

**Brush off Pressure and Join TPP Talks**

Taro Yayama

The Central Union of Agricultural Cooperatives (JA-Zenchu) is pressing politicians of ruling and opposition parties to prevent Japan from participating in Trans-Pacific Partnership free trade talks. Japan's degree of dependence on foreign trade (the ratio of exports and imports to gross domestic product) is only around 30%, far lower than 72% for Germany. Vis-a-vis foreign countries that have concluded free trade agreements with Japan, the degree is only 16%. Although Japan and Malaysia have concluded an FTA, Malaysia has left tariffs high on Japanese vehicles in retaliation for Japan's refusal to lower tariffs on Malaysian farm products. If the two countries take part in the TPP free trade agreement, the bilateral FTA may be nullified, because the TPP may be meaningless unless tariffs on vehicles and farm products are lowered to almost zero. Malaysia has joined the TPP talks in a reported bid to take advantage of the TPP free trade agreement to achieve its domestic legal system reform including the deregulation of services. The reason why Japan's degree of dependence on foreign trade is so low is that Japan has failed to win the repeal of tariffs on industrial products because of its refusal to cut farm tariffs in free trade talks with foreign countries.

**A good opportunity to reform agriculture**

Japan should launch its agriculture reform as it takes part in TPP talks. The government plans to expand the average flatland rice paddy acreage some 10 times to 20-30 hectares per farming family. The plan may start as the government decides to take part in the TPP talks. The government may have sufficient time to achieve the agriculture reform as each TPP member is expected to repeal tariffs in 10 years after the TPP agreement becomes effective.

A unit rice production cost declines from 14,000 yen per bale (60 kilograms) for a small-scale farming family to 6,000 yen if acreage is 15 hectares or more. If a large-scale acreage for efficient cultivation is achieved with high-yielding varieties developed, the unit rice production cost may slip below the international level of 4,000 yen. If the rice paddy reduction policy is terminated with high-yielding rice varieties introduced, rice may become a fairly competitive product for exporting. Japan's agricultural production has decreased to 8 trillion yen from 11 trillion yen 20 years ago. France has introduced massive subsidies for farming families seeking to expand acreages. Japan should follow suit. To this end, the government must obtain parliamentary approval to revise the

Agricultural Land Act with a view to liberalizing farmland transactions and to revise the Agricultural Cooperatives Act that now monopolistically controls farming families. This political agenda puts the Democratic Party of Japan government to the test.

### **Unreasonable opposition**

Anti-TPP arguments say (1) that Japan's universal health insurance coverage could be destroyed as a non-tariff barrier to foreign firms' access to Japan's insurance market and (2) that local communities could deteriorate on foreign firms' participation in Japan's government procurement and public works markets. However, at any trade negotiations, none has called for repealing established public systems in specific countries. The largest advantage of foreign firms' participation in government procurement and public works markets would be the prevention of bid-rigging practices. Another advantage of the TPP agreement is that it could allow Japan's excellent civil engineering and construction companies to expand their business to the pan-Pacific region. The JA-Zenchu calls on the government not to join TPP negotiations. But any stores that refuse to join business negotiations should come to ruin. Is the JA-Zenchu going to ruin Japan? If the government is dissatisfied with a final TPP agreement, it may be free to refrain from signing it or secede from the agreement after acceding to it.

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