

Japan shows the world how to strike trade deals

The agreement with the EU displays Asia's enthusiasm for such pacts



Aside from lining up to sign the Trans-Pacific Partnership — the 12-nation trade agreement originally led by the US, which is now running away from the deal — Japan is achieving the apparently impossible. It is close to initialling agreement with the European Commission on a bilateral trade pact, despite the EU recently being wracked by arguments over a similar deal with Canada and a broader one with the US.

True, the Japan deal may have a rockier time being ratified in the EU than it has reaching the initial signing stage. Nonetheless, the remarkably smooth progress so far illustrates two points. First, the supposed movement towards rejecting globalisation in general and trade deals in particular is disproportionately a western European and US phenomenon, and should not be overstated. Second, public opposition to trade deals frequently exceeds opposition to trade itself. The level of resistance also has a random element that is not conducive to the rational discussion of costs and benefits.

Shinzo Abe, Japan's prime minister, deserves considerable credit for having reached this stage, both in the TPP and with the EU. He has used trade deals to perform the role political economists have always posited — as an external lever to help push through difficult domestic reform, in this case in Japan's sheltered agricultural sector.

By contrast, the EU, in its dealings with Canada and the US, has suffered significant capture by domestic constituencies. The contentious issue of “investor-state dispute settlement” provisions that allow corporations to sue governments directly for unfair treatment has aroused Europe's voluble, well-organised campaigners.

The EU-Japan deal also contains investor-state provisions and yet has cruised along under the protesters' radar. Campaigners in the EU likely regard the Canadian deal as a proxy for

the Transatlantic Trade and Investment Partnership with the US, and feel less threatened by Japan.

Once it has signed the deal and proceeded to ratification, Brussels will have to navigate the treacherous domestic political waters. This summer, the commission bowed to outside pressure and agreed that the Canada deal, largely because it contained ISDS provisions, should be submitted to each of the EU's member states and some regional parliaments for ratification rather than being agreed centrally. This made it vulnerable to blocking tactics from the Wallonia region of Belgium, causing general consternation in Brussels.

If that decision is replicated with the Japan deal, it will make ratifying it harder. EU officials will be forgiven if they look enviously at Mr Abe, who has the easier task of pushing it through Japan's legislature, where he commands a large majority.

Nonetheless, irritating though it may be, giving each of the EU member states their say is the right thing to do. At this delicate moment it is not worth inflaming antitrade sentiment in order to pass a single trade deal, however important.

A bilateral deal between the EU and Japan would send a strong signal that the machinery of trade agreements still works. It would also underline that parts of the world, including most of the Asia-Pacific region, are much less allergic to signing deals than are the EU and the US.

In the coming years, completing trade deals will require vigorous leadership. It will, most likely, have to come from Asia.