



**Economic Partnership Strategy  
as the Core of Economic Growth**  
**Turning Early Participation in the TPP Negotiations  
into a Breakthrough**

August 2011

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## **Introduction**

Recognizing that further moves toward free trade are essential for the development of the Japanese economy as globalization advances, Keizai Doyukai (Japan Association of Corporate Executives) has continued to call for a swift conclusion to the WTO Doha Round. Nevertheless, not only are the Doha Round negotiations, which have to reach an agreement by the end of the year still stalled, discussions over the negotiating framework i.e. an explicit consensus have been added to the negotiations, and therefore further progress cannot be expected any time soon.

Given these circumstances, the next best solution is to sequentially expand the sphere of free trade by expanding FTA/EPA networks. **We are currently urging the government to decide to join negotiations towards the TPP early.** The TPP is a high-level economic partnership agreement being negotiated by 24 working groups. It is a multilateral FTA, and will deliver a greater degree of liberalization than other FTA/EPAs among any ideas currently come up with.

### **1. Reasons for advocating early participation in the TPP negotiations**

In November last year, in a joint resolution adopted by Japan's three largest business organizations, we specified the following reasons for calling for participation in the TPP negotiations:

- (1) With the Japanese domestic market expected to shrink as the population declines, the maintenance and strengthening of Japan's competitiveness will inevitably require the country to move aggressively into global markets and bring back the fruits of economic growth in rapidly emerging countries, particularly those in Asia.
- (2) If Japanese companies are to develop their operations globally, it is essential to make competitive conditions equal to those of their foreign competitors at the very least, and the TPP will be a touchstone for this.

Something that is bound to become an issue in relation to the expansion of free trade is the fear that it will become impossible to raise or even maintain Japan's food self-sufficiency rate (the percentage of food consumed that is produced domestically). Although the food self-sufficiency rate is obviously important, the capability to procure food is also essential. The conclusion of EPAs should serve to create countries that have a friendly relationship with Japan and contribute to maintaining and improving the ability of Japan to obtain food.

The countries taking part in the TPP negotiations include nations from Asia, the growth center of the world economy. Joining the negotiations with them and establishing common rules for an economic zone encompassing us all will lead to further economic growth not just for Japan but also for the countries participating in the negotiations. Involvement in the TPP negotiations will also be an important first step towards establishing free trade agreement for the Asia-Pacific region (FTAAP), which is one of the government's goals outlined in its "New Growth Strategy."

Unless we take part in the economic partnership negotiations from the initial rule-setting phase, it will be difficult to shape things to benefit Japan, and it will not be easy to revise rules once the participating countries have agreed on them. The TPP negotiations are steadily moving forward ahead of the APEC summit in November. If a decision on joining the TPP negotiations continues to be delayed, Japan will lose the opportunity to get its views reflected in the talks. This must not be allowed to happen.

## **2. Expected benefits from participating in the TPP negotiations**

Participation in the negotiations for the TPP, which is set to be an economic partnership agreement that delivers a high degree of liberalization, will also lead to fundamental reforms to revitalize primary industry, which are essential for ensuring that the Japanese economy can grow in the future. It will also serve as a message that we are moving toward recovery from the Great East Japan Earthquake and will also result in the establishment of a framework for other economic partnership agreements, such as a Japan-EU EIA (economic integration agreement) and a Japan-China-Korea FTA, which will facilitate further economic growth.

### **(1) Promoting fundamental solutions to the problems of primary industry**

Agriculture is often viewed as the pattern of primary industry versus secondary and tertiary industry, but we certainly do not want to see it decline. On the contrary, we want to make a commitment to join forces with the industries of agriculture, forestry, and fisheries to achieve their growth, including through the introduction of a system for making direct payments to fund the maintenance of sustainable paddy agriculture\*.

The government is implementing policies such as promoting cooperation among agriculture, commerce, and industry, and the development of a "sixth industrial sector," in which farmers, forestry workers and fishery workers expand their scope of operations to production, processing, distribution and sale of food products. We hope they will create synergies among industries such as manufacturing and services, and it will lead to the provision of high-value-added products and services and generate employment.

If new agriculture, forestry, and fisheries industries are to be created, the government will need to establish appropriate systems, fiscal measures, and so on. In addition, in a document entitled "Five Perspectives for the Creation of a New Tohoku and New Japan – Preliminary Policy Proposals Concerning a Reconstruction Plan Following the Great East Japan Earthquake" (June 8), Keizai Doyukai recommended that stronger agriculture and fisheries industries be created through the utilization of "special reconstruction zones," which are eligible for preferential treatment in reconstruction, for these sectors in the areas affected by the Great East Japan Earthquake. Such measures should also lead to fundamental solutions to the difficult-to-address issues that have faced these industries in the past.

\* A system of direct payments that is based on compliance with WTO rules and aimed at maintaining the functions of land and environment preservation that paddy fields and others have. For more details, refer to the following Keizai Doyukai recommendation document: "Achieving a Trinity of Rice Production Reforms Through the Introduction of a System of Direct Payments: Moving Toward Preserving Land, Maintaining Sustainable Agricultural Production, and Focusing on Consumer Interests" (July 29, 2009).

(2) Declaring a resolve to recover from the Great East Japan Earthquake as a member of international society

Participation in the TPP negotiations would represent a declaration that even in its time of difficulty following the Great East Japan Earthquake, Japan is determined to move forward proactively with the rest of the world. By swiftly sending out this kind of positive message, Japan, even in this age of international division of labor, should declare to both its own people and the rest of the world that it intends to solve the various problems stemming from the Great East Japan Earthquake and actively participate in the fierce international competition for trade in goods and services.

(3) Leveraging the TPP, a high-level economic partnership agreement, to accelerate other negotiations

Because the TPP is an economic partnership agreement that will deliver a high degree of trade liberalization, Japan's participation in it will likely lead to the establishment of a framework for a Japan-EU EIA, a Japan-China-Korea FTA, and so on.

The countries involved will not only be looking at Japan when negotiating FTAs/EPAs with us. Their negotiations will naturally be looking for balance, taking into account factors such as Japan's position in the world. As a result of dealing with this dynamics, Japan will be able to achieve outcomes from individual negotiations that serve Japan's national interests.

So for this reason, too, Japan needs to be ready to negotiate both the TPP and other FTAs/EPAs. While taking part in the TPP negotiations, the government should at the same time initiate serious negotiations toward a Japan-EU EIA and a Japan-China-Korea FTA, along with other negotiations in a simultaneous, multi-dimensional fashion.

## **Conclusions**

Those engaged in primary industries such as agriculture and in fields such as healthcare, welfare, and labor are opposed to participation in the TPP negotiations for such reasons as follows:

(1) The introduction of market fundamentalism will result in domestically-produced food being replaced by imports, medical institutions being taken over by foreign companies, and so on, which will lead to lower revenues and higher unemployment.

(2) The TPP will mean that even if traditional operators leaving the sector are replaced with other companies, these new entrants will be able to withdraw easily should business conditions deteriorate.

However, opposition to involvement in the TPP negotiations will do nothing to address the various issues we face domestically, and it will be impossible to maintain people's current standards of living.

Even if the TPP negotiations result in an initial agreement, for a period of around ten years there will still be room for deepening the negotiations, and that will be enough time to strengthen domestic structures. Although Japan has suffered due to the Great East Japan Earthquake, the rest of the world will not accept that as a reason for an inward-looking Japan forever, i.e. the world will not wait for us. Japan must join the TPP negotiations soon so that it can be involved in setting the rules, and thereby become a presence with international influence.

We therefore call once again for Japan to join the TPP negotiations soon, and to achieve this objective we intend to exchange opinions on a range of topics with a large number of people concerned.

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