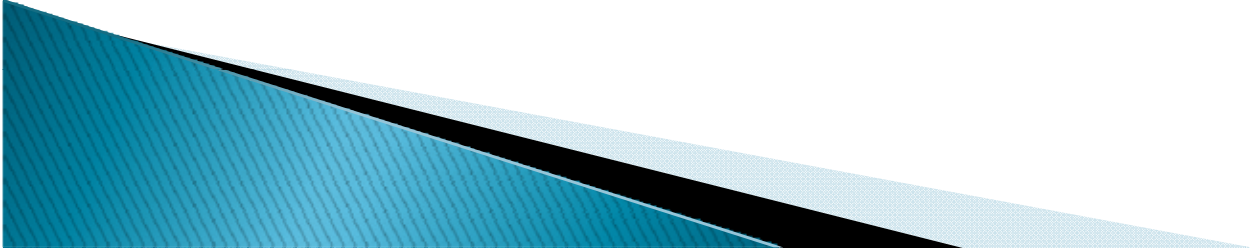
# The US pays for the walls

- ▶ It is proposed that the expenses for building walls will be paid by tariff revenues on goods from Mexico.
  - ▶ If tariffs are prohibitively high enough to stop imports from Mexico, there will be no tariff revenues for walls. In return this hurts US companies dependent on importing parts or goods from Mexico.
  - ▶ If some imports are allowed, the US gets some tariff revenues. But is it all Mexico who pays for the walls? Tariffs will be partly borne by US consumers. **The US pays for the walls** to a certain extent.
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# The US can be the world leader?


- ▶ 20% tariff on goods shipped from Mexico **violates the most fundamental principles of free trade**;
    - (a) non-discrimination among importers, the most favored nation treatment (GATT Article 1)
    - (b) binding commitments (GATT Article 2)
  - ▶ So does 45% tariff on Chinese goods for the sake of currency manipulation
  - ▶ Taxing imports but not exports is an export subsidy prohibited by WTO.
  - ▶ How dare the US tell China and the rest of the world to comply with the trade rules?
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# New TPP without US(1)

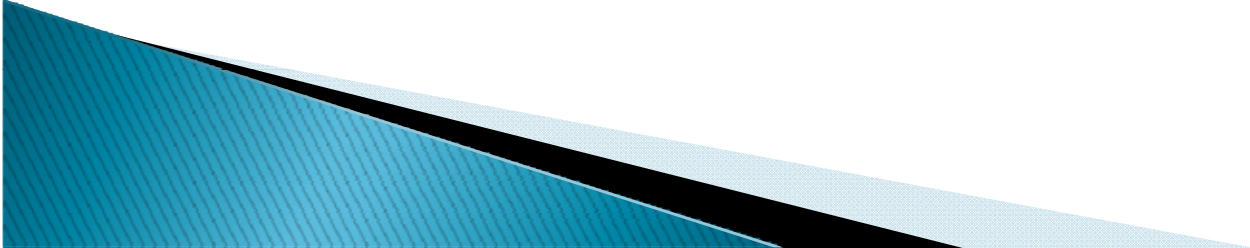
- ▶ The US participation is necessary for the current TPP. (The final chapter of the TPP includes the provision that the TPP cannot come into force unless it is ratified by six countries or more that account for 85% of the total GDP of the member countries. )
  - ▶ After the deletion or revision of this provision, **the 11 remaining TPP member countries except the US should conclude a new TPP** agreement.
  - ▶ Bilateral FTAs such as Japan-US FTA aggravate the spaghetti bowl effects. They are not consistent with the APEC goal to realize Asia-Pacific wide free trade zone either.
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# New TPP without US(2)

- ▶ Japan will withdraw all of the agricultural concessions to the US, no longer a member of the new TPP.
  - ▶ Australia will pay only 9% tariff on beef exports to Japan; whereas the US will have to pay 38.5% tariff. In the Japanese market, the US will eventually lose its share of beef to Australia, pork to Canada, wheat to Canada and Australia, and dairy products to Australia and New Zealand.
  - ▶ Similar situations may occur in other TPP member countries as well as in the other market than agriculture. The US industry may be wiped out in the region. Some US jobs will be lost.
  - ▶ The US will have no choice but to bid for membership in the new TPP deal.
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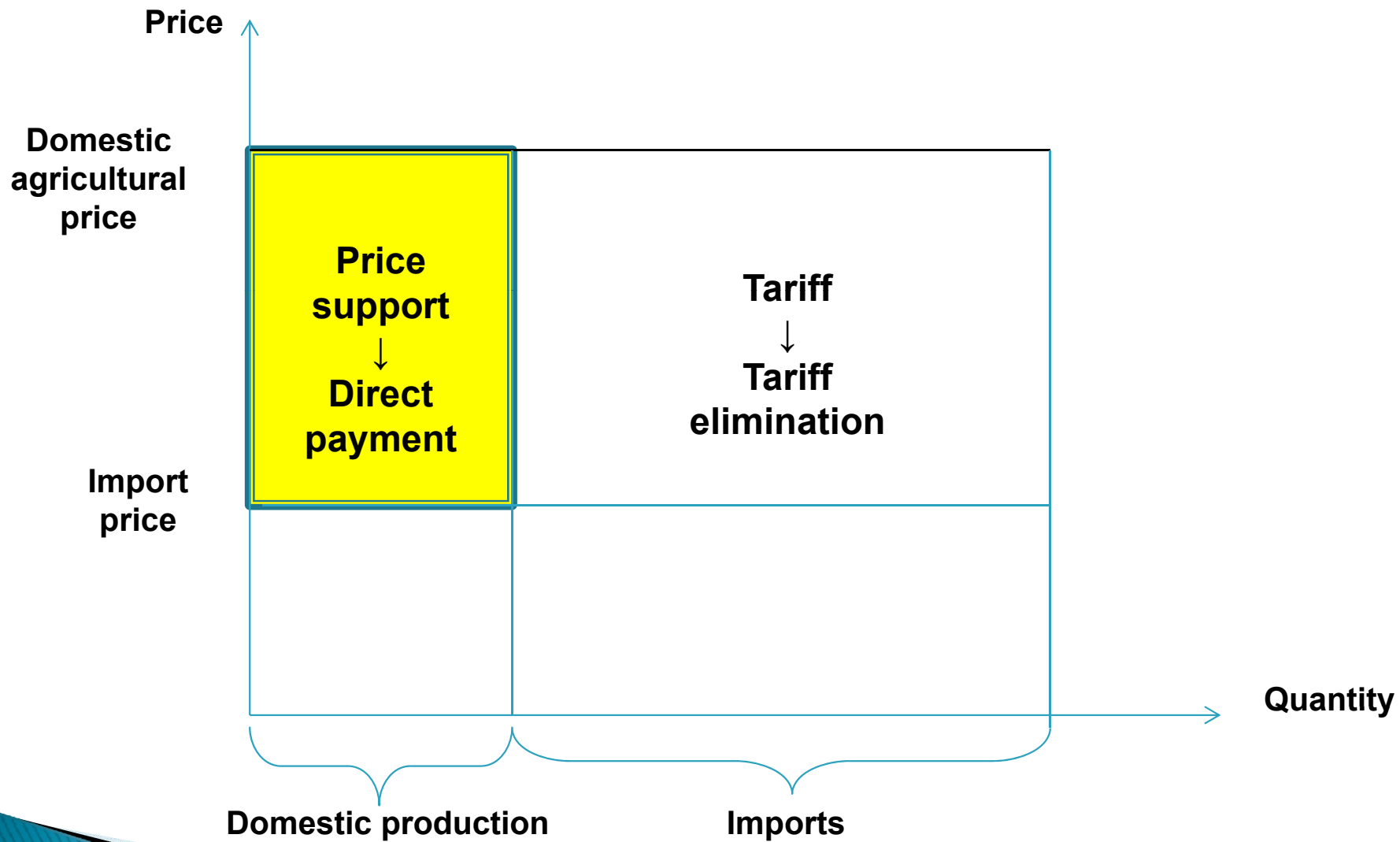
# New TPP without US(3)

- ▶ Accessing countries should not be able to make any requests to existing member countries. It will be a negotiation where **the US needs to accept the demands of existing member countries.**
  - ▶ Australia would request 5 years as the data protection period of regarding new bio-medicine, and Japan, who had to accept a period of 25 years to abolish the US tariff on cars in TPP, will be able to request the immediate abolition of tariff on cars.
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# Comparison of agricultural policies

Country	Japan	US	EU
Decoupled direct payments	No	Yes/No	Yes
Environmental direct payments	Partial	Yes	Yes
Direct payments for less favorable regions	Yes	No	Yes
Production restriction program for price maintenance	Yes	No	No
Tariffs* over 1000%	1 (tubers of konnyaku)	None	None
Tariffs of 500-1000%	2 (rice, peanuts)	None	None
Tariffs 300-500%	2 (butter, pork)	None	None
Tariffs of 200 300%	6 (wheat, barley, skim milk powder, starch, beans and raw milk)	None	None

\* Specific tariffs are applied to tariffed products in Japan. Here, these specific tariffs are estimated as their equivalents of ad valorem tariff rates, taking into account international prices.

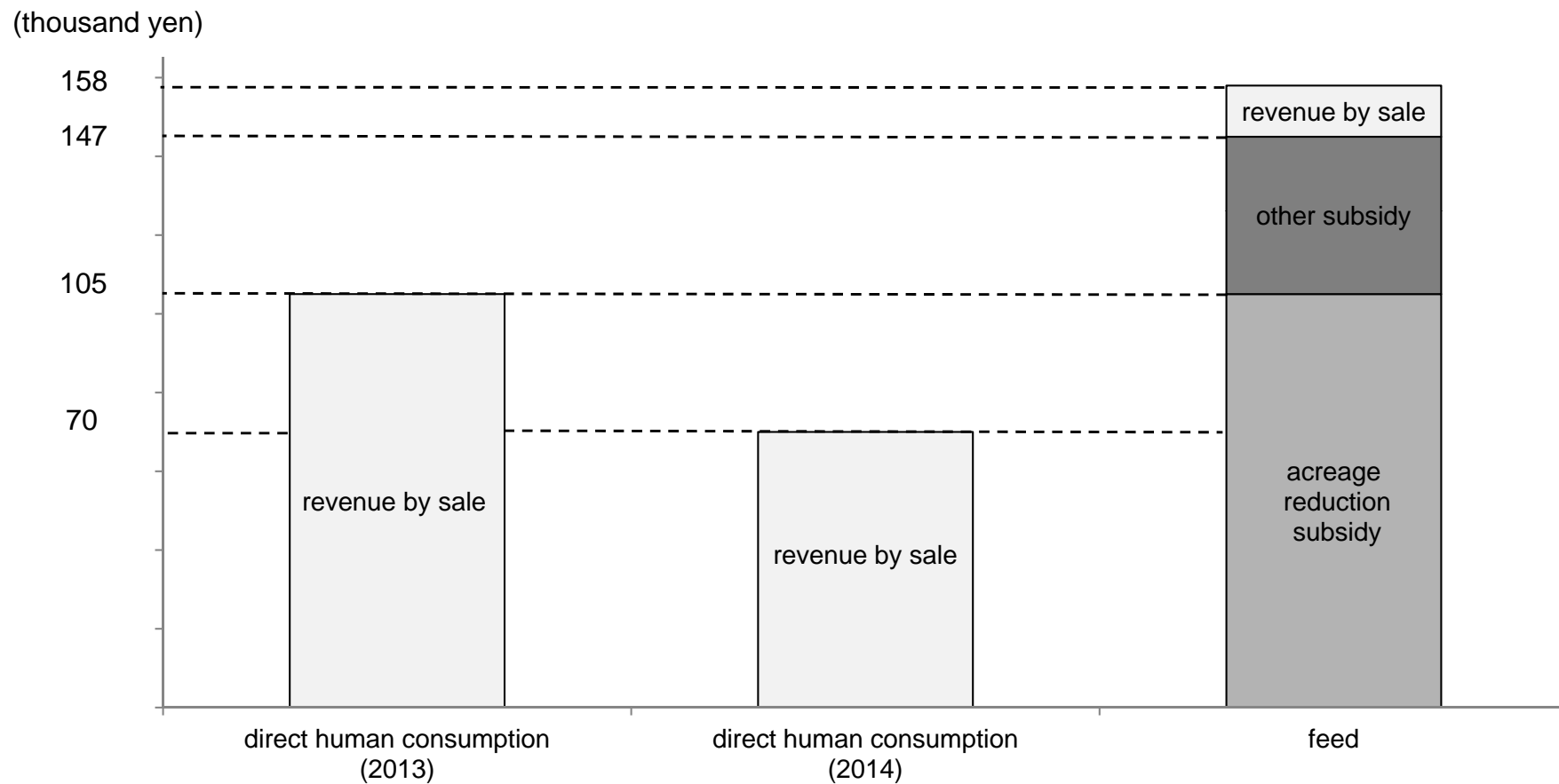




# The rice paddy set-aside program

- ▶ While paying the subsidy of 400 billion yen to entice rice farmers to join the program, the government forces consumers to pay an additional amount of 600 billion yen for the price artificially inflated by limiting supply through the program. In total it amounts to 10 billion US dollars each year. It's **doubly wasteful**.
- ▶ **Japan had better eliminate tariffs on all products, rice in particular**. Without tariffs we cannot maintain any domestic cartel prices. (Tariff is the mother of cartel.)

# The comparison of the revenue of rice between for direct human consumption and for feed use under the set-aside program



# What might happen ?

- ▶ The increase of rice for feed **replaces substantial corn import from U.S.** The production of rice for flour **replaces wheat import from U.S.**
- ▶ This subsidy can be regarded as causing serious prejudice and being subject to countermeasures according to the WTO's SCM Agreement. **U.S. could lawfully retaliate on Japan by imposing high tariffs on imported industrial products such as automobiles from Japan.**

# Every cloud has a silver lining

- ▶ By concluding **Japan-US FTA**, the Trump administration may **eliminate Japanese tariffs on agricultural products, rice in particular**. Without tariffs, we cannot maintain higher prices than international ones. We can abolish the price cartel, the rice set-aside program.
  - ▶ The Trump administration may **take the rice set-aside subsidy to the WTO dispute settlement procedures**, which the previous administration did not dare to try.
  - ▶ Then we can have **high hopes!**
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