

Japan and free trade

Better late than never

Give Japan's new leader the benefit of the doubt on free trade

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Abe seeks security

WHEN Shinzo Abe, Japan's prime minister, announced on March 15th that he would lead his country into free-trade negotiations with 11 countries, including America, to forge the so-called Trans-Pacific Partnership (TPP), he deployed two tools to make his case. One was rhetorical, the other subliminal.

First, he told a country with an uneasy attitude towards free trade that it was now or never. Japan could either be part of a global trend towards more open trade, or it could retreat into isolation. Second, he used a map. It showed those already in TPP talks coloured in yellow. Japan was in red. Looming over Japan's shoulder was a big, blank China. A senior member of Mr Abe's Liberal Democratic Party (LDP) said the message was unmistakable. It was meant to show, without stating it overtly, that the TPP was a way for Japan to counterbalance a rising China. Perhaps it too would eventually be brought into the fold.

Mr Abe is likely to continue to use both economic and security arguments to press his case at home, for he has a lot of convincing to do. His Liberal Democratic Party swept back into power in December thanks partly to the votes of rural Japanese who oppose farm-trade liberalisation.

Japan is joining the TPP talks two years after it first expressed an interest. In the meantime, much has already been negotiated among the other participants. The discussions have been secret, so it is not clear how far Japan can now influence the outcome. Adding to the complications, when Mr Abe notifies the United States of Japan's intention to join, Barack Obama's administration has 90 days to consult Congress. That means Japan may not be able to take part in discussions until a scheduled round in September. Currently, the collective deadline for doing a deal is October.

Even as Mr Abe faces resistance at home, some of those who finished the 16th round of TPP negotiations in Singapore on March 13th have mixed feelings about Japan. South-East Asian countries in the talks—Brunei, Malaysia, Singapore and Vietnam—would broadly welcome Japanese participation. Mexico, Chile and Peru are likely to be in favour, because of the size of the Japanese market. Canada joined partly in response to Japan's interest.

Yet Deborah Elms, a specialist at Singapore's Temasek Foundation Centre for Trade and Negotiations, says Australia and New Zealand may worry that Japan will spin out the talks only to walk away in the end. (That bilateral free-trade talks between Japan and Australia have dragged on since 2007 hardly augurs well.) They also fear that, if Japan tries to protect agricultural products—notably rice, wheat, sugar, dairy products, pork and beef—it would set a precedent for America to take sugar off the table, and for Canada to protect its dairymen. As for America, Ms Elms notes that its TPP negotiators cut their teeth decades ago battling Japan on such issues as market access for American cars, beef and insurance products; they expect a tough fight.

There are grounds for optimism, however. Some note that, instead of talking about “exceptions” for Japan's most sensitive farm products, such as rice (highest tariff: 778%), Mr Abe has used the word “sanctuaries”. This implies that tariffs are up for negotiation, even if they may not be fully phased out. What is more, the TPP's popularity is rising, along with that of Mr Abe's government. It may help him to win more pro-TPP votes in upper-house elections in July than he loses from the disgruntled farm lobby. Of late, the ruling LDP, despite its historical links with farmers, has shown remarkable discipline. At present, Mr Abe looks as though he can hold the TPP line in his party.

For their part, the other TPP countries, although keen to wrap up negotiations by October, may conclude that delay is a price worth paying if it brings the largest and third-largest economies together into what could be the world's most ambitious free-trade zone. Ms Elms says that with Japan in, South Korea might well follow. With Japan and Korea, “you'd have real economic weight on the table”. And in the background lurks China, the biggest Asian market, which may one day feel more compelled to consider joining the TPP if Japan and South Korea are already in.

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