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Trans-Pacific Partnership

Issue 52 of *Social Science Japan* newsletter features articles on the Trans-Pacific Partnership (TPP) by seven scholars in the field and comes out at a propitious time. As Japan and the United States continue negotiations in the 12-nation TPP talks, the articles clarify and deepen our understanding of what is at stake and what is changing in global trade governance in this era of mega-Free Trade Agreements (FTAs).

Nakagawa Junji points to the fragmentation of global trade governance and its roots in the changing power structure of the World Trade Organization (WTO) and the proliferation of FTAs. He suggests that the TPP may hold the key to revitalizing the WTO, which, in turn, can better manage the globalization of value chains. Deborah Elms illuminates the complicated and challenging path towards gaining Congressional support and approval for the TPP in the United States. Meredith Kolsky Lewis explains how new mega-FTAs, like TPP and the Regional Comprehensive Economic Partnership (RCEP), differ from existing FTAs. She argues that these new formations have far-reaching implications not only for the negotiating parties but also for the global trading community as a whole, including developing countries. Chin Leng Lim analyzes China's interests in the TPP and shows that different trade talks and developments affect one another in a dialectical process that shapes the future of the Asian-Pacific trade.

Furthering a domestic analysis of the effects of free trade agreements, Sugawara Junichi discusses how the TPP that Japan is currently negotiating differs from Japan's previously ratified FTAs. He sketches out the implications of the TPP for Japan. Yamashita Kazuhito argues that while Japanese price supports and tariffs keep domestic prices for certain agricultural products artificially high, they undermine Japan's role in TPP talks and hurt the development of Japan's agriculture. He focuses especially on the role the Japan Agricultural Cooperative (JA) plays in influencing agricultural interests and policies. Kuno Arata sheds light on the often overlooked topic of transaction costs for firms that use FTAs and the post-ratification need to promote FTAs through the creation of user-friendly environments.

For the *ISS Research Report*, Sato Hiroki addresses the issue of balancing caregiving and work and how companies can help employees prepare to balance the two. The section on the ISS Contemporary Japan Group introduces recent talks on Japan in the seminar series. We are pleased to share information on recently published books by ISS staff. *Focus on ISS* by Ishikawa Maki and Mitani Meiko is the third in a series of reports that introduce the special collections at the ISS library.

Managing Editor, Ikeda Yoko

Table of Contents

Trans-Pacific Partnership

NAKAGAWA Junji	TPP and Global Trade Governance in the 21 st Century	p.3
Deborah ELMS	TPP and the United States: Challenges and Opportunities.....	p.7
Meredith Kolsky LEWIS	TPP and RCEP: Implications of Mega-FTAs for Global Governance	p.11
Chin Leng LIM	China and the Trans-Pacific Partnership	p.14
SUGAWARA Junichi	The Trans-Pacific Partnership and Japan's Trade Policy.....	p.17
YAMASHITA Kazuhito	TPP and the Agriculture Problem	p.21
KUNO Arata	Beyond TPP Negotiation: Policy Proposals for Promoting FTA Utilization.....	p.25

ISS Research Report

SATO Hiroki	Supporting Working while Caregiving: New Issues in Work-life Balance	p.28
-------------	--	------

ISS Contemporary Japan Group	p.30
------------------------------------	------

Recent Publications by ISS and ISS Staff	p.34
--	------

Focus on ISS

ISHIKAWA Maki and MITANI Meiko	p.36
--------------------------------------	------

TPP and Global Trade Governance in the 21st Century

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In the early 21st century, the relationship between multilateralism and regionalism in the governance of global trade has entered a new phase. On the one hand, the Doha Development Agenda (DDA), the first multilateral trade negotiation under the World Trade Organization (WTO), has been in a stalemate for a long time. On the other hand, major trading countries in the world have shifted their trade policy priority to the negotiation of free trade agreements (FTAs). The combined outcome of these two phenomena is the increasing fragmentation of global trade governance. This article analyzes the background of these two phenomena and explores the possibility of curbing the fragmentation of global trade governance through the negotiation of mega-FTAs, notably the Trans-Pacific Partnership (TPP).

I. Fragmentation of Global Trade Governance and Its Background

One of the two aspects of the fragmentation of global trade governance is the malfunction of the WTO as a forum for trade liberalization and trade

rule-making. In particular, the stalemate of the DDA is serious. Looking back on the history of the DDA, it was in July 2008 that the negotiation came closest to its conclusion. Chairpersons of the negotiating groups on agriculture and non-agricultural market access (NAMA) submitted draft texts in early July, and the WTO members negotiated on the modalities of market access on these two subjects at the informal ministerial meeting in late July. Once members agree on the modalities, they have only to implement trade liberalization according to the modalities. In that sense, the negotiation on the modalities was the key to the successful conclusion of the DDA. However, members couldn't reach agreement on the modalities because of the confrontation between the US and India on the conditions for India and other developing countries to apply special safeguard measures on agricultural products. Confrontation between the US and India on this relatively minor issue is not the major reason for the stalemate of the DDA. But it is at least emblematic of the difficulty of the DDA, which is totally different from the multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT).

During the GATT era, the US, EU, Japan and Canada, or the Quad, could conclude multilateral trade negotiations by reaching agreement among themselves, bringing the results to the plenary meeting and adopting them by consensus. However, as a result of the changed power relationship among the members at the WTO, this no longer works at the DDA. Instead, there must be agreement among the new key members, namely, the US, EU, China, India, and Brazil, for the negotiation to be concluded. These key members disagree on many issues of the DDA negotiating agenda. This is the main cause of the stalemate of the DDA. As this is a change in the power structure of the WTO members, it is very difficult to resolve it at least in the near future.

The other aspect of the fragmentation of global trade governance is the proliferation of FTAs. The

number of FTAs was 17 in 1990. It was 83 in 2000 and 252 in September 2013. One of the reasons for the proliferation of FTAs is the domino effect of FTAs (Baldwin 1993). Once an FTA is concluded, trade between a party to it and a non-party may be impeded (trade diversion). The non-party may, therefore, want to conclude a new FTA with the party to the first FTA. Another reason for the proliferation of FTAs is the delay and stalemate of the multilateral trade negotiation. The delay of the Uruguay Round motivated the US to negotiate the North American Free Trade Agreement (NAFTA). The stalemate of the DDA has motivated many more countries to negotiate FTAs. However, this does not mean that WTO members simply choose between the WTO and FTAs as a forum for trade liberalization and trade rule-making, because the recent FTAs cover a far wider range of subject matter than is covered by the WTO.

Figure 1 shows that the WTO and FTAs aim at different goals, as they cover different sets of subject matter. While the WTO aims mainly at liberalization of trade in goods and services and protection of intellectual property rights, recent FTAs not only aim at these goals but also at liberalization of investment and government procurement. They also cover a wide range of regulations that contribute to the improvement of business envi-

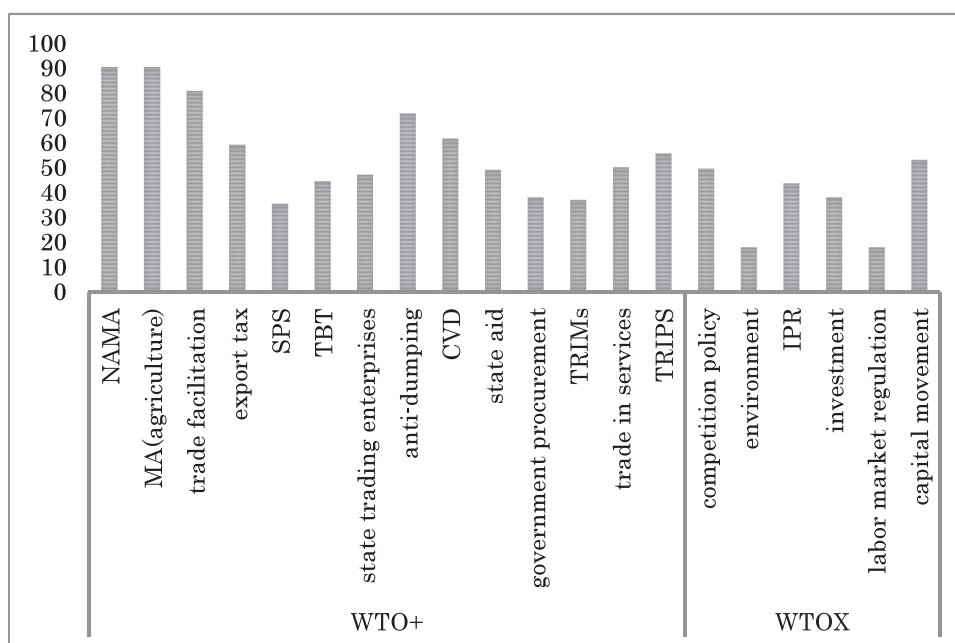
ronment for private firms in party nations. In sum, they aim at deep integration.

Why, then, do recent FTAs aim at deep integration? It is because of the globalization of value chains (GVC) that has rapidly advanced since the 1990s. GVC is realized through the breaking-up of production processes beyond borders. Innovations in information and communication technologies (ICT) and transportation technologies enabled GVC since the 1990s, but they were not the sole reasons for the phenomenon. GVC needs a set of policy innovations that allow the effective and efficient management of globalized value chains by private firms.

Table 1 shows that firms engaged in GVC need a wider range of policy measures than is covered by the WTO, and recent FTAs cover most of them. This was the major reason for the recent proliferation of FTAs. GVC required FTAs, and FTAs have enhanced GVC.

There is, however, a mismatch between GVC and FTAs. As GVC is formed among many countries, it requires the conclusion of many FTAs. This will take time and cost for negotiation. Even if a sufficient number of FTAs are concluded, difference in their contents causes inconvenience. Conflicting rules of origin is a notable example.

Figure 1. WTO+ and WTO-X provisions of the FTAs concluded since the 1990s



(Source: WTO, Updated dataset on the content of PTAs, at http://www.wto.org/english/res_e/publications_e/wtr11_dataset_e.htm)

Table 1. Policies needed for the globalization of value chains

Policy areas for GVC	Policy measures needed
Policies for the reduction of service link costs	Trade liberalization; Trade facilitation; Enhancement of logistics/telecommunication/ financial services; Liberalization of movement of business persons; Harmonization of laws and regulations
Policies for the reduction of production costs of each production process	Human resource development; Liberalization/facilitation of investment; Enhancement of production support services; Trade liberalization; Trade facilitation; Protection of intellectual property rights; Competition policy; Harmonization of laws and regulations; Development of supporting industries; Formation of industrial agglomeration

(Source: Created by the author based on Kimura 2012.)

II. From Fragmentation to Integration

While the WTO is malfunctioning as a forum for trade liberalization and trade rule making, FTAs are not the optimal means for sustaining the effective and efficient management of GVC due to the mismatch between them and GVC. The TPP may overcome these flaws for the following three reasons. First, the TPP is a mega-FTA involving 12 countries in the Asia-Pacific, and it may develop into the Free Trade Area of the Asia Pacific (FTAAP) as more countries in the region join it. Expansion of the TPP territory will ease the mismatch between GVC and the TPP. Second, the TPP is aiming at becoming the model of 21st century FTA with high level and comprehensive rules and commitments for deep integration. In addition to most of the WTO+ and WTO-X rules enumerated in Figure 1, the TPP will introduce several innovative rules for the efficient management of GVC, such as discipline of state-owned enterprises (SOEs) and regulatory coherence. Third, several mega-FTAs are under negotiation. They are the Transatlantic Trade and Investment Partnership (TTIP) between the US and EU, the East Asian Regional Comprehensive Economic Partnership (RCEP) among ASEAN members and Japan, China, Korea, Australia, New Zealand, and India, and the trilateral FTA among Japan, China and Korea. As the TPP is likely to be the first mega-FTA to be concluded, the rules of the TPP may become *de facto* global standards, as they

may be referred to in the negotiation of other mega-FTAs.

This scenario is, however, still not an optimal one for curbing the fragmentation of global trade governance. In fact, firms engaged in globalization of value chains strictly select their trade/investment counterparts so as to maximize their profits. Countries excluded from GVC are most likely least developed countries. Income disparity between those countries selected and excluded will become entrenched and tend to increase overtime. Poverty and social instability in the latter will be aggravated. This will cause serious problems to global peace and security.

In order to avoid these serious consequences of GVC, it is necessary to provide a chance to join GVC to all the countries in the world, so that they may compete in putting in place regulatory and institutional environments for the effective and efficient management of GVC. Reinvigorating the WTO will be the best means for this, as the WTO is well equipped with the institutional mechanisms by which members at different levels of development and capability may come up with the rules and commitment of the WTO in a gradual and steady manner. These include a wide range of special and differential treatments (S&D), capacity building, and Aid-for-Trade.

By transplanting the rules and commitments of the TPP to the WTO, those rules and commitments will become truly global, and WTO members, whether developed or developing, will have a chance to join global value chains gradually but steadily. The WTO will be reinvigorated with new rules and commitments that will match the needs of GVC, and we may coin it *WTO 2.0*.

Seventy years have passed since the inception of the GATT/WTO system for governing global trade. The 21st century global economy, characterized by GVC, needs fundamental reform of its governance structure. *WTO 2.0* will not be built by totally scrapping the existing institutions and replacing them with new ones. Rather, *WTO 2.0* will be realized by fine-tuning the functions of the

existing institution, and giving it new functions to meet the needs of GVC. What is needed is an insight into the changing patterns of global economy in the 21st century, and an innovative and evolutionary approach to reinvigorate the existing institutions for global trade governance.

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TPP and the United States: Challenges and Opportunities

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As the Trans-Pacific Partnership (TPP) negotiations with the 12 international trading partners nears conclusion after five long years of hard bargaining, the battle for the future of the agreement inside the United States is heating up. There are two key elements of the fight: Congressional approval of Trade Promotion Authority (TPA) and passage of the implementing legislation necessary to bring it into force in the United States. In both areas, interest group pressures are likely to be substantial, making ratification of the TPP uncertain.

In the U.S., Congress has the authority to regulate commerce, which includes setting tariffs. But getting 535 members of Congress to negotiate trade agreements is not practical, so historically the executive branch has handled these tasks. In the

1970s, this arrangement was formalized. Congress explicitly gave the role of negotiating trade agreements to the White House subject to a number of specific provisions.

Under what used to be called “fast track” and is now labeled “Trade Promotion Authority” (TPA), Congress is to be notified of the intention to launch negotiations.¹ Congress is given 90 days to respond. The United States Trade Representative (USTR) office is also tasked with gathering information about the future direction and important elements for the talks during this time period from a range of key stakeholders including business groups. After the initial comment period is concluded, USTR is required to keep Congress informed as negotiations continue. Finally, Congress has promised to vote the entire trade agreement up or down without amendment at the end by a simple majority vote in both chambers.² The timeline is shown in Table 1.

Ideally, prior to the start of new negotiations, USTR would receive TPA from Congress, with the broad parameters and objectives set for any trade agreements to be negotiated during the time covered by the approval. However, this was not done for the TPP as the latest version of TPA expired in 2007.

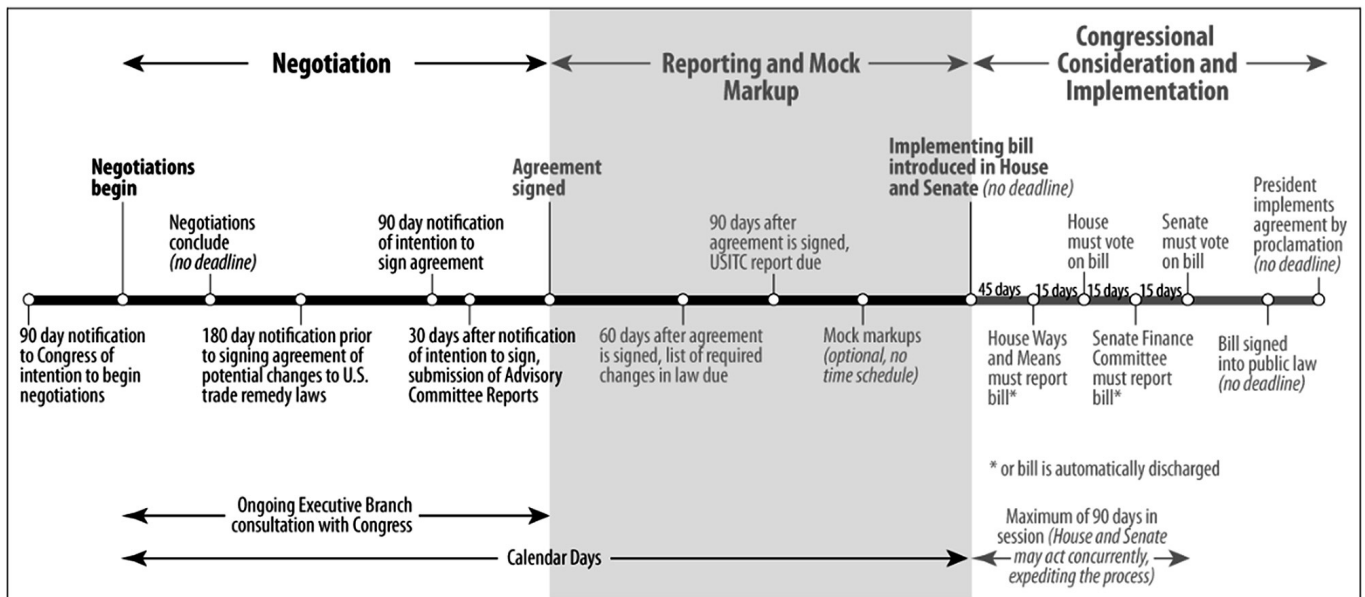
The outgoing George W. Bush administration announced its intention to join what became the TPP in September 2008. The Obama White House decided not to press Congress for renewal of TPA in 2009, but rather started negotiations in March 2010 by following the provisions of TPA “as if” it were active.

Over all the years of TPP negotiations, the White

¹ For the best review of the history and evolution of fast track, see I.M. Destler, 2005, *American Trade Politics*, 4th edition, (Washington DC: International Institute for Economics). For a recent discussion of issues, see William Cooper, January 13, 2014, “Trade Promotion Authority and the Role of Congress in Trade Policy,” Congressional Research Service 7-5700. Access at: <http://fas.org/sgp/crs/misc/RL33743.pdf>.

² Technically, TPA is a Congressional-Executive Agreement, which is why it needs approval of both houses of Congress (unlike Executive Actions, which do not need Congressional approval at all or treaties that require 2/3 of the Senate).

Table 1: Congressional Timelines



Source: Cooper, CRS, January 13, 2014

House never seriously pursued the votes in Congress to support renewal of TPA.³ But now, as talks enter the closing phase, TPA is necessary to finish the agreement. Without TPA, Congress can amend the agreement from the opening sentence to the closing word. It could also allow the agreement to die in committee or tangle ratification in an endless filibuster. In short, without the provisions of TPA in place prior to the closure of the agreement, the TPP will likely fail to be ratified by Congress.⁴

The first problem for 2015, then, is to secure passage of TPA. The last time the bill was authorized, in 2002, the votes were very close: approval by 215 to 212 in the House of Representatives and by a margin of 64 to 34 in the Senate.⁵ All indications are that a TPA vote may be equally close this time.

Even the passage of TPA, however, does not mean smooth sailing for a TPP deal. In authorizing TPA, many members of Congress want to place strict conditions on elements of a final deal that must be present before they will grant approval. Most controversial is an ongoing discussion of

including legally binding rules to prevent trade agreement members from manipulating their currencies.⁶

Until now, currency issues like manipulation or currency controls have been kept out of the TPP. There is no appetite within the other TPP member countries to include such rules, and certainly there is no interest in adding in an extremely controversial set of provisions at this late date in negotiations. Hence, a decision by Congress to insist on such currency rules in TPA approval in 2015 will be deeply problematic for the TPP.

Ideally, TPA will be granted—as it has always been—for a range of trade agreements and not simply given for the TPP. The United States is simultaneously engaged in multiple negotiations over trade: with the European Union in the Trans-Atlantic Trade and Investment Partnership (TTIP); with nearly two dozen countries on the sidelines of the World Trade Organization (WTO) in the Trade in Services Agreement (TiSA); with 80 countries at the WTO in updating the Information Technology Agreement (ITA); and with more than 160 countries in the WTO in the Doha

³ President Obama did ask for TPA on January 30, 2013, but did not push very hard to receive it.

⁴ Technically, Congress does not ratify trade agreements. But to bring them into force, Congress must pass implementing legislation to bring existing laws into compliance with the newly negotiated international obligations. TPA provisions also streamline the procedures for doing so and prevent the deal from getting stuck while under review.

⁵ A 1998 vote went down to failure with a vote of 180-243 in the House.

⁶ For example, see "Brown, Levin Working on Currency Legislation Reminiscent of Earlier Bills," *Inside US Trade*, January 16, 2015, Vol. 33 No. 2.

Development Agenda (DDA). All will need a version of TPA, at least before any agreement can be implemented and enter into force for the United States.

Once TPA has been granted, the fight over trade inside the U.S. will not be over. Instead, different groups are likely to engage in potentially bitter arguments over the provisions of the TPP as Congress grapples with whether or not to approve this specific trade deal.

Even for less controversial agreements, passage of the final legislation for free trade agreements (FTAs) has been far from assured. Congress approved the three most recent FTAs, with Colombia, Panama, and South Korea, on October 12, 2011.⁷ The votes were largely along partisan lines with many Democrats in Congress voting against President Obama.⁸

The TPP is a much more complicated and challenging agreement. Many provisions will require changes in domestic rules and regulations. Sectors that have not been affected by previous trade agreements may face new issues in the TPP. For example, the agreement drops tariffs to zero on 90 percent of goods trade on entry into force, which may impose new competitive challenges on some industries from the very beginning.

Sectors, firms and industries that believe they will be negatively affected, especially by the removal of previous protections of one sort or another, can be expected to lobby furiously to block the implementation of the TPP in the United States. They will likely find a receptive audience, especially from some members of Congress.

Trade agreements have always been problematic for Democrats given their historical ties to the labor and union movements. Additional challenges come from the environmental wing of the party, as opening trade is assumed to undermine environmental protections. Although changing, the party has not been as closely tied to the business community.

An additional complication in securing support from Democrats for the TPP will be the legacy of the North American Free Trade Agreement (NAFTA). The battle over NAFTA was long and bitter. In the end, President Bill Clinton defied his party to push for the conclusion of the deal to tie the United States more closely with Canada and Mexico.⁹

The debate around NAFTA was highly charged with supporters overselling the benefits and opponents making wild claims (Ross Perot, a US Presidential candidate, famously called NAFTA a “giant sucking sound” of American jobs heading to Mexico in one of the debates.¹⁰)

In the 20 years since NAFTA was approved, the evidence on the benefits to the American economy has been largely mixed. In this relatively uncertain environment, opponents have been quick to seize on examples of companies that moved operations into Mexico. Some will likely argue that a similar loss of jobs will take place under TPP.¹¹

Against a backdrop of—at best—lukewarm Democratic support, the TPP will require Republicans to line up in support of the agreement. In the past, Republicans largely voted in favor of trade agreements. Now, however, the Republican party is also split. Many members of the party are

⁷ House votes for the three were: 262 to 167 for Colombia; 300 to 129; and 278 to 151 respectively while the Senate voted 66 to 33; 77 to 22; and 83 to 15 for the Korean agreement.

⁸ For a nice interactive summary of the votes, see Binyamin Applebaum and Jennifer Steinhauer, “Congress Ends a 5 Year Standoff on Trade Deals in Rare Accord,” *New York Times*, October 12, 2011, accessed at: <http://www.nytimes.com/2011/10/13/business/trade-bills-near-final-chapter.html?pagewanted=all>.

⁹ In the final vote, Democrats split. The House voted 234 to 200 and the Senate was 61 to 38. The Democrats were almost evenly divided in both chambers. (The vote over the next deal, the Central American Free Trade Agreement or CAFTA, was even closer. If even one House member had changed a “yes” vote to “no,” the agreement would have failed in 2005 by 216-216.)

¹⁰ See his remarks in the 1992 Debate at: https://www.youtube.com/watch?v=Rkgx1C_S6ls

¹¹ See, for example, remarks by Democrat Congresswoman DeLauro, “DeLauro Breaks with Obama, Big CT Firms on Pacific Trade Deal,” *Hartford Courant*, January 12, 2015; comments by Elizabeth Warren, “Senator Warren’s Remarks at AFL-CIO National Summit on Raising Wages,” January 7, 2015 (accessed at: http://www.warren.senate.gov/?p=press_release&id=696); or Julie Hirschfeld Davis, “Democrats Step Up Efforts to Block Obama’s Trade Agenda,” *New York Times*, January 8, 2015.

firmly opposed to any type of foreign entanglements, especially those in the Tea Party wing. Others are simply loath to give President Obama a victory in anything at all. Hence, unified support by Republicans for the TPP cannot be taken as a given.

In this environment, the votes needed to bring the TPP into force in the United States may very well be closer than ever. The President and his team will need to mount an aggressive campaign to ensure that the 12-nation deal does not collapse at the finish line in Washington DC.

TPP and RCEP: Implications of Mega-FTAs for Global Governance

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Free trade agreements (FTAs) have been a feature of the international trade landscape for decades. Their rapid proliferation over the course of the still-incomplete World Trade Organization (WTO) Doha Round of negotiations has given rise to concerns that such agreements are stumbling blocks rather than stepping stones along the path to further multilateral trade liberalization. The difficulties identified with FTAs include that they divert capital and human resources away from negotiating in the WTO; they make concluding the Doha Round more challenging because they often exclude sensitive sectors such as agriculture, leaving the most difficult areas to liberalize on the WTO table without the easier concessions left as a sweetener; and that FTA dispute settlement poses a risk of fragmenting international trade jurisprudence by reaching decisions inconsistent with those reached by WTO panels and the Appellate Body. Such concerns are more driven by the sheer

volume of FTAs than by any individual agreement, per se. Indeed, FTAs have, until recently, had a number of similarities. First, with a few exceptions, FTAs have primarily tracked the WTO in terms of subject coverage, with new areas, if any, generally limited to hortatory, “best endeavors” language and excluded from dispute settlement. Second, FTAs have been overwhelmingly bilateral (treating the EU as one). And third, FTAs have sometimes combined a large economy with a smaller economy, and sometimes two smaller economies with each other, but the largest economies were not forming FTAs with each other. Thus no one FTA captured a particularly large percentage of world trade. There have been striking changes, however, in the past few years, with several “mega” FTAs now under negotiation. These include the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), the Trans-Atlantic Trade and Investment Partnership (TTIP), the China-Japan-Korea FTA (CJK), and the EU-Japan FTA. The new mega-FTAs have a number of implications – in addition to those identified above – for global governance. This piece will focus on the TPP and the RCEP, with some references to other mega-FTAs as appropriate. It will first briefly describe the TPP and the RCEP in the context of a new generation of mega-FTAs, and second, discuss three implications of the new mega-FTAs for global governance: the lack of developing country participation; the potential for inconsistencies in dispute settlement outcomes; and the challenges of returning to the WTO negotiating table.

I. Features of the Mega-FTAs

The new mega-FTAs differ from their twentieth century counterparts in a number of respects. First, these agreements are linking large economies with each other for the first time. The United States is negotiating with the EU in the TTIP; Japan and the United States are negotiating together in the TPP; Japan, China and Korea are negotiating together in CJK and the RCEP; and Japan and the EU are negotiating a bilateral FTA.

Second, some of the agreements are linking a large number of countries: the RCEP negotiations include 16 countries, and the TPP comprises 12 countries. Third, each of these negotiations is capturing a much higher percentage of global GDP than any previous FTA. The TTIP is estimated to encompass 37 percent of world GDP; the TPP will account for 31.5 percent; and the RCEP for 30 percent. Fourth, some of these agreements – particularly the TTIP and the TPP – are addressing new issues such as regulatory coherence, competition, and state-owned enterprises.

A. The TPP

The TPP negotiations have their origins in the Trans-Pacific Strategic Economic Partnership Agreement entered into by Brunei, Chile, New Zealand, and Singapore in 2005. This agreement, known colloquially as the P-4 Trade Agreement or just “P-4,” was an effort by its members to create a high standards agreement that would serve as a model for a future FTA of the Asia-Pacific (Lewis 2009; 2011). The P-4 countries committed to bringing tariffs to zero on all tariff lines – a marked difference from most FTAs, in which agriculture and other sensitive sectors are generally excluded in whole or in large part from liberalization commitments. The P-4 also features an open accession clause, which permits other countries to accede to the agreement subject to the approval of the existing members.

The P-4 provided that, two years after coming into force, additional negotiations would commence to broaden the scope of the agreement to include financial services and investment. At the time those additional negotiations were about to start, the United States indicated its interest in observing the negotiations. Officials from the United States Trade Representative office made it known that if they found the negotiations of sufficient interest, they would seek to join the agreement. When that statement of interest became public, Australia, Peru, Malaysia, and Vietnam quickly indicated they would also like to participate. Shortly thereafter, the original P-4 countries plus the five newcomers formed a nine-country negotiating group.

The United States signaled that the countries would be negotiating a new trade agreement, the Trans-Pacific Partnership, rather than the newcomers acceding to the P-4. Nonetheless, the TPP’s origins clearly lie in the P-4. From the start, the TPP has been touted as a “twenty-first century trade agreement” (United States Trade Representative; Lim, Elms and Low 2012). The negotiations began with the premise that there would be no *per se* market access exclusions. In addition, the breadth of the agreement is broad, with several chapters covering topics not included within the scope of the WTO, including state-owned enterprises, investment, and regulatory coherence.

In 2012 and 2013, Canada, Mexico, and Japan joined the negotiations bringing the total parties to 12. While it now seems likely that a few sensitive products will be excluded from meaningful market access commitments, the TPP will nonetheless feature a range of commitments not found in other FTAs.

B. The RCEP

The RCEP is a negotiation that combines the ten countries of the Association of Southeast Asian Nations (ASEAN) with six countries that already have “+1” FTAs with ASEAN – China, Japan, Korea, Australia, New Zealand, and India.¹ Because ASEAN already has “hub and spoke” FTAs with each of the +1 countries, the real trade gains from the RCEP will result from new linkages amongst the spokes – i.e. from the +1 countries linking with each other. In particular, China, Japan, and Korea are currently negotiating an FTA (“C-J-K”) which will facilitate the RCEP negotiations. The RCEP is, however, more significant as a geostrategic matter rather than as a trade agreement. While the RCEP is not expected to be particularly novel as a trade agreement, it is of strategic importance that Japan, China, and Korea – countries with a long history of chilly relations – will come together and bring their economic and political power to this 16-country collaboration. The RCEP can also be viewed as China’s answer to the TPP. While the TPP and RCEP have seven countries in common, China is only in the RCEP and the United States is only in the TPP.

¹ Australia and New Zealand negotiated collectively in forming an FTA with ASEAN, thus their agreement is also considered a “+1”.

II. Implications of the New Mega-FTAs for Global Governance

The new mega-FTAs such as the TPP, RCEP, and TTIP have many implications that extend beyond the reaches of the agreements themselves to the global trading community. Below I highlight three such implications.

A. Legitimacy Concerns due to Lack of Developing Countries

As noted above, the new mega-FTAs are linking large developed economies for the first time. This will concentrate a significant degree of economic might in each agreement. To the extent the negotiations are covering new issues, it is likely that the global rules of the future will emerge from mega-FTA negotiations. This is particularly true for the TTIP and TPP processes, which have more ambitious negotiating agendas than the RCEP. If the mega-FTAs do indeed give rise to the rules and standards of the future, some may find this outcome raises legitimacy concerns. While the TTIP and TPP both comprise large shares of world GDP, most of the world's countries are excluded from these FTA negotiations with poorer developing countries the most notably absent. Developing countries are therefore likely to be asked to adopt standards established in TTIP and/or the TPP, without having had any opportunity to have input into those rules.

B. Potential for Dispute Settlement Inconsistencies

To the extent mega-FTAs include chapters and other provisions that go beyond the scope of the WTO, there is an increased potential for inconsistent dispute settlement rulings. For countries that have formed FTAs that largely mirror the WTO in coverage, the parties have generally opted to take their disputes to the WTO rather than to the FTA dispute settlement mechanism. This choice may not be available for certain disputes arising out of the new mega-FTAs, however. If a dispute involves a commitment that does not overlap with the WTO – for example, an issue relating to state-owned enterprises – that dispute cannot be said to be covered by the WTO agreements, and a WTO dispute settlement panel would likely decline to resolve the dispute. Thus such disputes would need to be brought to FTA dispute settlement. Where the risk of conflicting decisions arises

is if the disputes involving FTA-only issues also involve issues with WTO overlap, such as alleged breaches of the most-favored nation obligation or national treatment. It is unlikely that parties would bring two separate disputes, one in the WTO and one within the FTA dispute settlement process. Instead, the FTA arbiters will end up resolving issues that would in the past have been resolved within the WTO. Conflicting decisions are not inevitable, but do become more likely with mega-FTAs.

C. Increases Difficulty in Returning to WTO Negotiating Table

A final implication the mega-FTAs have for global governance is their impact on the participants' willingness to engage at the WTO negotiating table. In the past, while FTAs posed challenges for the WTO, at least the major economies saw the WTO as the forum in which they could obtain trade concessions from each other. Now, however, with the U.S. partnering with Japan in the TPP and Europe in the TTIP; Europe and Japan forming their own FTA; and China, Japan, and Korea linking in the RCEP and the C-J-K FTA, the big players are obtaining important market opportunities from each other outside the WTO framework. This dynamic suggests that it is going to be even harder, going forward, to get the WTO's largest economies to see enough potential benefits to return to the multilateral negotiating table.

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China and the Trans-Pacific Partnership

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At the time I was kindly invited by my friend, Professor Junji Nakagawa, to write something on China and the Trans-Pacific Partnership talks for this distinguished newsletter series, it had appeared to me to be a simple task. China was not after all in the TPP, and it was not certain that it would ever wish to be.

The question of China's eventual participation was something which Deborah Elms, Patrick Low, and myself had discussed when writing our 2012 book, *The Trans-Pacific Partnership*.¹ I can reveal here that in our discussions, one view which we debated was that "China is irrelevant." Of course the question of China's participation, at that time, had not arisen as a practical issue. But

saying that the question itself is irrelevant goes too far. I was satisfied with what we wrote in the end – that the true question, going forward, was whether the TPP will be a genuinely high-standard trade agreement. If the treaty ends up being driven mainly by strategic considerations at the expense of achieving deep and broad trade concessions, it would result in negligible trade diversion, present little threat to China in trade terms, and China will have less reason to join the TPP.²

Subsequent events seemed to confirm that China was, in any case, being deliberately excluded from new trade initiatives, not just in respect of the TPP but also in the Trade in Services Agreement (TISA) negotiations in Geneva. As the months and years went by, it also seemed that, to borrow Hatakeyama Noboru's perspective on regional trade policy initiatives,³ freezing China out would trigger a "dialectical process," beginning with China's own disengagement from existing multilateral and plurilateral initiatives – ranging from the WTO to the TPP. On this view, China will eventually propose or actively support the creation of new, alternative initiatives either of its own, or those which will be much closer to its potential sphere of influence. We then began to see this with the Regional Comprehensive Economic Partnership (RCEP). The term "mega-regionals" gained currency and people began to refer to RCEP as "China's TPP." It seemed to support an emerging thesis that China was turning towards the creation of parallel, mega-regional structures which will at least allow for its own, significant participation.

But as China was about to assume the Chair of APEC in early 2014, there was also a sense, or at least a hope, that we would witness new initiatives by China which could foster a closer co-operative relationship with the United States in

¹ Lim, C.L., Deborah K Elms, and Patrick Low (eds.). 2012. *The Trans-Pacific Partnership: A Quest for a Twenty-first Century Trade Agreement*. Cambridge: Cambridge University Press.

² Ibid. 325.

³ Hatakeyama, Noboru. 2003. "A Short History of Japan's Movement to FTAs (Part 3)." *Journal of Japanese Trade & Industry* 22: 42.

regional trade policy. This we saw, subsequently, in Qingdao in May 2014 when China proposed a road-map and, originally, even a target-date for a Free Trade Area of the Asia Pacific (FTAAP).⁴ The FTAAP is not in itself a new idea. There had been a notable debate in the *Financial Times* almost a decade ago on having FTAAP as a “Plan B” to the Doha Round negotiations.⁵ China’s “Qingdao proposal” faced objections but APEC ministers agreed upon a working group co-chaired by China and the United States. The idea of a target date was rejected, and a precondition was that the discussions in the working group will not be mistaken for pre-negotiations.

China’s approach had begun to take on the familiar appearance of a “multi-prong” FTA negotiation strategy. At the same time, it appeared to some other observers that the combination of RCEP and a proposal that concrete steps should be taken towards FTAAP were not only complementary, but that through RCEP, China could put in place “its own” building-block – i.e. as opposed to the United States’ – towards the creation of an eventual FTAAP. The TPP would, on this view, become an alternate path to achieving FTAAP.⁶

At the same time, a much anticipated rebalancing of the Chinese economy was announced. A clear policy consensus had emerged in Beijing to turn away from reliance on investment in manufacturing towards greater liberalization in China’s services sector, and more broadly towards the restructuring and further liberalization of China’s economy.⁷ These elements have now also paved a path for China to the TPP.⁸ It had once been the refrain – directed against any Chinese ambition towards joining the TPP talks – that China would, first, have to be able to meet the TPP’s high ambitions. However, China is now saying: “Yes, in fact we welcome a high-standard agreement.” What we are seeing, at this time, is a strong signal from China that the moment is ripe to seek member-

ship of the TPP talks.

As I said earlier, I am a strong believer in Hatakeyama Noboru’s dialectical view of East Asian regional trade policy initiatives. Like the dialectical method itself as an intellectual tool, the regional and trans-continental treaty policies we have been discussing have thus far taken place largely at the level of intellectual debate. In the physical world, there is no TPP, no RCEP, and no FTAAP. But for the constant announcements of ever-more fantastic deadlines, no-one is certain that there will necessarily even be a TPP, or that even if there will be a TPP, how much of it will in fact resemble its ferocious past advertisements.

What we have had for the past 10 to 15 years is, instead, a great debate about the future treaty architecture for trade in the Asia-Pacific. Each new proposal, accompanied by rounds of substantive negotiations, encounters an opposing proposal which has, in turn, led to an eventual synthesis of the contending proposals. I have described this process elsewhere, but here now is another example – RCEP was an intellectual response to the “thesis” that there should be a TPP, followed by a dialectical “synthesis” of the two ideas in the form of what is now a proposal that steps should be taken towards realizing FTAAP.

If this way of looking at developments in recent years is correct, the question then becomes this: What will be the “antithesis” to the proposed roadmap for FTAAP? It also means that when we ask about whether China will join the TPP, we should not forget why and how that question may be important.

So my mind turns back to that late afternoon in November 2011 when my co-editors and I completed our book. So much has changed in the two years since its publication. We now know why asking about China’s participation in the TPP is

⁴ Li, Jiabao. 19 May 2014. “APEC Ministers’ Agreements include Completed Road Map for Free Trade.” *China Daily*. Beijing.

⁵ Bergsten, Fred. 16 August 2006. “Plan B for World Trade: Go Regional”. *Financial Times*. London; Cho, Sungjoon. 22 August 2005. “‘Plan B’ is Always Inferior to ‘Plan A’.” *Financial Times*. London.

⁶ Jacobi, Stephen. 13 November 2013. “Regional economic integration: Is it all headed in the same direction?” Address to NZIIA Symposium “Asia Pacific Integration: The Economic and Security Dimensions for New Zealand.” Wellington.

⁷ See e.g. Silk, Richard. 17 July 2014. “Yes, China Is Beginning to ‘Rebalance,’ But There’s a Long Way to Go.” *Wall Street Journal*.

⁸ Tiezzi, Shannon. 10 October 2014. “Will China Join the TPP?” *The Diplomat*. Tokyo.

intellectually relevant: not because China now says it wishes to participate and is ready to join the talks but because it is proposing the eventual realization of FTAAP.

What will be the antithesis to China's current thesis? If China bids for a place in TPP talks and is rebuffed, then an altogether different dialectic will emerge - RCEP will become China's sole, immediate avenue towards the eventual realisation of FTAAP. The dialectical response to that may in turn be that, at some currently still-distant juncture in the future, the idea for merging RCEP and the TPP will be seriously pursued. Possibly as another intermediate step towards the creation of FTAAP.

So whether China joins the TPP talks in the short-to-medium term, or whether it does so through a potential future merger of RCEP and the TPP, much in the way ASEAN, Australia and New Zealand had once "combined" the ASEAN FTA with the Australia New Zealand Closer Economic Agreement (ANZCERTA) under the Angkor Agenda, what we are truly witnessing today is China's bid to shape the Asia-Pacific trade treaty architecture through alternate pathways – just as it has taken the decision to further liberalize its economy.

Because we also know something about the possible directions which this dialectical process will take, expertise is now being focused on common issues such as the importance of reducing regulatory divergence between RCEP and the TPP. The question of the harmonization of preferential rules of origin is an obvious example of this. There are stark differences between ASEAN's, and therefore also RCEP's, approach towards ROOs and the US approach; not least in the use

by the US of product-specific rules. In other areas, such as the employment of a negative-list approach towards services commitments, there is already a confluence of intended approaches in discussions about the modalities for negotiating RCEP and for negotiating the TPP. Similarly, the employment of a negative-list and a US-style pre-establishment (or "market access") clause, which will impose disciplines on restrictions to foreign investment entry in the negotiations towards a US-China bilateral investment treaty, will be an important building-block. These are all but illustrations of the kinds of factors which should be taken into account in assessing the range of possible, and alternate, future outcomes.

Could it be that we will reach the point where China, having engaged in this multi-dimensional, multi-treaty-led restructuring of its economy, might one day find that it is closer to the ideal of realizing FTAAP than even the United States? If the past is any indication of the future, it is not so far-fetched an idea.

But in order to get to RCEP, China needed its experience of entering into a China-ASEAN FTA (CAFTA), and it needs to advance negotiations towards a China-Japan-South Korea FTA (CJKFTA). At the time of writing, the China-South Korea deal has just been concluded. For China, the TPP's value is similar, as is the value of the China-US Bilateral Investment Treaty (BIT) negotiations. Both provide partial glimpses of a broader, potential reality. The true issue is not whether the "China Question" is relevant to the way we study the TPP, but whether and how the TPP is relevant to China. It is relevant to China, but in the context of the Asia-Pacific trade policy dialectic it is not in my view critical.

The Trans-Pacific Partnership and Japan's Trade Policy

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Introduction

After entering the General Agreement on Tariffs and Trade (GATT) in 1955, Japan's trade policies embraced multilateralism for decades, even as other nations across the globe entered into free trade agreements (FTA) and pursued regional economic integration. Finally, in the late 1990s, Japan made a shift to "Multi-layered Trade Policy" through separate bilateral, regional, and global trade agreements. After the Doha Round of WTO negotiations reached an impasse, Japan's policymakers turned to entering FTAs or EPAs (Economic Partnership Agreements).

The first phase of Japan's FTA strategy was forming bilateral FTAs with members of the Association of Southeast Asian Nations and other emerging countries in the 2000s. Currently Japan is switching to the second phase of its strategy in which the Trans-Pacific Partnership (TPP) figures prominently. TPP clearly differs from the FTAs of the first phase in several ways. The process of deciding whether to participate in TPP talks prompted Japan to rethink its FTA strategy. Now that Japan has joined TPP negotiations, whether

or not it can implement a new trade strategy remains an open question. This paper addresses that question by first clarifying the differences between FTAs that Japan has already entered into and the TPP and then by discussing the implications of the TPP for Japan's trade policies.

Three Differences between Japan's FTAs and the TPP

Before joining the TPP talks in July 2013, Japan entered into FTAs with 12 nations and one region, ASEAN.¹ Domestically, whether Japan should participate in TPP talks sparked an intense debate that lasted for more than three years until the decision to enter TPP talks was finally made. Thereafter, intense opposition to entering a TPP agreement has continued unabated in Japan. The fact that 13 FTAs which Japan had ratified earlier generated no such resistance is a striking indication of the large differences between these FTAs and the TPP.

What are these differences? If we delve into the details, we can find a multitude of factors that make FTAs distinct from the TPP, but here the focus is on three major differences related to Japan's broader trade policies. First, the TPP is intended to achieve a high level of trade liberalization. Second, the TPP will have comprehensive, "high-standard" rules. Third, the TPP is meant to be a "mega-FTA" that affects not only the regional trade order, but the global trade order as well. These three characteristics contrast strongly with Japan's current FTAs.

A High Level of Trade Liberalization

Article XXIV of the GATT allows for the creation of FTAs provided the agreements remove barriers to "substantially all trade." To meet this requirement, Japan's FTAs are structured so that the value of bilateral trade in liberalized products equals at least 90 percent of the value of all goods

¹ Japan and Australia also signed an FTA in July 2014, but this paper examines only the 13 FTAs that preceded Japan's joining the TPP talks. Although the Japanese government calls these trade deals "Economic Partnership Agreements," this paper refers to them as FTAs, the more commonly used term.

traded between the two nations. However, there is no denying that the degree of liberalization achieved under Japan's FTAs was limited. If one counts the rate of liberalization of Japan's FTAs in terms of tariff lines, not a single one of Japan's 13 FTAs liberalized more than 90 percent of trade between the signatories. While FTAs involving other advanced economies shows that they generally liberalize at least 95 percent of trade, Japan's FTAs kept tariffs in place for more than 10 percent of all tariff lines.

Given that the TPP aims to abolish tariffs on all goods in principle, Japan must pledge to liberalize on a much greater scale that it has to date in its FTAs. Most of the products that Japan is being pushed to liberalize are agricultural products—especially rice, beef, pork, wheat, barley, dairy products, and sweeteners—that have long been treated by the government as “sacrosanct.” Domestic resistance to removing agricultural tariffs is intense and implacable, but major agricultural exporters, including not only the United States (the leading exporter of agricultural products to Japan), but also Canada, Australia, and New Zealand, are involved in the TPP. As a result, Japan is under pressure to liberalize trade in products that it kept protected under its FTAs.

Drafting Comprehensive, High-standard Rules

The TPP's proponents claim it will be a “comprehensive, high-standard, 21st-century FTA.” Unlike “twentieth century” agreements that primarily dealt with import barriers such as tariffs, a “twenty-first century” agreement would prioritize lowering non-tariff barriers such as domestic regulations and institutions.

TPP negotiations include an array of topics, such as intellectual property rights, the environment, labor, harmonization of domestic regulations, and state-owned enterprises in competition policy, whose standard and scope greatly exceed the trade rules covered in WTO agreements and existing FTAs. The TPP talks include policy areas that have never before been subject to trade agreements. Negotiations over 21 policy areas are underway. One of the areas, “cross-cutting issues,” which covers topics such as regulatory coherence, is not dealt with in Japan's FTAs. The remaining 20 policy areas are also included in

Japan's FTAs (see Figure 1), but the rules set forth in the FTAs are much less ambitious than what the TPP rules are expected to be.

Japan has rarely introduced “comprehensive and high-standard” rules into its FTAs, nor has it pushed ambitious rules on its FTA partners. The reasons are twofold: First, with the sole exception of an FTA with Switzerland, Japan's FTAs are with emerging economies in Asia and Central and South America. Second, Japan has found it necessary to avoid liberalizing agricultural markets. Japan's FTAs include rules on intellectual property rights and competition policy, but these rules do not go beyond existing WTO agreements and non-binding commitments to “cooperate” and “endeavor” in these areas.

The high-standard rules of the TPP will not only go far beyond WTO agreements, they will also surpass some of Japan's domestic regulations. As a result, participating in the TPP adds to the pressure to revise Japan's internal regulations and institutions. In the past, trade friction with the United States resulted in *gaiatsu* (foreign pressure) that pushed Japan's policymakers to change domestic regulations. The United States' involvement intensifies skepticism towards the TPP in Japan. For example, currently, Japan's copyright law provides a protection period lasting fifty years after the death of the copyright holder (seventy years in the case of films). It is possible that participating in the TPP will require Japan to lengthen its copyright protection period. In short, pressures to revise laws to conform with the TPP mean that this agreement will affect the lives of Japanese citizens far more than FTAs have.

The Impact of Mega-FTAs on Regional and Global trading Orders

The WTO's Doha round has long been in a moribund state so the nexus of trade and investment liberalization and rulemaking is now found in the negotiations over mega-FTAs. Mega-FTAs will have much greater economic and social impacts on members (and non-members) than existing FTAs, and do more to reshape regional and global trading orders, because of the scale of the economies involved, the size of their populations, the number of participating nations, and the amount of territory they cover.

Current FTAs Japan and Asia-Pacific nations have concluded do not adequately address issues arising from increasing production fragmentation and transactions among regional companies that have created cross-border supply chains (value chains). Some critics argue that these FTAs have created a confusing “spaghetti bowl” (or “noodle bowl”) of entangled rules in the Asia-Pacific region. Mega-FTAs are policy instruments for dealing with the complications created by bilateral FTAs and for handling problems that bilateral FTAs left unresolved.

In the world today, other mega-FTAs are under negotiation. For example, in the Asia-Pacific region, 16 nations are participating in talks regarding the establishment of a Regional Comprehensive Economic Partnership (RCEP). In the West, the United States and the European Union are working out the details of their Transatlantic Trade and Investment Partnership (TTIP). However, it was TPP negotiations that truly kicked off the mega-FTA era, and the TPP should be credited with instigating other efforts to create mega-FTAs (see Figure 2).

TPP talks date back to March 2010, whereas all other mega-FTA negotiations began in 2013. TPP talks have also progressed further than negotiations for other mega-FTAs. As noted above, the TPP is meant to be a “comprehensive, high-standard, 21st-century FTA” unlike any trade agreement that has come before. If we also consider the fact that some TPP nations are also negotiating other mega-FTAs, it seems likely that these separate trade talks are in fact interrelated and that the TPP is serving as a template for other mega-FTAs.

In other mega-FTA talks, the participants can look at rules drafted by TPP negotiators and may adapt them to fit their own levels of economic development. If a rule is included in more than one mega-FTA, it is possible that rule will go from being a regional standard, in Asia for example, to becoming a global standard endorsed by the WTO.

Japan Shifts to a New FTA Strategy

Japan’s customary approach to FTAs has largely kept it from experiencing the pain of opening its agricultural markets and amending domestic reg-

ulations. Similarly, Japan’s FTAs have had limited impact elsewhere. The TPP, on the other hand, is an FTA that will cause Japan considerable distress once it takes effect and will significantly influence regional and global trading orders. As a result, while Japan was in the process of deciding whether to join the TPP talks, it was faced with the necessity of radically changing its approach to FTAs. In response to this challenge, Japan’s trade policies entered a new phase as Japan joins in creating mega-FTAs that will force Japan to alter its domestic regulations. Japan is currently involved in negotiations over four mega-FTAs: the TPP, a trilateral FTA with China and South Korea, a Japan-EU FTA, and the RCEP.

Conclusion

The TPP is an FTA that is pushing Japan to embark on a new trade policy course. Japan’s TPP negotiation process, however, suggests that the work of winning domestic acceptance of the TPP remains incomplete. Nevertheless, Japan holds the key to whether the TPP process can greatly liberalize trade and generate comprehensive, high-standard rules that will be adopted regionally and globally.

If mega-FTAs are interrelated in such a way that TPP rules can become regionally and then globally accepted as the new rules governing international trade, then Japan can play a major part in that process through the four mega-FTAs that it is currently negotiating. Through its participation in the TPP and three other mega-FTAs, Japan can take credit for leading the effort to create new rules that will be adopted regionally and around the world. By opening its markets and carrying out internal reforms, Japan can become a leader in the TPP and other mega-FTA negotiations.

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TPP and the Agriculture Problem

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Introduction

The Trans-Pacific Partnership is intended to greatly liberalize trade by, among other policies, eliminating all tariffs between partner nations. Nevertheless, our legislature, specifically the Agriculture, Forestry and Fisheries Committee, is demanding that Japan be allowed to keep its tariffs on five agricultural products including rice, wheat, beef, pork, dairy products, and sugar. The Diet Committee has indicated it would not hesitate to end Japan's participation in TPP talks if the other TPP nations refuse to make an exception for Japanese agriculture. This threat has tied the government's hands. Despite the fact that the combined value of the yearly output of these protected products, four trillion yen, is 1/13th the value of annual automotive production in Japan, agricultural interests are controlling Japan's TPP agenda.

Japan's insistence on protecting its agricultural markets will lead the United States to keep its tariffs on Japanese automobiles for the foreseeable future. At the same time, the US-Korea Free Trade Agreement has eliminated US tariffs on Korean cars. Japan is wasting an opportunity to improve the conditions of competition for Japanese automakers in the US market to match that of their Korean automakers. Moreover, a growing

number of US Congress members are calling for Japan to be excluded from TPP negotiations because of its insistence on protecting numerous agricultural products.

Are High Tariffs in Japan's National Interests?

The OECD has devised a measure, the Producer Support Estimate (PSE), of how much money is transferred from consumers and taxpayers to farmers as a result of agricultural protection policies. For instance, when people must pay more for a product than the international market price, the additional amount paid is an income transfer from consumers to farmers. The PSE consists of consumers' burden and taxpayers' burden. In 2010, the share of consumers' burden in PSE in the United States was six percent and that in the EU was 15 percent, nowhere near that in Japan – 78 percent (approximately 3.6 trillion yen). While the US and the EU governments provide farmers with income support through direct payments, Japan relies primarily on price-support schemes to protect its farmers. Because the domestic prices are much higher than international market prices, it takes high tariffs to bring the price of imports up to domestic price levels.

In the name of the national interest, the government imposes tariffs to maintain high prices for agricultural products and foods. In the case of wheat, for example, domestically grown wheat accounts for only 14 percent of the wheat consumed in Japan. To protect the growers of that 14 percent, tariffs are placed on the other 86 percent that is imported, forcing consumers to pay inflated prices for bread, noodles, and other products. Policymakers are starting to consider lowering the consumption tax on food because it is a regressive tax which imposes a heavy burden on poor people, but politicians continue to claim that the tariffs that are driving up food prices are serving the national interest.

Critics of the TPP argue that switching from using tariffs to bridge the price difference between

domestic and imported farm products (consumer financed) to making direct payments to farmers (taxpayer financed) would require a massive amount of government spending. This claim can only be regarded as a frank admission that consumers are already paying a massive amount to support farmers. Moreover, as in the case of wheat, consumers are paying inflated prices not just for domestic products but for imported ones as well, making their actual burden larger still. Eliminating tariffs and introducing direct payments to farmers to compensate for the difference between prices for domestic and imported products would save consumers a great deal as they would no longer be forced to pay above international market prices for imported as well as domestic products.

Taxpayers already pay 400 billion yen to rice farmers annually for setting aside acreage to reduce production. These set-asides raise the price of rice, pushing the total burden to consumers above 600 billion yen per year. Japan's annual rice production is valued at two trillion yen. The Japanese people, as taxpayers and consumers, pay a total of one trillion yen each year to support domestic rice farmers. If the government abolished the acreage set-aside program, and instead paid compensation to farmers (whose pri-

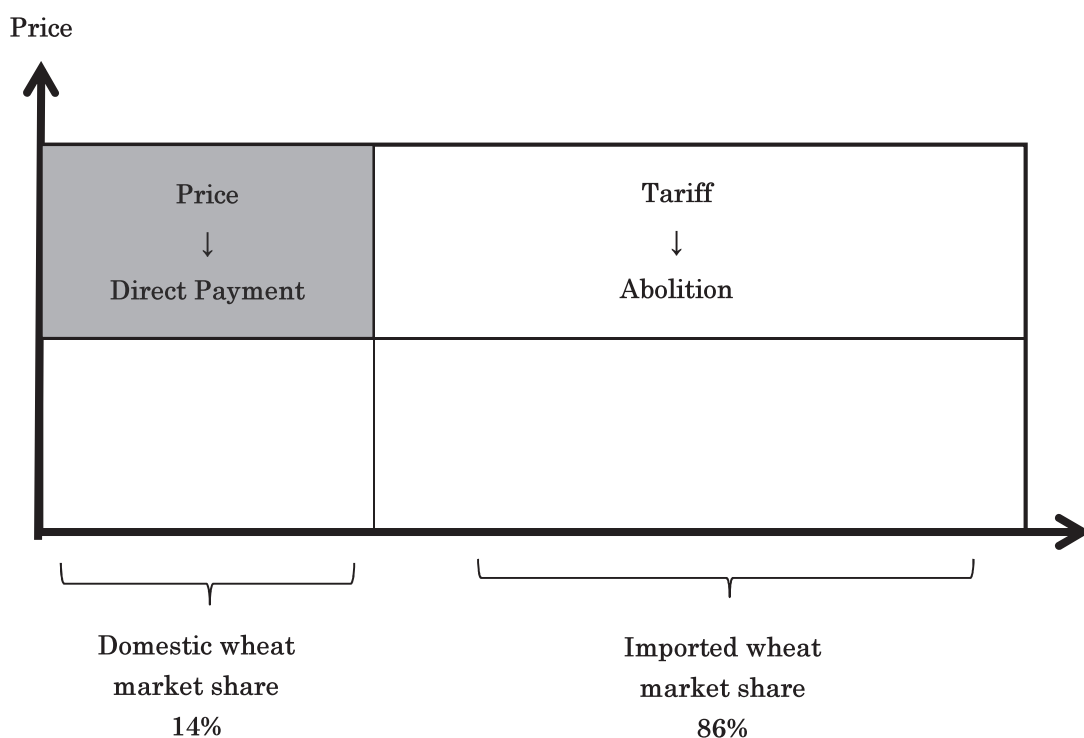
mary source of income is farming) if rice prices subsequently fall, the government would then need to spend a relatively modest 200 billion yen to support rice farmers. In addition, consumers would no longer have to endure prices made artificially high through the acreage set-aside program. The combined cost to taxpayers and consumers would shrink from one trillion yen to 200 billion yen.

The Agricultural Cooperatives and Policies Obstructing Agricultural Development

In Japan, there is an impediment to changing from price supports to direct payments that does not exist in the United States or the European Union—the Japan Agricultural Cooperatives (JA) that depends heavily on high rice prices. Under the JA's rules, the vote of a weekend farmer counts as much as the vote of a large scale farmer. The “one person, one vote” system made sense in the early postwar era, when land reforms aimed at transforming tenant farmers in each village into owners of simillary-sized plots of land. The JA helps to turn out the rural vote for the Liberal Democratic Party which repays the favor with rice price supports and various subsidies.

Income is revenue, which is price multiplied by quantity minus costs. Increasing income requires

Figure 1: Comparison of the effects of wheat price supports and direct payments



either raising prices, raising yields, or lowering costs. In the past, when the government bought rice under the “food control system,” the JA mobilized its members in a major campaign to increase rice prices. In 1995, the food control system was abolished. The government today only buys small quantities of rice to keep in case of emergency. The JA has worked to keep prices high by limiting the supply of rice by taking land out of production under acreage set-aside programs.

The unit cost of growing rice on a 15 hectare farm is less than half what it costs to grow rice on a .5 hectare farm. The unit cost of growing rice on a given farm is calculated by dividing the total cost of inputs, such as fertilizer, agrochemicals, and machinery, by the yields. If the yield doubles, the unit cost is halved. In other words, farmers can increase their incomes without raising prices through economies of scale and higher yields. People who farm part-time, or as pensioners, with farms smaller than one hectare earn practically nothing from farming. However, if a group of villagers owned a total of 20 hectares and delegated all the cultivation to one person, the annual income from the resulting crop would be 14.5 million yen. It would be more lucrative for villagers to jointly lease their land in return for a share of the lessee’s income than for each family to farm its own land.

Increasing the average farm size would of course mean a reduction in the number of farm households given that the amount of land is essentially fixed. The JA is well aware that its political clout is dependent on the number of farmers it represents and has no interest in seeing that number fall. The JA therefore demanded price supports for rice and opposed fundamental agricultural reform and rationalization as a means to increasing its members’ income. As the JA had envisioned, high rice prices motivated part-time farmers to continue growing rice inefficiently in their tiny plots and to avoid relinquishing their property.

Part-time rice growers, who now account for 70 percent of all farm households, tend to deposit their earned income and gains from sales of their land for residential use and other non-farming uses in banks run by the JA. With 90 trillion yen in deposits, the JA bank is one of the leading megabanks in Japan.

People who wanted to grow rice on a larger scale to increase their income struggled to buy or lease enough land to farm efficiently. Evidence of the distorting effects of high rice price supports can be found in the percentages of farm products that are sold by full-time farmers; 80 percent of vegetables, 93 percent of dairy products, but only 38 percent of rice is produced by full-time farmers.

Rice acreage set-aside programs have also impeded advances in crop yields. If overall consumption levels are fixed, increasing yields means that fewer acres of rice paddy are needed, which increases the acreage eligible for set-aside programs and the amount the government pays to farmers for taking their land out of production. As a result, after the set-aside program was introduced in 1970, government-affiliated research institutions regarded developing higher yield strains of rice as taboo. The rice grown in Japan has 40 percent lower yields than rice grown in California. A private company has developed a variety of rice with yields higher than California rice, but the fear of larger rice harvests driving prices down has kept the JA from accepting it.

The high price supports for rice and the set-aside programs have cut rice consumption and production. The total value of rice grown in Japan fell by half over 10 years. Without tariffs, it would be impossible to continue the set-aside program that keeps the price of domestic rice higher than imported rice. If the government used direct payments to aid farmers, they would be unaffected by price declines. However, getting rid of tariffs would effectively end part-time farming as larger scale farms gain the advantages of scale. Ending part-time farming would lead to a steep loss of members for the JA that would shake the organization to its core. This is why the JA has organized an extensive campaign against the TPP. The JA extracts promises from rural Diet members to oppose joining the TPP and abolishing agricultural tariffs as conditions for receiving the JA’s help in getting elected. Instead of the trade agreement controversy being a “TPP-agriculture problem,” in reality it is a “TPP-JA problem.”

Why Japanese Agriculture Needs the TPP

The farm lobby in Japan argues that Japan’s farms are too small to compete with the farms of the

United States and Australia. The average farm in the EU is six times larger than in Japan. Average farms in the US and Australia are 75 and 1,309 times bigger, respectively.

Larger scale usually means lower costs, but size is not the only factor. If that were the case, then the US, the world's leading agricultural exporter, would be unable to compete with Australia given that its farms are 17 times larger than American farms. In reality, factors such as soil quality and climate outweigh Australia's farm size advantage. Whereas fertile soil in the US will support soybean and corn farming, Australia's less fertile land is better suited to livestock grazing. The fact that Australian wheat farmers grow only 1/5th as much wheat per acre as their UK counterparts testifies to the poor quality of Australian soil. EU farms are drastically smaller than farms in the US and Australia (1/12th and 1/218th, respectively), but due to high crop yields and direct payments from the EU, the EU agricultural industry is able to export grain.

There is also the issue of quality. As in the case of automobiles, there is demand for luxury products as well as cheap products in the global agricultural market. A given farm product can be available in a wide range of quality levels. Rice grown in Japan has a reputation for high quality. In Hong Kong, *koshihikari* rice from Japan sells at a price 1.6 times higher than *koshihikari* grown in California and 2.5 times higher than *koshihikari* from China. If Japan's rice production rose to the point where it could be priced competitively, Japan's farmers could capitalize on their widely recognized quality advantage.

Japan's domestic rice market, long protected by high tariffs, is now contracting as the population ages and declines. To keep Japanese agriculture from falling further or, more ambitiously, to revive it, there is no choice but to break into overseas markets. Bringing down costs will not lead to higher sales if Japan's farm exports are subject to high tariffs abroad. If Japan fails to fully commit to trade liberalization initiatives such as the TPP that will eliminate tariffs, then Japanese agriculture will be trapped in its downward spiral.

The most promising export market for Japan is of course China. Currently, China applies a 1 percent tariff to Japanese rice imports. However, a kilogram of rice that costs 300 yen in Japan is sold for 1300 yen in Shanghai. The beneficiary of this huge markup is the Chinese state-owned enterprise (SOE) that has a monopoly on rice distribution. As long as such de facto tariffs exist, exports will remain restricted.

Although China is not participating in the TPP talks, one of the United States' long-term goals for the TPP is to use it to pressure China to eliminate barriers to free trade created by its SOEs. Vietnam, another socialist nation with SOEs, is serving as a stand-in for China in negotiations. If China were to eventually join the TPP, it would have to accept the same state-owned enterprise rules as Vietnam. If Japan were to negotiate directly with China, it would lack the leverage to convince the Chinese government to limit its SOEs' obstruction of free trade. Japan's only option is to work with the United States to develop rules to constrain SOEs. Participating in the TPP talks gives Japan an opportunity to break into the Chinese market.

Conclusion

The development of Japanese agriculture is being blocked by farm policies such as rice acreage set-aside programs. However, as long as the JA has both great political clout and monopolistic market power, there is no chance that set-aside programs will be abolished, that other fundamental farm policy reforms will be enacted, that exports will increase, or that Japan will really engage in TPP negotiations. Having identified the TPP as an important part of its economic growth strategy, the Abe administration has begun working toward a systemic reform of the JA, the organization which had kept Japan out of the TPP process.

Continuing to use tariffs to keep the price of farm goods high will further damage Japanese agriculture and hurt consumers. Bold action to reform agriculture is necessary to ease the burden on poor people by lowering prices and to revive farming in Japan. There is no other way to reverse the decline of Japanese agriculture.

Beyond TPP Negotiation: Policy Proposals for Promoting FTA Utilization

KUNO Arata



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1. Introduction

As the debate over the Trans-Pacific Partnership (TPP) exemplifies, the questions of with which nations should Japan enter into free trade agreements (FTAs) and which products should be liberalized under the FTAs have become some of the most actively discussed topics. However, when a new FTA is ratified, there is a tendency for the public and media to immediately shift their attention to the next FTA negotiations. As a result, concerns over the status of the utilization of existing FTAs or obstacles to their utilization are often overlooked, even though the conclusion of FTAs does not automatically bring economic benefits to member countries.

For example, no matter how ambitious an FTA is in liberalizing trade, if potential users, especially small- and medium-sized enterprises (SMEs), face significant transaction costs in using FTAs, the number of actual FTA users will not expand. This paper outlines the obstacles actual and potential FTA users face and discusses domestic policy measures needed to further promote FTA utilization in Japan.

2. Recent Trends in Utilization of FTAs in Japan

The number of the issuance of certificates of ori-

gin, which are necessary when exporting goods to FTA partner countries, increased by more than four-fold over the past five years, between January 2009 and January 2014, from 3,373 to 14,892. This upward trend in the number of certificates of origin indicates that the exporting of products under the FTA preferential tariffs is steadily growing. However, annual surveys conducted by the Japan External Trade Organization (JETRO) suggest that the utilization ratio of FTAs in terms of the number of firms benefitting from preferential tariffs is growing much more slowly. In 2009, 36.2 percent of companies exporting to FTA partners utilized FTA preferential tariffs. By 2013, that percentage had grown to 42.9 percent, an increase of only 6.7 percentage points, suggesting that there still remains room to expand the number of users.

There are several reasons why an exporter may not utilize FTA preferential tariffs when exporting to a partner country even after an FTA has been concluded. First, there is no need for the exporter to utilize preferential tariffs, if past GATT/WTO negotiations have already eliminated the most-favored nation (MFN) tariffs on items being traded. Second, FTAs do not necessarily ensure a completely free trade environment. FTA member countries can partially or completely maintain their tariffs on certain products under the FTAs. Third, an exporter may face prohibitively high compliance costs associated with restrictive rules of origin (ROOs) requirement. In such a case, the exporter may decide not to utilize FTA preferential tariffs even if the tariffs have been completely eliminated. Finally, an exporter may face significant transaction costs, including information search costs, in determining whether to utilize an FTA or when actually utilizing it. For example, potential FTA users must research and fully understand information about the tariff-saving effects of using preferential tariffs, as well as information about other administrative procedures involved in utilizing the FTA. These transaction costs, which have received little attention

to date, are discussed in more detail below.

3. Examples of FTA Transaction Costs

The first difficulty for potential FTA users is to correctly identify the classification numbers (Harmonised System codes) for their products to be traded. Exporters cannot realize how beneficial FTAs will be without accurately estimating the possible tariff-saving effects of using preferential tariffs. However, knowing how much will be saved on tariffs requires correctly identifying HS codes and the respective preferential tariff rates applied to the products in question. Although the first six digits of the HS codes are assigned according to international standards, from the seventh digit on, each country can independently determine the number of digits and numbers assigned. As a result, exporters trying to use preferential tariffs must first determine the HS codes assigned by each partner country and apply to the partners' customs authorities to get approval to export under the preferential tariff rates.

If the customs authority of an importing country disagrees with the HS code that an exporter has declared, problems may arise as the authority may refuse to apply the preferential tariff rate to the exporter's products at the point of entry. One way to avoid such problems is to make use of the importing country's "advance rulings system," but insufficient human resources and poor overseas networks make it challenging especially for SMEs to make full use of such foreign administrative procedures.

The next challenge faced by potential FTA users is to identify the preferential tariff rates applied to the products to be traded. In making a management decision, a company executive needs to consider not only the preferential tariff rates applied in the current year, but also how FTA tariffs will dynamically change during the phase-out period. It may seem like a simple task at first glance, but the Japanese customs office only provides information on Japan's preferential tariff rates, not those of partner countries. Finding foreign tariff information requires obtaining information released by foreign governments, foreign database providers, or looking through abstruse wording of trade agreements. Again, it is not easily accessible to a company's staff lacking suffi-

cient English skills.

Trade between two nations may be covered by multiple FTAs. For example, if the TPP and the Regional Comprehensive Economic Partnership (RCEP) are both enacted in the near future, companies seeking to export to Malaysia will have the option of exporting their products under either of those agreements or the Japan-Malaysia Economic Partnership Agreement (JMEPA), the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), or the most-favored nations (MFN) tariffs under the WTO. In such cases, exporters must compare the agreements to see which one could bring about the largest tariff saving effects, as preferential tariff rates may differ by FTA or by year even for the same product.

Moreover, if an exporter has production facilities in multiple countries, the goods produced there may be eligible for trade agreements among third-countries such as the ASEAN-China Free Trade Agreement (ACFTA) and the ASEAN-India Free Trade Agreement (AIFTA). As the number of trade agreement options increases, so does the difficulty of identifying the best option for an exporter.

The fourth difficulty for potential users is to fully understand ROOs. Companies must obtain a certificate of origin showing that their products satisfy the ROOs stipulated in the FTA and then submit those documents to customs authorities in an importing country. Requirements and procedures of ROOs, however, may vary across partners, products, and FTAs, and fully understanding them is again far from easy for companies with limited human resources.

4. Policy Implications for Further Promoting FTA Utilization in Japan

Further promoting FTA utilization requires not only diplomatic efforts to win significant market access abroad during the negotiation phase, but also domestic policy efforts to reduce transaction costs faced by potential users after the negotiation. This section discusses some policy implications for further expanding the use of FTAs in Japan.

First, although multiple government agencies are currently providing significant amounts of FTA-

related information, it sometimes overlaps across the agencies. In order to create a more user-friendly information-gathering environment, a one-stop portal site, where potential FTA users can gather all relevant information in one place, should be provided. Second, the portal site should also provide a searchable database, in the Japanese language, that will match product names or keywords with the HS codes, preferential tariff rates, and ROO provisions by FTA and year. From a management strategy perspective, the most needed information for decision makers is not a list of tariff rates, but rather information about tariff savings: how much in tariffs will be saved, when, and through the use of which FTAs. Adding a user-friendly tariff saving calculator to the above-mentioned portal site would be an effective way to show potential FTA users the benefits of FTA utilization.

Third, when customs paperwork is handled electronically, the customs office can take advantage of that process by providing an automatic alert

system that informs exporters if their products are eligible for preferential FTA tariffs and how much money they would save by using them. South Korea has already introduced an “automatic notification of FTA preference” system to its customs process.

Finally, success stories and case studies telling how other companies in similar industries have utilized FTAs successfully could be another valuable form of information for potential users. These stories and studies can also be provided through the FTA portal site.

The benefits of promoting FTA utilization through such domestic measures go beyond securing short-term economic gains from FTA's trade expansion effects. Increasing the number of FTA beneficiaries can be expected to have the politico-economic effect of further expanding and strengthening the domestic base of support for future trade policy, including regional economic integration and trade liberalization.

Supporting Working while Caregiving: New Issues in Work-life Balance

SATO Hiroki



SATO Hiroki is Professor at Chuo Graduate School of Strategic Management, Chuo University, and a recent retiree of the Institute of Social Science, the University of Tokyo

When companies provide work-life balance support for employees with children, they help both male and female workers fulfill their roles as parents. Support for employees with elderly parents is different because the employees are often not the primary caregivers. Work-life balance support for workers with aging parents involves helping employees access essential elder care services that enable the employees to keep their jobs. The chief way that companies can help these workers is by helping them to manage the dual demands of working and caregiving. Employees are, of course, not completely uninvolved in direct caregiving, but there is no way to predict how long parents will need care. Moreover, the average is four to five years. Given this length of time, it is clearly difficult for employees who are primary caregivers to continue working.

The employees who are most likely to confront the challenge of working while caregiving are those over age 45, especially those who are 50 or older. Today, men outnumber women among

employees over 45, and many of these men have led work-centered lives or, if they have children, largely left parenting to their spouses. As a result, even after a family member begins to require care, many men assume they will not be obliged to provide care themselves. Therefore, the first step in helping employees manage their caregiving role is to explain the unavoidability of that role.

Providing basic information in advance is the key to helping employees balance work with caregiving. The timing is important. If a company waits to give employees information on maternity leave and childcare leave until those employees announce they are expecting a child, it is not too late. In the case of elder care, however, failing to provide information on work-life balance with caregiving ahead of time often has negative consequences.

What employees need to know in advance are not the particulars of managing elder care while working. Instead, they require general information that will help them to mentally prepare and accept that caregiving is something they are likely to undertake at some point. Such basic preparation will help employees keep their bearings when the need for caregiving arises. Because people who require care have particular, diverse, and evolving needs, it is better to delay giving employees detailed information until their own parents begin to require care.

To guide employees toward accepting that they will be caregivers at some point in their careers, companies should make the following four points. First, anyone with parents may be called upon to provide care. Second, when that day comes, employees should consult with their HR department and managers on how to access services and meet the demands of work while caregiving

rather than trying to develop a plan on their own. HR departments and managers cannot help employees meet their caregiving obligations if they are not told those obligations have arisen. Third, workers should be encouraged to make remaining employed a given in all of their decisions about caregiving. Instead of giving up their jobs to become primary caregivers, employees ought to find a way to manage the demands of work and caregiving. Finally, companies should inform employees that the keys to managing these demands and keeping their jobs are accessing caregiving services through the long-term care insurance system, taking advantage of work-life balance programs offered by their employers, and consulting with experts on the options available.

Because employees become ever more likely to face the issue of caregiving starting in their mid-40s, basic information on their role as caregivers is best delivered before then. Before they turn 40 would be too soon, because at that age few people have parents that require care, and therefore it is highly likely that younger employees would regard caregiving information as irrelevant. Consequently, the best time to prepare employees for eventually becoming caregivers may be when they reach 40 and can more readily grasp the potential benefits of that preparation.

Also, when employees turn 40, they are required to join the public long-term care insurance system, but they are not given much information about that system. For example, they will not receive an insurance card until their 65th birthday. As a result, it is not uncommon for employees to be unaware that they have been enrolled in the long-term care insurance system. Those who are aware often have little understanding of how the insurance works. Therefore, when employees turn 40, they can benefit from being taught about the long-term care insurance system at the same time they are instructed to prepare for becoming caregivers and introduced to the work-life balance programs offered by their employers.

Another appropriate time to discuss caregiving with employees is when they turn 50 as they are increasingly likely to face the challenges of caregiving after reaching this milestone. Balancing work with caregiving remains especially impor-

tant for employees from the age of 50 until they retire at age 65.

Ideally, these caregiving information sessions, whether they occur when the employees are 40 or 50, will motivate employees to talk with their parents about their wishes and gain a clear understanding of their parents' health and lifestyles. Such discussions will help employees to convey what type of support they need to their managers and HR departments. People can plan when to have children, but there is no way to predict when aging relatives will begin to need care, although careful monitoring of your parents' health and activities can indicate whether that time is coming sooner rather than later.

Ideally, employees will know how their parents want to be cared for before that need arises. If companies make their employees aware of the importance of paying attention to their parents' health and activities, and encourage them to find out their parents' wishes regarding their own care, that instruction will itself be a significant contribution to employees' work-life balance. Parents become eligible for long-term care benefits when they turn 65. Employees should be ready to explain those benefits to their parents as that date approaches and consult with them about their wishes regarding care. Because people are more likely to need help with daily activities and nursing care after they turn 75, companies should make an effort to remind employees with parents 75 and older of the increasing importance of watching for changes in their parents' needs and adjusting their care arrangements accordingly.

Companies can provide employees with aging parents work-life balance support when they must take on the caregiver role by helping them to plan and to understand and access long-term care insurance, professional care providers, and the companies' own work-life balance programs. Family care leave is the core of most companies' work-life balance programs, but many employees mistakenly believe that care leave can only be taken if they are personally providing care. Teaching employees that care leave can be used to arrange for care, meet with nursing and personal care providers, or visit their parents is another valuable way for companies to support their employees.

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Glenda S. Roberts

(Professor at Graduate School of Asia-Pacific Studies, Waseda University)

September 30, 2014

Imagining and Living the Family: Attitudes from Young-ish Adults in Urban Japan

In recent decades, Japan has become a rapidly aging, low birthrate society. Late marriage and no marriage have also become commonplace. With the prolonged recession, stable, regular employment declined, wages declined, and the prototypical 'salaryman' male of the postwar period took a beating. In this milieu, how do young adults feel about gender roles in marriage? Have attitudes changed in regard to co-habitation, marriage and childrearing, and if so, how? How do the unmarried imagine themselves in the future, and how do the married wish to rear their children? The data from this work in progress come from a qualitative survey of sixteen adults ages 23-39, as part of a larger survey research project of the East-West Center's Population and Health Research Program on Family Change in Asia.

Kent Calder

(Director and Professor of Japan Studies, Director of Edwin O. Reischauer Center for East Asian Studies at School of Advanced International Studies, Johns Hopkins University,)

November 4, 2014

Asia in Washington: Socio-political Transformation in America's Capital City and Implications for Japan



How has the socio-political context of policymaking in Washington, D.C. changed since the end of the Cold War, as Washington has emerged as a "global political city" with research and agenda-setting functions far transcending US government decision-making? How have Asian countries—particularly the Northeast Asian powerhouses Japan, China, and Korea—established, increased, and leveraged their Washington influence in this new environment? And what impact will these countries have on the decisions made in the halls of power in Washington?



Jacob M. Schlesinger

(Senior Asia Economics Correspondent and Central Banks Editor, Asia for The Wall Street Journal)

November 20, 2014

Abenomics' "Critical Moment": Stalled? Backfiring? Or Poised for Takeoff?

After Bank of Japan Gov. Haruhiko Kuroda jolted global markets with his Halloween surprise stimulus, he said the bold Abenomics bid to end the country's long slump had reached a "critical moment." When Prime Minister Shinzo Abe launched his program in late 2012, it was greeted with widespread enthusiasm and support from voters, economists, investors, executives, and consumers. Now they're having second thoughts. Mr. Abe's poll numbers are falling, as households say they're feeling more pain than gain. Mr. Kuroda's own policy board is split, his latest move approved by a bare 5-4 majority secured only at the last minute. Are these the inevitable pains of a recovering economy in transition? Or the signs of yet another Japanese growth plan fizzling out? Or, worse, the beginning of the economic collapse predicted by the Abenomics' harshest critics? A journalist's layperson-friendly dissection of where Japan's economy has been the past two years, and where it's heading – including a handicapping of big decisions looming, on taxes and structural reforms.

Mary M. McCarthy

(Associate Professor of Politics and International Relations, Drake University)

December 17, 2014

How American Legislators Came to Befriend the "Comfort Women" and Shake Up U.S.-Japan Relations

The U.S.-Japan relationship is being tested by the resurgence of history issues, and contending interpretations of the past and the meaning it holds today. In this project, I explore two crucial case studies: passage of U.S.

House Resolution 121, which called on Japan to acknowledge and apologize for the use of "comfort women," or sexual slaves during WWII, and the erection of "comfort women" memorials throughout the U.S. My thesis is that processes of identity formation (at the individual, group, and national levels) have combined with domestic political dynamics to put the U.S. and Japanese governments at odds. My analysis explores how contemporary understandings were born and evolved and uncovers how these differing interpretations resulted in actions and reactions by the American and Japanese governments.



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Brian Woodall

(Associate Professor at the Sam Nunn School of International Affairs, Georgia Institute of Technology)

January 22, 2015

The Development of Japan's Developmental State: Stages of Growth and the Social Costs of Energy Policies

Why is it that the Fukushima nuclear crisis has not dictated a fundamental overhaul of Japan's energy strategy, especially when it comes to the role accorded nuclear energy? Indeed, changes to date have been mostly incremental, and the current Abe Government is intent on restarting the country's nuclear reactors at the earliest possible date. A central finding of this research is that much of what is puzzling about Japanese energy policymaking derives from institutional hangover, structural rigidities, and path dependence that are by-products of a "developmental state" approach to industrialization. By focusing on the dynamic tension embodied in the environmental/social costs of energy policy choices, it is possible to discern tipping points in the evolution of Japan's developmental state. Over the course of the postwar period, this evolution has unfolded through four stages: 1) erecting the institutional scaffolding for strategic growth (1945-1954); 2) export-led industrialization (1955-1970); 3) deceleration and liberalization (1971-1989); and 4) sustainable globalization (1990 to present). Similarities in institutional responses at comparable levels of advancement suggest that the South Korean and Chinese developmental states are evolving through broadly comparable stages. Understanding the development of the East Asian developmental state – whose archetype was "made in Japan" – bears important implications for understanding the forces of institutional change in a dynamic and important region in the world political economy.



Nemoto Kuniaki

(Professor in the Organization for Japan-US Studies, Waseda University)

January 28, 2015

Parliamentary Activities, Cabinet Appointment, and Responsible Party Government: Evidence from Japan

Which members of parliament actively engage in parliamentary activities, specifically through the initiation of private member's bills (PMBs), and how do these activities affect the functioning of the Japanese legislature? An increase in the number of PMBs, I argue, reflects the rise of responsible party government, whereby parties compete by offering policy platforms and appealing to voters through policymaking credentials and responsiveness. In exchange for policy loyalty and contributions to the party label, party leaders provide backbenchers with selective benefits, such as cabinet positions. However, this positive cycle only exists where voters rely on a party's collective reputation in making voting decisions. I use the case of Japan to test empirically the implications of this model.

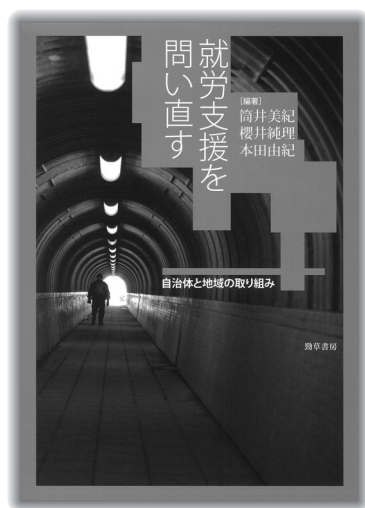
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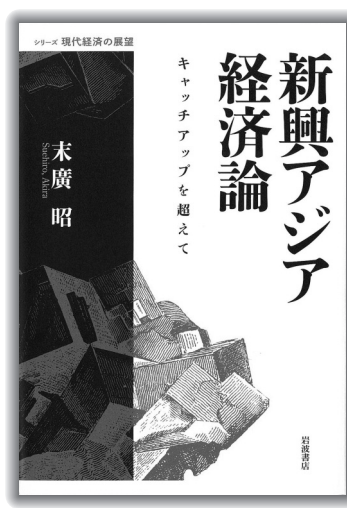
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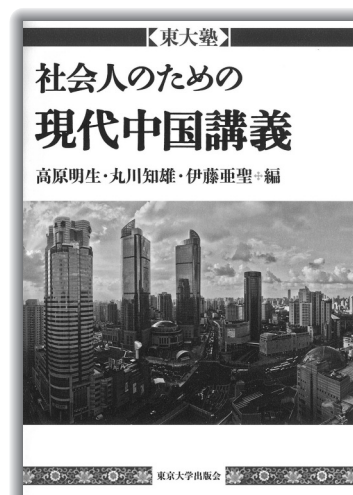
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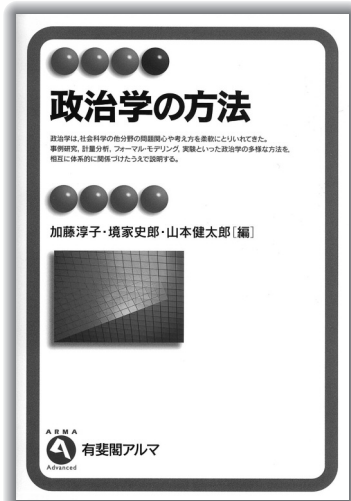
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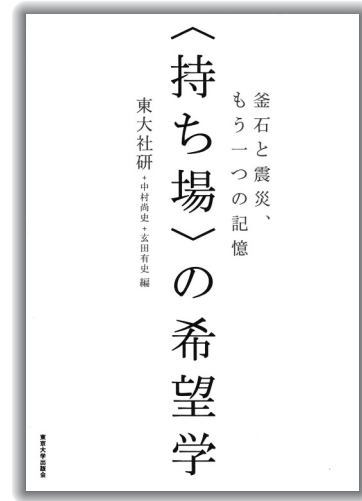
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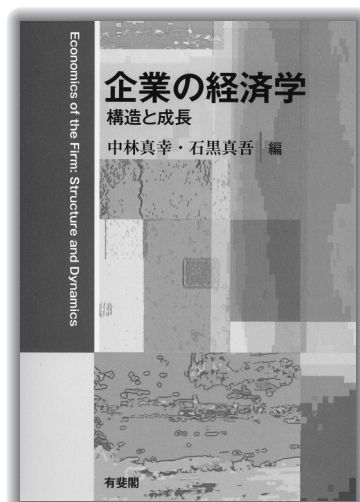
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Focus on ISS

Institute of Social Science Library

ISHIKAWA Maki and MITANI Meiko

In two previous issues of the SSJ Newsletter, the Institute of Social Science Library at the University of Tokyo introduced special collections related to Japan's labor history and Asia nations. In this third installment, the ISS Library introduces collections related to Manchuria and the International Military Tribunal for the Far East.

Shimada Archives

This collection of materials related to the Imperial Japanese Navy General Staff, Sixth Section (China Intelligence) was once owned and collected by Professor Shimada Toshihiko (1908-1975), a historian of Japan-China relations. The family of Professor Shimada donated the materials to the ISS, which was soliciting materials for the cross-disciplinary ISS research project "Fascism and Democracy."

The collection is comprised of government documents on China, mostly from 1932 to 1940, extending from the Shanghai Incident into the Second Sino-Japanese War. A considerable number of these documents have been published in the series '現代史資料' *Gendaishi shiryō* (Contemporary History Documents) by Misuzu Shobō, the publisher, specifically in the volumes titled '満州事変' *Manshū jihen* (Manchurian Incident), '続・満州事変' *Zoku Manshū jihen* (Manchurian Incident, part 2), and '日中戦争' *Nitchū sensō* (the Second Sino-Japanese War). In addition, the collection includes 74 books that Professor Shimada acquired while researching the Manchurian Incident and the Second Sino-Japanese war. The Shimada Archives, except for the books, have been transferred to microfilm.

The Collection of Records of the International Military Tribunal for the Far East

The Collection of Records of the International Military Tribunal for the Far East is a series of 858 volumes (in 860 books) of unpublished official documents. The series is divided into nine categories, including the *Proceedings of the International Military Tribunal for the Far East* and the Okano Kanki Collection described below.

Proceedings of the International Military Tribunal for the Far East

Among the aforementioned documents from the International Military Tribunal for the Far East are court transcripts, documentary evidence from the prosecution and the defense, trial-related materials, defense-related materials, catalog, and indexes. In 1966, the ISS purchased the papers of Kanase Kunji, the lead defense attorney for Hashimoto Kōgorō. In 1971, the ISS received documents from Sammonji Shōhei, lead defense attorney for Koiso Kuniaki, as well as copies of trial-related materials from the Ministry of Justice, Asahi Shimbun, and the Waseda University Library. Some documents that were rejected by the tribunal and original materials used by the defense in preparing for trial are also included.



Okano Kanki Collection

The collection of "Far East-related documents" is composed of 331 volumes of the 858-volume *Collection of Records of the International Military Tribunal for the Far East*. Amongst these are 38 files related to the Kwantung Army and Manchuria collected by Okano Kanki (1896-1977), who had been seconded to the Fourth Section of the Kwantung Army. These files include many documents from 1938-1940 that show how the Kwantung Army actually conducted its "internal guidance" (内面指導 *naimen shidō*) on economic affairs in Manchuria.

Sogō Shinji Collection

The collection once belonged to Sogō Shinji (1884-1981), former president of the Japan National Railway, pertaining to the South Manchurian Railway Company (Mantetsu). Mr. Sogō was on Mantetsu's board of directors and served as chair of its Economic Research Committee (満鉄経済調査会 *Mantetsu Keizai Chōsakai*). This committee played an important role in policymaking at the time the state of Manchukuo was created.

This collection features books, documents, and periodicals focused on Mantetsu that Mr. Sogō acquired while working for the corporation. In 1947, the donation of these items to ISS resulted from the efforts of ISS professors and Nambara Shigeru, professor and president of the University of Tokyo at the time. In fact, the first Japanese and foreign language books of the ISS Library were from the Sogō Shinji Collection, our founding collection.

How to use the collections

To access these collections, patrons must submit a 'request to use special collections' to obtain a permit from the library in advance. Please consult the library for more information on how to use the materials: counter@iss.u-tokyo.ac.jp. Our website is http://library.iss.u-tokyo.ac.jp/index_e.html.