



Questions on “Perspective on Japan’s Global Integration Strategy” by professor Fukagawa

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(*) The views expressed in this presentation are of exclusive responsibility of the author, and do not necessarily represent the Central Bank of Chile or its Board.



General Perspective

1. Japan needs to grow. Trade openness and a global integration focus has been part of Premier Abe's growth strategy. And a pretty relevant part of it. This strategy has had two main parts: TPP and a set of bilateral FTA, specially across Asia.
2. The effort to enhance multilateral agreements ("Mega packages") is also justified by changes in the global economic landscape that need to be dealt with:
 - a. Lack of progress in agricultural integration
 - b. Role of global supply chains (GSC)
 - c. Shift from industrial structure to knowledge-intensive business
 - d. Increasing role of state-capitalism.



Question #1: what's next after TPP?

1. TPP has failed. How should Japan recalibrate its trade policy strategy?
 - a. TPP excluding the US?
 - b. Bilateral agreement with the US?
 - c. Can Japan's focus on bilateral FTA's compensate for a TPP without the United States?

2. China is not in TPP, and it is difficult to think that any meaningful strategy that excludes China would be able to assess Japan's main growth challenges. How will Japan's strategy account for China's growing influence in Asia?

3. Japan's focus on greater integration raises other interesting issues at the regional level
 - a. Historically, Asia has been a champion of globalization and trade integration.
 - b. But there is a sense that too much activism by governments (industrial policies) is not easily reconcilable with full integration. Is Asia ready for full integration?



Question #2: Can Japan and China become the globalization champions?

1. As support for globalization in some advanced economies wanes, China and Japan are taking the lead on global integration efforts. Can these Asian giants really lead in this matter and avoid any relevant backlash in global integration?
 - a. How willing is Japan to open its agricultural/service sector?
 - b. How are China's authorities going to deal with strategic SOEs in strategic sectors (Banking/Heavy industries)?
 - c. State capitalism and role of governments.

2. The challenges on globalization seem to be fed by two phenomena: (i) tensions coming from migration, and (ii) tensions arising from the distributional aspects of globalization. The former is a "minor" issue in Asia, and the latter is present but "hidden".



Comment #3: a few words on Chile

1. Chile has largely benefited from its 40+ years of trade integration, both unilateral and bilateral. What's next?
 - a. There is room for further strengthening and improving the current set of agreements.
 - b. Trade and financial openness have good health in Chile, but need permanent support. This also requires to deal with the challenges of globalization. It is specially important to make clear that with integrated factor markets, the costs of distortions and policies that affect productivity negatively are mainly absorbed by internationally-immobile factors, like unskilled labor.
 - c. The tradable/non-tradable distinction is becoming increasingly diffuse. Chile has developed a service sector that is quite competitive and efficient (although more can be made to promote competition). Services' integration with other Latam countries (financial, retail, real state, energy, transportation and logistics, movement of people, education) represents an important growth opportunity in the future.