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# JAPAN'S TRADE POLICY IN AN ERA OF GROWING ANTI-GLOBALISM

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P R O C E E D I N G S

MS. SOLÍS: Good afternoon, everybody. My name is Mireya Solís, I'm the Knight chair in Japan Studies at Brookings. And it's a pleasure to be co-hosting this event today with the U.S.-Japan Research Institute.

Today we are going to talk about Japan's trade policy, in an era of rising anti-globalism. The launch of an America first trade policy, with its embrace of buy American, hire American, has created a lot of uncertainty in the trade policy world. But there also have been already immediately consequences. And I'm talking about the decision to withdraw from the Trans-Pacific Partnership.

This mega trade deal has been at the center, at the core of Japan's trade diplomacy, but also a part of its economic revitalization strategy. So, I think the question that we want to address today is: how should Japan respond to these developments in American trade policy and politics, and the decision to withdraw -- United States decision to withdraw from the TPP? What kind of recalibration, if you will, of Japanese trade policy this calls for?

And we have, you know, a terrific set of panelists, an all-star cast, if you will, and I'm going to introduce them very, very briefly. And then ask them to start with a very brief opening remark.

So, we have; I'm going to go in order in which they are seated. Takashi Terada, is professor of international relations at Doshisha University, and he was also, before in the faculty of the National University of Singapore, and Washington University.

We have next to him, Professor Yukiko Fukagawa, who is professor of the School of Political Science and Economics at Waseda University. And before joining Waseda she worked for JETRO, the Long-Term Credit Bank Research Institute, and Aoyama Gakuin University.

Vinod Aggarwal is professor of political science, and director of the APEC Study Center at the University California, at Berkeley.

And Shujiro Urata is dean and professor of economics at the Graduate School of Asia-Pacific Studies, at Waseda University; a senior research advisor to the president of the Economic Research Institute for ASEAN and East Asia. Shujiro Urata has been my mentor for many years, and it's wonderful to be working together, including the program for this afternoon.

So, without further ado, I would like to ask you. Maybe Shu, you can go first. And I asked them for very concise openers. And then we'll have a moderated discussion, and then we'll bring all of you with your questions. Thank you.

MR. URATA: Mireya, thank you very much for the introduction. And I'd like to thank Brookings for giving me this opportunity to speak about one of my most interesting subjects that is TPP. In my view, although Mr. Trump withdrew the United States from TPP, I think that Japan should stick to the TPP. So it could be TPP minus the United States, TPP-11 we may call it. Possibly, if we can invite other countries who showed -- which showed interest in joining TPP, countries such as South Korea, the Philippines, Indonesia and Thailand, then we could have maybe TPP-15.

And I think it is very important to keep the TPP alive for various reasons, but let me mention two of them. One, is that TPP is a very high quality FTA future agreement, its coverage comprehensive. In my view this is the best FTA, so far. And it is a shame if we let it die. That’s one reason.

Another is that Mr. Trump may change his mind. I hope he will, and just in case, if he does, we need to make -- we need to maintain or keep TPP alive. And so these are two of several reasons that I'd like to mention later, maybe, the reason why we should keep TPP alive. Thank you very much.

MS. SOLÍS: Thank you very much. Shu. Vinnie?

MR. AGGARWAL: Thank you, Mireya. So, I'd like to thank Brookings and Mireya for inviting me. Shu and I met each other in 1979 -- which shows how old we are -- at Brookings. So, it's a pleasure to be here. I'm going to start with some preparatory remarks, since my later comments might be misconstrued. So, first I believe that that TPP's passage, on the whole, has been a good thing, would have been a good thing. Second I believe that multilateral approach to trade is better than a bilateral one for a host of reasons that we'll go into later.

And third, I generally support an open trading system as a means to receive global growth through efficiency. Now, having established my liberal internationalist credentials, let me take a contrarian view of the conventional wisdom regarding TPP and trade policy.

My overarching point is quite simple, it's an adaptation of the REM song: Trump's trade policy is not the end of the world as we know it. Note that I said trade policy, not his other policies, which we can talk about in another forum.

Now, let me make a few points here. First, from an American perspective we should remember that of the 11 other countries in TPP the United States already has bilateral agreements with six of them, Australia, Canada, Chile, Mexico, Peru and Singapore. And the U.S. has important bilateral FTAs with a nonparticipant, in this case Korea. Also the U.S. is likely to negotiate a bilateral accord with Japan and probably Vietnam farther down the line, as one, there's more pressure on the Trump administration to do so. So, the U.S. has a lot of critical bilateral agreements although it's true, not with Brunei.

Now, second. The supply chain argument about the importance of TPP as a multilateral -- as a minilateral accord is actual quite weak, as John Ravenhill has pointed in a recent article on global value chains, and particularly without China, supply chains in Asia are much less developed than in Europe. The participation of the larger TPP economies and value chains is also much lower than European counterparts. So, this argument is also not all that credible.

Third, the security claim concerning the importance of TPP, and I do teach international relations, was simply an example of hype; first by the Bush administration when the P4 became the TPP, and then by the Obama administration. The whole notion that TPP was a critical counterbalancing accord to RCEP was heavily oversold, and in my mind few believe Secretary of Defense Ashton's claim that passing TPP is as important to me as another aircraft carrier. If that's the case, we have too many aircraft carriers.

Fourth, the idea that a China-led RCEP will somehow become a strong 21st century accord, which was the goal of TPP, is believed only by those who have never met an Indian negotiator. They already are pushing on any stringent IPR rules. And in short, it ain't happening anytime soon, folks.

Fifth, TPP wasn't all that great, if I may differ with Shu, as several (inaudible) had pointed out, the agreement is a step backwards from the May 10, 2007 Bipartisan Agreement, there are very few bipartisan agreements in Washington, on labor, environment provisions that should be included in free trade agreements, and in fact they were include in the Peru Agreement, and other agreements that the U.S. has negotiated.

Six, it's pretty clear to me that TPP was strongly pushed by various corporations, but with differing gains and losses that TPP had very mixed support in the first place. It was hardly a slam dunk, Trump aside, and leaving aside all the other critics.

And finally, in my view, it's time for Washington think tank economists to get away from calculating aggregate benefits coming out of different types of trade accords and ignoring the domestic cost of adjustment. It may be time for them to read the international political economy literature, on the cost and benefits of trade.

I'm glad that economists have suddenly discovered, over the last two years, that trade may actually produce winners and losers, shock. Here I must end by pitching the work of our former Berkeley political science student, Ed Alden, who was a Council on Foreign Relations senior fellow, whose book I would recommend to you, "Failure to Adjust." Thank you.

MS. SOLÍS: Well, Vinnie, certainly we'll have a lot to debate today. (Inaudible).

MS. FUKAGAWA: Well, thank you Mireya. Thank you very much for Brookings people, for inviting me here. I would like to stress about the strategic values of the Japan-Korea-China FTA, once the TPP is somewhat suspended, at least for a while. The Japanese government has been keeping kind of wishful thinking after, especially other Trump's meeting that we probably succeeded in putting on some life supporting system on TPP, but we never know.

But in terms of supply value chain, that might be a different opinion from Vinnie, but a strong -- we are still strongly believing that we have such a stretched out supply value chain in the whole Asia-Pacific during the (inaudible) was appreciated. So, just covering all the different kinds of economies with common rules, and especially cumulated rules of origin, so might be a very -- still a very strategic interest for us. And of course, well, no one has been paying enough interest to the Japan-Korea-China FTA.

But actually RCEP is almost nothing probably if compared to the importance of these three trilateral relationship; maybe ASEAN still remains as a very important production site for Japanese companies. But still, we have two very nice portfolios, one in China, one is ASEAN. Probably very different relationship with China -- Korea, but if we can succeed some kind of common rules including China, ROK, there should quite a benefit for Japanese industries, and that actually boost China, ROK, desperately need some different interface with Japanese industry.

They'll just stop just keep hoping to be the -- hope to grow based on the hardware manufacturing, but they are rapidly shifting into internet of things, industrial 4.0 kind of growth paradigm. So, we have a lot of room for cooperation, so that might be the political bargain between, especially Japan and China. And China is very much refining their industrial structures, not totally dependent on the hardware manufacturing anymore, and they can -- they have certain advantages, because things can be easily deregulated without any political oppositions against it.

So, China has a very unique interest. Experiment in fintech, or internet of things, and they are all going on. So if we may have some positive cooperation with China probably that might even try to boost the Japanese economy too. So I think that might another aspect of the response after the TPP.

MS. SOLÍS: Very interesting. Terada?

MR. TERADA: Thanks so much, Mireya; and also Brookings Institution. My first appearance in Brookings was much later than you guys; it's December in 2011. Yes, very recently. The topic was Japan's TPP. And I had more 300 people together, that might indicate America's (inaudible) about Japan's participation in TPP at that time. And as you know a few months later Prime Minister Abe came to Washington, D.C., to meet with President Obama, in which Japan's participation in TPP was almost decided. And of course now it's open to the public that, both leaders in government had some secret negotiations, on automobiles in the U.S. and also Japanese agricultures.

And as a result we can see that Japan made a huge concession of both sectors, weak and strong sectors of Japan. So, let me say three things in this brief presentation. Number one, it's of course TPP, very significant for markets, economic and political interests. So, (inaudible), you know, the question is, without which the U.S. -- how U.S. actually could survive, or in a sense promote that Asia-Pacific policy.

It might be a trade policy, it's not purely economic policy, and in the recent period in which politics, security, defense and economies, are all entangled, quite a complexity. So I think third policy is the sort of expansion of the foreign policy. It's something that Prime Minister

Abe highlighted in his recent meetings with U.S. President Donald Trump. I heard Mr. Abe didn't talk too much about TPP, but instead he highlighted the significance of multilateralism, but not only for the trade and investment but also more strategic interest. I think that's the sort of the message Japan has kept consistently for long years, even through the negotiation period.

So, in the tariff reactions, rulemaking, that's of course significant, that foreign help, American, goods, people and money coming into the region, but Asian -- I'm currently living in Singapore on sabbatical -- the Asians are more expecting for America to stay in the region, not only for economic but also a more strategic and political reasons. So this is probably a more significant (inaudible) that think that the TPP discussion, the debate in the U.S.

And one of the two speakers mentioned RCEP rule, it's more East Asia wide free trade agreement, and Kobe City in Japan, is now hosting the 17th and 18th round of RCEP negotiations today. And, well, they are quite different ideas, but my view is, while RCEP might be useful in terms of putting pressure on the United States we consider the Trump administration trade policy.

And in order to do that, well, RCEP negotiation should be continuously going, but we should probably consider inviting TPP member countries, like Mexico, Chile, Canada, Peru. And that will be helping Japan's interest within RCEP negotiations, because those countries already signed TPP, at high-level standard in the negotiations. You know, 100 percent in 10 years' time, tariff-free, except for Japan. And of course the rule makings, environmental standards, et cetera.

I think those Pacific Rim countries participate in RCEP would certainly help Japan and Australia, Singapore, those countries hoping to make the RCEP a more standard regional arrangement.

Then, if this kind of arrangement going on, what would the United States do? I think that would be something which we have to consider in the long-term in the perspective.

Thanks so much.

MS. SOLÍS: Thank you, Terada. So, I'm going to open up with some questions and then I'll bring the audience. But let me just start with, you know, the broader context, but I think that this has been an extraordinary year. You think about the Brexit vote, you think about the election of Donald Trump, and the very different set of ideas behind America first trade policy, and the consequences of these.

The fact long-standing integration project like the European Union has taken a hit. The fact that the United States has divested from a mega trade agreement in APEC, that the future of NAFTA is in question, you know, there's a trend here; one that speaks about the skepticism about -- regarding global economic integration.

But I would make the case that East Asia actually looks very different. That anti-globalism has not been as potent in that region of the world, and there that perhaps there's going to be a shift, and that may be the center of action for where the new liberalizing initiatives may come from. So, those two -- it's a two-part question is, why is East Asia more immune, if you will, to these backlash against globalism? And do we expect that the region will become the center of action for people like us that are tracking where the trade liberalizations are going to have more of an impact?

So, who would like to take a first stab as to how we got here?

SPEAKER: Okay, you, (crosstalk).

MR. AGGARWAL: I just wanted to make a quick point. I have to disagree with your premise. I spent the time in Singapore every year teaching at a business school there, and four years ago the Singaporean's PAP party almost, by their standards, lost, which means that vote went down. And it was clear anti-globalization sentiment within the population. They were concerned about too many immigrants, they were concerned about too much open trade, they were concerned about congestion.

I'm not an anti-globalist, I'm actually very pro-globalist, but the point is, that if you think about Switzerland, and if you think about Singapore, these are the two countries that have benefited the most from globalization over the last 150 years. The Swiss were living in little, you know, up in the hills milking cows, and Singapore was a dump, right.

And, you know, the last 45 years, Singapore has become a miraculous place with a higher standard of living than the United States. If there's anti-globalization in those places, something else is happening. And so that's part of Asia.

And I think one explanation why there's less anti-globalization in Asia is because, number one they are quite highly (inaudible) trade; and two, most of them have authoritarian governments of one form or another.

MS. SOLÍS: Yeah, Shu?

MR. URATA: You know, if you remember how East Asia achieved high economic growth, it's trade and investment.

MR. AGGARWAL: Yes, right.

MR. URATA: And, well, Singapore is a prime example of this. And having said this, they are still biased trade and investment in many East Asian countries. And they realize the importance of reducing these barriers so that they can, you know, promote trade and investment, thereby achieving economic growth. I think that's the kind of mentality of the -- at least the government people.

I agree with you, maybe some part of -- some groups in any society against, you know, globalism or against trade and investment liberalization, but overall, maybe because of also of authoritarian government, but not just because of that, many government officials, and government leaders, they believe it is important for them to liberalize trade in order to achieve economic growth. I think that's why we still see some momentum going forward in terms of trade and (inaudible) liberalization in East Asia.

MS. SOLÍS: Mm-hmm. Yukiko?

MS. FUKAGAWA: My opinion is probably closest to Professor Urata. Asian economies -- Or there can be a difference between the movement of persons, and the trade investment. And Asia has accumulated such a great success based on the, well, opening market, and especially opening there for indirect investment, but in terms of movement of persons, Asia has been relatively conservative. So, that's why the anti-globalization, starting from the movement of persons, seems to be rather kind of (inaudible) in Asia.

So, I think that's a difference. And Japan is a typical country as well. Still, it might be a shame, but still we, even though we started suffering from the labor shortage, but the foreign workers are still very minor in Japan, and that's why it can be a kind of rather naïve sense against globalization. Still, we are interested in TPP, just trying to make up the race for the FTAs, and there is no major opinions trying to go against the TPP and other FTAs. So, that might the Asian situation I guess.

MS. SOLÍS: Mm-hmm.

MR. TERADA: Well, probably, if I accepted the premises, and if East Asia is immune to the anti-globalization, that maybe probably because East Asia it's not necessarily highly institutionalized, highly integrated. Again, as I mentioned, TPP would be the first trading arrangement, even to Japan which had some of the rulemaking, like labor and the environment.

Asian FTA, never had this kind of growth, and after the ASEAN economic community it was actually said to be completed last year. But, you know, that number of issues which actually untouched, you know, for example, the tariff reductions, that's fine, but what is next; it's ASEAN, it's going to be customs unions for example. No way, because Singapore needed to raise tax -- tariffs, to create a single -- you know, the tariffs.

So, I think ASEAN is now struggling to find where the ASEAN community should go. I think TPP, it's penetrating into the ASEAN framework for integration; it would be quite an interesting agenda setting, so what I call, you know, probably 1980s, 1990s, we brought the ASEAN Minus X approach. I think TPP is sort of the embodiment of this kind of stuff. It's not only TPP creates the window for the highly-integrated framework for integration, it's coming into the region.

But this means, you know, the East Asia still, are not politically so much influenced by the other approaches to the economic reforms imported by, you know, the higher standard of the integration, so this is very different from the Europe and North American situations. So, ironically, East Asia it's not highly integrated. I think that would be the, you know, reason why we are still looking for the more -- for prospects or broad side of the globalizations through the trade and investment expansions.

MS. SOLÍS: So let me add a comment here. I don’t mean to imply that there are no critics of globalization in East Asia, far from it. And the critique of globalization is not new either, but it seems to me that we are at a different moment. We seem to be having a very profound questioning of the merits of integration and political action behind it, and Brexit has consequences, withdrawal from TPP has consequences. And my question is, well, why we don’t seem to see that level of rejection in East Asia?

And a couple of things that came to mind, and these are just, you know, speculations, if you will, but I wonder how will you react to them. It seems to me, two things, one is that the proposition that trade and national prosperity are linked are not as doubted in East Asia as they seem to be in the West, the industrialized world. And this has to do, I think, with a demonstration effect that is more recent. You think about China, and how many millions of people just came out of poverty.

But I also think you have to do, for example, about how people perceive very clearly, in Japan, for example, the link between economic growth and the strategic articulation in the world economy. If you think about demographic trend today, that means that Japanese population is going to drop, and that means that the wellbeing of the global supply chain, and unfettered access to overseas markets, is going to be central to Japanese economic dynamism.

So I would say that that link is perhaps still more robust.  But also, I'm going back to a comment that you made, Vinnie, earlier, also we have to look, I think, at where this economic grievance is coming from, and what governments are doing about it.  And it's interesting to know that economic inequality has increased both in Japan and the United States, but the drivers of that inequality is very different.

In Japan, actually it has been more of a bottom-up, an increase in the poverty rate, and in the United States, it's, you know, the stagnation of middleclass income, and the top 1 percent phenomena.  But I would make a case again for further discussion, that the stage, perhaps, of populism, or economic grievance in Japan, are perhaps being planted today.  When you think about the non-regular workers, the fact that you have 40 percent of Japanese workers, that do not have the same path to professional achievement, do not have the same livelihood potential, earning potential, and so forth.

So, I was just trying to get at, what could be different in these two regions.  And then, let me then pivot to what we do next, if we discuss some of the context.  And, you know, clearly, all countries in the region and trying to understand, and so are we, what will be the exact operationalization of an American first trade policy.  Because there's been a lot of rhetoric, major movement regarding TPP, but a lot of the rest remains in the air.  We don’t know exactly, you know, what will be done in terms of border taxes, in terms of punitive tariffs, in terms of buy-American clause, it remains to be seen.

But the political leaders in the region, I think are weighing the cost of a U.S. withdrawal.  So, my question is, I guess, to the Japanese panelist; but, Vinnie, of course if you want to venture, also something.  What does this do to Prime Minister Abe politically, at home?  How does he regroup regarding his trades strategy when he had put so much of his political capital on TPP and then the United States politics means that the United States is out of the agreement or the time being? (Laughter) So where the political science --

MR. TERADA: Okay. Let me say, both domestic and foreign policy arenas. Domestic politics, of course the most difficult (inaudible) link, and growth to the Japanese trade policy is agriculture. And it was Prime Minister Abe, the first time in history, who tried to touch on the reform of the so-called Central Union of Japanese Agriculture, would say, JA-Zenchu.

And he said, I remember the -- you know, the one organization in a post-war period nothing changed over half-a-century, so this was sort of appealing point to the public, you know. I think the general public tends to support, you know, Prime Minister Abe's commitment to the agricultural reforms. Not on the sort of the tariff and this kind of stuff, but you know, political lobby who try to exercise power behind the (inaudible).

I think that will probably be helping the Japanese negotiator in the future to have a better advantage in terms of negotiations. So, without TPP this kind of reform should be going on, but I think kind population (inaudible), popularity of Prime Minister Abe, nearly 60 percent, consistently over the last three years, four years. This is upward standard. We've never seen such a popular prime minister in the Japanese political history.

So that will probably be a basis for Japan, for Prime Minister Abe to be more committed to the agricultural reforms, to make Japan's agriculture stronger economic -- strong growth, you know, the source. Foreign policy, again, I still believe TPP should be -- not (inaudible), you know, they agreed, but that moment, it seems to me, there's no way to go. But this is something which I'd want to ask American, you know, the people: how about the role of Congress in which, you know, the Republicans are dominating?

They had tended to support TPP or free trade spirit, and they also supported TPP originally, and how they try to put pressure on the Trump executives, you know, to change sort of the minds on trade editions Professor Urata just mentioned. So, I think three issues should be probably raised in terms of promoting revisions, or amendment in the TPP if possible.

Of course one conspicuous element is the shorter period of the medicals in exclusivity issues. I mean the biomedical --

MS. SOLÍS: The biological --

MR. TERADA: Yeah. These are the most -- you know, the contested issues in the negotiations. So, again, I don't know, it's very hard to do it. But, however, maybe Prime Minister Abe tried to work and to think about, you know, the possible revisions for TPP to keep it alive. I mean foreign policy arrangements.

MS. SOLÍS: Okay. So when don't -- we are really talking about the, what next? You know, Plan A was on TPP 12, that was the preferred choice for Japan, both because of the economic impact, but also the geo political impact in terms of solidifying the lines with the United States, finally finding a compromise that works for both sides on these divisive issues about market access, working together to disseminate rules that both countries agree are to their benefit, and they help rejuvenate the trading system.

But that's not in the cards right now, and I've written in the past also saying that Japan actually should be ahead of the pack in promoting a TPP 11. I have seen, perhaps, more vocal arguments come Australia and New Zealand than Japan. But if we can get, I guess, a consensus, or not a consensus, whether TPP 11 makes sense? And what would be the strategies to get there, that will be great. So, if you want jump into that discussion.

MR. URATA: I already mentioned about TPP, not just 11, but possibly TPP 15, by inviting those which are interested in participating in TPP. And coming back to the point about the importance of TPP for Japan, it's not only there for Japan, but for other countries as well. You know, if we can enact TPP, for example, for Japan, that will be a big push, you know, play a very important role in promoting economic growth to overcome this very disadvantageous position that we are in.

The population is declining, aging, savings rate is declining, government debt is just huge as ever. Under these circumstances what we need is to achieve economic growth, is to promote and improve productivity. You know, how can we improve productivity? We have to structural reform, policy reform, and we have to open up the market. And to achieve these two objectives, TPP or, you know, like FTA, very high-level FTA will be very effective.

And that this kind of, I think, prescription applies to other countries, Vietnam, Malaysia. And so I'd like to argue that TPP 11, TPP 15, will be very important for the countries involved. And I agree with you that Japan should, you know, take a maybe more active role in leading this pack, but I just assume that Prime Minister spent so much political capital in pushing TPP 12 forward, so maybe he still wants to stick to this TPP 12, but I think it's about time that we should, Japan should look into, you know, the possibility of, say, leading this role in TPP 11, or TPP 15 for that matter.

MS. SOLÍS: Mm-hmm. Other comments on this?

MR. AGGARWAL: Well, here I would agree with Shu. I mean, I think it is useful for Japan that TPP 11 and TPP 15, I see no reason why they shouldn’t pursue that. But there are two points that I wanted to make that are in this context, one is when we think about Asia, we sort of think that Asia pursued some kind of neoliberal model of openness. That’s not what happened at all. Asia had aggressive industrial policies of various kinds.

They then had been phasing some of that out, but China still has a very aggressive industrial policy. Singapore has a very active industrial policy of various kinds. So, these countries are under somewhat different position than kind of the neo-liberal model that we think about. And then when it comes to Japan's main issue, and I'm not a Japan expert, but I know something about Japan, I mean, it's pretty clear that there's nothing stopping Prime Minister Abe from opening up immigration.

And I was looking at the Philippine-Japan agreement, and they made it so difficult for nurses to come to Japan. So, I mean, nothing is stopping them, so okay, fine, if you need to have external pressure which has always been the excuse that the Japanese have used to try to get any trade liberalization, so be it. But this is not exactly a problem that could not be handled domestically, except for the fact that the Japanese prime ministers have been consistently weak on this issue.

MS. FUKAGAWA: Okay, I also want to say, I think one of the crucial differences before and after Abenomics, is that now the government is under the very strong pressures for their gross strategies. If you are (inaudible), well after the quantitative easing, if we -- fail to continue to grow, Japanese government has the worst heavy debt in the world. So, of course we have no future at all. So there must be a very strong consensus among the people that opening is the part of our growth strategies, and we've got to do everything about this.

And in terms of other FTA, I think of course we put so much political capitals into TPP, but the result is coming back already because now, if you look at the Japanese agriculture, that the most fastest-growing sector in terms of innovation. So, that's the only sector who'd been invested by young entrepreneurs in their 30s. So, I think the market pressure, still it is very important for Japan.

And in terms of the pressure coming out from the other FTAs, I think now Japan is the final stage to having agreement with EU. In Japan the EU is a kind of mega FTA, and that is kind of pressure against the U.S. that we should continue this effort. But this is another deadline, political deadline, because the France and German elections this coming year, so whether we'll be able to announce the -- well, at least as a temporal agreement, between Japan and EU is one big issue for us.

And the other issue is how to assess, rate RCEP Japan -- ASEAN plus Japan, Korea, China, New Zealand, Australia, India. And how to pin India, still in the negotiation, is another issue. So that's the agenda probably between Japan and ASEAN, who is interested to be the driver of the RCEP Agreement.

So I think we have a lot of rooms to cooperate between ASEAN and that's another -- issue is against China too, because China wishes to take in Japan into their One Belt, One Road, the cooperation framework, as well as Asian Investment Bank. So, we may be able to cooperate with China even again, some -- various specific projects.

MS. SOLÍS: Terada?

MR. TERADA: Yeah. Very briefly. Well, of course we support, I support, you know, TPP should be launched as it was originally planned. But it's not possible. Well, I still prefer the TPP minus the USA, TPP 11, because that's much easier, you know, because all 11 nations already agreed.

But, you know, the United States it's very much significant to Japan, so my proposition is, TPP minus USA, plus U.S.-Japan bilateral FTA, and so that, you know, the U.S. still continue to be engaged in Asia-Pacific region. And Japan probably can take such a kind of role, and given the fact that, you know, Prime Minister Abe has a very good relationship with U.S. President Trump.

So, now, you know, that many countries request to Japan to inform you know, Mr. Trump's personality, or anything like that. So, I think this is sort of the role, the new role, for Japan to play in carrying the sort of, the information part of Mr. Trump, rather than directed -- asking the U.S. government to release.

MS. SOLÍS: I'm glad you bring up the discussion about a possible U.S.-Japan bilateral trade agreement. Prime Minister Abe was here, not long ago, and there was great, chemistry, if you will, and I think that the Japan side felt that all the assurance is very important assurances on the security front were given. And on the trade conversation, on the economic conversation, they did not specifically talk about a bilateral trade agreement, but a bilateral economic framework.

And I think that Japan is probably trying to understand better what would be the content of such a bilateral if it were to move forward.  And there's a lot of discussion in town, and to what would be the pros and cons of that negotiation.

I'm going to put out my perspective, and then you can shoot it down, but just to get the debate going.  I think that it would be harder to achieve a successful outcome in a bilateral trade agreement for a number of reasons.  One is that, I would imagine what was achieved in the TPP in terms of the market access, and non-tariff measures, becomes the reference point for the next round of conversations.  And I imagine that Prime Minister Abe would have to go back home and say, I'm going to improve on what was already achieved, so that he can justify starting a new negotiation.

And the United States will most likely also try to improve its access on agriculture and so forth.  So, I think that the margin, the room for agreement might be smaller.  But also, I also imagine that there might be other issues that now are brought up again, on currency manipulation, (inaudible) rules on currency manipulation, that Japan was not willing to accept in the TPP talk, or even some of the things that we hear officials in, you know, related to the Trump administration talk about -- again it's not policy yet -- but things that would highlight a different approach.

Automatic triggers for renegotiation, for example, using the trade deficit as the measure of success or failure in a trade agreement.  All those things I would imagine would extremely problematic for Japan and other countries.  So without knowing first what the American first policy really look like, I imagine there will be some reluctance on Japan's part to give a green light.

So, that’s my perspective.  And I know there are many others out there.  So, I was wondering: what is your take on the pros and cons, and the likelihood of a bilateral U.S. trade agreement in the Trump administration?

MR. URATA: It's going to be very tough on Prime Minister Ave to reject this proposition if it is given to him. Having said this, I'm and economist, I'm in favor of liberalizing trade regime, I'm in favor of further opening of agriculture sector of Japan. In my view, that will strengthen the Japanese economy -- Japanese competiveness. So, I'm all in favor of having more market opening, which will be, maybe, by the U.S. Government, or Trump Government.

And in order to accept that, we have to get the similar treatment on the part of U.S. opening up the auto market. So, you know, if that can happen, I think it's very beneficial by FTA between these two countries. And having said this, one concern that I have is that if they concentrate on just, you know, bilateral FTA, what will be the impacts on other countries that may reduce the incentives or interests on the part of other countries to do region-wide FTA.

So if I were Prime Minister Abe, I would say, I will accept your proposition of bilateral FTA, with the condition that this is one step toward, like TPP, like region-wide FTA. And one more thing, there is, as you I guess to point out, this is not a bilateral FTA talk, it's an economic dialogue, which includes infrastructure.

There, Japan can contribute a lot to the U.S. So, you know, we gave some infrastructure, and then we cannot accept unjustified kind of observation, such as, you know, bilateral trade deficit is an indicator to be looked at. So, in other words, we have to be very -- how do you say -- Yeah, we cannot -- Japan should to accept some of the very unreasonable kind of proposition that we might get from the Trump administration, but if can stick to the basic rules, basic, you know, reasoning, justifiable reasoning of economic matters, then I think we should accept all the proposition, but economic dialogue bilateral FTA.

MS. SOLÍS: All right. Other views on this? Yeah, Vinnie?

MR. AGGARWAL: So, here, I mainly agree with Shu, and I think it's quite accurate that Japan would be benefit from great trade liberalization, greater opening given the difficulty domestically in doing it. I disagree on one point, which is that I'm not a wild fan of

America first trade policy. I'm one of those old-fashioned WTO supporters, multilaterals good kind of guys, right.

But, having said that, in an asymmetrical negotiation between the U.S. and Japan, I find it very hard to believe that the U.S. is not going to get mainly what it wants. And so I think the space for Japan will close very rapidly. I don’t think that Japan is in a very bargaining position, and I don’t think Japan has all that many options.

So, ironically we are probably more likely to get an agreement in my view because of the asymmetry and power. And there's plenty of evidence that that’s been the case in the U.S. bilateral negotiations from getting Wrigley chewing gum into Australia despite Australian opposition, and getting sugar excluded and things like that. So, the U.S. can actually a bully as the EU has been a bully in its negotiations; so, in fact, the Japanese are in a much worse situation that with TPP, which is why they were fond of TPP in the first place.

MS. SOLÍS: But, Vinnie, if I can just interject. I mean the U.S. and Japan do have a long history of bilateral negotiations, and the United States played hardball in many of those, and the issues that Japan did not want to change, they were not changed. I mean, Japan can also play defensive very well, and you could argue --

MR. AGGARWAL: I mean, you and I read the history differently. Right? Textile trade, Japan was the first to have voluntary export restraint, steel trade, '68 Japan was first to have export restraints; television trade, Japan was first to have export restraints; automobiles under Reagan '81, Japan was first to have restraints. It's a success?

MS. SOLÍS: Yeah, but if you look at the structural impediments initiative negotiations, and at the formal business (crosstalk)--

MR. AGGARWAL: And the Japanese are good negotiators, and there's a U.S.-Japan alliance, and the context of that was the Cold War. The context now is quite different.

MS. SOLÍS: Yes, yes. But I mean I'm not sure that necessarily asymmetric power will play one way, and we saw in the TPP negotiations that the core areas of sensibility were protected.

MR. AGGARWAL: I think the one saving grace for Japan -- I think the one saving grace for Japan is that we have some bipolar elements with China, so if the Trump administration is really very anti-Chinese, Japan is not a cog in the big machine, and they can play the same card they did during the Cold War. They get concessions -- even they did get some concessions, right? So they can prevent the kind of opening because they can say, well, we are your only ally in Asia, and you know, the Indians are unreliable, but we are your true ally against the Chinese, so in that sense they can play the China card against the United States.

MS. SOLÍS: Okay. I'll bring the others, and (inaudible) are going to the China card. Do you have comments on this discussion, or --

SPEAKER: That's fine. Go ahead.

MS. SOLÍS: So, let me just talk a little bit about China, because I do think that we are trying to figure out what is going to be the landscape of trade agreements in the region, we cannot not touch upon what China's role is going to be. And I know that, you know, China has very quickly maneuvered skillfully and made the case that they are going to be now, the champions of economic multilateralism in the region. We saw this message in the APEC Leaders Meeting, but also with the appearance by President Xi in Davos. And the question that I would like you to address is whether China can indeed play such a role? What are its assets and what are its liabilities in trying to take the mantle of promoting economic multilateralism?

MR. URATA: I don't think at the moment, China can -- cannot that kind of role, because China is not ready to open up many of the sectors. Automobiles, for example, so unless they are ready to open up their market, they cannot take a leadership role in, you know, multilateralism. And on the contrary, they are interested in infrastructure; One Belt, One Road initiative, which involves building infrastructure; AIIB the same.

So, they are avoiding trade liberalization, and that's what we see in the RCEP negotiations. They are hiding kind of behind India to, you know, protect their own industry. So, again, I don't think China is ready to take this role that you just mentioned.

MS. SOLÍS: Mm-hmm. Yes?

MS. FUKAGAWA: Well, I think China has their own logic, saying that, well, even -- well, it doesn't matter, since we are, oh, the developing country, and it doesn't matter how (inaudible) or consistencies exist, because we are in (inaudible) the so-called enhancing rights, so we don't have to copy the advanced countries, the rapid opening, so it's good enough to do whatever we can do. So, that seems to be quite popular among the emerging countries who share, who share the hatred against the Washington consensus in an (inaudible), and so China has been making the best use of this kind of emotions which is quite common among emerging countries.

So that's why they have strong logic saying that pure liberalizations probably will bring you lots of chaotic situations, but if we just combine the corporations together with the trade opening, that should be fine, like CAS, and that the Chinese campaign. So, I think China will continue to do that, and many countries will be attracted by this idea even including Europeans as being -- having even a greater role, say in One Belt, One Road cooperation.

So, now China seems to be quite desperate about absolving all the technologies and know-how about managing international organizations, and managing the research and accountability-making process. And it will take time, but I think China's is very much committed to this mission, and they'll continue to do that.

So, the issue is -- but in terms of a trade pact, I think now the (Inaudible) is quite a security guy, and he only takes up the economic issues, only when the elections is coming here, and then after the election he goes back to the security logic. So, as long as he continues this play, Japan-China FTA still tends to be very much dominated by the security issues. But, having said that, economic corporations and economic interface; is a reality, and if you just talk to the Japanese companies no one say that we won't be able to survive without Chinese market. So I think there should be a certain good balance between the securities and economic values might be the agenda for the sustainability of (Inaudible) administration.

MS. SOLÍS: Thanks. (Crosstalk).

MR. TERADA: Just one, on the -- Professor (Inaudible) comment on China-Japan possible integrations. Well, still at first, CJK, China-Japan-Korea FTA negotiations, rather than bilateral ones. But CJK has already one achievement, Trilateral Investment Treaty signed a few years ago. But, again, Professor Fukagawa highlighted the political significance of (inaudible) with the movement of the so-called Economic Cooperation and Integration, and Northeast to Asia.

I think at sometime Japan, was not governed by LDP, you know, it's Democratic Party of Japan, it tends to emphasize the relations with China. So I think China-Japan bilateral relationship, was relatively good at that time, that also had an impact on the economic, you know, the movement, which actually that resulted in the trilateral investment, which of course Japan and Korea pushed hard, and China became defensive, but China's defensive posture was changed because of Japan's interest in TPP.

So I think without TPP, who actually (inaudible), it was China obviously. So I think China capitalized on the period in which, you know, the trade pressure, sort of the TPP or the WTO, any other kind of stuff are missing. I think China would be more inward-looking, although in Xi Jinping's speech highlighted the significance of a free trade.

But it seems to me, China's free trade concept is very different from Japan or Americans, as you can see. And now, of course one contested issue is the reform of the state-owned enterprises, but I had recently, China's Communist Party's strengths and its control in SOEs and by setting up with somebody committed within these companies. So how do you know the SOE, the firms could be implemented? This would be prerequisite for China to participate in the TPP negotiations.

So, I think TPP would be sort of the critical mechanism, if U.S. or Japan can capitalize on moving China towards something which Japan-China -- sorry, Japan-U.S. prefer, but unfortunately without, you know, this kind of political weapons. So thus far, we are now negotiating, we are discussing this kind of forum it seems to me.

MS. SOLÍS: Very good. Vinnie?

MR. AGGARWAL: Just a quick point. I think the notion that somehow China would provide leadership of the global economic order the way the United States provided it with plenty of concessions to other countries, is a classic example of what I would call fake news, right. (Laughter) It is impossible for me to believe.

This is a country that restrictive in automobiles, that is industrial policy in wind turbines, that it's industrial policy in solar, and I had a large number of international students at INSEAD, and they said, well, Vinnie, you are so smart, tell us what industry to go into. And I said, very simple, you just read the five-year plan and stay from those industries, because they are going to wipe you out in those industries.

And the Chinese have systematically done this. And of course everybody says, oh, my God, there's surplus capacity, there's inefficiency. Well, that’s great. When everybody is wiped out, the surplus capacity efficiency is called predatory dumping, there's a well-known term for this in economics. People sort forget that part of the equation.

MS. SOLÍS: Mm-hmm. Great! All right, so people have been very patient, let me bring you into the conversation. We are going to have microphones, if you can just wait for the microphone, identify yourselves, and ask very concise questions. So Fred, the first goes you. But can you bring the mic, please?

MR. BERGSTEN: Fred Bergsten from the Peterson Institute for International

Economics. A question for Shu, and a question for Vinnie. Shu, you talked about, you talked positively about a U.S.-Japan bilateral as an alternative to your preferred TPP extended. I agree with you on all of that. I think it is clear that Trump wants bilaterals. I mean, he has in fact said positively, he will do trade agreements, but he wants one-by-one, he said it in his CPAC speech last week.

So why would it be really at all difficult for Japan and Prime Minister Abe to agree with that? We know that the TPP itself was to a large extent, a U.S.-Japan FTA that was the bulk of the economic effect. So, why wouldn't it be fairly easy to transpose what was agreed in the TPP into a U.S.-Japan bilateral?

And by the way, on one other point you made, the effect on third countries, wouldn't it increase the incentive for the other countries to do a deal with both our countries, because of competitive liberalization as you said, otherwise you are discriminated against. I would have though increases their incentive to come on in. And then a sub-question in your preferred TPP extension, you carefully did not mention bringing China in. Now I infer that's because you think they are not ready, they wouldn't be able to meet the standards, but I ask you about that.

The question to Vinnie, your third point in your first comments, you expressed doubts about the foreign policy or national security case for TPP from a U.S. standpoint, but you didn't say why. The whole reason Obama reinserted the U.S. into TPP was foreign policy national security, it wasn't economics, he had no interest in that. It was when Lee Kuan Yew, among others, said to him, Mr. President, unless you take economic initiatives in Asia, you are turning the whole region over to the Chinese. What's wrong with that argument?

MS. SOLÍS: Okay. Shu?

MR. URATA: Okay. Yeah. Thank you for three different questions. To begin with the first one, Japan-U.S. bilateral; what I was going to say is that while many people in

Japan Government, clearly, are concerned with the fact that U.S. like to begin with the level of agreement that was reached with TPP. And then going further, further liberalization, further acceptance on the part of imported rice and so on.

So that is why, I think Prime Minister Abe hasn't said anything about this U.S.-Japan bilateral FTA. But again, I'm in favor of, you know, Japan-U.S. FTA because that may result in a further liberalization which in turn will improve the competitiveness of the Japanese economy. But the reason why Mr. Abe and his colleagues are concerned, is that negotiation begins at the level at which it was agreed upon, and then go further, further liberalization will be very difficult.

About the effects on third country, what I hear, I was going to say that the third country may be more interested in joining U.S.-Japan FTA but what I was trying to say, that U.S. and Japan should agree at the beginning that this is not the end -- the end result -- I mean the end result of the bilateral FTA, they should go further. After they finish bilateral FTA, or even before finishing bilateral FTA, they should think about inviting or accepting other countries. That's the point I wanted to make.

Now China, as I said in response to Mireya's point, China is now ready to maybe liberalize further to the level that was required for TPP. I mean in relation as maybe like Terada has said, the SOE issues, the intellectual property issues, environment, labor, there are so many issues that they cannot really accept at the moment. Maybe, you know, later, 10 years later, or 15 years later, when China has successfully, achieved economic growth, they may be ready then, but at the moment, they are not ready, that's why I don't think it's realistic to invite China to be included in TPP.

MR. AGGARWAL: I think those are -- and interesting question. I mean, why did the U.S. decide to pursue TPP? I mean, first things first, we often forget this is a sort of Singapore P4 initiative in the first place, right? And Singapore was very interested in this bilateral agreement from the security perspective, and Singapore has very strong security ties to the United States already.

So, clearly as Singapore, Lee Kuan Yew was no fool, obviously he was no fool, he really understood that the U.S. keeps getting distracted by the Middle East, seems to ignore Asia. So in that sense I would agree that it started out that way, the problem is that TPP versus RCEP became the game in town, and TPP versus RCEP and RCEP is the Chinese-led agreement, and this is -- well that's a very misleading. RCEP was initiated by ASEAN, the ASEAN Plus One countries. Japan was an active participant, India is in it; so this whole idea of seeing everything as a bipolar struggle, is what I object to.

Second TPP got taken over by this corporate interest, and I'm not -- and I was still despite the corporate interest, pushing for TPP, I was still in favor, because on the whole I think it was a good agreement. My point really was is the end of TPP the great disaster for U.S. security; I think we say that that's misleading. I don't think so. I think there are other substitutes. I still, on the whole would prefer to have TPP and (inaudible) in New Zealand negotiate a product as long as we call the Trump Pacific Partnership, we'll be set. Right.

MR. BERGSTEN: What do think the bilateral -- U.S.-Japan bilateral would do on the foreign policy side?

MR. AGGARWAL: Oh. I think the U.S. bilateral with Japan as an important partner, as I was saying before, I think this is a good way that China can try to play -- Japan can play the China card. As you say, I think accurately, most of the TPP negotiations end up being U.S.-Japan negotiations, right, because that was really the point, and in fact the U.S. could not even meet the Singapore standards of the P4, as you know we wanted all sorts of exclusions in there.

So I think it's great, that the U.S. should have a bilateral agreement with Japan given that TPP is not moving forward. I'm still a multilateral guy, I'm not a minilateral guy, still remember the WTO, no one even talks about, but I'm still a WTO fan, but then, you know, maybe I'm just old and quaint.

MS. SOLÍS: All right, let me bring other questions, now from the back of room, why not at the -- yes, thank you.

MR. GABAY: Thank you. Kas Gabay from (inaudible). My question is, so do you think it would be any -- the action on deterioration from the U.S. side, if the Japan and the other 10 countries of TPP try to achieve the TPP 11, and which is the -- which might affect the bilateral relationship between the U.S. and the 11 countries.

MS. SOLÍS: Well, there could be a negative reaction for (crosstalk).

MR. AGGARWAL: Yeah. And I personally -- Just quickly, I personally don't see the view. I don’t think the Trump administration is paying much attention to what Asians do. Frankly go ahead and negotiate, and they say, what, oh, really there's a disagreement, what is it? You know, so that’s my view, yeah, go ahead.

MR. TERADA: Yeah, go ahead too. But before that, I mentioned, you know, U.S.-Japan bilateral relationship has a role of sort of easing sort of the concerns, both in Japan particular Mr. Abe, and also U.S., who actually had some visions on Asia. So I don’t see any sort of retaliation or something like that, well, could come from the United States. But however, anyway, Japan probably might overact. So that’s why the U.S.-Japan bilateral -- well, FTA might be effective in this case, in keeping with the relationship with the United States as much as possible.

MS. SOLÍS: Yes. Mm-hmm.

MS. NGUYEN: Thank you. I'm Genie Nguyen, with Voice of Vietnamese Americans. I would like to ask you further, Dr. Urata, and also of the Japanese doctors. Regarding the relationship between Japan and Southeast Asian, especially the partners in the TPP in view of you pushing forward for the TPP 11 or TPP 15; especially with Vietnam, what so you see the role of Vietnam in supporting Japan development in that area? I understand that today the Japanese Emperor visit in Vietnam, and Prime Minister Abe has had many positive efforts towards Vietnam. I would like to hear from you what Vietnam can to support your efforts? Thank you.

MS. SOLÍS: Thank you.

MR. URATA: As you know, Japan and Vietnam already has a bilateral FTA in addition to Japan-ASEAN FTA. So, already we have a very close relationship, and one advantage of, say, Vietnam in the TPP, if TPP is realized, is this Cumulative Rules of Origin which Professor Fukagawa mentioned. You know, say, think about textile products. Textile yarn produced in Japan sent to Vietnam, and produce material, and clothing apparel. If that is shipped to the U.S., there's no tariff involved if TPP is enacted.

So, in that sense, Vietnam can play a very important role, in connecting Japan and Vietnamese and U.S. And Japan will -- I mean, the Japanese government realize the importance of Vietnam in that way, and also, like you said, Japan and Vietnam have a very good relationship. And perhaps, maybe last overseas trip take place in Vietnam.

And having said this, I'm an economist, but I should say something about maybe the relationship between China and Vietnam, you know, the relationship between Vietnam and China is -- maybe I don't have to explain. So, for Japan it's important to have a good relationship with Vietnam. It's kind of to put pressure on China. And so in that regard I think Japan, Vietnam involved -- I mean TPP involving Japan and Vietnam will be very important.

MS. SOLÍS: Very good. (Inaudible)?

MS. FUKAGAWA: I think one of the reasons why Vietnam has got so important in TPP for Japan is that Vietnam was regarded as a kind of starting point for the domino effect to cover the whole ASEAN countries. Since Vietnam -- as long as Vietnam remains in the TPP, that is going to pressure Thailand or Philippines, other participants, because of the competitions with Vietnam. And if Thailand just remains as it is, with the rising wage, and the political instability, probably many companies will be -- continues to be attracted by Vietnam in terms of the low-cost manufacturing side.

So, if Vietnam is there, Thailand and Philippines as another geopolitics against China, so there is the calculations that Vietnam was a very crucial country, and in terms of the rules of origin, even Korea should be attracted by TPP because their China Plus One production (inaudible) Vietnam. So, as long as Vietnam remains there, since they are discriminated against the Japanese export to Vietnam, they've got to go -- they've got to come to the TPP.

So, Vietnam was a kind of starting point for the whole domino theories for Japanese strategies, but now it's all gone, so we have to calculate another strategy.

MS. SOLÍS: Very good. There was a question from this gentleman?

SPEAKER: It's (crosstalk).

MS. SOLÍS: Oh. I'm sorry. Do you have -- (crosstalk) --

MR. TERADA: Okay. Well, you know, just one point, the significance of (inaudible), the Japanese companies is of course, you know, the material or labor cost, and the TPP, you know, the inclusion it started with the -- you know, the Japanese corporate interest, which we call China Plus One strategy. Of course Plus One, mainly means Vietnam. So, already in a trade (inaudible); you know, the company is shifting to, say, factories, in fibers, and this kind of stuff, you know, textiles to Vietnam, so that those companies can export those products to the United States for no tax.

So I think that already companies are moving concerning the TPP, its implementation. So, I think the Vietnamese will play quite a significant role, in terms of the Japanese in sort of the investment -- Japanese companies' investment strategies.

MS. SOLÍS: Thank you. Now he can go --

MR. ROSE: Excuse me. My name is Gerald Rose, I'm the Editor of the

Executive Intelligence Review. I'm going to put something on the table, which gives us, it's been hinted at, is been discussed a bit, but I want to put on the table explicitly. I think we are in the middle of a scientific industrial revolution at this point.

As everyone has mentioned here, China has lifted 700 million people out of poverty over the last 10 years or so. You are talking about physical economy now, which Japan has a genius on, you know, I'm saying that very directly. The need, it's just infrastructure, we use the word infrastructure very loosely. We are talking now about rail lines that go from the coast of China through Pakistan, through Kyrgyzstan, through Kazakhstan, up through -- through all sorts of ports, maritime.

The idea that somehow we have to divide a limited product as opposed to an industrial scientific revolution including -- and I know Japan is very interested in this, on the question of space. We now are on the verge, if we think abo8ut it right, if we don't play geopolitics, we can move into a whole new array like we did when we went to the Moon, a whole new array of products, and potentials. So, that's what I want to put on the table.

MS. SOLÍS: Thank you. Thank you. Okay, Bernie.

MR GORDON: I'm Bernie Gordon, University or New Hampshire (inaudible). I want to return to what Mireya mentioned -- I'm sorry -- Thank you. Bernard Gordon, University or New Hampshire. (Inaudible) and Mireya, and Terada, have all said that the -- if I understood correctly, that the possible next step is a bilateral relationship, the return to the notion of a bilateral U.S.-Japan FTA, and you've talked about it several times.

At the bottom line, do you think, particularly (inaudible) saying Terada, do you think that it is too much of a bite for Abe to take on? Will that break -- Because apparently -- let me just say this, apparently that's what Trump into, a bilateral. Is it too much for the Japanese negotiators to take on for the notion to succeed? Because if that notion doesn't succeed, I don't know -- I think maybe then we would have to recognize that any form of a TPP is not going to stay alive. Thank you.

MS. SOLÍS: Please, yes. Yes.

MR. URATA: Shall I respond to this one?

MS. SOLÍS: Yes. Mm-hmm.

MR. URATA: I don't think it's too much for Prime Minister Abe to take on. I think we can. I think Japan can accept this proposition coming -- possibly coming from President Trump, about a bilateral FTA, and Japan should, like I say, accept this proposition; because that eventually will improve the competitiveness of Japanese economy. And, you know, Vinnie talked about this so-called export restraint kind of policies, you know, which U.S. imposed on Japan, and that is very -- that has very negative implications. But there are many results which came out from Japan-U.S. bilateral negotiations, or debates and controversies.

Like opening up agriculture sector, beef market in Japan, because of pressure coming from the U.S., opening up orange market, opening up cherry market. You know, these are at the -- can request or demand coming from -- pressure coming from the U.S. And what happened to this market, the beef market in Japan, they became more competitive, stronger, but of course there are many beef growers -- beef farms which ran into bankruptcy, but those who survived became stronger.

So, again, and I think Mr. Abe and his (inaudible) know the positive consequences of this market opening, so what I'm trying to say, is Japan is, I think ready to accept this bilateral FTA proposition. And what I heard, I don't know how accurate, or true this is, but Japanese getting ready, you know, they try to come up with the better -- I mean, what's the word?

You know, in order to participate in TPP negotiation, Prime Minister Abe set up a TPP unit, a special unit, right? And that was one of the -- success, I think, and now they are maybe thinking about firming up, or coming up, a better negotiation group to, you know, possibly deal with this Japan-U.S. FTA. So, again, I think Prime Minister Abe can accept this proposition if it comes to him.

MS. SOLÍS: Terada?

MR. TERADA: Okay. Let me say, a bit from different perspective, and Japan was not comfortable or happy with the result of TPP in terms of automobile liberalizations. It's all done bilaterally, it's not matter about the negotiations, only done by -- between Japan and the United States. And for 25 for just mere 2.5 percent tariffs on the American commercial cars, and there was a 25 percent for 30 years time period for liberalization on pickup (inaudible), but nothing to Japanese automobile companies.

But anyway that's a good incentive for Japanese automobiles to continue to invest in the United States, rather than exporting directly from Japan to the United States. But this is the point why Japan now -- become aggressive in terms of the negotiations with European Union. Now new Japan FTAs and something next if Japan wants to finish up what's not possible because of the TPP, you know, problem.

And that Japan is now hoping European Union to eliminate tariffs on auto parts as soon as possible, probably immediately. And of course time (inaudible) part should be also eliminated on automobile, it's about 10 percent on commercial cars. And this year, of course election year for Europeans, France and Germany and even that, but that -- probably doesn't purchase to much (inaudible).

But that will make it quite it quite difficult for EU and Japan to conclude the bilateral negotiations on FTA. So, in this case if Japan-U.S. FTA, bilaterally, were established, Japan might try to ask the United States to make more concessions, than U.S. promised within the TPP framework. I know that many media in Japan, focus on agriculture, America is more aggressive in negotiation ties to get more concession than what they got from Japan, I think 8,000 tons of quotas of rice to Japan every year, it would be quite big, you know, the deal which the United States got.

But in the address, see Japan's (inaudible) sector like beef, as Professor Urata mentioned, to fix, you know, the tariffs on -- for Australia beef has been reducing already, that discriminate against American beef market, the producers. But anyway, I think, you know, Japan should be more aggressive too, to get more concession from U.S. side, which I think should be more highlighted by Japanese media, and also Japanese negotiators should have more confidence in terms of the negotiations. But of course that's only in my mind.

MS. SOLÍS: Okay. I think we have, Claude, at the back.

MR. BARFIELD: Excuse me. Claude Barfield, AEI, I'd like to posit that we ought to maybe -- and I don’t know what's going to happen, but we ought to take these guys at their word, starting with Trump. And so it may very well be that they go right through with what they said, or try to anyway. That is that they are not interested in going beyond bilaterals. And so they will start with Mexico and Canada, then will go to Japan and then go to Korea.

They have also said they want to renegotiate other trade agreements, other bilateral agreements that we have so it's quite likely and I say this because these are the things that Trump had embedded in his mind for decades. So, while we think that we hope that other more sensible people will come to the White House, when Navarro speaks, he speaks with Trump's mind. Right now to the degree that he has one. So, we ought to assume that that’s the kind of world that we'll living in over the next -- certainly for this administration.

And it goes beyond just the bilaterals. I mean in terms of Trump's desire or his definition of the success or failure on a trade agreement, it has to do with the trade surplus or trade deficit, I think they will probably put that on the table, and try to go back -- We already heard that they are looking at ways of getting around the VR rules in the WTO, and looking at ways of just saying to the WTO, we will not go along with that, and it's too bad if you don't like it.

So that my point is, it looks to me as if we ought to start out, whatever we think and the panel thinks -- I think and the panel thinks, assuming that at least for the moment, they are going to go through with a lot of what he said during the campaign.

MS. SOLÍS: Thank you, Claude. I think that's a very useful point. And in my mind, I think that's why I think that maybe it would in Japan's interest to take a wait-and-see approach, and see how American negotiators in this administration flesh out what the position is going to be. And I think that negotiation has come in first is going to be about NAFTA. And there's a lot to be learned there, regarding whether it would be in Japan's interest, because if it's really about liberalizing markets we can all see the economic benefits, but if it's about embedding protection, as part of these negotiations, then that wouldn't be in Japan's interest.

And the play on negotiations obviously would be the worst outcome in terms of the bilateral relationship. So, I very much sympathize with that sentiment. I don't know how the panelists feel.

MR. URATA: Just one -- maybe a question to Fred or Claude. I'm just wondering, you know, like U.S. farm lobbyists, I mean those are the ones who would benefit a lot from TPP. Currently, you know, Japan-Australia, FTA have given benefits to Australian farmers. Can we expect these American farmers to come to, you know, fore and then put pressure on the Trump administration about -- like TPP?

MS. SOLÍS: Right. I know Fred and Claude both want to respond so I give you a chance as soon as a microphone -- Would you mind if Gregg goes first, and they you because the microphone is -- Okay, Claude?

MR. BARFIELD: For me, or Fred?

MS. SOLÍS: Claude, you go first, Claude.

MR. BARFIELD: Well, I think, yes, down the road, I do not doubt that the American political system, you know, the lobbying for the people who really support --

SPEAKER: Can you up a little bit?

MR. BARFIELD: I do not doubt that down the road, there's going to be a reaction, whether it's the agricultural or some of the business community, but the president can do a lot, before you can get there. And so I think we will just have to see how it plays, but my only point is, and I don't know how, and I'm not predicting this will happen.

But we've got to realize that these are firm and fixed views. These are people who actually believe in what they are doing, and you are going to have to go through some sort of reaction, and some sort of economic reaction I'm talking about, as well as political before they will change. I don't think they are going to change just in terms of somebody going into the president's office, or Navarro's office and saying, you know, this is going to be disaster for us. They are going to -- they will work through it, I think.

MR. BERGSTEN: You know, I'm much more optimistic on Claude on that. And the pushback is already occurring in a big way. I met just last week with the chiefs of staff of about 20 of the top senators. One of them said the following; a very telling point. He said, Trump won 30 states, in 27 of those states agriculture is either the first or second largest industry. The agricultural community thought the TPP was by far, by far, the biggest policy initiative that would benefit agriculture, and sees no alternative out there, as anywhere close.

These were people who supported Trump and said, and if he doesn't deliver for us we are going to leave him. And you've seen editorials by leaders in the agricultural community and The Wall Street Journal arguing very strongly in the same direction. So, there is already a big backlash.

We know there are battles within the White House as well as within the administration more broadly. So, I do not take it as given, as much as Claude does. I mean sure, there are a couple of people in the administration with strong views, but Trump demonstratively changes his views overnight, and in reverse direction. I mean, it's not even clear they are going to do anything about Obamacare now, let alone trade policy.

So, the point is, as usual in the United States, and Japan, any democracy, there's a big internal battle, particularly when major changes are proposed. What I think is important in the context of today's discussion, is that our friends in other countries reinforce the pressure to push things in a constructive direction.

So, I've been a big fan of what Prime Minister Abe has been saying when he visited President Trump, twice now, stick with TPP, but if that's the alternative, do a bilateral but on the view s you said, that it can be a stepping stone back to a regional agreement. And we know that kind competitive liberalization frequently has happened.

So, I think it's very important. We've got an upcoming G7 Summit in a couple of months, then a G20, these will be Trump's first initiatives in the multilateral diplomacy economic field. And it's very important that the rest of the world reinforce the tendencies to move back in a construction direction.

I would stress, Trump has not done anything yet except, which was very bad, jumped out of TPP. He has done nothing else yet, not even on NAFTA. So, there's a lot of rhetoric, we know there are some restrictive advisors, but there are also a lot of other people. The secretary of state has not weighed in yet. The secretary of treasury has not weighed in yet. We know that the National Economic Council is pretty reasonable. So, do not despair!

MS. SOLÍS: That's a pretty good note --

MR. BARFIELD: The only thing -- just to end there, the only thing I would say is that he is highly popular in his own -- his own constituencies.

MS. SOLÍS: We have one minute, and (crosstalk), intervention? Oh. Sorry, no Claude, I mean, you have one minute if you want to say something really fast.

MR. BARFIELD: The only thing I would say is that all of this true and I hope Fred is right. But just remember this has to -- The Congress you would have to look to, the Congress is cowered by him right now, because he is highly popular in the constituencies that he won.

He's not popular in the rest of the country, but he doesn’t really care about the rest of the country. And so I don’t see anything in the party at the moment, including the leadership, which would alter (crosstalk) anything is done.

MS. SOLÍS: I do have to stop now. I think you can see what a critical juncture this is that you have some of the brightest brains on trade diplomacy here -- it's firing back and forth because we don't really know where we are going, and a very serious topic. So I just want you to, please, join me in thanking the panelists, and then we can carry on the conversation. Thank you very much. (Applause)

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