

The 26th GSDM Platform Seminar
International Symposium on
“Mega-FTAs and Global Trade Governance”

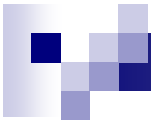
**TPP and Agricultural
Reform under the Abe
Administration**

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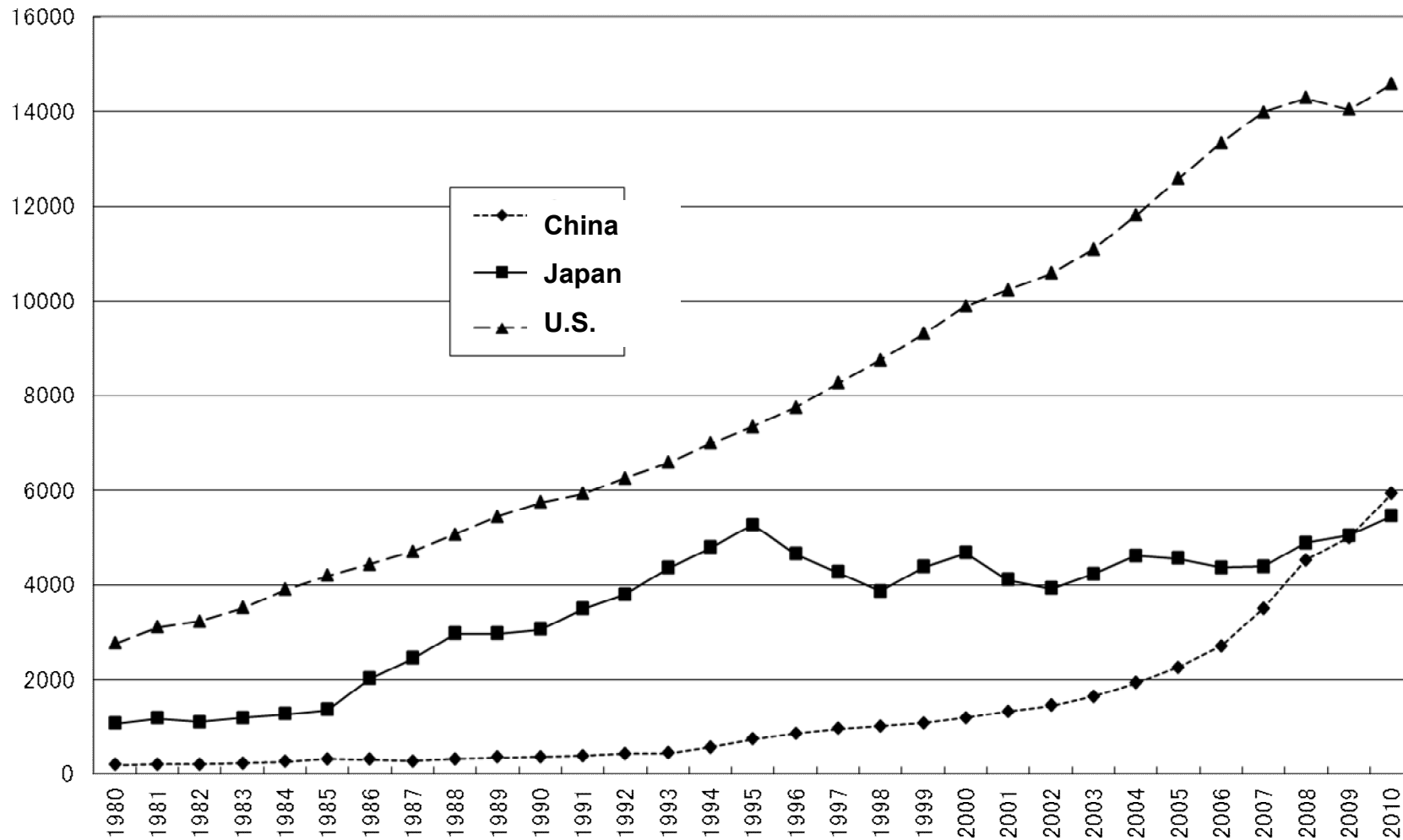
Why does Japan need TPP?

- It is to reduce export barriers and escape from the long-term economic stagnation, especially in export competition with South Korea preceded by FTA.
- As a growth strategy, to make common rules for promotion of investment and for trade facilitation.
- Countervailing the different attitude of economic policies, such as a resource export ban, investment restrictions, a state-owned firm in the mainland China, it is to establish international rules and stimulate the mainland China for alignment.
- It is to strengthen Japanese agriculture through globalization in agriculture that Japan has neglected in the past.
- In order to process difficult subjects bilaterally, multilateral talks and cooperation with participating nations work to stop selfish requests, for example, by the U.S.



Trend of GDP in China, Japan and the U.S.

Billion US\$

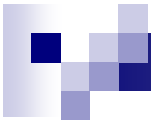


Source: Urata (2012)



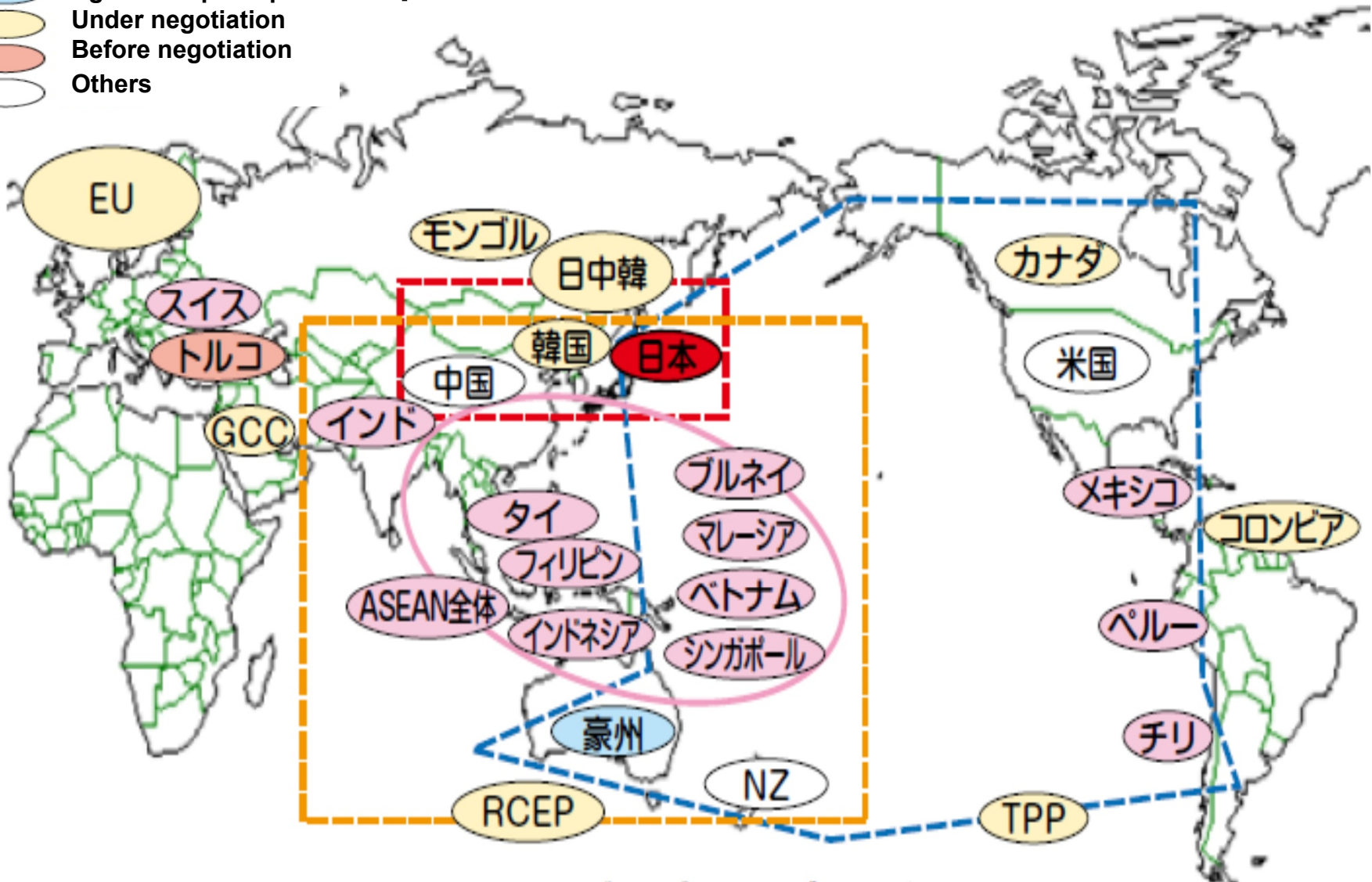
The Present Stage of TPP Negotiations and the Future Prospect

- Obama seems to refuse any positive tariffs and continue to demand for abolition of Japan's agricultural tariffs because Obama lost in the interim election and the Republican requests a hard line in TPP negotiations.
- The Republican may allow passing TPA (President trade promotion authority) in the Congress so that TPP negotiations will be promoted.
- In reality the argument is on a package instead of tariff reduction by commodity, which is the combination of degree of tariff reduction and the time of implementation in a formula.
- However, Japan's demand for the key item exceptions would lower the quality of TPP, and should not carry out TPP negotiations on the current conditions.
- It seems to be agreed that rice, wheat and barley, and sugar are exempted from tariff abolition with an expansion of minimum access quota for US rice so that the items for negotiations are beef, pork and some dairy products such as whey.



- Concluded
- Agreed in principle
- Under negotiation
- Before negotiation
- Others

Japan's Partners of EPA/FTA

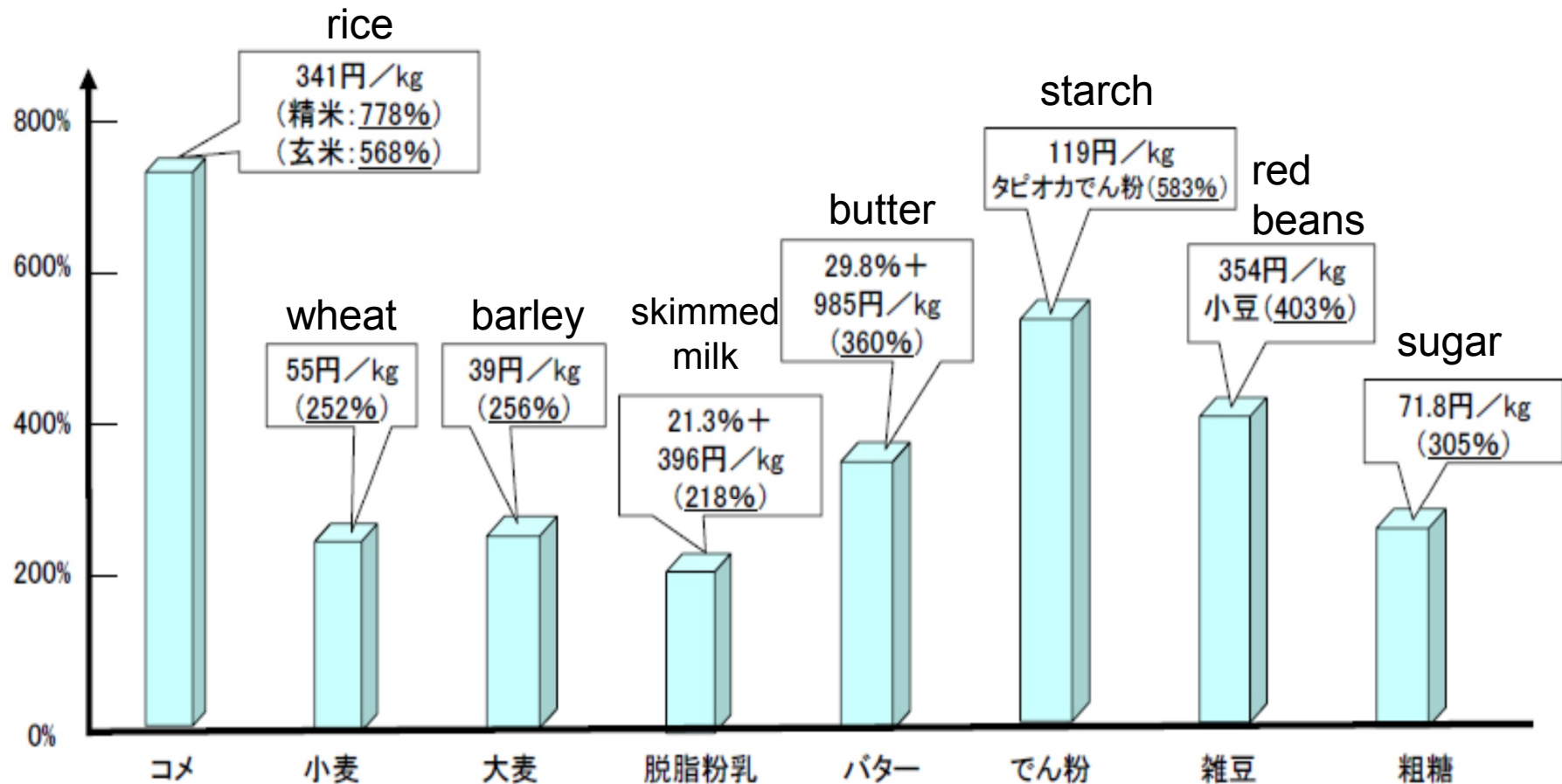




Tariff Reduction/Abolition of Agricultural Products

- Importance of TPP is the communalization of competitive conditions, especially application of the most-favored-nation treatment and national treatment to investment beyond abolition of tariffs.
- However, high tariff rates of some agricultural products are maintained and the agricultural sector is a front runner of circumference delay in globalization.
- If the U.S. takes 20 years for tariff elimination of automobiles, why not Japan takes also 20 years for tariff elimination of five key items including rice.
- If it may take 20 year +alpha for tariff elimination, tariffs on rice can be maintained at 170 yen/kg in ten years later. So, we have about 12 years from now on for structural reform in rice sector.
- TPP and other FTAs are one step to the further globalization.
- Negotiations for rule-making and communalizing institutions lead to promoting WTO negotiations as well.

Commodities whose tariff equivalent is more than 200%



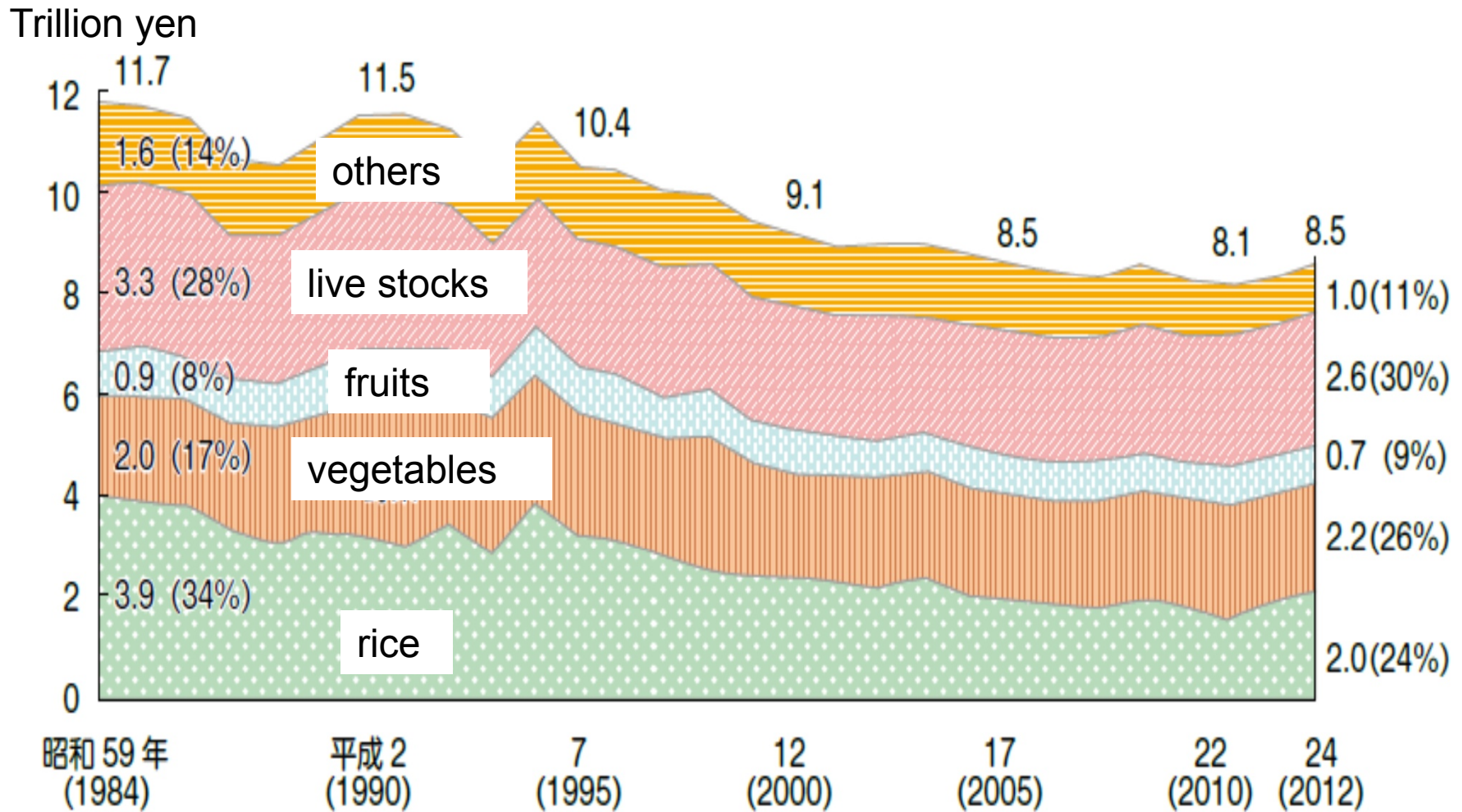


Abenomics: Aggressive Agriculture, Forestry and Fisheries

- (1) Making exports double of agricultural, forestry and fishery products by 2020 (from 500 billion yen to 1 trillion yen)
- (2) Expansion of the 6th industrialization market (practical use of the Fund)
- (3) Foundation of Farmland Consolidation Bank (promotion of farmland mobilization)
- (4) Income doubling of agriculture and rural areas (increase of value-added)

Then, with 80 percent of farmland covered with core farmers and more efficient distribution of farm inputs, the cost of rice production is supposed to be reduced by 40 percent.

Japan's Agricultural Output for 1984-2012



Source: JMAFF



Agricultural Regulatory Reform under the Abe Administration

- (1) **Reexamination of the Agricultural Committee:**
Change the role of Agriculture Committee from the guardian of Agricultural Land Law to be the manager to prevent abandoned farm land and apply the restrict ban on conversion of farm land to non-agricultural uses.
- (2) **Deregulations of Agricultural Production Corporations:**
Shareholding less than half shall be liberalized while maintaining more than half for farmer shareholders.
- (3) **Reform of Agricultural Cooperatives, JA:**
Reexamination of the role of Central Union of Agricultural Cooperatives (JA-Zenchu), examination of turning National Federation of Agricultural Co-operative Associations (JA-Zen-noh) to a corporation, and converting banking and insurance business to an agency business.



Possibility of Japan's Rice Exports

- Although the high quality of Japanese rice is well recognized, a problem is the high cost of the production resulting in a high price of rice.
- Rice is the most promising agricultural product to export if considered the size of the market in the world and high quality of Japanese rice although the structural reform in the rice sector is behind.
- Since the cultivated lands are not consolidated, efficient uses of machineries and labor force are not achieve and the suitable agricultural work for suitable time is not made.
- On the other hand, there are farmers who produce rice with the cost of 100~120 yen /kg by efficient uses of agricultural works in dry rice field for direct planting and practical uses of machineries. If this technology is generalized, Japan can compete internationally and sell rice to the middle income class in Asia.



Proposal for Japanese Agricultural Restoration

- Establishing agriculture independent of subsidies, farmers shall stand on their own feet for their business.
- * Regional agricultural administration should promote plans and measures made by farmers themselves of the area.
- Collaborations of farmers with non-agricultural companies are promoted in special economic zones for joint projects
- * Regulations are inapplicable if farmland is used effectively.
- Three types of Japanese agriculture: Deployment of the Japan's business model for agriculture
- * Food base agriculture, the Netherlands type agriculture, and service value-added agriculture
- Training of the leaders in rural areas is important for regional vitalization
- * Learning at trading companies for their marketing activities overseas.
- It is necessary to look for the growth opportunities in the world market and to make a great leap with overseas in the export orientation.
- * Rice realizes the cut in production costs then is to be an export industry.