

31st FIW AW-Vorlesung | International Trade Lecture

21 November 2018

The EU-Japan EPA and its Relevance for the Japanese and Austrian Economies

Julia Grüber

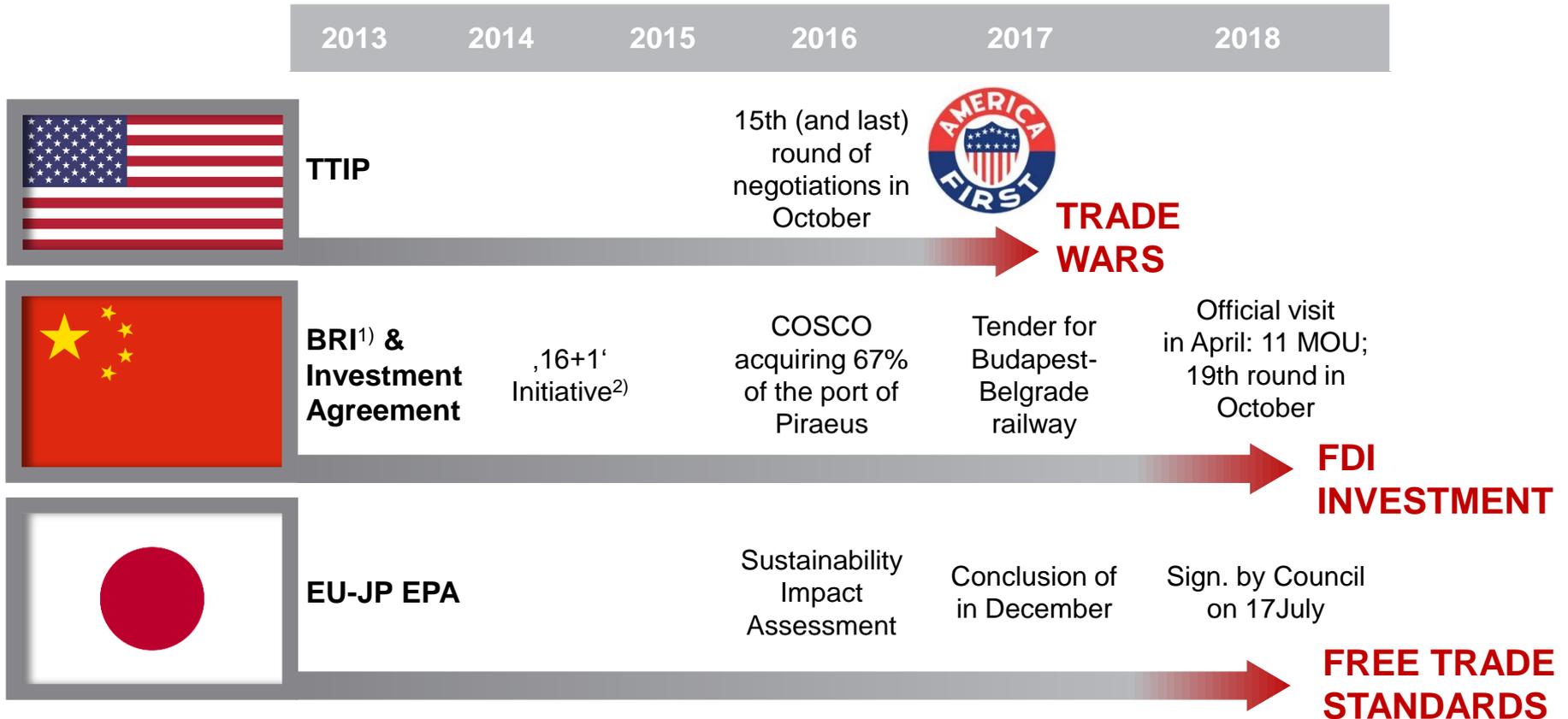
 gruebler@wiiw.ac.at

 @JuliaGruebler

The presentation is based on a report co-authored with Oliver Reiter (wiiw) and Robert Stehrer (wiiw). The research project was commissioned by the Austrian Federal Ministry for Digital and Economic Affairs.

EU relationships evolving since 2013

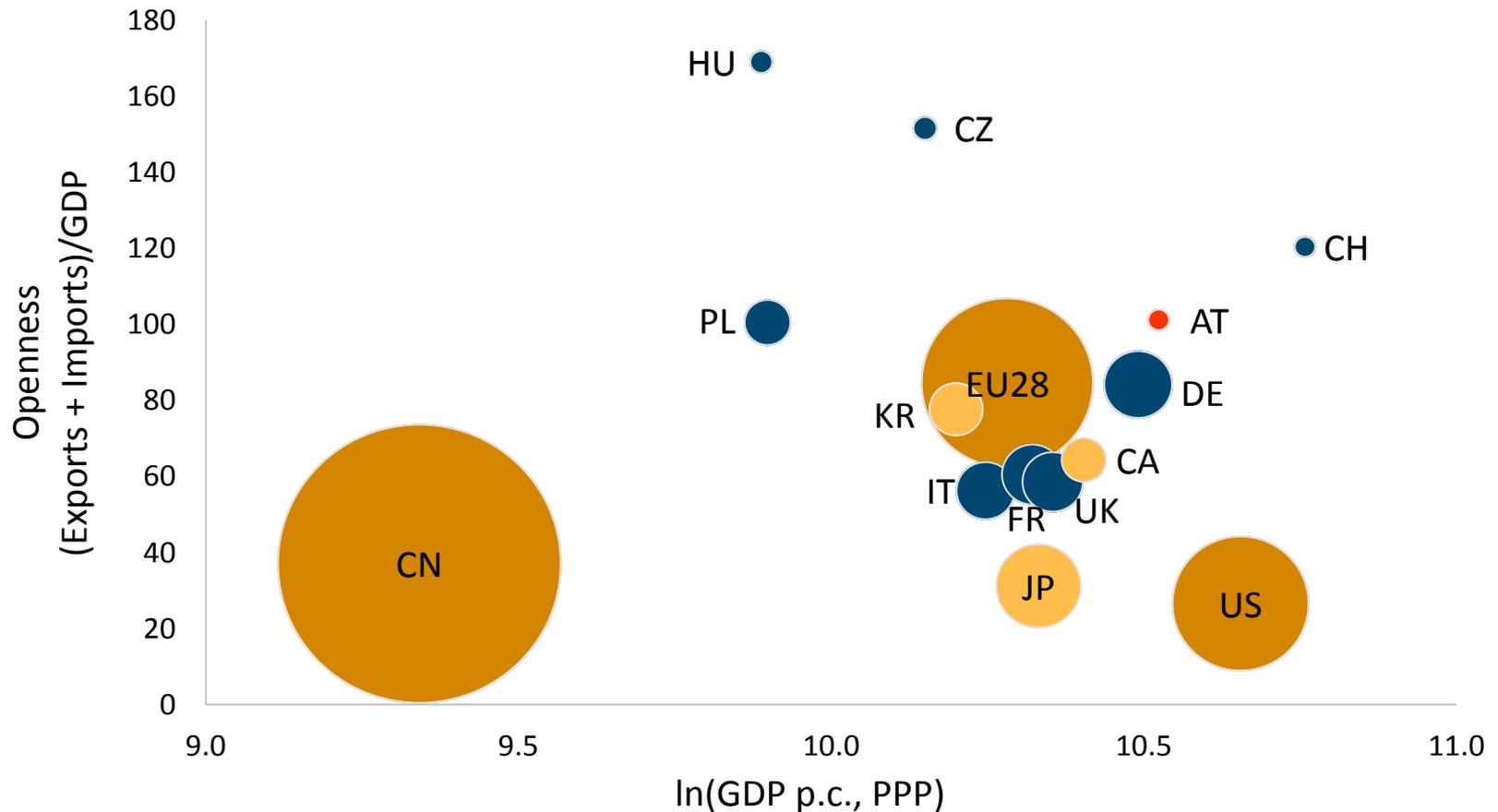
with strongly diverging trends since early 2018



Notes: TTIP = Transatlantic Trade and Investment Partnership between the EU and the US; BRI = Chinese Belt and Road Initiative, also known as “New Silk Road”; EPA = Economic Partnership Agreement; FDI = Foreign Direct Investment; COSCO = China Ocean Shipping Company; MOU = Memoranda of Understanding. 1) See e.g. wiiw Policy Note [No. 23](#), June 2018. 2) Austria holds observer status.

(Changing) Openness of Austria's trading partners

Austria's top 10 export destinations in 2017 plus Canada, Japan and South Korea



Network of trade agreements of the EU and Japan

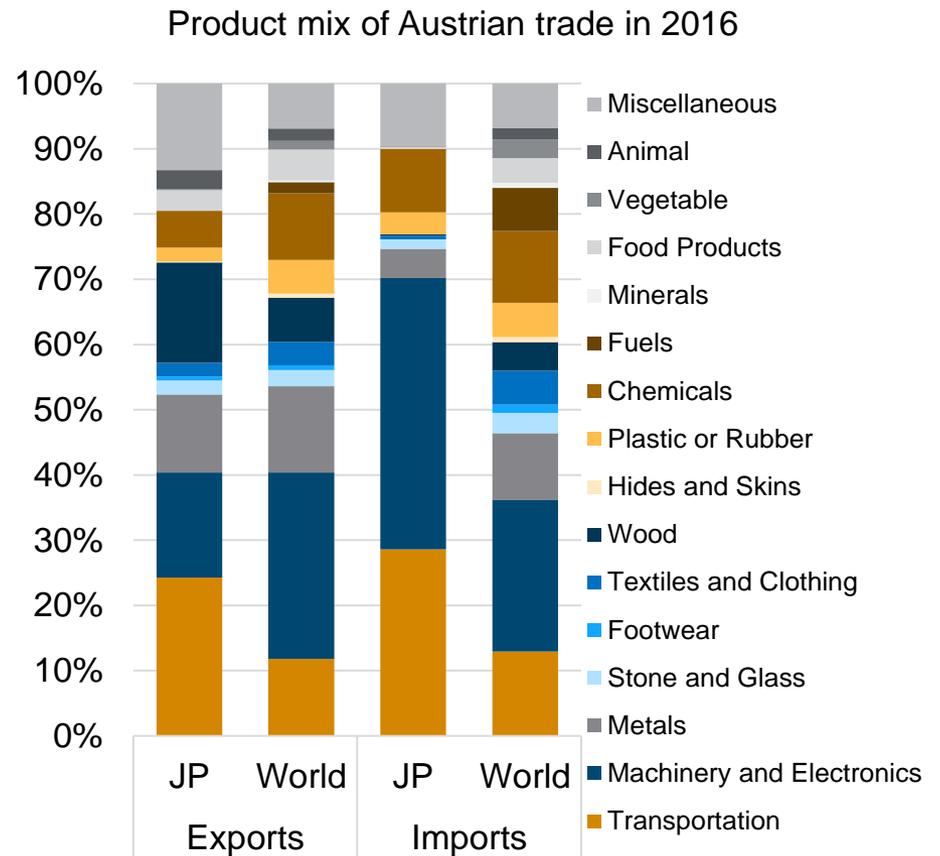
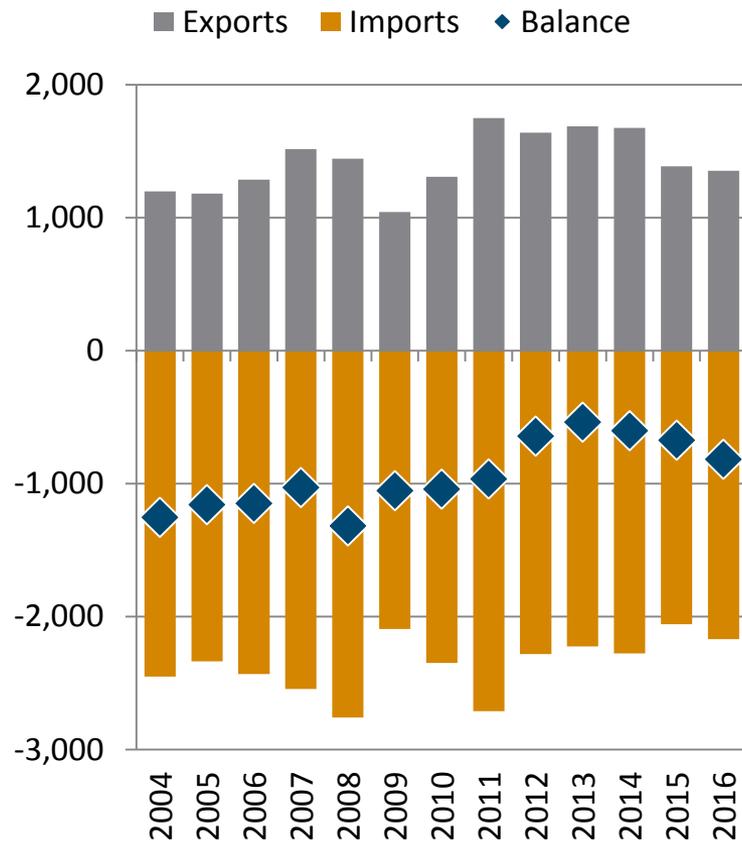
Vast network of EU trade agreements ▶ Japan's current network of trade agreements focuses primarily on the region of South/Southeast Asia, as well as Oceania. ▶ The EU agreement with Japan is the **most ambitious with any Asian state**. ▶ Particularly interesting for Austria: measures to facilitate the market entry for **small and medium-sized firms**, and cooperation in the **agricultural sector**.



Source: WTO Regional Trade Agreements Database. Note: Parties in red, WTO members in green, neither members of a regional trade agreement nor WTO members in grey. Each red dot represents a partner country or region (such as the EU), accentuating agreements with small (island) economies.

The Austrian trade relationship with Japan

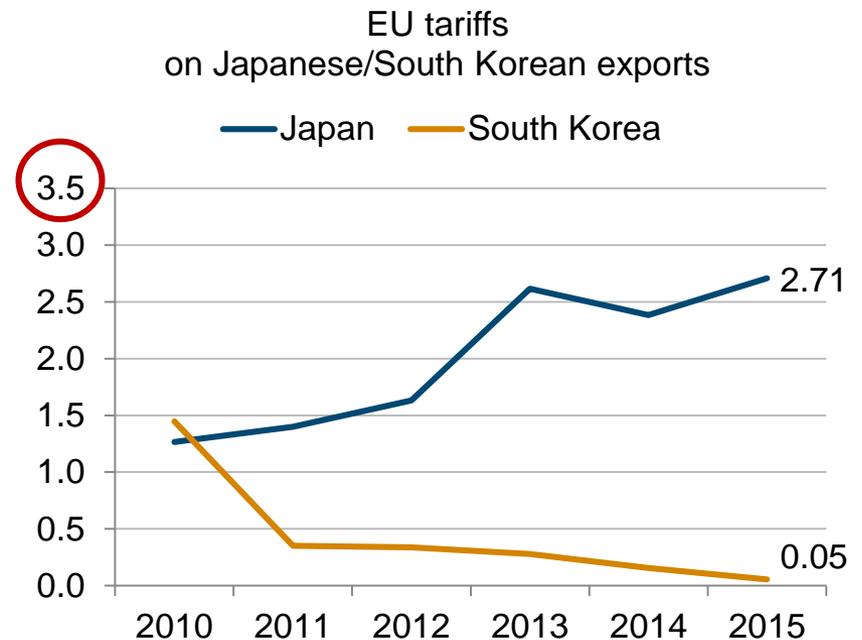
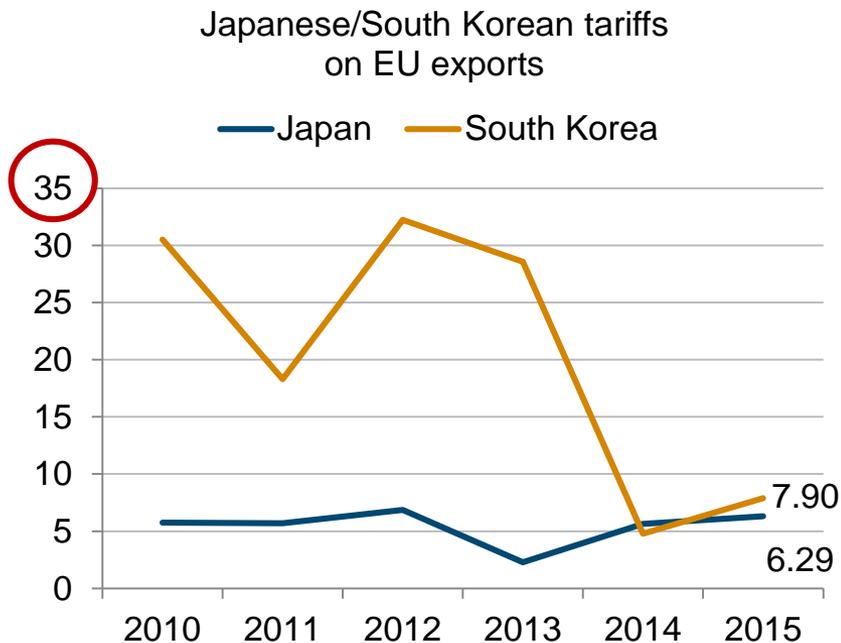
has been weakening recently



Note: Austrian exports and imports in million USD. Data sources: UN Comtrade, Statistik Austria.

Development of trade-weighted bilateral tariffs since 2010

Japanese tariffs on EU exports are comparable to the level of tariffs imposed by South Korea **after** the implementation of the FTA ▶ Lower effects from tariff cuts expected; potential still exists in the agricultural sector. ▶ Greater effect of non-tariff measures.

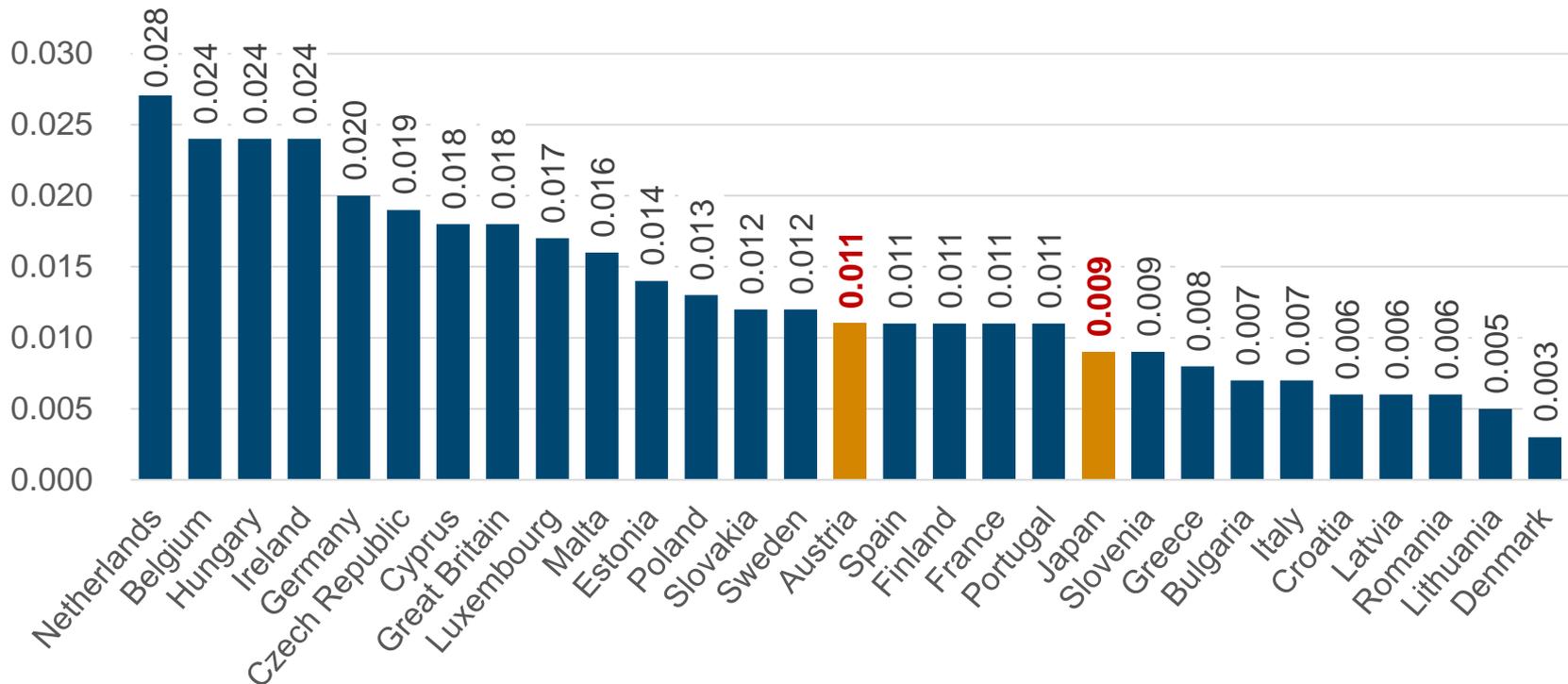


Note: High average tariff rates are mainly due to high tariffs on HS10 and HS11 products.
Data source: UNCTAD TRAINS; wiw calculations.

Direct effects of the EU-Japan EPA on GDP

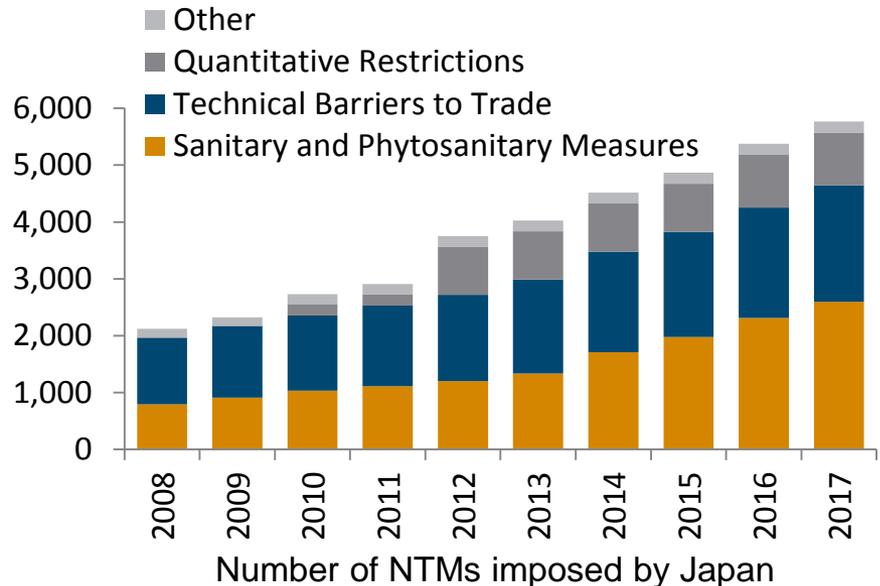
of particular interest for Austria's neighbourhood and major trading partners

Level effect, to materialise over a period of 10 to 20 years ▶ Highest gains for manufactured goods, particularly in the medium- and high-tech sectors



The role of non-tariff measures is increasing

- ▶ We even find that Japan would lose from an agreement not considering non-tariff measures!
- ▶ Agreement on international standards relating to product safety and environmental sustainability, which should make double testing unnecessary and strengthen the position of the EU and Japan in **international standard-setting fora**.



- ▶ At the same time, we expect an increase in bilateral non-tariff measures, as they often **enable a stepwise reduction of tariffs** (e.g. through tariff-rate quotas and safeguard measures in the agricultural sector).
- ▶ **Political message** going beyond the disapproval of protectionism. Both parties acknowledge the regulations of the World Trade Organisation (WTO), standards of the International Labour Organisation (ILO), the Paris climate agreement, as well as the importance of sustainable development.

Thank you for your attention!

Follow us:

www.wiiw.ac.at



References

- European Commission [EC] (2018), 'EU-Japan Economic Partnership Agreement: texts of the agreement', Brussels, Updated 18 April; <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1684>
- Ghodsi, M., J. Grübler, O. Reiter and R. Stehrer (2017), 'The Evolution of Non-Tariff Measures and their Diverse Effects on Trade', wiiw Research Report, No. 419, The Vienna Institute for International Economic Studies (wiiw), May; <https://wiiw.ac.at/p-4213.html>.
- Grübler, J., O. Reiter and R. Stehrer (2018), 'The EU-Japan Economic Partnership Agreement and its Relevance for the Austrian Economy', wiiw Research Report, No. 434, Vienna, November 2018; <https://wiiw.ac.at/p-4687.html>.
- Grübler, J., A. Bykova, M. Ghodsi, D. Hanzl-Weiss, M. Holzner, G. Hunya, R. Stehrer (2018), 'Economic Policy Implications of the Belt and Road Initiative for CESEE and Austria', wiiw Policy Note, No. 23, June 2018; <https://wiiw.ac.at/p-4549.html>.
- World Trade Organisation [WTO] (2017), 'Regional Trade Agreements Information System (RTA-IS)'; <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>.
- Yotov, Y.V., R. Piermartini, J.-A. Monteiro and M. Larch (2016), 'An Advanced Guide to Trade Policy Analysis: The Structural Gravity Model', United Nations (UN) und World Trade Organisation (WTO), New York.