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Politics clouds Tokyo's trade pact decision

Industrial lobbies go up against agricultural interests in lead-up to whether Japan joins the Trans-Pacific Partnership

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(Tokyo)

A MAJOR political storm threatens to split the Japanese government and to pit the nation's powerful industrial lobbies against agricultural interests as Tokyo decides whether to join the Trans-Pacific Partnership (TPP).

As reported in Thursday's BT, Japan is expected to announce its intentions regarding the Pacific-rim economic partnership, of which Singapore is a founding member, ahead of the Apec summit in Yokohama next month.

But while business lobbies including the Federation of Economic Organisations (Keidanren) came out strongly yesterday in favour of Japanese membership, a large group of politicians from Prime Minister Naoto Kan's ruling Democratic Party of Japan predicted a major agricultural backlash against any such move.

Economics Minister Banri Keida also called yesterday for Japanese membership of the TPP which began in 2006 as a free-trade agreement among New Zealand, Singapore, Chile and Brunei and which the US and Australia, Malaysia, Vietnam and Peru are now negotiating to join.

New Zealand Prime Minister John Key warned this week that Japan risks being excluded from regional economic integration unless it engages in bilateral free trade agreements and participates in an Asia-Pacific free trade. 'If Japan doesn't embrace (the TPP), they will fall behind China and Korea,' he added.

The TPP is seen as a way of integrating the US with key Asian markets at a time when China has been proactive in reaching trade agreements with Asean and others. But Japan is in danger of being left out unless it moves quickly to launch negotiations, some argue.

Keidanren, the biggest and most influential of Japan's business lobbies, yesterday rushed out a statement urging the government to offer to participate in TPP talks at the Apec annual summit next

month, according to Kyodo news agency.

'If the government loses the opportunity to make the offer, Japan may lag far behind other countries in developing an international business environment,' Keidanren said.

Japan should promptly take part in the talks to make a strong case for its stance on farm product trade and positively engage in making trade and investment rules under the proposed TPP agreement, said Keidanren.

The business lobby, meanwhile, urged the government to boost the competitiveness of Japan's agriculture through structural reforms to achieve enhanced domestic food supply and the promotion of trade liberalisation.

Economists agree that such deals are vital to keep more manufacturers from moving overseas, taking jobs with them.

Tadashi Okamura, chairman of the Japan Chamber of Commerce and Industry, also called on the government to promptly take part in TPP talks.

But 110 members of Japan's ruling political party, including former prime minister Yukio Hatoyama, held a meeting where they urged the government to be 'cautious' in considering the idea of joining the TPP, out of concern for the future of Japanese agriculture.

'We express great concern about rushing to make an announcement about joining (the TPP) just because Japan is chair of Apec,' the lawmakers said, according to Japanese media reports.

Shizuka Kamei, leader of the People's New Party, the DPJ's tiny coalition ally, said that he was surprised to hear Mr Kan say in a recent policy speech that the government would 'look into participating' in TPP negotiations.

The prime minister should have 'consulted about the matter beforehand' with the DPJ's coalition partner, he said. The lawmakers are concerned that Japanese farmers could suffer 'a critical blow' if the country joins the TPP as the agreement in principle requires members to eliminate all tariffs.

The government is expected to reveal its stance on free trade deals, including the TPP, ahead of the Yokohama Apec summit, which US President Barack Obama will attend.

But the Japanese prime minister appeared to be backing away from an early decision yesterday.

'It is not something as easy as saying that we can decide on everything about (FTA and TPP) issues at Apec,' Mr Kan told the meeting, according to Tatsuo Hirano, senior vice-minister of the Cabinet Office.

Speaking in Tokyo on Thursday, Peter Petri, an economics professor of Brandeis University, said that he expected to see Japan announce 'within days' its intention to enter TPP negotiations. He described the TPP as 'a very small (group) but a building block towards a great trans-Pacific vision' of economic cooperation.