

Relationship between “TPP Policy Paper” and New 3 Arrows

On 25th November, the Abe administration held its Trans-Pacific Strategic Economic Partnership Agreement (TPP) Task Force meeting at the Prime Minister’s Office and released its domestic measures as “TPP Policy Paper”. TPP is considered as the key growth strategy by PM Abe. It is a materialization of the Third Arrow (growth strategy to stimulate private investment) in the older version of Abenomics’ 3 Arrows. Policies are likely to be reflected in the supplementary budget of FY2015.

Point 1

“TPP Policy Paper” aims at revitalizing the economy and freeing Japanese citizens from anxiety

Promotion of export and realization to be a global hub are the main pillars

- The Japanese government thinks the “TPP Policy Paper” will clarify policy objectives, freeing Japanese citizens from anxiety on the impact of TPP by linking it to economic and regional revitalizations. Main pillars determined this time were i) promotion of export, ii) realization to be a global hub (centre of global trading and investment) and iii) consideration to agriculture.

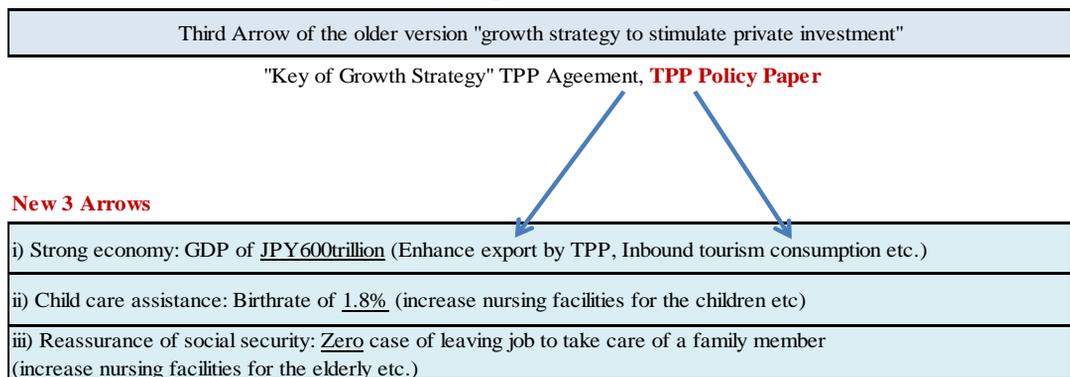
Point 2

Relationship with the New 3 Arrows

Contribute to increase GDP to JPY 600 trillion

- Specifically, Pillar i) clearly states the participation of SMEs and promotion of exporting entertainment contents, agricultural, forestry & fishery products and infrastructure systems. Pillar ii) includes attracting foreign companies and increasing the consumption by foreign visitors in Japan (inbound tourism consumption). Pillar iii) eases the anxiety of farmers and protects them by purchasing home-grown rice as the national reserve.
- Meanwhile, enhancement of export by TPP and inbound tourism consumption are included in the First Arrow of the New 3 Arrows of Abenomics aiming at increasing nominal GDP to JPY 600 trillion. In this way, the “TPP Policy Paper” and realizing the “Emergency Measures of Promoting Dynamic Engagement of All Citizens” are closely connected.

TPP Policy Paper and New 3 Arrows



- (Note)
1. Above diagram is just an image and may differ from its original intension.
 2. Underlined figures mentioned in New 3 Arrows are their respective targets.
 3. What is written in brackets are included in emergency measures of Promoting Dynamic Engagement of All Citizens.

(Source) SMAM, based on publicly available information.

May gain market appreciation through steady implementation of policy

- The TPP Agreement might be a tailwind for related industries mentioned in the “TPP Policy Paper”. However, it is too early to see a good effect on Japanese stocks just on these basic policies. We need to wait until the Agreement takes effect in 2016, from when actual impact will start to emerge.
- Even so, the “TPP Policy Paper” and “Emergency Measures of Promoting Dynamic Engagement of All Citizens” can be assessed positively, as they are searching for growth opportunities of the Japanese economy and tackling issues of declining birthrates and aging population. Although effect of the policies will become apparent in the mid-to-long term, the market is expected to appreciate steady implementation of these policies.

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