

From Tokyo with love for global trade

Nowhere has the dramatic ascent of China to the helm of global affairs pinched more than in Japan, a country that has long prided itself as the preeminent power in Asia. A large part of the 21st century China's rise has to do with its indispensability to global trade. But Japan is a trading heavyweight too, and with the United States charting an isolationist path under President Donald Trump, Tokyo has taken up the global trade mantle with vigour and some success. This week, the 11 remaining members of a Trans-Pacific Partnership trade deal that Mr. Trump had pulled the U.S. out of solved their differences at talks held in Tokyo. That the deal, renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, is going ahead in the absence of the U.S. is a testament to Japan's role in shepherding the tough negotiations through some tumultuous times.

The members of the CPTPP include Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and Japan. The accord will cover about 14% of global gross domestic product (considerably less than the 40% it would have covered had the U.S. stayed on board) and involve the livelihoods of about 500 million people. It's estimated that the net benefit of the CPTPP to all its members from the liberalisation of trade in goods and services will equal about 0.3% of their combined GDP, or \$37.3 billion, in the medium term.

But beyond the material benefits, the CPTPP is also a gauntlet to China. Tokyo wants to lead rule-making on trade in the Asia-Pacific, rather than allowing China to set the agenda with alternatives like the Beijing-backed, 16-nation Regional Comprehensive Economic Partnership (RCEP). By setting a high bar on legal standards and leaving open the possibility of other Asian countries joining the pact, the CPTPP has pipped the RCEP, which is still being negotiated, to the post. Although the official line of both the RCEP and the CPTPP is that one's success does not impinge on the other, the fact that the CPTPP excludes China has trade officials in Tokyo looking smug.

"The decision for all 11 countries to participate is epoch-making for our country and the future of the Asia-Pacific region," said Toshimitsu Motegi, Japan's Economy Minister, following CPTPP talks in Tokyo last week. The Minister added that the agreement sent a signal to "parts of the world" where there "may be a movement towards conservatism", a pointed reference to the U.S.

The announcement of the CPTPP comes on the heels of another gigantic trade deal that Tokyo recently concluded with the European Union. The EU-Japan free trade agreement is the world's biggest, covering more than a quarter of global economic output. Although it is still to be signed, negotiators announced in December that the legal text had been finalised.

Global trading order

In the post-Second World War-era, Japan has benefited greatly from the U.S.-led and U.S.-devised international trading order. As a major export-oriented economy, it maintains a huge stake in shaping the future of this order, particularly now that it is suffering from a U.S.-shaped leadership deficit. For a Japan that has struggled on occasion to find global relevance in the shadow of China's rise, this crisis has emerged as an opportunity to demonstrate its continued muscle. The CPTPP is slated for signature on March 8 in Chile. The members have indicated that they would welcome the U.S. back to the club in the event of a change of heart in the White House.

The new Trans-Pacific Partnership, with 11 member-states including Japan, Canada and Australia, will cover about 14% of global GDP and involve the livelihoods of about 500 million people

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