Japan to sign up to US-led Asia-Pacific trade pact

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Japanese Prime Minister Shinzo Abe announced last Friday that Japan would seek to join negotiations for the US-led trade pact known as the Trans-Pacific Partnership (TPP). The TPP is closely bound up with President Barack Obama's "pivot to Asia", which is aimed against China in every sphere—economic as well as diplomatic and strategic.

Tokyo's decision to sign up to the TPP is directed at offsetting Japan's economic decline. Abe told a televised news conference: "Japan must remain at the centre of the Asian-Pacific century. If Japan alone continues to look inward, we will have no hope for growth. This is our last chance. If we don't seize it, Japan will be left out."

Abe faces opposition within his own right-wing Liberal Democratic Party (LDP), which rests heavily on a rural social base. Former defence chief Gen Nakatani wrote on his web site last month that the trade deal would have "immeasurable effects on agriculture".

The TPP seeks to eliminate all trade barriers among partner countries. Japan's current tariffs for agricultural products average 25 percent, but are far higher for some items, including 778 percent on rice imports, 328 percent on sugar and 218 percent on powdered milk.

During discussions with Abe in Washington last month, Obama appeared to offer a concession to Japan. A joint statement noted that Japan would take part in TPP talks, but also recognised "bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the United States."

The LDP government is joining the TPP not simply for economic reasons. In comments aimed against China, Abe spoke of "a joint effort" with the US in "building a new economic sphere" and with other Asia Pacific countries "who share the values of freedom, democracy, human rights and the rule of law." This was necessary, he emphasised, to "bring stability to Japan's regional security."

While dressed up as "free trade", the TPP is in reality a trade war measure. Those countries inside the "new economic sphere" will enjoy its benefits at the expense of non-member states. The pact will further undermine the post-war principle of most-favoured nation status, which insisted that benefits given to one country should be extended to all.

The US seized on what was originally a deal between four relatively minor economies—Brunei, Chile, Singapore and New Zealand—to fashion an instrument to meet its economic and trade interests. As well as tariff reduction, Washington has also included rules on the protection of intellection property, labour regulations and bidding for public works contracts that China would find difficult to accept.

The US and Japan both regard the TPP as a means for countering China's growing economic influence. Beijing already has a significant number of free trade agreements, including with the Association of South East Asian Nations (ASEAN) countries. Since the US formally joined the TPP in 2008, Australia, Canada, Mexico, Peru, Malaysia and Vietnam have also signed on. Japan's participation will enhance its economic clout.

Abe's decision to join the TPP is part of his aggressive economic agenda aimed at ending more than two decades of stagnation. Last Friday, the parliamentary upper house completed the process of confirming Abe's appointees to the country's central bank, the Bank of Japan (BoJ)—Haruhiko Kuroda as governor, along with Kikuo Iwata and Hiroshi Nakaso as his deputies.

During last December's election campaign, Abe

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called for the BoJ to adopt monetary policies similar to the US Federal Reserve's "quantitative easing"—a measure akin to printing money to drive down the value of the US dollar and make American goods more internationally competitive. As well as bringing down the value of the yen, Abe is seeking to end deflation. He has set a target of 2 percent inflation and warned that he would, if necessary, introduce legislation to enforce it.

Kuroda and Iwata are longstanding critics of BoJ policies and advocates of aggressive monetary measures. "Since monetary easing actions so far haven't been sufficient, I will take every measure possible to achieve the 2 percent target if approved as governor," Kuroda told his confirmation hearing last week.

Even before Kuroda's appointment, the financial markets had responded to Abe's plans by lowering the value of the yen by 15 percent since the LDP won the December election. Anticipating a flood of cheap credit, the Japanese stock market had soared by 27 percent over the same period.

There is nothing benign about these monetary measures. Japan and the US are using the currency devaluations to boost exports and shift the burden of the deepening global economic breakdown onto their rivals. Gao Xiqing, head of China's sovereign fund, recently denounced Japan for treating its neighbour China as a "garbage bin" and warned Tokyo that starting a "currency war" would "be bad for yourself".

Japan is also concerned about South Korea, as the two countries are increasingly competing with one another in a range of goods, including sophisticated electronics and vehicles. The recent fall in the value of the yen has already hit South Korean exports. By joining the TPP, Tokyo is seeking another means of boosting its trade position against Seoul. Unlike South Korea, which already has a significant number of bilateral free trade deals, Japan has virtually none.

Abe's decision to join the TPP, despite the likely impact on the LDP's rural base, is a clear sign that he is seeking to consolidate Japan's alliance with the US in every area. The trade war measures against China go hand-in-hand with Japanese support for Obama's diplomatic and strategic "pivot" and a tougher stance against China in the current standoff over disputed islands in the East China Sea.

Since coming to office, Abe has increased the Japanese defence budget for the first time in a decade and is proceeding with plans to remove the restrictions of the country's so-called pacifist constitution on the Japanese military. In a speech to parliament last month, he likened his approach to the island dispute to that of former British prime minister Margaret Thatcher, who went to war with Argentina over the Falkland Islands in 1982.

Japan's participation in the TPP will only heighten tensions with China and the danger of a descent into conflict and war.

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