The success of President Obama’s swing through Japan on his Asia trip last week, he is supposed to have told Prime Minister Abe in The Hague recently, would be measured by whether it delivered a satisfactory conclusion to the Trans Pacific Partnership (TPP) negotiations between Washington and Tokyo. On that metric, the trip was an abject failure. There was no conclusion or agreement. Japan is not yet prepared to give sufficient ground on free trade in agriculture. Abe’s third arrow also looks distinctly limp after his failure to cut through Japan’s agricultural protectionism and the way in which he and the Japanese government continue to approach the TPP, a highly symbolic if relatively minor element in revitalisation and structural reform.

With President Obama undertaking to defend the status quo on the Senkaku/Diaoyu islands, Prime Minister Abe explicitly rationalising his Yasukuni visit in Obama’s presence and no clear outcome on TPP, there was awkwardly unrequited progress on the US-Japan security relationship.

The Obama–Abe joint communique claimed that there had been ‘significant achievements’ and that the two sides had ‘defined a path forward’ on the TPP. In fact, the mess still outstanding on the trade front leaves the leaderships in both countries looking diminished. In the latest round of negotiations between Tokyo and Washington, the gap on one account (http://the-japan-news.com/news/article/0001235769), may have narrowed, though most other sources say it is as wide as ever (http://ajw.asahi.com/article/behind_news/politics/AJ201404250081). Whether the gap is still
wide or now narrower, neither side has brought to the negotiations a sense of the bigger principles that should inform the ambitions of a high standard trade agreement between the largest and third largest economies in the world, or anything that contributes to bolstering the global trading system.

The likely failure of the TPP to deliver what it promised underlines the malaise in the world trading system, on which the success of the Bali WTO ministerial offered a small ray of hope. Washington and Tokyo increasingly appear bit players in the global system, doing what will be *de facto*, if it is delivered at all, a grubby bilateral trade deal that swaps benefits between narrow interests on each side — Australia dealt itself out of any serious bigger game and undermined the United States negotiating position with its ‘take-some scraps-home’ bilateral with Japan (http://www.eastasiaforum.org/2014/04/15/japan-and-australia-beef-up-relations/) earlier this month.

This was made abundantly clear in Abe’s comments on the TPP negotiations during the Obama visit. While Obama stressed the potential role of the TPP in Japan’s revitalisation and reform, Abe saw the TPP in a significantly different light, as ‘creating a zone of strategic importance’. His thrust was about paying the price to buy US favours to achieve that end. He doesn’t seem to understand that the TPP is related to structural reform in Japan. He talks about the TPP strictly in the frame of the US–Japan relationship and as an anti-China strategic play, not from the perspective of its role in lifting Japanese incomes and enhancing international competitiveness. For Japan, the negotiations are still framed as a game of giving the minimum amount possible to keep the Americans happy and deliver a deal, not in terms of Japan’s national economic ambitions.

The TPP talks now look as if they could drag on indefinitely, with no real impetus to push the parties forward. Washington is by no means entirely blameless in this outcome. The US administration’s failure to secure ‘fast track’ authority provides no incentive for partners to US negotiations to step up to the plate, since Congress is likely to claim a second bite at the cherry. US demands that Japan reduce government intervention in agriculture and services are legitimate and consistent with the principles of open trade. But the US has also undercut those principles by limiting any significant market opening in US agriculture, by not changing its own domestic economic settings and by insisting that the Japanese government intervene (http://www.aei.org/article/economics/international-economy/trade/the-us-and-japan-choose-stagnation/) in automobile trade specifically to protect US vested interests.

What is more and more clear is that the TPP and other mega-regional trade deals, ordered as they are around negotiations driven by one or other major centres of economic power, are problematic paths to fixing the global trading system. In the end they are captured by interests that overwhelm the principles essential to maintaining an international public good, such as the principle of most-favoured-nation treatment embedded in Article I of the WTO. These regional initiatives were supposed to shore up the global trading system. But, like their bilateral antecedents, they are unlikely to do anything of the kind.

The health of the international trade regime now demands consideration by world leaders of the core principles by which it should be ordered.

In this week’s lead (http://www.eastasiaforum.org/2014/04/27/chinas-wto-loss-a-win-for-asian-access-to-us-energy-market/) John VerWey draws attention to both the strengths and some other anomalies that characterise the regime. The strengths are reflected in how satisfactorily the WTO can deal with a case as politically sensitive as China’s restrictions on exports of rare earths (http://www.eastasiaforum.org/2013/08/18/did-china-really-ban-rare-earth-
metals-exports-to-japan/), and settle a dispute that in the interwar period might well have been a cause of war between the protagonists. The anomaly is that, under WTO law, what was properly a case for complaint under the protocols of China’s accession to the WTO, might not have been a case for similar complaint against the United States or other initial signatories to the GATT (the predecessor to the WTO). However, as VerWey points out, the case can well be used to put pressure on the US in respect of its restrictions on the export of natural gas.

It’s time to stand back and give mature consideration to the principles that should govern international commerce today if the regime is to serve the global public interest and not the narrow interests of particular players, as appears more and more the case today. G20 leaders need to give this new priority. Affirmation of the centrality of the WTO in managing global recovery and engagement is the starting point. Engaging all the major centres of global influence inside and outside the WTO in pushing reform of world trade governance focused on a retreat from discrimination and the agenda beyond reciprocal trade negotiations is the next step.

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