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## **THE TPP AND THE INTERNATIONALIZATION OF JAPANESE AGRICULTURE**

***Masayoshi Honma***

Japan participated in the Trans-Pacific Partnership (TPP) Agreement negotiations in July 2013 and this has in part intensified discussions on reforming domestic agriculture. TPP seeks liberalization not only in trade in goods and services but also in investment. Tariffs are not a major problem in sectors other than agriculture, and TPP negotiations have in fact focused on topics transcending trade, i.e., establishing investment conditions and standardizing systems.

*The views expressed in this piece are the author's own and should not be attributed to The Association of Japanese Institutes of Strategic Studies.*

With many high-tariff commodities remaining in the agricultural sector, however, tariffs are bearing the brunt of attention. Japan is looking to be excluded from lifting tariffs on five agricultural commodities. In view of the trend toward increasing globalization, though, even if Japan were to make it through the TPP negotiations with exemptions, it could not halt future demands for substantial reductions in tariffs on agricultural products. Given that, it would be better to begin promptly on structurally reforming domestic agriculture within the TPP framework.

Agricultural reform was also a demand made in the GATT (General Agreement on Tariffs and Trade) Uruguay Round Agreement on Agriculture approved in 1993. This Agreement on Agriculture called for all non-tariff barriers on agricultural goods to be tariffed; merely reducing the tariff levels themselves was deemed inadequate. Substantive market opening was left to subsequent World Trade Organization (WTO) agricultural negotiations. Countries around the world were asked in the meantime to proceed with domestic agricultural reform so that the sector would be able to withstand negotiations on substantial tariff cuts.

Japan's agricultural production has fallen off by 3 trillion yen over the past 20 years and remains in a steady downtrend, but the country has achieved sufficient international competitiveness in fruits and vegetables, an area that early on saw tariffs lowered or eliminated. Protected by high tariffs as well as a rice paddy reduction program that hinders free-market remedies, however, rice is a symbol of the decline of Japanese agriculture.


Rice cultivation is now done in piecemeal fashion on scattered rice paddies, making effective land use a near impossibility. The movement of machinery and laborers among fields alone causes expenses to mount. However, consolidating farmland and introducing varieties with high yield per unit area would substantially reduce the production cost of rice. Indeed, the government has announced a target of cutting production costs by 40%. If this were to be achieved, full-scale export of rice might become possible in future.

At the same time, modern agriculture that leverages Japan's agricultural technology capabilities should also be fostered for vegetables, fruit trees and

other horticultural crops. Forming food and farming clusters would be a good way of boosting international competitiveness. This would entail laying the foundations for concentrating food product companies and university and other relevant research institutions in specified areas, and creating new added value and innovation through mutual collaboration and competition.

The Netherlands is an advanced country internationally in terms of food and farming clusters, and the municipality of Wageningen is even known as “Food Valley.” Japan should not only develop its own Food Valley for horticultural crops but also a Milk Valley of dairy farmland and a Beef Valley of beef producing areas in line with local conditions. If we can form cross-company and cross-industry growth centers by making use of the materials and human resources in particular communities and collaborating with research institutions and companies rooted in these communities, we can unquestionably set the stage for local invigoration and development.

Structural reform of Japanese agriculture is an urgent issue, regardless of TPP. It would be advisable to undertake domestic reform in the direction of reducing/lifting tariffs, including those on rice, for the sake of the long-term development of Japanese agriculture. It is also essential for Japan to receive a sufficient grace period before the lifting of tariffs in the TPP negotiations, and for the government to present a progress schedule of measures needed until the abolition of tariffs and to provide support to farmers as they prepare to take on the challenge of international markets.

As agricultural groups such as JA (Japan Agricultural Cooperatives) are strongly opposed to TPP, it is not easy for the government to implement drastic policies for agricultural reform despite a series of policies recently introduced to induce young people to take up farming and to enlarge the scale of farm operation. But it would be the last chance to make Japanese agriculture internationally competitive. It depends on strong intention and leadership for the reform of Prime Minister Abe whether the reform succeeds or not. 

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