A noteworthy event during the current stage of the Global Chess Game occurred when, on 25 September of this year, US President Donald Trump and Japan’s Prime Minister Shinzō Abe signed a US-Japan trade deal on the sidelines of the scheduled United Nations General Assembly. We would like to highlight straight away that this document is not part of the U.S.-Japan Economic Dialogue, which needed to “generate concrete results” as stated by both sides back in April 2017, i.e. only three months after the inauguration of the current American President.

Let us also recall that the first step taken by Donald Trump as head of US government was to withdraw the United States from the Trans-Pacific Partnership (TPP) initiative, which had been in its last preparation stage at the time. Any issues concerning trade between the USA and Japan were meant to be resolved within the TPP framework, i.e. under the same terms and conditions that applied to the other partners (12 at the time) according to the agreement.

However, once the United States had withdrawn from the TPP, the aforementioned problems had to be handled by means of bilateral negotiations, with the final aim being the conclusion of an “all-encompassing” agreement. However, the deal signed on 25 September of this year is not such a document, since it only covers an insignificant proportion of bilateral trade and, therefore, only attempts to resolve a fraction of the long-standing problems between the two sides.
One of the main issues is the deficit in trade between the United States and its key Asian allies, which, in recent years, has reached approximately $60 billion per annum for the USA and Japan. Trade in goods accounts for $70 billion of the deficit, with trade in services reducing it by $10 billion. Clearly, such amounts are not as enormous as the trade deficit between the United States and the PRC (equivalent to $400 billion a year), or that between the USA and the EU ($140 billion per annum). However, even $60 billion is a considerable sum of money.

The most important question in all of this is “Why should the leader of the disintegrating West continue to bear the costs of the former global conflict, i.e. the Cold War (which had ended a long time ago)?”. This key issue gave rise to the US slogan “Let us stop the handouts to our allies, and unquestionably, our geopolitical opponents”. And it had first appeared in Washington long before the eccentric businessman became US President.

The first significant step taken by the United States to rectify this situation was the Plaza Accord, which was named after a hotel in New York where it had been signed as far back as September 1985. We would like to remind our readers that at the time, key allies of the United States were forced to make significant sacrifices in order to save their leader, who had “overexerted” itself during the Cold War. And there are still negative effects of this agreement on the economy of Japan.

It was probably not a coincidence that the USSR launched “perestroika” at the time the Plaza Accord was signed. In the middle of the 1980s, the process of transformation did not only begin in one (however great it might be) nation but also in the entire post-war space. Naturally, it had been preceded by fairly long-term (but not very noticeable) preparations.

The current battle undertaken by Donald Trump to make the trade and economic ties between the United States and its key foreign allies more fair is, in fact, the last stage of the transformation that the world order is undergoing. At the end of this process, the USA should find its rightful place unless, of course, the internal political strife (which has already reached unimaginable levels) rips the current world power apart. Incidentally, the joy felt by those who have been waiting for such an outcome would be short-lived, as they would quickly realize that their dream had finally come to pass.

On 25 September of this year, the US. President took only the first step towards making the trade relations with Japan more fair. The gist of the bilateral trade deal fit on one page, which Donald Trump and Shinzō Abe displayed to journalists at the press conference at the end of the negotiations.

As expected, under the agreement Japan has a number of obligations to fulfill while the United States has but a few. It is curious that Tokyo agreed to “eliminate or reduce tariffs on $7.2 billion worth of US food and agricultural products”, which it would have also done, had the United States not withdrawn from the TPP. Does this mean that the current US administration is planning to re-join the partnership, which, up until the beginning of 2017, the USA had been the initiator of and the biggest driving force behind?

It seems that the deal signed on 25 September will help reduce the current deficit in trade between the USA and Japan by a little over 10%. The wording of the agreement will allow the two sides to continue their negotiations on products the United States purchases from the Japanese automotive industry, which, for now, will not be subject to increased tariffs. And it seems that further talks between these two nations will focus on this particular sector.

Overall, one can discern in Donald Trump’s actions his desire to minimize the inevitable trauma (in large part political in nature) inflicted on the government and ruling party of the US key ally. The fact that Shinzō Abe’s new Cabinet of Japan was about to face its first trials and tribulations stemming from several very serious internal issues was obviously taken into account in Washington.

We could say that one of the first tests for Japan’s government was its increase of consumption tax from 8 to 10% starting on 1 October. This measure was meant to be taken several years ago. And the fact that it was inevitable was obvious to everyone, in theory. But in practice, Japanese society reacted negatively once the measure had been implemented. The situation is exacerbated by the swelling welfare costs in the nation.

We would also like to note that the increased consumption tax does not apply to all the goods and services bought and sold. In other words, a step-by-step approach is being used to avoid an unpredictable reaction from the electorate.

In addition, a fairly difficult battle with the opposition awaits Shinzō Abe at the extraordinary Diet session that he has scheduled. Its main aim is to finally initiate the discussion about possible amendments to Article 9, an anti-war
section of Japan’s current Constitution (a topic of the utmost importance for the Prime Minister).

We would also like to remind our readers yet again, that these changes to the Constitution do not have wide support among the Japanese public. At the same, it is easy to see that the current US administration is interested in this issue and its promotion, as its current policy focuses on increased contribution (on all fronts) of all of its allies to the resolution of all the issues that remain on the agenda of the joint military and political alliances which still exist among them.

A more fundamental problem facing Japan, which is felt more and more acutely and in various ways, is that of the ageing population. And it may lead to a catastrophe of national proportions if left unresolved. According to the most recent estimates, Japan is an undisputed leader among other nations when it comes to the proportion of the population accounted for by people over 65. In Japan, almost 30% of the population is older than 65. On 21 September of this year, Shinzō Abe established a special panel with the aim of describing, fairly accurately, the various aspects to this issue and of preparing measures to counteract them.

Finally, we would like to highlight once again that by signing the bilateral trade deal on 25 September, the leaders of the United States and Japan made a move in the regional political game, whose outcomes are hard to forecast for now.

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