

THE JAPANESE POLITICAL ECONOMY FOLLOWING THE UKRAINE–RUSSIA CRISIS AND THE ROLE OF THE TRANS-PACIFIC PARTNERSHIP

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Висвітлено основні проблеми стану сучасної економічної і політичної ситуації в Японії та Україні. З метою створення зони вільної торгівлі та зростання світового ВВП розглянуто можливість та умови вступу Японії у міжнародну торгово-економічну організацію — Транс-Тихоокеанське партнерство (Trans-Pacific Partnership, ТПП). Висвітлено спільні проблемні аспекти вступу Японії в ТПП та приєднання України до ЄС. Вивчено доцільність входження цих країн у зону вільної торгівлі, проаналізовано основні критерії експорту та імпорту, а також якості сільськогосподарської продукції. Підкреслено, що Україна є одним із основних експортерів сільськогосподарської продукції в Японію, зокрема зернових культур. Для розв'язання проблем, зумовлених політичною та економічною кризою в Україні, запропоновано можливі шляхи збалансованого розвитку країни.

Ключові слова: сільське господарство, сільськогосподарська продукція, Європейський Союз, національна економіка, міжнародна торгівля, політична ситуація, Транс-Тихоокеанське партнерство.

The purpose of this paper is to compare the current political and economic situations in Japan and Ukraine. This paper also discusses the role of the Trans-Pacific Partnership (TPP) in the Japanese economy.

The TPP is an organisation that encourages trade and economic cooperation among all the countries in the Pacific region, except Russia, China, and North Korea. However, many problems are preventing Japan from entering into an agreement with the United States presently. On the contrary, Ukraine is attempting to join the European Union (EU), not only as a national security partner, but also as a member of the economic zone. In principle, this is one way for Ukraine to progress. However, it is also similar to the situation in Japan, which is in talks with many TPP members about forming a new economic zone.

Ukraine is the fifth largest exporter of grain to Japan, but few Japanese know about its importance in this regard. This lack of knowledge means that Ukraine is unpopular in Japan, even though it exports a number of products to Japan.

The current economic situation in Japan is very strong because the government is implementing a new economic policy termed 'Abenomics' after Prime Minister Shinzo Abe. One of the main policies of Abenomics is to maintain a weak yen. Why does Prime Minister Abe want a weak yen? Indeed, the word 'weak' does not sound good for the economy. For example, the government of Viktor Yanukovich, the former president of Ukraine, tried to make the Ukrainian currency strong so that Ukrainian citizens could travel to foreign countries. However, a weak currency has a positive effect on the national economy.

For example, many Japanese travel overseas for their holidays. However, now when

the yen is weak, visiting foreign countries is more expensive than ever. This high cost encourages Japanese to travel across Japan instead, meaning that residents spend their money on Japanese tourism. Thus, tourist attractions and hotels can earn more money than before, allowing them to invest in new facilities, thereby improving their attractiveness to tourists and further enticing foreign tourists to visit Japan. Therefore, a weak domestic currency can strengthen an economy. A weak yen also can increase the profits of exports from Japan.

Of course, a weak currency has some problems, too. For example, the cost of imports rises when the currency is weak, which is especially challenging for a country like Japan that relies on imports of many natural resources such as oil and gas. Further, we cannot control a weak yen in the face of international events. In May 2014, for example, the yen strengthened because of the crisis in Ukraine. Many investors then wanted to buy yen in order to save their funds. Now, the Japanese government is targeting 2% inflation to maintain its weak yen policy.

As Prime Minister Abe is known to support Ukraine against Russia, and thus, the Japanese government has decided to impose sanctions on the latter. However, Mr. Abe also has a dilemma. Because he is famous as a nationalist politician worldwide, his primary task is to change the Japanese Constitution, which was adopted in consultation with the United States after World War II. This approach may have led to a degree of conflict between the Japanese and U.S. governments. Indeed, Mr. Abe has only met with President Obama twice, whereas he has already met with President Putin five times, and President Putin is also planning to visit Japan in the autumn of 2014.

Before the crisis in Ukraine Mr. Abe was thought to have a good chance of negotiating with President Putin about the islands of the northern territory, which the Russians call the Kuril Islands, and possibly continuing his political duty for the next five years. However, if Japan joins the sanctions against Russia in support of Ukraine, relations between Japan

and Russia will return to their previous low level. Further, the Japanese government has now decided to join the TPP, which is an initiative of the United States.

The main objectives of the TPP are a customs tariff of 0% and allowing free movement of human capital between countries. One of the negotiators of the Japanese government is Nishimura Yasutoshi, Deputy Minister of the Cabinet of Japan. He participated in the third Japanese–Ukrainian forum on the regional economy and culture held in Japan in 2012.

Although TPP agreements will decide Japan's future fate, it has been negotiating with the United States for the past three years. What are the problems? For Japan the TPP poses a big dilemma, because this agreement will have both positive and negative effects for Japan (perhaps more negative effects than positive ones). Although industrial production in Japan (e.g. of electrical appliances) could increase exports in the absence of tariffs, Japanese agriculture would suffer. Similarly, the U.S. automotive industry might be negatively affected because Japanese cars imported into the United States would become cheaper.

While the quality of Japanese vegetables and agricultural products is very high, the prices are too steep. After agreeing on the TPP, cheap foreign agricultural products would flood Japan. The Ministry of Agriculture, Forestry and Fisheries has estimated that agricultural production in Japan will fall by 40% if the country joins the TPP, while food self-sufficiency will decline from 40% to 17%.

Many of the discussions about the TPP in Japan are related to agriculture because Japanese consumers tend to prefer to buy local high-quality products. For example, the Japanese do not want to eat rice and vegetables from China in their own homes. Therefore, many Japanese farmers do not need to produce tasty rice, leading to a lack of rice competitiveness in Japan, although the country is the fifth largest agricultural producer in the world. Nevertheless, in the catering industry most dishes are made from low-quality agricultural products from abroad. Hence, there is

a double standard in Japan: the Japanese only eat domestically sourced food at home, but consume cheap foreign agricultural products when dining out.

The situation in Ukraine is similar to that of Japan. Yanukovich's government tried to create the Russian economic zone (e.g. a customs union), but failed. Many Ukrainian people want to join the EU, leading to the Euromaidan protests. However, the EU standards in all areas are very high to the point that some current EU member states cannot achieve them, such as Greece and Slovakia.

There are five shortcomings to EU accession. First, there is no tariff autonomy. An influx of cheap products will come from the EU, damaging Ukrainian domestic industry and raising unemployment. Second, there is no financial autonomy; thus, the Ukrainian government could not control the rate of exchange. Third, there is no financial autonomy for social security, as it does not meet EU standards and austerity. Fourth, labour and services are liberalised. This means that while Ukrainian workers could work in the EU, cheap foreign workers could also come to Ukraine. Finally, a common currency (i.e. the Euro) is in use. This means that a strong currency would go into circulation in Ukraine, preventing visits by foreign tourists. These five points are the same as the shortcomings of the TPP for Japan.

I would like to explain what could happen by using the example of your Academy. According to EU standards, the budget of the Academy should be 20 times higher. However, there is no such amount in the national budget, making it necessary to restructure. Therefore, the number of universities and research institutions would reduce and many scientists would lose their jobs. As in this example, if Ukraine joins the EU, some things will have a positive impact, but other things will have a negative influence.

If so, what methods exist for Ukraine? I think that Ukraine could find a third way: it

could retain its independence as Switzerland has. To do this, Ukraine has to take certain political steps.

First, it needs a strong military force or military alliance to protect its independence from Russia. There is another method rather than joining the EU or NATO. Ukraine may seek to sign a military alliance with the United States directly, as in the Japanese system. Second, the creation of a strong and stable economy is necessary. Third, Ukraine must improve social security to increase the peace of mind of Ukrainian people. Finally, Ukraine should strive to become a huge market such as China, because Ukraine is the second largest country in the CIS. It must produce competitive products and transfer production capacity abroad. If a Japanese car manufacturer established a plant in Ukraine, for example, Ukrainian consumers could buy the same high-quality car but at a lower price.

For agricultural sector, Ukraine should not open the market for the EU too quickly. It would be better to limit market access, because many EU countries carry out business in Ukraine, which does not always have a positive effect (e.g. buying agricultural land). At the same time Ukraine should start to develop a high-quality technical culture to have competitive advantage in the EU market. Then Ukraine will be ready to join the EU in the future.

In addition, EU membership for a country takes physical effort. Thus, it needs some time. For example, in the case of the TPP, Japan and the United States continue to negotiate, but the elimination of tariffs on Japanese cars might only be possible in 20 years. Similarly, a cancellation fee on U.S. beef of 9% to 20% may be possible in more than five years. However, Japan and the United States need a long time to eliminate the tax barriers.

Therefore, Ukraine must wait until it is able to produce high-quality products before joining the EU. This could take at least five years.