

## Japan's Contribution to East Asian Community and TPP

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### ABSTRACT

In the Asia-Pacific region, there are a few large FTAs/EPAs, which have been under dialogues or negotiations among developing and developed countries, such as APEC, ASEAN, Japan, China and the US. The APEC summit statement clearly states that the APEC members should pursue a Free Trade Area of Asia-Pacific (FTAAP), which might be based on ASEAN+3, +6, or TPP. This paper considers the TPP in terms of Japan, the US and other countries' views.

**Keywords:** *TPP, EPA, WTO, Japan, APEC*

### I. INTRODUCTION

The FTA's principle is to decrease or abolish all tariffs among only the member countries under GATT XXIV of WTO agreement. The EPA's principle is to harmonize non-tariff barriers among only the member countries, based on FTA's principle. Japan has established EPA, not FTA for the agricultural protections, such as, rice or staple foods.

The Japan's first EPA was "Japan-Singapore EPA" on 2001, when the WTO multilateral negotiation, or Doha Development Agenda, so-called DDA had been started under the inauguration of the third WTO ministerial conference in Doha. Until around 2010, the Japanese government had been balancing between WTO and EPA negotiations as a good supporter for WTO principle, along with the US and EU.

After the freeze/failure of DDA negotiations on 2010, the Japan's trade negotiation policy shifted from WTO toward EPA. On 2010, Japanese government had confronted the issues of senkaku-islands, which is a core of territorial dispute with China. Through the issues, Japanese people and government explicitly recognized that the political alliance with the US should be needed for national security. On the other hand, the Obama administration had been planning Trans Pacific Partnership agreement, so-called, TPP, whose trade principle is the advanced free-trade-oriented ever, and called a "21st century" agreement by WTO member countries.

The Prime Minister Kan had publicly announced that Japan's domestic market should be more opened than now and had thought about the possibility of getting membership of TPP. After his announcement, Japanese public opinion had reached the boiling point over the TPP. Almost all agricultural groups are against TPP, and Japan industrial association, called-Keidanren are for

TPP. Even now, these two groups are in a state of confrontation.

The domestic struggles seem to be the first stage at the entrance of TPP. The second stage is negotiation process with TPP member countries including U.S, Australia and other countries. Like the process of membership acquisition of WTO, the TPP has the same one, which is based on bi-lateral negotiation with these present TPP member countries. The third stage is just after entering the TPP, and so on. It seems that, by 2023 or 2034, through TPP, Japan's domestic market will be more opened and clear than now in light of NTBs. Through these stages, it might be clear whether Japan could contribute to East Asian countries' trade benefits, or not.

The TPP is under negotiation with the current nine countries, which are P4, US, Australia, Peru, and Vietnam. The TPP's basic rule has been from P4, which is composed of NZ, Singapore, Brunei and Chili. The P4 has been started since 2006.

### II. THE PURPOSES OF TPP

The TPP, under the initiative of the US, seems to have a few purposes along with the rule-making of the more free trade agreement than ever.

The *first* is to enlarge the Asian-Pacific regional free trade market, which seems to be benefit for TPP member countries, including developing and developed countries, such as Vietnam and the US through the abolishment of all tariffs among member countries.

Vietnam as well as China are named non-market economy among WTO members, and expect to increase textile export toward the US. On the other hand, Obama administration seems to make use of the TPP for improving domestic employment. Since 2008 Leam-shock, the

US domestic employment had reached the worst, since the great depression of 1930th.

As the year of 2012 is the US presidential election year, the Obama administration of Democratic Party will do for domestic employment. From the point of view, the TPP might be the best strategy for the US.

The *second* is to make a political partnership, or alliance with partners or against rival countries.

The *third* is to complement and strengthen the WTO regime. For the developed countries, the reinforcement of protection in Intellectual property right is needed for global free trade.

As the Doha Round has frozen, the protection of IPRs might be difficult under WTO but EPA. Under the TPP, the protection of IPRs has been negotiating among nine countries under the initiative of the US.

The *fourth* is to make the more free trade agreement than ever. In the world, there are around more than 300 FTA/EPA, which have been notified to WTO office by WTO membership countries, except for semi or similar free trade agreements, which are not suitable for the GATT XXIV.

### III. TPP AND JAPAN

On 14 November 2010 at the APEC press conference, Naoto Kan, the former Prime Minister of Japan said, that "Japan's agriculture is weakening today and we shall revive this agriculture, but at the same time we shall work on economic partnerships and liberalization endeavors. We shall open up Japan in the 21st century".

On January 2011, at Davos world economic conference in swissland, Naoto Kan, said, "Japan is pursuing a new diplomatic approach aimed at opening up to the world, and The US-Japan alliance will become even more important in coming decades". His alliance means TPP.

The announcement of Kan on opening up Japan had triggered a conflict of domestic opinions between industrial sectors and agricultural sectors in Japan.

Japan's farmers fear that, if Japan participated in TPP, then agricultural products would be imported at cheap price from the TPP member-countries and put them out of business. On the other hand, Japan industrial association, called-Keidanren had been insisting on strengthening the reliable relationship with the US as ever. Because, the Democratic Party of Japan, so called DPJ, as government party since 2009, had not have enough close political connection with the US, comparing with the Liberal Democratic Party of Japan, which had been a ruling party for more than 50 years after World War II.

Originally, the DPJ had insisted that government should be lead and managed by ruling party's politician, not by bureaucrat, and should realize a welfare-oriented country rather than market-oriented country.

In addition, the DPJ's original trade policy was to reinforce the East-Asian community initiative with China,

and other countries except for the US. So the Japan's industrial sectors (Keidanren) have been very skeptical on the trade and diplomatic policy of DPJ. In terms of Keidanren, the Kan's announcement for TPP alliance with the US seems to be good news. On the contrary, Kan must have expected to cooperate with Keidanren so as to grow up Japanese economy, which has been under depression since 1990th.

On 2011 November 11th, Japan's Prime Minister Yoshihiko Noda officially announced declaration on the country's stance on the free-trade initiative. He said, "We decided to join negotiations with member states over the TPP," and said "Japan should tap into the growing power of the Asia-Pacific region to hand down to future generations the affluence of our country as a trading nation."

Mr. Shizuka Kamei, the former transport minister of the Liberal Democratic Party, said that, If Noda decides on Japan's participation into TPP negotiations, then his administration will collapse.

Japan's agricultural sector says that, if Japan participate TPP, then Japanese government cannot resolve the serious issues of domestic food security and food safety. For example, labelling of GMOs in Japan is mandatory except for a few cases. But in the US, it is not mandatory, but voluntary. Under TPP negotiations, US might request Japan to harmonize its labeling rule into the US labelling system.

There are some economic reasons why Japan should join the TPP.

Dr. Urata appoints two reasons. The first is to establish economic rules and systems for the Asia-Pacific region such as regional competition policy, government procurement policy, and intellectual property rights protection policy. In the emerging economies such as China, there is difficulty on fair competition, or intellectual property rights protection. The second is to increase Japan's export and import. Under trade liberalization by the TPP, Japanese firms and economy could benefit .TPP enables Japanese firms to increase their exports in other TPP member economies with the elimination of trade barriers and harmonization on NTBs.

Each country has sometimes high tariff barriers for some products, such as a 25 percent tariff rate on trucks for the US and a 30 percent tariff rate on automobiles for Malaysia.

On the other hand, if Japan is to remain a non-member of the TPP, then Japanese firms would be discriminated against in TPP members' markets. Such discriminatory treatment would reduce the export opportunities of Japanese firms.

#### IV. TPP AND THE US UNDER WTO

Since 1947, the US had taken the initiative along with EU (EC) under multilateral negotiations for tariff reductions based on the principles of GATT (1947-1994).

Among the eight times' multilateral negotiations including the first(Geneva:1947) and the last(Uruguay Round 1986-1994), the seventh(Tokyo Round:1973-1979) and the eighth (UR:1986-1994) were apparently different from the other tariff-cut negotiations, in terms of NTBs and new sectors, such as intellectual property rights(IPRs), service trade, and so on.

The US had been interested in these new sectors, and negotiated based on the single-undertaking of WTO Uruguay Round principle.

On those days, there was a global consensus of the necessity of free trade organization for the new world after multilateral agreement had been changed under the World Trade Organization, or WTO, which is substantially an international organization under the multilateral agreement and includes the GATT, GATS (General agreement on Trade and services),and TRIPs, and so on.

Although the GATT had covered only the free trade of goods, the WTO has covered mainly the free trade of the both goods and services, and the protection of IPRs along with a dispute settlement body, which is composed of appellate body and panel.

The most symbolic incident on the initiative of the US and EU was a US-EU bilateral agreement on agricultural domestic subsidy, called "1993 Blair-consensus" which accelerated the end of UR. The framework of WTO had been useful and seemed to be effective for world free trade regime in terms of Quad, including US.

The September 11th of 2001, called as synchronized terrorist attacks, had been just a turning point of the US initiative in multilateral negotiation under GATT/WTO.

After that, on November 2001, the new round had been started and named "Doha Development Agenda", so-called Doha Round which has been apparently different from the other multilateral trade negotiations. After one month later, December 2001, China became a WTO membership country although under the title of "non-market economy".

The Doha Round was originally recognized as supporting developing countries' development, through such as technology transfer, and so on. The leadership of the US had been decreased under the majority of developing countries, including emerging countries.

The initiative of negotiations had gradually shifted from Quad (US, EU, Japan, and Canada) into big five, or US, EU, China, Brazil, and India.

After the Lehman shock in September 2008, the world trade had decreased rapidly. And the US economy could not recover at all. On those days, the US unemployment

rate had been the worst since 1930. The US Obama administration had been forced to change its trade policy into more domestic -oriented rather than opening market, so as to improve domestic employment.

For that, the Obama administration started some new economic policies, such as green-new deal, monetary relaxation, and employment-oriented trade policy, so-called "TPP" big breakdown of socialism and expansion of free trade regime, which looked like a Americanization.

Under the Uruguay Round by the initiative of the big four, US, EU, Japan, and Canada, so-called, Quad, the power of US had been still effective although some confrontations against and cooperation with EU about their agricultural domestic subsidies and so on.

The original of TPP has come into effect on May 2006 as a Zero-tariff regional trade agreement by the four members including, NZ, Singapore, Brunei and Chile.

In terms of the US, the TPP seems to have two characteristic ideas. The first is an advanced-WTO oriented EPA and the second is a domestic oriented EPA for recovering domestic employment.

The former should be done by strengthen the protection of IPR and direct-investors along with traditional tariff abolitions. The latter should be done by expanding the US markets toward the transpacific regions by making the common standards/regulations, which are useful for the US competitive sectors, such as financial services, global companies. In the opposite sense, the US intends to protect its domestic non-competitive sectors from drastic imports, such as apparel or garments, and a few agricultural foods, such as dairy goods.

#### V. TPP AND OTHER COUNTRIES

Why countries tend to make or enter into FTAs like a contagious disease is an interesting and academic question, particularly for analyzing the TPP?

Some FTA-oriented negotiations have been seen.

First is the economic effect, in which the firms in one country put pressure on their government to establish an FTA in order to increase their exporting interests or maintain their present export level.

The second is more political or diplomatic tie, or alliance with a partner country against rival countries. The case of TPP seems to have the both reasons. TPP serves the US interests because the TPP negotiations have started from relatively small groups under the deepest levels integration than ever. At the first negotiation in Melbourne in March 2010, P4 countries as an original TPP, the US, Australia, Peru, Vietnam had participated. In addition to these eight countries, Malaysia, Taipei, Korea, Canada, and Colombia expressed their interest in

the possibility of participation in the future. After that, Japan manifested its interests in participation in TPP.

As said already, TPP is a model-typed FTA for future APEC. Therefore if one country requests to enter into TPP negotiations, then it needs to take membership of APEC. At present, the numbers of APEC members (called “economy” as a member) are 21. But the preamble to TPP clearly states that the purpose of TPP is to promote common frameworks within the Asia-Pacific region and affirm members’ common interest to encourage the accession of other economies to the TPP. If so, then Colombia could enter into TPP negotiation without membership as an “APEC economy”.

After the failure of DDA negotiations on 2010, the Japan’s trade negotiation policy shifted toward EPA. On 2010, Japanese government had confronted the issues of the Senkaku Islands, which is a core of territorial dispute with China. Through the issues, Japanese people and government recognized that the political alliance with U.S. should be needed for national security. On the other hand, the Obama administration of U.S. had been planning Trans Pacific Partnership agreement, so-called, TPP, whose trade principle is the most free trade-oriented ever, and called a “21st century” agreement by WTO member countries. Among these purposes of TPP, the purpose of making Alliance seems to have some incidental or derivative phenomenon on Asian-Pacific countries. The TPP seems to have political effects on Asian-Pacific countries, particularly ASEAN countries.

In the future, the two big countries, the US and China might have economic and political power in Asian-Pacific

region. Between the two countries, the Japan’s political and economical stand seems to be delicate. As Japan is a leading member of WTO, along with US, it is necessary to increase and improve WTO –oriented free trade regime and should approach the next generation typed free trade system. From this point of view, Japan should support the TPP, along with US.

On 2011, Colombia made a statement of intention of entering into negotiation of TPP. As the Colombia’s competitors such as chilli and Peru, which are exporting goods to US, have been negotiating with US on TPP, and Mexico also made a statement of intention of entering into negotiation on TPP. But it seems to be difficult for Colombia to enter “the PTT negotiations” along with these Chilli, Peru, and Mexico, because Colombia has not a member of APEC, it seems to be difficult for Colombia to enter the TPP negotiations, which have been done by nine countries, including the US, Australia and Singapore and so on. So, if Columbia could not have a membership of APEC, then it might difficult to enter the TPP negotiations at least. Until, now APEC does not have any intention of increasing the number of APEC membership country.

## VI. CONCLUSION

If Japan would remain as a non-member to the TPP, then Japan might be discriminated against the TPP all members’ markets. It would reduce the export opportunities of Japanese firms toward them. It would be a negative contribution to Japan directly and East Asian economy indirectly.

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