

# Northeast Asian Solutions to Rising Protectionism

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January 2018

## Northeast Asia in the Trump Era

- Trump Era
  - Relentless confusion
  - So far, tempered policy
  - Will not fade away quickly
- Implications for NE Asia
  - Prioritize regional integration
  - Diversify international relationships
  - Assume global leadership
  - Necessary condition: reduce regional tension
- Recommendations
  - Upgrade China-Japan-Korea negotiations
  - Expand CPTPP, bring in Europe, watch US

## US policy actions under Trump

- Withdrawal from TPP
- National security actions steel and aluminum
- Safeguard actions on solar panels, washing machines
- Anti-subsidy actions on Bombardier aircraft
- 48% more trade actions this year than under Obama
- Renegotiation of NAFTA
- Amendments to KORUS
- Threats against WTO

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## US positions in trade agreements

TPP (“there is no way to fix the TPP”)

NAFTA (“worst trade deal maybe ever signed”)

- Set high regional and US minimum content for autos
- Limit access to US government procurement
- Eliminate international committee on anti-dumping
- Sunset clause: require Congressional vote every 5 years

KORUS (“horrible deal ... we are getting destroyed”)

- More Korean imports of US autos
- Less Korean exports of steel to US
- Open Korean agricultural markets to US

WTO (“we have not been treated fairly by the WTO”)

- Block appointments of appeals judges
- May not respect rulings

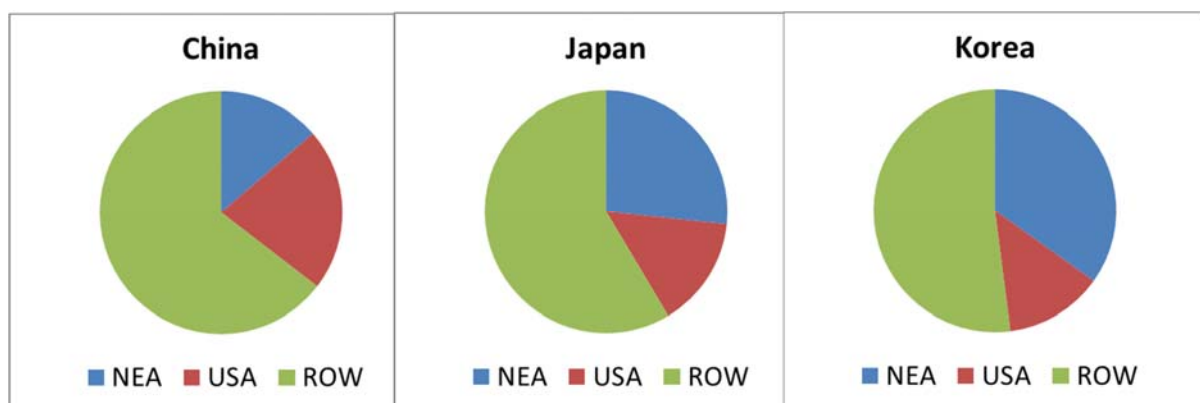
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## What is possible without the US?

- Can world move forward without US?
  - US role is limited: 89 percent of trade is not with US
  - Asia matters: scale, dynamism, production chains
- What needs to be done?
  - Create 21<sup>st</sup> century template for global trade
  - Exploit possibly substantial gains
  - Strengthen bargaining position vis-a-vis mercantilists
- What can Asia do?
  - Several agreements in progress, could be shaped with Asian characteristics

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## How important are US export markets for...



2015 GTAP trade data.

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## Northeast Asian regional initiatives

- CPTPP (2018)
  - Good agreement, but not yet Northeast Asia-focused
  - Agreed 23 January, to be signed 8 March
  - CPTPP-16: add Indonesia, Korea, Philippines, Taiwan, Thailand?
- RCEP\*\* (2012)
  - Weak agreement but has China-Japan-Korea core
  - 16 ASEAN plus partner countries
- Belt and Road Initiative (2013)
  - China-focused, little relevance to rest of Northeast Asia
  - Trans-continental investments in transport, infrastructure, energy
  - Supported by AIIB, Shanghai Cooperation Organization

\* Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam.

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## Results of new CPTPP-based agreements

- Respectable income gains even without US
- CPTPP is worth about 1/3 of TPP12
- CPTPP16 generates more income gains than TPP12
- CPTPP16 creates new production systems in Asia
- Still greater gains with China
- Bigger and better agreements mean greater gains

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## Income gains in 2030

	2030 income	Change in \$bill.				% of income			
		TPP12	TPP11	TPP16	RCEP	TPP12	TPP11	TPP16	RCEP
United States	25,754	131	-2	-6	1	0.5	0.0	0.0	0.0
China	27,839	-18	-10	-53	101	-0.1	0.0	-0.2	0.4
Japan	4,924	125	46	98	56	2.5	0.9	2.0	1.1
<b>Korea</b>	<b>2,243</b>	<b>-8</b>	<b>-3</b>	<b>84</b>	<b>24</b>	<b>-0.3</b>	<b>-0.1</b>	<b>3.8</b>	<b>1.1</b>
Vietnam	497	41	11	25	2	8.1	2.2	5.1	0.5
<b>WORLD</b>	<b>133,801</b>	<b>492</b>	<b>147</b>	<b>449</b>	<b>286</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>

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## Export gains in 2030

	2030 export	Change in \$bill.				% of exports			
		TPP12	TPP11	TPP16	RCEP	TPP12	TPP11	TPP16	RCEP
United States	3,906	357	-10	-22	3	9.1	-0.3	-0.6	0.1
China	4,976	9	-9	-44	259	0.2	-0.2	-0.9	5.2
Japan	1,190	276	97	225	136	23.2	8.1	18.9	11.4
<b>Korea</b>	<b>1,089</b>	<b>-11</b>	<b>-6</b>	<b>203</b>	<b>62</b>	<b>-1.0</b>	<b>-0.6</b>	<b>18.7</b>	<b>5.7</b>
Vietnam	357	107	31	84	17	30.1	8.8	23.5	4.9
<b>WORLD</b>	<b>36,149</b>	<b>1,106</b>	<b>287</b>	<b>1,032</b>	<b>677</b>	<b>3.1</b>	<b>0.8</b>	<b>2.9</b>	<b>1.9</b>

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## Trade effects of new Asian agreements

\$billions in 2030

	Base	TPP12	TPP11	TPP16	RCEP
<b>Japan exports</b>					
Primary sectors	43	2	1	2	4
Non-durable manufactures	207	74	23	78	45
Durable manufactures	589	172	75	136	62
Domestic services	70	1	-1	-2	-2
Traded services	281	26	-2	11	27
Total	1,190	276	97	225	136
<b>Japan imports</b>					
Primary sectors	249	8	3	8	6
Non-durable manufactures	284	62	25	67	34
Durable manufactures	634	77	36	85	57
Domestic services	44	12	3	10	7
Traded services	164	120	28	56	34
Total	1,375	278	96	226	138

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