

Implications of the Trans-Pacific Partnership for Japan: Agricultural Policy Reforms and Productivity Gains

Ken Itakura (Nagoya City University)

Hiro Lee (Osaka University)

Abstract

In October 2015 twelve nations reached final agreement on the largest regional trade accord in history, accounting for 40 percent of the world GDP. While the implementation of the Trans-Pacific Partnership (TPP) agreement is expected to bring about economic welfare gains for all member countries, some sectors, such as several agricultural sectors in Japan and textiles and apparel in the United States, are expected to contract if no policy reform is carried out. The objectives of this paper are twofold. First, by using a dynamic applied general equilibrium model with plausible sequences of TPP enlargements, we offer results that are highly policy relevant. Second, we examine additional effects of the TPP, namely trade-induced agricultural policy reforms in Japan and the positive impact on productivity. The results suggest that when Japan's agricultural policy reforms would result in an increase in productivity of its agricultural sectors, the extent of output contraction of agricultural and processed food sectors in the country would be reduced significantly except for dairy products. In addition, when import and export penetrations are assumed to exert a positive effect on productivity, the magnitudes of welfare gains for all the member countries increase considerably.