

A stylized, layered illustration of Mount Fuji in shades of green and yellow, set against a light blue gradient background. The mountain is centered and serves as the backdrop for the text.

# Japan's Economic Recovery and the TPP

October 12, 2013

Shujiro URATA

Waseda University

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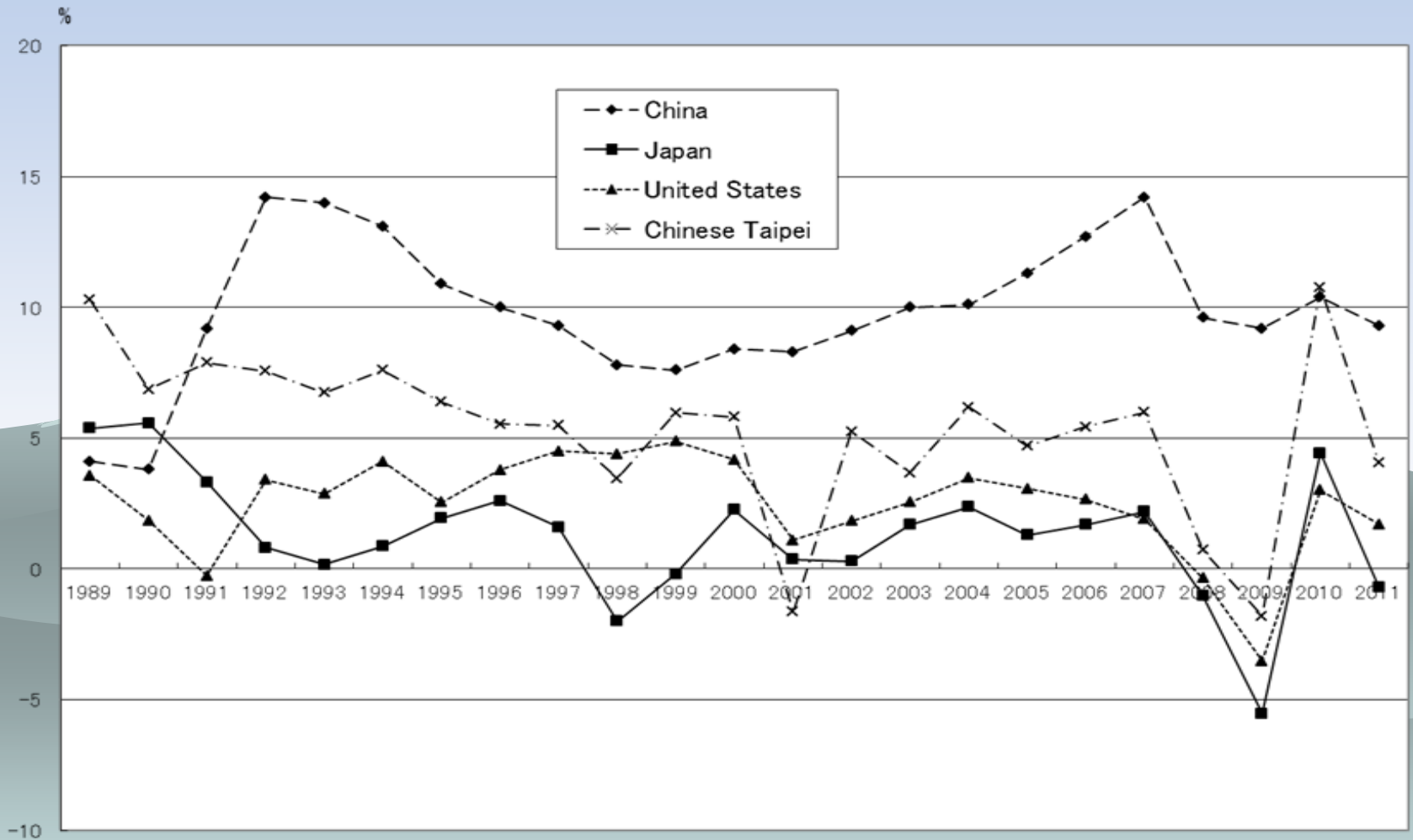
# I. Introduction

- ◆ Japan joined the TPP negotiations in July 2013 after 2 years 8 months since a former Prime Minister Naoto KAN of the Democratic Party of Japan indicated an interest.
- ◆ It was the current Prime Minister Shinzo ABE of the Liberal Democratic Party that formally announced an application to join the TTP.
- ◆ Heated debate between pro- and anti-TPP groups has continued.
- ◆ TPP is one of the most important foreign economic policy agendas.
- ◆ The purpose of the paper is to examine issues concerning the TPP in Japan.

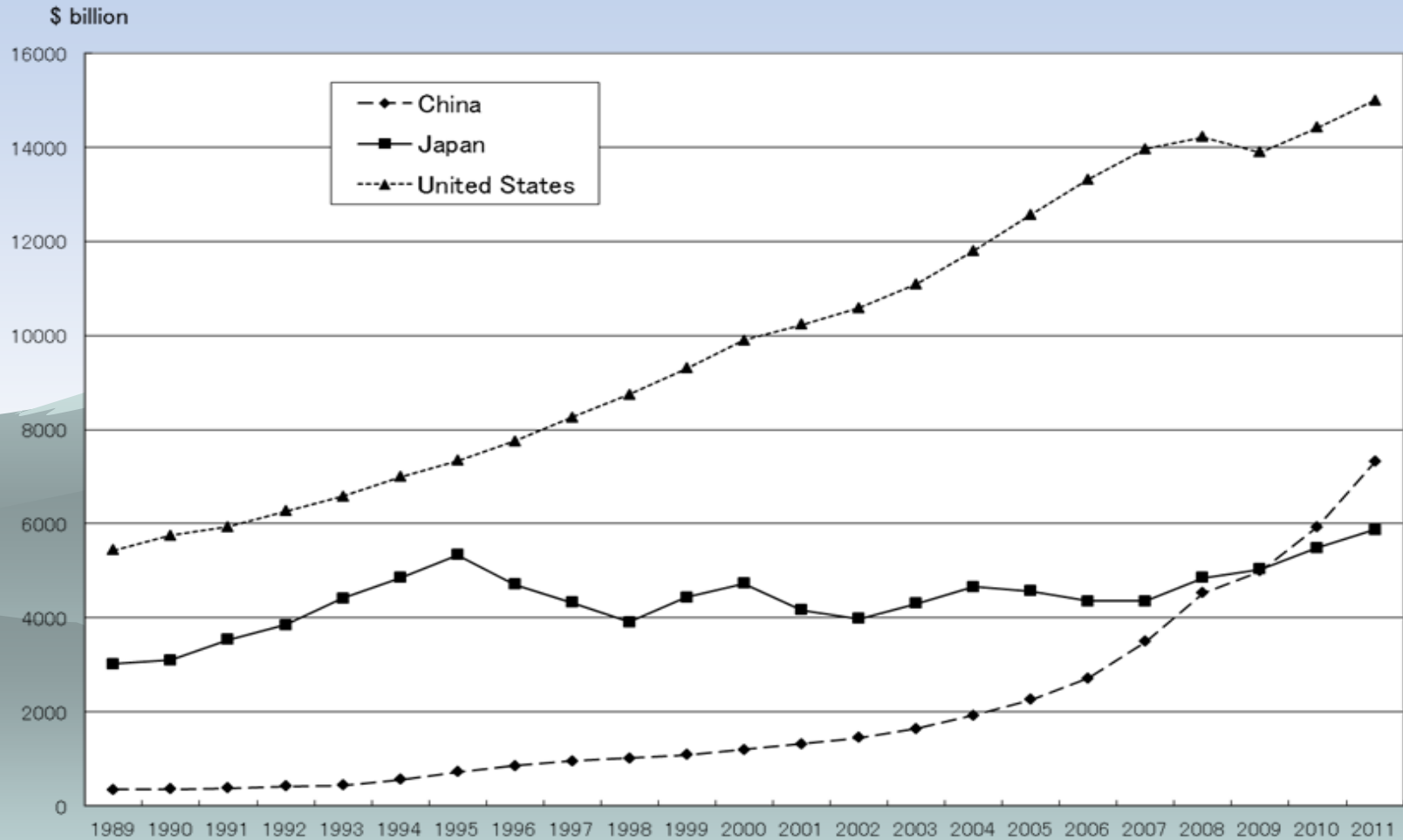
## II. Pessimistic Future Prospects of the Japanese Economy

- ◆ Long recession: lost 2-decades
- ◆ Mismanagement of macroeconomic policy
- ◆ Structural problems:
- ◆ Declining and ageing population
- ◆ Huge government debt
- ◆ Closed economy

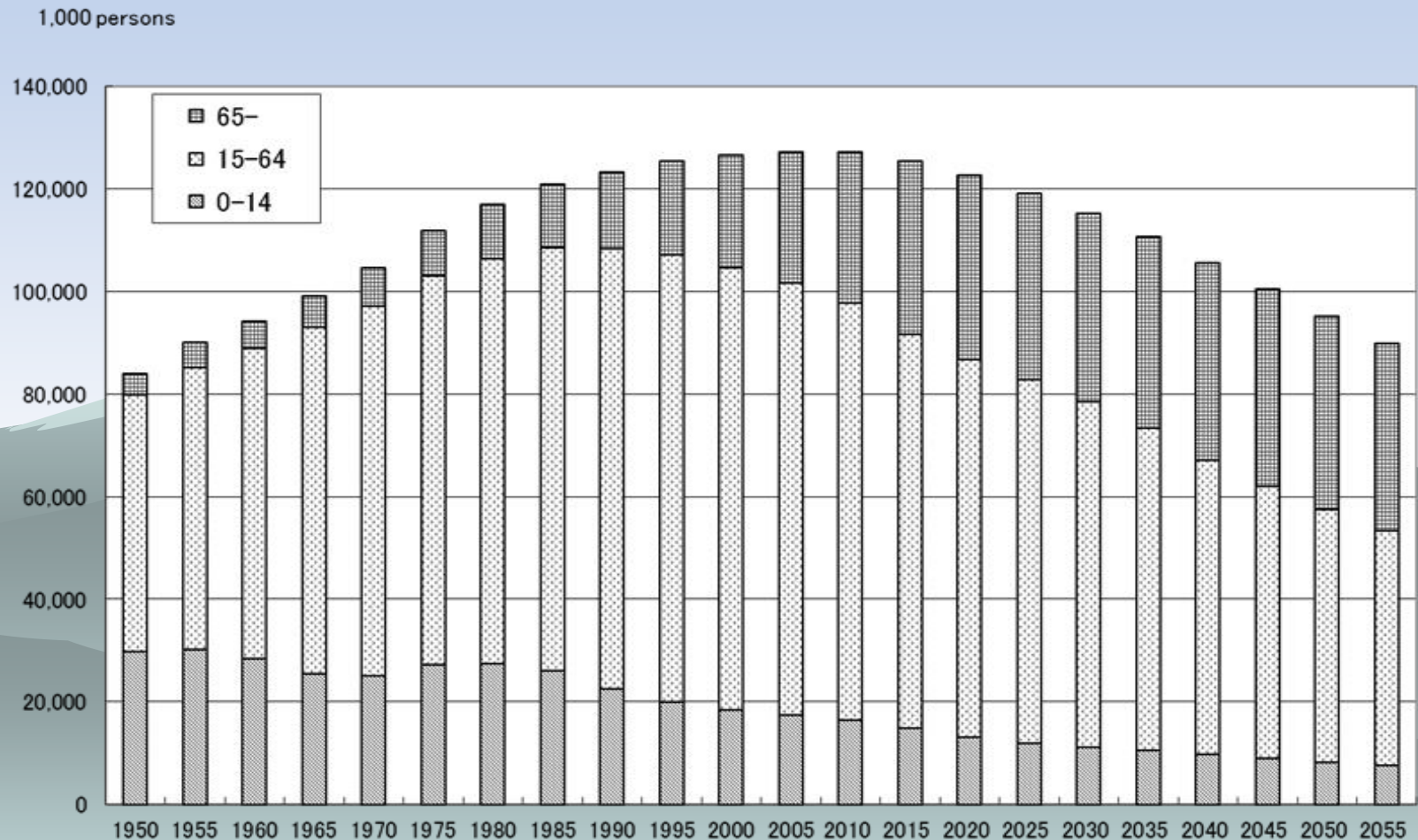
# Japan's Low Economic Growth



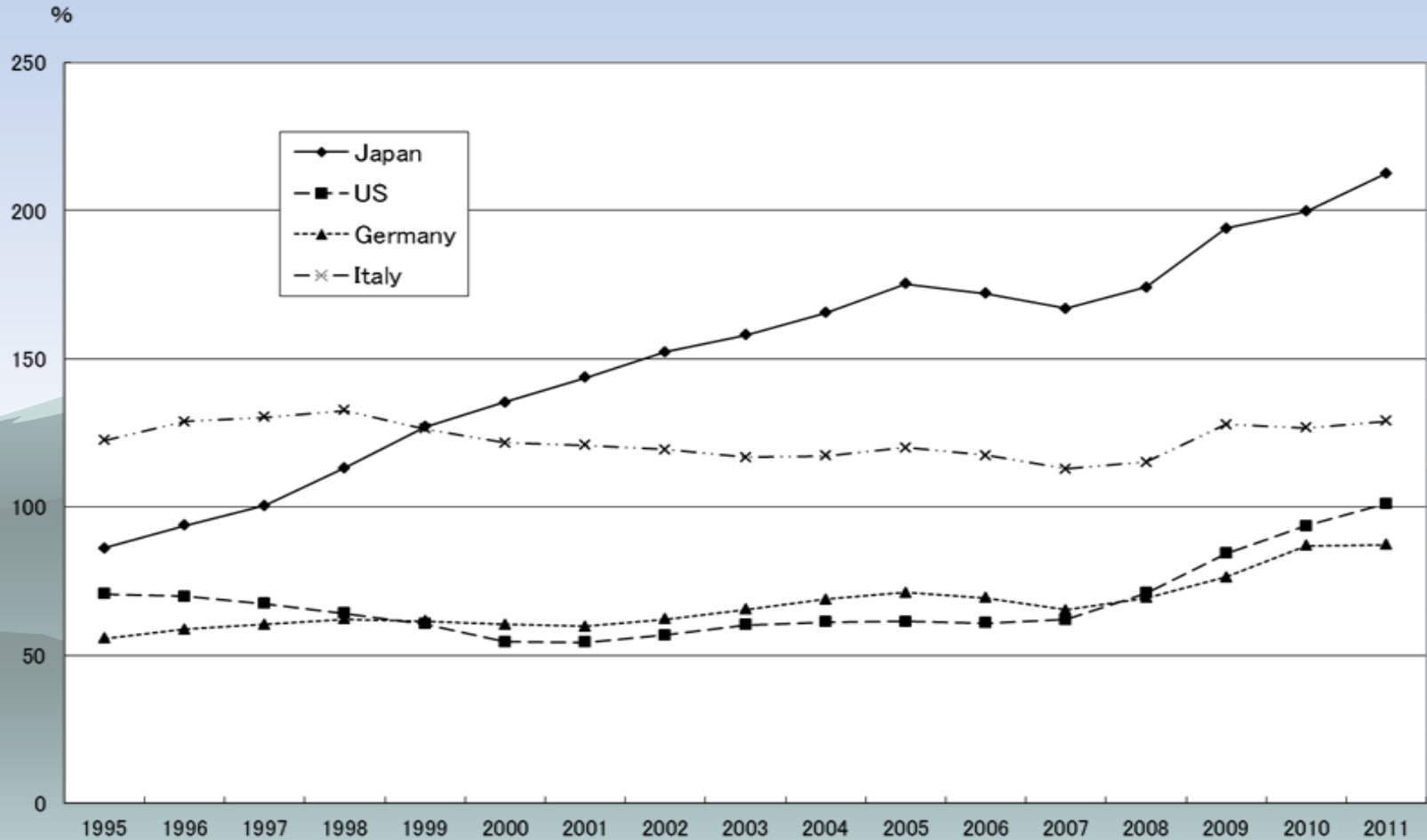
# Japan's Lost Two Decades



# Japan's Declining and Ageing Population

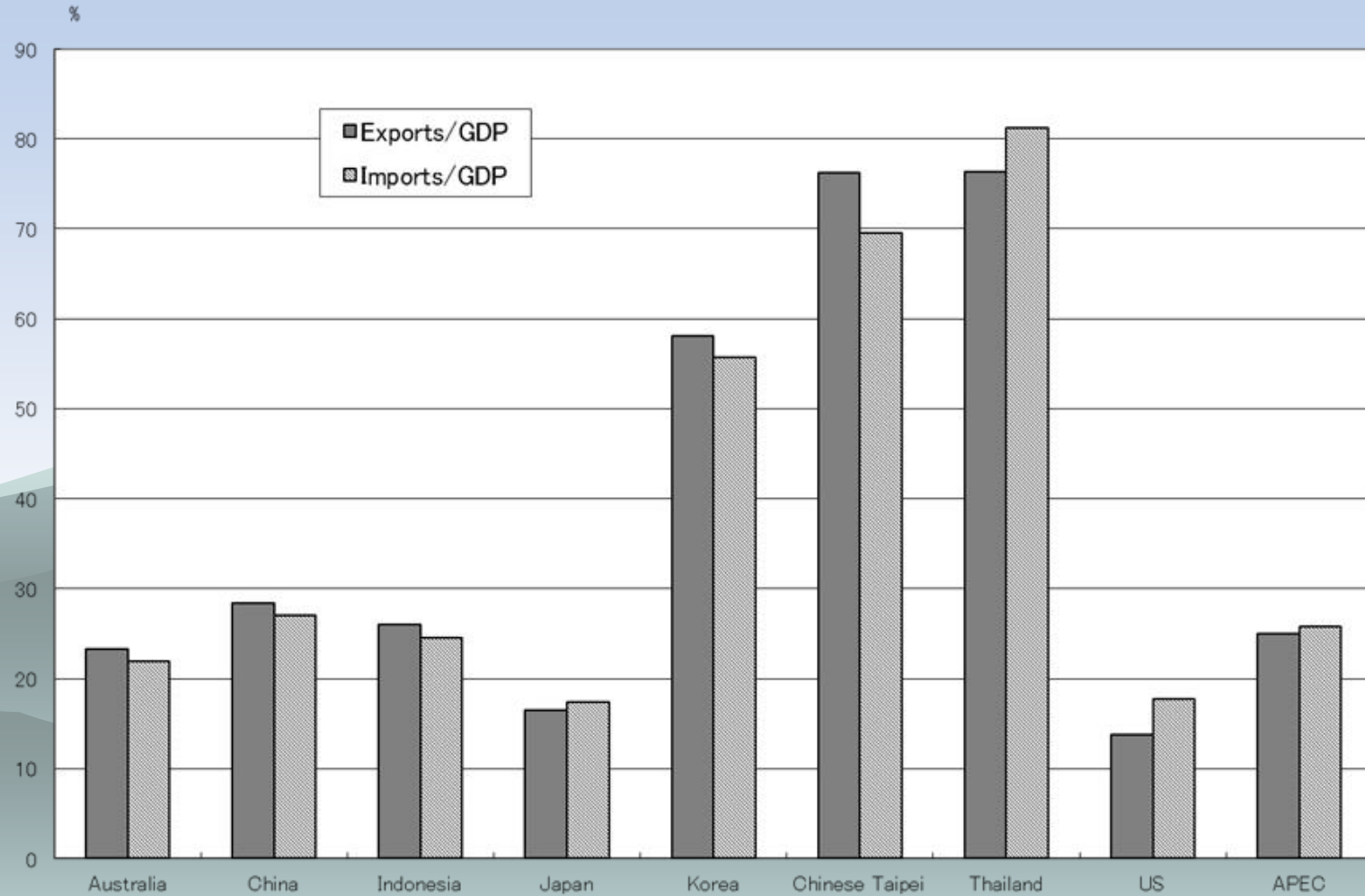


# Japan's Rapidly Increasing Government Debt

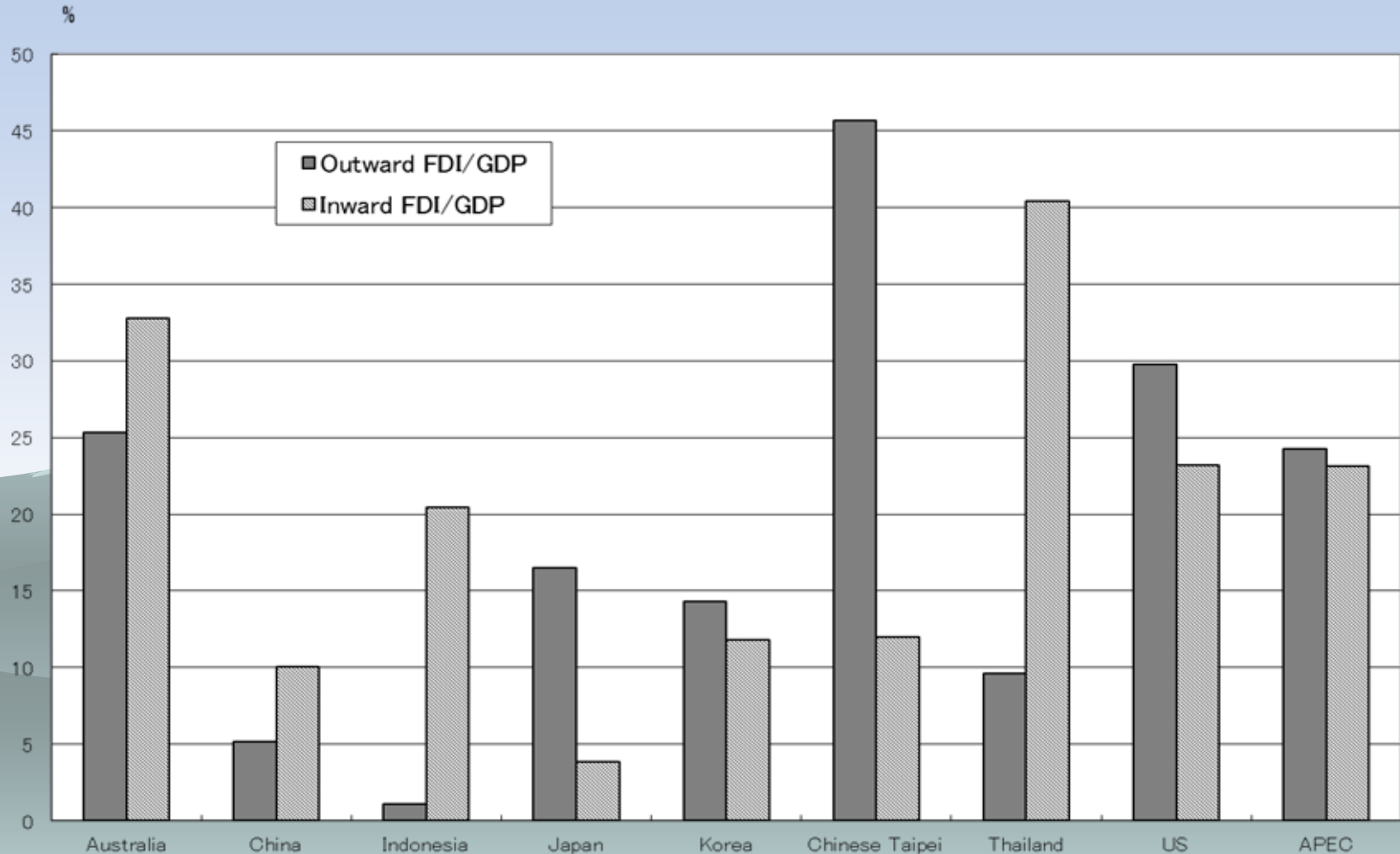




# Japan's Low Dependence on Trade



# Low Level of Inward FDI in Japan



# III. Japan's FTAs

- ◆ Enacted 13 FTAs, Negotiating 10 FTAs including TPP, RCEP, CJK, Japan-EU
- ◆ Motives of Japanese FTA Policies:
- ◆ Expand export opportunities for Japanese firms
- ◆ Improve investment environment for Japanese firms
- ◆ Obtain energy and natural resources
- ◆ Promote structural reform in Japan
- ◆ Improve and establish good relationship
- ◆ Provide economic assistance to developing countries

# Japan's FTAs

	FTA Partners	Start of negotiations	Signing of agreement	Enactment of agreement
In action	Singapore	Jan 2001	Jan 2002	Nov 2002
	Mexico	Nov 2002	Sep 2004	Mar 2005
	Malaysia	Jan 2004	Dec 2005	Jul 2006
	Chile	Feb 2006	Mar 2007	Sep 2007
	Thailand	Feb 2004	Apr 2007	Nov 2007
	Indonesia	Jul 2005	Aug 2007	Jul 2008
	Brunei	Jun 2006	Jun 2007	Jul 2008
	ASEAN	Apr 2005	Apr 2008	Dec 2008
	Philippines	Feb 2004	Sep 2006	Dec 2008
	Switzerland	May 2007	Feb 2009	Sep 2009
	Vietnam	Jan 2007	Dec 2008	Oct 2009
	India	Jan 2007	Feb 2011	Aug 2011
	Peru	May 2009	May 2011	Mar 2012
	In negotiation	South Korea*	Dec 2003*	
GCC		Sep 2006		
Australia		Apr 2007		
Mongolia		Jun 2012		
Canada		Nov 2012		
Colombia		Dec 2012		
China-Japan-S.Korea		Mar 2013		
EU		Apr 2013		
RCEP		May 2013		
TPP**	Jul 2013			

Notes: \* Negotiations with South Korea was suspended in November 2004.

\*\* TPP Negotiations began in March 2010. Japan joined the TPP negotiations in July 2013

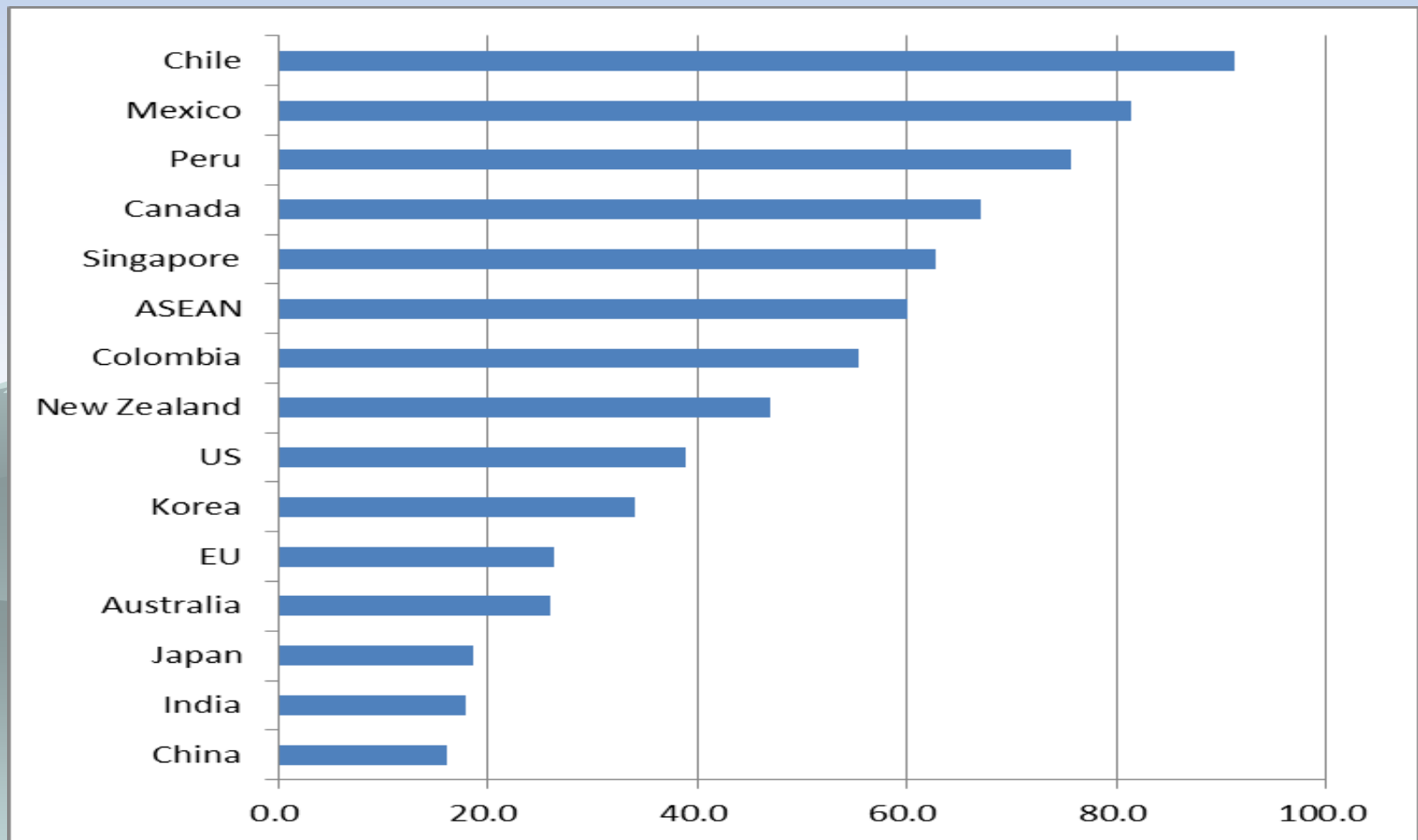
Source: Ministry of Foreign Affairs and newspaper reportings.

# Assessment of Japan's FTAs

- ◆ Low country coverage in terms of trade: FTA coverage ratio
- ◆ Low tariff elimination: lower than 90% in terms of tariff lines, whereas for the US, higher than 95%

# FTA Coverage Ratios:

Proportion of trade with FTA partners in total trade (%),  
FTA (July, 2012), Trade data (2011) Source: JETRO



# FTA Trade Liberalization Ratio (%)

Japan-Philippines FTA			Australia-US FTA		
	Japan	88.4		Australia	100
Japan-Malaysia FTA				US	99
	Japan	86.8	US-Peru FTA		
Japan-Indonesia FTA				Peru	99
	Japan	86.6		US	98
Japan-Chile FTA			Korea-US FTA		
	Japan	86.5		US	99
Japan-Switzerland FTA				Korea	98
	Japan	85.6			

# IV. The Benefits of Joining TPP

- ◆ TPP → FTAAP → New Global Trade System
- ◆ Expansion of trade in goods, services, and investment → Economic growth
- ◆ TPP is considered as an important component of Prime Minister ABE's Abenomics



# Abenomics: Abe Economics

## Three Arrows Strategy

- ◆ 1) Aggressive monetary policy: radical quantity easing, inflation targeting
- ◆ 2) Flexible fiscal spending: large scale public works
- ◆ 3) Growth strategy (Japan Revitalization Strategy, June 14, 2013): (1) industry revitalization plan, (2) strategic market creation plan, (3) strategy of global outreach (FTAs, TPP, RCEP)

# Estimates of the Impacts of TPP on Japanese Economy (GDP)

- ◆ Japan's Cabinet Office:

0.66% (TPP 12 countries)

- ◆ Petri, Plummer and Zhai (2012):

2.0% (TPP 12 members)

1.8% (RCEP)

4.3% (FTAAP)

The Trans-Pacific Partnership and Asia-Pacific  
Integration: A Quantitative Assessment,  
Petersons Institute of International Economics

# V. Obstacles to TPP Participation

## Opposition from Agricultural sector

- ◆ Decline in already low self-sufficiency in food supply
- ◆ Negative impacts on environment
- ◆ Negative impacts on regional economy

## Opposition from Medical services

- ◆ Damage national health insurance system

## Opposition from State Owned Enterprises

- ◆ For example, Japan Post

## Opposition from the vested interest groups

## VI. Towards Participating in and Moving Forward with the TPP

- ◆ Gradual liberalization
- ◆ Provision of safety net for negatively affected workers: trade adjustment assistance (TAA)
- ◆ Increase awareness of the seriousness of Japanese economy and the benefits of the TPP among the people and politicians
- ◆ Make people realize that past high economic growth was achieved because of trade liberalization and structural reforms.

## VII. Concluding Remarks

- ◆ Japan has been suffering from long recession
- ◆ Japanese economy appears to show a sign of recovery, thanks partly to Abenomics
- ◆ To recover fully and get back on growth trajectory, Japanese government needs to open up Japanese market and implement policy reforms
- ◆ To achieve these goals, participation in the TPP and RCEP, which are complement, CJK FTA, FTAs with the EU, Australia, Canada, etc, is crucially important
- ◆ Establishment of the TPP and RCEP, would lead to the FTAAP, which in turn would be expanded to become Global FTA