

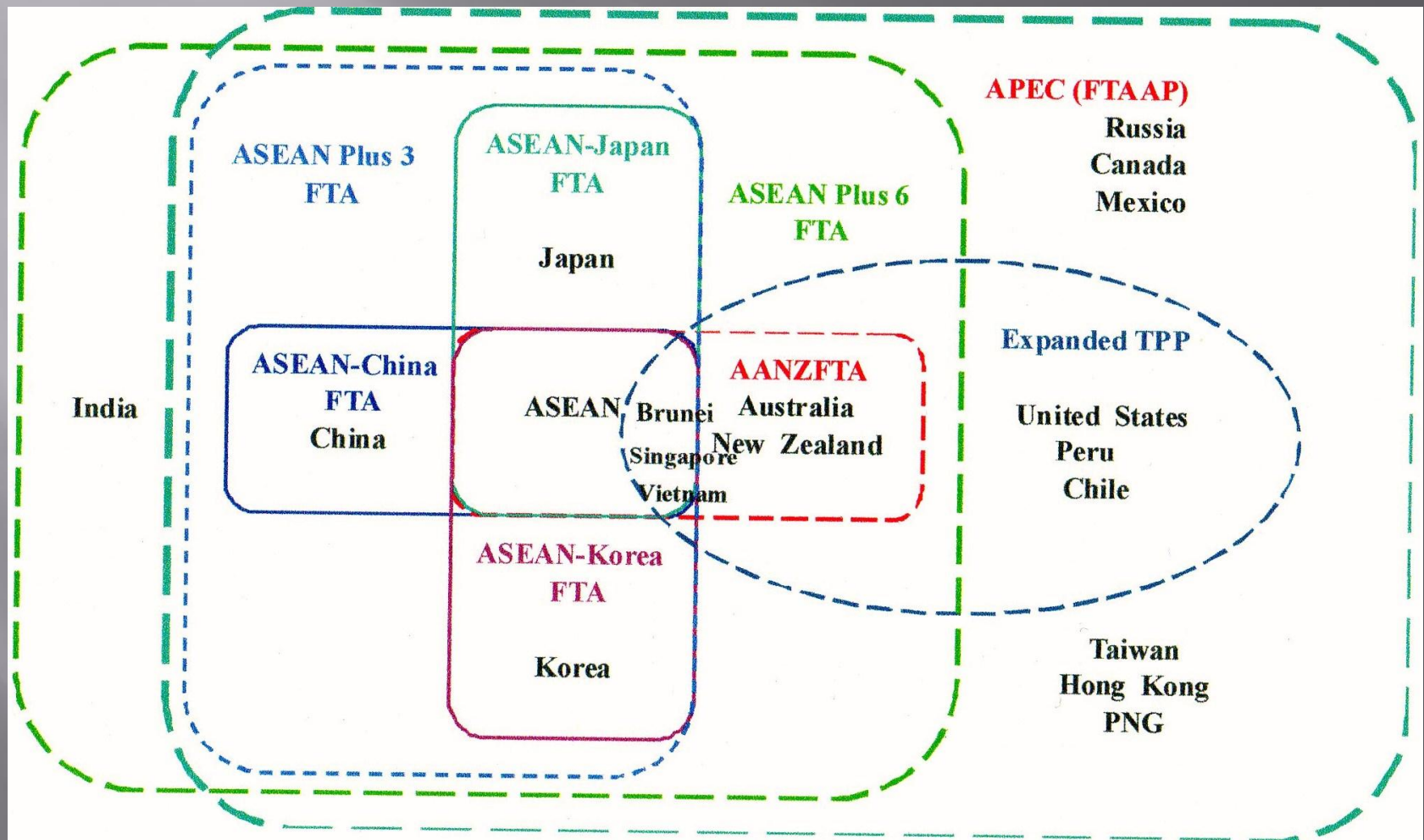
TPP AND JAPAN

Can Japan Join the New Regional
Architecture?

Yes! Japan can and should join the TPP

But Tokyo will have to make some hard choices and be prepared to carry out major reforms in now protected areas of the economy, the agricultural sector in particular

Current Regional Architecture

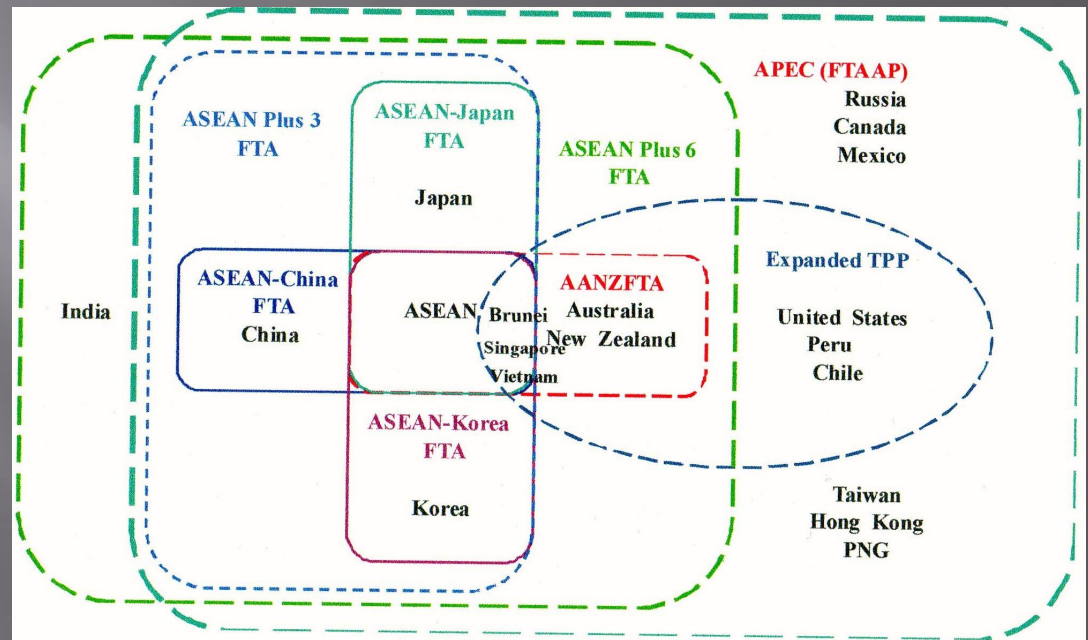


Asian “Noodle Bowl” of existing bilateral and regional trade pacts

With overlapping rules and provisions, such pacts proliferated about a decade or so ago when the WTO Doha Round went comatose.

They have subverted the multilateral dispute mechanism of the WTO and they cherry pick what countries want in the pact and want to avoid.

TPP would lead to an Asia-Pacific Free Trade Agreement and ultimately accomplish what the Doha Round could not.



TPP

On November 12, 2011, the Leaders of the nine Trans-Pacific Partnership countries – **Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States** – announced the achievement of the broad outlines of an ambitious, 21st-century Trans-Pacific Partnership (TPP) agreement that will enhance trade and investment among the TPP partner countries, promote innovation, economic growth and development, and support the creation and retention of jobs.

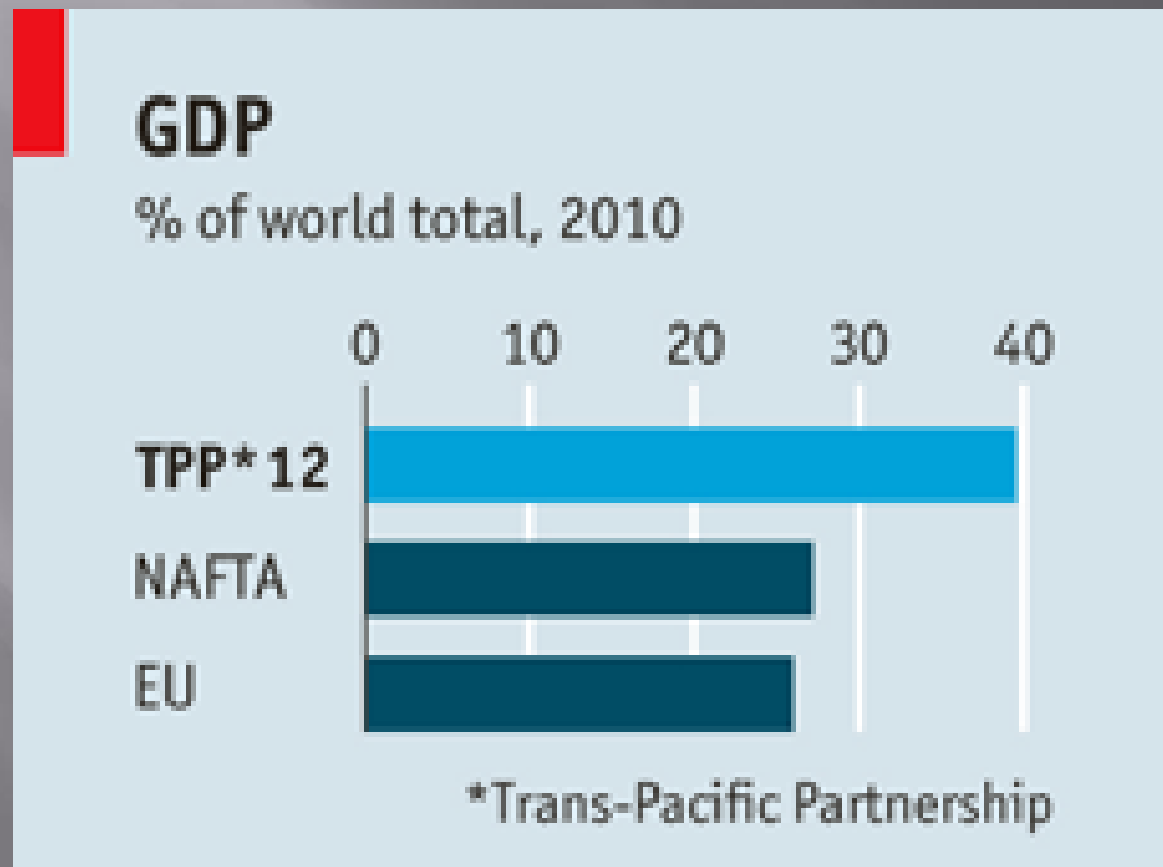
Since then, two others have joined negotiations, Canada and Mexico, and one other, Japan, is considering it.

TPP Member Countries

Members

Country	Status	Date
<u>Brunei</u>	Original Signatory	June 2005
<u>Chile</u>	Original Signatory	June 2005
<u>New Zealand</u>	Original Signatory	June 2005
<u>Singapore</u>	Original Signatory	June 2005
<u>United States</u>	Negotiating	February 2008
<u>Australia</u>	Negotiating	November 2008
<u>Peru</u>	Negotiating	November 2008
<u>Vietnam</u>	Negotiating	November 2008
<u>Malaysia</u>	Negotiating	October 2010
<u>Mexico</u>	Negotiating	October 2012
<u>Canada</u>	Negotiating	October 2012

TPP Would Become the Largest Regional Bloc if Japan, Canada, Mexico Join



PM Naoto Kan wanted Japan to join TPP in 2010 but failed



Then, PM Noda tried to forge a political consensus on TPP



PM Yasuhiko Noda , President Obama at the APEC Summit 11/12/2012

On TPP, Noda made a carefully worded statement since he did not have the backing of his party yet on TPP:

“I have decided to enter consultations toward in the TPP negotiations with the countries concerned.”

Those consultations stalled with the U.S. in March 2012 over bilateral trade issues unrelated to tariffs



PM Noda, Pres. Obama Punt TPP at 4/30 Summit Meeting



Noda Sought to Make Final TPP Decision by June 2012 but Failed



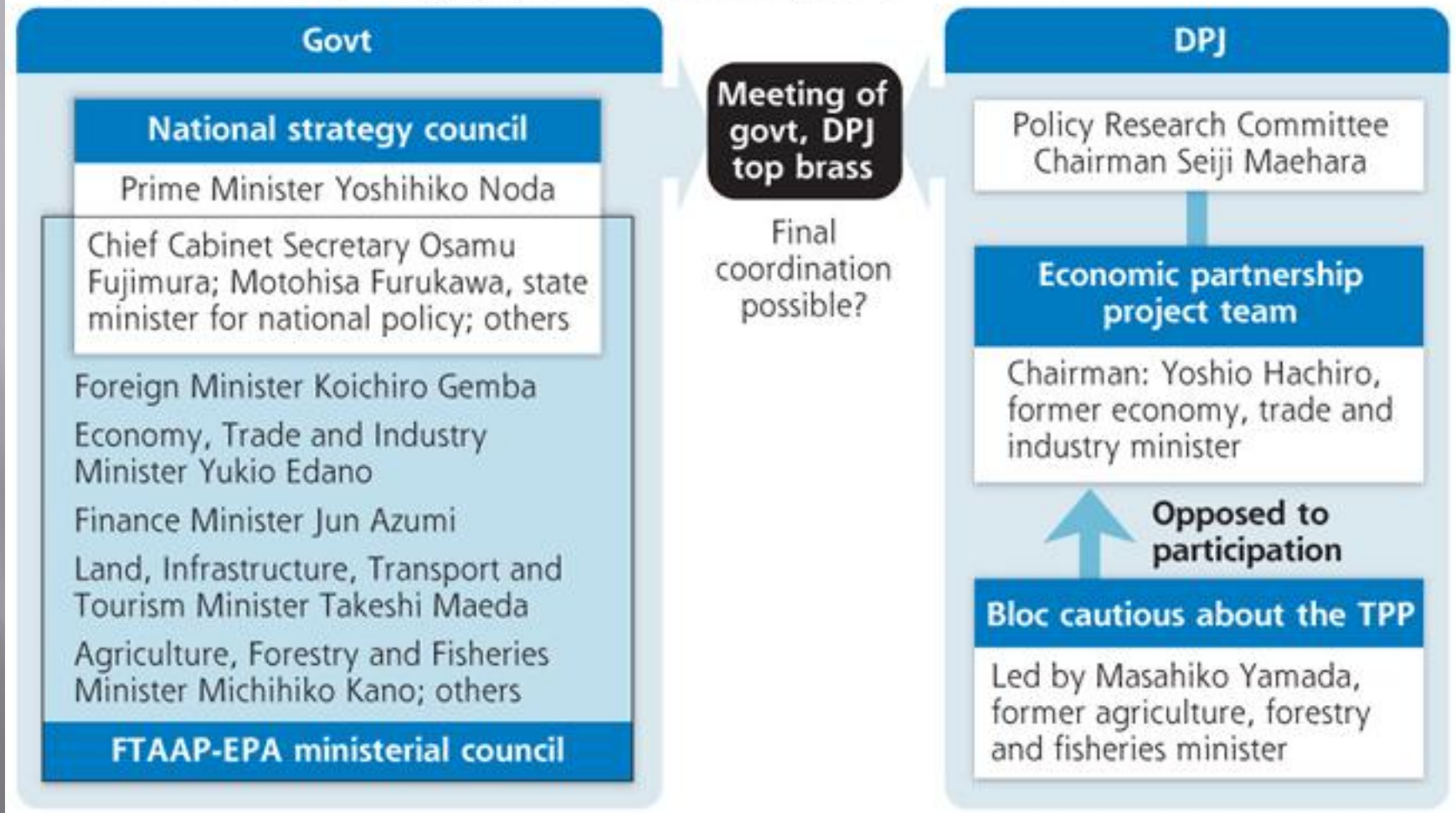
Noda Being Welcomed Home



Even Kids Get into the Act



Bodies considering Japan's participation in TPP



PM Noda ultimately failed to
convince his party to back TPP



Noda called a snap election for
12/16/2012 that was in part
seen as a TPP referendum



The DPJ Lost to the LDP in the Lower House Race

Voters disappointed with the DPJ's performance since 2009 and concerned about the state of the economy cast their votes for the LDP and other parties. The LDP gained a solid majority in the Lower House (294 out of 480 seats). But another election is coming, for the Upper House, in July 2013

Japan Must Make Its Decision on TPP Early This Year

- ▣ 2013 is a crucial year for the U.S.-led TPP negotiations among 11 nations, which have set October as the timeframe for concluding a final agreement
- ▣ Japan must decide to join the talks early this year if it expects to affect the outcome, including rules being set
- ▣ Japan wants to get a waiver from the zero-tariff goal for certain sensitive products like rice

PM Abe – President Obama: What will Abe say about TPP?



TPP: Toughest Decision for Abe



Abe seeks tariff exceptions

- ▣ Prime Minister Shinzo Abe told reporters on Feb. 9 that he may decide on Japan's participation in the Trans-Pacific Partnership (TPP) negotiations if President Barack Obama allows exceptions to the TPP's abolition of tariffs at the U.S.-Japan summit in late February.
- ▣ He said: "I will decide at the Japan-U.S. summit if I am able to get a sense of whether the abolition of tariffs will indeed apply to all products."

Abe seeks exceptions (continued)

“We stand firm on our position that Japan will not participate in the talks as long as they are premised on tariff abolition with no exceptions.”

Abe reportedly intends to announce participation in the talks as early as March if certain “exceptions” to tariff abolition will be allowed.

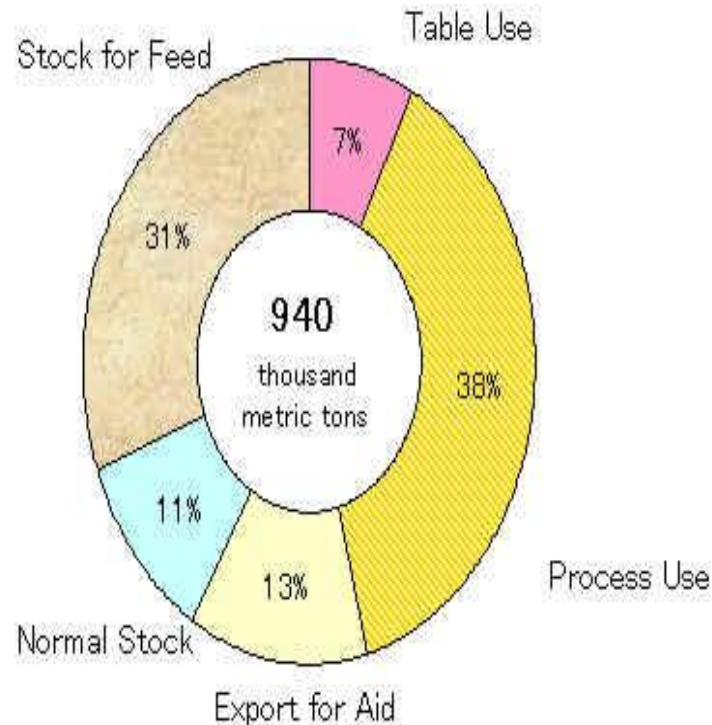
Rice not the only sticky issue

- ▣ The real issue is not rice per se but the relative weakness of the agricultural sector.
- ▣ Japan had its chance following the WTO Uruguay Round (1993 on) to modernize agriculture but did not.
- ▣ The average age of a farmer is 66 and the number of farmers has dropped by half since 1990 to 2.6 million, with 70% being part-timers.
- ▣ The agricultural sector produces only 1.5% of GDP.
- ▣ Japan needs drastic reform to increase scale, productivity and bring in new farmers.

Minimum Access Rice Imported by Japan Not Reaching the Table

Where have all the imported rice gone?

the destination of rice that was imported
'95-'96 fiscal year. (by Food Agency)



Polls Show the Public Supports TPP

- ▣ Jiji Press opinion poll in November 2011 found that 52.7% of the respondents supported Japan's participation in the TPP negotiations and 28.8% opposed. In the July 2012 poll, the percentage of supporters increased to 57.6% and that of those against decreased to 21.7%.
- ▣ Sankei opinion poll (1/31/2013)
 - 60% of the public approved of Japan's participation in TPP

Abe's Popularity Will Help Him Make an Early TPP Decision

In the Yomiuri Shimbun's February public opinion survey, the Abe cabinet's support rate was 71%, up 6 percentage points from its inaugural rating,

All of its four predecessors, from the Aso cabinet to the Noda cabinet, sustained a drop in their second-month approval ratings.

Agricultural Coops: TPP will ruin Japan

- ▣ **JA-Zenchu's “doomsday scenario” of the impact of the TPP on Japan:**

“Our country’s agriculture will be dramatically reduced and destroyed completely. Regional economies and communities will also collapse including related industries....The TPP will completely destroy not only agriculture but also forestry and fisheries. The most important things for us as human beings – our lives and environment – will be made hollow and will be entrusted to foreign countries....The multiple functions of agriculture, such as preserving the environment and national land, will be lost as will be the biodiversity of plants, fish and insects.”

- ▣ **JA-Zenchu even rejects the MAFF’s calculation of the impact of the TPP on the Japanese economy – a ¥4 trillion decline in agricultural production (of this ¥1.98 trillion would be rice) and an ¥8 trillion decline in GDP – as too small.**

JA Zenchu (Agricultural Cooperatives) in Japan

- ▣ In the December 2012 Lower House election, JA endorsed 160 candidates who had agreed to block Japan's participation in the TPP talks, of whom 90% were from the LDP
- ▣ JA is pursuing the same strategy for the Upper House election in July
- ▣ Pressure has been on PM Abe to delay a TPP decision until after the UH election
- ▣ But by that time, it would be too late for Japan to affect the TPP rules now being discussed

JA Zenchu attacked in the press for anti-TPP stand

- ▣ **Japan's leading business daily, Nikkei (12/11/2012) reported that JA (JA Group, its business conglomerate) has less to do with protecting farmers from international competition and more to do with protecting its own interests, namely, its insurance cooperative financial business, which is JA's top profit earner.**

Abe Needs a Growth Strategy

- ▣ PM Abe's team is preparing a new growth strategy for the economy that is likely to contain TPP as a major element
- ▣ But it is not likely to be ready that soon
- ▣ The growth strategy also must contain bold measures to modernize the dying agricultural sector through deregulation, farmland consolidation, and allowing corporations to enter into the agricultural business

Ultimately, the Decision on TPP Is in the Hands of Abe

- ▣ The LDP began deliberations in early Feb. on whether to join TPP and has already handed over to the Prime Minister its conditions that include exemptions for certain products
- ▣ But more than half the LDP members of the Diet have formed a league opposing TPP
- ▣ LDP Policy Research Chairman Sanae Takaichi has been trying to ease party tensions and avoid a split like the one the DPJ experienced
- ▣ She told reporters: “Whether to participate in the TPP is ultimately a government decision. It will not be determined by whether the party is in favor or opposed.”

GDP will rise if Japan joins TPP

- ▣ **Cabinet Office simulation: GDP will rise by 0.48 to 0.65%**
- ▣ **Economist Kenichi Kawasaki: Economy will be boosted by .8% of 4 trillion yen**
- ▣ **Asian Development Bank: GDP will rise by 1%**
- ▣ **Peter A. Petri and Michael G. Plummer: TPP would push up GDP by 2%**