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JAPAN IN ASIA:
ECONOMIC DIPLOMACY IN THE NEW GEOPOLITICS

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P R O C E E D I N G S

MS. SOLÍS: Good afternoon, everyone. I think we are ready to start the program today.

My name is Mireya Solís. I'm director for the Center for East Asia Policy Studies here at Brookings and it's a pleasure to host, together with the U.S.-Japan Research Institute, today's program on "Japan's Regional Economic Diplomacy."

We've had two very eventful years, and the regional economic landscape has changed in very significant ways. I think it's very clear that after the United States decided to withdraw from the Trans-Pacific Partnership Trade Agreement, there has been growing concern that the United States may become disengaged from the region.

That it's not putting forward a positive trade agenda, and that this is happening precisely at the same time as China is stepping up its economic diplomacy and, through various efforts, is trying to disseminate its own economic standards.

There is now even perhaps greater concern about the latest twists and turns on U.S. trade policy, and the deterioration in U.S.-China economic relations.

With the trade war between the two countries possibly taking a turn for the worst this week, we'll have to see if the President will go ahead with tariffs on a now much larger volume of Chinese imports, something like \$200 billion. If that were to happen clearly, we'll be in a very difficult situation.

And the concern here is that the ultimate target here, what could become a sacrifice, it was what has been the key vehicle for economic growth in the region, and that is the regional production networks, the supply chain.

It's not just the U.S. actions; some people have also focused on the fact that China now has announced great ambitions on its industrial policy. It's seeking greater prowess in high tech sectors, and is talking about self-sufficiency objectives. So, again, this may impact quite a bit, the regional economy.

So, the purpose of today's program is to discuss how regional actors are responding to this greater degree of uncertainty, to these possibly adverse trends, but we are going to focus also, very closely, on what Japan is doing.

And why we are doing this? Well, because Japan, as the third-largest economy in the world, as one of the countries that has been pioneering the move towards regional production networks, and also more recently I would say a country that surprised many because of its commitment to relaunch the Trans-Pacific Partnership Initiative, and carried out successfully that task.

Well, there are now greater expectations as to where Japan can lead the way in advancing high quality liberalization.

And of course there are very serious challenges ahead, but it's not just about Japan, clearly, we have to also factor in, how other regional actors, like China and ASEAN nations are responding to Japan's economic diplomacy, are responding to these very different take on from the U.S. administration, and are responding to a China that now has larger influence over the region.

So, we have a very rich set of topics to discuss today. And I have here, my dream panelist lineup, and I think we are going to have a real interesting set of comments coming from all of them.

So, let me introduce them briefly, in the order in which they will make brief remarks to begin with, and then we'll move on to a conversation.

Professor Shujiro Urata is dean and professor of economics at the Graduate School of Asia Pacific Studies at Waseda University.

Professor Fukunari Kimura, he teaches in the Faculty of Economics at Keio University, and is chief economist, got the Economic Research Institute for ASEAN and East Asia.

Meredith Sumpter leads Research Strategy & Operations at the Eurasia Group, and is a former diplomat who advised two American ambassadors while she was in Beijing.

And Professor Pek Koon Heng is director of the ASEAN Studies Initiative and assistant professor at American University's School of International Service.

So, as I said before, we are going to start with brief introductory remarks from our panelists, and then I'll ask some questions, I hope they're tough questions. And then it's your turn to ask all of us questions. And we'll move the conversation forward that way.

Shu, if you can please get us started. Thank you.

MR. URATA: Thank you. Yes, Mireya, thank you very much for the introduction. First, I'd like to thank Mireya and Jenifer who is not here, and the Brookings staff for inviting me and making this panel discussion realized.

And second, I'd like to give my prayers to those who suffered from the recent Hurricane Florence.

And third, I'd like to celebrate Mireya's birthday, which happened to be a few days ago. (Applause) And I don't know how old she is, but a birthday is always something to celebrate.

MS. SOLÍS: That will not be discussed (crosstalk). (Laughter)

MR. URATA: Okay. Now, let me talk about Japan's Free Trade Agreement Policy, free trade agreement, I guess no need to explain what it is. Japan has 15, one-five, free trade agreements with countries such as Singapore, Thailand, Mexico, and so on. And the share of trade, Japan's trade with those FTA member countries account for about 23 percent of total Japan's trade, which is not so high, and the reason why this ratio is not so high is because Japan doesn't have FTA with big trading countries, like the United States or China, and I'll talk about that later.

And then most recently we have signed two important, big FTAs, sometimes we call them mega regional FTAs. Mireya talked about the TPP without the United States that is called Comprehensive and Progressive TPP, that is TPP-11 sometimes it's called. And that was signed this March, and now this is in the process of ratification.

The other FTA, which is a big FTA for Japan, is Japan-Europe or EU FTA which

was signed about a month or two months ago, and again, this is going to be in the process of ratification. And if we had these two FTAs realized and enacted, so called FTA coverage ratio would be much, much higher.

A few words on CPTPP, Comprehensive and Progressive TPP, which is TPP-11: as Mireya explained, original TPP included of course the United States, so the original TPP had 12 countries, and that was signed in 2016, but three days after Mr. Trump took office as the President, he withdrew the United States from the TPP. That was January last year.

And March last year, the remaining 11 countries got together, and then decided to pursue TPP-11, or CPTPP. And it didn't take long for them to conclude this negotiation, it was March -- sorry -- it was March this year they signed the agreement, and now this is in the process of ratification, as I said earlier.

Japan, the EU-FTA which began -- negotiation began in 2013, was concluded and signed a few months ago, and these two important mega-regional FTAs.

I'd like to give some reasons for them to be very important, in addition to the fact that these two mega FTAs involve many countries.

First, these two FTAs are very often called high standard, very comprehensive FTA. High standard in terms of trade and investment liberalization, and comprehensive in the sense that this covers broad areas, such as intellectual property rights, state-owned enterprises, e-commerce and so on.

And it's very important for a large number of countries get involved in this kind of agreement, or arrangement, especially because world trading system is at the risk of being breaking up, and I should say mainly because of Mr. Trump. And so, this is a very quick kind of description of the very recent Japan's FTAs and their significance. For Japan these two FTAs, in addition other FTAs contribute to Japan's economic recovery.

And second, well somewhat related to what I just said, having a very high standard, comprehensive FTA will be very good for, not only FTA members, but also for other

countries, because these FTAs can be a model FTA for the other countries to kind of look up to when they discuss negotiations.

And also these two FTAs can be considered as a very important means to fight against growing protectionism. So, there are quite a few reasons why Japan is putting a lot of effort in making this FTA realized.

Now, let me talk about another important FTA, which is called Regional Comprehensive Economic Partnership Agreement, which involves 16 East Asian countries including China, India, and so on, ASEAN countries, countries -- Association of Southeast Asian Nations.

So 16 countries are involved in RCEP negotiations, RCEP negotiations started in 2013 as well, they have missed several targeted years for conclusion, but still they're in negotiation, and what we hear from negotiators or from the -- read from the articles, they are faced with many, if not many, there are several very difficult challenges. One of them is the hesitation on the part of India to accept a high level of trade liberalization.

Having kind of indicated some problem that they're faced with, what I hear from negotiator is somewhat optimistic compared to, you know, a few years ago, optimistic view towards the possible agreement, maybe this year or early next year. It's certainly hoped that will be the case.

And if that is realized then RCEP will be the largest FTA covering a big population, you know, India, China, and the large economic countries, China, India, Japan and so on.

Finally -- can I have like around two more minutes, I guess.

MS. SOLÍS: Yes.

MR. URATA: All right. Finally, this is something that we'd like to discuss, the possibility of Japan-U.S. FTA. As a matter of fact I think this is this week, September 20 and 21, are the days when the trade ministers, or the ministers in charge of trade. Motegi from Japan, and Mr. Lighthizer from the U.S., they will have another meeting.

And then discuss, maybe, I mean just, it's not certain, whether they'll discuss Japan FTA, per se, but at least there will be negotiation between these two countries. And the issue is what the U.S. wants Japan to do and so on.

But here, and just a personal view, it is very important for these countries to commit to liberalization, and one way of course to do is to kind of accept the -- well, how do I say this? Both countries have to really open up their market for Japan, although agriculture is very difficult market to open, but I don't think we can continue closing this sector.

And maybe not right immediately, but maybe over the time, Japan needs to open up the agriculture sector, whereas the U.S. cannot close the very important market like automobiles.

So, I just hope that they'll come to a very sensible agreement, but again, this is just something kind of speculating from my side.

I think I used up my seven, eight minutes. So I'd like to come back later, after hearing other people's comments. Thank you very much.

MS. SOLÍS: Thank you very much. And if I can now ask Kimura-sensei?

MR. KIMURA: Thank you, Mireya. Ladies and gentlemen, it's a great honor for me to be here. I'd like to talk about the meaning or significance of complete integration in East Asia; in sort of a -- if you look at the East Asian economy, starting from around 1990 or so, really our core parties are the production networks.

So, it's sort of an international division of labor in terms of tasks, or as the production processes, and that kind of division of labor expands a lot. And then actually we have a sort of combination of fragmentation of production, at the same time forming industrial agglomeration over there too.

Because the production networks are really complicated, some parties are intra-firm division of labor, some parties are inter-firm division of labor. Particularly in the case of inter-firm of labor, typically the distance is very short because we cannot trust with each other, so in the

case of the transactions that we have between different ownership firms. So, that generates a sort of forces of forming industrial agglomeration.

So, if you look at the world, certainly we can see international production networks in Eastern Europe, or U.S. and Mexico, U.S. and Costa Rica, but in the case of East Asia we have a combination of fragmentation and agglomeration.

And the agglomeration means a lot for developing countries, because inside agglomeration they would develop the transactions between foreign firms, and local firms, so that is a really important channel for technology transfer, technology spillovers.

So, I think this is the developing strategies that ASEAN and also East Asia applied for a long time. So, still, so there's a lot of room for deepening and also widening production networks in that region.

Some people say, that particularly in the area of so-called slow trade, slow trade is that we had global financial crisis, after that so we had a trade collapse, then a bounce back. Then after that, we started from 2011 to 2016, or so we had an era of so-called slow trade.

During that time, the growth rate of GDP is slower -- is faster than the growth rate over trade. So, that was a very rare period in a sense, and some people say that the global value chains are dead, maybe there are opportunities for expanding those kinds of mechanisms is really exhausted.

But if you look at the trade very carefully, that during that period, we are having very clear slowdown of trade in natural resources and materials, but if you look at machinery parts and the components trade, particularly within East Asia, they're not really shrinking, but growing very steadily.

So, still we have a lot of room for expanding those kind of mechanism, particularly in inland China, and also even in Indonesia, the Philippines, Vietnam, they are now performing industrial agglomeration, and also Cambodia, Laos, Myanmar, have just started to do that kind of operations.

So, in that context, say, RCEP, and also CPTPP, or also TPP-11, those are important to set up a policy environment for further deepening and widening production networks. That is sort of one of the contexts, that particularly in the context of East Asia, economic integration is very important.

So, now we have, say, a trade war between the U.S. and China, we are not in the world before 1980 or so. After 1980 or so, the international division of labor was much more simplistic, so this side is ours, that side is yours, so once we have a tariff, then the effects are much more predictable.

But now we have production networks, so once we have some high tariff between U.S. and China, then that repercussion could be somewhere else, because the production networks are much more complicated, particularly in the machinery industries, the value chains are very long, so we could have a sort of effect, where suddenly somewhere in Thailand, somewhere in Japan.

So, because -- yeah, so suddenly, producers particularly assemblers try to capture the whole universe of production networks, but you can imagine that in some parts producers do not want to disclose all trading partners actually. So, that was a very important business secret they like to keep that kind of information secret, so they don't declare everything I think.

So, even the Toyota people, maybe somebody from Toyota, or Aisin or Denso, cannot know everything upstream, so we cannot really predict what would happen once we have a sort of tariff in some specific product over there.

So, that's a sort of nature, then possible consequence is that the people are really afraid of a sort of an unexpected repercussion of the trade war, and that's slows down investment, and that would go to the stock market. So, I think that that would be a sort of risk that we have to see that right now.

One more thing, say in East Asia, and actually sort of retreat, a sort of retreat of

the U.S. is really received as, really, a big disappointment, particularly the sort of announcement -- a symbolic announcement is that Mr. Trump will not go to APEC or the East Asia Summit.

So, that's really symbolic, and people are really looking at a sort of a visible proof that the U.S. is not really coming back to Asia.

The one very important consequence is that, so in Asia we are having -- we are also having a new economy, digital economy, so in CPTPP, or TPP-11, we have a very important e-commerce chapter. So, e-commerce declares some very important principles, free flow of data, and also provision of the requirement of data localization.

So data cannot -- data localization requirement is that data cannot really carry out across national border. That kind of request is banned basically, in CPTPP.

But that is really just a principle, and we really need the sort of details, because we have the various -- so motivation to regulate the data flows. So, certainly we need a bunch of back-up policies, starting from consumer protection, privacy issues, IPR protection, competition policy, taxation, cyber security, we need a bunch of policies to back up the flow of data.

But the U.S. is not there, so we are now -- at the timing we've built up those kind of set of policies but actually the U.S. is not present over there.

So, I think this really a sort of big loss for East Asia too, so this is another aspect that we have to talk about in the context of complete integration of East Asia. Thank you very much.

MS. SOLÍS: Thank you so much.

MS. SUMPTER: Thank you, Mireya. And also Brookings for hosting this event; I'm honored to be on this panel of distinguished speaker. And an honor that you would join us for this conversation amidst the rain, and everything else that's going. So, thank you for that.

So, I come from Eurasia Group, and what we are tasked to do is not to describe what is, but to look at trend lines, and look at political pressures to describe where we see the world going, and what we think that means.

Mireya has kindly asked if I would spend a few minutes talking about China's approach to regional economic architecture and what this means for Japan.

So, I think in the Eurasia Group mindset I'm going to make a couple of statements that I hope are provocative. And look forward to discussing further with all of you, as well as our panelists as well.

So, look! We are on the cusp of unprecedented trade confrontation with the U.S., China has a slowing economy, and it's witnessing pushback to its key geostrategic initiative in the region. And yet with all of this, China still remains broadly confident in its approach to the region, and its approach to regional economic architecture, and also in its relationship with Japan.

This confidence along with the increasing tension in ties with the United States in part explains Beijing's readiness to improve ties with Japan, and of course we are watching for a -- assuming Abe sails through the political hurdle this week -- we expect that he'll make a trip to Beijing maybe even next month, which will be the first time a Japan Prime Minister will have visited since 2011.

So Japan and others are now wrestling with how do you deal with an ascendant China that no longer follows the predictable patterns of yesteryear?

How do you incorporate China into the regional, economic architecture in a way that amplifies the benefits of trade and investment with the world's second largest economy, while guarding against potential abuses of rules guiding international commerce?

And how do you do all of this without the weight and the heft of U.S. involvement in multilateral frameworks, and the U.S. also turning more inward and away from the region?

So, these are big questions that many capitals in the region are dealing with. Tokyo I think predominantly is really spending a lot of time thinking about this. And we are beginning to see the way that Tokyo is responding. And I think on the whole it's largely constructive.

But before we get there, I think for this audience we also need to, we also need to

sort of relying on what the nature of China's involvement in regional economic architecture is, and what that means for Japan. It's not about dominance or control, but I think you can make your argument, it's about primacy.

It's about Beijing seeking to harness and nurture the regional economic architecture in a way that will undergird its own domestic economic growth for years to come. Even while Beijing looks to expand the sources of its growth in trade and investment beyond the region.

So, Japan and others' efforts are aimed at supporting regional economic integration and growth, while guarding against the dominance of any one country. China is well aware of that. And that is why China is interested, not just in not being left out of that economic architecture, but in wanting to be at the center of regional architecture building efforts.

So, let's look at what this means in terms of trade and infrastructure, and I'm going to focus my comments also with what it means for China-Japan relations in that space.

So, we all know for trade. We all know active China participation in regional trade, its bevy bilateral FTAs, its support of RCEP, which Eurasia Group, our call is that while we have seen renewed momentum behind RCEP negotiations, largely because of the U.S.-China trade confrontation that Mireya spoke about, and large part because of the technical hurdles that Professor Urata had mentioned, as well as the fact that several of the negotiating countries have political elections next year, that's going to slow their negotiation process.

We think it's likely that RCEP could slip into 2020 and not even get completed by the end of next year, despite all that momentum, and the intention to do that.

I see China eventually seeking to join the CPTPP, what we call the TPP-11, if it proves to be a key catalyst for quality trade and investment, spanning the Asia-Pacific Region, and especially if RCEP continues to putter along.

There is momentum, real momentum with CPTPP, implementation and possible expansion is very well within grasp before the end of next year, so far we have had three countries

ratify CPTPP, Japan, Singapore and Mexico, you would need three more countries to ratify before that trade agreement comes into effect.

Japan has welcomed China to consider joining the CPTPP, rightly seeing it as a way to influence China on global trade norms, and a rules-based economy.

Now, I say that with a smile, because we can expect a very lengthy negotiation process if Beijing gets to that point, with China seeing to both moderate CPTPP requirements on China's economy, while at the same time, using that trade pact as a way to increase pressure for further support for its own domestic internal reforms.

But watch for China's CPTPP interest to be further peaked as more players seek to join. So, the members of this trade pact agreed to start accession talks with potential newcomers after the trade pact was entered into.

So, if we assume that that's going to happen next year, we already have a series of countries who have indicated their interest in joining. That's the United Kingdom, Thailand, Indonesia, Colombia, South Korea and Taiwan, who had expressed interest in joining.

So, I see Japan's pull towards CPTPP, and I think Tokyo is very much aware of that, and is rightfully seen as an opportunity to engage, compel, coerce, if you will, China into behaving along the lines of trade and investment more can to what the CPTPP have signed up for.

That was big call number one. Big call number two, along the lines of infrastructure investment, watch the budding Japan-China collaboration on infrastructure in Asia to gauge how the two infrastructure players might work together or not in infrastructure architecture beyond Asia.

So, bar none, the Belt and Road will continue to be a force in regional and global economic architecture that the rest we are going to need to consider, how do you leverage that, and how do you shape it for greater public utility.

Japan has already come to this conclusion even as it doubles down on its own infrastructure initiatives both in the region and beyond.

Even with its current flaws, with opacity, with governance and debt risks, it's hard for countries to say no to the BRI, connectivity is critical to trade and to growth, we know that. We are also looking at the Southeast Asian countries reorient around growth strategies around infrastructure.

What's interesting is that we see countries in the region continuing to say yes to the Belt and Road while pressing for better terms, for better governance. We are seeing already in Malaysia, potentially in Pakistan, what's beautiful here for the rest of the region is Japan's own infrastructure offerings, the increase of competition for funding infrastructure, will put those countries in a better position to demand better terms.

China, with its Belt and Road Initiative, it's very much aware of Japan's accomplished track record on infrastructure, and I should say probably, quality infrastructure. It's mindful of Japan outranking China in terms of actually infrastructure investments in Southeast Asia. And I mention that because I think with all Belt and Road brouhaha, we forget that Japan far outranks China in terms of infrastructure investment in Southeast Asia.

Japan is dominant in Indonesia, the Philippines, Singapore, Vietnam. In the Philippines alone Japan has 28 infrastructure projects compared to 7 backed by China. And yet the low profile of Japanese infrastructure investment can sometimes put Tokyo at a disadvantage.

In other words, when I look at those numbers I think that President Duterte should be spending far more time in Tokyo than he does in Beijing.

Beijing is watching Japan's efforts to expand its infrastructure initiatives including the Japan-U.S.-Australia investment partnership, as well as the extension of loans to global infrastructure projects to, let's say, boost Japanese infrastructure exports to places like Africa.

This is actually quite interesting, because in that area you have -- India has more of a traditional presence in Africa, and you can begin to see how a boost of Japan infrastructure, loans or support to projects in Africa, and you could see a coalescing of Japan-India cooperation on infrastructure projects. Beijing is well aware of that.

So to close I would say that Tokyo is savvy, and recognizing that the Belt and Road is not going to go away, and is largely welcomed by host countries despite its issues.

Tokyo has reoriented itself to -- and it's reoriented its infrastructure investment rather, to mean one that competes with Belt and Road, to one that can partner as appropriate with BRI projects so long as they're financially, economically, and environmentally stable.

This is another example. A second example of Japan seeking to harness China, fewer engagement which, when successful, has the added effect of amplifying Japan's own reach, while at the same time being warmly welcomed by countries in the region.

Beijing, lastly, recognize that it has a lot to gain from partnering with Tokyo on infrastructure. The BRI pushback that we are seeing makes it more likely that China would want to partner with Japan on projects to improve the reputation of BRI-backed projects as well as implementation.

Both governments are planning to establish a public-private council in sorts. I believe they're actually meeting this month to discuss common infrastructure projects in third countries, and there's a high speed rail project, and in Thailand in particular that could be promising.

So, as you see, that potential Japan-China collaboration on infrastructure in the region take place -- I'm sorry, begin to take shape, we are not even at the point where it's taking place; note that the actual project implementation will likely be difficult, notably because China will likely have to align with Japanese standards, under host country government pressure rather than the other way around. Thank you.

MS. SOLÍS: Thank you very much, Meredith, for those very insightful remarks. And now we turn to Pek Koon. Thank you.

MS. HENG-BLACKBURN: Thank you very much, Mireya, and the Brookings Team for inviting me to speak here.

I would like share a few points with you in my presentation. The first is that the

story of Japan's contribution to economic regions within ASEAN has received insufficient attention, with so much emphasis given to China's Belt and Road Initiative.

The Center provides a timely occasion to restate the primary role played by Japanese ODA and FDI in building the regional supply chain production network that in turn laid the foundations of the ASEAN free trade area in 1992, and the ASEAN economic community in 2015.

Although China has overtaken Japan, and the U.S., as number one trade partner for ASEAN, the number of Japanese subsidiaries and affiliates and the size of the FDI in ASEAN exceed that of China. So the sum, 3,150 Japanese manufacturing affiliates in ASEAN comprising 30 percent of total Japanese overseas affiliates.

The comparable figure for China is 38 percent, however, due to the recent price hike, sent economic uncertainties with the trade tensions in China, trade liberalization -- and with the trade liberalization proceeding at a pace in the ASEAN community, I expect that the number of ASEAN-based Japanese affiliates is expected to grow faster in ASEAN than those in China.

Japanese economic presence in ASEAN is universally welcomed, particularly appreciated, or its ODA funds focus on narrowing ASEAN's economic divide, its capacity building initiatives for the ASEAN economic community, and its integration of ASEAN SMEs into the regional supply chain network.

Japanese and Chinese economic activities in ASEAN, like their U.S. counterpart, serve to buttress their respective political and strategic interests. The Abe administration (inaudible) interpretation of the Japanese Constitution Article 9, which allows Japan to participate in cooperative security in the region will boost Japan's geopolitical involvement in ASEAN, particularly among the states that dispute China's claims in the South China Sea, i.e. Vietnam, Philippines and Malaysia.

My second point is that Japan has contributed in a very, very vital way to ASEAN's centrality, and the ASEAN-led regionalism. And its role as the initial conceptualizer of the 16-

member RCEP framework for integration, that includes not only the ASEAN Plus Three countries, but also Australia, New Zealand and India.

First conceived as a comprehensive new partnership for East Asia in 2004, RCEP talks commenced in 2012 under ASEAN leadership, like Urata-san, I'm quite the optimistic that the talks might be concluded by the end of the year during Singapore's current chairmanship of ASEAN.

Now in contrast to Japan, China had pushed for an FTA that is confined to APT members with expectation that Beijing and Chinese SOEs will dominate in an Asian-only grouping that excludes Australia, New Zealand, with a preference for market-based trade liberalization and a curbing of China market distorting policies.

While RCEP doesn't measure up to the deep and comprehensive trade liberalization of the U.S.-led TPP, it more closely adheres to more liberal trade norms, than those reflected in China's BRI and the Maritime Silk Road Initiative.

So the third point, my final point is that the -- the third major contribution made by Japan is in enforcing the new liberal economic regional order in conjunction with the four ASEAN TPP states: Singapore, Brunei, Malaysia, Vietnamese, initially slow to warm to the trade deal, Japan under Abe, has become, as we said, surprisingly, the primary champion of the renamed 11-member CPTPP, after Trump pulled out of the deal.

By making changes agreed to the revised 11 members, Japan has kept alive the Obama administration's vision and high standards for an FTA for the 21st Century.

Japan expects the post -- a post Trump administration to rejoin CPTPP, and other ASEAN members are expected to seek membership starting perhaps with Thailand, the Philippines and Indonesia if Jokowi prevails in next year's elections in Indonesia.

Unlike China which encumbered by unresolved World War II issues, and casual territory disputes in its relations with Japan, all ASEAN countries welcome an expanded and a deepened Japanese economic presence and soft power. And they do not publicly object when

other member states strengthen security cooperation with Tokyo.

In short, ASEAN Japan cooperation entails few downsides for ASEAN as a group, in contrast to the tricky balancing and hedging that its individual ASEAN countries must employ in order to maximize their economic and political gains from both Washington and Beijing, that the relationship with Japan is a lot less problematic than with China and the U.S.

China's territorial claims in the South China Sea, its dominant, economic and strategic presence in the non-claimant ASEAN states of Laos, Cambodia and Myanmar, remain a constant threat to ASEAN unity.

In addition, the ongoing escalation of Beijing's trade disputes with Washington threatens to undermine ASEAN economic growth, since the decrease in Chinese export to the U.S. would also decrease the flows of intermediate goods that ASEAN member states export to China for final assembly and final export to the U.S.

By promoting the ASEAN economic community, and the concept of ASEAN centrality, and the (inaudible) heroes in RCEP and the CPTPP, Japan will continue to stabilize, and reinforce the new liberal order in the region, both in the economic realm of free trade and globalization, and in the political realm of democracy promotion as evidenced in Abe's articulation of Japan's values-based foreign policy.

With regard to individual ASEAN member countries responses to Japanese, Chinese competition, one has to look more closely at how each ASEAN state perceives how the complex dynamics of U.S.-China relations and China-Japan relations impact on its respective national interests.

In the case of Malaysia, which has been mentioned, Mahathir may be leading a new resistance to China overreach now elected to power, he has resurrected his pro-Japan Look East Policy, by making Tokyo his first overseas visit to attract Japanese investments and business deals in order to lessen dependence on Chinese investments.

He has cancelled key Chinese BRI projects in Malaysia initiated by Former Prime

Minister Najib, and has famously likened Chinese economic advance in Malaysia as a new version of colonialism.

Whether his example will inspire other ASEAN countries to follow his hard-ball rhetoric and actions, already deemed as futile efforts to hold back the onrushing tide of Chinese expansionism remains to be seen.

MS. SOLÍS: Thank you so much, Pek. Also a very insightful set of remarks. As you can see there's so much to discuss, and I have the privilege to start this conversation, but then I'll bring all of you into this.

So, let me go back to the U.S.-China trade war. A lot of its impact will likely depend on how long the trade tensions continue, and how far they go, how much trade will be affected.

And we know that there's going to be significant collateral damage because foreign companies from many different countries have chosen China as a place to manufacture for ultimate export to the United States, and they likely will be impacted if these trade tensions continue for a long time.

So, I would like to bring all of you now to interact with one another, and to share with us, what are the prospects for a prolonged trade war between the United States and China? And if that's the case, how are Japanese companies, in particular, likely to respond to these new important developments?

And finally, you know, supply chains will adapt, I imagine, and they may consider relocating to other countries that are not suffering this kind turbulence.

So, what is the perception, particularly in Southeast Asia? Are they thinking of then they may be the recipients now, new flows of investment given the decision of some companies to resupply -- to redirect the investments away from China?

So, I put those issues first on the table, and I welcome your responses?

MS. SUMPTER: I'd be happy to start us off on the U.S.-China trade confrontation

and prospects for, you know, are we going to be in this trade confrontation for a few more months, is it going to be years?

I'm stuck that it's been a year since we began telling clients that, look, you know, there is going to be a very large trade confrontation between the U.S. and China, and just now we are hearing from C-Suite Executives who are just now beginning to make the decisions that would shift to some of those supply chains, potentially to other areas, while still having all these questions about: what exactly is going to be tariffed? And what does that actually mean for me, as an investor, as a business leader, as a manufacturer?

And Professor Kimura and I, we were speaking actually just before the panel, and both of us were remarking on, sometimes you just don't really know what the impact is going to be until it happens. And until then we are watching, we are watching for the -- and seeing now just the impact of the expectation of tariffs, of additional tariffs are causing investors to hold back on making critical investments in manufacturing, in expanding businesses.

And I think that's a drag that we haven't quite seen play out yet, at least fully play out, and at least in terms of how the markets are responding. I think the markets are just beginning now to really take notes of this very real trade confrontation.

Are we going to see this quickly resolved? If President Trump makes a decision in the Oval Office, and I think that's a wild card that we will always have to kind keep there on the table, it could be resolved quickly.

But we don't see any sign of that happening any time soon, so we fully expect that you're not going to see any meaningful resolution of the trade confrontation before the end of this year, and that you may even see beyond the combined 250 billion in U.S. tariffs, and the combined 110 billion on the Chinese side, you might even see further tariffs, further pressure that the bilateral relationship will undergo into 2019, before the two sides decide it's time to come back to the table.

What is keeping those two partners from actually coming to the table? From the

White House perspective they're looking for the Chinese to come ready to meaningfully engage on the industrial policies and market access issues that they have consistently been talking about.

From Beijing's perspective they see a little upside in actually doing so. They have little faith that if they do reach an agreement with the Trump administration that it will be honored, pointing to their 19th May Trade Deficit Agreement with Secretary Lighthizer,

But there's also I think, so long as this is a unilateral conversation between Washington and Beijing, my sense is you're not going to see Beijing be ready to make the kind of - - concessions isn't the right word I'm looking for -- but say moderation to its Made in China policies, that would be enough for the White House to declare some kind of win and step back from those tariffs.

That's not going to happen until we see other players come online and exert similar pressure. I'm not saying tariff, but what I would say is more push back from European countries, from Japan, from other countries who may not be taking the same approach as Washington with the tariffs, but are at least having the same message of the market and certain policies that really may need to be addressed in some way.

We are nowhere near really having a very full and rich conversation on that front, and we are hopeful that we could see that begin to happen in 2019. But for at least the rest of this year, and for the foreseeable future, expect that these -- the tariffs will happen, as well as the informal pressure tactics that most of the U.S. companies will feel who are invested in China, will see that come into play to a certain extent as well.

MS. SOLÍS: Thank you very much, Meredith, for walking us through the intricacies of the U.S.-China trade tensions. Any other response of how Japan and ASEAN may be calibrating their policies because of these trends? I see the entire team will have comments. So, we'll go from Fuku, Shu and then Pek.

MR. URATA: Okay. Go ahead.

MR. KIMURA: Actually I spent one-third of my time in ASEAN, so if we look at

ASEAN newspapers, initially they said that, oh, with U.S.-China war we may gain, because as I said, formerly China is exporting something to the U.S., and then now China has lost competitiveness with the tariff, then ASEAN can export. So, it's a sort of a trade diversion story.

But now, the products are -- expanded a lot, and so now really the real issues are going to the production networks, not really single product. So, I think the cost of slowing down in production networks, as Meredith emphasized, that will be very, very serious.

MR. URATA: Okay. I agree with this, very serious impacts on Japan's trade, or ASEAN's trade coming from this China-U.S. trade war. I'd like to make the following point, I mean, talk about, you know, why the U.S. and China are fighting, or getting involved in trade wars. One is of course the competition in high tech industries, or the possible, maybe, dominance so to speak in the future.

And the other is of course the trade surplus, or trade deficit from the point of view of the U.S. Now, these are two different issues, and as far as the competition over this high tech industry, I don't think that will be solved within a short period of time. That will continue.

I don't know how this will end, but that will continue, especially it's not just Mr. Trump, as far as I understand, it's the U.S. Congress is very concerned about China's dominance -- possible dominance in high tech industry. So, even if Mr. Trump is gone this concern, or threat, or the fear of China remains. So, that is a very difficult issue.

On the second, trade deficit, here because it's not just China of course, Japan is a target as well, Europe, Mexico, and so on. And the question is whether high tariffs are the solution -- good solution for this kind of problem, and it's clear it's not.

And suppose this will have an expected impact, suppose because, you know, imposing high tariffs on Chinese products will possibly reduce trade deficit from the point of view of the U.S., but that deficit will be transmitted to, or switched to other countries.

As long as the U.S. keeps this saving -- investment in balance, the trade deficit will never go away. So, you know, that is a very, I think, important point for the U.S. Government,

or maybe Mr. Trump to realize.

So, these are at least two different issues involving trade wars, one is again, competition in the high tech industry, or the competition in the future industry, somewhat related to maybe geopolitics. And the second issue is a trade deficit which is a quite different issue. Thank you.

MS. SOLÍS: Pek Koon?

MS. HENG-BLACKBURN: In the case of ASEAN, it is really a wake-up call. You know, that they've got to rethink their strategies for diversifying their production away from China as a fine assembly point, and also to diversify the export market away from the U.S.

So for -- I think they should -- then ASEAN would probably look at the finishing of ASEAN-EU FTA that hasn't gone anywhere. And the Japan-EU FTA will, you know, probably be able to propel ASEAN to do more about it, so they will have -- and don't forget EU is the largest in terms of cumulative investments in ASEAN, EU is number one. EU has more cumulative investments in ASEAN than U.S. and Japan.

So, it seems to me that, you know, this is what they'll do, and also at the same time, in order to diversify the production network, they had to look at RCEP, and actually know the CPTPP, you know, that will provide them with this much bigger market, and if the U.S. comes back to it.

So that's why I feel that, you know, the calculation is that they will -- the CPTPP, and also in competition with RCEP are important projects they'll have to do in order to -- you know, to deal with this downturn in trade due to the conflict.

MS. SOLÍS: Great! Thank you very much. Let me move on to another question. We've been talking about trade protectionism, the U.S.-China trade war. Now I want to talk about trade liberalization; and in particular the potential of the Comprehensive and Progressive TPP to grow.

And my original question is, well how far will this go, how realistic, how ready are

the countries that we usually mention like, you know, Thailand -- South Korea is pretty ready -- but Thailand, Indonesia and others.

But Meredith's comments have made my question even more interesting, so I want to ask the audience -- I meant the panelists not the audience -- what do you think are the prospects of an eventual Chinese accession to the CPTPP as well?

MR. URATA: Okay. I hope that will happen sometime soon, I know China is studying the possibility of, say, joining CPTPP, or even original TPP some years ago. But in my view, first step is complete or finish RCEP, and then -- well, the reason why I say this, it is quite clear that CPTPP is a higher level in terms of, say, trade liberalization, investment liberalization, and the issue of coverage than RCEP.

So, in order to maybe joint CPTPP, you have to clear, you have to satisfy all these conditions, which you become member of RCEP. So, this does not just apply to China, but other countries, like maybe Indonesia too.

So, in my view RCEP should be finished, and then the known CPTPP members can think of joining CPTPP. I think in that order.

MS. SOLÍS: Go ahead, Meredith; and then Pek.

MS. SUMPTER: I just want to ask Professor Urata, and I was struck by your comments regarding India during your presentation, and the RCEP negotiations, and this might be something that's outside the realm of possibility, but as you see the RCEP countries trying to coalesce together, and trying to cross the finish line, if that proves too difficult with India, do you see them potentially asking India to consider joining down the road? And progressing with RCEP, go to CPTPP, and then come back around to India?

MR. URATA: Right. But you cannot ask India to step back. I mean, it has to come from India. I mean, India has to realize that, you know, India cannot join from the start, but maybe if they're ready in the future, they're welcome. That's one, I think, possibility.

But what I hear, from, say, negotiator, my friends, they are thinking about adopting

so called deviation. In other words, it's a common concession. In other words, when Japan agrees to liberalize, say 95 percent, that applies to all the other RCEP countries.

But you can maybe have India, you know, agreeing to give concessions to lower-level, say, 92 percent instead of 95 percent, it's a kind of -- and particularly, vis-à-vis maybe China. I mean where India is concerned, India is very much concerned about possible negative impacts from China's increased imports to India, so that may be a possibility.

I'm not sure whether that will be the end product of the negotiations, but I think they're becoming -- I mean "they" meaning negotiators, or negotiating countries becoming more flexible, and even they coined the expression that come up, it's expression called "substantial agreement".

I don't know what substantial agreement means, but they like to reach substantial agreement before the end of the year so that they can claim that they're successful.

MS. SOLÍS: Thank you. So, I have Pek and Fukunari. And then I have one more question, and go to all of you.

MS. HENG-BLACKBURN: Yes, I think, you know, the point that Meredith made about China, you know, want to come back -- to join the CPTPP, and perhaps make into agreement that is more also (inaudible). I don't think that can work because the CPTPP are based on the assumption that, if you're a late comer they take what it is, you cannot renegotiate. I don't see China renegotiating it, you know, and other countries agreeing to that.

And the fact that, you know, the U.S. can come back, because it's important, you know, when these 11 countries moved ahead, they only suspended the chapters, you know, that the U.S. wanted, they did not eliminate them, they suspended, so that the U.S. can come back and look at the suspended clauses. So, China faces a much, much bigger hurdle, you know, in trying to water down CPTPP.

And for RCEP, you know, I observe from a conversations with a negotiators in Malaysia, they feel that -- I mean, India, it's crunch time for India, take the figure out what they do,

because Singapore is determined to have something -- something, you know, during the ASEAN Summit.

And so they're looking at maybe -- you know, maybe temporary (inaudible), or longer-phasing times, you know, for India, because it's incremental, and they do want India to come in, but there will be a substantial agreement.

So this is what I'm getting as well, that's why I'm quite optimistic that we may finally have something, you know, in RCEP, after all these years up on the stalls.

MS. SOLÍS: Fuku?

MR. KIMURA: Sometimes people say that TPP used to be a sort of forearm for the U.S., and RCEP is (inaudible) by China. But I think the descriptions are quite misleading. So, maybe the political interpretation is like that, but if you look at sort of actions in the negotiations China never be -- China never is as a really positive actor in liberalization in RCEP negotiation; so, just hiding behind India, then very slowly forward for liberalization commitments.

And also the expansion of the scope of RCEP, too, it's very passive. So, my interpretation is that China is not really a sort of active player in RCEP negotiation.

MS. SOLÍS: Thank you. My last question I promise, but I'm very interested in getting everyone's opinions on this. You know, in the panel we have highlighted how much Japan has done in terms of its regional economic diplomacy, and trade liberalization, rescuing TPP, the depth of its ODA Program, or socioeconomic assistance programs in ASEAN countries, the leading role that it has in infrastructure, finance and so forth.

But to me the real challenge for Japan is now upon us, and that is whether it can resist the pressure from the Trump administration to accept and managed trade approach. And you know, everywhere that the United States is now renegotiating they leave a calling card, and that its export limits, voluntary export restraints, and things of these nature.

And we know that Motegi-san and Mr. Lighthizer are meeting at the -- just on September 21st, and soon after President Trump and Prime Minister Abe. And it seems to me that

if Japan wants to lead the way in high quality trade liberalization, it should not accept rules or principles that violate the WTO, so just voluntary export restraints. Just to name one.

My question is, is Japan up for it? Can they resist? Can they push for principles given the humongous political pressure that they're facing?

MR. URATA: I'd say, yes. Japan has to. I mean, we have a very bad experience in the past as Mireya, I guess pointed out, voluntary export restraint is a way Japan dealt with this, you know, in the automobile case in 1986, if I remember correctly. But what was interesting from this experience is that it was the U.S. consumers who lost a lot because they have to pay, you know, higher prices for, not only Japanese cars, but the cars in general.

Because, you know, if the price of Japanese car go up then the competitor's price go up as well. And the way Japanese automakers dealt with this is to increase investment in the U.S. Maybe that's what Mr. Trump wants to see happen.

But again, we can now -- I mean Japan cannot really, should not accept measures which violate the WTO, the voluntary export restraint is a violation of the WTO Rule.

And of course it is very important for the WTO to be reformed and modernized, but the WTO plays a very important role, and Japan has to respect that the voluntary -- I mean the WTO's role. And the way I think Japan should deal with -- I don't know, what I should say, like a muddling through, which is a -- Japan is maybe pretty good at. Just slowing down the process, hoping that the U.S. TR is busy getting involved with U.S.-Canada FTA -- I mean, sorry, negotiation.

And there's a deadline, and so they're working very hard, and hopefully, you know, after the meeting -- I mean, Japan-U.S. trade negotiations will last, you know, getting delayed and delayed, and then, you know, after midterm election, hopefully the pressure on trade issue will be lessened.

So, in other words, if I were, yeah, advisor to Japan Government, I'd tell them that: yes, slow down, muddling through. Just, you know, don't agree on anything. Thank you.

MS. SOLÍS: I think that's good advice. Fuku-san?

MR. KIMURA: It's always hard to negotiate with the U.S., so I understand that we like to have a deal as soon as possible, but if you look at (Inaudible) renegotiation, NAFTA renegotiation, we can see many, many dirty deals actually. So, we try to avoid that. I don't know whether Japan can avoid everything, but the (inaudible) that as soon as possible.

Then doing the sort meta-FTAs, the CPTPP, and also Japan EPA, we have a very strong incentive to ratify quickly and validate those, that's because of the U.S. our counterparts are also in a hurry to do that actually, so that's a sort of motivation.

One example, in Japan EPA, actually the rules of origin for automobiles is very loose, it's completely different from NAFTA, and also they have a sort of special agreement that even if some parts are produced by a third country, but if the third country has an FTA with the EU or Japan, then those parts could be counted as a sort of original product actually.

So, we are trying to set up a sort of arrangements for some production networks over there, so a quite different approach than NAFTA and others I think.

MS. SOLÍS: Thank you for your patience. The floor is open. We have mics going around. So, if you can please identify yourself and keep your question very question concise because we have a lot of questions. So, in the front and then -- I'll take two at a time, in the front and then the gentleman with his hand up.

MR. BILLINGTON: Thank you. Mike Billington with Executive Intelligence Review. Two quick related questions, one is on Korea. I think the Korea potential solution only came about because the U.S., and Russia, and China, as well as Japan actually, collaborated. And do you see -- Russia and China are talking about development of North Korea and the connectivity with the Russian Far East, the U.S., at least Trump promised that he would if this was resolved.

Do you see Japan also getting engaged, and do you see this as a basis for getting all of these countries working together on investment projects, Belt and Road type projects?

And the second question, on the other question of these nations working together, the West is facing a very, very serious financial blowout like 2008. This is now being discussed everywhere, and my organization, Larousse's organization has promoted that Russia, China, the U.S. and Japan, these nations, these large major nations can sit down for a new Bretton Woods discussion to resolve this crisis once and for all, with fixed exchange rates and a new a Bretton Woods approach to the entire -- especially since we need to integrate Asia with the West if we are going to have a long-term solution. So, I wonder if you think about those collaborations, both on the economy and in the financial side of things.

MS. SOLÍS: Thank you. And then the gentleman, here beside you, and then we'll (inaudible).

MR. YAHUDA: My name is Michael Yahada. I'm a Visiting Scholar at George Washington University, at the Sigur Center for Asian Studies. I think, if I remember correctly, Meredith Sumpter argued that China now feels more confident, or self-confident.

I think all the evidence suggests it the other way around. Domestically China now has more problems than before. Its economy is slowing, it has not succeeded in producing the promised economic reforms which I think most people inside China as well as outside China feel are necessary, but they have too many vested interest are going against this.

China now faces that the outside world is far less malleable than it was before. And indeed if any countries can be seen to be confident or more confident, it would be Japan, and the reason China's -- or China's leaders have moved towards Japan, it seems to me, it's because they feel the need to do it. Not because they feel that they can somehow impose things upon Japan that Japan does not like. So I would like clarification on that.

And I have one more question, and that is also related to a certain extent the issues of confidence. And that is the political issue. As far as I understand it, Prime Minister Abe is expected to win the Leadership Election in the LDP, and that means that he may be there, certainly until after the Olympics in 2020. So, he must feel, on the whole, quite confident.

And whereas Mr. Trump over here faces an election, not exactly against him, but one which is likely to deprive him of a majority in the House, and maybe in the Senate, so that this will certainly not increase his powers to play around with trade without internal opposition. So, I would like comments on both of those.

MS. SOLÍS: Thank you very much. So, for the table questions about the reform of international economic governance, it can Bretton Woods writ large, or it can be WTO, there's a lot of discussion today as how we kick-start the WTO. Is that something that the panelists would like to discuss? And this notion of confidence, and how that applies to the Chinese Leader, the American President, and the Japanese Prime Minister?

MR. URATA: Can I start?

MS. SOLÍS: Mm-hmm.

MR. URATA: About this cooperation among like Russia, I guess was suggested, Russia, China, U.S., Japan, of course we need Europe to come in. I mean the larger the number the cooperation will be of course better. But the issue is that we are discussing trade wars between China and the U.S., so cooperation as proposed can be -- you know, cooperation -- it may not be so easy to have this cooperation get established.

But again, the more countries involving cooperation, the better the situation will be. About China, a very interesting point. The way, you know, Japan and China are kind of approaching each other closer, and that's true, but one of the reasons of course it's, I guess China-U.S. trade war, and China wants to have as many maybe "friends" as possible, and one country which they're interested in having better relationship is Japan.

And for Japan it is -- for Prime Minister Abe having better relationship, this improving relationship with China would be good for him, first because of Japanese businesses are heavily involved in China, that's one. And one of the reasons that Japan or Mr. Abe kind of has a maybe more favorable view toward BRI is because possibility of Japanese companies involved in BRI, I don't know whether that will be realized or not.

So, both sides, the Japan side, China side, they have their reasons to become closer together, and that is something, I guess, we need to remember.

MS. SOLÍS: Okay. Any other comments? Meredith?

MS. SUMPTER: Yes. Thank you very much for your comments, and I appreciate having this discussion with you. I respectfully disagree. I think China is mindful of its weaknesses, and yet despite its weaknesses and the problems that they face, both with the trade confrontation, and the slowing economy, and push back on the ascendant China with Belt and Road, it remains confident despite these things.

And I think that there are several key reasons for that. One is which -- you see China actually having agency beyond its borders in a way that we really haven't seen. This is partly, you know, Xi Jinping's global vision that he is now engineering and looking to implement.

This is not the kind of China that we saw in decades past. It has its problems, but it's always muddled through those problems, and on the economic front, Chinese officials remain fairly confident that they have the administrative tools to be able to deal with the coming pressures that they're going to be facing because of the trade confrontation.

Now, again, we are going to have to check that confidence six months from now, after we see the 250 billion of tariffs, Chinese retaliation, and we see how -- you know, which of the economies is going to be more resilient with the trade confrontation. China, the U.S.? What is the impact on other economies in the region? How does that impact China's own slowdown growth trajectory?

I think if it gets below 6 percent, they go from being really concerned to a little of on panicky, but we are not anywhere close to that yet.

I would say that the outside world from China's perspective is much more malleable than before. With the U.S. retreating who is large enough to compel China to behave differently? Who is strong enough to really push back?

And I think that's why it's interesting to see how Japan is working with other

partners in the region and beyond, to trying to fill that vacuum, to try to shape Chinese behavior, whereas before the U.S. was the -- certainly not the only actor, but one of the key actors that was trying to lead that effort on behalf of the international community, and of course US's own interest.

But I think also Beijing feels like it has something that it can offer the outside world, both with the BRI, but also when you see Xi Jinping talk about the Chinese economic model and how that might be more appropriate for, you know, emerging market economies, you're smiling, I'm smiling, right?

But I think that's not just a talking point for President Xi, I think that China sees itself as a country that has real impact on the global stage, should have rightful impact on the global stage, and they haven't felt that for a very, very long time.

With that agency, I just wanted to highlight two areas where, economics aside, you see that quiet confidence, and that is both in sovereignty issues, Beijing continues to ratchet up pressure on Taiwan to pick off diplomatic partners who are stopping them. Who is pushing back on them?

Also maritime issues, they've effectively militarized their outpost in the South China Sea. To what end? Where is the push back on that?

So, mindful of the problems and their own weaknesses, absolutely, but also quietly confident that if they can just hold things together, they will continue to have agency beyond its borders, and potentially, you know, beyond its region.

MS. SOLÍS: Pek, you wanted to come in?

MS. HENG-BLACKBURN: Just a very quick point. I think another minor point to add is that China's overreach could also affect the way ASEAN countries, especially those with ethnic Chinese populations. So, the Chinese Diaspora, the Chinese trying to mobilize them, and so we have, you know, latent and long-established NT Chinese sentiments, Indonesia, Malaysia.

And I think that has got to come into account how these -- you know, how the Indonesians and the Malaysians Malays, see the way China is trying to reach, you know, to these

countries by using the ethnic Chinese population. That's something that we have got to look at the relationship between China and the 25 million Chinese Diaspora in Southeast Asia.

MS. SOLÍS: Thank you. Let me add a word then, confidence in Japan, because that was part of the question. I think that it is very probable that Prime Minister Abe will indeed be reelected for his third term and Party President, and I will put him in a position to be the longest-serving Prime Minister in Japan.

And from that you could expect that there will be a lot of confidence on many of the things that have been done during these six years, and the potential that there will be three more.

But I would make the case that there are plenty of things that would probably keep their Prime Minister awake at night, or certainly does create a lot of concern. One of them is North Korea, and the fact that Japan has not found a way in which it feels that the United States is making two representations of Japan's national interest, in this very delicate issue, the concern that if there's a second meeting between President Trump and Kim Jong-un, you're moving towards a de facto nuclear power, and how that affects directly Japan's security.

There's also the concern about the fact that if indeed the national security ties that others are applying, you're now affecting a core Japanese economic interest. The oil industry employs a lot of people back in Japan, and that would also play badly, and it will play badly because then on security and economics Prime Minister Abe will not be able to tell the public, I have a close relationship with the President that has protected Japan.

And last but not least, in an effort to appease the American side, if Japan were to make agricultural concessions, then there could be a price to pay next July, the Upper House Elections.

So, there's a lot of turbulence in the waters, that I think also affects how Japanese leadership is trying to navigate. And I think muddling through might be the best choice.

I have two younger gentlemen here, if you don't mind me saying that, by that wall.

QUESTIONER: Hello. Thank you. My name is Sahir Mateur . I'm a BSc student at American University. And I have two questions for Meredith Sumpter. The first is, you did mention that the U.S. is withdrawing from Southeast Asia and East Asia more generally, but you also mentioned that there is a withdrawal of multilateral frameworks and the international community as a whole.

So, I want you to know why you would translate a U.S. withdrawal to a withdrawal of the international community, and by multilateral frameworks did you specifically mean the TPP, because the U.S. has withdrawn, but the TPP still exists in another form. So if you could just clarify that a bit.

And the other question that I have in the relation to China's enthusiasm for engaging in the regional economic architecture, and you mentioned for various reasons why China would be more enthusiastic about the CPTPP than the RCEP, and cooperating with Japan in that respect. So, the reasons for why RCEP wouldn't break out in your analysis, was more on the RCEP itself, and less to China's attitude towards the RCEP.

You mentioned India's slow stance, and also the elections in the domestic countries that are in RCEP, but from China's perspective, don't you think RCEP is more sort of viable, or valuable because of the historic -- the relationship that China has had with Southeast Asia, as opposed to CPTPP which still has a lot countries coming on board, and also involves deeper integration, and China has historically been slow on that.

So, in that respect the push back has been towards BRI, which is more a bilateral initiative than multilateral, and RCEP is slightly different, so China might still, in light of the pushback towards -- from Malaysia and possibly Pakistan towards BRI, might be willing more to engage with RCEP and push that further notwithstanding problems of India and domestic elections in Indonesia and India next year. So, I would just like your comments on that. Thank you.

MS. SOLÍS: All right. Thank you. Thank you very much. There was a lot on that question, so I'll ask the next person to please be very concise, because we -- the gentleman in the

wall -- against the wall -- not in the wall. (Laughter)

QUESTIONER: Yes. Thank you. I'm in the wall, yeah, I'm part of the wall. My name is Anshay , I'm with Inside U.S. Trade. Thanks. I'll try to be as brief as possible. The first question was, Mireya, you touched on this briefly, which is the Section 232 tariffs on autos which could be coming if Japan is hit with those tariffs. I'm curious to get the panel's thought on what the response would be.

Would that add pressure for Japan to maybe enter into bilateral FTA talks with the U.S. or would it make it politically impossible for the Abe administration to do that, and continue cooperating with the U.S. on its response to China as well, which they've been doing kind of quietly.

And secondly, just one, vis-à-vis China, there's I think a lot of hammering in the U.S. about Made in China 2025, and I'm curious whether there's concern in Japan ASEAN countries about that plan, and what they're doing about that as well. Thanks.

MS. SOLÍS: Thank you very much. So 232, and Made in China 2025, and then broader questions about regional integration. So, Meredith and Fuku? We'll go in that order.

MS. SUMPTER: Sure. Thank you. In fact, I think if a Trump administration official was in the room they would very much push back on my assertion of U.S. withdrawal from multilateral frameworks. And in particular they would talk about the Indo-Pacific Partnership, and the vision that they have with that, and how they're looking to drive that.

But it's not just U.S. withdrawal from TPP, it's a combination of that, a combination of the "America first" which, even despite the Indo-Pacific commitment, I think if we talk to our partners in the region they will tell you that the intensity of U.S. engagement has gone down quite significantly. And there remain questions about, does the current U.S. administration really value multilateral frameworks, and what that means for being able to have outcomes that are broadly beneficial to the inclusive growth and integration of the region?

So those questions are very much real, and I think the region, especially with

Japan filling that space, that was filled partly by the U.S. and partly by -- it's not just the U.S., but the U.S. partnership with ASEAN countries, with other countries in the region, hoping to gin up these conversations that are happening.

And it's not just with TPP, it's also with the WTO, with the U.S. sort of disengaging in certain respects from the WTO. The ability of the WTO to drive toward a conclusion, and action, its hurt right now. It's hurt right now.

So, that's what the region is dealing with, and they're looking, they're watching and waiting to see: what does the Indo-Pacific Partnership really mean on the ground? Like what does that really mean? It sounds great. We welcome that, we want you involved in the region.

But what does that mean in terms of your time and attention commitment from an economic perspective? And not just with money, but if you're too busy trying to gin up bilateral FTAs with these other countries, do you have time and attention for us as a group and what we are trying to do? And what does that mean from a security perspective, right?

So those are conversations that I think are not happening to the extent, are not as deeply held, as I think many of our partners in the region would want.

And I'm sorry, the question on the -- wouldn't China value conclusion of the RCEP before the CPTPP? Yes. I think absolutely. I think China feels strongly that conclusion of the RCEP is critical to the regional economic integration efforts. I think it's very important to Asia coalescing around its own growth dynamic. Right?

And then you can talk about the Asia-Pacific, but Asia needs to get this right first. But I believe my colleague would be probably a better expert than I to talk about the intricacies of RCEP and where we are. Although I would just note that there are technical difficulties. We've been at this for years, and I love having the Singaporeans on point, because you know they're going to be driving for something. But at the same time, those technical challenges largely remain.

And the question about, you know, India's inclusion or not, those also remain.

So, if you get to a point where RCEP is still trying to get to a concluding space,

and in that same year you see the CPTPP begin to take off and begin to add new countries to that, China is going to be watching: where are those investment dollars going? Where is that -- where is that high value trade going? What does that mean, not just the value trade but the high standards trade? I think Professor Kimura was talking about this.

What does that high standards trade mean for Chinese production networks, for China's integration in Chinese companies, products, services, their integration into the regional economic architecture?

If they're not in that game and that's what I think China is concerned about. So, yes, let zero in and see and if you can get this RCEP across the finish line. But if we can't, and CPTPP begins to really get some momentum and take off, we can't afford to be outside that game either.

MS. SOLÍS: Thank you.

MR. KIMURA: Yes. I think Japan should do negotiations with the U.S. eventually, but surely Japan would like to have some reasonable negotiation rather than a sort of really wild negotiation. So, possibly, say the ideal situation is that CPTPP is validated, and we will have accession negotiation, so that will be what we would like to have, but whether or not we can have that or not, I'm not sure.

So we may have a bilateral negotiation, or maybe both, but to try to avoid some sort of really bad deals over there, that's a sort of basic side we have to that.

And also a sort of political cost, so we have to touch and retouch again. In any case, then how far, that political cost is high, that this is another element that we have to consider.

So try to narrow down the scope of negotiation. This is a sort of strategy that Japan is taking right now, in my interpretation.

MS. SOLÍS: Thank you very much. I just want to ask Pek Koon the last question; I didn't have a chance before. We are talking about the expansion of the CPTPP, and we all struggle with the acronym, so maybe it should change. But also Pek made the point about how

Malaysia with the return of Mahathir has a very different take on China and the Belt Road. There's been discussion as to perhaps the return of Mahathir may also spell trouble for the ratification in Malaysia of the CPTPP. So, if you can briefly tell us, what's the read on that situation?

MS. HENG-BLACKBURN: Yes. It was in the opposition, the previous opposition that objected to the CPTPP, or the TPP, but I think that most of the concerns are, you know, the SOEs and government procurement, and given that in the last -- in the talks, so when they looked at the views of these other members, I think most of their concerns are being addressed and I don't -- I just feel that Mahathir -- well, first of all they've not really looked at the CPTPP carefully.

There are so many domestic problems. They're not really sort of a taskforce to look at, to really look at the TPP. But my feeling is that it probably will -- well, with the other three countries, Malaysia will not be among the six countries that will ratify, but it probably will not pull out.

I just feel that it will stay, you know, with the -- because given the trade tensions between China and the U.S., and other issues, you know, and with China not being the CPTPP, and its own issues with China, it's something that Malaysia will want to keep going.

MS. SOLÍS: Thank you very much. This has been a very rich session. I could talk all afternoon about these issues, but probably you'll want to take a break. So, please join me in thanking the panelists for today. (Applause)

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