

TPP for Regional Agricultural Systems: Threat, Problem or Opportunity?

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Motivation and Outline

Motivation

- **Perceived threat of TPP to agricultural sectors of potential members seen as a constraint on realisation of TPP's potential**
- **Can TPP be seen as an opportunity instead?**

Outline

- **Experience with agriculture in trade agreements to date**
- **Outline of the TPP**
- **Alternative Views of TPP and Agriculture (with case study)**
 - the perceived threat
 - the prospective opportunity

Agriculture in Trade Agreements

Multilateral

- **Near total exclusion under GATT**
- **Inclusion as a special case in WTO's URAA**
- **Stumbling block in DDA**

Regional/Preferential Agreements

- **Separate system in EU**
- **Special case in most RTAs/PTAs**
 - **complete or partial exclusion**
 - **“safety valve” provisions: TRQs, special safeguards**
- **Is there any reason to believe TPP will be different?**

TPP: Background

- **began life as a plurilateral FTA among 4 minor economies (P4) on both sides of the Pacific**
- **transformed by participation of US**
- **now involves 9 participants**
- **high level of ambition: aimed at**
 - **comprehensiveness**
 - **inclusion of “next generation” issues**
- **nine negotiating rounds 2010-2011**

TPP: Significance

- **limited trade impact of TPP among existing participants**
- **significance derives from potential as precursor of FTAAP (Free Trade Area of Asia-Pacific)**
- **TPP endorsed by APEC leaders 2010 as one of three avenues to FTAAP**
 - **TPP**
 - **ASEAN Plus 3 (EAFTA)**
 - **ASEAN Plus 6 (CEPEA)**
- **ASEAN developing “ASEAN Plus Plus” as new “ASEAN Plus” alternative to TPP**
- **Key questions**
 - **Does East Asia want to join with US in a trans-Pacific integration process?**
 - **Can TPP attract major East Asian participation?**
 - **Can “ASEAN Plus Plus” satisfy major Northeast Asian partners and/or accommodate US?**

TPP: State of Play

- **Existing participants announced outline of agreement at APEC's Hawaii Summit**
 - full coverage of “conventional issues”
 - extensive range of “new” issues
 - no suggestion yet of major “carve-outs
 - negotiation of most sensitive issues yet to begin
 - key question: will benefits match “cost” of concessions?
- **Japan, Canada and Mexico announced intentions to join**
 - Next steps: bilateral consultations leading to consensus decision by existing participants
- **Outlook: some important considerations**
 - Comfortable passage of Korea/Colombia/Panama FTAs in US Congress
 - Participation of Japan etc will significantly alter benefit/cost ratios
 - Unresolved issues surrounding China's possible participation

TPP and Agriculture

Conventional wisdom

- **aspirations of high quality agreement will be frustrated by agricultural sensitivities**
 - **US, Japan, Canada, Indonesia.....**

Alternative Perspective

- **Can TPP provided sufficient incentive (benefits of participation, costs of non-participation) for breakthroughs in agricultural policy reform?**
 - **Can the TPP be a “tipping point”?**

Case Study – Japan: Japan’s Agriculture Today

- **Accelerating decline – “free fall decline” (Yamashita)**
 - rapidly ageing farmer population deriving most of their income from non-farm activities
 - average farm size far below minimum economic scale in most of Japan
 - cost of protection exceeds the value of production (Yamashita)
 - market forces failing to promote land consolidation
 - blockages in land-use policy
 - support policies encourage persistence of small-scale farming
 - ferocious rearguard actions by MAFF and cooperative movement
 - entrenched political interests supporting status quo

Case Study – Japan

Imperative of Internationalisation

- **Increased productivity growth essential to**
 - counter stagnation of the Japanese economy
 - sustain economic growth in the face of
 - falling population
 - necessity of fiscal adjustment
- **Role of internationalisation in spurring increased productivity growth**
- **Competitive threat from other FTAs**
 - especially KORUS, Korea-EU
- **Can TPP be decisive in overcoming agriculture’s “block” on internationalisation and leading to structural reform in Japan’s agriculture?**
 - reform and revitalisation rather than “death” of Japan’s agriculture?

Case Study – Japan

Advantages of Agricultural Reform

**“Vision” of a reformed Japanese agriculture
(Honma, Yamashita, Godo)**

- **based on core areas of large-scale farmers**
- **policies supportive of large-scale farming**
 - **changes in land-use policy**
 - **financial support for exit of small-scale farmers**
 - **improved access to finance for large-scale farmers**
- **competitiveness promoted by opening to imports and resulting fall in prices**
- **Japan becomes an exporter of high quality agricultural products**

Can TPP be a catalyst for realisation of this “vision”?