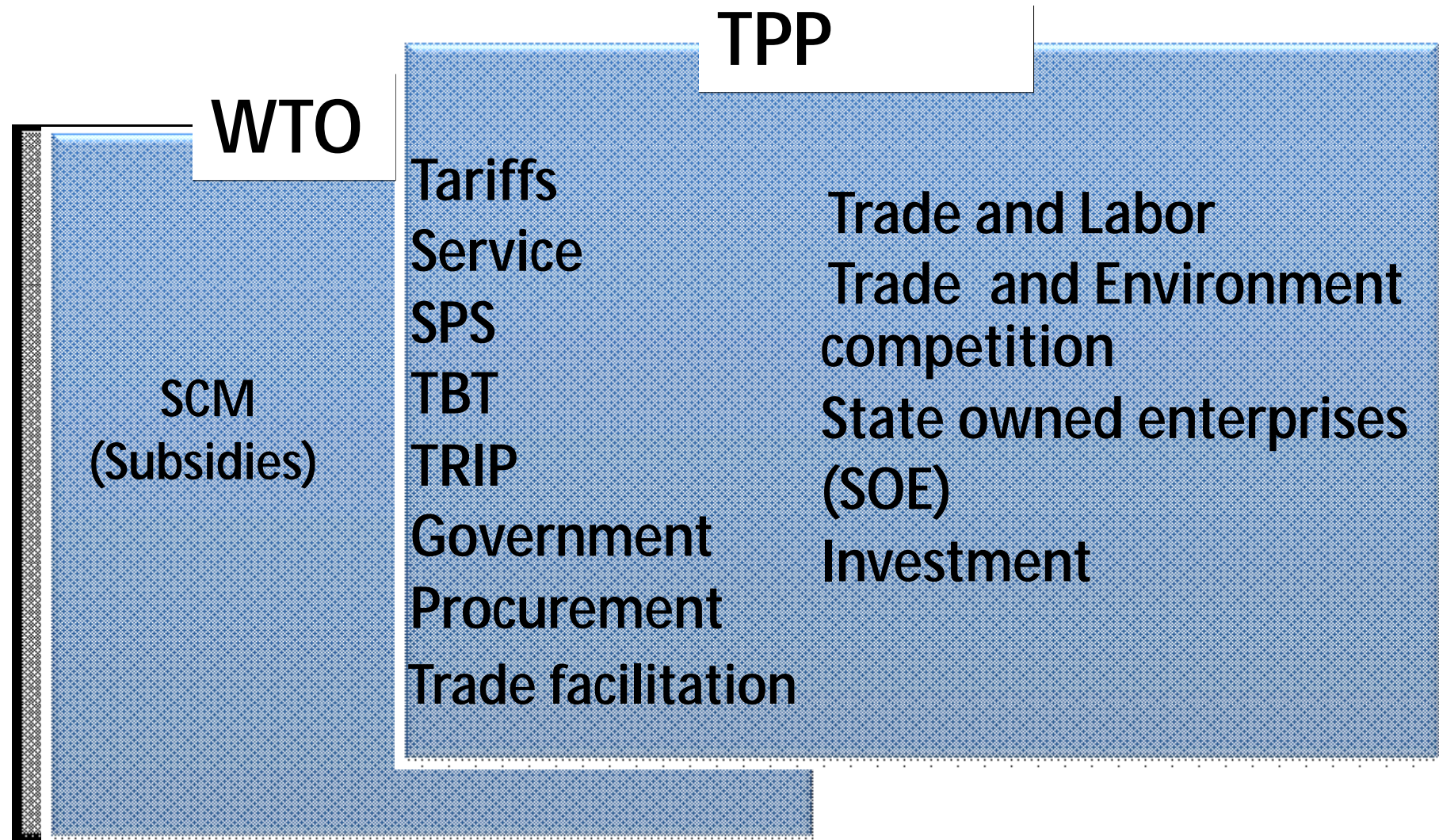


For the establishment of new world trade rules

Research Director,
the Canon Institute for Global Studies
Senior Fellow,
Research Institute of Economy, Trade and Industry,
IAA
Kazuhito YAMASHITA

The relationship between **WTO** and **TPP**



New trade and investment rules by TPP

- ▶ **Race to the bottom** by manipulating labor and environmental regulations will be disciplined.
- ▶ Stronger protection of **intellectual property rights**
- ▶ **ISDS** protects overseas investment from discriminatory measures.
- ▶ Disciplines on **forced technology transfers** in case of investment
- ▶ Level playing field between **State-Owned Enterprises** and private companies. Possible new disciplines on China.

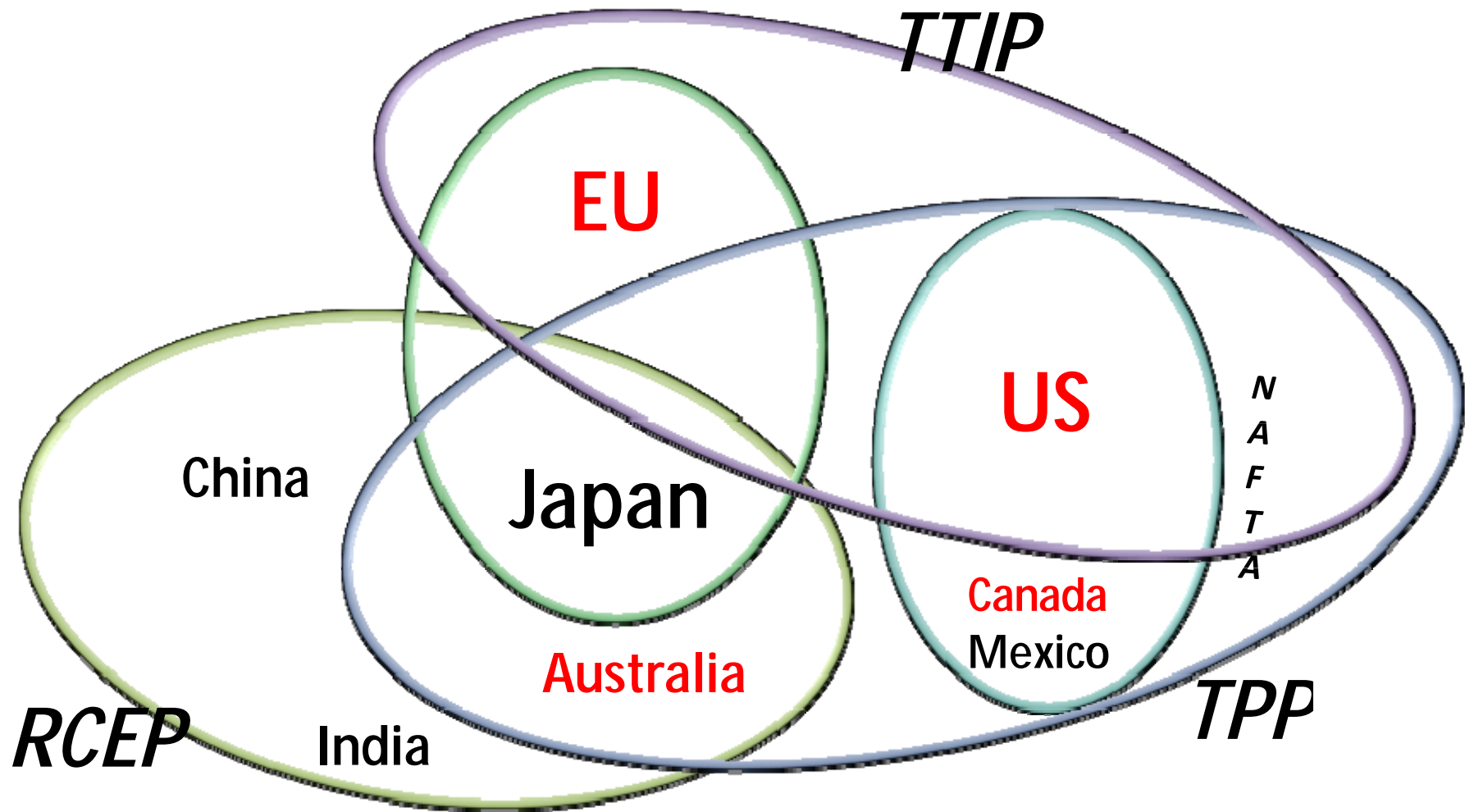
New TPP without US

- ▶ 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 and the EU, wheat to Canada and Australia, and dairy products to Australia and New Zealand.
- ▶ When I proposed TPP without the US in the summer of 2016, P.M.Abe was opposed to my idea. I argued back that the US would have no choice but to bid for membership in the new TPP deal.

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, Indonesia, Columbia and U.K. show their interest to join TPP.
- ▶ China is also interested in TPP. RCEP is accelerated by TPP to say the least.
- ▶ The EU has concluded FTA with Japan.

Mega-FTAs



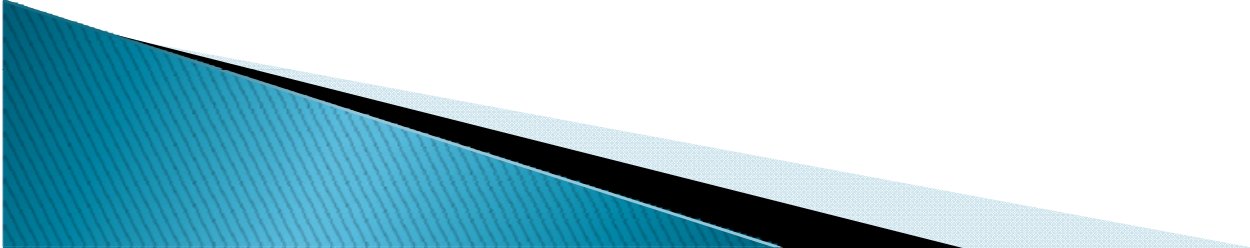
US–China Trade War

- ▶ Most of the issues that the U.S. has against China are not covered by WTO rules due to a standstill of WTO negotiations for the Doha Round. For example, China's demand that U.S. companies operating in China transfer technologies and intellectual property to China, and Chinese companies' acquisition of and investment in U.S. companies for the purpose of acquiring American technologies and intellectual property, are among the grievances that the U.S. has.
- ▶ These actions are not covered by WTO rules, so the U.S. cannot file a complaint with the WTO. (However, the U.S.'s raising of tariffs against China to achieve its goals is in violation of the principle known as most-favored–nation treatment of GATT/WTO.)

The reform of WTO is possible

- ▶ The US argument that the WTO fails to address the Chinese behavior makes sense. How can we modify the current WTO agreements which stipulated 25 years ago or add new ones to the WTO?
 - ▶ **Plurilateral Agreements?** China will not join the agreements on intellectual property rights, state-owned enterprises and investment.
 - ▶ We had better **expand the participants of TPP.**
 - ⇒ Let China a member of TPP by a domino effect
or
Let the WTO accept the chapters of TPP which is a dominant Mega-FTA in the world (the EU will support this proposal)
- 

Use TPP 11 to make new rules

- ▶ We should use the Trans–Pacific Partnership (TPP). The concerns that the U.S. has against China are covered by the TPP agreements.
 - ▶ If the TPP expands by including Korea, Thailand, Indonesia, Taiwan, the U.K., Colombia and others, and if the U.S. returns, then the TPP will create a huge free–trade zone. If that happens, then it will become more likely that China will have no choice but to participate in the TPP.
- 

Make the TPP rules the WTO rules

- ▶ Even if China does not participate in the TPP, efforts can be made to persuade the WTO to adopt the rules of the TPP agreements, which reflects changes in global trade and investment since 1993. The EU will probably agree to this. So the point is to make the TPP rules the global rules.
 - ▶ Because the TPP treaty is something that developing nations in the Asia–Pacific region agreed to, and not just a proposal by developed nations, China will find it difficult to object to the introduction of the TPP agreements to the WTO.
- 