

TRADE

Japan exasperated by Trump's trade policies

As U.S. farmers suffer under high tariffs, Japanese officials are in no rush to cut a new trade deal with the United States.

By ADAM BEHSUDI | 10/15/2017 06:55 AM EDT



An ad promoting U.S. pork products is shown at the Omote Sando station in Tokyo on May 22. The ad, displaying the mascot "Gochipo," was part of a recent publicity campaign from the U.S. Meat Export Federation. | M. Scott Mahaskey/POLITICO



TOKYO — Japanese officials are expressing growing frustration with the Trump administration's economic policies, vowing to continue striking trade deals with other countries that undercut U.S. agricultural exports rather than seek a new trade agreement with the United States.

The frustration comes both from President Donald Trump's harsh rhetoric on trade and from his pullout from the 12-nation Trans-Pacific Partnership, which Japan still hopes can provide a bulwark against China's growing influence in the Asia-Pacific region.



Meanwhile, there is growing evidence that the failure of the TPP is taking a sharp toll on rural America. In August, the volume of U.S. sales of pork to Japan dropped by 9 percent year over year, a serious blow to farmers who had been preparing for a big increase in sales because of lower tariffs in the TPP.

Instead, other countries that export meats, grains and fruits have seized on their advantage over American growers and producers in the wake of the U.S. pullout from the TPP. And a new Reuters poll shows Trump's favorability in rural America — once a great stronghold — dropped from 55 percent last winter to 47 percent in September. The poll also showed a plunge in support for Trump's trade agenda among rural voters.

Both Vice President Mike Pence and Agriculture Secretary Sonny Perdue — who were widely known as free traders before working for Trump — have pointed to the president's desire for “beautiful” new trade deals to replace the TPP. Perdue said this month that crafting a new deal with Japan was a top priority. And on Monday, Pence will meet with his Japanese counterpart as part of an effort to reboot the economic relationship between the two countries.



Trump's Trade Pullout Roils Rural America

By ADAM BEHSUDI

A spokesperson for Pence did not respond to multiple requests for comment on both the meeting and the U.S. economic relationship with Japan.

But in interviews with POLITICO, more than half a dozen senior Japanese officials said they were uneasy with a so-called bilateral — two-nation — deal to replace the TPP, arguing that the goal of the

multinational agreement was to create a wide international playing field. They said they are dismayed by Trump's seeming inability to understand the importance of a multinational pact to establish U.S. leadership in the region and set the trade rules for nations on both sides of the Pacific Ocean as a counterweight to China's rising influence.

ADVERTISING



“Our prime minister has made it quite clear that we respect the U.S. decision. ... That is our official position, but I think withdrawal from TPP is very wrong,” said one senior official. “Honestly, it has diminished many of things that the U.S. has achieved in the region.”

In response, Japan has continued negotiating with American trade competitors, striking a political deal on a landmark free-trade agreement with the European Union in July while continuing to work toward closing a deal with the 11 remaining members of the TPP. In interviews, the senior Japanese officials made clear their ultimate goal is to persuade the United States to rejoin the TPP.

“In the conduct of our affairs with the United States, we need to have leverage,” said one former senior Japanese Cabinet official. “In order for us to convince the U.S., we need to have our own leverage, and our own leverage needs to be free-trade agreements [with U.S. competitors].”

There are some signs the Japanese strategy is working. Republicans in Congress, many of whom were TPP supporters, are expressing impatience with the administration and a conviction that U.S. agricultural industries are suffering because of tensions unleashed by the TPP pullout.

"We cannot allow much more time to lapse in creating opportunities to have other agreements, and especially when you look at Japan," said Rep. Dave Reichert of Washington state, chairman of the House Ways and Means Trade Subcommittee, as his panel wrapped up a hearing last week on trade opportunities in the Asia Pacific region.

Trump himself has shown no sign of second-guessing his pullout from the TPP, which he described in an interview with Forbes magazine this month as "a great honor."

"I consider that a great accomplishment, stopping that. And there are many people that agree with me," he said. "I like bilateral deals."

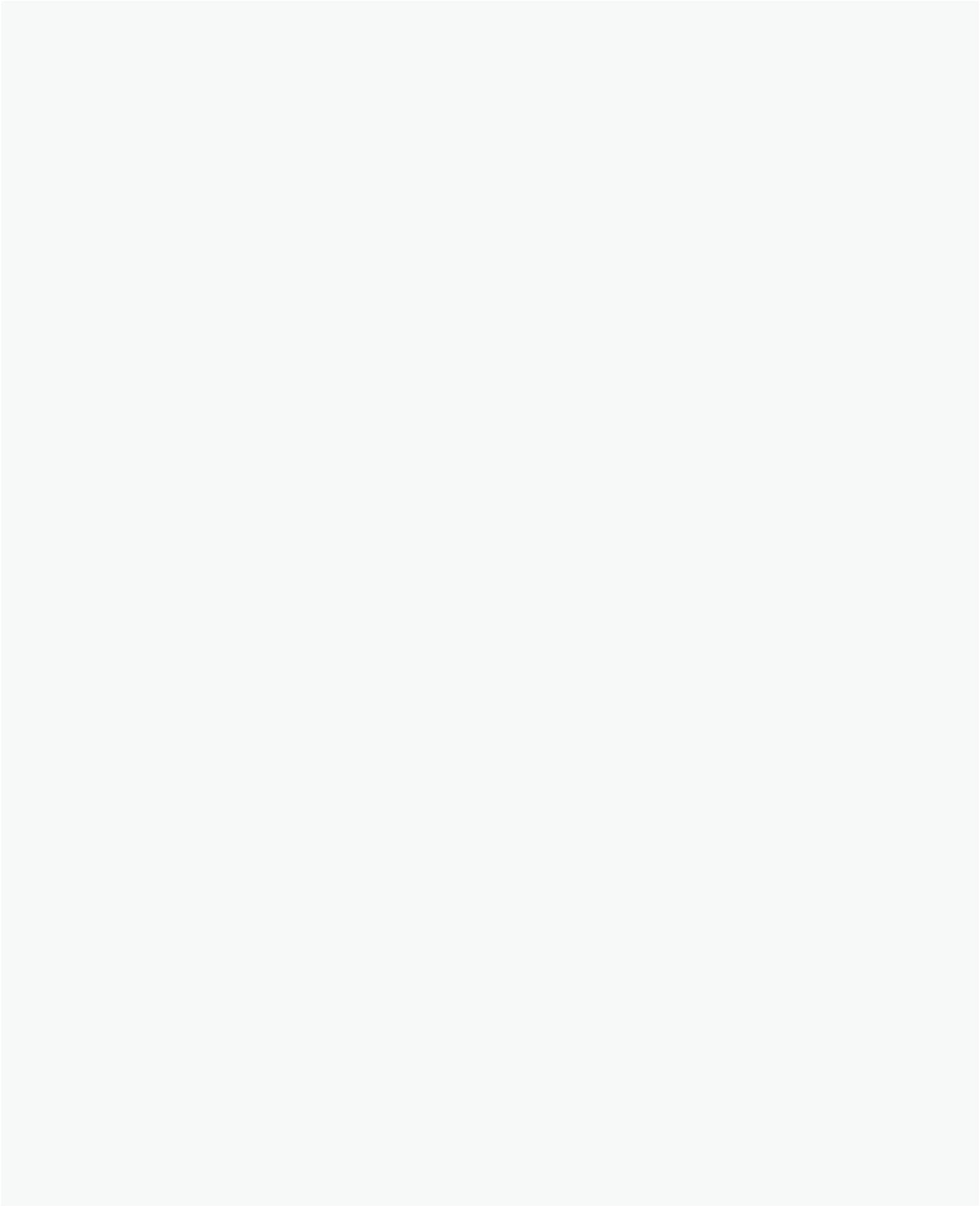
Trump's interest in a bilateral deal is likely to come up in Pence's meeting Monday in Washington with Japanese Deputy Prime Minister and Minister of Finance Taro Aso, part of a longer-term effort to put the two countries' economic relationship on a new course.

Perdue, the agriculture secretary, who has often sought to counter Trump's skepticism about free-trade agreements, raised the stakes with comments this month suggesting he shared a sense of urgency about getting a new deal in place.

"We are eager to enter into bilateral trade negotiations with Japan and lower those barriers to address the preferences they seem to have currently for [rival agricultural producers] Australia, the EU, Chile, Mexico and other countries," Perdue said at an international trade-association meeting. "We think our geopolitical relationship with Japan should lead to a preferred status in that way as well."

Perdue's comments came amid growing frustration in the farm belt.

U.S. producers expect to continue losing market share in meat exports to other countries, even as domestic production reaches an all-time high, until something is done to address high import tariffs on the other side of the Pacific. Japan remains the top market for U.S. beef, and exports are up 22 percent from a year ago, but the impact of a recent hike in tariffs on frozen beef from 38.5 percent to 50 percent — a move that would have been avoidable if the TPP had been in force — will soon be felt, the U.S. Meat Export Federation predicts. The volume of pork exports of pork to Japan, the leading market for the U.S. in terms of value, dropped by 9 percent in August year over year.



At top, a customer looks over a display of U.S. pork products May 22 at Inageya Tachikawa Tachihi grocery store in the suburbs of Tokyo. While U.S. pork makes up only 15 percent of Japan's imported pork, it is highly regarded as among the best product available. Above, children gather around the mascot Gochipo during a promotional event hosted by the U.S. Meat Export Federation at Inageya Tachikawa Tachihi. | M. Scott Mahaskey/POLITICO

“Japan is also a great market for us, but it could frankly be a lot better,” Perdue said. “We want to bring down high tariffs in beef and pork and dairy, in fruits and vegetables and many other products.”

But Japan is in no rush to do so, according to the interviews with senior Japanese officials, who suggested that their country's frustrations with the Trump administration are vast — and that the underlying

relationship is marked more by frustration and misunderstanding than the bonhomie suggested by Trump and Prime Minister Shinzo Abe's smiling relationship centered around a shared love of golf, frequent phone calls and disdain for North Korea's nuclear ambitions.

Following a meeting in February, the leaders declared the two countries to have an "unshakable" alliance, at least in terms of North Korea and security issues.

"The U.S. commitment to defend Japan through the full ranges of U.S. military capabilities, both nuclear and conventional, is unwavering," they said in a [joint statement](#).

But for officials who oversee one of the world's most important economic relationships, the two countries' alliance on foreign policy has done little to ease fears that Trump's nationalist policies won't reopen old trade wounds. From U.S. moves to unearth arcane and punitive trade tools once used to punish Japan, to fury in Japanese quarters over the failure of the TPP, there is evidence the relationship could take a turn for the worse.

"If your question is whether I am worried, yes I am. I think that's a very common sentiment among trade-related officials here," said one senior Japanese government official.

Rhetoric vs. reality

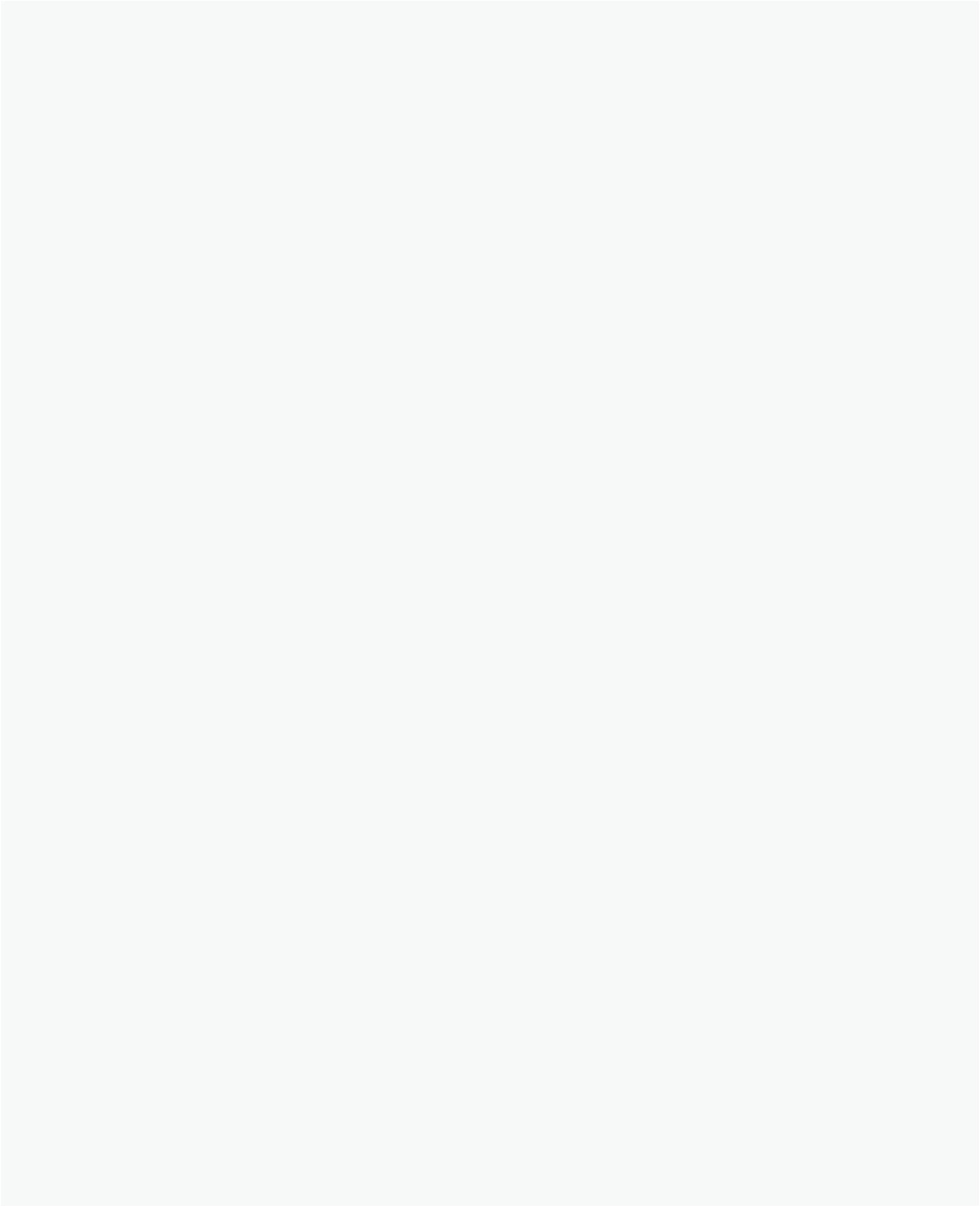
For the ever-powerful career officials who sit in the unadorned buildings lining the leafy streets of Tokyo's government district, there is one concern about the U.S. president that overrides all others: Trump's determination to measure the effectiveness of trade deals in terms of which side sells more to the other.

Indeed, there are many people in the United States who share the view that free trade grows the global pie, with competition serving to promote efficiency and let countries take advantage of their own assets — such as the vast farming sector in the center of the United States, which has no parallel in Japan. Consumers around the world benefit from lower prices, while workers benefit from higher growth across national boundaries.

Trump's view, backed up by "American first" rhetoric, presumes that countries are inherently competitors, and that there are clear winners and losers.

"We want to avoid the relationship turning into a zero-sum game," said a senior Japanese official.

"Each country has its own policy objectives, but Japan does not see trade deficits or surplus as the only driving force for trade negotiations," said another senior government official. "A rules-based system is very important."



At top, a worker prepares U.S. pork for sale May 22 at Inageya Tachikawa Tachihi grocery store. Above, a chef at Boomin Vinum restaurant in Tokyo prepares pork imported from American farmers. The restaurant is a specialty wine and meat place that actively promotes its use of U.S. pork products. | M. Scott Mahaskey/POLITICO

Thus, Japanese officials are watching closely as the Trump administration renegotiates the North American Free Trade Agreement through ongoing talks with Canada and Mexico. To support its America-first agenda, the administration is threatening to blow up the 23-year-old trade deal and unravel complex supply chains that have grown over the life of the pact.

“They’re watching NAFTA and, frankly, in East Asia, they’re saying if the United States is so stupid as to

screw up its agreements with its continental powers in Canada and Mexico, what can we in East Asia expect from these guys?" said Robert Zoellick, who served as President George W. Bush's chief trade negotiator and later as World Bank president. "That's a realistic question."

The Trump administration's focus on using the trade deficit as a measure of success is reason for Japan to worry. The country's more than \$68 billion goods surplus with the U.S. ranks second to China, which holds a much larger \$300 billion surplus.

In a [meeting](#) earlier this year with Japanese Trade Minister Hiroshige Seko, U.S. Trade Representative Robert Lighthizer, Trump's top trade negotiator, who earlier served in the Reagan administration, stressed the importance of addressing the "very high and decades-long U.S. goods trade deficit with Japan."

"I heard the same statement from the Reagan administration in 1984," said one former senior Cabinet official. "All the time what they said was the cash register must be ringing, meaning what is important is to increase U.S. exports and decrease U.S. imports."

Seeking to boost U.S. exports and prevent growing deficits, Lighthizer and the Trump team are dusting off an arsenal of trade laws that haven't been in use for years. One of those weapons could impose tariffs on U.S. imports of Japanese steel and aluminum in the name of national security.

Another is the president's authority to punish a country for unfair trade practices under the much-dreaded Section 301 of the Trade Act of 1974. Though aimed at China this time, the use of the provision is notorious in Japan because the United States repeatedly threatened to use it in the 1980s to pry open the country's market on everything from supercomputers to access to public construction contracts.

Lighthizer cut his teeth in the early 1980s forcing Japan to swallow voluntary export restraints on cars and steel with the looming threat of action under Section 301.

The United States largely abandoned those heavy-handed approaches to trade diplomacy as the World Trade Organization formed in the mid-1990s and became the [de facto](#) forum for trade disputes.

"Many of the statements from the president on his understanding on trade go back to the 1980s, when Japan was the main enemy," said Mireya Solis, a senior fellow and Japan expert at the Brookings Institution.

"Trump and Abe get along so well because they don't talk about trade," she added.

PHOTO GALLERY

Japan's love of American pork

By M. SCOTT MAHASKEY | 10/13/17 07:53 PM EDT

Managing the relationship

In fact, they do, according to Japanese officials.

The failure of the TPP is a subject of contention between the two men — because Japan not only risked its economic future in hopes of a multinational trade deal but also pinned much of its national security hopes on the deal.

The need to counter the growing clout of China is an all-consuming priority in Tokyo, and Japanese officials felt that with the TPP they were on the verge of a genuine breakthrough, tying the United States, Canada, Vietnam, Mexico, Chile and other large nations on both sides of the Pacific into an economic alliance greater than anything China could muster.

And despite Abe's efforts to charm Trump with flattery and avowals of friendship, officials say, he will continue bringing up the importance of TPP to Trump.

“Our prime minister in fact discussed the strategic meaning of the TPP many times with President Trump. Although there was no agreement between the leaders, our prime minister has tried, and I think he will continue,” said one official.

Another official said those discussions have even involved a pointed request that Trump reconsider his decision and find some way back to the pact.

Seeking to fill the void left by the TPP, China has accelerated the pursuit of its own mega-deal with other Asian nations, called the Regional Comprehensive Economic Partnership, or RCEP.

The United States leaving TPP “created a vacuum in the region, that's for sure,” the official said. “It's why RCEP is gaining momentum. That is why the government is asking the U.S. to come back to the TPP. We keep continuing to say so.”

Aso told reporters earlier this month he wanted a “win-win relationship with the United States on matters of economic policy.”

That means focusing on pragmatic issues such as increasing the amount of U.S. gas and oil that Japan buys and deepening Japanese assistance in U.S. infrastructure projects.

“The process is more important than any tangible

outcome,” said one senior official, emphatically adding that addressing the trade balance between the two countries is not a goal for Japan in its discussions with the United States.

Still, there is some acknowledgment that the dialogue will inevitably veer toward thornier U.S. demands, like getting rid of Japan's new tariff on imports of U.S. beef or addressing long-standing concerns over automobile trade.

“We cannot ignore certain frustrations on the U.S. side,” said another senior official, adding that “we hope the U.S. understands our political limitations. We hope we can find some middle ground.”

For Tokyo, that middle ground still doesn't include negotiations for a bilateral trade agreement. Under TPP, Abe committed to the painful process of challenging Japan's politically powerful farming industry by forcing open the country's notoriously closed agriculture markets in a way that no Japanese leader had ever done before.

Abe's approval ratings have largely recovered since they plummeted to a low point of 20 percent this summer after several scandals. It's unlikely he will further risk his position on negotiations with the United States, even after an Oct. 22 general election in which his Liberal Democratic Party is expected to retain a dominant position in parliament.

“The Japanese government has no mind of going back to the table for a bilateral negotiation,” said another senior official. “TPP was risky for Abe; a bilateral will require an even bigger leap.”

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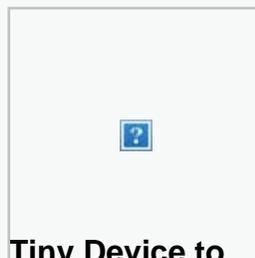
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