

Welcome, President Obama

By Noboru HATAKEYAMA

A Democratic US leader returns to the White House for the first time in eight years.

From the decision of US voters this time, I feel the most serious desire of US people trying to have their country's health recover from exhausted and swollen conditions due to unjustifiable war and unethical financial activities. Most American voters have demonstrated their ability to express respect for equality among various races constituting the United States. Racial equality is one of the most universal values as well as democracy, freedom and peace.

In his victory speech on November 4, 2008, President-elect Barack Obama singled out three challenges for him to face immediately. Those were two wars, a planet in peril and the worst financial crisis in a century. I would like to forecast what trade policy President Obama will implement.

In early April 1993, just three months after a Democratic US administration had started, I visited Washington D.C. to sound out the new administration's trade policy, especially because then Japanese Prime Minister Kiichi Miyazawa was supposed to visit there a week later. Then my US counterpart almost declared rather proudly to me that the new administration was extremely result-oriented. I was much surprised, wondering where the "Land of Opportunity" had gone. In February that year, a committee had produced a report recommending the Clinton administration tell Japan to establish numerical targets for major imported items. Based on this report, President Bill Clinton and his Democratic administration requested Japan to introduce numerical targets, building on a "theory" that Japan was "unique." This request not only was turned down by the Japanese government but also faced severe criticism from the EU to the effect that it would be tantamount to violating WTO rules.

Will a similar thing happen under President Obama's Democratic administration? It is said that pro-business Republicans tend to believe in free trade and pro-labor Democrats incline to protectionism in trade. All current factors such as the financial crisis triggered in the United States, the plight of the Big 3 automakers, the unemployment ratio as high as 6.5 %, majority control in both houses of Congress by the Democratic Party, etc. may have the Democrats tempted to take protectionist trade measures. However, I am sure that President Obama will not take protectionist trade policies because of the following reasons.

Firstly, the WTO does exist. Due to a setback in the Doha Round of trade negotiations in July, there seems to be contempt against the WTO. However, the WTO has not only a legislative function such as Doha Round negotiations but also a judicial

function such as dispute settlement. The latter function has been working very well. If the new administration takes a protectionist measure against imports in violation of WTO rules, it will lose for sure in the dispute settlement process of the trade body.

Secondly, the weight of Japan's bilateral trade surplus with the United States has shrunk rather drastically as compared to that in President Clinton's era. In the statistics for 1991, the newest available trade data when Mr. Clinton was sworn in, the weight of the US trade deficit vis-a-vis Japan occupied as much as 65% of the total US trade deficit. However, this ratio came down to slightly over 10% in 2007 and below 10% in the first eight months of 2008. In this respect, China has become number one since the turn of the century, occupying more than 30% now.

Thirdly, the priority of trade issues looks not so high on the agenda of President-elect Obama. In his victory speech, foreign trade was not included among the three challenges he would face immediately after his inauguration. In the context of less priority on trade policy, Mr. Obama will not take protectionist trade measures against a country that has been in alliance for many decades unless the partner country violates WTO rules.

Last but not the least, as I referred already, Mr. Obama was elected at least partly thanks to respect by voters for universal values such as equality. It must have been very difficult for them to be loyal to their belief in universal values that may have been contradictory to their vested interests. In this respect, I would like to express my deep appreciation to those American people who have tenaciously overcome their difficulties in favor of their wishes for realizing universal values as much as possible.

In return, I guess Mr. Obama will and should respond to American people's genuine wishes by not taking any measures inconsistent with universal values, including the principle of free trade, and by implementing positive external policies especially in such areas as international finance and climate change in close cooperation with Japan.

In the case of climate change, the most important measure to be taken now is to design a post-Kyoto Protocol regime. I hope that universal values such as equality, fairness and transparency will also be taken into consideration. **JS**

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