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Japan's Participation in TPP Negotiations

On February 22, 2013, Prime Minister Abe and President Obama met and at that meeting, Japan's possible participation in TPP negotiations was tentatively decided. How did it happen? In order to answer this question, it is useful to reenact the actual US-Japan discussions leading to that decision.

What is TPP in the first place? It stands for a "Trans-Pacific Economic Partnership" and it was concluded among four small nations on the Pacific Rim – Brunei, Chile, New Zealand, and Singapore – in 2006. Subsequently, Australia, Malaysia, Peru, the United States, and Vietnam showed their interest to join to create a nine-nation Free trade area. Later, Canada and Mexico also joined the negotiations. A free trade area will abolish tariffs among the members, but TPP is unique in the sense that it aims to abolish all tariffs without exception. Also, it aims to incorporate trade disciplines that are not found in the World Trade Organization (WTO) rules.

The United States wants to use TPP both as a diplomatic and an economic tool. Diplomatically, it is a symbol of its "pivot" to Asia; economically, it is one of the tools to achieve the aim of doubling US exports to the rest of the world—a policy announced by President Obama in 2010. It is speculated that it is also a tool for encirclement of China, but the true intention remains unclear.

Negotiations are ongoing with a view toward concluding the pact by the end of this year. At least the leaders intend to approve a basic framework of agreement at the time of the summit of APEC countries in the fall. Japan showed its interest to join during the Democratic administration, and subsequently, Japan and the United States have been conducting preliminary consultations. At the U.S.-Japan summit meeting in February, not only the United States, but Australia, New Zealand, and Peru had not decided their stance on Japan's participation.

The advantages of Japan's joining the TPP are various, but the most important motive for joining was the entry in to effect of the Korea-US Free Trade Agreement (KORUS). Japan and Korea are in competition over the US markets of autos and electronics. Korea also has a free trade agreement with the EU, and Japanese corporations are placed at a disadvantage all the more. Also, TPP is going to incorporate many new trade rules, and it is worthwhile to be part of that process of rule making.

The details of TPP negotiations are still shrouded in secrecy. However, it is clear that the following issues were prominent on the agenda at the time of the Obama –Abe meeting:

Exceptions to tariff elimination

Exceptions to tariff elimination are still under negotiation, and it is not known which products have been excluded. However, it is clear that SOME products will be excluded. The United States wants to keep the number of exceptions to a minimum, while the ruling Liberal Democratic Party (LDP) has been pressing the Japanese government to exclude at least the following products: beef, rice, dairy products, sugar, and wheat.

Preliminary consultations

Since last year, Japan and the United States have been holding consultations over three product/service areas: autos, beef, and insurance. The United States insists that Japan cannot join TPP until these consultations are amicably concluded.

Disclosure of the draft agreement

As indicated above, the details of the draft agreement that is under negotiations had not been disclosed to the Japanese government. However, the Japanese government wanted to know at least the major elements of the draft agreement before it decided to join the negotiations.

Approval by non-US countries

Aside from the United States, Australia, New Zealand, and Peru had not given Japan approval to let it join the TPP negotiations. The Japanese government wanted the United States to exercise its power to persuade the three countries to approve Japan's participation.

The stance of the United States

For the United States, Japan's participation in TPP is desirable. Japan is still the third largest market in the world, and if the Japanese government is successful in reviving the Japanese economy, it will be an attractive market for American firms once again. Japan's participation is also desirable in terms of strengthening the alliance.

The United States has also decided to start negotiations for concluding a free trade area with the EU, and from now on, these intercontinental FTAs will be the wave of the future.

On exceptions

The United States has been emphatic that we should aim for a high-standard FTA with as few exceptions to tariff eliminations as possible. That policy has not changed yet. Therefore, in the U.S.-Japan Joint Statement, we should not mention such words as exceptions or sensitive products. However, we are fully aware of the domestic difficulties that the Japanese government is facing, and we do not hesitate to give the Joint Statement a nuance that will give a good impression to the domestic audience in Japan.

On preliminary consultations

I (Obama) have entrusted the USTR to conclude the preliminary consultations as soon as possible. We should make that intention clear in the Joint Statement.

On disclosure

It is an important principle of diplomatic negotiations not to disclose the draft agreement under negotiation; The same principle applies to the countries that are not at the negotiating table.

On approval by other countries

I don't mind persuading other countries. But ultimately, they are sovereign nations and it is up to them to decide whether they approve your joining TPP negotiations.

The stance of the Japanese government

The Japanese government wants to join TPP negotiations at the earliest date. TPP is part of our growth strategy, and it is our sincere hope to decide Japan's participation in TPP negotiations at this meeting.

On exceptions

Our ruling Liberal Democratic Party (LDP) has been pressing us to exclude beef, rice, wheat, sugar and dairy products from the scope of tariff elimination. I (Abe) personally think that that is too many exceptions, but in order to get domestic approval, it is necessary that there is room for maneuver. We don't have to mention "exceptions" or "sensitive products" but we hope to give the impression that these are permissible.

On disclosure

All we ask for is the gist of the draft agreement that has been decided so far.

On preliminary consultations

The beef issue has been settled, and consultations on insurance are almost complete. The only remaining issue is autos, and I have instructed the working-level people to conclude the consultations as soon as possible.

On approval by other countries

I (Abe) would like to ask you (Obama) to make a call to the leaders to these countries directly to let us in.

Joint Statement by the United States and Japan

The two Governments confirm that should Japan participate in the TPP negotiations, all goods would be subject to negotiation, and Japan would join others in achieving a comprehensive, high-standard agreement, as described in the Outlines of the TPP Agreement announced by TPP Leaders on November 12, 2011.

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.

The two Governments will continue their bilateral consultations with respect to Japan's possible interest in joining the TPP. While progress has been made in these consultations, more work remains to be done, including addressing outstanding concerns with respect to the automotive and insurance sectors, addressing other non-tariff measures, and completing work regarding meeting the high TPP standards.