
Trade Liberalization V.S. Political Conflict: How does Political Stance Affect the Signing of TPP

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ABSTRACT

Many countries have been actively promoting trade liberalization within bilateral or regional free trade frameworks in order to strengthen economic relations, even though these initiatives are often politically divisive. Trade liberalization can alter a country's income distribution, leading to political conflict. In democratic societies, politicians respond to voters' opinions for or against trade liberalization because these politicians need voters' political support, and influence the fate of the country's trade policy. To better understand this issue, many studies have examined what drives politicians to support or oppose liberalized trade.

KEYWORDS

Political economy; Freetrade agreement; Constituency system; Election proximity; Special interests.

1. Introduction

Previous studies focus mainly on the demand side of trade politics, finding that industry structure and worker skill level in constituencies, and the magnitude of labor and business campaign contributions affect legislators' decisions on trade policy. However, recent studies pay more attention to the institutional features of the supply side of trade politics because political institutions affect politicians' responses to voters' demands and whose interests politicians represent in their home districts.

This study explains the impact of electoral systems on legislators' responsiveness to special interests in the decision-making process of a free trade agreement (FTA). As a case study, we use the heated dispute over the TPP in Japan before the country's decision to participate in the TPP negotiations. The TPP issue is arguably one of the most controversial trade issues in the postwar era, and it embroiled many members of both chambers of the Japanese Diet, namely the House of Representatives and the House of Councilors. Thus, we can utilize the difference in election rules for both houses of the Diet to investigate how different types of electoral systems affected Diet members' approaches to the TPP issue.

Our analysis focuses on the Diet members who competed with other candidates directly in an election and won a seat, and rules out the House of Representatives members elected in the closed-list proportional-representation system because they faced electoral competition between political parties, which differs in nature significantly from direct competition between candidates.

Our results indicate that legislators' responsiveness to special interests in the trade policy-making process is affected by the electoral institution in which they are involved. In particular, the types of constituency systems and election proximity play key roles. First, regardless of the timing of their next election, Diet members elected by proportional representation tend not to oppose the TPP even when controlling for the size of constituencies. Conversely, constituency size is unrelated to legislators' stances toward the TPP after controlling for types of constituency systems. This finding supports the theory that proportional systems result in less protectionist trade policies than majoritarian systems. Second, Diet members whose next election is a long time away tend not to oppose the TPP, while Diet members elected by proportional representation tend not to oppose the TPP regardless of the length of their remaining terms. This finding suggests that the difference in election proximity also affects politicians' protectionist actions. These results hold even when using another explained variable.

2. Empirical Approach to Examining Diet Members' Anti-Tpp Actions

At the Honolulu APEC summit in November 2011, the then Prime Minister of the DPJ, Yoshihiko Noda, planned to announce Japan's intention to join the TPP negotiations. To resist this move, on October 25, 2011, the Central Union of Agricultural Cooperatives submitted to the Diet a petition against Japan's participation in the TPP talks. Although presenting a petition to the Diet only requires one legislator's introduction, the Central Union of Agricultural Cooperatives obtained introductions from 364 Diet members. The Central Union of Agricultural Cooperatives advertised extensively to farmers and agricultural cooperative members the names of the Diet members who approved the petition. Hence, backing the petition can be viewed as reflecting legislators' motives to gain votes from farmers and others thought to oppose the TPP. We construct the dependent variable, Anti-TPP action 2011, which takes the value one when a legislator endorsed the JA's petition against the TPP and zero when he/she did not.

Second, focusing on the size of the constituency as a fundamental difference between the electoral systems for both houses of the Diet, we include as an independent variable the ratio of the total number of eligible voters, which is measured per thousand people, to the number of seats plus one in each constituency, Constituency Size. This variable allows us to address the differences in the number of voters and that of seats for both houses in each constituency.

In addition, we assess the effect of election proximity on Diet members' responsiveness to special interests. Since half of the upper house members, whose term is six years, are elected every three years, there are two different remaining terms among them. Winners of the 2007 and 2010 upper house elections would serve in the Diet until July 2013 and July 2016, respectively. The term of lower house members would expire in August 2013, although the House of Representatives could be dissolved before the expiration of their term. The remaining term of the lower house members was rarely different from that of the upper house members elected in the 2007 regular election, but was much shorter than that of the upper house members elected in the 2010 regular election.

Fourth, to examine the effects caused by the differences in both electoral rules and election proximity among upper house members, we employ the following five dummy variables: an upper house member who won in a single-seat constituency in the 2010 regular election, Single Seat2010.; an upper house member who won in a multiple-seat constituency in the 2007 regular election, Multi Seat2007.; an upper house member who won

in a multiple-seat constituency in the 2010 regular election, Multi Seat2010.; an upper house member who won in the proportional-representation constituency in the 2007 regular election, PR-Seat2007; and an upper house member who won in the proportional-representation constituency in the 2010 regular election, PR-Seat2010.

Last, we pay attention to the possibility that the members of the House of Representatives and House of Councilors may have originally had different policy preferences. When members of either House were originally characterized by their emphasis on liberalized trade or industrial protection, our estimated coefficients are biased. To deal with this problem, we allow for backgrounds of Diet members. In particular, we focus on whether legislators were hereditary ones and whether they had had careers as local politicians (i.e., prefectural governors, mayors of cities, towns, villages, and assembly members), personal secretaries working for Diet members, or central government bureaucrats. This is because people with such backgrounds often become Diet members in Japan and because those backgrounds may affect actions that legislators take after being elected. We include four dummy variables for a hereditary legislator, Hereditary Legislators ; a former local politician, Ex-Local Politician; a former secretary working for a Diet member, Ex-Secretary; and a former bureaucrat, Ex-Bureaucrat.

3. Determinants of Diet Members' Anti-Tpp Actions in 2011

The coefficient on Upper House is negative and statistically significant in Column (i). House of Councilors members were less likely to support the farm lobbies' protest against the TPP than were House of Representatives members who won in a single-seat constituency. Upper house members were about 7 percentage points less likely to oppose the TPP than lower house members.

In Column (ii), the coefficient on Constituency Size is also negative and statistically significant, showing that legislators elected from larger election districts tended to be free of political pressure from vested interests. However, when including Upper House and Constituency Size as independent variables in Column (iii), the coefficient on Upper House is statistically insignificant, whereas that on Constituency Size is negative and statistically significant. These results indicate that larger electoral districts allowed upper house members to be unencumbered by special interests. An increase in one standard deviation of the Constituency Size variable led to about a six percentage point increase in the probability of legislators expressing their negative attitude toward the TPP. In Column (iv), the coefficient on PR-System is negative and statistically significant, whereas the coefficients on Multi Seat, Uncontested Seat, and Dual Candidacy are statistically insignificant. Following these results, we wonder if the difference in political behavior between upper and lower house members was not related to the difference in constituency size but to the differences in their electoral rules. We thus add Constituency Size to the regression of Column (iv). As shown in Column (v), the coefficient on Constituency Size becomes statistically insignificant. Conversely, the coefficients on PR-Seat and Uncontested Seat are negative and statistically significant, while the coefficients on Multi Seat and Dual Candidacy are not statistically significant. These results indicate that the type of constituency systems in which legislators are involved and election proximity play important roles in shaping legislators' responsiveness to special interests. Diet members elected through the proportional-representation system tended not to support the agrarian organizations' protest against the TPP compared to Diet members elected from single-seat constituencies. Upper house members elected by proportional representation were over 20 percentage points less likely to demonstrate their opposition to the TPP than Diet members elected from single-seat districts. This suggests that Diet members who won in the proportional-representation constituency aimed for broad support from the public. Diet members having no immediate

Table 1. Descriptive statistics of the used variables (Anti-TPP actions in 2011)

Categories Variables	Obs	Mean	Std. Dev.	Min	Max
Dependent Variable	637	0.4867	0.5002	0.0000	1.0000

Anti-TPP action2011					
Electoral System					
Upper House	637	0.3783	0.4854	0.0000	1.0000
Constituency Size	637	64.4099	74.6847	10.2115	213.8488
Multi Seat	637	0.1381	0.3453	0.0000	1.0000
PR-Seat	637	0.1491	0.3565	0.0000	1.0000
Uncontested Seat	637	0.1900	0.3926	0.0000	1.0000
Single Seat2010	637	0.0455	0.2086	0.0000	1.0000
Multi Seat2007	637	0.0691	0.2538	0.0000	1.0000
Multi Seat2010	637	0.0691	0.2538	0.0000	1.0000
PR-Seat2007	637	0.0738	0.2616	0.0000	1.0000
PR-Seat2010	637	0.0754	0.2642	0.0000	1.0000
Dual Candidacy	637	0.1507	0.3580	0.0000	1.0000
Vested Interest					
Primary Industries	637	0.0270	0.0230	0.0003	0.1199
Districts' Economic Characteristics					
Import Exposure	637	0.9526	0.3889	0.1159	4.7379
Export Exposure	637	1.4507	0.3994	0.1155	2.6967
Per-Capita Income	637	310.2097	45.9654	236.1698	668.6728
Unemployment	637	0.0358	0.0057	0.0172	0.0744
Districts' Social Characteristics Population					
Density	637	2.0860	3.5614	0.0258	18.8268
Old Age-Index	637	1.8048	0.3144	0.8368	3.0480
Political Parties					
DPJ	637	0.5683	0.4957	0.0000	1.0000
LDP	637	0.2983	0.4579	0.0000	1.0000
KOMEI	637	0.0298	0.1702	0.0000	1.0000
Anti TPP-Party2011	637	0.0471	0.2120	0.0000	1.0000
Pro TPP-Party2011	637	0.0267	0.1613	0.0000	1.0000
Personal Attributions Feamale	637	0.1256	0.3316	0.0000	1.0000
Election Wins	637	2.9576	2.4693	1.0000	14.0000
Election Strength	637	0.8867	0.5342	0.0092	9.3569
Political Appointees	637	0.1083	0.3110	0.0000	1.0000
Hereditary Legislator	637	0.2339	0.4236	0.0000	1.0000
Career					
Ex-Local Politician	637	0.2841	0.4514	0.0000	1.0000
Ex-Secretary	637	0.2889	0.4536	0.0000	1.0000
Ex-Bureaucrat	637	0.1350	0.3420	0.0000	1.0000
Ex-JA's Official	637	0.0094	0.0967	0.0000	1.0000
Ex-Union's Official	637	0.0738	0.2616	0.0000	1.0000

4. Determinants Of Diet Members' Anti-Tpp Actions in 2012

To check the robustness of our findings obtained in the preceding section, this section investigates what drove Diet members to join the anti-TPP protest rally organized by the Central Union of Agricultural Cooperatives

in 2012. Although the then Prime Minister Noda announced on November 11, 2011, that Japan would enter into consultations with countries over participating in the TPP negotiations, his administration had not yet formally announced the final decision to participate. However, after Barack Obama won reelection on November 6, 2012, the move to join the TPP talks gained momentum within the Noda administration, which hoped participation would reinforce Japan-U.S. relations. Noda was expected to express Japan's intention to participate in the TPP negotiations at the East Asia Summit scheduled to start on November 18, or at another meeting. To resist this movement, the Central Union of Agricultural Cooperatives organized a rally on November 15, calling on the government not to announce Japan's participation in the TPP negotiations at the summit. 121 Diet members attended the rally. We construct a dependent variable, Anti-TPP action 2012, that takes the value one when a legislator attended the rally, and zero otherwise. At the rally, the chairman of the Central Union of Agricultural Cooperatives voiced his intent to support candidates in the next lower and upper house elections who clearly opposed Japan's joining the TPP talks. Attending the rally can be regarded as an effort to secure farm votes.

In order to compare the results with those of Section 3, we employ the same independent variables used in the previous section but make some alterations to them. We alter the sample by allowing for changes in the composition of the Diet due to Diet members' resignations. We also modify Cabinet posts in accordance with the latest reshuffle of the Cabinet and the number of seats in some districts in accordance with the 2012 revision of the Public Offices Election Law. In addition, when calculating Import Exposure and Export Exposure, we use the difference between the import and export values of 2009 and the average import and export values of 2011–2012 in a manufacturing sector. We also use Per Capita Income and Unemployment in 2012 to deal with changes in the local economic climate.

Next, we examine the determinants of the Diet members' actions against the TPP in 2012. The descriptive statistics of the variables are reported in Table 1. Table 2 presents our regression results, showing marginal effects computed at the mean of each independent variable.

The differences in electoral rules between upper and lower houses contributed to the inter-cameral differences. The coefficient on PR-Seat is negative and statistically significant in Column (iv) but statistically insignificant in Column (v). The coefficients on Uncontested Seat are negative and statistically significant in Columns (iv) and (v). A Diet member whose election was a long time away was about 7 percentage points less likely to support the agricultural organizations' protest against the TPP than Diet members who faced impending elections. These two explanatory variables, however, are not as significantly related to politicians' anti-TPP actions as they were in the results of Section 3. Behind this may lie the fact that the elections for both houses of the Diet were approaching. Noda decided on November 14, 2012, to dissolve the lower house on November 16 and to hold a lower house general election on December 16. The upcoming upper house election was also planned for the following summer. Diet members who were eligible for the upcoming elections may have made a start toward securing support from their voters including farmers, regardless of the type of their constituency system.

Table 2. Descriptive statistics of the used variables (Anti-TPP actions in 2012)

Categories	Variables	Obs	Mean	Std. Dev.	Min	Max
Dependent Variable						
	Anti-TPP action2012	638	0.1740	0.3794	0.0000	1.0000
Electoral System						
	Upper House	638	0.3793	0.4856	0.0000	1.0000
Constituency Size		638	64.4663	74.4097	10.2115	213.8488
Multi Seat		638	0.1317	0.3384	0.0000	1.0000
PR-Seat		638	0.1505	0.3578	0.0000	1.0000

Uncontested Seat	638	0.1897	0.3923	0.0000	1.0000
Single Seat2010	638	0.0517	0.2216	0.0000	1.0000
Multi Seat2007	638	0.0690	0.2536	0.0000	1.0000
Multi Seat2010	638	0.0627	0.2426	0.0000	1.0000
PR-Seat2007	638	0.0752	0.2640	0.0000	1.0000
PR-Seat2010	638	0.0752	0.2640	0.0000	1.0000
Dual Candidacy	638	0.1505	0.3578	0.0000	1.0000
Vested Interest					
Primary Industries	638	0.0270	0.0230	0.0003	0.1199
Districts' Economic Characteristics					
Import Exposure	638	1.2293	0.5285	0.1783	6.4846
Export Exposure	638	1.2270	0.3640	0.0573	2.4996
Per-Capita Income	638	310.1760	46.3454	236.6781	671.4944
Unemployment	638	0.0326	0.0049	0.0156	0.0636
Districts' Social Characteristics					
Population Density	638	2.0830	3.5594	0.0258	18.8268
Old Age-Index	638	1.8054	0.3149	0.8368	3.0480
Political Parties					
DPJ	638	0.4812	0.5000	0.0000	1.0000
LDP	638	0.2978	0.4577	0.0000	1.0000
KOMEI	638	0.0298	0.1701	0.0000	1.0000
Anti TPP-Party2012	638	0.1019	0.3027	0.0000	1.0000
Pro TPP-Party2012	638	0.0298	0.1701	0.0000	1.0000
Personal Attributions Feamale	638	0.1270	0.3332	0.0000	1.0000
Election Wins	638	2.9545	2.4685	1.0000	14.0000
Election Strength	638	0.8851	0.5349	0.0092	9.3569
Political Appointees	638	0.1082	0.3108	0.0000	1.0000
Hereditary Legislator	638	0.2335	0.4234	0.0000	1.0000
Ex-Local Politician	638	0.2853	0.4519	0.0000	1.0000
Ex-Secretary	638	0.2884	0.4534	0.0000	1.0000
Ex-Bureaucrat	638	0.1348	0.3418	0.0000	1.0000
Ex-JA's Official	638	0.0094	0.0966	0.0000	1.0000
Ex-Union's Official	638	0.0737	0.2614	0.0000	1.0000

5. Conclusion

This study examined the factors that affect politicians' responsiveness to demands from special interests in the decision-making process of an FTA. In particular, we explored how electoral rules cause differences in political actions by utilizing the institutional characteristics of the Japanese election system. This study fostered better understanding about the role of electoral systems in "post-election politics" for trade policy. Our main finding is that legislators' responsiveness to special interests against an FTA is affected by the types of constituency systems in which they are involved and the proximity of their next election. First, comparing legislators who were elected through different types of constituency systems, we showed that Diet members elected from the proportional-representation system were less likely to demonstrate their opposing positions toward the TPP even when controlling for the difference in constituency size. Moreover, Diet members with larger home

districts were less likely to oppose the TPP but this relationship disappears after controlling for types of constituency systems. We found that a Diet member whose next election was farther away was less likely to oppose the TPP than a Diet member whose next election was relatively sooner. Regardless of when their next election was taking place, Diet members elected through the proportional-representation system tended not to oppose the TPP.

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