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## P R O C E E D I N G S

MS. SOLÍS: Good morning everyone. My name is Mireya Solís. I'm the Director of the Center for East Asia Policy Studies here at Brookings.

And it's a pleasure to collaborate with the U.S.-Japan Research Institute and the Global Taiwan Institute in bringing this program to you.

When we planned for this event we knew that the topic is very timely, but I have to say we could not predict how timely it is going to be. Just last night there was a statement from the White House, the President notifying Congress that it has reached an initial agreement on tariffs with Japan that will not require approval from Congress, and that there will also be an Executive Agreement on digital trade.

Comments in Tokyo have been a little bit more cautious, and the comment has been more on the lines that they're still finalizing the agreement, and they would like to reconfirm that there would be no national security tariffs on automobiles. So this is really of course happening as we speak, and we're going to devote, of course, a lot of time to these developments.

But I want to take a broader view of this. And then let me provide you with some context. Under the "America First" banner President Trump promised a reset of U.S. trade policy, the obvious priority has been to rebalance the economic relationship with China especially with an eye towards addressing market distorting policies that could give China an unfair edge in the technology race.

But another important line of effort for the Trump White House has been to negotiate a string of bilateral trade agreements with the promise of delivering better access for American farmers and for American producers. For trade-dependent economies in Asia with close ties to the United States, like Japan, like Taiwan, this moment of change and disruption presents challenges but also opportunities.

The U.S.-China trade war and the increasing repercussion of high-tech platforms presents major challenges for the Japanese and Taiwanese economies both at the

center of global supply chains and with advanced technological capabilities.

There are opportunities as well in the sense that our bilateral trade agreement with the United States offers a chance to put behind market access irritants and deepen bilateral ties. I have to note that there are important differences between Japan and Taiwan as they navigate these uncharted territory.

Japan has finished two mega trade agreements, the Comprehensive and Progressive TPP, and agreement with the European Union, and as we heard just now it's on the verge of closing a deal with the United States, whereas, Taiwan is interested in launching negotiations with the United States precisely to ameliorate its economic and diplomatic isolation.

So to explore these very complex set of issues we have a stellar cast of panelists. I'm going to introduce them very briefly in the order in which I'll ask them to come to the podium and offer remarks.

And after that we'll all come to the stage, I'll engage the panelists in a discussion. And then I do promise I'll bring all of you for Q&A; and for you to share your views as well.

So, let me start then in order in which I'll ask them to come to the stage. Barbara Weisel is Managing Director at Rock Creek Global Advisors, and before that position she had a very distinguished career at USTR where she was the lead negotiator for the TPP for the entirety of the negotiations. I imagine those were a marathon eight years. And she was also Deputy Assistant for Bilateral Asian affairs. So I think that Barbara can provide a very good perspective of the difference in negotiating bilaterally or regionally.

Shujiro Urata is Professor of Economics at the Graduate School of Asia-Pacific studies at Waseda University, but that is in fact only one of the hats of Shu Urata, who has many affiliations with several research institutes, including the Economic Research Institute for ASEAN and East Asia. I should also note that Shu had a preview affiliation with Brookings in the past, and he is widely considered to be a leading authority on Japanese

trade and foreign economic policy.

And Jinji Chen is Dean and Professor of the Graduate School of financial Management at the CTBC Business School in Taiwan. He's also an Advisor to Taiwan's Executive Yuan, Taipei City Government, and Taichung City Government, and has in the past been a Visiting Professor both in the United States and Japan.

So we have a very exciting topic ahead of us. We have our world-leading experts. And without further ado, Barbara, if you can please come to the podium. Thank you.

MS. WEISEL: Thank you, Mireya. And thanks to Brookings and the U.S.-Japan Research Institute and Global Taiwan Institute. Let me apologize in advance, you can see I have a cold, and I will try to speak clearly through my sore throat.

As Mireya said, it's a good time to have this discussion on relations in Asia as countries try to determine how to best manage and advance their interests in these interesting and very challenging times. I thought I'd start the discussion with some remarks on whether the U.S. can articulate an effective bilateral strategy in Asia, and then say a few words about the bilateral negotiations with Japan and Taiwan, or the potential for negotiations between the U.S. and Taiwan.

And for context I wanted to start with a very brief recap of U.S. trade policies since World War II, and how we got where we are. And, yes, I know we only have 10 minutes for this presentation.

I want to break up this recap into four periods, at least the first three of which logically follow the one that preceded it.

The first major period was that of multilateral trade negotiations which started post-World War II with the negotiation of the GATT Agreement. Subsequent to the GATT Agreement in 1947 there were eight negotiating rounds that focused mostly on tariff elimination, but then successively added other issues.

It started with 23 countries and by the time the negotiations ended in 1994

the countries were up to 128 members. So, the process that started out as a difficult process among the 23 countries became quite unwieldy and slow and increasingly difficult to negotiate.

So, began the second period of negotiations, and the second major period that followed this period of multilateral trade negotiations, and that was a period of more bilateral trade negotiations. This started in the mid-late-'80s and continued up through 2008, more or less, and beyond when the U.S., along with many other countries, began negotiating bilateral or small agreements as opposed to large multilateral agreements.

The U.S. wanted to establish preferential trade with key countries that would advance its commercial and other broader priorities, promote trade and economic growth, and also to avoid the kind of unwieldy negotiations that the WTO had become. Underlying this was an interest in spurring multilateral negotiations, both the pace of multilateral negotiations and the breadth, the ambition level which everyone recognized provided the greatest benefits to the most countries.

But in order to do that countries decided that they needed to negotiate these small agreements to push along the larger agreements. So the United States negotiated in that period NAFTA and 13 other bilateral and small regional agreements.

They were high standard by the standards of the time, but then as this period progressed questions started to emerge about the wisdom of negotiating bilaterally and whether or not the so-called "spaghetti bowl of rules" that was emerging from all of these bilateral agreements was creating more problems than it was fixing, and that the differences between the various agreements was making it more difficult for companies to operate and not simplifying the system.

Another problem with negotiating bilaterally was that it was an extremely slow and painstaking process, bandwidth issues in agencies made it difficult to negotiate more than a few agreements at a time, and even once an agreement was concluded each and every agreement had to be ratified by Congress. So no matter the import of the country,

the trading partner, and whether the economy was large or small each agreement was a difficult vote for Members of Congress who, as you know, do not like to take trade votes.

So the ratification process for each one was controversial and heated. All of this led to another rethink and to the third period that we entered around 2008 which was a rethink into the negotiation of plurilateral trade agreements, that is TPP, and TTIP which account as a plurilateral but some people call it a bilateral.

And the vision for these regional agreements was clear. For TPP the U.S. had four key goals. The first was to expand trade and investment with the world's fastest-growing economies, those in Asia. The second was to boost U.S. regional competitiveness, many other countries were negotiating preferential trade agreements both regionally and bilaterally, and the U.S. needed to do something to accelerate the pace of its efforts if it wanted to keep pace, so a regional agreement was a better way to go about it.

Third, in response to the concerns that had emerged about the spaghetti bowl of rules, it became important to negotiate a regional agreement that would set regional standards and make it easier for there to -- for harmonized, establish common rules to be set across the region, preferably that reflected U.S. approaches and U.S. values.

And fourth, the U.S. was hoping to build a coalition of like-minded countries that would help extend the rules across the region and beyond, eventually influencing discussions in the WTO, and plurilaterally.

All of these goals were embedded in TPP but the agreement, as you all know, became controversial domestically and caught up in the 2016 Election and was never ratified, which brings us to the fourth major period, the Trump bilateral approach.

The basis for President Trump's bilateral approach differed from the basis of the earlier period of bilateral approach. Trump saw the need to radically disrupt trade policy, but to do so he saw going back to a bilateral approach as the best means to address what he saw was the failure of the U.S. Government to use the leverage of its size and market power to advance America First interests.

The administration sees bilateral trade deals as a means of addressing what it sees as unfair trade practices by most of our trading partners, and the bilateral trade deficits that are the manifestation of this unfair trade. And the administration has used this approach, this bilateral approach, and the leverage that it brings with strategic rivals, with competitors, with allies and partners alike.

The administration has said once it withdrew from TPP that it hopes to negotiate bilateral agreements with key TPP countries and other major economies.

So far, however, the administration has only concluded an update of KORUS, the Korea-U.S. Trade Agreement, renegotiation of NAFTA which is based, in large part, on TPP. And yesterday the announcement of the trade deal with Japan.

The details of that deal which is an initial deal in early harvest, have yet to be released but it appears to include two key elements. First, a market access deal that consists principally of Japan offering concessions on access to agriculture into its market, and the U.S. providing certain concessions on industrial goods into the U.S. market from Japan.

A second element of the agreement is on digital trade. Again, the text has not been released, but as I understand it, it reflects largely what was in the text of the USMCA Agreement on digital trade.

Yesterday's press release from the White House also indicated that the two countries will conduct further negotiations to achieve a comprehensive trade agreement that results in more fair and reciprocal trade between the United States and Japan. So clearly the U.S. feels that there is more work to do to reach a fair trade agreement with Japan. There was nothing in the press release by the White House yesterday regarding the status of the 232 and the treatment of Japan under 232.

So, turning to the question as to whether the U.S. can articulate an effective bilateral strategy, I think that remains an open question. The U.S. has used its bilateral strategy under the Trump administration to illicit concessions from certain trading partners,

this has brought some immediate benefits to some U.S. stakeholders whose issues are covered by the agreements.

But the long-term vision for this bilateral strategy is difficult to identify. First, many countries observing the manner in which the U.S. has conducted negotiations with Canada, Mexico, Korea and Japan have been circumspect about whether to seek negotiations with the United States. They are concerned that rather than establishing a win-win process the deals could be zero-sum, and at the least they would fall victim to the U.S. mercantilist approach.

Second, even if countries were lining up to negotiate, the same questions that led the U.S. to question and largely abandon the bilateral approach a decade ago both trade, policy reasons and political reasons remain.

Third, and perhaps ultimately most importantly, other countries are continuing to negotiate their own regional and bilateral trade agreements strengthening regional value chains and setting rules by which regional and global trade will be governed without the United States. While many of them prefer U.S. leadership and partnership they will continue to pursue global and regional trade agreements that will promote trade and development and regional standards that reflect their interests. The conclusion of CPTPP after the withdrawal of the U.S. from TPP was evidence of that.

A word on what this means for Japan and Taiwan. Japan has never been enthusiastic about negotiating a comprehensive bilateral agreement with the United States -- or I shouldn't say never -- never since -- since the U.S. withdrew from TPP Japan has not been enthusiastic about negotiating a comprehensive bilateral agreement, always holding out hope that the U.S. would return to TPP or some version of it.

In that regard, negotiating a limited agreement that did not touch on most of the rules that were in TPP might be considered somewhat of a victory. As to the market access deal that was negotiated, I have questions, as I'm sure the Diet will, but will reserve judgment until we see the full contents of the market access package, and how and whether



the agreement deals with the 232 issue.

For Taiwan, I think the question is somewhat different. Taiwan is not a party to any regional trade agreement and membership is probably unlikely in the foreseeable future. So, a bilateral agreement with the United States would seem to be a good option.

But here, too, political constraints would seem to prevail were the two countries seek to negotiate a full-blown comprehensive FTA. It would then be for Taiwan to determine whether negotiating a smaller trade agreement with the United States is in its interests, and whether it could negotiate a smaller trade agreement that would help deepen U.S.-Taiwan relations, or whether doing so would serve to strain them at this turbulent time in the region.

I will stop there, short of ten minutes. And look forward to your questions.

(Applause)

MR. URATA: Good morning everyone. I'd like to thank Mireya and the Brookings for inviting me to participate in these very important and very interesting discussions.

What I'd like to do is the following. I'd like to talk about three things. One, is a U.S.-China trade war which is the one of the most, in my view, serious issues at the moment, and it has a lot of implications for the future of the global trading system, and global economy. Number two I'd like to talk about the U.S.-Japan Trade Deal -- oh, sorry, before that I'd like to talk about Japan's trade policy which has been quite different than the earlier ones. And then I'd like to end my talk by giving my views on U.S. Trade Deal which has been pointed out by two previous speakers.

First on U.S.-China trade war. Here, again it's been discussed already and there at least two motives, in my view, for the U.S. to start this trade war. One is to improve the bilateral trade balance vis-à-vis China, and having a trade imbalance or trade deficit vis-à-vis China in Mr. Trump's view is a problem because it leads to unemployment in the United States.

And the second reason, or second motive behind this trade war is to deal with unfair trade practices by the Chinese Government or Chinese enterprises, specifically forced technology transfer, violation of intellectual property, and so on.

Then the question is whether these two motives or two objectives can be achieved by starting this trade war by the United States. In my view, to achieve the first objective, that is to correct imbalance, bilateral imbalance vis-à-vis with China, protectionism or increasing imported tariff, will contribute a little bit, but that does not really solve the basic problem.

Here, the United States and maybe its trading partners, in this case China, they have to adopt the macroeconomic policies, like monetary and fiscal policies which are more appropriate than a protection policy or trade policies.

If you remember at the 1980s and 1990s when U.S. had a similar problem with Japan, vis-à-vis Japan, and what happened to the consequences of increasing tariffs by -- or try to limit the U.S. imports from Japan, it didn't really work out the way U.S. wanted to see. We still have, or we still have the U.S. trade deficit vis-à-vis Japan. So trade policy is not appropriate policy to deal with import deficit problem.

And what about the second objectives? Yes, I think it can have a quite an impact, but in my view U.S. should cooperate with other countries, such as Japan and the EU, which faces similar problems in China. So, again here, U.S. should not be just in applying this kind of bilateral or unilateral trade policy vis-à-vis China. Here, Japan and the EU can be a very effective cooperator.

So, this is what I wanted to say about the U.S.-China trade war, and we have already seen the negative impacts of U.S.-China trade war, which is very serious. The global economy, a slow down its taking place and then, moreover, what I'm concerned is the possible breaking up of the world trading system.

And that of course is likely to have a very serious problem for many years to come. So, I'd like to see U.S. change its policy, or you know stop this a trade war, and then

of course the question, is how can we stop the trade war. Maybe we will be discussing this.

Okay because of time let me turn to the second subject that is a Japan's trade policy. Japan started to implement Free Trade Agreement Policy in a 21st Century, Japan is one of the latecomers in this FTA trade policy circles. And Japan had a number of bilateral trade deals, beginning with Singapore, Mexico, Malaysia and so on, and it was in, let's say 2013 when Japan joined TPP discussions which were ongoing at the time.

It took Prime Minister Abe a quite a bit of effort to overcome the opposition from Japan mostly in the agriculture sector. And Japan successfully entered negotiation and then, in my view, U.S. and Japan collaborated and cooperated very well to reach an agreement in 2015, was it I think. Then after that, as we heard earlier, U.S. pulled out of this TPP and Japan acted very quickly with other countries like Australia to begin the TPP-11 negotiations.

And Japan was very instrumental in reaching agreement among these 11 countries, and now Japan also was successful in achieving agreement with the EU, as Mireya mentioned earlier.

Now Japan is involved in RCEP negotiation, which involves 16 East Asian countries, and I think we'll be seeing, I hope we'll be seeing some progress toward the end of this year, possibly reach an agreement this year.

And so this is Japan's new trade policy, and Japan was very keen on having free trade agreements for various reasons. One is because of the Japanese domestic economic situation. The population is declining, domestic market is shrinking so we need to rely more on foreign markets, and one way to do is to increase our market access to other countries. And FTAs can be a very instrument -- a very important instrument for doing that.

And finally I have only -- a two-minute warning so let me talk about the U.S.-Japan Trade Deal. And I was in Washington so I didn't listen to, I didn't hear this news about the recent, I guess, basic agreement. Or what I knew before was they reached an agreement in principle, whatever that means. And again as far as I understand, U.S. wanted

pretty much what they wanted, but Japan didn't get what they wanted. That's my assessment, simplest put.

Japan wanted what Japan did get from the U.S. in the TPP negotiation. That is elimination of tariffs on automobiles, finished automobiles, which is 2.5 percent tariff, it's a small tariff, but I guess we got the concession for the U.S., so we moved this in I don't know how many years, maybe 10 years or so -- 12 years? Twenty-five years, okay. But that Japan didn't get in this U.S.-Japan Trade Deal.

Having said this, why Japan entered into negotiation with the U.S.? One, I think our view is that Mr. Trump use this threat very well, unless Japan entered the negotiation we may invoke on this Section 232. And of course Japan, you know, will try to avoid this, because that will have negative -- very serious negative impacts on Japan's exports of automobiles to the United States.

So, that the 2.5 -- the 5 percent tariff elimination is gone, but having said this, Japan was maybe -- feel a bit relieved because at least they hope that the U.S. will not invoke the Section 232. But that I'm not quite sure what Mr. Trump or U.S. authorities promised. I haven't seen that in writing so it's very possible that Japanese are -- the wishful thinking will not be realized. That's what I'm a bit, quite a bit afraid of.

Finally, one other point which is the WTO consistency. According the WTO rule a trade agreement needs to at least have a 90 percent elimination of tariffs, and of course, you know, what is the definition of 90 percent if we use this trade value obviously that will not satisfy having the U.S.-Japan deal, it will not satisfy this deal because about 30 percent of Japanese exports to the U.S. are automobiles.

So, that is, I think, issue to be discussed -- or to be discussed. Okay. Let me finish with this. Thank you very much. (Applause)

MR. CHEN: Okay. It's my pleasure to be here, and it's my advantage to be the last speaker, because I don't need to mention too much, or the question that the distinguished panelists they talked about very much.

And this is Taiwan, we are in the middle of giant elephants, and they have a trade war, of China, Americans. And let us get -- hold on.

Okay. Let me start here. Like the trade war between China and Japan, the U.S. -- maybe the first round, the second round, the third round, the tariff increased. Our emphasis more on what the impact to Taiwan, and this is the growth rate of the U.S. imports from China, and average growth rate is the gray line, it declined in the first half year of 2019.

And the blue is non-tariff list, which is now on the list of additional tariffs. They're still going for growth rate annually.

And the red line is declining. So, it means that the tariff increase to -- is assessed to decrease from the Chinese export to the States.

And from Taiwan's point of view, Taiwan is highly integrated in global supply chain, and we are -- all our export and import is 145 percent GDP in 2018, and Taiwan's economy has been affected by the global economy. And also the trade tension between the States and China, and the outcome of trade talks will affect global economic prospects.

And U.S.-China trade war hurts Taiwan on two ends. Taiwan depends on China because Taiwan is -- because China is our -- is Taiwanese manufacturing base, and the U.S. is the export market, especially for final goods, like laptop, mobile phone, ICT products. And these will be on the list of the third round, the fourth round of the tariff increase.

And the trilateral trade model for Taiwan is receiving order in Taiwan. But we are manufacturing in China and shipping for American consumers, especially iPhone 11, especially the components of iPhone and ICT product, and the key components as well. And the U.S.-China trade tension will affect production and investment strategies for Taiwan's business model of trilateral trade.

Let me introduce data. And on List One of tariffs it covers about 34 billion of Chinese imports. And List Two covers 16 billion of Chinese imports. This is not focused on the final product, so the effect for Taiwan is 0.21 percent of GDP. And Taiwanese company,

they deal with tariffs by shipping product earlier before tariff took into force.

And the second major is transferring orders, because then previously, some orders to the Chinese factory and they transferred to the Taiwanese company and relocating production base in the long run.

Now for the third -- Now list Three: additional tariffs on Chinese ICT imports in the 200 billion, which started to impact Taiwan's export to China, because the export goods declined, and Taiwan's intermediate goods and the components will decline as well.

For the List Four, for the List Four, and additional tariffs on about 300 billion worth of Chinese imports, like ICT products, phone, laptop, this will start on December 15<sup>th</sup>, but demand declines as the price increased the tariff effect. So List Four has more significant impact on Taiwan's exports for intermediate good and consumption goods.

So, Taiwanese businesses may adjust their production capacity to respond to U.S. tariff, like some industries will be affected, but some business they'll benefit by delivering orders prior -- prior to tariffs, or orders for factory and transfer from China to Taiwan. But in the long run, Taiwanese businesses will relocate their production base back to Taiwan or to southeastern countries, and adjust from their over-dependency on China. So this might be a good scenario for Taiwan.

And the real impact to Taiwan as a result of U.S.-China trade war, Taiwan's export to the State -- to the United States can really increase. It increased about 20.2 percent in the first half year of 2019. And almost a half of U.S. imports from China bear additional tariffs, so resulting in a sharp increase in the cost of Chinese imports.

So follow year, the follow first half-year of 2019, the products on list of tariff increased for Chinese imports, they have trade diversification effect. So the first one is Slovakia, and it grew 1.1 times. Follow this and the tariff increased. This is trade diversification effect. And also Vietnam and Taiwan increased by 33.7 percent, and for Taiwan it's 28.5 percent respectively. And exports from France and South Korea also increased quote a lot.

And this one is the component follow -- so let me show the component of Taiwanese export goods, similar to the additional tariff on Chinese export. The most, the 17.7 -- 19.7 percent is ICT products, so still for Taiwan still -- or for Taiwan U.S. is second largest trade partner, and also for U.S. Taiwan is still the 9th largest trade partner. So let me stop here, and for the next step. Thank you so much. (Applause)

MS. SOLÍS: Thank you very much for excellent presentations. I have to say I'm also very impressed with how prompt everybody was. I don't think I've ever moderated a panel where everybody ends right on time. So, that left a lot of time for us to engage in discussion. And it's my privilege to be the first to engage with the panelists, and then later on to bring all of you.

So, let me then ask some questions. You've all touched on these points, but I also want to emphasize them and then give an opportunity for the panelists to respond to one another and elicit a variety of views. And given that the U.S. and Japan have negotiated very, very quickly a bilateral trade deal the expectation is that at the time of the United Nations General Assembly at the end of this month, the two leaders may be able then to jointly announce that at least the first stage is already taken care of.

I would like to use that negotiation to think through about what does these bilateral turn, the Trump bilateralism means for relations with Asia, and specifically with Japan and Taiwan.

So then what are the examples -- what are the lessons and the precedents that are being set by this negotiation? First of all especially to Shu, but also are to others. Shu mentioned that it's widely expected, and we all know that it's going to be a narrow agreement, that it's mostly tariffs, and that the most important economic sector in terms of bilateral trade flows, automobiles, is not going to be part of the tariff elimination exercise.

So how will this be received in Japan? We know that Prime Minister Abe is very strong domestically, but can he sell this agreement as a win? And how would then the pressure be if there is no specific statement on the 232? We don't know how that may

come, but how do you think then the reaction from experts, from the public in Japan, may be to what we know, might be and might not be in this agreement?

MR. URATA: Okay. Thank you very much. First of all I thought this is negotiation took longer than it looked like because they've had a TPP agreement, and "they" meaning U.S. and Japan, agreed on many things in TPP agreement and I thought before beginning the bilateral trade talks, it will be very easy because, you know, what they know, what they offered, and that's the -- nothing they can do. But that didn't happen.

And I'd like to know why, maybe you can tell me about the reason, but my -- my kind of a guess is that Japan made it clear that Japan will offer, in other words market access to Americans in agricultural sector as much as Japan offered in the TPP Agreement so that that was a very clear.

And Japan was hoping to get the same thing from the United State, that is what I said in my presentation, the elimination of 2.5 percent tariff on finished automobiles, but Japan didn't get it, right. So maybe this is one of the contentious issues which they discussed, and it took them longer than what I thought it --

And also U.S. may -- this I guess -- my guess -- wanted much more than what they get in agriculture market access in Japan than what they got in the TPP negotiations. Again, so these are maybe possible reasons why negotiations took longer than what I expected.

And coming to this question about whether Japan won from the negotiation. Again, as I said in my presentation Japan didn't get what Japan wanted initially but over time, of course, Japan got this kind of assurance, maybe questionable, from the U.S. that the U.S. will not use Section 232, that is from national security reasons, to put the additional tariffs on imports from Japan, automobile imports from Japan.

Because for Japan -- for Japan they produce a lot of cars in the United States, but still auto exports from Japan to the U.S. is a very large part of Japanese economy, so Japan didn't get -- I think Japan, in my view, is not so happy, maybe a little bit



happy because they are, you know, they feel a bit comfortable because U.S. will not use this Section 232. Maybe you can bet on this point.

MS. WEISEL: I think that the negotiations of any bilateral agreement always takes longer than people think it's going to take, and in this case there was not, I think at the outset, a clear understanding between the parties as to what the parameters of the agreement were going to be, except as they agreed generally last fall in that joint statement between the two countries.

And when the negotiations started I think Japan tried to make clear that if the U.S. wasn't prepared to offer the market access that it had provided in TPP than it would not reciprocate by offering the market access in -- that it had offered the U.S. in TPP.

And the political challenge of offering the same market access in agriculture was very clear, the market access package in agriculture in TPP consists of a number of elements. There is just tariff elimination that was provided by Japan, and a number of agricultural products, but then there were quotas, and quotas came in the form either of country-specific quotas, that were provided to each country or TPP-wide quotas.

So, for those areas that were tariff cuts it was easy for Japan to say, it doesn't matter to us if we offered you the same as we offer everybody else because you can compete with the other TPP countries, and we don't have to go back to the Diet and explain that we've actually added more access. You know we've opened our market additional to what we did in TPP.

When it came to the quotas, however, there was something different there. In those cases where there were country-specific quotas Japan would have to then go back to the Diet and explain, we are now offering new access to the United States and here's what we got in return for it, and if it couldn't provide an adequate explanation of what it got in return, I think it would be difficult to open those quotas to the United States.

In the case of the TPP-wide quotas, it would not be able to offer U.S. access to TPP-wide quotas unless it got the consent of the other TPP countries, and those TPP

countries would not be likely to say, now that you've withdrawn, feel free to come in and share our quota.

So, I think Japan was in a difficult spot and had to adjust the market access in agriculture to reflect what the U.S. offer was, although we have yet to see exactly how that balance ended up. And we'll see how Japan is going to explain that to the Diet.

MS. SOLÍS: Okay. Great. Let me then continue to tease out the broader implications of the potential U.S.-Japan Trade Deal. You all are seasoned trade experts and practitioners.

What should we make of the fact that it's most likely that the first and third largest economy decide to negotiate a trade agreement that is not WTO consistent, in terms of, you know, again having these narrower reach and not liberalizing a substantially old trade -- old trade. What do we make about how this might impact the integrity of the multilateral trading system?

MR. URATA: It is the U.S. that has to really deal with this issue. If my statement is correct the U.S. has to open up its auto market to satisfy 90 percent, it's not Japan which has to do something more than what they have promised to satisfy this condition.

MS. WEISEL: I think as to your more general question. I think it's quite concerning. The U.S. has been at the forefront of developing the global trading system, advancing the multilateral interests since the '40s, since the 1940s, and I think there was a general consensus in the United States that not only was that leadership successful but the U.S. had been one of the primary beneficiaries of that system.

We have now put all of that into question. The U.S. has, at this point, not sought to explain whether or not it -- how it views the consistency of this agreement with Article 24, the article in the WTO that says you have to achieve the -- must cover most trade in the trade agreement. And I think that for many in the administration the question is moot because the dispute settlement system is now in question as well.

So, if other countries sought to challenge the United States it's not clear where they would go to challenge the United States, so the U.S. may feel that it has a free hand in doing this. But bigger question is the long-term interests of the United States and the policies that we are pursuing and whether they're in our interest.

We are now putting the U.S. in the position of challenging a system that has brought us great benefits and opening the door to other countries negotiating similar trade agreements that will continue to nibble away and undermine the trading system in a way that I think is not in our long-term interests. And I think it would be valuable if there were a more robust debate in the United States about this trade policy, and its longer-term implications.

MS. SOLÍS: Very interesting. Shu, and then Jinji.

MR. URATA: Let me just add. Yeah this is one of the, I guess, reasons why we need WTO reform, you know that we are now talking about the -- you know, WTO consistency rules and so on, but WTO itself has quite a few problems. We don't have time to discuss all of them but, say, for example we talked about the unfair trade practices by Chinese.

There are, you know, unfair trade practices but there are no rules to govern, to regulate these practices at the WTO. So we need to really improve upon the mechanism of WTO and it's a 90 percent rule is one of these problems. Another problem, for example, is treatment of developing countries, they are now treated as especially differentially and so on, and many countries just claim themselves as developing countries, they may not be.

So there are many issues and one of them is this you know got Article 24 which you mentioned. So, we have to look at this issue from a broader perspective, what the global trading system should be, and so on.

MS. SOLÍS: Jinji?

MR. CHEN: My point is that the U.S. and Japan the trade agreements (off mic) --

MS. SOLÍS: Jinji, I'm sorry. I think that your mic is not on.

MR. CHEN: Okay?

MS. SOLÍS: Yes.

MR. CHEN: My point is that if the U.S. and Japan trade agreement is implemented it's almost the same as the U.S. rejoining CPTPP. Because Japan might be the linkage, Japan will become the linkage between the U.S. and other CPTPP member countries. After Trump withdrew from CPTPP -- from TPP negotiation Japan and other member countries still going on, and negotiate with CPTPP, and the 11-member countries keep some flexibility in the main test of CPTPP agreement for the U.S. to rejoin.

So, the outcome might be the same, because the bilateral trade deal from Japan and American, and the outcome is almost the same as the stage, go back to rejoin the CPTPP as well. So that's my point.

MS. SOLÍS: I see. Reactions from other panelists: is this bilateral deal delivering similar results to what the CPTPP accomplished?

MR. URATA: Well, what I'd like to point out is the -- it's the benefits of a regional agreement. You know, TPP kind of provided 12 countries, it was like a one common market, you know, no borders, and so on. And there's a rule called Cumulative Rules of Origin which means that all the products which are produced within the 12 countries are treated equally.

And if you have bilateral ones you cannot use this so-called Cumulative Rules of Origin rule. In other words, it's like hub-and-spoke system, U.S. the hub and, you know, all these other countries as the -- I mean, spokes.

So, if for Japan it's, say -- the Japanese companies produce something in Vietnam using Japanese materials to be exported to the U.S. that does not qualified for free trade in a bilateral framework. But if we have a 12-country region-wide TPP this kind of, you know, trade transaction can be done tariff free, which of course is much better for, you know, multinational companies which have supply chains throughout this region.

So, in my view, regional trade agreement gives much, much greater benefit

than many bilateral ones, although the contents themselves are very similar.

MS. SOLÍS: Barbara?

MS. WEISEL: Yes. I agree with that, and I think that the visions are entirely different. The vision for TPP was to build a regional trade agreement that built supply chains that brought together developed and developing countries, and set standards again that I as I said earlier, that countries hoped would eventually be reflected in WTO rules.

There are issues in the WTO, I agree with that, there are issues on special and differential treatment, there are issues to do with state-owned enterprises, and other competition issues, there are issues with dispute settlement, there are many issues that have been identified by WTO members, some of which the TPP countries together tried to begin to think through.

Were they final solutions to any of those issues? No they weren't. But I think that they were efforts on the part of the countries involved to begin to say, we need to collectively think through these problems and build the system.

One of the areas for instance that I like to point to on, special and differential treatment that has become a kind of contentious issue as of late in the WTO and a concern that the U.S. has expressed, was something that was dealt with in the TPP in a unique way, and that is that everybody around the table understood that the countries that were party to the agreement were of differing levels of development.

But they also agreed that everybody -- all the countries should commit to the same standards in the agreement. So Vietnam and Peru, as developing countries, as the least developed countries among the 12 countries agreed to exactly the same standards as everybody else, but there was a recognition that there would need to be additional time provided to those countries to implement some of the commitments in capacity-building provided by some of the countries to help them build the capacity in order to meet those commitments.

Not that there would be some special and differential treatment in

perpetuity, but a recognition that this agreement was going to exist for a very long period of time, so to give countries two, or three, or four, or five years to come up to speed to develop the kinds of mechanisms, and systems, and domestic regulatory regimes that they needed to develop in order to implement high standard agreement, was something that was in all of our interest.

There hasn't been a full discussion of these kinds of issues in the WTO, but there was a vision and a way of thinking this through that I think is lacking right now.

MS. SOLÍS: Thank you very much. So, we're covering a lot of ground. We're talking about global trade issues, we're talking about the bilateral issues. I want to talk about Taiwan's predicament and opportunities as well. But before I move to talk about Taiwan's trade policy in relations with the U.S., I want to touch on one last element of the U.S.-Japan negotiation that I think has wide repercussions for trade policy of the United States going forward.

And that is the manner in which these exercises to be conducted, that is avoiding a vote by Congress. So, we now have three years of America First trade policy, and we've seen really quite breathtaking exercise of executive monopoly I would even say of trade policy. The decision to, in very unconventional ways to use national security to then apply tariffs on aluminum steel, to threat tariffs on one of the largest economic sectors in the world, the automobile industry, to bring partners like Japan and the European Union to talk to us about trade.

And then to negotiate bilaterally and tell Congress that because it's a tariff-cutting exercise at least at this first stage you will be notified but you don't have to vote.

So, I remember, Barbara, at the time of the original TPP there were so many intense, and of course justified discussions about the legitimacy of trade policy, the idea to bring stakeholders different inputs from society, certainly congressional oversight, and certainly having a balanced agreement with different branches of government, and certainly Congress front and center.

But that doesn't seem to be the *modus operandi* today. So what does this mean for the future of U.S. trade policy? What does it mean for Japan, Shu, and potentially Taiwan if an agreement were to materialize that the U.S. will have an executive agreement whereas all the concessions that Japan gives to the United States will have to be approved by the Diet. So it seems to me that there's an important asymmetry there.

We know that executive agreements can have a very short life span, and they can be easily set aside, so we're talking about risks, the risks that the United States down the line decides to pose to 232 tariffs on automobiles, or the risk that, you know, the executive agreement where Japan is set aside, how does that then impact the conduct of trade relations, and more broadly relations? And how else can one think about the fact that the United States is now moving forward with a more executive-driven trade policy without bringing Congress on board?

So challenges here for us, and challenges in how our Asian partners perceive the benefits of engaging in these negotiations. Barbara, if I can start with you?

MS. WEISEL: Well, I think that the challenges that you outlined are real. I would set aside the question of whether or not Japan has to put the agreement through the Diet in the U.S. doesn't, because many countries have their own processes for approving agreements and it doesn't always go through countries' parliaments. So there is asymmetry in certain cases.

And that I think is not so much the issue as the fact that, you know, by Constitution, under our Constitution authority for trade is the responsibility -- goes to Congress and Congress has delegated that authority to the President, and now the President has taken executive action to negotiate these trade agreements in a way that that Congress is allowing.

After negotiating many trade agreements over many years you might think that I would be somebody who would say, that's great, I would -- I would rather never have to deal with Congress, and listen to Congress, and all of the inputs that Congress has from

all sides, and competing views, that you feel like you can never satisfy.

But the truth is that, as someone who has spent many years doing that, you develop a very healthy respect for the input that comes from that process, and from the different views that are presented to you very aggressively by Members of Congress. And I think there's something lost when you steamroll that process.

I think that the question is not whether or not it's a valuable thing. I mean I think for these agreements to have credibility and for there to be agreements that best advance U.S. interests, it's important that they are debated and considered carefully by Congress, that's not something that's happening here. And one wonders when Members of Congress will begin to question the process.

I think that the general assumption is, because of the concerns of Members of Congress about how the U.S.-China trade war has affected farmers, that Congress will not want to stand in the way of a trade agreement that is going to provide benefits to farmers, so that they will allow this agreement to go through notwithstanding the concerns they have about the process.

But one has to believe that there are many Members of Congress now who are debating and quietly discussing how they are going to address this issue more broadly as the administration looks to negotiate other trade agreements, and I think it's about time.

MS. SOLÍS: Thank you. Any other comments on the information?

MR. URATA: Well, you have to teach me. I mean this is something new to me. You know when you say executive agreement and White House, or the administration doesn't have to notify, or do they have to notify the Congress that they have reached an agreement. And in order to enact, or in order to put this agreement into force they don't need ratification from the Congress.

And why? Because it's the narrow coverage, is that the reason? How do you define the narrow coverage, for example? I'm just -- this is something -- is this something new to begin with?



MS. SOLÍS: Yes. And think it's new because it had never really been used in this way, and Barbara here knows this subject much better than me. But there is a section in the Trade Promotion Authority that allows the President to engage in some -- within limits -- tariff proclamation -- tariff reduction proclamation exercise. So I think that's the route that the administration is anticipating to using, and it's referenced in the statement yesterday.

MR. URATA: Is it possible that the Congress challenges this?

MS. SOLÍS: Politically, I think it's doubtful because, as Barbara also was hinting at, American farmers are really suffering from all the disruption in a trade war, they are losing access to the China market, they are also very disadvantaged in the Japanese market, and the idea is that farmers require some kind of relief and therefore leveling the playing field in the Japanese market is very attractive.

So I think that -- I don't anticipate broad challenges to this specific deal, but in general, as Barbara was also saying, we need to then step back and think about what is happening with the role of Congress in trade policy, even though it's mandated by the Constitution they seem to be more and more on the sidelines.

MR. URATA: I see. Well, again it seems to be a very new development, I guess the -- or if I were the Japanese Government I have to really study how, you know, it evolves over time. And if there's to be no challenges from the Congress, you have to believe that the -- you have to really trust or you have to believe in what the executive agreement says. And so they put more emphasis on a Japanese Government, or other government will put more emphasis on working with an administration rather than working with the Congress persons. I think.

MS. SOLÍS: Thank you, Shu. Any comments, Jinji?

MR. CHEN: Since it's nothing related to Taiwan, let me come back to the CPTPP that Taiwan is preparing for participating in CPTPP. I think after the U.S. withdrew from TPP, Japan did a tri-agreement, and it's more inclusive than TPP, it's open to new

members, and countries showing an interest to join CPTPP include Taiwan, South Korea, Indonesia Philippines, Thailand.

And most countries, those and CPTPP members are all important trading partners of Taiwan, and it accounts for about 30 percent of Taiwan's export, and 40 percent imports. And Japan, South Korea, Australia and New Zealand, and ASEAN country, it's also -- it's also -- it's also quite helpful for Taiwan's implementation of Taiwan's new Southbound Policy, and expansion of Taiwan's export markets.

So we are preparing to join CPTPP, and also Taiwan is overlapped with Free and Open Indo-Pacific Strategy geopolitically. The Security Development Area Framework among U.S., Japan, India, Australia, and Taiwan is in the central area of the Security Development Framework. And so for Taiwan it's also an excellent opportunity to attributed to economic transformation and adjust foreign trade development.

MS. SOLÍS: Thank you, Jinji. So, let me then switch more directly to a conversation about Taiwan's trade policy choices in this world of upheaval with the U.S.-China trade war. As you mentioned in your presentation there are some opportunities, there's been a coming back of many manufacturing firms to Taiwan, and economic ties with the United States are also in very good track.

I think that this administration, the Trump administration has really elevated the relationship with Taiwan, at least on the security front, but what may be still lacking is on the trade front in terms of giving the green light to a bilateral trade agreement.

Part of it I think has to do with overload as well what we were saying, when you negotiate bilaterally there's only so much you can undertake, and when you are taking on China in this manner, and also negotiating with Japan, and trying to get the USMCA Agreement passed through Congress, there is limits there.

But my sense, Jinji, and I would really appreciate if you can elaborate on this, is that it's not just a question of finding space in the agenda, and finding legs to these policy, but that in some ways the reluctance of the U.S. economic agencies, USDR,

commerce to really push forward with the bilateral trade agreement still there.

That the traditional market access irritants in beef, for example, and so forth, have not been eliminated, and that there's still the notion that Taiwan needs to address these questions as a precondition to launch negotiations, and not as items that would be dealt with as part of a negotiation.

So, reading the politics of the United States, but in particular also the politics of Taiwan, that you obviously follow much more closely, what are the chances of a bilateral trade negotiation starting between these two countries, or these two nations?

MR. CHEN: Okay. So let me start from the U.S.-China trade war. I think it's still a long way to go because the trade -- the dispute is not only limited in the trading but also expand to technology, and some global standard competition protocol, and this makes it difficult for both countries to make a whole deal especially take into account that in the technological competition Taiwan is still playing an important role in the global supply chain, especially in semiconductor and ICT production.

So I suggest that Taiwanese Government encourages non-China, or China-free supply chain, because many Taiwan businessmen they are returning from China to start new production in Taiwan to avoid the additional tariff impulse to the Chinese export. If this happened the global supply chain will start to change.

So, I think as the global supply chain change and Taiwan should follow -- should take this good chance that to make have an integrated in the -- if Taiwan do not make the change, Taiwan is integrated in the global supply chain, so we make component, we make key technology as export to China, to Huawei, or to something, and this is standards quite different from the united standards.

So for balance -- the balancing strategy is quite critical for Taiwan to join CPTPP, or to negotiate a bilateral trade deal with the United States.

If Taiwan fails to join CPTPP or not to make a bilateral trade, more for the economic integration with the States, or the KORUS version, it's a pity for Taiwan, because

Taiwan will be blocked by tariff barrier, and Taiwan's economy might be marginalized or even encounter a risk of becoming subordinated to the Chinese economy. Because Taiwan have Alpha with the China economy, so Taiwan might be the spoke, and China will be the hub, so it's quite dangerous for Taiwan.

MS. SOLÍS: Thank you so much. So, time is going fast and it's time to bring you all to the conversation. We have mics that are going to be in the room, so you can please raise your hand and identify yourself, and ask a short, concise question, I would appreciate it. So, questions? I see someone in the back.

MR LAWDER: Hi. Thank you. David Lawder with *Reuters News Service*. This is mainly a question for Professor Urata. Going back to the U.S.-Japan Trade Deal, this initial tranche of it I guess, what we do understand is that it does not include the auto sector at this time. I'm just wondering would there --

MR. URATA: Could you speak up a little, sorry.

MR. LAWDER: Yeah, sorry. Just regarding the trade deal the fact that it's not likely to include autos. Do you anticipate though that Japan would ultimately have to accept some kind of a quota on auto exports to the United States in order to completely eliminate the threat of 232 tariffs?

MR. URATA: I hope that will not be the case. I mean quota is something that Japan would like to, of course, avoid. If I understand quickly what happened to USMCA, there is a quota set, you know, which is that quite far I guess over the existing number of cars being imported from Mexico and Canada. And then that quota, I understand correctly, is the threshold and after you reach the threshold then you may get the additional tariff. Is that the --

I mean, it's not really quota-quota is it? If that is a case maybe Japan has no choice but to accept it. But again, of course Japan had very bad experiences in the past which is called voluntary export restraint, which is actually a quota, and that really had very serious impacts on Japanese cars, car producers, and again and which I'm quite sure that

Japan like to see that -- I mean would like to avoid that kind of situation.

MS. SOLÍS: If I can jump into this discussion, Shu. My understanding of that provision in the USMCA, the way I read it, it's an insurance policy, and that is that were the United States to go forward and impose that national security tariff then Canada and Mexico can export to the United States 2.4 million vehicles still duty-free. So, it's like you take insurance policy in that case, worst-case scenario.

I think your question really, if I were to boil it down, is which of two poisons would Japan like to take, and the answer I think it's none. And the Japanese Government has been very open about calling those red lines. So I think it would be a serious problem if Japan -- the Japanese Government were pushed hard.

And my sense is that they've given a lot on agricultural issues, and so forth, but they're not willing to go for a quota, and they would like to have a reassurance on the 232. The question is what form would that reassurance be, and is it really a good guarantee or not?

A general statement, or something within the body of the text, preferably of course I think from a point of view of Japan in the text, I am not sure that the stars are aligning for that, but we have to wait and see the actual text.

I have two questions here?

MR. HURWITZ: Hello. My name is Elliot Hurwitz. I want to thank the panel for an excellent presentation. I'm a retired person who worked at the World Bank for 20 years; and in the intelligence community as well. This presentation is on America First and protectionism has been mentioned. In the context of that I would like to look back to the Smoot-Hawley Tariffs of the 1930s, and the effect of protectionism at that time, and ask the panel. What are the implications for the future?

MS. SOLÍS: So, new protectionism, the implications of the new protectionism?

MR. URATA: Right. Of course, as you mentioned, in the Pre-War Period

beginning with the Smoot-Hawley, I think the protectionist policy which led to so-called Tariff War at the time. Many countries, U.S., European countries, they raised tariff in order to protect their industries which was suffering from a global, you know, recession, global depression.

And as a result of a raising tariffs, and also so-called, you know, a kind of competitive depreciation of the currencies, that led to a decline, huge decline in global trade which means huge decline in production, a lot of unemployment, countries including Japan, Germany and other countries they were suffering from this serious depression, recession. You know what happened afterwards, World War II, countries --

MR. HURWITZ: From the depression.

MR. URATA: I'm sorry?

MR. HURWITZ: The depression also happened.

MR. URATA: Right, that's the depression, the Great Depression which was exacerbated by all the trade policies, protectionist policies, and which led one of the -- you know there are several, of course many views as to what are the causes of World War II, but one reason is this so, you know, Great Depression and the protectionist policies which made it worse.

And so countries like Japan they needed their market -- to sell their markets abroad, and one of, you know, the ways that they did it, to advance into the countries. And then that's something that we have to avoid, and I think we have a much better situation because of a better world global trading system, and of course you know the GATT, the General Agreement on Tariffs and Trade, is established because of these -- and try to avoid, you know, occurrence of such devastating situation.

MS. SOLÍS: Thank you. So, now we continue here and then I'll go to that side of the room.

SPEAKER: Thank you. Jean François, I'm with the MEDEF French Business Representative in the U.S. And I have two questions, one about the *Digital*

*Chapter*, assuming that it's the same as what's in the USMCA, and assuming that USMCA gets ratified, in legal term what's the difference between a treaty that has been ratified by Congress and an executive agreement?

And my second question is about Taiwan because assuming that Taiwan relocates production in Taiwan or as other supply chains in Vietnam, what guarantees do you have that increasing your surpluses or Vietnam surplus with the U.S., won't get exactly the same result as the China trade war, i.e. tariffs on Taiwanese exports or on the Vietnamese exports. And is Taiwanese business worried about that, or they don't care?

MS. WEISEL: Let me start with the question on the Digital Trade Agreement. I think that the administration's approach is that because the Digital Trade Agreement does not require change of any laws in the United States it's moot whether or not Congress has a say. So that the agreement was completed between the U.S. and Japan, Japan may or may not have to make any changes.

I think that it was drafted in a way so that the Japanese hope they will not have to make any legal changes although it will have to go through the Diet, but in the United States since there are no legal changes required it will have no effect.

And then the question becomes: what are the implications for dispute settlement? It's not clear there is dispute settlements in this deal altogether. So that would be an omission that you would see in a more comprehensive deal.

MS. SOLÍS: Excellent. Jinji?

MR. CHEN: Okay. I think the trade structure between ASEAN countries and the States is mostly in final goods. And at the same time its trade, which Taiwan is more on trade, imparting components. That's why I always say Taiwan's trade (inaudible) will make the U.S. supply chain much stronger. So, if this trade pattern cause -- because the ASEAN country has caused U.S. trade deficit, the ASEAN country around 11.54 percent of total U.S. trade deficit.

So, U.S. can cut its trade deficit with ASEAN countries. How to do that is to

invest more in Taiwan in those sectors, because U.S. has comparative disadvantage with ASEAN countries, but Taiwan has comparative advantage in ASEAN countries. So, if you invest in Taiwan, and Taiwan had advantage, just a competitive advantage, and this will cut the trade deficit of states with the ASEAN countries.

MS. SOLÍS: Thank you. So, let me switch a little bit side of the room, and then I'll come back to you as well; so, this lady here in the third row?

SPEAKER: Thank you. My name is Deborah Ray, and I'm a graduate student, the University of Maryland. My question is in regards to Taiwan. So I feel at the center of this issue is supply chain security, especially with the Huawei controversy. What is Taiwan willing to bring to the table in trade negotiations to better secure the supply chain for national security in the U.S.?

MR. CHEN: Yes. I understand the security across -- of the supply chain, because Taiwan suffer quite a lot, many Chinese factory they hire Taiwanese people. Then even they set up many head hunters in Taiwan, and they hire the Taiwanese people with the same -- with the same salary but it will be in different dollars. In Taiwan they -- they're issuing the Taiwan dollar for as only quarter of a renminbi.

If you want to join the factory in the global supply chain, I would give it a certain amount, but in renminbi which is four times. So, many Taiwanese, not many, some Taiwanese they go to the Chinese factory especially in the technology sector. And this really hurt Taiwanese supply chain. Because the real supply chain, they will take over Taiwanese supply chain.

They do not care so much about the patent, the property, the intelligence property as well. So for Taiwan's points of view, we want to divide two different supply chains. One is for real supply chain, and which Taiwan did that quite a lot on the Chinese market. And Taiwan will try to develop another (inaudible) China-free supply chain for the States, for the EU countries.

MS. SOLÍS: Thank you we had a question, this gentleman, and then I see



another hand in the back.

MR. LEMON: Hello. Good morning. Hi. Yeah, my name is Richard Lemon, and I'm an investor. And I'm just wondering, a little bit of a devil's advocate question if you don't mind, because there was some mention of long-term benefits -- a couple quick questions -- long-term benefits, long-term interests of the United States.

And in this day of kind of fake news and what not, I find it very difficult to see evidence-based issues around these things, like trades. It's like counter claim, counter claim. What kind of like long-term interests should we really be concerned about? It's one question.

The other question is, you know, Japan gave up so much in agriculture, but given the demographic, you know, shifts in Japan, is that really that much of a change? And then as it relates to Taiwan, how should we look at a prominent businessman now running for government there, and what are those implications?

MS. SOLÍS: Okay. So, what should be the long-term interest of the United States trade policy or Asia policy, how demographics impact on Japan's trade policy and agriculture? And then, if I understood correctly, what should an investor do in Taiwan?

MR. LEMON: (off mic)

MS. SOLÍS: Okay. All right.

MS. WEISEL: On the long-term interest. I think that there had been a consensus that trade agreements and liberal trade policies had promoted growth and development in the United States across sectors, and had contributed to economic growth over the last 70 years. And I think that's evidenced by the data.

The United States increasingly went from looking at very narrow trade agreements that looked at goods, to broader trade agreements, so the negotiations went from just tariffs to understanding that we had to do single undertakings that covered a broad range of agreements so sectors across the economy would benefit.

If services sectors were of increasing importance to the United States, then

agreements included, increasingly, efforts to open markets around the globe in services. So we had then goods and services, but then there was an understanding that in order for those benefits to accrue agreements also had to look at other attendant issues were -- if you could get your goods in: were the customs regimes open and fair? Were intellectual property rights being protected? Were competition policies in effect that would allow you to compete?

And across the range of the agreement additional issues begun to be added to agreements over time to ensure that those benefits would be realized. Over time I think that the United States has benefited from these liberal trade policies, not just in terms of increased trade, but in terms of those supply chains that have allowed us to compete globally.

Now, when you come back and you look at the United States and the debate that's taking place on trade in the United States, I think part of that debate, and this is my personal view that I spent a lot of time thinking about, is that when people are looking at trade agreements, and you're debating a trade agreement, you weren't saying: have these open policies contributed to growth and development in the United States, and a higher standard of living, and more choice, and all of the things that we say that we promised through a trade agreement.

What people say is: trade has caused a particular job loss, or trade has caused these various things that agreements are accused of. And I think part of that comes from the fact that we're not arguing trade agreements are the panacea for all economic problems that we have. What we're saying as trade agreements contribute to our efforts to promote growth in the United States, but trade agreements have to work in tandem with other economic policies that get at distribution issues, that get at retraining issues, and education, and all of them the range of issues that contribute to our economic growth.

But I think the evidence is clear that trade policies that have been followed over the past 70 years have contributed to growth in this economy and around the world.

MS. SOLÍS: Thank you. So, we have one min left. So, if you have very

short comments. And I know there was one last question maybe after we finish, if you don't mind coming to the front, I'm sure that you can engage with the panelists. They're very generous.

MR. URATA: A minute. So, I just want to echo what she said. In long term we know you know from the experiences that the globalization, expanded trade and investment contributed to high economic growth in the post-World War II period. But the problem is a short-term kind of adjustment because, you know, you have to apply appropriate policies to deal with the short-term adjustment problems, and it's called kind of inclusive growth.

I mean people do suffer from this adjustment. We need to provide assistance necessary -- appropriate assistance to deal with that. That's the first point I wanted to make on Japan. Yes, I'm in favor of opening up agriculture market even more in Japan because partly because of demographic changes. We need human resources, workers, to be employed in a productive sector.

We should really move people and money I guess from agricultural sector, which is not competitive to a more comparable sector, by doing so we can expect our agriculture sector to be more competitive.

MS. SOLÍS: Thank you. Jinji, last words?

MR. CHEN: I'm a little bit nervous on this stage so maybe I (off mic) --

MS. SOLÍS: Is it working? I'm sorry, I think again -- do want to borrow?

MR. CHEN: It's okay now. Yeah, I'm little bit nervous on this stage, so maybe we discuss later. Thank you.

MS. SOLÍS: All right, well, thank you so much all for your comments and questions. And please join me in thanking the panelists for an excellent presentation today.  
(Applause)

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