

A TPP Headquarters Should Be Established in Osaka

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- ▶ In order to support the successful implementation and maintenance of the Trans Pacific Partnership agreement, the Japanese government should establish a permanent TPP Headquarters in Japan, with 300 employees and an annual expenditure of 10 billion yen.
- ▶ The government should secure the necessary land and infrastructure needed to house the TPP Headquarters.
- ▶ The TPP Headquarters should be a fully endowed international organization with diplomatic immunity, hosting Ambassadors from each participant country and from non-member countries.
- ▶ Operational costs for the Headquarters should be covered by contributions from member countries.

The necessity of a TPP headquarters

Negotiations for the 12-country Trans-Pacific Partnership Agreement (TPP) have just been concluded. Now that a framework for the basic terms has been reached, it will take several months before the full treaty is signed. After that, there will be a long wait for the legislatures of each member nation to ratify the agreement. Furthermore, the TPP treaty will not properly take effect until member nations enact a range of related domestic legislation, including reforms in the fields of tax, subsidies and regulations.

Take, for example, the tariff reductions that have been agreed. Very few of these will come into effect immediately after the treaty is signed. Most tariffs will be reduced incrementally over a period of 10 or more years. The signing of the TPP treaty simply heralds the beginning of negotiations about the new issues that the agreement raises, many of them technocratic.

In practice, a comprehensive, multilateral economic agreement like the TPP requires constant maintenance. This is due to the following factors:

1. Response to new developments

After the implementation of the agreement, unforeseen new products, services and technologies will emerge, and these could present new challenges that participating nations will need to respond to. Additionally, nations may be forced to reinterpret or revise aspects of the agreement because of external shocks, such as natural disasters or major incidents.

2. Competition with other agreements

Even when the TPP agreement comes into full legal effect, there is no guarantee that traders will automatically utilise the TPP tariffs. Instead, businesses will consider which free trade agreement (FTA) stipulations provides the most

favorable conditions. The complex set of existing FTAs between Singapore, Mexico, Brunei, Malaysia, Chile, Indonesia, Vietnam, Peru, Australia, the United States, ASEAN and Japan have turned the Pacific region into a spaghetti bowl of bilateral deals. These agreements will all compete with the TPP in terms of providing the best deal for businesses. Moreover, the TPP will need to be reviewed as other FTAs and Economic Partnership Agreements (EPAs) are revised or new agreements established.

A powerful TPP Headquarters, including a Secretariat, needs to be established to carry out these maintenance services. This “TPP-HQ” will need to perform a wide variety of functions, from setting up multi-level international meetings, like the APEC Secretariat, to suggesting agendas for member meetings, as the ASEAN Secretariat does. To perform these functions, it will also benefit from having a connected yet independent research institute to provide analysis and policy proposals. The relationship between the ASEAN Secretariat and the Economic Research Institute for ASEAN and East Asia (ERIA) offers a good model for this.

The value of establishing the TPP-HQ in Japan

The APEC Secretariat is located in Singapore, and the

ASEAN Secretariat is based in Jakarta. The Asian Development Bank’s headquarters are in Manila, while China is in the process of establishing the headquarters of the Asian Infrastructure Investment Bank in Beijing. There are also rumors that Indonesia is moving to make a bid to host the TPP secretariat. If Japan wants to promote its contribution to international society, sooner or later it will need to consider hosting an international organization.

The issue that remains is the location for the TPP Headquarters. North and South America are too distant from the many western-Pacific agreement members to be a viable candidate. In the same way, Australia and New Zealand are located on the perimeter of the Trans-Pacific region. From a geographic and logistical perspective, Japan is clearly the most suitable location for establishing a headquarters. If China, Korea and India join in the future, this will serve to further underline Japan’s locus at the center of TPP affairs.

The TPP has tripled in membership size since its beginnings in 2006 as the ‘P4’ agreement between Singapore, Chile, Brunei and New Zealand. As of October 2015, 12 nations are planning to participate. As a late-coming participant, the Government of Japan may be holding off on bidding to host the secretariat out of consideration for the original ‘P4’ countries. However, to demonstrate the nation’s commitment to international society, Japan should actively bid to host



the TPP headquarters.

Budget and size

The APEC Secretariat operates with around 50 staff members and a budget of several million US dollars (the exact figure is not made public). However, as APEC is an unofficial forum, the functions of its secretariat are weak and its annual Economic Leaders' Meetings have not made a strong contribution to solving international trade problems.

In contrast, ASEAN is made up of 10 nations that conform to the legally-binding ASEAN Charter, and its secretariat is highly functional. The ASEAN Secretariat is composed of 4 departments: the Political & Security Community Department, the Economic Community Department, the Socio-Cultural Community Department, and the Community & Corporate Affairs Department. Each of these departments is led by a corresponding directorate. The secretariat has 60 publically-hired specialist employees and 170 locally-hired office staff. It is an international organization with diplomatic immunity, and over fifty nations including the U.S. have delegated ASEAN Ambassadors to the Secretariat. Japan is not an ASEAN member nation, but the government has established a Mission of Japan to ASEAN in Jakarta.

The ASEAN Secretariat's annual expenditure is currently 1.9 billion yen, but there are plans to undertake a large scale expansion of the ASEAN Academy, which also has secretarial functions, to increase the influence and unity of ASEAN.

The total GDP of the 12 TPP participant nations is about 10 times the size of that of the ASEAN nations. While the expenditures of secretariats need not be proportional to members' GDPs, considering the scale

and complexity of issues the TPP nations could face and the large number of member nations, it is likely that a TPP Headquarters would need a budget of 10 billion yen and 300 employees.

Why Osaka?

Of various possible host cities in Japan, there are 8 main reasons why Osaka is the most suitable location for the TPP Headquarters.

1. Historically, Osaka has had strong historical and cultural ties with Asia, and it continues to have a higher share of Asian trade than Japan's national average.
2. Osaka has a world-class public transport infrastructure, with extensive, privately-owned road, train and subway networks and the Kansai International Airport operating 24 hours a day.
3. Osaka City is located in the center of the Kansai region, and thus is the ideal location for meetings, incentives, conferencing and exhibitions (MICE) visitors.
4. Osaka City has a successful track record of hosting international conferences, such as the APEC Economic Leaders' Meeting.
5. Osaka and the wider Kansai region are home to several major universities that can supply the Secretariat with highly-skilled support staff.
6. Kansai has an abundance of housing, international schools and religious facilities for TPP-HQ staff to utilize, as well as a wealth of traditional, cultural and historic sites for foreign employees to experience.
7. Osaka is currently redeveloping a former Japan Rail (JR) freight yard located in the centre of the Umeda business district. The large-scale knowledge-innovation hub 'Grand Front Osaka' was completed as the first stage in 2013. The

second stage, called ‘Umekita 2’, is now underway, and offers wide scope for future development.

8. If the TPP Headquarters is established at Umekita 2, utilizing express transport connections to Kansai airport and the Asia-Pacific region beyond, Osaka will be able to function as a convenient and well-resourced hub for the TPP.

Conclusion

We call on the Japanese government to seize the opportunity presented by the resolution of the Trans-Pacific Partnership negotiations to demonstrate Japan’s commitment to the successful implementation of this agreement and to strengthening the country’s contribution to international society. As a complex agreement which will require dedication and perspiration to achieve full implementation, utilization and ongoing maintenance, the TPP requires a permanent headquarters. Given its geographical location at the center of the network of current members and future possible candidate countries,

Japan is best placed to host this headquarters. Within Japan, the commercial powerhouse of Osaka, with its strong historical, trading and transportation links to Asia and the Pacific region, is the ideal home for the TPP Headquarters, which could easily be housed in the new ‘Umekita 2’ development.

Related Literature

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