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## **TOWARD TPP APPROVAL BY THE JAPANESE DIET**

***Junichi Sugawara***

- TPP will not likely directly impact domestic structural reform efforts in Japan, which has already opened its domestic markets to a considerable degree under existing trade agreements.
- To make the TPP "the trump card" in a growth strategy, it is essential that even deeper reforms be made to promote direct inward investment and encourage the employment of highly-skilled foreign personnel.
- It is important that suitable redistribution measures and employment safety nets be presented to assuage the concerns of TPP opponents.

*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.*

The Trans-Pacific Partnership (TPP) Agreement was signed on February 4 of this year, and domestic procedures to put the agreement into effect are now underway in 12 countries. An early entry into force for the TPP would be useful in combatting the opposition to free trade and globalization that is gaining ground worldwide. To accomplish that, the governments of the participating countries must demonstrate that the TPP is not a threat to workers in participating countries but will instead promote economic growth and create employment in these countries. It is particularly important in Japan to set out a roadmap for pursuing domestic reform with the TPP as a catalyst, and to present domestic measures designed to ensure the benefits of the TPP are broadly enjoyed by the nation as a whole.

The Abe administration has regarded the TPP as "the trump card" of its growth strategy. Supporters of Japan's participation in the TPP expect that this administration, with its victory in the House of Councillors election having giving it firmer political footing, will now boldly proceed with domestic reform. Approval of the TPP and a related bill in this autumn's (extraordinary) Diet session will be the first step in that direction.

It is not enough, however, for the Japanese government simply to execute the obligations it assumes under the TPP. The TPP has become "a 21<sup>st</sup> century mega-FTA" with a high-level of liberalization and high-quality rules in a broad range of economic sectors. Accordingly, emerging countries such as Vietnam and Malaysia can make progress in domestic structural reform simply by fulfilling their TPP obligations by, for example, opening their government procurement markets and reforming state-owned enterprises. Japan, on the other hand, has already pledged to open its domestic markets to a considerable degree in GATT/WTO negotiations and economic partnership agreements, and it has already accepted high-quality rules as a developed country. The TPP thus cannot directly serve as a driving force for domestic structural reform to the same degree as in emerging countries.


Japan's liberalization pledges under the TPP regarding market access for services, investment and government procurement do not differ from those made in its other trade agreements. For the TPP, Japan has pledged to expand

market access for trade in goods by eliminating tariffs on 95% of all items, the highest rate of tariff elimination among all of Japan's EPAs. Nevertheless, this is also the lowest rate among the 12 participating countries, and many agricultural products have been excluded from the abolition of tariffs. Those hoping that the TPP would help advance domestic agricultural reform are sorely disappointed by this figure.

Japan will need to amend several of its domestic laws to comply with the rules agreed upon in the TPP and, as with the legal revisions made with respect to intellectual property, some of these amendments could have a significant impact on Japanese society. However, they will not lead directly to greater structural reform of the economy.

To make the TPP "the trump card" of its growth strategy and to satisfy the expectations of TPP supporters, the Japanese government must not only fulfill the obligations it assumes under TPP but must also push ahead with domestic reform in order to maximize the benefits stemming from TPP. Reforms of the tax system, labor market regulations, etc., that encourage the acceptance of direct inward investment and highly-skilled foreign personnel and that improve the business environment are essential.

These reforms and TPP participation are primarily focused on revitalizing the Japanese economy and making the pie bigger, and they must be accompanied by domestic policies aimed at suitably dividing up this pie and broadly extending the benefits of TPP to the entire nation. Japan might also consider introducing a system to assist workers adversely affected by the TPP, similar to the US' Trade Adjustment Assistance (TAA). Highlighting these suitable redistribution measures and employment safety nets will be vital to assuaging the unease some feel toward Japan's participation in the TPP and to increasing public support for the TPP.

I hope that the Japanese Diet will put forth such policies and promptly approve the TPP, and that Japan's approval will encourage the US and other participating countries to complete their own domestic arrangements. 

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