

The 50th Policy Plenary Meeting on “TPP and Economic Integration in East Asia”

February 21, 2012

The 50th Policy Plenary Meeting of the Council on East Asian Community (CEAC) was held on February 21 at the conference room of the Japan Forum on International Relations, to discuss "TPP and Economic Integration in East Asia." Prof. URATA Shujiro, Member of CEAC and Professor of Waseda University, made keynote report, which was followed by an active exchange of views among Members of CEAC. Prof. URATA stated as follows:

In Asia-Pacific region today, progress in liberalization has brought expansion of regional integration - in particular, shift from “market-led” integration in the late 20th century to “institution-led” integration of the 21st century - with surge in FTA, EPA, bilateral investment agreements as well as EAS and establishment of Chiang Mai Initiatives. One factor of such integration is thought to be the surge in FTA formation. This largely owes to the US putting NAFTA into effect in 1994 showing its will for liberalization to other nations, which was successively followed by other FTAs in many regions. Moreover, in recent years, plans such as Free Trade Area of the Asia-Pacific (FTAAP), EAFTA which is the FTA of ASEAN+3, CEPEA by ASEAN+6, and Japan-China-South Korea FTA have been set forth.

Such increase in FTA takes root in loss of interest in WTO coming from unsuccessful WTO negotiations. The failure in WTO negotiations has led nations interested in liberalization to put FTA into effect among each other, and nations omitted from those FTAs to sign yet another FTA to match them, expanding in domino-like manner. FTA is expected to bring in expansion of business opportunities by opening up the market, economic system and rules making, accompanied by political stability. And notably, more numbers in member nations is expected to bring more GDP increase. In contrast, if bilateral FTAs alone increase, since the rules of origin at present largely differ from one FTA to another, the so-called “spaghetti bowl effect” will take place and may result in cost increase in each nation’s economy.

Turning to the situation in Japan under such circumstances, problems of workforce decrease due to declining birthrate and aging population, and increase in government debt coming from budget deficit are apparent. Also, compared to China and India which have made use of the chance in division of labor amidst globalization, Japan is far too low in its foreign openness and is missing big business opportunities. This could be attributed to closed system in Japan, or lack in challenging spirit and sense of crisis. To revive from this situation, it is necessary to recognize the importance of Asia-Pacific region with high potential of economic growth, and to establish a business environment that allows free movement of people, goods and capital. Promotion of FTA and EPA will work for this purpose.

TPP is the only framework under negotiation towards FTAAP establishment, and also works for Asia and Americas to reach integration. Also, as a framework of Asia-Pacific region which covers more than the half of world economy, FTAAP could, for instance, straightly lead to system building on a global level after succeeding to establish common system on domestic systems such as government procurement, and therefore reaching TPP has considerable meaning. Moreover, TPP not only contributes to economic integration of Asia-Pacific region as a whole but also accelerates integration of Asia region. China, which has been eager to promote ASEAN+3, has also began to show stance to promote +6 and Japan-China-Korea FTA, stimulated by Japan's announcement to join TPP negotiation. AESAN too, while placing focus on the region's centrality, is moving towards creation of Economic Community aimed for 2015. For Japan, TPP and East Asia economic integration is not an either-or choice, but options to work on in parallel at a time.