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BROADEN THE DEBATE ON TPP

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The 2010 Asia-Pacific Economic Cooperation (APEC) summit held in Yokohama in November agreed to establish a Free Trade Area of the Asia-Pacific (FTAAP) through further trade liberalization and promotion of investment in the region. Envisioned at its core are three economic partnership frameworks: ASEAN + 3 (China, Japan and South Korea), ASEAN + 6 (ASEAN + 3 and Australia, New Zealand and India) and the Trans-Pacific Strategic Economic Partnership Agreement (TPP). Although the summit did not specify, 2020 is assumed to be the target year for the FTAAP's establishment because APEC's 1994 Bogor Declaration stated that developed and developing economies would each liberalize trade and investment by 2010 and 2020 respectively.

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Japan has passed up the chance of joining the TPP due to strong opposition from the farm lobby. However, the regional economic partnership is not just about agriculture; it addresses much broader issues and holds out plenty of opportunities.

While the main theme of the APEC summit this year was the deepening of regional integration, subsequent debate within Japan has been focused on the TPP. The Trans-Pacific Partnership is a multilateral free trade agreement (FTA) whose negotiations began in 2002 among Brunei, Chile, New Zealand and Singapore (known as the P4). It entered into force in 2006. During the APEC Peru summit in 2008, Peru and Australia announced that they would join the P4 countries. In the same year, the United States also expressed interest in the TPP's liberalization of trade in financial services and investments, which was reaffirmed by President Barack Obama when he announced during his November 2009 visit to Tokyo that the United States would engage with the TPP. Vietnam and Malaysia also announced that they would join the TPP, expanding the negotiations to include nine countries (P9). Washington's engagement has significantly increased the presence of the TPP, whose membership is expected to grow further as it is open to the APEC's 21 member economies.

Why has the TPP suddenly become a hot issue in Japan? This is because it goes against the interests of farmers who have long been protected in this country. Of the nine countries currently participating in the TPP negotiations, Japan has signed bilateral economic partnership agreements (EPAs) with five (Singapore, Brunei, Chile, Malaysia, and Vietnam) and is in negotiations with two (Australia and Peru). The two remaining countries with which Japan has never had EPA talks are the United States and New Zealand – highly competitive agricultural exporters.

Japanese farmers are alarmed by what the TPP is aiming to achieve. The level of tariff abolition required by the EPAs that Japan has signed so far is around 90 percent. Meanwhile, the developed economies in the TPP take pride in having abolished tariffs on 98 percent of the goods traded in the region. Japan has often escaped the abolition of tariffs on sensitive agricultural products by providing compensation in non-agricultural areas. Under the TPP, however,

Japan would not be allowed to work out such compromises.

Japan's farm lobby, which wants to protect domestic agriculture with high tariffs, is thus strongly opposed to the TPP's trade and investment liberalization. Although Prime Minister Naoto Kan had expressed eagerness to pursue Japan's participation in the TPP in his policy speech on October 1, the opposition caused him to give up on TPP membership for Japan for the time being. Just before the APEC summit, the Japanese government announced that it would merely begin "fact-finding" talks with TPP members while seeking measures to strengthen domestic agriculture by June 2011.

Also before the APEC summit, some 800 business leaders from powerful business lobbies, including Nippon Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry, and the Japan Foreign Trade Council, gathered for a rally in Tokyo to push Japan to join the TPP. Japanese business circles have never taken such a united action to support EPAs in the history of Japanese EPA negotiations that started with Singapore in 2001. Some in the agricultural industry, especially rice farmers who have employed intensive production methods, also look to the TPP as an opportunity to increase exports. These are indications that the TPP can produce opportunities across industrial sectors.

What then should be the bottom line of Japan's joining the TPP? It should have to do with strengthening domestic agricultural industries and their competitiveness. At long last, the TPP has provided an opportunity to hold a national debate on this subject. Japan has negotiated EPAs with a total of 16 countries and regions, including ASEAN, Mexico and Chile, of which 11 have already come into effect. Japan has also basically agreed to an EPA with Peru and has signed one with India. The high tariffs placed on agricultural products have kept Japan's overall import tariffs relatively high. Excluding agricultural products, however, Japan has adopted comprehensive EPAs that include competition policy and bilateral cooperation. The coverage goes beyond the obligations of the World Trade Organization (WTO), providing a model FTA.

This means that, if Japan could improve on agriculture, it would be able to take the initiative in FTA formation in the Asia-Pacific region. Japan should

strengthen its agricultural industries by exposing them to international competition. I believe that the industries have potential. The decline of Japanese agriculture is a result of protectionism. If Japan takes pride in the safety of its agricultural products, why not turn it into competitive strength and break into the world market?

During the Uruguay Round, public attention was exclusively focused on the issue of rice. This time around, we should not narrow the debate on the TPP to agriculture alone. In addition to trade in goods, the TPP contains a wide range of issues and opportunities, such as trade in services, investments, government procurement, establishment of smart communities utilizing smart grids, and migration that may overcome the problems of aging societies. The TPP offers the potential to further develop Japan's EPA policy. 

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