

Institute for International Policy Studies

Recommendations on the TPP (Trans-Pacific Strategic Economic Partnership Agreement)

1. Basic Perception

The promotion of cooperation with countries and regions that represent major markets is evolving into a global economic trend.

In spite of this, however, Japan is lagging behind in terms of this global shift. The active promotion of economic cooperation will be essential to Japan's future growth.

2. Domestic attitudes to entry to the TPP

(1) Unlike free-trade agreements (FTAs), which are limited to the elimination or reduction of existing tariffs and the lifting of import restrictions, the TPP represents a new type of economic partnership agreement (EPA) that also encompasses investment, competition policy, protection of intellectual property rights, and government procurement.

It is also intended to be a more sweepingly liberalized agreement than the EPAs that Japan has already concluded with a number of nations.

(2) Within Japan, opinions are sharply divided regarding the pros and cons of participating in the TPP negotiations. The proponents of the TPP assert that it represents the most effective pathway towards the establishment of a Free-Trade Area of the Asia-Pacific, and that the government must quickly make a firm decision to participate in the negotiations, so as not to fall behind the world at large.

Meanwhile, TPP opponents declare that entry to the TPP would force Japan to make significant changes to its institutions and mechanisms, and would also have an enormous effect on national life. A further argument against the TPP is that Japan should now be concentrating exclusively on reconstruction after the Great East Japan Earthquake and that moving ahead on the TPP would hinder these reconstruction efforts.

3. Advantages to the Japanese economy of entry to the TPP

If Japan does enter the TPP, however, the following benefits for the Japanese economy are foreseen:

(1) In the long term, the elimination of tariffs will improve Japan's competitiveness as an exporter, and the Japanese consumer will benefit greatly from the reduced prices of imported goods—in the short term as well as, of course, in the long term.

In this case, it will of course be necessary to implement suitable industrial adjustment policies for industries and regions that are adversely affected by rising imports.

(2) Production networks built up through investment overseas will grow stronger and larger due to the greater protections for intellectual property rights and the facilitation of trade and investment brought about by the TPP.

(3) As the domestic business environment in Japan is also improved in line with international rules, Japan will become a more attractive place for companies to locate a base of operations, and foreign investment in Japan will increase.

(4) The step-up in trade and foreign direct investment will stimulate innovation in Japanese companies and improve their productivity.

(5) Japan's participation in the TPP negotiations will lend greater impetus to the negotiations on a Japan-China-South Korea FTA and to the negotiations on an EPA between Japan and the EU—both of which are currently in preliminary stages.

In particular, a Japan-China-South Korea FTA and the TPP would complement one another, and there would be major synergistic effects between the two agreements.

4. Fears over entry to the TPP and responses to these fears

(1) The most significant point of contention between proponents and opponents of the TPP is the issue of whether entry to the TPP would be compatible with the revitalization of the Japanese agricultural industry.

TPP proponents assert that, despite the fact that the TPP is based on the notion of tariff elimination, Japan could adopt various countermeasures to make entry to the TPP compatible with the revitalization of its agricultural industry. Opponents of the TPP refute this by asserting that the TPP runs completely counter to the doctrine of the Japanese agricultural industry—the “preservation of the multi-functionality of agriculture”—and that entry to the TPP would destroy the industry and undermine the nation's food security.

This dispute over the compatibility of the TPP and Japanese agriculture needs to be resolved quickly and to the satisfaction of both sides. To this end, the government should affirm that revitalization of the agricultural industry and entry to the TPP are potentially compatible. The government should also articulate a clear vision for achieving success in this regard that details the various sweeping measures required, the scale of the budget needed, and its commitment to securing the necessary budget.

(2) Opponents of the TPP also cite the healthcare system (such as national health insurance and the mix of public and private treatment), the licensing of pharmaceuticals, food safety standards (such as standards regarding the labeling of genetically-modified foods and residual agricultural chemicals), government procurement, and access to postal services and labor as examples of other major items of concern.

With regard to these issues, it will be vital to ensure that Japan is able to properly assert its position when proposals are made that run counter to the interests of its citizens and consumers.

5. Participating in TPP negotiations

(1) Japan must ensure, without fail, that it secures the opportunity to actively participate in the planning stages leading up to the detailed discussions and decision-making process with regard to the various provisions in the TPP agreement before it formally consents to the agreement. For this reason, Japan needs to quickly issue a formal statement of its intention to participate in the negotiations.

(2) Japan must gear up government systems so as to be able to fully secure its national interests when it participates in the negotiations.

The centralized system for disseminating information is inadequate, and the limited amount of information given out both aggravates the dispute between TPP supporters and their opponents, and invites confusion among the general public.

Accordingly, a department whose central function is to manage the consolidation and coordination of information on the TPP and other economic partnership issues must quickly be established within the government.