The Political Economy of Japanese Trade Policy
: The Trans-Pacific Partnership Reconsidered

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Introduction

Consistent with its earlier policies promoting regional economic integration, the Japanese government has actively and strategically been pursuing bilateral free trade agreements (FTAs) with its trade partners. Recently, however, Tokyo also announced its interest in joining the Trans-Pacific Partnership Agreement (TPP) negotiation. Since the agreement requires complete elimination of tariffs including those applicable to agricultural products which are highly protected in the country, the Japanese government had been “not ready yet” to enter the grouping. However, Prime Minister Yoshihiko Noda publicly announced Japan’s interests in joining TPP negotiation at the APEC Summit in Honolulu in 2011.

This article looks at new policy shifts in Japan with regard to the TPP. Japan has shifted away from WTO-based multilateralism towards a bilateralism focused on FTAs. Notwithstanding this, more recent Japanese FTA policies can be described in terms of a new trend away from bilateral agreements towards a “regional multilateralism.” While in government, the Democratic Party of Japan (DPJ) announced its intention to join the TPP, shifting its focus away from conventional bilateral agreements. This has been continued by the current administration under Abe, which has formally entered into TPP negotiations. Japanese trade policy thus appears to have developed a double-layered structure, moving from bilateral FTAs towards multiparty FTAs.

The article is structured as follows. Section 1 provides an overview of the TPP and discusses the process behind Japan’s involvement in the partnership. Section 2 will outline events leading up to the proposal for Japan to participate in the TPP and the factors that facilitated the TPP process. Section 3 will focus on the impediments to Japanese efforts to implement the TPP. In light of the preceding sections, the final section discusses various problems and future prospects. By looking at the political aspects of TPP, which are often overlooked in existing research, this article attempts to contribute theoretically to TPP research.

Japan and the TPP

Overview of the TPP

TPP negotiations currently underway aim at creating high-level trade liberalization within the Asia-Pacific region, ultimately leading to the creation of a Free Trade Area of the Asia-Pacific (FTAAP). The TPP is a wide-ranging agreement addressing not only the removal or reduction1 of tariffs, but also international rule-setting around a number of non-tariff areas (such as investment, competition, intellectual property, and government procurement) and other new areas such as the environment, labor, and other cross-sectoral issues. It has been dubbed “the FTA for the 21st century.”

The TPP is comprised of 30 chapters that cover a wide variety of topics (see Table 1), including with regard to the elimination/reduction of tariffs, the liberalization of services and investments, the

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1 In principle, tariffs on all goods would be removed either immediately or gradually over a ten-year period.
development of laws regarding competition, the protection of intellectual property, the protection of workers’ rights, environmental protection, support for small and medium-sized businesses, development support/enhancing the abilities of women, regulatory transparency, and conflict resolution.

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(Source): Ministry of Economy and Trade, Industry
The TPP is distinguished by its investment and service liberalization—based on the thorough elimination of high tariffs and usage of a negative list system—that aims for very high-level market access and includes developing nations. Its rules are more stringent than those of the WTO regarding intellectual property protection and the like. Furthermore, it is comprehensive in nature and includes rules regarding electronic commerce and state-run business that are not covered by the WTO; it is also all-encompassing in its inclusion of a diverse set of stakeholders (Kokuritsu Kokkai Toshokan 2016: 4).

The TPP was originally established as the Trans-Pacific Strategic Economic Partnership Agreement: P4 amongst four relatively small countries in the Asia-Pacific—Singapore, New Zealand, Chile, and Brunei—and came into effect in May 2006. In March 2010, the US, Australia, Peru, and Vietnam became involved in negotiations among a total of eight countries. Malaysia entered the negotiations in October of the same year, followed by Mexico and Canada in October 2012, and Japan in July 2013. As of January 2017, a total of 12 countries were thus engaged in the negotiations.

Other nations in the Asia-Pacific have also expressed their interest. The assistant secretary of South Korea’s Ministry of Trade, Industry and Energy, Cho Yong-rim, indicated to a press conference with foreign journalists in September 2013 that “serious consideration is being given regarding whether or not to join” the TPP. Subsequently, in March 2014, the South Korean government announced that it was considering participating in TPP negotiations. Similarly, at the April 2014 Asia Forum in Hainan, Chinese Premier Li Keqiang stated that “China maintains an open stance” towards the TPP and that “if it contributes to a fair and open trade environment, the TPP would be beneficial.” Other nations such as Thailand, the Philippines, and Taiwan have also expressed interest in the negotiations.

Japanese participation in the TPP is considered, by the US and Japan, as a de facto FTA to be concluded by these two countries. This is due to the fact that between them they account for 80% of the total GDP of all eight countries in the TPP. Countries involved in the TPP negotiations account for 70.8% of the total GDP among APEC countries. While countries participating in TPP negotiations accounted for 38% of global GDP in 2012, this would increase to 57% if the TPP develops into the FTAAP, with the possibility of the TPP becoming a global trade system. According to Urata (2014), once the TPP comes into effect, Japanese and US GDP would increase by 2.0% and 0.4%, respectively.

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2 President Obama had decided to enter into the TPP with the aim of increasing US exports and jobs (Kirik, 2009).
3 Cho also stated that South Korea’s participation in the TPP would not have a negative impact on its relationship with China (Nihon Keizai Shimbun, September 13, 2013).
4 On March 6, 2014, Japan and South Korea held a pre-TPP consultation, at which South Korea announced that it would “make a decision concerning (its) final position on the TPP after consulting various opinions and having conducted a comprehensive study and analysis.” (Nihon Keizai Shimbun, March 7, 2014).
5 Nihon Keizai Shimbun, April 11, 2014. In a meeting of Japanese, Chinese, and South Korean experts held in July 2013, the head of the Asia-Pacific Global Strategy Research Institute of the Chinese Academy of Social Sciences, Xianyang Lee, stated that “China is looking at the TPP more seriously than it has in the past.” This remark drew considerable attention.
If the FTAAP came into effect, these would increase by 4.3% and 1.3%, respectively. With the TPP and FTAAP in effect, global GDP would increase by 0.2% and 1.9%, respectively.\(^7\)

The strategy being pursued by the US is based on the assumption that having more APEC members participate in the TPP would help to create a “critical mass,” such that the costs of non-participation would be high enough to push more countries towards the partnership, further increasing the number of TPP members (Solis, 2011). Indeed, Japan’s announcement that it would seek membership in the TPP is said to have been motivated by the decision of Canada and Mexico to do so.

Furthermore, the recent acceleration of TPP-related efforts by the US has been driven by the existence of the Asian Infrastructure Investment Bank (AIIB) led by China.\(^8\) The AIIB was established with the aim of contributing to infrastructure and sustainable development in the Asian region.\(^9\) With 100 billion dollars in funding (12 trillion yen), the Bank aimed to begin operations by the end of 2015. At present, a total of 57 countries including the UK, Germany, France, India, and South Korea have announced they would become members of the Bank, while Japan and the US have not followed suit.

At the November 2014 APEC Economic Leaders’ Meeting, Chinese President Xi Jinping announced the “One Belt, One Road” initiative (or the New Silk Road). This initiative is comprised of plans to develop an independent fund of 40 billion dollars (roughly 4.58 trillion yen) in order to support the construction of infrastructure and resource development in the Silk Road countries in tandem with efforts by the AIIB to lead infrastructure developments in neighboring countries. On the part of the US, these plans have given rise to fears that, should the TPP project (led by the US itself) fall apart, the setting of rules around trade and investment within Asian markets may fall to China. On April 17, 2015 President Barack Obama did not hide the sense of panic, stating in a press conference that “…if we do not help to shape the rules so that our businesses and our workers can compete in those markets, then China will set up rules that advantage Chinese workers and Chinese businesses. And that will set the stage over the next 20-30 years for us being locked out.”\(^10\)

Since commencing nine years ago, TPP negotiations have encountered numerous difficulties. Ministerial meetings held in Singapore in February 2014 produced progress with regard to rule-setting, and animated negotiations occurred across a whole spectrum of issues including market access, goods and services, investment, and government procurement. However, these TPP negotiations failed to reach agreement on major elements, just as had occurred in ministerial meetings in December 2013.

\(^7\) Ibid.
\(^8\) The 67 countries/regions participating in the AIIB account for a total GDP of around 60 trillion dollars, with a total population of 4.8 billion people.
\(^9\) The purported goal of the AIIB is to respond to the growing demand for infrastructure across Asia, the cost of which will rise to 8 trillion dollars (960 trillion yen) between 2010 and 2020. The US and Japan have decided to withhold their participation in the Bank out of concerns related to bad debts arising from impractical financing and worries about environmental damage. Key members are China, South Korea, India, the 10 ASEAN nations, Australia, New Zealand, Saudi Arabia, Qatar, Oman, Kuwait, Turkey, the UK, Germany, France, Italy, Switzerland, Denmark, and Russia. (Nihon Keizai Shimbun, May 22, 2015).
\(^10\) Shukan Asahi, April 24, 2015.
This has been attributed to a standoff between the US and other advanced economies with developing countries such as Malaysia and Vietnam in regard to the protection of intellectual property rights, preferential treatment of state-owned companies, and environmental regulations. The most significant difficulty arose from conflicts relating to tariffs put in place by the US and Japan, the two countries with by far the largest economies among those present at the negotiations.

The passing of the US Trade Promotion Authority (TPA) laws on June 29, 2015 established the core of the TPP agreement and gave significant new momentum to the stalled negotiations. Without these laws, any agreement reached within the TPP negotiations could have been overturned by the US Congress, such that the TPA legislation was considered as the necessary precondition for any settlement regarding the TPP. With the TPA laws in place, the slow-moving TPP negotiations moved towards achieving a basic agreement. Stagnant TPP negotiations thereby began moving towards an outline agreement and on October 5, 2016, five years after negotiations had begun, an outline agreement was agreed in Atlanta. Exactly one month later on November 5, its text and annexes were publicly released. On February 4, 2016, the TPP signing ceremony was held in New Zealand.

**Japan’s negotiation process concerning the TPP**

The TPP is central to the growth strategy of the Abe administration, and its realization is said to be directly related to the success or failure of “Abenomics.” According to the Cabinet Office, regarding macroeconomic effects, if the TPP is successfully concluded and all tariffs are removed by all member nations, there will be negative effects in terms of domestic production for some sensitive industries within Japan. These, however, will be outweighed by the benefits for industries in other fields. The sum total effect on the Japan’s real GDP will be a 1.23% to 1.62% increase (roughly between 6.1 to 8.0 trillion yen) over a ten-year period (Cabinet Secretariat, n.d.). Nonetheless, Japan’s TPP negotiations have stalled, and the Japanese government is unable to produce suitable policies in the face of robust opposition from domestic agricultural groups. Japan’s domestic negotiation process surrounding the TPP is described below.

Previously, the Japanese government showed little interest in the TPP and pursued bilateral FTAs

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12 Under the TPA legislation, Congress does not seek amendments to individual items within trade agreements negotiated by the US government, provided that the government has fulfilled conditions such as providing prior notification to Congress; and may either accept or reject an agreement as a whole within the context of fast-tracked discussions. Since its establishment under the Trade Act 1974, all US trade agreements have been accepted by Congress under the TPA framework, except for that concluded between the US and Jordan. According to parts of the media, the rush to establish TPA legislation in 2015 by a pro-liberalization Republic Party by reaching a compromise with a more skeptical Democratic Party was designed to wrest the leadership of trade-related rule-making from China. (Asahi Shimbun, June 26, 2015).
14 There are three sets of government estimates regarding the effects of the TPP: those produced by the Cabinet Secretariat, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries. In terms of the overall effects on the Japanese economy, estimates produced by the Cabinet Office are considered to be the most comprehensive.
alongside policies to promote Asia’s economic integration. Nonetheless, in October 2010 former Prime Minister Kan announced in a general policy speech that his government would “consider entry into the TPP, and aim to achieve the FTAAP,” touching on the TPP negotiations for the first time. Furthermore, in a meeting of the Council on the Realization of the New Growth Strategy held on October 8, the TPP was described as a “symbol of the third revolution.” The Council also stated that “EPAs and FTAs are critical in order to create an environment in which growth and prosperity is shared among the countries of the Asia-Pacific, including the United States, South Korea, China, and ASEAN members. In line with this effort, participation in the TPP will be considered along with the construction of the FTAAP as Japan seeks to determine the direction of its economic links leading up to the APEC Economic Leaders’ Meeting.”

In November, the Kan administration established Japan’s basic policy via a cabinet decision, announcing that “the TPP negotiations are the only such trade negotiations that would lead towards the creation of the FTAAP. Responses need to be made as more information is gathered in regard to the TPP. Meetings will be commenced with relevant countries at the same time as improvements to the domestic economic environment are carried out.” At the same time, “all goods will be subject to trade liberalization measures with the aim of achieving high-level economic linkages,” while “a Headquarters for the Promotion of Agricultural Reform will be created in order to increase the nation’s food self-sufficiency and promote the growth of Japanese agriculture and farming towns.” The TPP was dubbed Heisei no kaikoku (“the opening of Japan in the modern Heisei era”). In the history of Japanese trade policies, this was the first time a Japanese government had revealed in an official document that no products would be exempt from liberalization (Terada, 2012). On November 30, the Headquarters for the Revitalization of Food, Agriculture, Forestry and Fisheries was created, with the prime minister as chairman.

The Japanese government put aside trade negotiations following the Tohoku earthquake and tsunami disaster in March 2011. Nonetheless, in the APEC summit of November of that year, Prime Minister Noda officially announced that Japan would commence meetings with relevant countries leading up to its participation in TPP negotiations.

The impact of Noda’s statement to the effect that Japan would participate in the TPP was highly significant internationally. Japan’s entry into the negotiations spurred on the slow-moving trend towards integration in the Asia-Pacific region primarily among the ASEAN countries. Not only had Canada and Mexico indicated their intention to participate, but China, which had until then insisted

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15 In a White Paper on International Trade (2001) Japan announced that would seek to create an FTA-based strategy as an alternative to multilateral trade liberalization under the WTO, stating that “FTAs/EPAs are one form of regional integration” (White Paper on International Trade, 2001:161).
16 Prime Minister of Japan and His Cabinet (2010).
17 The Cabinet Decision made in June 2010 on the “Basic Policy on the New Growth Strategy” seeks to implement domestic reforms in order to benefit from growth in Asia, while externally moving towards the creation of the FTAPP.
18 Prime Minister of Japan and His Cabinet (2010).
on the framework of ASEAN + Japan, China, and South Korea, now showed a more flexible attitude towards the Japanese proposal of ASEAN + 6.\textsuperscript{19} In an unofficial ASEAN + 6 meeting, China and Japan did not cling to the integration frameworks that each had previously promoted, and released a joint statement concerning the establishment of a working group focused on liberalization of trade, investment, and services.\textsuperscript{20}

A joint statement issued by Prime Minister Abe and President Obama in the Japan-United States Summit held on February 22, 2013, reads: “Recognizing that both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the United States, the two Governments confirm that, as the final outcome will be determined during the negotiations, it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations.”\textsuperscript{21} In other words, there would be no complete and total liberalization, and removal of tariffs “without exceptions” would not be a precondition for participation in the negotiations. In response to this, the LDP TPP Commission stated on March 13 of the same year that “strict priority will be given to keeping five sensitive items in the agriculture, forestry, and fisheries areas strictly out of the negotiations and, if it is deemed that this cannot be achieved, the government must be prepared to withdraw.” The government highlighted the five agricultural items “not up for negotiation”—rice,\textsuperscript{22} sugar, wheat and barley, dairy products, and beef—and set about ranking these in order of priority.\textsuperscript{23}

In light of these events, Prime Minister Abe called a press conference on March 15 of the same year to announce that Japan would enter into the TPP negotiations. On April 12, he agreed to a US-Japan consultation focusing on the TPP negotiations. In response, the Agriculture, Forestry and Fisheries Committees of both the lower and upper houses issued a resolution concerning the TPP, to the effect that the five sensitive agricultural items should be either excluded from the negotiations or be the subjects of renewed consultation and that even the gradual removal of tariffs on these items would not be accepted. If either of these conditions could not be guaranteed, then Japan would withdraw from the negotiations.\textsuperscript{24} On July 23, with the domestic procedures completed among the 11 negotiation

\textsuperscript{19} Okabe (2012: 100).
\textsuperscript{20} Asahi Shimbun, August 14, 2011.
\textsuperscript{21} Asahi Shimbun, February 23, 2013. Cabinet Secretariat, TPP Taskforce (2014). The February 2013 “Basic Policy on Participation in the TPP Negotiations” issued by the Liberal Democratic Party of Japan’s Party Policy Research Group and the Foreign Affairs and Economic Linkages Study Group states that: (1) Participation in the negotiations should be opposed if “tariff removal without exception” is a precondition of the negotiations; (2) Numerical targets for industrial goods such as automobiles that go against the principle of free trade should not be accepted; (3) The national health insurance system should be protected; (4) Food safety standards should be upheld; (5) ISDS articles that impact adversely on national sovereignty should not be accepted; (6) Government procurements and financial services should take into account unique national characteristics.
\textsuperscript{22} Of the total gross agricultural output of 8.5 trillion yen, rice no longer constitutes the largest share, accounting for just 1.8 trillion yen. The average farmer is 66 years old, and the average rice farmer above 70. The decline in the power of politicians of influence in the agricultural, forestry, and fisheries sector became the cause of delays in scrapping rice field reductions and the implementation of agricultural co-op reforms. (Nihon Keizai Shimbun, June 3, 2015).
\textsuperscript{23} Nihon Keizai Shimbun, March 3, 2013.
\textsuperscript{24} Cabinet Secretariat, TPP Taskforce (2014).
partners, Japan formally entered into the negotiations.

In the ministers’ meeting held in Singapore in February 2014, the chief Japanese TPP negotiator Akira Amari and US Trade Representative Froman reached numerous compromises at a working level to attain agreement over longstanding issues, but they were unable to arrive at a more general agreement.\(^{25}\) This was due to the fact that, while Japanese resisted US demands for the removal of all agricultural tariffs, the US opposed Japanese demands that a timetable be set for the removal of automobile tariffs and the removal of tariffs on auto parts.\(^{26}\) Such resistance on the part of both governments was motivated by domestic industries in each country opposed to trade liberalization and the politicians who had the support of those industries. In March of that year, Abe and Obama held intensive negotiations over the issues remaining between the US and Japan at The Hague in the Netherlands, with the aim of accelerating the TPP negotiations. A ministerial meeting was also held at the US-Japan Summit Meeting in April. A resulting joint statement highlighted the importance of US-Japan cooperation in order to bring the TPP negotiations to a successful conclusion and, accordingly, the US and Japan would work to together to speed up the negotiations with other countries.\(^{27}\)

Following the TPP agreement reached on October 5, 2015, Japan’s TPP Taskforce established a “Comprehensive TPP Policy Statement.” This statement emphasized leveraging the TPP in order to achieve Japan’s growth objectives, and set a target of a 60% success rate for opening new markets and business expansions by supporting moves by Japanese companies in expanding overseas. It also includes the “protective” policies aimed at supporting rice, beef, and pork producers (three of the “five sensitive items”). The government would increase its stockpile of rice in order to prevent a fall in price after establishing new importation frameworks with the US and Australia. Meanwhile, for beef and pork producers affected by the opening of these markets, compensation systems would be inscribed in new legislation, and the rate of compensation raised from 80% to 90% of operating losses.\(^{28}\)

The TPP signing ceremony was held in February 2016. The Japanese government is now carrying out ratification procedures to ensure the agreement comes into effect as early as possible.

Promoting factors behind Japan’s TPP proposal

Though Prime Minister Kan’s proposal to “consider joining the TPP” in his October 2010 general policy speech appeared sudden, there were three key factors behind this decision. The first factor relates to Japan’s relationship with the US (Urata, 2001; Kimura, 2001; Solis and Katada, 2015; Kim, 2013). While the US had for some time made demands of Japan that it open its agricultural markets,\(^{29}\)

\(^{26}\) Nihon Keizai Shimbun, March 21, 2014.
\(^{29}\) The US Trade Representative had expressed concerns in the “Annual Report on the Trade Agreements Program”
there was also a desire to strengthen the US-Japan alliance by making clear the intention to repair the relationship with the US following the discord that had emerged under the Hatoyama administration. Under the Hatoyama administration, which had sought to focus on the relationship with China and advocated the East Asian community, discord had emerged between Japan and the US, for example, over the issue of the relocation of the Futenma military base on Okinawa, and the relationship had cooled. According to former Parliamentary Secretary for Defense Akihisa Nagashima, “the US is not prepared to maintain the US-Japan Security Treaty at all costs, and hence Japan must hold it together” (Terada, 2013). The TPP has thus been interpreted as a policy aimed at strengthening the Security Treaty by integrating the Japanese and US economies. A number of studies (for example, Capling and Ravenhill, 2011; Auslin, 2012) argue that the TPP, by strengthening ties between the US and Japan, will lead to a reduction in Chinese influence in Asia. Such thinking was similarly made clear in the following statement made by Prime Minister Abe:

The significance of the TPP is not only related to the economic effects for Japan. We are creating a new economic zone with the United States, an ally of Japan. This will also engage other nations that share the universal values of freedom, democracy, basic human rights, and the rule of law. Setting new rules for the Asia-Pacific region, alongside these nations, is not just in our national interest, but I firmly believe will most certainly bring about prosperity for the world. Additionally, deepening our mutual economic relationships with these countries, under a common economic order, will undoubtedly be of great value for both Japan’s security and the stability of the Asia-Pacific region.

In his April 2015 speech to the US Congress Abe, similarly focusing on the strategy for dealing with China, reemphasized that “the TPP goes beyond simple economic interests, and is of great significance in relation to security over the long term.”

The second factor comes from demands made by the financial world to increase Japanese exports of industrial goods (Umada, 2011; Watanabe, 2014). The TPP seeks to achieve a high level of trade liberalization among many countries in the Asia-Pacific, including the United States, which had not participated in plans for a wide-reaching FTA across East Asia, while also negotiating the rules across a wide range of sectors. TPP rules will very likely become the de facto rules within the Asia-Pacific region (USTR, 2008) highlighting concerns over the progress within the Asia-Pacific region of “initiatives towards regional economic integration that exclude the US.” (Urata, 2001: 102).

In a press conference held on October 7, 2010, Senior Vice Minister for Agriculture, Forestry and Fisheries Takashi Shinohara indicated that a focus on the US-Japan relationship was one reason why Kan had raised the prospect of the TPP negotiations in his policy speech. Some also see the US as aiming to solidify the alliance with Japan as a means of containing China more effectively. (Financial Times, September 9, 2012).

Prime Minister of Japan and His Cabinet (2013).

Asahi Shimbun, June 26, 2015.
region. The Japanese Keidanren (Federation of Economic Organizations) has long pointed out the importance of such “rule-setting” and has encouraged Japan to enter into the TPP early on. Recognizing that Japan’s participation in the TPP is unavoidable, it has argued that “Entering the TPP after the rules have already been established means that they must be accepted unconditionally. It is up to Japan to contribute to economic growth and job creation by taking the lead in setting the rules within the Asia-Pacific region.”

The third factor is that of South Korea (Sohn, 2014; Koo, 2010; Kim, 2013). In 2007, South Korea concluded an FTA with the US that came into effect in March 2012. South Korea’s FTA with the EU also came into effect in July 2011. In May 2012, it announced it would begin FTA negotiations with China, which were successfully signed in June 2015. In other words, South Korea had completed FTA negotiations with Japan’s three largest trading partners. The Japanese government had been aware for some time that it was falling behind the competition in terms of achieving FTAs within East Asia. This began to take on a sense of urgency as Japan faced the prospect of suffering real economic and diplomatic disadvantages. During the first general meeting of the DPJ’s Economic Partnerships Project Team in October 2011, former Minister of Economy, Trade and Industry Yoshio Hachiro highlighted fears that Japan would fall behind South Korea if it did not make a decision on the TPP following the acceptance by the US Congress of the FTA between the US and South Korea.

In 2009, roughly 60% of Japanese exports to the US attracted a tariff, and Japan’s exporting industries paid around 300 billion yen to the US in customs duties. With the South Korean FTA in place, Japanese exports would potentially be disadvantaged in price competitions with South Korean products. With 70% of Japanese and South Korean exports in competition, the FTA between South Korea and the US would directly impact Japanese exports (Terada, 2011: 260). Japanese participation in the TPP would thus respond to the pleas of Japan’s exporters that it catch up to South Korea.

**TPP impediments: The agricultural “sub-government”**

Given these pressures, Prime Minister Kan’s restraint on the other hand in proposing only to “consider” joining the TPP was motivated by domestic opposition to the agreement from the agricultural sector. While then Chief Cabinet Secretary Yoshito Sengoko and Foreign Minister Seiji Maehara were in favor of the TPP, they were opposed by the Minister for Agriculture and Forestry, Kano Michihiko. Adding to the difficulties was the switch in opinion from support to one of caution by the then Minister for Economy, Trade and Industry, Akihiro Ohata. The change by Ohata was

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34 Keidanren (2011).
35 Interviews with DPJ members conducted by the author, Tokyo, September 7, 2012. This sense of crisis can also be gauged by Cabinet Secretariat materials, some of which warn that “non-participation in the TPP would put Japan at a loss in terms of trade with the US *vis-à-vis* South Korea,” and that “once the US-South Korea FTA comes into effect, Japanese companies will be disadvantaged compared to South Korean counterparts operating in US markets. Participation in the TPP would guarantee a level playing field for both.” (Cabinet Secretariat, 2010).
36 *JoongAng Ilbo*, October 15, 2011
37 Interview with Shujiro Urata conducted by the author, December 4, 2012.
related to the “TPP Skeptics Group” made up largely by the Hatoyama faction, of which Ohata was a member. Many members of the group were from rural areas or single-member districts; 140 DPJ legislators in total, nearly 30% of the party representation in the Diet, had joined the group. The group issued a number of anti-free-trade statements by agricultural groups as well as lectures by anti-FTA researchers. Masahiko Yamada, the head of the group and former Minister for Agriculture, Forestry and Fisheries, stated that “the TPP presents a serious problem that will change the shape of Japan, not only completely removing tariffs, but also protections around finance, healthcare, insurance, and services… The TPP is a black ship. Removing tariffs will destroy Japanese agriculture.”

Meanwhile, the DPJ established the policy research group, “APEC/EPA/FTA Response Investigation Project Team” (PT), which subsequently set out about coordinating responses to the TPP. While some arguments in favor of the TPP were heard by the PT, the majority opinion stressed the need for caution. According to Chairman Tsuyoshi Yamaguchi, the different opinions regarding participation in the TPP meant there would be some difficulty in bringing the parties together. Ultimately, in November 2010, the PT arrived at a proposal for the government that included the sentence: “Prior consultations should be initiated for the purpose of gathering information, and the decision to enter into the TPP should be considered.”

The advice of the PT showed an awareness that “it is critical to create links to the vitality of the Asia countries by ‘opening’ the country, encouraging other countries to do the same, and through the strategic promotion of economic associations.” While acknowledging that “appropriate domestic reform of the agricultural sector must be carried out beforehand,” it also acknowledged the concerns of this sector by pointing out that “the effects of the TPP will not be felt only in the agricultural, forestry, and fishery sectors, but will also have major effects on non-tariff areas that may change the ‘shape of the nation’. This calls for a cautious approach.”

The key reason behind Japan’s faltering TPP negotiations, however, is the Central Union of Agricultural Cooperatives (in short JA-Zenchu, JA hereafter) and its opposition to the expansion and reinforcement of the individual (household) income support for farmers. This system is a direct payment to farmers, which developed nations were encouraged to introduce under the GATT as an alternative to tariffs. While income support has been introduced in the US and the EU, its introduction was blocked by JA, whose commission income is determined according to prices.

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41 Democratic Party of Japan (2010).
42 Ibid.
43 The present income support system was approved by the Japanese Cabinet after a test period of the “program” in 2010, beginning in earnest from 2011.
44 Interviews with DPJ members conducted by the author, Tokyo, September 7, 2012.
45 Ibid.
Prime Minister Kan considered increasing the agricultural income support to the tune of 2 trillion yen as a pillar of the DPJ’s agricultural policy.\footnote{The result of this consideration was the “Basic Policy and Action Plan for the Revitalization of Japanese Food, Agriculture, Forestry and Fisheries,” released on October 25, 2011.}

As an agricultural body with a broad strategic remit, JA is not limited to providing advice for agricultural businesses alone, but also conducts lobbying campaigns directed at both the government and the Diet. In October 2011, JA submitted a petition to both houses of the Diet expressing its opposition to joining the TPP. The influence of the so-called “sub-government” (Mulgà, 2008: 172), comprised of the JA, Diet members able to influence agricultural policy, and the Ministry of Agriculture, Forestry and Fisheries (MAFF), complicated the liberalization of agricultural trade. This is the so-called “agricultural policy triangle” (Yamashita, 2009).\footnote{Nihon Keizai Shimbun, June 3, 2015.} According to Honma (2010), protective policies were put forward in party policy talks by the LDP’s agricultural subcommittees prior to Diet deliberations, yet the relationship between the LDP and agricultural groups remained tense. This can also be surmised from the fact that over 80% of all LDP Diet members agreed with the anti-TPP petition presented to the Diet. Informal structures were created between agricultural groups, headed by JA, and various politicians.

The JA argued that the TPP would have serious impacts not only on agriculture, but also on Japanese medical care, and developed an even larger opposition movement involving groups such as the Japan Medical Association (Yamashita, 2012: 184). It held large anti-TPP meetings,\footnote{For example, a meeting of over six thousand people from anti-TPP agricultural groups and of individual consumers was held in Tokyo’s Kokugikan (National Sports Hall). (Asahi Shimbun, November 9, 2011).} and developed a national opposition campaign that collected 10 million signatures in support.\footnote{Asahi Shimbun, October 24, 2011.} The campaign also sought to engage consumers with the assertion that, under the TPP, they would no longer be able to consume Japan’s safe agricultural products.\footnote{Interviews with DPJ members conducted by the author, Tokyo, September 7, 2012.} In an October 2010 meeting of the Council on the Realization of the New Growth Strategy, the JA expressed strong opposition to joining the TPP negotiations, arguing that the TPP was incompatible with the aims of achieving Japanese food security.\footnote{The position of JA is described by a document released by the “Meeting to Achieve the Revitalization of Food, Agriculture, Forestry and Fisheries” on August 2, 2011 entitled “Let’s Think About It—The TPP and Japanese Agriculture and Living Standards: The Basic Position of the JA Group on the TPP” (in Japanese).} Anti-TPP opinion was spurred by a sense that while the potential impacts on Japanese farming were obvious, Japan had no clearly defined objectives in joining the TPP negotiations (Okabe, 2011). This had also been underlined by the DPJ’s Economic Partnerships Project Team, which had pointed out that “it (was) difficult to see any specific, obvious merits to the TPP.”\footnote{Democratic Party of Japan (2011).}

Even following the passing of TPA legislation on June 29, 2015, and as the TPP negotiations entered the final stages, JA made continued demands of the government and the opposition that “sensitive
items such as rice should either be excluded from the negotiations or the subject of renewed consultation,” while a Diet resolution should be upheld to “provide sufficient information to the nation.”

The resistance mounted by agricultural groups represented by JA, as well as groups within the government connected with agriculture, slowed down the progress on the TPP (Choi and Oh, 2011; Mulgan, 2012; Kim, 2013). The strong political influence on the policy-making process created among agricultural groups, groups of Diet members, and MAFF, would thus create significant obstacles to reaching an agreement on the TPP.

Implications

For the Japanese government, the TPP provides an opportunity for Japan to participate in the shaping of the economic order within the Asia-Pacific region under a new set of international conditions, characterized by the US pivot to Asia, the economic and military rise of China, and a reduced Japanese presence in the region. The TPP also responds to the demands of Japanese exporting industries, opening the way to an FTA with the US and giving Japan the opportunity to catch up with South Korea, which had pursued multiple FTAs simultaneously. The TPP can be seen as an opportunity to pursue Japanese growth by facilitating new demand and job creation, solving the country’s economic woes with which it has struggled during the so-called “lost 20 years.” Joining the TPP is thus part of a proactive FTA-based strategy that aims to utilize the long-cultivated international competitiveness of Japan’s industry, and to grow the Japanese economy by linking it to the high growth rates among the Asia-Pacific nations. In order to revitalize a Japanese economy burdened by an aging population and massive government debt, the strategy based on the TPP and a program of structural reforms will be indispensable. Likewise, trade liberalization implies the need to strengthen competitiveness via structural reforms that include the agricultural sector.

The “containment” of China that some commentators assert is not realistic. According to Solis (2013), the ultimate objective of the TPP is the creation of a platform within the Asia-Pacific region that might encourage Chinese market reforms. China formally signed off on the FTA with South Korea on June 1, 2015, and by doing so, is seeking to take the initiative in multilateral negotiations such as those within the Regional Comprehensive Economic Partnership (RCEP). The basic posture of the China-South Korea FTA is “omnidirectional”; and China is keeping a close eye on the TPP negotiations pursued by the US and Japan, to which they are not party. In light of this, Japan will be

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53 Interview with DPJ member conducted by the author, Tokyo, September 7, 2012.
54 Notwithstanding, on July 3, 2015, incoming JA Chairman Choe Okuno argued the need for sweeping organizational reform and expressed the current sense of crisis within the JA: “As things stand, we will be unable to keep up with the world” (Nihon Keizai Shimbun, July 3, 2015). While the JA has shown a desire for internal reforms, one should keep a close watch on its changing response to the TPP.
55 President Obama has identified the TPP as a central part of the economic and military “Pivot to Asia” by the US. Specifically, the objectives are to increase employment by growing exports to Asia; and to set high-level rules for the IT and pharmaceutical sectors. (Asahi Shim bun, June 26, 2015).
57 Ibid.
able to help build fair and highly transparent international rules that are linked to its long-term national interests by contributing to the AIIB and encouraging China to join the TPP.\textsuperscript{58}

The primary obstacle in the way of the TPP in Japan is the opposition mounted against the liberalization of agricultural trade. Specifically, fierce opposition continues against opening up the five “sanctuaries” of rice, wheat and barley, beef and pork, dairy products, and sugar.\textsuperscript{59} Agricultural groups such as the JA have a significant influence over policy-making via their connections with influential Diet members as well as with MAFF. Accordingly, while public opinion has not been as animated as in South Korea, its influence over policy is palpable. Compared with the authority invested in the South Korean presidential system, the leadership of the Japanese prime minister and government is relatively weak, while the “sub-government” made up of agricultural policymakers, MAFF, and various agricultural groups is fairly strong. This structural feature of the Japanese political system makes the policymaking process exceedingly difficult when faced with this “sub-government” and its use of public opinion to organize opposition. In addition, expansions to the household income support system for farmers were also opposed by the JA, as they weaken the authority of JA overall. Expanding this program as a way to offset the effects of the TPP was therefore difficult, and this was a further complicating factor in promoting the TPP.

Finally, it should be noted that some signs of a shift in this “iron triangle” have begun to emerge. In November 2013, the Abe administration overturned its rice policy with an official decision to end the reduction of rice fields under cultivation in 2018.\textsuperscript{60} Subsidies to farmers who had been cooperating in the reduction program would also be gradually reduced and then scrapped in the year 2018.\textsuperscript{61} This represents the reversal of a policy established in the 1970s and in place for over 40 years. As part of the “Abenomics” program, the government also introduced to Cabinet three important proposals to reform agricultural cooperatives on April 3, 2015. The proposed reforms were to become active in April 2016 and were designed to increase the productivity of Japanese agriculture through changes to the Agricultural Cooperatives Act,\textsuperscript{62} the Agricultural Land Act, and the Agricultural Committees Act. The objective of these changes is to dramatically diminish the authority of the JA that binds regional cooperatives together, to increase the autonomy and independence of cooperative management, and to provide a footing for more robust farming in Japan.\textsuperscript{63}

\textsuperscript{58} Nihon Keizai Shimbun, May 20, 2015.
\textsuperscript{59} Asahi Shimbun, July 1, 2015. Excluding these five sensitive items from tariff removal, the TPP will remove tariffs on of 93.5% of goods.
\textsuperscript{60} The reduction of cultivated rice fields was a price control measure in which rice production amounts were allotted across farming households.
\textsuperscript{61} Nihon Keizai Shimbun, November 26, 2013.
\textsuperscript{62} Changes to the Agricultural Land Act relaxed the limits on equity shares in corporate agricultural producers. This aimed to expand business scales by making it easier to access capital. The JA had long followed its own measures to strengthen the operating basis of farms by, for example, reducing the number of agricultural cooperatives, and argued against these reforms, stating that it was “difficult to understand how they will lead to increased incomes for farmers.” Nonetheless, it changed its position in February (Nihon Keizai Shimbun, April 10, 2015).
\textsuperscript{63} This was the first significant reform of agricultural cooperatives in around 60 years. The operating goal of the roughly 700 regional agricultural cooperatives became “increasing farmer income,” with the JA to become a general
Opposition against such moves from LDP politicians with an influence over agricultural policy, as well as from the agricultural cooperatives, which have traditionally gone to great lengths to defend the reduction of cultivated rice fields, has been less than striking. The most likely cause of the transformation of this group of legislators is the decline in the voting power of farming households as this sector of the population ages. Generational change has also been taking place within the LDP. Furthermore, in lower house elections held between 2009 and 2012, for example, many veteran politicians in the agricultural area, including Koichi Kato and Yoshio Yatsu, either lost their seats or retired.64

Additionally, the JA has also begun its own process of reform. Elections for the presidency of the union, held between June and July 2015, resulted in the selection of “reformer” Choe Okuno, who had been critical of the union’s concentration of power at the peak of its pyramidal structure and had called for organizational and management reforms.65 With regard to the TPP, Okuno has revealed a different stance from that of his predecessors, emphasizing the need to work together with the government and the opposition. Revealing his intention to cooperate with the government and opposition, Okuno has stated that “having an oppositional attitude just for its own sake achieves nothing. We need to fight for what is best and most effective for farmers.”66

Okuno explained his election as chairman by claiming that “I had the support of the majority that feared we would become an organization that was out of step with the world.”67 The role of the chairman of the JA Central Meeting in Ibaraki Prefecture, Toyokuni Kagurai, should be mentioned here.68 Kagurai had criticized the JA’s anti-TPP movement and came up against the conservative wing of the JA during the elections for chairperson, splitting the regional cooperative heads and JA chairmen who, deep down, also sought reforms.69 According to one LDP insider, “if the JA did not pursue internal reforms it would be labeled as a reactionary group. It would be ignored by both farmers and the nation.”70 This reveals the sense of crisis in the backdrop to the reform. The push for reform of agricultural cooperatives was likely encouraged by internal adjustments among agricultural groups, as seen in the process leading up to the conclusion of the Japan-Mexico FTA. As the TPP negotiations reached the final stages, a switch to a more cooperative policy was deemed necessary in order to focus

64 Farming villages, the traditional supporters of the LDP, have become rapidly depleted. The average farmer is 66 years old, while the average rice farmer is 70 years old. There were once over 6 million farming households following the war. This figure has since dropped to around 2.5 million. (Nihon Keizai Shimbun, November 9, 2013).
66 Mainichi Shimbun, August 18, 2015, p.6. Okuno also stated that “while (he) would make proposals to the government, it is not the job of a union of cooperatives to simply oppose the government,” distancing himself from the then chairman Akira Banzai, who had continually protested against the government-led reform of agricultural cooperatives. (Asahi Shimbun, July 16, 2015, p.26).
67 Ibid.
69 Ibid.
on promoting Japanese agriculture post-agreement. Leading up to the settlement of TPP negotiation, Japanese agricultural policy entered an important stage of transition.

Japan is currently standing at a crossroads, and it is yet to be seen which direction it will choose.

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