

Japan cool to inviting China into TPP as Abe repeats free trade mantra

Germany clings to growth hopes as Trump clouds gather

REUTERS, Tokyo

JAPAN is cool to the notion of inviting China to join a pan-Pacific trade pact abandoned by US President Donald Trump, fearing such a step would boost Beijing's clout and water down what was meant to be the 'gold standard' for rules of trade.

Nor are government officials eager to begin two-way trade talks with Washington, despite Trump's stated preference for bilateral deals as part of his "America First" economic plans, although some said such negotiations could not be ruled out.

For now, that has left Prime Minister Shinzo Abe in the unenviable position of pledging yet again to persuade Trump that the Trans-Pacific Partnership (TPP) is in the interests of both the United States and the global economy. The new president signed an executive order withdrawing from the TPP on Monday.

"The free trade system based on free and fair common rules is the source of growth for the world economy," Abe told parliament's upper house on Wednesday.

"I think President Trump also understands the importance of free and fair trade, and I want to steadfastly seek his understanding of the strategic and economic significance of the TPP agreement."

Asked about talks on a US-Japan trade deal, Abe said he would refrain from speculating about Trump's trade policy until his cabinet line-up was approved



Japan's Prime Minister Shinzo Abe speaks next to a map showing participating countries in rule-making negotiations for the Trans-Pacific Partnership (TPP) during a news conference at his official residence in Tokyo.

and policies became clearer.

Australia and New Zealand said on Tuesday they hoped to salvage the TPP by encouraging China and other Asian countries to join. Chile has invited ministers from other TPP countries and China and South Korea to a summit in March to discuss how to proceed. The TPP cannot take effect without US participation unless rules are changed, so the deal is now in deep freeze.

Japan had hoped the TPP would help anchor security ally Washington in Asia and create a rule-based regime that would eventually draw in China. Abe also touted the 12-nation pact as

an engine of domestic economic reform and growth.

But inviting China to the TPP table now risks boosting Beijing's clout while weakening the partnership's rules of trade on matters from intellectual property protection and principles for currency management to support for state-owned enterprises.

China has not made clear whether it would be interested in joining the TPP. But Beijing is pushing a proposed 16-nation Regional Comprehensive Economic Partnership (RCEP) that has less ambitious goals on trade rules. Progress so far has been slow.

"If TPP is diluted by bringing in China, it will not be worth while investing energy to achieve that," said a Japanese source familiar with government thinking.

"Negotiating with China with possibility of changing what was signed is not wise. It will take years and the result may be watering down of ambitions," the source said.

Su Xiaohui, a senior researcher at the Chinese foreign ministry-backed China Institute of International Studies, wrote in an article published on Wednesday in the People's Daily Overseas Edition that Abe was still "unable to accept reality"

even after Trump's executive order.

"The reason Abe is unable to accept the current situation is because the TPP is of excessive strategic importance to Japan. From Japan's perspective, the TPP is a key part of the Japan-US alliance," Su said.

"Seeing the disputes surrounding the TPP from the US and Japan, China is even more determined to participate and promote integration in the Asia-Pacific region," Su said.

China also supports a separate Asia-Pacific pact promoted by Southeast Asian nations.

Trump has made clear he favors two-way trade deals over multilateral ones, although a Republican-dominated Congress might be able to muster the votes to approve TPP if the President were to have a change of heart.

Trump has also attacked Japan's auto market as closed in an echo of criticism heard decades ago. Japanese trade minister Hiroshige Seko this week rejected that criticism, saying Japan does not impose tariffs on US auto imports nor put up discriminatory non-tariff barriers.

Bilateral US-Japan negotiations would likely put renewed pressure on politically vocal farmers, some of whose products such as rice would remain protected even under TPP.

Bilateral talks "are possible," said another source familiar with Japanese government thinking. "But I think if negotiations began, they'd be very difficult and take a very long time."

AFP, Frankfurt Am Main

The German government on Wednesday maintained its growth forecast for 2017, even as a monthly survey showed firms increasingly nervous about the future in the face of global uncertainty.

Europe's largest economy should expand by 1.4 percent in 2017 after hitting 1.9 percent last year, the economy ministry in Berlin said in a statement.

"The German economy is in very good condition," said Economy Minister Sigmar Gabriel, adding that "the effect of a lower number of working days" compared with 2016 would account for most of the fall in growth.

But he acknowledged that "despite the extremely good economic situation, many people are concerned" about their own and the country's prospects.

Earlier in the day, a survey from the Munich-based Ifo institute showed business confidence at its lowest level since September.

The Ifo index stood at 109.8 points in January, a fall of 1.2 points after months trending upwards.

Analysts surveyed by Factset had predicted a slight increase to 111.3 points.

"Companies expressed greater satisfaction with their current business situation, but are less optimistic about their six-month business outlook," Ifo president Clemens Fuest said in a statement.

"Germany is getting increasingly concerned about the possible impact from US president Trump's suggested trade sanctions," wrote analyst Carsten Brzeski of ING Diba bank.

The US dislodged France as Germany's biggest export customer for the first time in many years in 2015, he noted.

According to the federal statistics office Destatis, Germany sold 174 billion euros (\$187 billion) of goods to the US in 2015, while importing around 60 billion euros of American goods.

Combined with the threat to German exports from Britain's decision to quit the EU, Brzeski said "the German economy will continue to be highly dependent on domestic demand" in the year ahead.

Trump claims that competition from foreign imports destroys jobs in the US, and this week ditched plans for a free trade area stretching across the Pacific Ocean.

The new president also used an interview with British and German newspapers ahead of his inauguration to attack German carmaker BMW over its plans to open a new plant in Mexico.

Indonesia reconsidering TPP plans, eyes bilateral deals

EU calls for China to take concrete steps in opening market

REUTERS

INDONESIA is interested in pursuing a bilateral economic partnership with the United States after the world's biggest economy abandoned the Trans-Pacific Partnership (TPP) accord, an Indonesian official said on Wednesday.

Southeast Asia's biggest economy is also reconsidering its intention to join the TPP, Dewi Fortuna Anwar, deputy secretary of the

office of the vice president, told Reuters.

"Our emphasis going forward is more on a bilateral economic cooperation between the Republic of Indonesia and the US," Anwar said. "It would be a comprehensive bilateral cooperation, including for trade and investment," she said.

Indonesian Vice President Jusuf Kalla met the US ambassador to Indonesia, Joseph R Donovan, on Wednesday to discuss ways to increase trade between the two economies.

Indonesia will focus on discussions for bilateral trade deals with the European Union and Australia, while monitoring the progress of the TPP, the chairman of Indonesia's investment board, Thomas Lembong, told reporters separately.

"I've seen the Australian trade minister's comment asking for China and Indonesia to join TPP to replace the US I haven't had the chance to speak with him, but I am open to discussion and dialogue," Lembong said.

During a visit to Washington in October 2015, President Joko Widodo told the then US president, Barack Obama, that Indonesia intended to join the Pacific multilateral trade pact.

Australia and New Zealand said on Tuesday they hoped to salvage the TPP by encouraging China and Indonesia, among other Asian countries, to join after new US President Donald Trump kept a promise to abandon the accord.

In Beijing, Foreign Ministry spokeswoman Hua Chunying on Tuesday did not say directly whether China would be interested in joining the TPP but she said at a time of economic uncertainty, the Asia-Pacific should make its own contributions to growth with openness.

Obama had framed the TPP without China in an effort to write Asia's trade rules before Beijing could, establishing US economic leadership in the region as part of his "pivot to Asia".

China has proposed a counter pact, the Free Trade Area of the Asia Pacific (FTAAP) and has championed the Southeast Asian-backed Regional Comprehensive Economic Partnership (RCEP). Indonesia is the lead negotiator for RCEP for economies in the Association of South East Asian Nations (ASEAN).



Indonesian Vice President Jusuf Kalla addresses the United Nations General Assembly in the Manhattan borough of New York.



Chinese President Xi Jinping attends the World Economic Forum's annual meeting in Davos, Switzerland.

REUTERS, Beijing

THE European Union urged China on Wednesday to make "concrete progress" in opening its markets to global investment, after Chinese President Xi Jinping decried protectionism in a speech at the recent World Economic Forum in Davos, Switzerland.

"A speech is a speech and actions are actions," said Hans Dietmar Schweisgut, EU Ambassador to China, adding that he would be "surprised" if Xi was unable to translate words into action.

At Davos last week, Xi called for "inclusive globalisation" and for global unity, saying "self-isolation will benefit no-one", two days before the inauguration of US President Donald Trump.

During that week, China's cabinet issued measures to further open the economy to foreign investment, including easing limits on investment in banks and other financial institutions. No further details were provided, nor a timetable for their implementation.

So far, the EU has not seen "sufficient signs that China will be willing to grant reciprocity of market access to European companies," Schweisgut told reporters in Beijing.

In June 2016, the European Chamber of Commerce in China warned that foreign companies face an increasingly hostile

environment in China, with fewer than half its members saying they planned to expand operations in the world's second-largest economy.

Billionaire investor Wilbur Ross, Trump's choice for commerce secretary, has called China the "most protectionist" country in the world, and said China's officials "talk much more about free trade than they actually practice."

Trump has previously criticised China's trade practices and threatened to impose punitive tariffs on Chinese imports, and while he did not mention China at his inauguration, he pledged to put "America first" in a nationalist speech.

Schweisgut played down chances of a trade war between China and the United States, saying it would be "self-defeating" and that to speculate about the risk is to "look too far down the road".

China has said it is confident it can resolve trade disputes with the new US government, though some state media and government advisors have warned that US aircraft manufacturers, automobile companies and agricultural products could be caught in the cross-fire of increased trade tensions.

When asked whether Europe saw any opportunities in China's warnings of punitive measures against the US, Schweisgut said this was "interesting speculation" but that he did not know enough about Trump's trade policy plans to comment.

Trade war between China and the US is a lose-lose: state media

REUTERS

A trade war between China and the United States would harm both countries, the overseas edition of the state run People's Daily said on Wednesday, reflecting concerns over the protectionist, and anti-China stance taken by new US President Donald Trump.

"If a trade war developed between the two countries, both China and the US would be negatively impacted," the newspaper said in a commentary.

"In the end neither side would win, it would bring harm to other countries and that harm would be brought to others

without benefits to the US or China."

As both China and the US are major players in global supply chains and value chains, numerous countries would be gravely impacted from a trade war, the article added.

"At present, China and the US are bound together by trade, investment, finance and other spheres," the article quoted Zhang Jianping, head of the Research Center for Regional Cooperation under China's Ministry of Commerce, as saying.

"As the two largest economies in the world, maintaining positive trade relations is beneficial both to China and the US and also the global economy."

Dollar hits seven-week low on Trump worries

REUTERS, London

The dollar tumbled to a seven-week low against a basket of currencies on Wednesday on worries that US President Donald Trump was focusing too much on protectionism and isolationism, and not enough on pro-growth policies.

The biggest gainer among major currencies was sterling, which jumped above \$1.26 for the first time in six weeks on hopes for a trade deal between Britain and the United States, which UK Prime Minister Theresa May said on Wednesday would put "put UK interests and UK values first".

Her comments carried echoes of Trump's "America first" message in his inaugural speech on Friday. For the dollar, though, Trump's comments had acted as a negative, with investors disappointed by the lack of detail on his planned fiscal stimulus and worried that Trump's protectionist leanings could harm the US economy.

Moves by Trump on oil pipeline projects on Tuesday had boosted US equity markets and pulled the greenback back after a fall the previous day.