

# Japanese PM's support for US trade pact provokes opposition

**John Chan****17 November 2011**

Japanese Prime Minister Yoshihiko Noda's announcement on November 11 that Tokyo would move to join negotiations on the US-backed Trans-Pacific Partnership (TPP) trade agreement has reopened deep divisions within the ruling party over economic and foreign policy.

Prior to the announcement, the *Japan Times* reported sharp conflicts within the Democratic Party of Japan (DPJ), with "lawmakers forming rival camps." According to the newspaper, "tempers flared at a party meeting of the DPJ's TPP panel that was intended to reach a unified conclusion on the issue." The November 9 meeting broke up without a resolution.

The main anti-TPP group, led by former farm minister Masahiko Yamada, then stepped up its opposition by submitting a petition signed by over 200 Diet (parliament) members to the party leadership. Significantly, Yamada had backed Banri Kaieda, the candidate of party powerbroker Ichiro Ozawa, in the party's leadership election in August that resulted in Noda's installation as the new prime minister.

The internal party opposition forced Noda to delay his planned announcement by a day. His fear is that if even a few anti-TPP lawmakers defect, as they have threatened, that would undermine the government's ability to pass legislation in the Diet. The DPJ lost control of the upper house in elections last year, and has a small majority in the lower house.

Noda's statement was carefully worded to placate the anti-TPP lawmakers. He denied making a decision to join the TPP negotiations, merely to "start talks with related countries toward participation in the TPP negotiations."

One key issue is the future of Japan's rice farmers under the TPP, which in principle will involve opening up all Japan's markets, including agriculture. The farmers are protected by heavy subsidies and a rice tariff of more than 750 percent. Shun Shirai, a member of a farmer group that held a sit-in in Tokyo this week, told the *New York Times* that "our way of life, will be destroyed."

Although only a few million farmer households have survived Japan's post-World War II industrialisation, they remain a key voting base. By some estimates, 90 percent of rice production

would be replaced by imports under the TPP, together with almost all Japan's sugar and wheat output, as well as beef, chicken and pork products worth 1.1 trillion yen (\$US14 billion) per year.

Almost all the Diet opposition parties—the Liberal Democratic Party (LDP), the Social Democratic Party and the Stalinist Japanese Communist Party, as well as New Komeito—oppose the TPP. The LDP, which ruled Japan for almost half a century from the 1950s and depends heavily on rural voters, has threatened a non-confidence motion against Noda.

Noda sought to counter the criticisms, saying he was "determined to preserve Japan's traditional culture, its beautiful farming villages." Nevertheless, he insisted it was necessary to proceed with the TPP: "But in order for Japan, which has built its prosperity on trade, to pass on its affluence to future generations, it must tap into the vitality of the Asia-Pacific region."

Behind the sharp differences on the TPP also stands the dilemma within ruling circles over trying to balance relations with the US—Japan's key military and strategic ally—against Japan's economic integration in Asia, especially with China, its largest trading partner. Noda's opponents within the DPJ, particularly the Ozawa faction, have advocated closer relations with China.

Noda announced his support for the TPP as he flew to Hawaii for the Asia-Pacific Economic Cooperation (APEC) summit, which was used by the US administration as a platform to isolate China. The TPP is a thinly veiled move to undercut China's rising economic power throughout the Asia-Pacific. The TPP criteria, particularly on state-owned enterprises and intellectual property, are designed to exclude China.

The TPP talks have thus far only extended to the relatively small economies of Singapore, Brunei, Chile, New Zealand, Australia, Peru, Vietnam and Malaysia. Including Japan, the third largest economy in the world, will provide a major boost to the Obama administration's economic and diplomatic offensive against China.

Noda's support for the TPP is far from unconditional. Over the past two decades, Japanese companies have become increasingly dependent on cheap labour operations in China. A substantial

portion of “Made in China” exports are produced by Japanese-owned companies, which have directly benefited from Beijing’s export subsidies and its currency valuation—which were criticised by Obama in Hawaii.

At the APEC meeting, Japanese Foreign Minister Koichiro Gemba attempted to dilute the support for TPP, by also backing for APEC’s original “Free Trade Area” proposal. This would occur through the framework of the Association of South East Asian Nations (ASEAN) plus Three (China, Japan and South Korea), or ASEAN plus Six (adding Australia, New Zealand and India).

The ASEAN plus Three arrangement, in particular, has been centred on China, whose free trade deal with the ASEAN since 2010 has reflected the region’s growing economic integration. China has become a manufacturing export hub, with South East Asia, Japan and South Korea being the suppliers of components, raw materials and capital goods.

Another factor in the divisions in Tokyo is the unresolved trade tensions between the US and Japan. As the two economies would account for 90 percent of the gross domestic product in the TPP, sections of the Japanese corporate elite have viewed the proposed pact as a means to force Tokyo to accept a disadvantageous US-Japan free trade agreement (FTA).

Noda has promised to “aggressively” defend Japanese economic interests in TPP negotiations, including by excluding the agricultural sector from the pact, and by joining Australia and New Zealand’s opposition to the US insistence on removing state-subsidised pharmaceutical prices.

The issue is so sensitive that after President Barack Obama welcomed Noda’s “historic” announcement to “put all goods, as well services, on the negotiating table for trade liberalisation”, the Japanese foreign ministry issued a statement denying that Noda offered to include “all” goods and services. The White House pointedly stood by Obama’s statement.

The US has exempted sugar from its FTA with Australia, and rice from its deal with South Korea. But Japan, despite a close alliance, remains a major economic rival to the United States. US Trade Representative Ron Kirk indicated that Washington was unwilling to make such concessions to Tokyo. “To join the negotiations, Japan must be prepared to meet the TPP’s high standards for liberalising trade and to address specific issues of concern to the United States regarding barriers to agriculture, services, and manufacturing trade, including non-tariff measures,” he declared.

Noda’s announced commitment to the TPP is designed to signal Japan’s strong support for Washington’s broader campaign against China. The DPJ initially came to office in 2009 with Prime Minister Yukio Hatoyama pushing for the formation of an East Asian Community. This orientation came into conflict with the

Obama administration’s “back to Asia” strategy of expanding alliances and military bases in the Asia-Pacific region to contain China.

Hatoyama’s replacement by Kan in mid-2010 represented a major shift toward reinforcing the US-Japan alliance, accompanied by rhetoric against China’s “military threat.” During his premiership, Kan was repeatedly challenged by factional leaders such as Ozawa and Hatoyama, who demanded a more independent stance from Washington and a better relationship with Beijing.

These powerbrokers forced Kan to step down this August, amid popular discontent over Kan’s handling of the Fukushima nuclear disaster and austerity measures to rein in Japan’s massive public debt.

Far from retreating, Noda has moved even further than Kan to antagonise China. In the past two months, he has given public support to Vietnam and Philippines in their disputes with Beijing in the South China Sea—a key issue in the Obama administration’s campaign to disrupt China’s regional influence. Noda will visit India—another major rival of China—in December, and this will be followed by the first ever joint Japanese-Indian naval exercises in the Indian Ocean early next year.

Washington’s pressure on Tokyo to join the TPP will intensify the tensions within the DPJ, which could further destabilise Noda’s government. While the Obama administration is hoping to finalise the TPP talks by the end of next year, it is possible that Noda may not survive that long.

*The author recommends:*

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