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“The EU-Western Hemisphere Economic Relationship After the Financial Crisis”

***From Backdoor-Opening To Concluding “Real” Free Trade Agreements? :  
Japan’s Free Trade Policy Towards The US, The EU And Latin American Countries***

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**Abstract:**

The first country Japan signed an Economic Partnership Agreement (EPA) was Singapore in January 2002. Since then, Japan has agreed upon EPAs with most of the Asian-Pacific countries, including Australia (July 2014), but without Korea and China. This could be described as the first stage of Japan’s FTA/EPA negotiations, set upon a strategy to conclude with countries “as many as possible” and “in the order of conclude-able.” Japan’s EPAs with Mexico (May 2005), Chile (September 2007), and Peru (March 2012) aimed to catch up with the US and the European Union’s (EU) free trade policy with Latin American countries, so that Japanese multi-nationals would not reduce market access. Japan’s strategy in this stage had been passive. In the current second stage, which the country has gradually entered into after the global financial crisis, Japan pursues active roles and negotiates with “bigger” partners such as the US (in the TPP, Trans-Pacific Strategic Economic Partnership Agreement, or Trans-Pacific Partnership), Canada, the EU, Korea and China. Japan’s EPAs with Mexico, Chile and Peru played the role of opening a backdoor to Japan’s highly protected agriculture market, therefore urging a new dimension to the country’s foreign trade policy. While allowing Japanese farmers to export to Latin America, Japan in turn opened its domestic market of wine, beef, chicken, pork and others, which was a compromise the country had rarely made with the US and the EC (European Community)/EU during the history of trade conflicts since the 1970s. Besides agriculture, Japan is further required to abandon non-tariff barriers and to open public procurement. Whether Japan could take a leap from its familiar and “comfortable” regulated free trade policy into “real” free trade and therefore play a role in setting rules and accelerating global free trade is seriously put into question.

## Introduction

Japan's relations with the EU and its member states have been analyzed by excluding non-European countries and regions and concentrated on Japan-EU trade negotiations alone. This was due to focus on the history of trade conflict starting in the 1960s and continued until the 90s. Analysis varied from examining the diplomatic negotiations between Japan, the European Commission and member state governments (Keck et.al. 2013),<sup>1</sup> describing the attitudes and structures of Japanese industry (Suzuki 2014),<sup>2</sup> to discussing cultural roots of Japan's foreign relations (Frattolillo 2014).<sup>3</sup> By singling-out Japan as a "special" case, such analyses succeeded in describing the details, in some cases too much (Tanaka 1998; Rothacher 1983),<sup>4</sup> of the trade conflict. Japan's relations with the EC/EU and its member states are described, first by Gilson and confirmed by others (Gilson 2000),<sup>5</sup> as a history departing from trade conflict in the past but now entering into cooperative mutual understanding between "Global partners (Suzuki 2015; Hook et.al. 2007)."<sup>6</sup> Such phrases are welcomed in promoting strategic partnerships, but they do not explain enough in the academic field, what has been achieved recently through the negotiations and what might become serious tasks and problems in near future.

What lacked in current literature was to indicate what influence did the history of trade conflict and the negotiations have had on the development of EU's common foreign trade policy. Japan fails to appear in the historical process of how the EU emerged globally as a "trade power," (Meunier,

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<sup>1</sup> Jörn Keck, Dimitri Vanoverbeke, Franz Waldenberger (eds.), *EU-Japan Relations, 1970-2012*, Routledge, 2013.

<sup>2</sup> Hitoshi Suzuki, "Back to Free Trade? : The Japan-EC Trade Conflict and British "Diplomacy" of Launching The Nissan UK Plant 1973-86," in Organization for European Studies, *Japanese Journal of European Studies*, Waseda University, March 2014; Hitoshi Suzuki, "Negotiating the Japan-EC Trade Conflict: The Role and Presence of the European Commission, the Council of Ministers, and Business Groups in Europe and Japan, 1970-1982," in Claudia Hiepel (ed.), *Europe in a Globalising World: Global Challenges and European Responses in the "long" 1970s*, Nomos, 2014.

<sup>3</sup> Oliviero Frattolillo, *Diplomacy in Japan-EU Relations: From the Cold War to the post-bipolar era*, Routledge, 2013, pp.108-112.

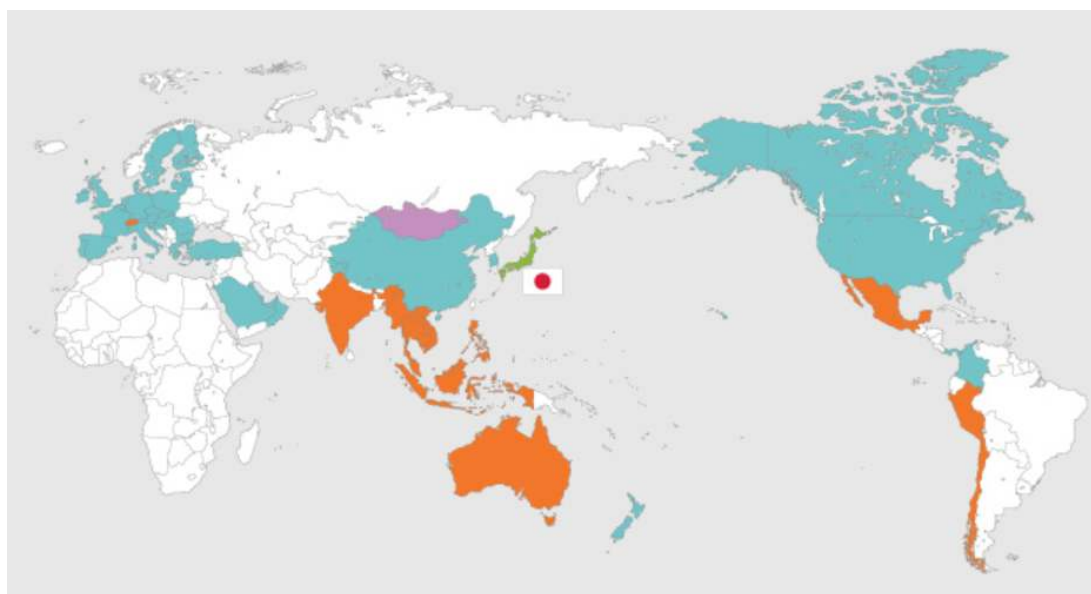
<sup>4</sup> For the argument about "Japanese workaholics living in rabbit hutches," see Toshiro Tanaka, *Politics of the European Union (EU no seiji)*, Iwanami shoten, 1998, p.225; Albrecht Rothacher, *Economic Diplomacy between the European Community and Japan 1959-1981*, Gower, 1983, p.259.

<sup>5</sup> Julie Gilson, *Japan and the European Union: A Partnership for the Twenty-First Century?*, Macmillan, 2000.

<sup>6</sup> Hitoshi Suzuki, "From Trade Conflicts to "Global Partners": Japan and the EEC 1970-1978," in Pascaline Winand, Andrea Benvenuti, Max Guderzo (eds.), *The External Relations of the European Union*, P.I.E. Peter-Lang, 2015; Glenn Hook, Hugo Dobson (eds.), *Global Governance and Japan: The Institutional Architecture*, Routledge, 2007.

Nicolaïdis 2011)<sup>7</sup> regardless of being one of the most severe challenges of European foreign trade. Literature also fails to explain Japan's current (free) trade strategy in which Japan pursues FTAs/EPAs through the bilateral approach. This was due to the lack of analysis including countries and regions other than Europe and Japan. The analysis singling-out Japan in European studies makes it difficult to understand the current trade negotiations and its (potential) achievements. The best exception of such was done by Smith, who described EU-Asian relations as a "microcosm of global trade governance (Smith 2013)."<sup>8</sup> By including Latin American countries into the landscape, which this paper attempts, achievements of Japan and the EU's trade negotiations could be illustrated in a more multilateral dimension, slightly more ambitious than a mere microcosm. Japan's trade negotiations with Mexico, Chile and Peru made the former make ambitious compromises in liberalizing Japanese agriculture imports. This affects the current Japan-EU EPA negotiation where the EU has fair chances to expand export of such items. The bilateral trade negotiations of FTAs/EPAs have set a "semi-multilateral trap" for Japan outside the World Trade Organization (WTO) round in opening up a traditionally highly protected Japanese agriculture market.

Japan's current FTAs/EPAs



Orange: in force. Purple: signed. Blue: in negotiation.

(Source: < [http://www.meti.go.jp/policy/trade\\_policy/epa/](http://www.meti.go.jp/policy/trade_policy/epa/)> Access on Feb. 26, 2015.)

<sup>7</sup> Sophie Meunier, Kalypso Nicolaïdis, "The European Union as a Trade Power," in Christopher Hill, Michael Smith (eds.), *International Relations and the European Union* (2nd ed.), Oxford University Press, 2011, pp.275-295.

<sup>8</sup> Smith, Michael, "The EU, Asia and the Governance of Global Trade," in Thomas Christiansen, Emil Kirchner, Philomena Murray (eds.), *The Palgrave Handbook of EU-Asia Relations*, Palgrave, 2013, pp.387-389.

## 1. Shifting from trade conflicts to multilateral approach

Due to Japan's flood of export, first towards the US during the 1950s and 60s and then to the European Economic Community (EEC)/EC from the late 1960s and 70s, trade conflict occurred between the tri-polar countries and region and continued throughout the 1980s. Washington and Brussels, joined by numerous national voices, claimed that Japan's attitude was an abuse of free trade rules, and that Japanese export caused serious unemployment.<sup>9</sup> Japan argued back that such claims and protectionist methods introduced were violation of free trade rules of the General Agreement of Tariffs and Trade (GATT). The conflict was partly solved by Japanese multi-nationals launching factories in America and Europe,<sup>10</sup> thereby reducing export from Japan. Ultimately the conflict faded away, thanks to the fact that American and European export to Japan had gradually expanded, and, even more, due to the end of bubble-economy in the early 1990s, Japanese economy entered recession and accordingly reduced its export. As the former Japanese Ambassador Takayuki Kimura puts it, "the trade conflict was not solved, but disappeared without being structurally solved."<sup>11</sup>

When the WTO was launched in 1995, Japan and the EU welcomed the new multilateral organization. Compared to its predecessor, the GATT, the WTO enforced its institutional framework and conflict mediating system, namely the Dispute Settlement Board. Japan and the EU expected further liberalization of trade. There were cases which Japan took issues to the panel immediately after the launch of the WTO, particularly the case of automobile and its components against the US under the Clinton administration. The issue was handled, not through bilateral negotiation, but by the WTO panel. It was the European Commission who supported Japan's action and favored the multilateral WTO approach.<sup>12</sup>

Witnessing that the WTO had not served in favor of American national interests, the Bush administration chose to depart from the multilateral approach in 2001. Bush adopted a bilateral approach outside the framework of the WTO Doha round in order to agree upon active bilateral FTAs. This approach was seen as more rapid and effective than waiting for the slow progress of the round. Accordingly, Japan and the EU were obliged to swiftly follow the American new approach, so

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<sup>9</sup> Suzuki (2014).

<sup>10</sup> Suzuki (2014).

<sup>11</sup> Hitoshi, Suzuki, "The Rise of Summitry and EEC-Japan Trade Relations," in Emmanuel Mourlon-Druol, Federico Romero (eds.), *International Summitry and Global Governance: The rise of the G7 and the European Council, 1974-1991*, Routledge, 2014, pp.154.

<sup>12</sup> Tanaka (1998) pp236-237.

that their industry would not reduce or lose access in third countries' markets, caused by the lack of FTAs/EPAs. Asian Pacific and Latin American countries became one of the main focuses of Japanese and Europeans.

## 2. Japan's first stage of FTA negotiations: Asian Pacific and Latin American countries

It has been understood that EU's (reluctant) departure from a multilateral approach via the WTO and its shift to a bilateral FTA strategy was caused by three reasons (Woolcock 2010).<sup>13</sup> The first was the lack of progress of the Doha round. The second was the shift of other major WTO members toward active FTA strategies. China adopted a new trade policy in 2000 and approached the ASEAN, closely followed up and countered by Japan and India.<sup>14</sup> Finally, and most crucially,<sup>15</sup> the Bush administration, under the Trade Promotion Authority of 2001, pursued active FTA negotiations with Central America, Thai, Korea and Southern Africa Customs Union (SACU). Due to these three backgrounds, it became a global trend to pursue bilateral FTAs/EPAs outside the WTO round.

From a Japanese perspective, however, it was the EU, rather than Japan, who shifted earlier towards the bilateral FTA approach. The JETRO (Japan External Trade Organization) interprets Japan's gradual steps toward FTAs/EPAs as led by two reasons: the deadlock of the Doha round, and the developing countries' shift towards liberalizing trade.<sup>16</sup> Urata points out that a sense of "exclusion fear" pushed East Asian countries towards FTA negotiations (Urata 2009).<sup>17</sup> Japan's gradual and reluctant shift towards FTAs/EPAs was evident in negotiations with the Latin American countries. To put it more precise, the EU shifted towards the bilateral approach earlier than Japan in its relations with the Latin American countries, while Japan responded gradually by shifting earlier than the EU in its trade relations with the Asian Pacific countries. These choices pushed Japan in a difficult position, because Japan was the last, compared to the US and the EU, when it sat down to negotiate with Mexico and Chile. This led to Japan making compromises in agriculture at a level never witnessed in earlier history.

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<sup>13</sup> Stephen Woolcock, "Trade Policy: a further shift towards Brussels," in Helen Wallace, Mark Pollack, Alasdair Young, *Policy-Making in the European Union* (6<sup>th</sup> ed.), Oxford University Press, Oxford/New York, 2010, pp.396-398.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> < <http://www.jetro.go.jp/theme/wto-fta/basic/> > Access on Feb. 26, 2015.

<sup>17</sup> Shujiro Urata, "Exclusion Fears and Competitive Regionalism in East Asia," in Mireya Solís, Barbara Stallings, Saori Katada, *Competitive Regionalism: FTA Diffusion in the Pacific Rim*, Palgrave Macmillan, 2009.

Japan-ASEAN trade (2006)



(Source: < [http://www.mofa.go.jp/mofaj/gaiko/fta/j\\_asean/pdfs/jasean\\_gaiyou.pdf](http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/pdfs/jasean_gaiyou.pdf) > Access Feb. 26, 2014.)

For Japan, the highest priority in trade negotiations was the Asian countries. Japanese multi-nationals run their factories in Thai, Indonesia, Philippine and others, and those factories would sell their goods locally and also export to Japan. Both as supply chain of production and outlet market, Asian countries have been indispensable for Japan. The first country Japan signed an EPA was Singapore, entering into force in November 2002. Since then, Japan entered into a new era of pursuing FTAs/EPAs and has negotiated with most of the Asian Pacific countries.<sup>18</sup> EPAs entered into force in July 2006 with Malaysia, in November 2007 with Thai, in July 2008 with Indonesia and Burney, in December with Philippine and the ASEAN, in October 2009 with Vietnam, in August 2011 with India, and finally in July 2014 with Australia, but without Korea and China. This could be described as the first stage of Japan’s FTA/EPA negotiations, set upon a tactic to conclude with strategically important countries “as many as possible” and “in the order of conclude-able.”

Contrary to its EPAs with the Asian Pacific countries, Japan’s negotiations with the Latin American countries started late than the US and the EU, and also late than Japan’s negotiations with the Asian countries. The EU agreed on the Partnership Agreement with Mexico in 1997, which entered into force in 2000.<sup>19</sup> With Chile it signed the Association Agreement in 2002, entering into

<sup>18</sup> Ibid.

<sup>19</sup> < <http://ec.europa.eu/cgi-bin/etal.pl> > Access on Feb.26, 2015.

force in March 2005. Contrary to the EU's earlier start, Japan started negotiations with these countries later and in passive manner. Japan's EPAs with Mexico, Chile, and Peru were aimed to catch up with the US and the EU's free trade policy with Latin American countries, so that Japanese multi-nationals would not reduce market access. The Japan-Mexico EPA entered into force in April 2005. The second case was the Japan-Chile EPA since September 2007, followed by the third case, the Japan-Peru EPA, which entered into force in March 2012.

The Japan-Mexico EPA aimed to reduce tariff of industrial and agricultural products, promote trade of services and investment, and opening public procurement for Japanese multinationals in Mexico.<sup>20</sup> Mexico has been crucial for Japanese multi-nationals of automobile industry, because transplants located in Mexico would produce cars and sell, not only domestically but also export to the North American market. For Japan it was crucial that tariffs on automobile, electronic products and its components were abolished. In agriculture issues, Mexico gained preferential quotas in Japan concerning pork, beef, chicken, orange and orange juice.<sup>21</sup> The Mexican case became a crucial forerunner for the following negotiations with Chile and Peru. This was a compromise which Japan never made with the US and the EC/EU. Up to this point, Japan, who had enjoyed a moratorium of *not* being targeted by the US like the EEC and its Common Agriculture Policy (CAP) in the GATT rounds, had adopted a tactic of pin-point liberalizing very specific items of its agriculture market. Whenever the tensions of trade conflict grew high, Japan made compromises in lowering tariffs of few products: beef and orange for the US in the 1980s, and Scottish whisky and spirits for the EC/EU in the 1990s. Other items, rice at the top, had not even appeared on the list. Compromise in agriculture was used as mere symbolic event of highlighting the peak of trade conflicts, which would eventually die down and be forgotten.

The EPA with Chile closely followed the contents of the Japan-Mexico EPA. Chile had already agreed upon FTAs with more than 40 countries and regions including the US, the EU, Korea, and China. Thanks to the EPA, more than 90% of Chile's export to Japan, which had formerly covered around 30%, became free of tariffs.<sup>22</sup> Items of Chile's export to Japan are mostly natural resources (copper and molybdenum steel). It was remarkable, however, that tariffs of salmon, pork and wood were also reduced. Because Japan aimed to reduce Chile's import tariffs of automobile, electronic and mechanical products, which occupy nearly 80% of Japan's export to the latter, Japan had to make an ambitious decision in lowering tariffs of agriculture.

The most recent case with Peru went even further than the Japan-Chile EPA. During the following decade both countries would abolish tariffs of all products.<sup>23</sup> This included Peru's export

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<sup>20</sup> <[http://www.mofa.go.jp/mofaj/area/mexico/keizai\\_goui.html](http://www.mofa.go.jp/mofaj/area/mexico/keizai_goui.html)> Access on Oct. 2, 2014.

<sup>21</sup> <[http://www.mofa.go.jp/mofaj/area/mexico/keizai\\_noukou.html](http://www.mofa.go.jp/mofaj/area/mexico/keizai_noukou.html)> Access on Feb. 26, 2015.

<sup>22</sup> <[http://www.mofa.go.jp/mofaj/gaiko/fta/j\\_chile/index.html](http://www.mofa.go.jp/mofaj/gaiko/fta/j_chile/index.html)> Access on Oct. 2, 2014.

<sup>23</sup> <[http://www.mofa.go.jp/mofaj/gaiko/fta/j\\_peru/index.html](http://www.mofa.go.jp/mofaj/gaiko/fta/j_peru/index.html)> Access on Oct. 2, 2014.

of pork, chicken, asparagus, corn, eel and wood. In turn Japan would increase access, not only of automobile, motorcycle, and electronic products, but also sweet potato, apple, pear, persimmon (kaki), green tea, and alcohol (sake). This was a “striking new” decision made by Japan, who had little been interested in promoting export of Japanese agriculture products. Such efforts in turn would lead to opening the Japanese agriculture market to imports. These compromises in agriculture, liberalizing both export and import, have a potential for the EU to expand export of agriculture products towards Japan.

### **3. The second stage: FTA/EPA negotiations with the EU and the US**

#### **3.1. The Japan-EU negotiations**

The second stage of Japan’s FTA negotiations started when Japan, after succeeding in its EPA negotiations with neighboring Asian Pacific countries, decided to enter into negotiations with its global partners, the US and the EU.<sup>24</sup> Japan’s passive trade policy has now entered into an “active” and challenging second stage, in which both chances and risks run higher. Japan and the EU have expanded their cooperation to many policy fields of global issues.<sup>25</sup> The more crucial an issue is, however, the more difficult to build up a common position. After Japanese multi-nationals have launched and run factories in the US and the EU member states for three decades, how much could Japan profit through an FTA/EPA with the EU? Rather than “expectation deficit” of both Japan and the EU,<sup>26</sup> it seems doubtful whether both sides have expectations at all. Still, Japan-EU trade occupies 35.7% of world trade in 2013,<sup>27</sup> and is expected to promote not only economic growth and employment but also setting the rules of global trade. Specific sectors or items have fair chances of deals. In this section, Japan’s negotiation with the EU will be reviewed first and be compared with that with the US in the TPP.

Japan’s negotiation with the EU goes back to May 2011, when both partners agreed on launching the scoping exercise before starting the EPA negotiations. The earthquake disaster of March 11, 2011 played a role in promoting the reluctant EU member states to initiate the negotiations for the purpose to economically help Japan. The scoping exercise was concluded in July 2012, which led the European Commission to request the Council to authorize negotiations with

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<sup>24</sup> <[http://www.mofa.go.jp/mofaj/gaiko/page6\\_000042.html](http://www.mofa.go.jp/mofaj/gaiko/page6_000042.html)> Access on Oct. 2, 2014.

<sup>25</sup> Tanaka (1998) p.518

<sup>26</sup> Michito Tsuruoka, “Expectation Deficit’ in EU-Japan Relations: Why the Relationship Cannot Flourish,” *Current Policies and Economics of Asia*, Vol.17, No.1, 2008, pp.107-126.

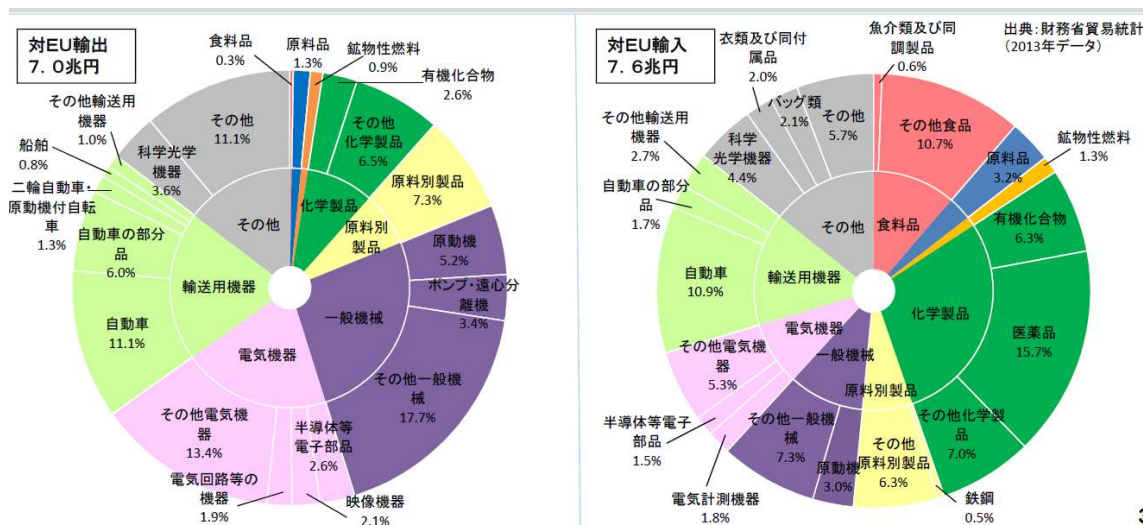
<sup>27</sup> IMF, Direction of Trade Statistics, August 2014;

<[http://www.mofa.go.jp/mofaj/gaiko/page6\\_000042.html](http://www.mofa.go.jp/mofaj/gaiko/page6_000042.html)>



Japan. The Council of Foreign Ministers agreed in Madrid in the following November and adopted the mandate. The first negotiation took place in Brussels in April 2013, the second in Tokyo in June, the third and fourth in Brussels in October 2013 and January 2014, and the fifth during March/April in Tokyo. In the talks, Japan requested reduction of the EU's tariffs of automobile (10%) and electronic products (14%), while the EU asked Japan to reduce tariffs, abolish non-tariff barriers (automobile, chemical products, electronic products, food security, processed food, medical equipment and medicine), and to open public procurement to foreign firms.<sup>28</sup>

Japan's trade with the EU



Left chart: Japanese export to the EU, 7 tril. Yen (2013).

Right chart: Japanese import from the EU, 7.6 tril. Yen (2013).

Green: chemical products. Purple: mechanical products (includes medicine). Pink: electronic products. Green: transportation products (automobile and components). Gray: others.

(Source: < <http://www.mofa.go.jp/mofaj/files/000013819.pdf> > Access on 26 Feb. 2015.)

The Abe administration is strongly pushed by Japanese multi-nationals to conclude the EPA. Whether compromises could be made in public procurement and tariff reduction of agriculture products are not certain at this point. While Abe's initiative of actively expanding Japanese military role has attracted international attention, domestic public opinion more focuses on agriculture reform. How much the centralized power of the agriculture group, JA (nokyo), could be reduced is a direct question of liberalizing Japanese food imports. While the financial scandal of the Minister of Agriculture, Forestry and Fisheries and his resignation in February 2015 seem to doom the future negotiations, the EPAs with Latin American countries, which had succeeded in liberalizing the protected Japanese market, have the potential to make Japan conclude similar agreements with the

<sup>28</sup> <[http://www.mofa.go.jp/mofaj/gaiko/page6\\_000042.html](http://www.mofa.go.jp/mofaj/gaiko/page6_000042.html)> Access on Oct. 2, 2014.

EU. Not only because Japanese bureaucracy favor path dependency, but because the nature of trade agreements allow countries to obtain the same contents agreed earlier.

### 3.2. Japan, the US, and the TPP

The TPP negotiation, which started in 2006, is not solely carried out by Japan and the US. It was launched by Singapore, New Zealand, Chile and Brunei, and joined by the US in March 2010, and Japan in July 2013. The current 12 participating countries (others being Australia, Peru, Malaysia, Vietnam, Canada, and Mexico) cover 38% of GDP of the world.<sup>29</sup> The only countries Japan has not yet signed FTAs/EPAs among the participants are Canada, New Zealand, and the US.

Japan's participation is not, however, a mere follow up of its EPAs with Asian Pacific countries, but has a fundamentally new dimension compared to the earlier cases. The first and most evident reason is the fact that the US is a negotiating partner. The second is because the TPP covers wide range of issues other than tariff reduction and trade, which are namely investment, public procurement, intellectual property rights, environment, and labor issues.<sup>30</sup> Chances to expand Japanese export is coupled with liberalizing import, investment, and service sectors in Japan.

While Japan-US negotiations focus on automobile, the Japanese government, namely the Ministry of Agriculture, Forestry and Fisheries (MAFF), keenly maneuvers to protect Japanese agriculture market. Five items, which are rice, wheat, beef/pork, dairy products and sugarcane, are defined as the exception of the TPP's initial aim: abolishing tariffs of *all* items until 2015. MAFF announced that 4.5 trillion Yen of Japanese agriculture production will be lost, if all tariffs were abolished.<sup>31</sup> The reasons why these specific sectors have to be protected are sensible issues, based on Japanese domestic political and social structures.<sup>32</sup> Breaking a hole through these "sacred" five items has seemed difficult, until Mexico, Chile and Peru succeeded in liberalizing pork. Other items such as wine and chicken would have fare chances not only for the US and the TPP countries but also for the EU member states. Recent trend of Japanese public opinion supporting agriculture reform and export of Japanese food culture, led by Japanese specialists of agriculture,<sup>33</sup> could also play a role in promoting "ambitious" outcomes of trade agreements. Certain sectors would claim that they have been trapped in a trade deal of multilateral outcomes, even if it was negotiated under a bilateral FTA/EPA approach outside the multilateral Doha round. The Japanese case of the EU, the

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<sup>29</sup> IMF, World Economic Outlook Database, April 2013;

<<http://www.mofa.go.jp/mofaj/gaiko/tpp/index.html>>

<sup>30</sup> <<http://www.mofa.go.jp/mofaj/gaiko/tpp/index.html>> Access on Oct. 3, 2014.

<sup>31</sup> *Nihhon Keizai Shinbun (Nikkei newsjournal)*, Nov. 9, 2010.

<sup>32</sup> Albrecht Rothacher, "The darker side of the market access: Pork-meat trade, harbor management fund and construction 1987-1991," in Keck et.al. (2013) pp.240-254.

<sup>33</sup> Kazuhito Yamashita, *JA's Plot: Hidden Intentions behind Opposition against the TPP (Noukyou no inbou)*, Takarajima sha, 2011.

US and Latin American countries undermined the multilateral institution, the WTO and its round, but strengthened multilateral liberalization of trade via bilateral approaches.

## **Conclusions**

The first country Japan signed an EPA was Singapore in January 2002. Since then, Japan has agreed upon EPAs with most of the Asian-Pacific countries, including Australia (July 2014), but without Korea and China. This could be described as the first stage of Japan's FTA/EPA negotiations, set upon a strategy to conclude with countries "as many as possible" and "in the order of conclude-able." Japan's EPAs with Mexico (May 2005), Chile (September 2007), and Peru (March 2012) were aimed to catch up with the US and the EU's free trade policy with Latin American countries, so that market access of Japanese multi-nationals would not reduce. Japan's strategy in this stage had been passive. In the current second stage, which the country has gradually entered into after the global financial crisis, Japan pursues active roles and negotiates with "bigger" partners such as the US (in the TPP), Canada, the EU, Korea and China. Japan's EPAs with Mexico, Chile and Peru played the role of opening a backdoor to Japan's highly protected agriculture market, therefore urging a new dimension to the country's foreign trade policy. While allowing Japanese farmers to export to Latin America, Japan in turn opened its market of wine, beef, chicken, pork and others, which was a compromise the country had rarely made with the US and the EC/EU during the history of trade conflicts. Besides agriculture, Japan is further required to abandon non-tariff barriers and to open public procurement. Japan had carefully avoided being trapped in these issues and making compromises during the trade conflict negotiations, but is now half-way falling into a "semi-multilateral trap" outside the multilateral Doha round of the WTO. Liberation of agriculture market for Latin American countries' exports is about to open the way for North American and European export towards Japan, leaving few options for the latter to refuse such compromises. In case Japan refuses to liberalize its agriculture market, it would merely lead to further strengthened pressure for agreeing on abolishing non-tariff barriers and opening public procurement. The Japanese case of the EU, the US and Latin American countries undermined the institution of multilateralism, the WTO and its round, but strengthened multilateral liberalization of trade as a consequence via bilateral FTA/EPA approaches outside the multilateral Doha round. Multilateral outputs without multilateral rounds are now in effect.

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