

SUMMARY FACT SHEET

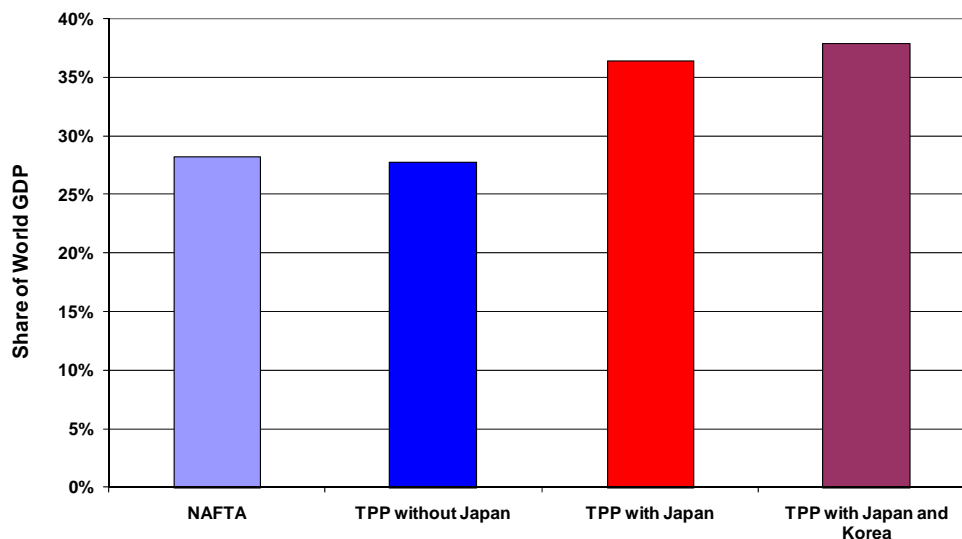
Based on the U.S.-Japan Business Council (USJBC) White Paper, *Japan's Successful Participation in the Trans-Pacific Partnership Agreement: Preparing for a 21st Century WTO-Plus Trade Agreement* (available in English and Japanese at www.usjbc.org).

Japan's Participation a Game Changer

The USJBC White Paper indicates that Japan's participation would be a "game changer" for TPP given the size of its economy and role in the Asia-Pacific region. Japan's participation would:

- (1) Engage economies representing 36% of global GDP in a high-standard trade agreement in the world's most dynamic region.
- (2) Boost US-Japan trade and investment and strengthen bilateral economic relations by helping resolve some long-standing issues and increasing economic integration; and
- (3) Enhance US-Japan leadership in establishing a transparent, rules-based architecture for trade in the Asia-Pacific.

Japan's Participation Would Push TPP Ahead of NAFTA
(Based on 2009 GDP Data)



TPP Can Help Drive Sustainable Recovery in Japan

The USJBC White Paper suggests that for Japan, participation in TPP is more important than ever given the uncertainty in its economic situation after the disaster in the Tohoku region. As has been noted by Japanese political and business leaders, the Tohoku disaster has created an opportunity, tragic as it is, to transform the Japanese economy for the benefit of Japanese citizens and Japan. Joining TPP is not a panacea. However, it is the kind of bold step that Japan can take on its own to help the Japanese economy recover from this terrible disruption. An early commitment to TPP will also demonstrate clearly to the world that Japan is indeed more "open for business" than ever before.

Clear Understanding Needed

The USJBC White Paper notes that it is important for the Government of Japan to have a clear and realistic understanding of two key points as it

decides whether to participate in TPP: (1) While any trade negotiation has room for flexibility on the timing of negotiated commitments, Japan must be prepared to enter negotiations without asking for special exceptions in “sensitive” areas; and (2) Japan’s participation will be welcomed by other partners only if it serves as a significant positive boost to the effort rather than a drag that undermines TPP’s scope and ambition.

Agriculture is a Key; But Not the Only One

The USJBC White Paper indicates that agricultural reform is a key area for Japan, but not the only one. With a significant part of its most productive agricultural land damaged by the disaster in Tohoku, the USJBC suggests that participation in TPP represents Japan’s best chance to increase food security while making the agricultural sector a more dynamic part of the economy, not a drag on it. As Japan’s commitments to reduce trade barriers under TPP are phased in, agricultural policies can and should be shifted from trade protection and subsidies that distort the system to measures that: (1) Increase the scale of production; (2) attract new entrants; and (3) increase productivity through application of new techniques and technologies. Given international concerns about radiation contamination of Japanese agricultural and other products, being part of a regional trade agreement based on internationally accepted, science-based standards offers protection against unfair discrimination.

More broadly, the USJBC White Paper cautions that unless the Japanese business environment is more attractive, foreign and domestic companies will continue to move to other markets for better growth opportunities and operating conditions. The White Paper highlights a number of areas in which Japan would be expected to reduce non-tariff barriers to trade and investment, including reducing and/or making regulations and standards in key sectors consistent with international practices; reforming competition policy enforcement; making regulatory and legal changes to support foreign direct investment (FDI); streamlining customs processes and rules; improving government procurement transparency and processes; and establishing a level regulatory playing field and equal competitive conditions for private financial and express delivery companies and state-owned-enterprises such as Japan Post.

Time to Seize the Strategic Opportunity

The USJBC White Paper stresses that TPP will move forward with or without Japan. In the USJBC’s view, the mid- to long-term economic benefits of participation in TPP – increased trade and investment in Japan and changes that drive growth – would far outweigh any short-term costs. On the other hand, rejecting TPP on grounds that the changes required to Japan’s agricultural sector or other protected and less productive areas of the economy are too much to bear in the aftermath of the disaster will only prolong Japan’s economic slump, intensify hollowing-out of the manufacturing base, and further weaken the agricultural sector.