

**EVENT:** Canada-Japan EPA and TPP: What is in it for us Canadians?

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In an event hosted by the Canada-Japan Society of British Columbia on March 2<sup>nd</sup>, 2012, professors and graduate students from the University of British Columbia (UBC) engaged a diverse audience on Canadian-Japanese bilateral and multilateral trade relations. The event, entitled, *“Canada-Japan EPA and TPP: What is in it for us Canadians?”* featured a brief presentation by Master of Arts – Asia Pacific Policy Studies (MAAPPS) students on their Canada-Japan Economic Partnership Agreement (EPA) negotiation simulation, as well as a panel discussion by Dr. Julian Dierkes (UBC associate professor and Keidanren Chair in Japanese research) and Dr. Yves Tiberghien (UBC associate professor of Political Science) on issues regarding Japan and Canada’s involvement in Trans Pacific Partnership (TPP) negotiations. The students from MAAPPS travelled to Japan in August, 2011 as part of a student initiated course on Canada-Japan bilateral trade relations in collaboration with Hitotsubashi University faculty and students.

The students’ presentation was divided into three topics: (1) Goods, (2) Services and (3) Trade-Related Aspects of Intellectual Property Rights. The Goods section covered a vast area from manufactured goods, including automobiles, to agriculture. It was one of the most controversial sections of the EPA simulation since rice was a highly sensitive issue for the Japanese side and dairy products and automobiles were equally so for the Canadian side. In addition, there was considerable difficulty in harmonizing Rules of Origins. The Services section followed the Goods section. This presentation focused on highlights regarding Financial Services and E-Commerce. One of the major issues in financial services was Canada’s rules on foreign board of directors and equity limitation. The key issue in E-Commerce was prioritizing non-digital goods and services. The digitization of commercial sectors and evolution of technology poses challenges for both Canada and Japan in updating trade agreements.

Following the Financial Services and E-Commerce section, the TRIPS component of the EPA negotiation was presented. TRIPS involve patents, trademarks and copyrights. Among developed countries, there is some agreement on issues related to TRIPS. Indeed, Japan and Canada have cooperated with one another on the Anti-Counterfeiting Trade Agreement (ACTA). Japan has been critical of Canada’s weak enforcement of intellectual property rights and generic pharmaceuticals. During the TRIPS negotiation, students undertook a creative academic exercise by including a Memorandum of Understanding (MoU) on development. The MoU involved helping developing nations realize sustainable economies and improve labour conditions by focusing on the poor. Although this exercise was a simulation for a bilateral trade agreement, there are some takeaway lessons that can be useful for multilateral trade agreements like TPP.

In his portion of the panel discussion, Dr. Dierkes touched upon the attention being given to TPP by both countries and its support by relevant stakeholders in Japan. In terms of media interest, Canada and Japan seem to be on opposite sides of the same spectrum. The response of Canadian news outlets has been relatively tepid compared to Japan’s extensive coverage of TPP related news. This reality highlights how divisive Japan’s pursuit of TPP has been across the nation. Although many

stakeholders such as MOFA and Keidanren have spoken of potential benefits, other ministries within the government, such as the Ministry of Agriculture, Forestry, and Fisheries (MAFF), may be more hesitant to join negotiations. This is based on reservations in liberalizing the agricultural industry. Politically, even if Prime Minister Noda is pushing hard for Japan's involvement in TPP negotiations, there is significant dissent within his own party on joining. Dr. Dierkes argued that the controversy surrounding Japan's bid for TPP makes it unlikely that Japan will sign, let alone ratify the TPP. As a result, Japan can seek to use bilateral agreements with Australia and potentially Canada as a means to further its trade objectives. This would allow for more liberalization of trade, but on Japanese terms.

Dr. Tiberghien's part of the panel discussion focused on the geopolitical implications regarding Japan's willingness to join TPP discussions. With the Doha round (the latest round of negotiations for the WTO) being stalled and with no realization in sight, countries have begun to pursue bilateral and multilateral trade agreements more aggressively. In addition, with the rise of China as an economic power in the Asia Pacific, regional trade is shifting to acknowledge its emerging importance. In recognition of this, Japan is considering regional trade agreements such as TPP, ASEAN+6, and the China-Japan-Korea FTA. Dr. Tiberghien argued that in terms of multilateral trade strategies, Japan is playing a balancing act between the interests of its two largest trading partners, the US and China. In terms of TPP, Japan is feeling pressure (*gaiatsu*) from both the US and Australia to join, but under their terms. This can be seen in Australia's desire to reform Japan's protectionist agriculture policies. However, as previously mentioned there is significant objection within the DPJ to support such a reform. Much of the opposition comes from the Ozawa faction, which gained much political support during the last election among rural Japanese farmers. This voting block was traditionally a stronghold of the LDP and played a crucial role in the DPJ's historic victory in 2009. Consequently, the proposed agriculture reforms that Japan would need to undertake for TPP would severely damage ties with this group of voters and leave many DPJ members questioning what the long-term political implications for their party are if Japan were to acquiesce to foreign demands to join the TPP.

On March 7<sup>th</sup>, 2012, the governments of Canada and Japan published the updated joint study on the possibility of a Canada-Japan Economic Partnership Agreement. The new joint study concluded that there is an advantage for both sides in pursuing an EPA to increase trade flows and economic growth. In addition, an EPA would be an important step in developing regional integration towards a Free Trade Area of the Asia-Pacific (FTAAP) or other multilateral agreements, like TPP. As a late comer to TPP negotiations, Japan would benefit from Canada's involvement as they share common problems related to supply management in their agriculture industries. These commonalities make Canada and Japan good partners in both multilateral and bilateral trade contexts. Consequently, this could assist the current Japanese administration, as it seems more and more likely that Prime Minister Noda's political future may be tied to the results of TPP. In terms of benefits for Canada, trade agreements will bring more reduced tariffs, allowing Canada to gain better market access to Japan. Furthermore, Canada can be a prominent player in Japan's pursuit of reliable energy security, thus diversifying its export market in terms of natural resources. A bilateral or multilateral agreement will allow Japan to be Canada's "gateway" to Asia and foster Canada's economic interests in the Asia Pacific region.