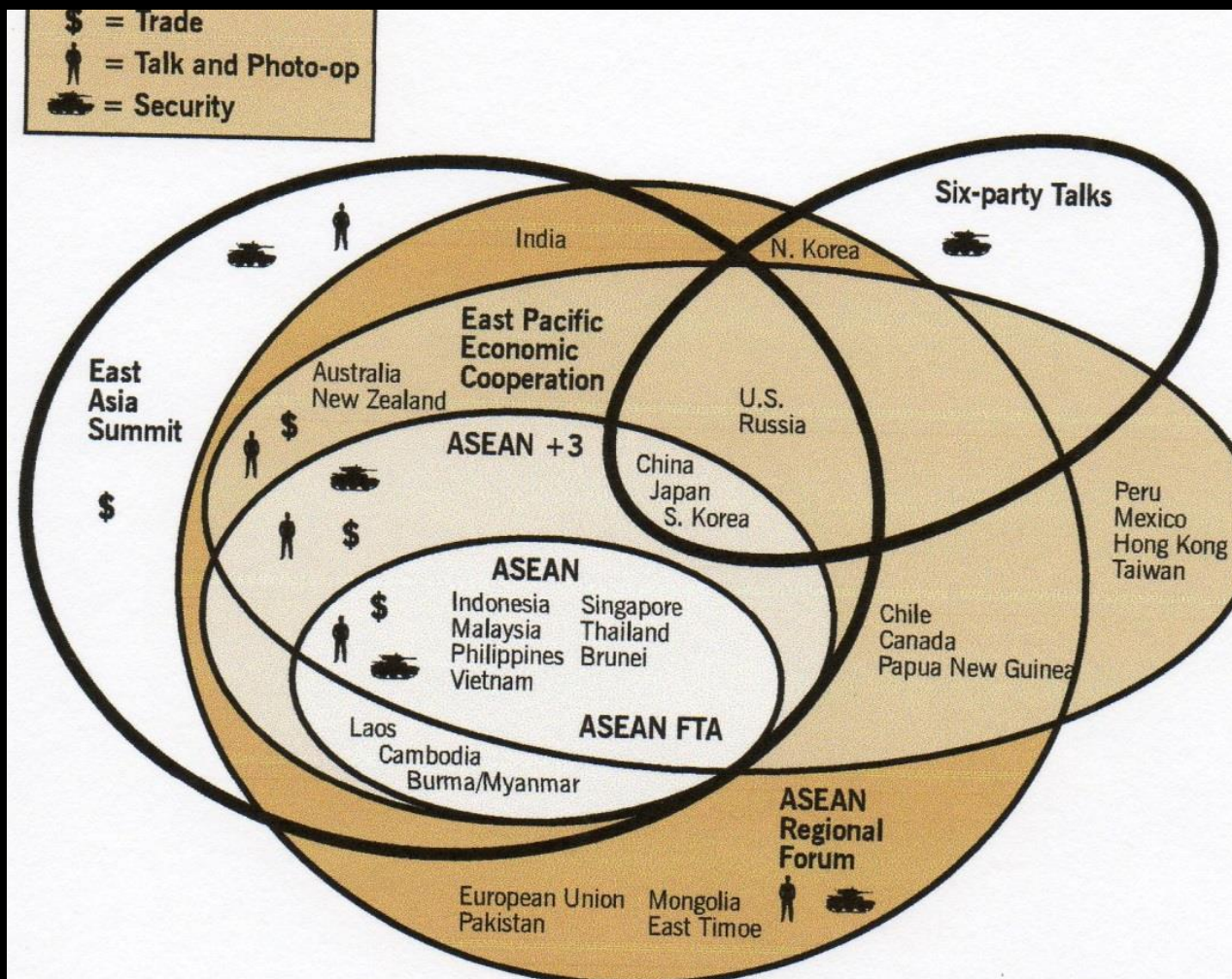


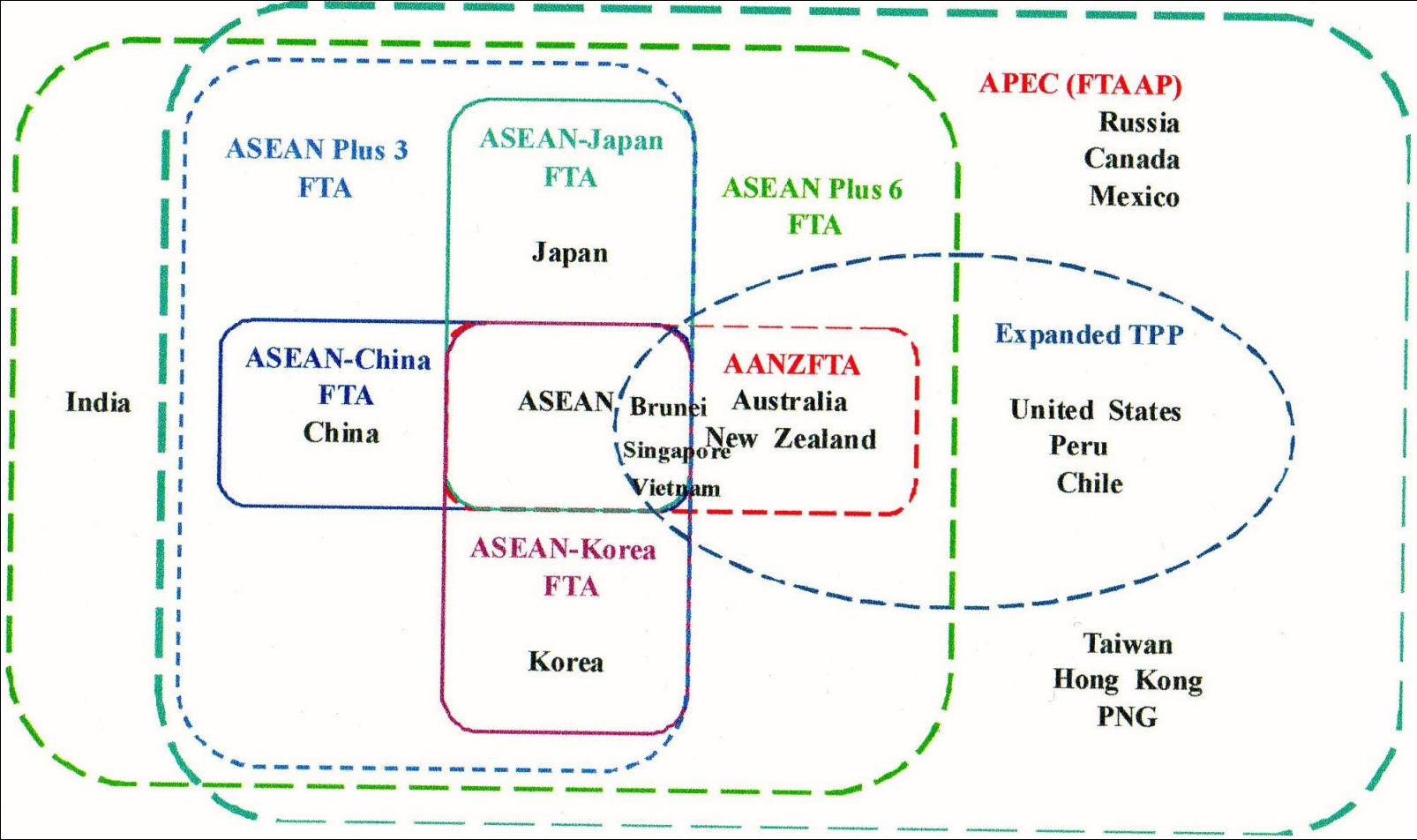


**TPP AS THE NEW REGIONAL  
ECONOMIC ARCHITECTURE  
OF THE ASIA-PACIFIC**

# CURRENT EAST ASIAN REGIONAL ARRANGEMENTS



# “NOODLE BOWL” OF FTAS





**BUT WILL THE TREND BE  
TOWARD “MEGA-FTAS”**

Or Will Regional Integration Remain Market-  
Driven?



## ARGUMENT AGAINST EU-STYLE REGIONAL COOPERATION FOR E.ASIA

TREMENDOUS DIVERSITY OF THE COUNTRIES IN THE REGION

RELIGIOUS, WEALTH DISTRIBUTION, DEMOGRAPHIC DIFFERENCES, SIZE  
OF STATES, CULTURAL DIFFERENCES, RESIDUAL ENMITIES

NOTION OF AN EAST ASIAN COMMUNITY EXISTS BUT LIKE A PIPE-DREAM

ASEAN IS A SUCCESS STORY, BUT HOW MUCH FURTHER IT WILL DEVELOP AS A  
MULTILATERAL POLITICAL INSTITUTION IS UNCLEAR (ARF IS WEAK ON SECURITY  
COOPERATION)

ECONOMIC INTEGRATION REMAINS MOSTLY MARKET-DRIVEN, DESPITE THE  
NOODLE BOWL OF FTAS AND EPAS DOTTING THE REGIONAL LANDSCAPE

EU'S ECONOMIC AND POLITICAL CRISES SEEN AS MODEL TO AVOID

**BUT – WILL A US-LED TPP BECOME A GAME-CHANGER?**

WHAT ABOUT THE RCEP? WILL IT JUST BECOME A RECOGNITION OF THE MARKET-  
DRIVEN STATUS QUO IF LAUNCHED IN 2015?

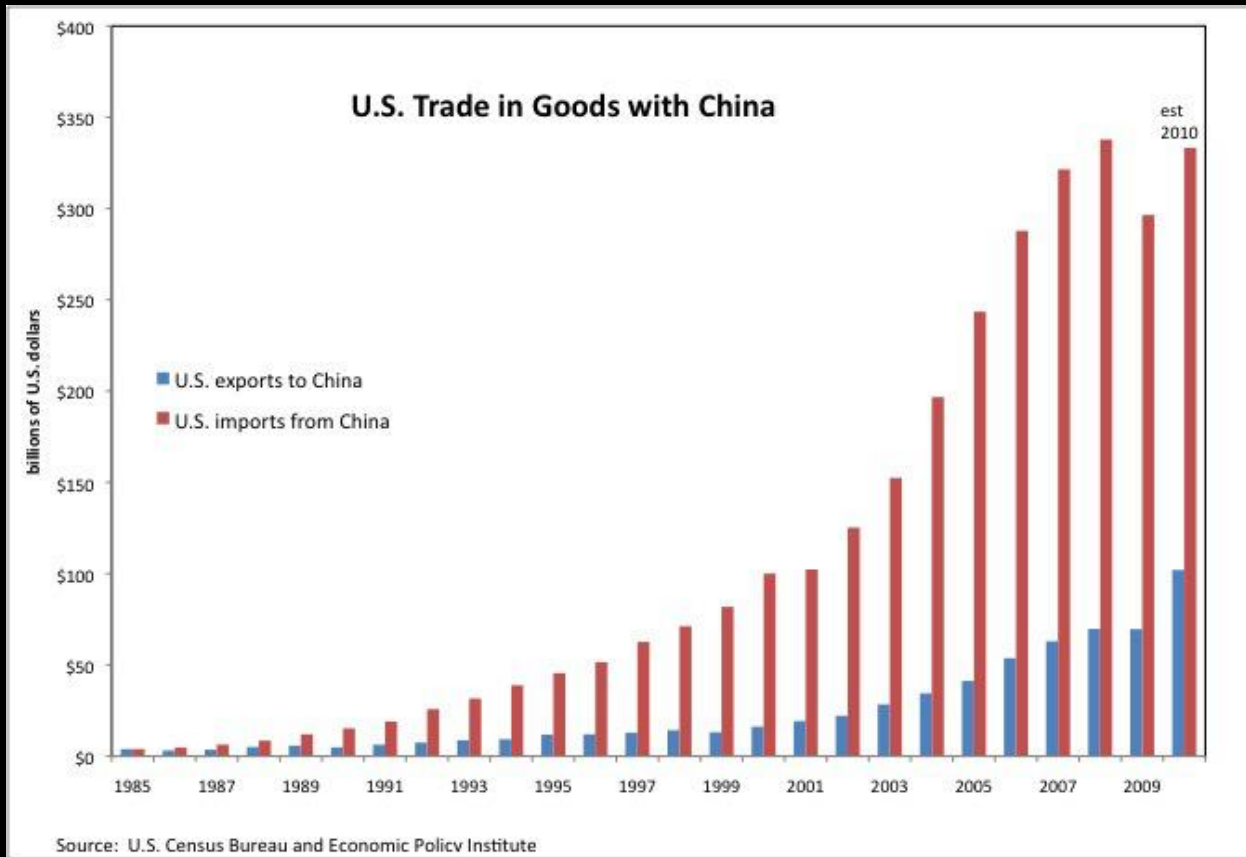
**US LOGIC: IT'S THE ASIAN  
ECONOMIES, STUPID!**

## US TRADE WITH EAST ASIA

Half of the US' total trade is with East Asia

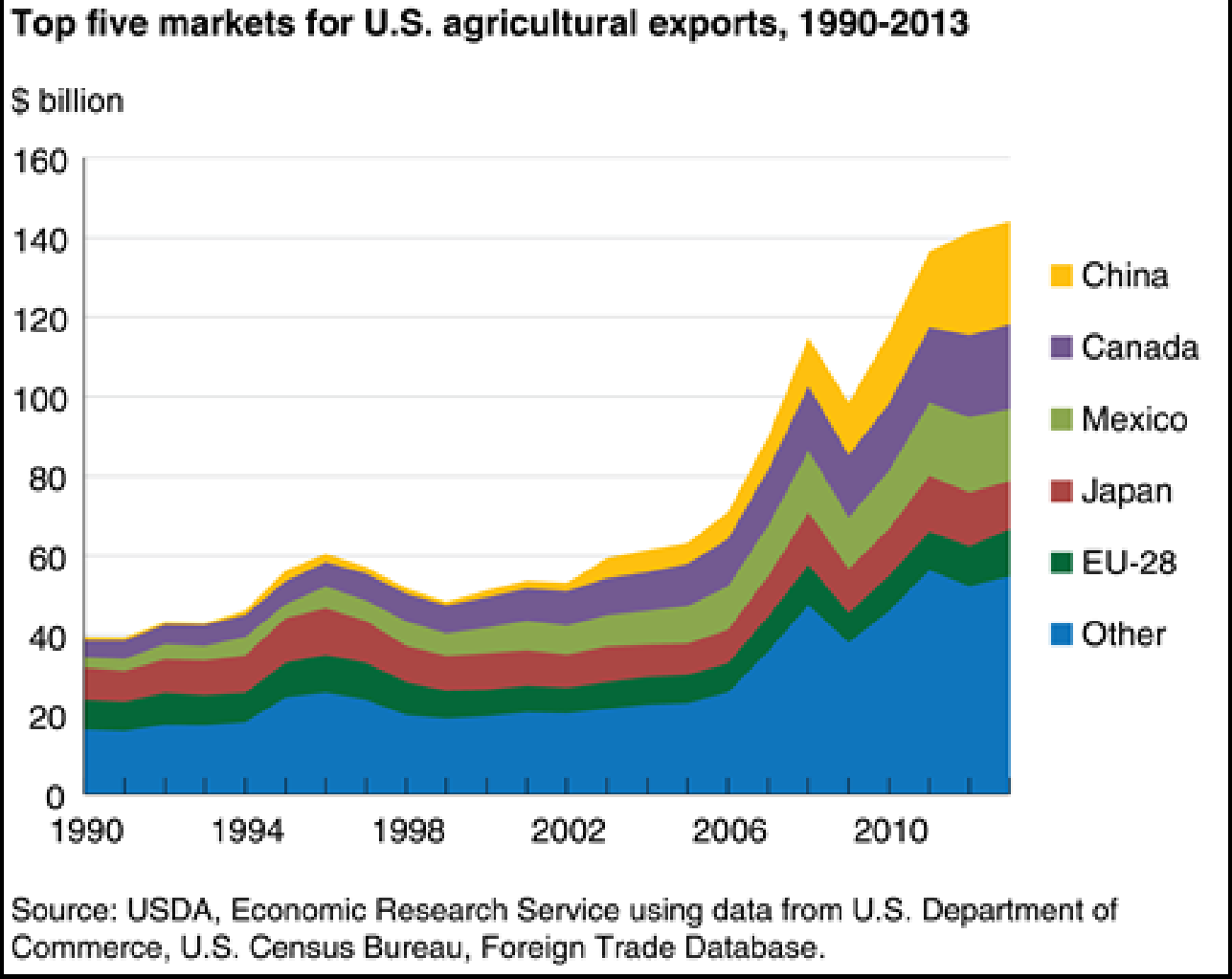
US trade with the E. Asian region has grown exponentially: Approx. \$300 billion in 1991; \$900 billion in 2006; and \$1.5 trillion in 2013.

## U.S. TRADE GROWTH WITH CHINA





# TOP DESTINATIONS OF US FARM EXPORTS



## US EXPORTS MOST FARM GOODS TO CHINA

The large expansion of trade with China explains why it is now the No. 1 destination for U.S. agricultural exports.

U.S. farm exports to China nearly doubled from \$13.1 billion in 2009 to \$25.9 billion in 2013, which is \$4.6 billion more than exports to Canada, the second largest market. Canada—which held the top spot for most of the 2000s—and Mexico continue as strong markets. Japan—the top destination for U.S. exports in the 1990s—has slipped to fourth place after Mexico.

## US FARM EXPORTS TO JAPAN STRONG

Japan's agricultural imports (nearly \$60 billion in 2013) make it the world's fourth-largest importer, after the United States, China, and the European Union (EU). Based on total calories consumed, Japan imports about 60 percent of its food each year.

Japan is the fourth-largest market for U.S. agriculture, accounting for \$12.1 billion in U.S. exports in 2013. **The United States is the leading agricultural supplier to Japan. Imports from the United States (\$13.8 billion, including shipping costs) represent almost one-fourth of Japan's total agricultural imports.** ASEAN, China and the EU-27 are the next-largest suppliers. Together, they supplied 31 percent of imports in 1994 and 39 percent in 2013, after peaking at 41 percent in 2006. In recent years, **Japan's agricultural exports to the world in 2013 exceeded \$3 billion.** U.S. agricultural imports from Japan exceeded \$565 million in 2013



**U.S. ECONOMIC ENGAGEMENT  
WITH THE ASIA PACIFIC**



## TPP: US STRATEGIC IMPERATIVE

**“Strong U.S. trade and investment ties with the dynamic Asia-Pacific region will continue to be critical for our economic recovery and our long-term economic strength. As a strategic imperative, we will work to ensure the adoption of a regional economic and trade architecture that is rules-based and provides an open, fair, and transparent framework. Such a framework will allow U.S. businesses better to tap into growing trade and investment opportunities in the region”**

Robert D. Hormats

Under Secretary for Economic Growth, Energy, and the

## FUTURE OF TPP

The TPP once launched will become the building block for a negotiated Free Trade Area for the Asia-Pacific (FTAAP) by 2020, expanding to include all eligible Asian countries. *China would presumably enter then.*

*In this way, TPP and then FTAAP, added to the TTIP, would be a back door to fulfilling the goals of the WTO Doha Round.*

## TPP ECONOMIC BENEFITS

According to an analysis supported by the Peterson Institute, a TPP agreement provides global income benefits of an estimated \$223 billion per year, by 2025. Real income benefits to the United States are an estimated \$77 billion per year. The TPP could generate an estimated \$305 billion in additional world exports per year, by 2025, including an additional \$123.5 billion in U.S. exports.

## U.S. ALREADY BENEFITS FROM TRADE WITH TPP ECONOMIES

*U.S.-TPP Trade:* \$1.8 trillion in goods and private services in 2012 (37% of total)

*U.S.-TPP Trade Growth:* Goods and services trade up 46% in the last 3 years (2009-2012)

*Foreign Direct Investment From TPP Countries in the U.S.:* \$620.3 billion (23% of FDI stock in the United States)

*TPP Foreign Affiliate Employment:* 1.4 million Americans

*Top U.S. Markets in TPP:* Canada (\$354 billion), Mexico (\$243 billion), Japan (\$116 billion)

*Jobs Supported by Exports:* An estimated 4 million jobs were supported by U.S. goods and services exports to TPP countries in 2012.

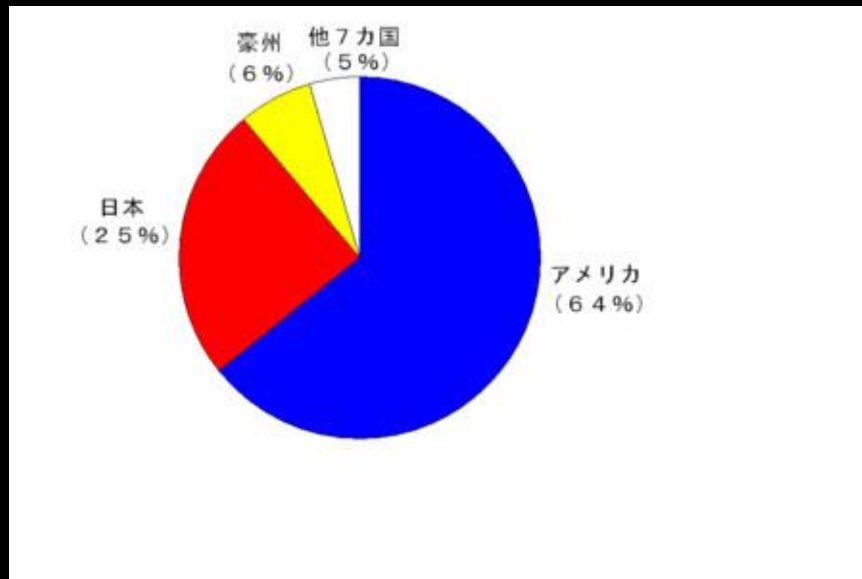
*U.S. Small and Medium Sized Enterprise Exports in TPP:* 97% of all goods exporting companies to TPP countries are SMEs (2011) SMEs accounted for 29% of the total value of goods exports to TPP countries in 2011

*Goods Exports to TPP Countries:* \$689.1 billion (45% of total U.S. goods exports)  
Up 46 % from 2009

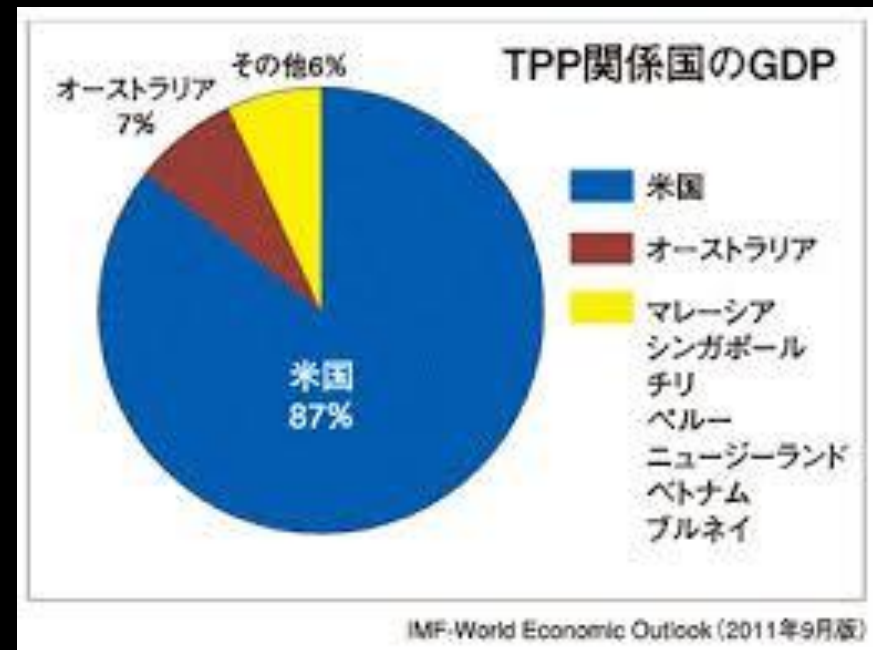


## CONTRASTING TPP WITH AND WITHOUT JAPAN'S PARTICIPATION

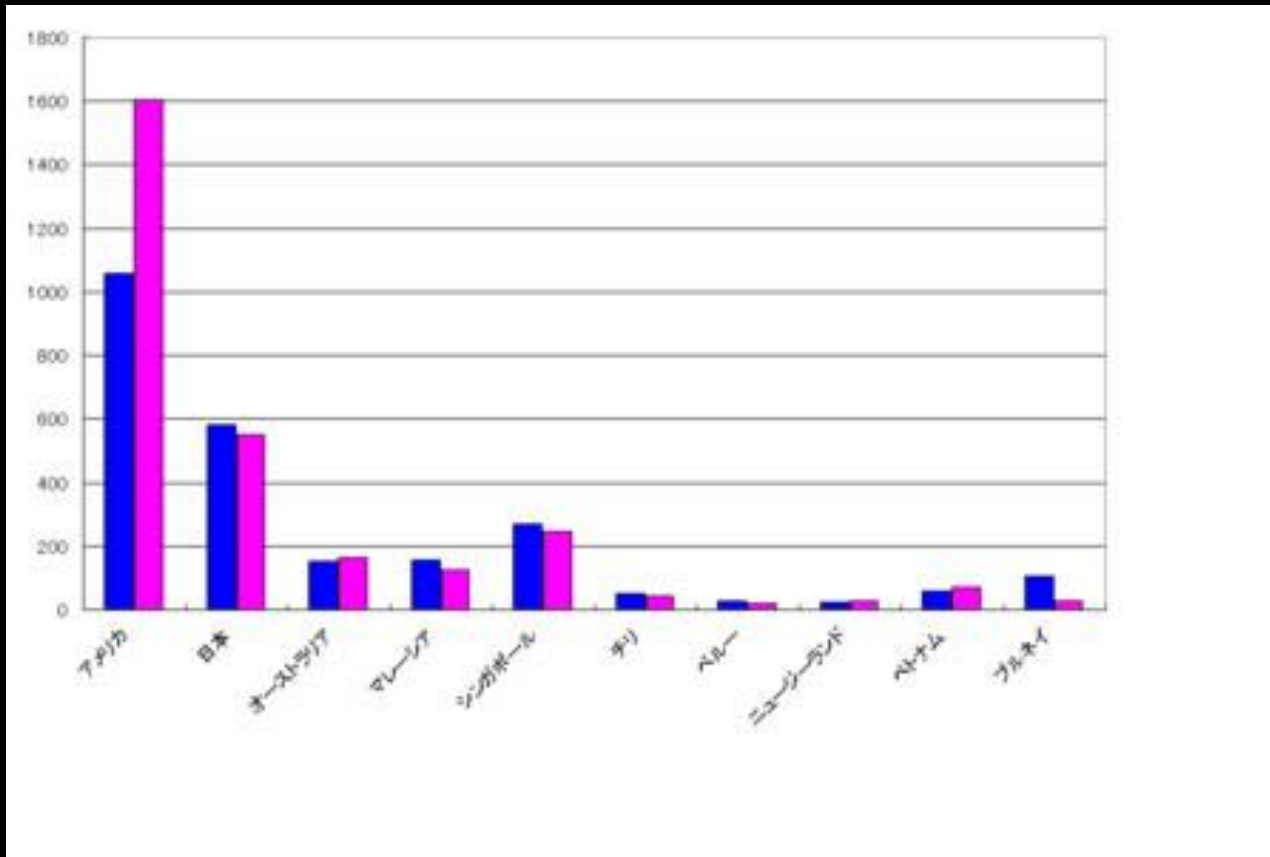
With Japan: JP=Red; US=Blue



Without Japan: Blue is US



**TRADE WEIGHT:  
FIRST TWO ARE U.S. AND JAPAN**



**GDP WILL RISE IF JAPAN JOINS  
TPP**

**Cabinet Office simulation: GDP will rise by 0.48 to  
0.65%**

**Economist Kenichi Kawasaki: Economy will be boosted  
by .8% of 4 trillion yen**

**Asian Development Bank: GDP will rise by 1%**

**Peter A. Petri and Michael G. Plummer: TPP would push  
up GDP by 2%**





## JAPAN'S FTA STRATEGY

**“The government will multilaterally promote not only the Trans-Pacific Partnership (TPP), but also the Regional Comprehensive Economic Partnership (RCEP), the Japan-China-South Korea FTA, and the Japan-EU EPA to build economic partnership networks covering most of Japan’s trade partners.” (METI)**

## TPP VS. RCEP

While the TPP aims to be a high-quality preferential trade agreement with few exemptions and extensive regulatory alignment in such areas as labor law, environmental protection and intellectual property rights, the RCEP, on the other hand, has a lower standard. It accepts that countries will reduce trade barriers at different rates—especially among less developed members—and also makes limited demands for regulatory harmonization.

# **TPP TALKS DEAD IN THE WATER?**

**Is the TPP Dead? Have We Won?**

05 February 2014 By Dennis Trainor Jr, Popular Resistance

**The TPP's Not Dead Yet (But It's Close)**

By Shannon Tiezzi for The Diplomat, December 07, 2013

**Is Fast-Track Trade Promotion Authority for the TPP Dead?**

January 30, 2014

**Obama's 'New World Order' appears 'dead in the water' Failure to get Japan's OK  
jeopardizes sweeping free-trade pact 05/02/2014**

**Senior Democrats To Obama: TPP Dead In Current Form December 5, 2013.**

## ANTI-TPP CARTOON: US GOAL



## ANTI-TTIP CARTOON: TROJAN HORSE



## “ABSURD” STATE OF JAPANESE AGRICULTURE

The agriculture sector's annual value added is only about 46 billion dollars (4.6 trillion yen). Agricultural imports are 5.8 trillion yen, sales total 8.2 trillion yen, and the agricultural budget (i.e., farm subsidies) is 2.2 trillion yen. **Domestic prices of agricultural products are 1.5 times higher than the international average, according to the OECD, which can be likened to 51.6% tariff protection.**

Agricultural consumption in Japan is 10.4 trillion yen (4.6 trillion yen in domestic production + 5.8 trillion yen in imports).

**Domestic farmers thus meet only 44% of total consumption, despite receiving 2.2 trillion yen in subsidies and benefitting from 51.6% tariff protection.** The domestic value added would be only 3.0 trillion yen (4.6 trillion yen / 1.516), moreover, if calculated using international prices. Subtracting the 2.2 trillion yen in subsidies from this amount would then leave only 0.8 trillion yen in real value added by domestic producers—equivalent to just 0.17% of Japan's 470 trillion yen GDP.

Tokyo Foundation study

# ANTI-TPP FORCES IN JAPAN: AGRICULTURE





**TPP IN PM ABE'S POLICY SPEECH  
TO THE DIET SEPT. 29, 2014**

*We will create free and large economic zones at the global level. We will continue to press forward with economic partnerships strategically, including negotiations for the Trans-Pacific Partnership (TPP) Agreement and negotiations for Economic Partnership Agreements (EPAs) with the EU and East Asia. We will bring about the early entry into force of our EPA with Australia, deepening our economic bonds still further.*



## MAFF'S "DOOMSDAY" SCENARIO

MAFF's calculation of the impact of the TPP on the Japanese economy – a ¥4 trillion decline in agricultural production (of this ¥1.98 trillion would be rice) and an ¥8 trillion decline in GDP.

JA, the agricultural cooperative lobby, says the Ag Ministry's calculations underestimate the damage. JA predicts the destruction of the entire sector.

But, METI and many economists dismiss the MAFF assessment, arguing that TPP may be a good last chance for reviving agriculture.

## BUT AGRICULTURE IS CHANGING IN JAPAN

According to the GOJ's "agricultural white paper" for fiscal 2013, **the area of farmland utilization by corporations accounted for 6.7% of the nation's entire farmland in 2013.** This corroborated the growing presence of corporations in agriculture. As discussions in the government on easing the restrictions on agricultural production corporations move forward, new entries into agriculture could accelerate further. **The number of agricultural corporations reached 14,600, or five-times the figure of 2,902 in 1990.**

## MACLACHLAN AND SHIMIZU: FARMING CHANGING IN JAPAN

“Japanese farming itself is changing. As we observed for ourselves during recent fieldwork in the Japanese countryside, more and more full-time farmers are developing new forms of farm ownership and management. Despite lingering barriers to innovation, the rates of farm corporatization and farmland consolidation are slowly increasing. Some farmers are pursuing these changes outside of JA networks, while others are partnering with innovative local coops; in both instances, these farmers are responding more directly to market signals and in ways that benefit consumers.”

**PANEL PROPOSES INCREASE IN FARM  
PRODUCT EXPORTS TO 5 TRILLION YEN  
BY 2030**

**The government's Industrial Competitiveness Council (chaired by Prime Minister Shinzo Abe) has a package of proposals to reform agriculture, a part of the new growth strategy.**

**The package includes measures to open up the dairy market and to expand the agro-processing business, using public and private funds.**

**It proposes expanding farm product exports to 5 trillion yen in value terms by 2030 and promoting the sixth industry dimension of agriculture where farmers not only produce products but also process and market them, thus raising their added value.**

**JAPAN SHOULD TREAT FARMING  
AS A “GROWTH INDUSTRY”**

Agriculture should rightly be regarded as a “growth industry” in the sense that its products are competitive in quality and there are growing markets nearby to absorb them.

In light of this change in the environment, Japan’s participation in the Trans-Pacific Partnership (TPP) will be a golden opportunity for structural reform.

If TPP eliminates tariffs as trade barriers. It will be easier to export Japan’s competitive agricultural products to the markets of the TPP participants and this will spur growth.

**US-JAPAN AUTO TRADE FRICTION  
STALLS TPP NEGOTIATIONS**



JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION, INC.

Japanese Automakers Economic Contributions to America  
Update to Contributions Report published in November 2013  
to include final 2013 calendar year data  
(July, 2014)

Note: The 2014 report including this data  
will be available at [www.jama.org](http://www.jama.org) when it is published

	2013	2012
Number of U.S. Employees		
Manufacturing	59,494	57,939
R&D	4,479	4,196
Distributors	18,843	18,899
<b>SUBTOTAL of Direct Employees</b>	<b>82,816</b>	<b>81,034</b>
Dealerships	319,568	327,477
<b>TOTAL Employees</b>	<b>402,384</b>	<b>408,511</b>
<b>TOTAL Manufacturing Investment</b>	<b>\$40.605 billion</b>	<b>\$35.444 billion</b>

## **WEAKNESS IN TPP: NO MFN?**

TPP is not governed by the most-favored nation clause of the WTO, so if Japan stalls on removing high tariffs on certain farm goods, the US will most likely leave tariffs on auto and truck imports.



**CALLS FOR BOOTING JAPAN OUT OF TPP  
NEGOTIATIONS: TACTIC OR REAL?**

***"The National Pork Producers Council today (9/25/14) joined the International Dairy Foods Association, the National Association of Wheat Growers, the USA Rice Federation, and the U.S. Wheat Association in calling on the Obama administration to conclude the Trans-Pacific Partnership (TPP) negotiations without Japan unless that nation agrees to provide significant market access for the United States."***

**And those U.S. agricultural groups are not the only ones making that suggestion. Prime Minister John Key of New Zealand raised the same possibility when he spoke to the U.S. Chamber of Commerce last June. Mr. Key was clear that he would prefer a TPP deal that includes Japan. However, he said, if the other eleven countries can come to an agreement on a comprehensive TPP but Japan cannot, "then we should get on and do a deal with those eleven partners."**

**COGENT VIEW OF  
ECONOMIST RICHARD KATZ**

**The U.S.-Japan cabinet-level talks on the Trans-Pacific Partnership trade pact broke down on Wednesday largely because of Tokyo's refusal to sufficiently lower farm tariffs and other associated import barriers. The irony is that Japan, not America, has the most to gain from liberalizing food trade, as Japan's own reformers recognize.**

**Consider the costs of protecting farmers, most of whom are part-timers over the age of 60. Japanese consumers spend 13.7% of their total household budget on food, far more than the 6.3% spent by Americans, or even the 9.3% spent by Britons. If this share were reduced even to 11% by opening the food market to more competition, Japanese households would save 7.5 trillion yen (\$72 billion) per year. To put that in perspective, the output of Japan's entire farm sector is only worth 5.4 trillion yen. The five "sacred" farm sectors that Prime Minister Shinzo Abe resists liberalizing—rice, beef and pork, dairy, wheat and sugar-produce just 3.6 trillion yen, or 0.8% of Japan's gross domestic product.**

## EDITORIALS HOLD GOJ FEET TO FIRE

The LDP campaigned for the 2012 Lower House election on the pledge that it would “not join the TPP talks if they are premised on tariff elimination without exception.” Even after returning to power, the LDP adopted “a resolution calling for the government not to hesitate to withdraw from the TPP talks” if the sanctuaries cannot be protected.

The principle of the TPP is to completely eliminate tariffs, and this was confirmed in a ministerial meeting held ahead of the summit meeting. If Japan maintains its current import tariffs on the five areas, its liberalization rate will be 93.5%. Since it appears difficult to protect all five categories, some have pointed out that it goes without saying that tariffs on some items will be removed.

However, if the government gives up on protecting the sanctuaries as it promised to the public, its premise for joining the TPP talks will collapse. If the government really wants to review the sanctuaries, it should explain the situation to the public, including measures to avoid impact and damage, and obtain the understanding of the public.

## DOES JAPAN NEED TPP?

Japan now has EPAs with 13 countries or territories, which is 19% of its total trade.

Japan's exports to EPA partners has been growing by leaps and bounds (Thailand, Vietnam, etc.), reaching a record high of 6.6 trillion yen Jan-Jun 2014.

TPP members already make up 27% of Japan's total exports and 40.5% of its DFI.

## CONCLUSIONS

EVEN IF THE PUNDITS ARE WRONG AND THE U.S. AND JAPAN REACH A LAST MINUTE RESOLUTION OF DIFFERENCES IN TPP NEGOTIATIONS BY THE TIME OF THE APEC SUMMIT IN BEIJING THIS FALL, OR IF THE TALKS DRAG ON INTO 2015, THE POLITICAL DYNAMICS IN JAPAN AND THE U.S. ARE MOVING IN THE WRONG DIRECTION.

THE ABE ADMINISTRATION IS NOW IN A WEAK POSITION, PARTICULARLY WITH TWO MINISTERS RESIGNING DUE TO SCANDALS.

THE MOOD IN CONGRESS SEEMS TO BE TO DENY PRES. OBAMA FTA, AND JAPAN IS AWARE OF THAT.

THE U.S. NEEDS JAPAN MORE THAN JAPAN NEEDS THE U.S. IN TPP

## CONCLUSIONS (CONT)

CHINA, DESPITE IS ENORMOUS ECONOMIC PRESENCE IN ASIA AND INTERDEPENDENCE WITH THE US – AND JAPAN – IS BEING LEFT OUT OF TPP

JAPAN WITHOUT TPP CAN STILL TURN TO THE RCEP AND TEAM UP WITH CHINA, ASEAN, ETC. IT DOES NOT LOSE OUT

ABE HAS ALREADY IMPLEMENTED REFORMS THAT WILL REVIVE THE ECONOMY AND AGRICULTURE, SO THE ECONOMY CAN REBOOT WITHOUT TPP

THE BIG LOSER IS TPP FAILS IS THE UNITED STATES