



EU-Japan relations, 1970-2012 – from confrontation to Global Partnership

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BOOK REVIEW

EU – Japan relations, 1970-2012 – from confrontation to Global Partnership, edited by Joern Keck, Dimitri Vanoverbeke and Franz Waldenberger, London and New York: Routledge, 2013, 352 pp., £ 100.00 (hardback), ISBN 9-7804-1565-8720

This book provides a comprehensive and detailed review of the 50 years of EU–Japan relations. It is instructive since it also offers case studies of several trade disputes, which gives useful insights into how trade frictions can be resolved. The perceptive grasp of the bilateral relations in this book is due to the fact that the writers had been directly involved in the trade negotiations and therefore have first-hand accounts of the situation.

The chronological analysis of EU–Japan relations starts in Part I with the period from the 1970s onwards. This period at the start of the 1970s was when the European Commission (EC) began to represent Member States in trade negotiations with Japan. Trade negotiations between the EC and Japan in the 1970s were characterized by tension and confrontation, with no easy solutions in view. Analysis of bilateral trade shows that the EC's trade deficit deteriorated and Japanese exports tended to focus on several sectors (such as cars and electronic goods), while the EC's exports of manufactured goods to Japan could not improve due to difficulties to enter the Japanese market. Although these trade issues were acknowledged by the Ushiba–Haferkamp Joint Statement in 1978, they basically remained unresolved. Positive developments in this period included some institutional arrangements such as the establishment of permanent missions in Tokyo and Brussels.

Bilateral relations in the 1980s were characterized by a search for solutions to tackle trade issues in order to force a breakthrough and unblock inflexible positions. In 1982, the EC opened proceedings with Japan under the GATT Article XXIII, claiming that potential GATT benefits had been impaired since the Japanese imports from Europe had been discouraged due to specific features of the Japanese economy. As a result, in 1983, Japan agreed to implement export moderation towards European markets in

certain products (cars, TVs, VTRs, etc.). The Japanese Voluntary Restraint Agreements on sensitive products enabled European producers to improve their competitiveness.

One of the long-running trade disputes between the EC and Japan was solved in this period, too. Reform of the Japanese liquor tax regime implemented in 1989 following the GATT dispute case brought by the EC in 1987 is an example of how powerful commercial and political interests that were involved on both sides could eventually be resolved due to the foreign pressure on Japan. In 1988, cooperation officially became part of the EC's policy towards Japan, and the EC's diplomatic status in Japan was upgraded in 1987. The 1980s thus marked the end of trade frictions and from the next decade both parties were clearly prepared to enlarge the fields of their cooperation.

The Hague Declaration signed in 1991 at the EC–Japan Summit showed the commitment of the EU and Japan to widen the scope of their relations to cooperation on major international issues. The bilateral relations in the 1990s thus underwent a profound change and gained a momentum. While the cooperation in 1988 was regarded more or less pragmatically, meaning that cooperation should be linked to economic issues, in the 1990s, cooperation was to include political cooperation as well. This was clearly demonstrated in EU–Japan Summits, by the EU participation in the Korean Peninsula Energy Development Organisation, and in Japan's financial contribution to the reconstruction of the Balkans, just to mention a few. Still confronted by the frustrating trade imbalances with Japan, the European side chose the non-confrontational, cooperative approach. The main reason was that the EU did not have the same political leverage with Japan as the USA. Consequently, the Trade Assessment Mechanism which identified those EU products that appeared to be underperforming on the Japanese market and, by establishing the cause of this weakness, aimed to propose a corrective action was clearly a non-confrontational trade policy device that helped to establish the collaborative approach between the two parties. Agreements known as Elements of Consensus (EOC) were concluded in 1991 and implemented smoothly. These limited Japanese imports of cars to the EU and to the five countries where restrictions still existed. The EOC epitomizes the flexible, cooperative stance of the EU. The above-mentioned new cooperative trade approach in the 1990s achieved some results, and although the progress was not spectacular, the book emphasizes the continuity of the trade dialogue as well as the improved tone of the economic relationship.

The decade of 2001–2011 was declared to be a 'decade of cooperation' by the Joint Action Plan that included wide-ranging objectives, and overall was very ambitious. As illustrated and explained in this book, peace and stability, human rights and democracy

were identified as cooperation areas with ‘untapped potential’. Some clearly positive results in this period were for example that the EU–Japan Summits became more focused and more substantial. Furthermore, the EU–Japan year of People–to–People Exchanges in 2005 was also a success. The Lisbon Treaty came into force in 2009 and gave more competence to the European Parliament, meaning that the parliamentary exchanges between the EU and Japan that started as early as in 1979 became even more important. However, the evidence provided in this book suggests that, despite the strength of declared commitments, overall assessments of this decade in bilateral Japan–EU relations should conclude that tangible results of the Action Plan remained below expectations.

Correspondingly, one of the central themes that this book conveys to its readers is that the 50 years of EU–Japan relations and cooperation are characterized by a clear shift from trade friction to a more wide-ranging cooperation. The book on the whole emphasizes that Japanese economic structures are distinct and impeding to trade and foreign investment from outside and that there remains little evidence of fundamental change. Nevertheless, the book gives interesting insights into how and why EU negotiations with Japan from the mid-1990s onwards became less confrontational. This shift in negotiating attitude can be partly explained by growing Japanese Foreign Direct Investment in Europe, by the rapid rise of China – which, since 2004, had overtaken Japan as the country with the largest trade surpluses with the EU – and by other urgent issues that emerged on the international agenda. Another point which the book emphasizes is that the cooperation of the EU and Japan in itself is important not only for these two partners, but for other world regions as well, and therefore in the future increased level of mutual economic and political engagement is needed.

Rich in detail and insight, this book explains how EU–Japan relations can be understood against the background of three main vectors: European integration, Japanese economic development and changes in the global environment, where the focus has fallen mainly on the shift from the dominating US–EU–Japan triad to a more multipolar setting of global economic power. To illustrate, Chapter 8 adds another element: the exchange rate. It argues that the evolution of the bilateral exchange rate was another factor that, together with trade and current account imbalances, has influenced the EU–Japan economic relations. The emergence of China as a new global player and its growing influence in regional and international political systems are also analyzed at several places in the book.

In several chapters the book refers to the US trade policy and demonstrates how the US trade policy towards Japan had been observed and analyzed by the EU and how it

played an important role in determining the EU trade policy and approach to Japan. The USA has continued to be the more traditionally privileged cooperative partner for Japan in economic and political areas and the EU has always been aware of the risk of trade diversion in case the USA chose to restrict trade from Japan. Although in trade negotiations both the EU and the USA had basically faced the same challenges and had called for a more open Japanese market, each has developed a different approach – the USA adopting a more activist and aggressive approach, whereas the EU has opted for a less tense and more cooperative approach.

From many chapters we learn a great deal about the EU–Japan trade negotiations, covering the focus of the trade discussions and how each side responded to the other’s arguments, and other details that only insiders might have access to. As has been mentioned already, most chapters in this book offer first-hand accounts by experts – for example, present and former officials of the EC – who directly participated in and/or contributed to the bilateral trade negotiations and dialogues.

As such, this book is indeed very relevant and topical; for example, when taking into account how at the EU–Japan Summit in May 2011 both parties agreed to launch parallel negotiations on a Free Trade Agreement (FTA)/Economic Partnership Agreement (EPA) and on a binding political agreement and that there is media interest in the EU–Japan FTA/EPA negotiations.

Overall, the analysis of past EU–Japan relations gives a cautionary tale that might contribute positive insights when preparing the future framework of the cooperation between the two parties. This is especially true when it comes to the FTA/EPA negotiations between the EU and Japan. Readers of the book might readily recognize how many issues appearing in press releases from the EU–Japan recent FTA/EPA negotiations are strikingly familiar. For example, issues raised in the GATT Article XXIII proceedings still remain on the agenda in the context of EU–Japan FTA/EPA talks. Similar to the situation of more than 20 years ago, European businesses still cannot gain a fair access to the Japanese construction market. Last but not least, the book points out that there remains a considerable scope for EU–Japan relations to develop further and that shared interests should provide platforms for joint action. It is instructive and helpful that the book gives numerous concrete examples and suggestions for cooperation, notably in Part III, in which detailed attention is given towards highlighting the sharing of experiences and information in global governance, the intensification of academic exchanges and so on.

Overall, this book can be highly recommended as essential read for business and management researchers and practitioners who are both interested in and influenced

by the EU as well as development in Japan's economy and politics, as the current trends in what Western commentators refer to loosely as 'Abenomics' or the policies espoused by the government led by Japan's current Prime Minister, Shinzo Abe. The book should also find an appreciative audience among scholars researching international relations and trade policy in Europe and across the Asia-Pacific region. In the light of future FTA/EPA negotiations between the EU and Japan, this book can also be recommended as instructive reading for future international negotiators and others seeking bi-lateral diplomatic responsibilities along with international trade opportunities.

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