

TPP for Japan

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The end of TPP negotiation in October 2015 was rather calmly received in Japan. Based on the appreciation of its strategic significance as well as the expectation of its economic effects, public polls present consistent support to TPP. The Government is unusually doing a good job in providing detailed information as well as answering inquiries.

As for the economic effects of TPP on the Japanese economy, simulation results by the Cabinet Secretariat show an increase in real GDP by 2.6% under a certain model setting. The report also claims that the production of agriculture, forestry, and fishery as well as farmers' income stays unaltered due to a series of domestic policies. Indeed, a number of trade barriers for five major agricultural products would remain, and thus the tariff removal ratios of Japan would be as low as 95%. Not much concern is raised for policy modes other than agriculture even after the draft text of TPP became available; in other words, the commitment in TPP does not seem to connect to domestic reform tightly. The largest effects seem to come from the betterment of business environment in East Asia.

Responses of East Asia to TPP are salient. A number of countries express their interest in coming into TPP though whether they can conduct a required level of liberalization may depend on each country's political and economic situation. Intellectual property right protection and investor-state dispute settlements seem to be the last hurdle for them to clear. Momentum toward negotiations over the Regional Comprehensive Economic Partnership (RCEP) and China-Japan-Korea FTA seems to diminish, and the provision of renewed motivation and long-term strategies is essential.

TPP provides new angles of policy discussion for newly developed economies in East Asia. One is for economic reform. A certain policy guideline will be presented by TPP, particularly in government procurement, state-owned enterprises and designated monopolies, and enhancing efficiency in bureaucracy and the acceleration of regulatory reform. Another is for their development models. East Asian countries have aggressively utilized global value chains and have explored a new path of economic development through the participation in production networks and the formation of industrial agglomerations. To step up from upper middle-income to high income, however, the creation of innovation hubs is necessary, and urban amenities to attract highly educated people become essential. Consumption of varieties of services and goods must be possible, and B-to-C transactions enhance their importance. Then important elements included in TPP such as the removal of non-tariff barriers and trade facilitation, services liberalization, e-commerce, environment, and labor will become immediate needs for them.

It is important to make TPP be effective as soon as possible. Japan would like to help East Asian countries participate in TPP and work together with reformers in China. At the same time, Japan should continuously support ASEAN economic integration and claim the importance of RCEP and China-Japan-Korea FTA.