

Big gains seen from US-Japan free trade pact

By Doug Palmer

Reuters

November 27, 2007

WASHINGTON - A free trade pact between the United States and Japan would generate hundreds of billions of dollars in economic gains for both countries, according to a study released on Tuesday.

The report came as the assistant U.S. trade representative for Japan and Korea said Washington and Tokyo had begun exchanging information on details of a possible agreement.

However the official, Wendy Cutler, said the time was not yet right to begin formal talks.

In a speech at a Washington think tank, Cutler said a proposal to negotiate a regional free trade agreement with Japan, China, Russia and other members of the Asia Pacific Economic Cooperation group known as APEC deserved "serious thought" following last year's U.S. deal with South Korea.

An agreement that phased out tariffs and other trade barriers between the world's two largest national economies would generate about \$130 billion in economic gains for Japan and about \$150 billion for the United States, according to Scott Bradford, a visiting scholar at the Peterson Institute for International Economics.

Those estimates assume 10 percent of service sectors such as finance and banking, distribution, insurance, construction, health care, telecommunications and delivery would be opened to more bilateral trade, Bradford said in a study.

An agreement that liberalized 30 percent of services would generate about \$350 billion in gains for each country -- equal to 7 percent of gross domestic product for Japan and 2.6 percent for the United States, Bradford said.

The United States and Japan have begun examining each other's trade deals to help lay the groundwork for possible negotiations, Cutler said at the Peterson Institute, although such talks were still premature at this point.

"The stakes would be very high -- meaning if and when we were to embark on this path, we would need to be highly confident we would be successful," she said.

Japan would have to make major agricultural policy reforms and remove many of its regulatory barriers, Cutler said.

Bradford noted American automakers are likely to complain loudly about any agreement

that eliminates remaining U.S. tariffs on Japanese automobile imports.

A proliferation of free trade arrangements in Asia excluding the United States has heightened U.S. interest in negotiating a free trade agreement with other APEC members, Cutler said.

Prospects for an agreement with Japan or the more ambitious wider regional deal would be enormously set back if Congress rejects the South Korea agreement, Cutler said, but she was confident Congress would approve it next year.