

Outlook of “TPP” after signing

“Trans-Pacific Partnership (TPP)” is a trade agreement among twelve Pacific Rim countries to promote elimination of tariffs and liberalization of labor, goods, services and investment and also to make rules to match the 21st century, in a wide range of fields such as intellectual property rights, e-commerce, State-Owned Enterprises’ discipline and environment. Twelve member nations signed and confirmed contents of the agreement on 4th February 2016. The huge trade agreement which accounts for almost 40% of the global GDP will come into effect after ratification by each country.

Point 1

12 member nations have signed, progress toward becoming effective The birth of a huge trade agreement

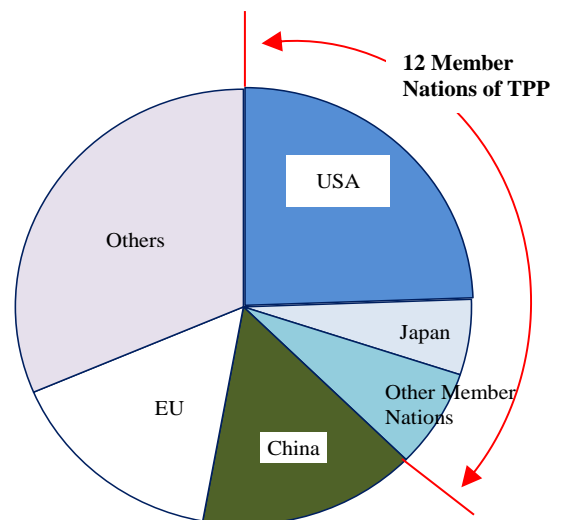
- On 4th February, 12 member nations signed the agreement at Auckland, New Zealand and the contents of “TPP” were confirmed. Focus is now on when it will come into effect. To become effective, all member nations need to ratify the agreement within 2 years, or ratification by more than 6 nations with an aggregated GDP exceeding more than 85% is required.

Point 2

Ratification of Japan and the US is the key Expectations on countries who expressed intentions on participating are also high

- “TPP” can become effective without waiting for 2 years if member nations comprising of more than 85% of the total GDP ratify. According to IMF, 12 member nations’ total GDP is USD 27.7 trillion which accounts for 37.7% of global GDP (USD 73.5 trillion) as of year 2015. GDP of Japan and the US together account for 80.5% of that of “TPP” member nations as a whole. Ratification of Japan and the US is the key for the birth of a huge trade agreement which accounts for almost 40% of the global economy.
- There are high expectations on the participation of countries who have expressed their intentions, as “TPP” negotiations are progressing. In addition to some ASEAN nations (e.g. Indonesia, Philippines and Thailand), Taiwan and Korea have expressed their intentions to participate. New member nations will be accepted after “TPP” is launched.

“Global GDP (Breakdown by Countries & Regions)”



(Note) Estimate of year 2015. GDP ratio of countries and region of global GDP.
(Source) SMAM, based on IMF data.

The launch of the agreement depends on ratification by the US Congress

- In order for “TPP” to become effective, ratification by each member nation’s parliament is required, although the timing is likely to be determined by the status of US ratification. It is believed that the earliest possible ratification by US Congress may be sometime in February as the presidential elections shift into high gear in the US. If not in February, it is expected to be postponed to autumn after the elections.
- Although the global economy is moderately recovering, growth of trade volume seems to have slowed down due to the Chinese economic slowdown. In such context, member nations of “TPP” may enjoy the privilege of economic growth through expansion of trade volume as trade and investment can be freely conducted amongst member nations once “TPP” becomes effective. Each nation, industries and corporations are required to proactively make use of “TPP”.

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