

**THE EURO-JAPANESE TRADE
RELATION AND EAST ASIAN REGIONAL
INTEGRATION**

2014-15: DISSERTATION

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Abstract

Negotiated at the same time as the TPP, the TTIP and the RCEP, the Euro-Japanese FTA could seem like a minor agreement and yet, it is claimed to be an ambitious endeavour (DG Trade, 2015) and Japan even talks about this project as being a “Mega FTA” (METI, 2015), very defining for both economies, as well as regional and global trade and rule-making. While both the EU and Japan are major economic powers sharing common values, an FTA doesn't appear like the most obvious thing between both partners as much because of their geographical position as because of Japan's tradition of poor trade openness (OECD, 2011). And yet, both parts have been committing to major efforts to achieve this goal since 2009. The project was even pushed forward by Japan, in reaction to the EU-Korea Free Trade Agreement.

The aim of this dissertation is to understand the role of the East Asian area and the influence of its regional integration process in the evolution of the Euro-Japanese partnership and the wish to start negotiate a Free Trade Agreement.

Key Words: Free Trade Agreement, Euro-Japanese relations, East Asia, Regional Integration, Global Governance, Trade

Notes:

- The term **East Asia** in this essay will designate specifically the area covering **China, South Korea, Japan** and the **ASEAN** as a regional organisation.
- In international relations theories, **regionalisation** designates the process of regional integration driven by the actions of non-state actors and factors. **Regionalism** designates the process of regional integration driven by states and political endeavours with common goals, and often leading to the creation of intergovernmental or supranational institutions. (Hettne & Söderbaum, 1998)

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Table of contents

| | |
|---|----|
| THE EURO-JAPANESE TRADE RELATION AND EAST ASIAN REGIONAL INTEGRATION | 1 |
| Abstract | 2 |
| Thanks..... | 3 |
| Table of contents..... | 4 |
| Glossary | 5 |
| Introduction..... | 6 |
| Methodology..... | 8 |
| Theoretical framework..... | 9 |
| Main Body | 12 |
| The EU’s approach to Asia in evolution | 12 |
| The EU in search of ambitious strategic partnerships in East Asia | 13 |
| Japan’s lack of external leadership and ambitious foreign strategy..... | 17 |
| Japan’s turn to East Asia and the renewal of its approach to the region..... | 18 |
| The Euro-Japanese strategic partnership: a “strategic dialogue on East Asia” (EU, 2007) and the ambition of global norm-making..... | 22 |
| The Euro-Japanese trade relation: a great “untapped potential” (Barroso, 2006) | 24 |
| East Asia (1): A region that is seemingly struggling with regional integration | 26 |
| East Asia (2): ... That has actually developed a specific approach to trade and regionalisation | 28 |
| The Euro-Japanese FTA (1): towards regulatory reforms and global norm-making..... | 30 |
| The Euro-Japanese relation (2): ...to frame the development of the East Asian regional integration process | 31 |
| Conclusion | 34 |
| Bibliography | 37 |
| Primary sources..... | 37 |
| Secondary Sources | 40 |
| Appendices..... | 47 |

Glossary

| | |
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| AFTA | ASEAN Free Trade Area |
| APEC | Asia-Pacific Economic Community |
| ASEAN | Association of South East Asian Nations ¹ |
| BRICS | Brasil, Russia, India, China, South Africa ² |
| EPA | Economic Partnership Agreement (Japanese equivalent to Free Trade Agreements) ³ |
| EU | European Union |
| FTA | Free Trade Agreement |
| GATT | General Agreement on Tariffs and Trade |
| GoJ | Government of Japan |
| ICTs | Information and Communication Technologies |
| JETRO | Japan External Trade Organisation (organisation close to the GoJ) |
| KEIDANREN | Japanese Business Federation |
| MERCOSUR | Regional organisation composed of Argentina, Brazil, Paraguay, Uruguay, Venezuela |
| METI | Ministry of Economy, Trade and Industry of Japan |
| MOFA | Ministry of Foreign Affairs of Japan |
| RCEP | Regional Comprehensive Economic Partnership |
| RRD | EU-Japan Regulatory Reform Dialogue |
| REACH | Registration, Evaluation, Authorisation and Restriction of Chemicals |
| SDF | Self-Defense Forces of Japan |
| TPP | Trans-Pacific Partnership |
| TTIP | Transatlantic Trade and Investment Partnership |
| WTO | World Trade Organisation |

¹ ASEAN+3(China, Japan, South Korea), ASEAN 6: the six most developed countries in the ASEAN (Indonesia, Thailand, Malaysia, Singapore, Brunei, Philippines)

² BRICS is a term that is still evolving. As a result, the word CIVETS came up to designate even newer emerging economies: Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. (The Guardian, 2011)

³ EPAs are the equivalent to FTAs but they officially encompass a larger approach, cf. Japan's customs (2008).

Introduction

“Typically, trade is treated as an independent variable that reduces the incidence of conflict. Yet trade is itself endogenous to political calculations and decisions.” In this quote, Arthur A. Stein (2003, p.111) encompasses the very difference between economics, describing behaviours and exchanges strictly between economic agents, and political economy, which is the study of economy, politics and law as interdependent factors influencing each other. Political economy thus studies how policies are designed to balance these different aspects. According to this approach, trade is an inherent political tool rather than an exogenous entity that would evolve outside of the realm of states and international decision making. From the moment trade starts to be considered as endogenous to political decision making, comes the realisation of its extreme importance nationally, in the external policy of states; but also internationally, in the evolution of the balance of power and international relations.

In 2011, Richard Baldwin published a paper on the evolution of supply chain in the 21st century and put forward the importance of the development of Information and Communication Technologies (ICTs) that allowed the international spread of production stages, mainly on a regional level. He explained that this also engendered a need for their coordination on an international level. It is obvious in this example that trade plays a very palpable role in international relations and offers new ranges of interactions for nations, but not restricted to them. The wide range of actors involved in trade also makes for new levels of actions and discussions, with non-state actors more and more involved such as lobbies, chambers of commerce with large influences, companies obviously but also regions as a whole. Indeed, still according to Baldwin, globalisation also expressed itself through the major importance of regions, since developed nations chose to outsource in developing nations that are closest geographically, because of obvious travel needs for head personnel or engineers. It is also explained by the issue of export and import time, knowing that a product partly created in a developing nation isn't necessarily completed in this nation, but needs to be taken in charge by other countries before reaching the final consumer. For all those reasons, the development of ICTs and the “second unbundling” (Baldwin, 2011) resulted in an internationalisation process and yet greatly reinforced the role of regions. Very logically, this increased role of regions also changed the looks of trade and the way it is taken in charge. From a nation-based endeavour, international trade developed through new forms such as the development of free trade areas with free trade agreements. As a result, actors such as the European Commission, start negotiating on a similar basis with national representatives as trade partners and interlocutors. This is of great importance for Global Governance as it calls for the renewal of how trade is cognitively conceived and thus asks new questions, would it be on disputes settlement mechanisms or even on

intellectual property rights and the traceability of products in what is now an international supply chain.

The failure of the Doha round and the emergence of developing countries that benefit from exceptional rules in the WTO, favoured the apparition of these free trade areas that are now entirely part of international trade. In this framework, East Asia is a major pole for trade with leading advanced technology nations such as Japan and more recently South Korea and Singapore, developing countries such as Thailand and Malaysia and finally China, the second largest economy worldwide (CNN, 2015). The emergence of Asia as a major trade area with its own hubs and spokes at the end of the 20th century, also made for a prime example of the notion of unbundling and changed the global balance of power which is bending more and more towards the Pacific. As a consequence, the EU also oriented gradually its strategy towards East Asia, trying to find the best way to keep a close and strategic relationship with the area, knowing that East Asia represents a key place for future norm and decision making with the interlinkage of trade, international relations and security. If the importance of East Asia trade-wise seems obvious, the weight and relevance of each partner is not as evident in the EU's strategy. On the other hand, Japan, by its involvement in East Asia, the importance of its trade network and the amount of its development aids, is a major player in East Asia, undergoing strong identity evolutions.

As aforementioned, world trade is being reshaped and East Asia holds a major role in this phenomenon, noticeably through the emergence of developing countries, but also because of its massive and spread out production chain. In parallel, the past years have seen the start of the negotiations for the Euro-Japanese FTA, right after the signature of the EU-South Korea Free Trade Agreement. The treaty with South Korea was decisive for Japan to decide to enhance its partnership with the EU. The chain reaction engendered by the EU-Korea treaty for the Euro-Japanese relation highlights the very peculiar trade environment Japan finds itself in, with emerging countries displaying intense interlinkages and inciting the country to react. Studying the regional integration process in East Asia thus appears to be necessary to analyse and explain the evolution in the EU and Japanese trade policy and their choice to foster an FTA. Thus, **how has the evolution of East Asian regional integration influenced the creation of the EU-Japan FTA?**

Methodology

Direct inputs from European institutions will be used thanks to an interview held with Jean-François Billet, a senior trade officer at the EU delegation in Japan. This study will be based on the discourse analysis of primary sources from the Commission, the Council of the European Union and the Parliament as well as the Minister of Economy, Trade and Industry (METI) and that of Foreign Affairs (MOFA) of Japan. Finally, secondary documents will be used to anchor this paper theoretically and to study critically the primary documents aforementioned.

Before introducing the following theoretical framework, one more precision is required in order to understand the aim of this paper better. Though resources exist on the subject tackled here, the very recent aspect of this topic and the fact that the FTA is not even signed to this day prevent this study from being able to really look back on the issue and the actual influence of the agreement. Long term evolutions will tell the orientation that this partnership will take and this paper is thus a reflection on the implications and motivations of this FTA without aiming to be a definitive and rigid analysis.

The theoretical framework will be introduced in detail first, before explaining thoroughly in a second part the EU's evolving stance on East Asia and its search for strategic partnerships in the region. The following sections will deal with the Japanese identity evolution and its normalisation to international standards as well as its desire to upgrade its regional ambitions in order to explain why the Euro-Japanese relation – specifically trade-wise- was underwhelming and now sees both actors begin to strive to enhance the partnership. Studying the evolution of this relation will thus directly lead this research to the cause of these changes. It will be argued here that the evolution of the East Asian integration serves as a motor to the evolution of the Euro-Japanese trade relation and overall partnership. Understanding this, will help analyse the overall long term strategy of both actors in this area and their stance on global governance.

Eventually, the communications from the Japanese Government and institutions are the official ones, and their original Japanese versions can be found in the footnotes. Phonetical indications are only added to short words or expressions, such as the one of “normal Japan” (普通の国 pronounced as “futsuu no kuni”). Putting phonetical transcriptions in the footnotes for long quotations didn't prove to bring any added value to the dissertation and made it less readable.

Theoretical framework

To tackle the question of the East Asian trade environment, the notion of regional integration is central. Today, East Asia asks the question of the evolution of regional integration and, thus, new regionalism theories appear like the most relevant framework to understand the evolution of the area.

The notion of New Regionalism theories emerged thanks to the works of a multitude of searchers but it was most famously defined by Söderbaum, in an attempt to understand the development of regionalism and regional areas that were differing from the neofunctionalist approach tackled earlier as well as differing from a top-down analysis (Van Meter & Van Horn, 1975). Hettne and Söderbaum (1998) defined the different contextual reasons having favoured the apparition of this wave of regionalism as such:

- the end of the Cold War which changed the power balance from bipolar to multipolar
- the resulting decline of the United States of America's hegemony to give birth to three main blocks being the US/EU/East Asia
- the agency of non-state actors, which answer more appropriately to new issues and thus highlight the relative diminished influence of the state.
- The non-respect of the United Nations by major countries and the emergence of new security and environmental threats.
- Finally, added to all these reasons, appears the one of the globalisation of economies, finance and production steps which reorganises the international supply chain and ask for different governance methods.

Consequently, diverse theories have emerged to explain the reaction of the different actors to this change. For example, Paul Bowles published in 1997 a paper on the reasons for the creation of the Association of Southeast Asian Nations Free Trade Area (AFTA). Since the intra-ASEAN trade was far less important than its external trade exchanges, the idea of a free trade area was previously not envisioned by the different leaders of the countries with membership to the ASEAN. The sudden move towards the AFTA thus needed to be explained. Paul Bowles noticeably found out that the ASEAN reinforced its trade policy and created this area in reaction to international investment pressures, ie: to stay attractive to foreign investors in front of the BRICS. On top of this, the influence of business lobbies pushed for more liberalisation and free trade enhancing measures; while the ASEAN stayed fundamentally intergovernmental and still is not a single market per say. This example is not trivial and comes as a good representative of the new reasons for regionalism and of its expression. It brilliantly illustrates the differences of evolution between the traditional neo-

functionalist approach (Haas, 1958) associated with the EU, and the progressing East Asian integration process, which does not necessarily lead to an institution building phenomenon and a spillover effect. It is actually quite the inverse, with a recrudescence of unsupervised bilateral FTAs in the region creating new regulatory challenges.

These transformations of how regions define themselves and the reasons to do so, challenge our comprehension of what they are (Hettne and Söderbaum, 2000) and change our expectations of how regional organisations form. The evolution of East Asia as a region will thus be studied using different authors pertaining to the new regionalism theories wave, in order to understand Japan's position within it and how the EU and Japan have to renew their strategy to face it.

New Regionalism theories are a vast canvas regrouping many approaches but they will be narrowed down here to their link to trade and local leadership. This will contribute to the understanding of the role of regional integration in the evolution of the relationship between the EU and Japan, and their global governance stance on the reshaping of international trade and exchanges.

If regions can be studied under several lenses, tackling the importance of FTAs in the shaping of the East Asian region is a very timely approach to study the current evolution of the area and how the EU and Japan aim to influence it. Fu-Kuo Liu and Philippe Régnier's book *Regionalism in East Asia* (2003) will serve to study the importance of trade in the shaping of East Asia's brand of regionalism. The evolution of regional integration there, asks the question of the changes to the multilateral system they engender and the possible trade discriminations that can result from an unsupervised regional integration process. If Japan and the EU are deeply committed to multilateralism, the changes in global trade also mean that they need to renew their approach to multilateralism and global organisations to face new challenges. As a result, the question of the reshaping of multilateral organisations, specifically the World Trade Organisation, to face and answer international trade changes will be tackled. Michitaka Nakatomi, part of the Japanese External Trade Organisation (JETRO), will be the main author cited in this work. His "bicycle theory" (2012, p.39) states very simply that multilateral organisations need to evolve in order to stay relevant because, just like a bicycle that loses its balance when no one is pedalling, institutions crumble when they can't adapt. Though it is a very simply statement, various case studies will help prove his case and specifically the need for both players (EU and Japan) to take part in the evolutions of the WTO.

If the whole regionalist approach in this paper has been largely dealt with earlier, a last aspect of the analysis lays in the study of the perception Japan has of itself. If the EU

strategy will be largely explained here, tackling the strategic aspect of the FTA between both entities, implies studying the change in the Japanese strategy today regarding its foreign relations, specifically regarding trade. The thorough study of the evolution of the Japanese identity towards its neighbours (Hagstrom and Gustafsson, 2014, p.9) as well as the analysis of the new trade and business inclinations of Japan these last years with the *abonomics* often led to the recurrent apparition of the concept of “normalisation” of the country.

The idea of a “normal Japan” has been coming up more and more recently along with the idea of the reinterpreting the constitution for example (The Diplomat, June 12th 2014). Originally created by Ichiro Ozawa in his *Blueprint for a new Japan*⁴(1994), the concept is well known in the field of international security studies to qualify Japan’s will to review its defence strategy and is now often associated with the idea of giving the SDF a more active role. This theory is often misinterpreted to represent the renewal of the conception of Japan from an antimilitarist entity to one that would display military forces in a more conventional way, possibly offensive. But this is a very new interpretation of Ozawa’s theory. Actually, Ozawa’s ideas were to give Japan a more outward-looking foreign relations strategy. Indeed, the different goals of his blueprint were to enhance Japan’s multilateral approach, give Japan a more active military forces but not with offensive intentions. The SDF was expected to promote human security, peace keeping and state building. Overall, the aim was to step out of an all economic conception of Japan’s role that was promoted with the Yoshida Doctrine, which unbalanced Japan’s international influence. (Soeya, Welch & Tadokoro, 2011) Though the idea was not new at the time Ozawa’s work was published, his political status managed to make it a viable alternative and trail of thought, at a time of deep economic slowdown.

The current evolution of the Japanese strategy along with the regain of interest for this theory over the past five years, as judged by the recrudescence of the use of this term in newspapers and academic papers, asks a fundamental question to Ozawa’s approach. This question is the one of the very definition of normality that he promoted. Indeed, it asks the question of the evolution of the international stage’s architecture since the 1990s and how regionalism has become a new normality. In this sense, the multilateral approach that Ozawa wanted to promote and the whole emphasis on the use of the Self Defense Forces might now shift to the renewal of Japan’s place regionally. If regionalism is a phenomenon gaining in popularity and relevance, it necessarily redefines Japan’s approach to foreign relations and its strategic stance.

⁴ 日本改造計画 (nippon kaizou keikaku)

The rise of regionalism highlighted the very fragile and peculiar balance in the region, diplomatically, commercially but also security-wise. As a result, the idea of normalisation began to appear more and more as much in papers as in articles, a quite old idea over which Japanese political figures and academics divided themselves and that dripped down to the civil society. It impacted Japanese strategy making and consequently had to appear in this study to deepen it.

This mix of global approaches led by new regionalism theories and more locally-oriented analyses through Ozawa's words for example that is very specifically Japanese, will provide this paper with very thorough understandings of both actors' identity and strategy as well as the very reasons they chose to engage in this endeavour. It will help understand why this FTA first started to be negotiated, and will allow this paper to answer the research question aforementioned: **how has the evolution of East Asian regional integration influenced the creation of the EU-Japan FTA?**

Main Body

The EU's approach to Asia in evolution

The European Union has been indeed moving its strategy forward since the beginning of the 21st century with the realisation of major strategic issues with the USA. Events like the Iraq War exemplified the shift between Bush Senior multilateralism to Bush Junior unilateralism, thus going against the European Union's commitment to multilateral governance. These discrepancies between both major western powers piled up to an overall choice from the USA to turn to Asia through the APEC, as well as the project of the TPP, thus expressing a certain disinterest for the EU. The Obama administration has changed that by nurturing their relationship with the Old Continent with the launch of the TTIP and a call for Europe to be more united to undertake more responsibilities worldwide. But, if he "changed the tone of diplomacy" (Vutz, 2012), the general tendency stays substantially the same, that is to say: a move towards a major pacific block, called the "pivot to Asia" (Obama, 2011), diminishing the importance of the part of the European Union in the strategical calculations of the USA.

The change in the relation with the USA and the consequential decrease in the part of the EU's importance in its main partner's strategy pushed the EU to make its own strategical overview evolve, and sharpen its conception of East Asia as a partner. If the EU was always particularly multilateral in foreign affairs, global governance and trade, the recrudescence

of FTAs, and the birth of a major pacific trade block that could be engendered by the TPP, served as an exogenous force to make the EU's strategy evolve further. That is not to say that the EU didn't have its own strategy in Asia previously, with for example, the 1994 New Asia Strategy, putting an emphasis on the ASEAN as a "cornerstone" of the EU presence in East Asia (Commission of the European Communities, 1994, p.19). But the magnitude of the FTA in discussion in the pacific highlighted the necessity for the EU to deepen and renew its approach to the third major trade block that is Eastern Asia.

As a result, the EU chose to undertake a different strategy. It focuses on a more individual approach, pinpointing the strengths and weaknesses of its partners and the local roles they hold, to get the most of its 3 strategic partnerships in East Asia. (The People's Republic of China, South Korea and Japan) The EU is privileging an efficient strategy deemed realisable rather than a bigger project that wouldn't be thorough enough like an agreement with as many countries as the ones involved in the TPP. This is a direct result of the European Union learning from its experience of a failed interregional agreement with the ASEAN and its consciousness of its absence of geographical links with the region. But this doesn't mean that the EU doesn't hold global stances through this focused approach, it even goes the other way round as it will be studied later on.

The EU in search of ambitious strategic partnerships in East Asia

ASEAN

Understanding the EU's stance on East Asia necessarily has to go through a concise but useful analysis of its relations with the major players of the area, to frame the context of the Euro-Japanese FTA and its relevance for the EU. As seen earlier, East Asia is here limited to the Chinese, South Korean, and Japanese nations as well as the ASEAN. The following study deals with the ASEAN as a regional organisation rather than engaging in a country by country analysis of the EU's relations, since the evolution of its relation with the regional organisation will prove to be useful in understanding the EU's approach to East Asia and interregionalism.

The EU has historically been the first diplomatic partner of the ASEAN since 1972. (EEAS, 2015) Created in an effort to maintain its neutrality, the ASEAN found in the EU a relatively non-intrusive partner with a common past, making its access to the European market and their relation easier. The EU supported the ASEAN in an effort to maintain a grip on the area and in the geostrategic hope that a common organisation would buffer the influence of communism locally. The relation developed asymmetrically, the EU being a

development aid donor and increasing its investments in the area. The emergence of ASEAN countries called the tiger cubs in the 1990s allowed a less asymmetrical relation to develop and started to engender a renewal of the international supply chain, making for more dependence from each part. But the end of the Cold War marked the recrudescence of the European conditionality, with the sanctions against Myanmar (Burma) for example, complicating the different discussions with the East Asian organisation (EEAS, 2015).

Learning from its experience, and seeing the relevance of the ASEAN increasing in the 2000s because of its strategic location as well as its intensifying trade relations, the strategic approach of the EU started to change towards something more flexible. While keeping at heart the idea of conditionality to support human rights and free trade, the EU softened its approach and started to understand the ASEAN as a possible spot of influence to foster interregionalism and closer relations with East Asia. An enhanced relation with the ASEAN is a way to embrace the region in its dynamism rather than individually through a country/EU approach. As a result, the EU unlinked both Myanmar and East Timor from its relation with the regional organisation to launch new initiatives, noticeably an ambitious project of interregional free trade agreement with the organisation.

Nevertheless, the negotiations failed in 2009, once again because of the difference in the conception of what regional organisations are. If the EU deals with trade through the Commission and thus has unified tariffs and rules of origins, the ASEAN, unwilling to engage in supranationality, saw its members unable to agree on common intellectual property rights, rules of origins, or tariffs in spite of having created a common market. Unable to find an agreement, the negotiations were dropped in favour of EU/national negotiations. Though the negotiation for an interregional FTA failed, this approach still remains through the fostering of interregionalism with the Asia-Europe Meeting (ASEM), close business partnerships pushing for such an FTA, strategic partnership etc.

The ASEAN is a work in progress that embraces a different form of regional integration than the EU, since it encompasses different nations which sovereignty is a leading principle in the ASEAN charter. Though not being considered as a strategic partnership per se, contrary to the following nations, the ASEAN is an important actor in East Asian regionalisation process and is very revealing of the EU's approach to the region.

China

The EU's relation with China is specifically complex. It started as a minor relationship in a world divided by the cold war to involve into a strategic partnership, officialised since 2003 (ESPO, 2015). China's status as a developing exporting country makes its trade relation with the European Union an important matter. But, having a hard time believing

in “unions or federalism” (Westad, p.17, 2013), the nation still fails to recognise the EU as really relevant outside of economic matters and would prefer to deal with the nations themselves rather than with the Union. On the other hand, the EU is engaging enthusiastically with the country and enjoys a growing partnership with the nation, by displaying intense investment relations as well as increasing exports to the People’s Republic of China (PRC) compared to its imports. Yet, very similarly to the wariness shown by the RPC towards the EU as an organisation, the Commission has been constantly refusing to grant China the status of free market at the WTO, due to its lack of commitment to Free trade and the strong grip of the state on market’s prices (DG for External Policies, 2014). Without seeking to undermine China’s development, the EU is attempting to contain it and orientate it towards what it considers most favourable to free trade and multilateral global governance mechanisms. Through the birth of the strategic partnership, the EU and China made their relation enter the 21st century by paving the way for a more consensual discussion, and even allowing a Bilateral Investment Treaty (BIT) to be launched into negotiations since January 2014 (Commission, 2014). This went as far as engendering talks about a potential FTA between both actors though this is still rather a faraway horizon due to the differences seen earlier.

China appears to be a major partner to the EU locally by its geopolitical and cultural importance as well as the strength of its business networks. Although the relation is evolving, there still lacks common values and a consensual understanding of multilateral free trade rules for China to be a reliable partner in East Asia for the EU. The common relation thus stays complex and even though its weight makes it impossible to ignore, navigating in between the strategic aspect of the relationship and the many differences norm and value wise between both actors is not an easy challenge. For these reasons, the EU-China relation is one to nurture, to enhance and China’s regional influence is extremely important to the EU’s strategical evolution in its approach to East Asia. But their mutual relationship is not mature enough to engage in a fruitful strategic discussion on the region, as their goals might not tend to be the same yet and they lack the experience the EU has with Japan for example.

South Korea

To this complex yet evolving relationship with the People’s Republic of China comes its relation with both Koreas. Historically, the EU has shared diplomatic relations with both Koreas and promoted reunification. The relationship with the north being based on aid and a move towards normalisation, the one with South Korea is characterised by more normative proximity as well as on trade related issues. As a result, this section will focus

primarily on the relationship between the European Union and South Korea as it is most relevant in this context.

South Korea is an in between in East Asia, since it nurtures friendly relations with China on the one hand, and a closeness to Japan with historical traumas that are still present but less antagonised than with China, on the other. Being at the centre of the conflict with North Korea while being an advanced technology country in its region, strengthening its links with the republic of Korea is a major goal for the EU. That's what the successful EU/Korea FTA has been allowing since 2011. This agreement set a precedent in the budding East Asia/Europe FTAs and is a decisive aspect of their partnership, which is officially defined to be strategic by the European Union (ESPO, 2015). Korea is aiming to develop even further its status as an advanced technology nation through the widening of its network locally and increase in its exports that the FTA is allowing.

Nonetheless, although the importance of the nation in the balance of the region cannot be argued against, the country still lacks a global influence that could be compared to the one of Japan through investments, the diversification of its companies, development aids (appendix 2) and role in global institutions, with the foundation of the Asian Development Bank for example (Tamaki, 2010). Nevertheless, South Korea played a major role in the birth of the EU-Japan FTA, since it is in reaction to the conclusion of this agreement that Japan chose to push for a similar agreement with the EU. Indeed, the fact that South Korea was granted a lift on tariffs on automobiles and electronic goods didn't escape Japan's notice. Unwilling to lose its status as an export powerhouse in the field of advanced technology induced goods in the world's biggest market, Japan engaged in a similar process, committing to an ambitious project.

All of the EU relations in this region hold a unique aspect that makes them important partners to the European Union. East Asia lies on a very complex equilibrium, mainly based on the acceptance of each country by the other's regime. This has a lot to do with Asian values among which the one of sovereignty, very central to the different nations, since they display very differing regimes, trade strategies and each nurturing a strong interdependence to each other (Appendix 8). If the aforementioned partners are all substantial partners to the EU locally, among them Japan appears to hold a more specific place in the EU strategy in East Asia, noticeably thanks to the nature of the relation it shares with the EU but also thanks to recent evolution in its identity and external strategy. These characteristics make of Japan a very appropriate and timely partner to deal with the evolution of the balance in East Asia and the development of new regional links. The

following sections will study the evolution of the Japanese strategy in detail to understand more thoroughly its renewed stance on the region as well as the nature of its partnership with the EU.

Japan's lack of external leadership and ambitious foreign strategy

The 1990s were characterised by a period of hesitation from the Japanese nation towards its global role. The explosion of the bubble on the first place and later the 1997 Asian crisis put into question Japan's performance (Genov, 2012). If the forecasts were in its favour during the late 1980s, the explosion of the bubble dragged Japan in a deflationist circle against which the different attempts to revive the economy were aborted due to several contractions (the 1997 Asian crisis, the Kobe and Tohoku earthquakes) and institutional rigidities as well as an overall tendency from Japanese people to slow down consumption because of deflation. This led to the development of a Lost Generation⁵ (Ogawa & Matsumura, 2005) during which Japan was faced for the first time with a stagnating economy, accompanied by domestic and international consequences. This engendered a real capability expectation gap (Hill, 1993), visible in the contradiction between the economic growth forecasts for the country and the reality of its growth. As a result, when Japan was expected to outrank Germany to eventually take the US economy's place in rank of importance, it actually went from 98% of the German GDP per capita in 1987, to 92% in 2011 (The Economist, August 3rd 2012).

This gap was also specifically tangible in its relations with the rest of Asia: in a survey, most ASEAN countries nurtured very positive views of Japan (Appendix 6). Japan has a major role in ASEAN countries where its business networks weigh a considerable amount and which flying geese model led the way for the development and industrialisation of these nations. But Japan has been famously reluctant to endorse a leadership role regionally both for historical reasons towards China and South Korea and by lack of strategic and affirmative foreign policy (Cowhey, 1993).

This statement of a lack of strategic behaviour and leadership from Japan has been gradually changing with the turn to Asia that has been taking place for a couple of years now. Japan is trying to negotiate strategic agreements with its neighbours with, for example, the China-Japan-South Korea Free Trade Agreement but also with the ASEAN, to affirm itself as a regional leader (Liu & Régnier, 2003). This is both the sign of a strategic shift

⁵ “失われた十年” (Ushinawareta Juunen)

but also a social shift in the perception Japanese people have of their country. From the will to foster antimilitarism and multilateralism, Japanese people are gradually more divided on the posture to adopt in front of their neighbours, still marked by history but yet more and more unwilling to stay absent in a changing international stage. This shift is political since both social but also motivated politically with an increasing willingness in political and intellectual circles to engage in discussions about Japan's international role, antimilitarism and the Self Defense Forces international position.

Trade-wise, Abe Shinzo represented this shift through its *abonomics* which are famously known to be Japan's latest ambitious and major attempt to inverse the deflation problem in the country. It aims to revive consumption and Japan's competitiveness and "will have profound implications not only for Japan but for regional and global economies [...]" (Grimes, 2013) no matter its results, positive or negative. The most famous measures include a rise in the sales tax from 5 to 10% in 2015, internal changes such as law and structure reforms to support the foreign and women workforce (Government of Japan, 2015) and an inflation enhancing monetary policy (Grimes, 2013). But one of the measures that are the most telling about Japan's renewed idea of its international role is the one to increase massively its amount of Economic Partnership Agreements with new countries, neighbours or not (Prime Minister and its cabinet, 2014). This shift is revealing of a strategic change from Japan to open outward, aiming at more regional leadership in an increasingly competitive neighbourhood.

Japan's turn to East Asia and the renewal of its approach to the region

Historically averse to displaying any leadership stances in the continent, a wind of change has been blowing on Japan, which started turning actively to the rest of the continent. Willing to ease the relationship with China, Japan is yet changing and more and more unwilling to display an apologetic foreign policy towards China, stepping out of the Fukuda Doctrine (Hagstrom and Gustafsson, 2014, p.9). Even if Abe Shinzo accepted to ease the tensions around the Senkaku islands through a very awkward handshake (The Telegraph, November 10th 2004), is negotiating a free trade area with its neighbours, and is still willing to maintain dialogues around side topics that stay yet very strategic, for example through summits on energy matters (METI, 2014), it is obvious that Japan is changing in its conception of its regional role. The political discourse is constructing the PRC as an Other which would be willing to deny the Japanese modern identity as peaceful and multilateral, in order to undermine its influence and power locally and globally. (Suzuki, 2007, pp. 23-

47). These political and cognitive evolutions fuel a more pro-active foreign strategy and a will to enhance its relationships and influence regionally. One part of Japan's new found will for an increase of its regional role is the enhancement of its relations with its southern neighbours. This is illustrated by the fact that Japan is a "top ODA donor" (Hugh, 2008) in South East Asia and a major investor in Southeast Asian businesses, playing a major role in the ASEAN economies (Liu & Régnier, prologue xxi, 2003). Additionally, Japan has committed to human security and peace keeping in the region through the funding of research and emergency measures against the SARS epidemic in 2003 and sending its SDF over to ASEAN countries for a fast and efficient treatment of the pandemic (MOFA, 2003). Its action in Indonesia after Typhoon Haiyan (Consulate General of Japan in Seattle, 2013) or in Timor Leste with the UN for the United Nations Mission in Timor Leste are further proofs of Japan's will to bypass its tradition of antimilitarism to still engage peacefully with its neighbours and help actively. This overall tendency towards South East Asia accelerated with Abe Shinzo's mandates, as illustrated by its *Japan and One ASEAN that Care and Share at the Heart of Dynamic Asia* speech reaffirming the great lines of Japan's strategy towards South East Asia, that goes from economic endeavours to environmental help and peace building: "[...] Economic Partnership Agreement, then policies that put emphasis on the Mekong Region, and finally assistance in peace building⁶" (MOFA, 2007).

The three pillars of this strategy are revealing of a shift to a pro-active role in the region especially obvious in this extract: "The EPAs that Japan is now working to advance with your countries are more different from a Free Trade Agreement, or "FTA", than one might first surmise. FTAs are for what you might call relationships that occur across a fence. By that I mean, they are agreements in which you mutually determine how low of a fence you would like to be separated by. In contrast to this, EPAs between Japan and the countries of ASEAN are designed to deepen our relationship, containing plans for the alignment of various systems and enabling the transfer of technology and know-how from Japan."⁷ (MOFA, 2007) The insistence on the used lexicology might seem like an unwillingness to embrace FTAs, both for electoral reasons since Abe Shinzo faces pressure from his electorate coming from the agricultural sector as they feel threatened by the erasure of tariff barriers that would be introduced by an FTA, and out of a commitment to

⁶ « 初めに EPA、それからメコン地域への重点施策、最後に全体の基礎となる、平和構築のお手伝いです。 »

⁷ « それから日本が皆様との間で進めている EPA は、FTA と似て異なるものです。FTA は、言わば垣根越しのお付き合いであります。互いを隔てる垣根を、どれだけ低くしあうかを定める約束です。それに比べて ASEAN 諸国との EPA は、もっと深いお付き合いができるようにするもので、いろんな制度の擦り合わせを図ったり、日本からは技術やノウハウが伝わるようにします。 » (MOFA, 2007)

multilateralism. But, actually, Abe Shinzo's discourse, specifically in the second part, reveals another important aspect of what EPAs are and encompass, especially in this context. Indeed, very similarly to the EU, Abe Shinzo places great emphasis on norm sharing and cooperation, revealing a larger strategy here through the idea of a "transfer of technology" and a "know-how from Japan". Indeed, with the influence of China in competition with Japan's one, aligning practices and rules of origins or technical norms can be game changing for the Japanese influence on the region and determine the longevity of its business networks and trade exchanges. In this speech, while Abe Shinzo doesn't give clear examples of which practices Japan is meant to share, the following words make it clear. By specifying that "Japan has been assisting in the establishment of the legal systems that are necessary for the market economy to take root", he further proves that Japan undertakes an active role towards its neighbours and supports a norm and code development to optimise its exchanges with its neighbours.

This will to put an emphasis on the help to its neighbours for the clarification of legal systems and corporate governance codes is in the continuation of Japan's own decision to clarify its own corporate governance code. Indeed, in its policy speech to the 189th session of the diet, Abe Shinzo deals with the subject of the TPP and, right after, the one of the corporate governance code. With very famous scandals such as the Olympus one (Le Monde, November 7th 2014) shaking the world's perception of Japan's corporate governance rules, the country appeared among nations such as Cambodia and Vietnam when it comes to the clarity and completeness of corporate governance requirements (KPMG&ACCA, appendix 5). For Japan, aligning its practices on major partners such as the US, Canada or the EU is a way to boost competitiveness according to the prime minister but not only: "We will make it mandatory for all listed companies to comply with a new "Corporate Governance Code" in line with international standards, or provide a reason if they are not in compliance with the code"⁸ (Prime Minister and his cabinet, 2015). EPA and regionalisation being a work of norms, practices and influence, for Japan to align itself on its partners is a way to ensure the weight of its business practices and networks. As Yorizumi Watanabe (2014) explicated, East Asia is in a phase of transition from business and development driven regionalisation to the crystallisation at a state and international level of its processes, along with the clear definition of its inner rules and practices through the many attempts at FTAs. Japan alone, without clear corporate governance practices, would lose its relevance in East Asia, competing with major trade powerhouses such as the US, the EU and China. Aligning on its partners while signing EPAs, grants Japan

⁸ « 全ての上市企業が、世界標準に則った新たな「コーポレートガバナンス・コード」に従うか、従わない場合はその理由を説明する。その義務を負うこととなります。」

international weight in the legitimacy of its codes as well as a certain influence over regional norm-making.

This initiative on corporate governance codes links back to the idea of the normalisation of Japan. There is behind this change of strategy, an obvious will to normalise Japan on the international stage. Indeed, Japan has been carrying along a very peculiar vision of its own role internationally, which has been discussed for over 20 years now. This is akin to a sort of complex over its *normality* within the international stage, often put into question especially since the birth of the idea of a “normal country”⁹ first created by Ichiro Ozawa in his *Blueprint for a new Japan (1994)*. As seen earlier, the idea was that Japan’s lack of agency over its own military hindered its international influence. Nonetheless, the whole idea was considerably cognitively wider, with different searchers arguing over it, with mainly three interpretations: Ozawa’s, Ishihara’s and Nakasone’s ones (Soeya, Welch & Tadokoro, 2011).

Can the issue of East Asian regionalisation and development fit with the recrudescence of the idea of “normal country” today?

If Ozawa has often been misread to be mainly about rearmament, when his actual opinion was more along the lines of a national sovereignty serving the purposes of multilateralism (Soeya, Welch & Tadokoro, 2011). If Ozawa was indeed supportive of Japan having more agency over its army to normalise its status, he was also very supportive of multilateralism and was advocating a more proactive attitude from Japan’s part in the world’s biggest institutions, such as the UN. Ozawa even criticised Abe Shinzo’s foreign policy as being “dangerous” (REUTERS, July 18th 2014) because not careful enough of Japan’s neighbourhood’s perception of its policy and ending up potentially seen as offensive. It is thus not farfetched to assume that today’s evolution of his 1990s discourse is to be found in the development of regionalism and interregionalism as a way to revive Japan’s influence in Asia and thus in the world since, to be relevant in East Asia, Japan needs to be so internationally.

This effort towards the normalisation of Japan, not only security-wise but also trade-wise and in its effort to take a pro-active stance on regional integration, is the effort of a nation that is willing to play the role it has been due for 20 years. This role, that it was expected to hold before the burst of the 1990s bubble and the Asian Crisis, is the one of a regional leader which would transform its effective economic influence into a political wish to play a role in regional and economic integration in South East Asia. This normalisation is thus

⁹ 普通の国 (futsuu no kuni)

visible in its attempts to contribute to UN missions but it is also visible trade-wise with a country that tries to shape international norms and corporate governance practices while it still can influence them. This tendency is further emphasised in Abe Shinzo's second mandate, with its approach to the role of the SDF and, as aforementioned, with the *abonomics*, which very obviously aim at fostering Economic Partnerships and Japan's economic networks locally and globally.

For all these reasons, Japan is at a drastic turn in its international strategy, and meets the EU half way in the renewal of its approach on East Asia, giving new ambitions to a partnership that has been recognised as strategic for over a decade but failed to be satisfying, at least trade-wise.

The Euro-Japanese strategic partnership: a “strategic dialogue on East Asia” (EU, 2007) and the ambition of global norm-making

The 2007 Guidelines for East Asia issued by the council of the European Union clearly states that one major objective in the forthcoming years in its local strategy is “deepening its strategic dialogue on East Asia with Japan”. It seemingly puts Japan in a very specific position: the one of a local bridge with the EU but not a static one since the dialogue is deemed to be “strategic”. The aim is thus to act upon East Asia and shape it, Japan being at the centre of this wish from the EU. Without signifying that Japan would be an uncontested leader of an improbable institutionally united East Asian block, it still puts Japan in a position of major platform for the EU's local relationship and strategic thinking, would it be in security matters, in environmental or economic ones.

The EU-Japan partnership was launched in 2001 and the goal of their negotiations is very obviously global, given the terms used in the *EU-Japan cooperation document: Shaping our common future*. They aim to “encourage the establishment of international rules” (EEAS, p.10, 2001) as well as to build a “Global Information society” (p.11), and “to work together to improve the functioning, transparency, and efficiency of the WTO” (p.12). The EU rightly considers the nation to be a major local player with which increased linkages could engender considerable trade advancements, not only in their shared relation but also globally, thanks to the strength of its networks in East Asia and to its position as an advanced technology nation committed to the multilateral trade system. If, as seen before, South Korea and China are also major strategic players, Japan is today an asset to the EU, through the values of rule of law and multilateralism that it shares with the Union, its experience and presence in the region and its willingness to make its strategy evolve. In

this context, the EU/Japan FTA only comes to reinforce a strategic relationship encompassing more than one subject. As a result, even if the FTA aims first and foremost to remove nontariff measures and obstacles to free trade from their exchanges in order to increase the trade creation effect in both entities, an agreement with such a strategic partner in the region isn't an anecdote. Considering the importance of Japan in the region, at least trade-wise, the EU-Japan free trade agreement serves as a complement to the two other mega trade blocks in construction: the TTIP and the TPP and thus serves as a direct link between the EU and the massive East Asian region. Even if the EU would be technically directly linked to the Asian market through the TTIP since the USA are also part of the TPP, this would give the USA a centrality in trade and exchanges and thus in norm-making. It would make the EU only second to the centrality of the USA, becoming an intercontinental platform in the middle of two massive trade blocks. Strategically speaking, for the EU to enhance its link with East Asia is thus essential to keep a say in the different phases of global norm-making on major subjects, such as intellectual property rights, market access or competition policies, subjects that are all tackled in the TPP and partly in the RCEP. (Y. Watanabe, p.19, 2014)

Though the strategic partnership has been in place for years, talks of an FTA only came about recently, illustrating the fact that the Euro-Japanese trade relation was not always that fluid.

Indeed, Japan's accession to the status of developed economy several decades ago didn't necessarily equal to an alignment to international standards. Cultural as well as structural issues made of Japan a relatively closed country, compared to what's expected for similar nations, geographically and development-wise. In a workshop requested by the European Parliament, *Towards a free trade agreement with Japan* (2012), Yorizumi Watanabe and Matthes Jurgen highlight the main features of the Japanese economy that are low tariffs but very high and omnipresent non-tariff measures, leading to a certain wariness from European companies trying to penetrate the market. On the other part, Japan points out the EU's remaining and unfair tariffs on automobiles and electronic goods (Appendix 1). Though the European Union and Japan are effective trade partners and share common values, there's an obvious capability expectation gap (Hill, 1993) concerning the potential benefits that could come out of this relationship and the effective results, quite unsatisfying. It is in order to remedy this issue that the FTA started being negotiated.

The Euro-Japanese trade relation: a great “untapped potential” (Barroso, 2006)

The 2009 EU-Japan Summit laid the first official basis for the idea of an FTA through “pilot projects”, relatively restricted in size and field of action, in order to attest of the willingness of both parts to ease trade and commit even further. The launch of the preparations for the FTAs negotiations came about in 2011 after the success of the aforementioned projects and was first tested through a scoping exercise in May 2012 to frame the field of action of the future treaty, then the negotiations only began in 2013. This relatively long interval between the actual negotiations and the budding wish to further trade commitments, serves further to express the certain wariness on both parts due to a history of a difficult trade relation in spite of their undeniable fruitful links and many exchanges. If Japan has the particularity of having removed almost all tariff barriers except on agricultural and food related production, it excels in creating non-tariff measures and nurturing them to protect the national producers, specifically on key sectors such as the automobile one. This difficulty to enter the Japanese market added to the emergence of new ones, namely China and the ASEAN, contributed to a decline in the part of EU imports going to Japan (appendix 4).

What we have now between the EU and Japan is thus a decline of each other’s part in their overall exchanges, in spite of both actors “accounting for two third of the world’s GDP” (European commission, 2015) and sharing multilateral stances as well as common values. As seen earlier, the previous tests and projects held by both partners together aimed to assess if a “highly comprehensive and ambitious EPA/ FTA” (European Council, Commission & Prime Minister of Japan, 2015) would be possible. Yet, the negotiations have been stalling and the 2015 deadline suggested by the Japanese negotiators will probably be one year late, with the EU refusing to settle for less than the access to public procurements market and the decrease of tariff measures on agricultural products (Appendix 1) This treaty is thus at the image of the Euro-Japanese trade relation, ambitious but rich in challenges.

Japan, with its history of insularism going back to the Edo period, is widely known for its heavy bureaucracy and its tendency to put up substantial non-tariff measures, which are considerable obstacles to imports, as aforementioned. It is noticeable in the fact it has one of the lowest degree of trade openness compared to other major countries of the OECD, proportionally to its size and distance from other OECD countries. (OECD, appendix 7) And yet, the trade agreement was first and foremost pushed forward by Japan. This is very noticeably due to the fact that South Korea signed a similar treaty before with the EU

(Appendix 1), getting the very prized lift of tariffs on automobiles that Japan is aiming for today, which would increase its access and competitiveness on the European market. Trade creation thus seems to be the largest asset to the signature of such agreements and they are largely favoured thanks to their ability to enhance trade in the regions they are launched in. For instance, after the conclusion of the FTA between South Korea and the EU, exports augmented by 35% on the part of the EU, turning a trade deficit into a trade surplus (Commission, 2015). And yet, for drastically multilateral international actors such as Japan and the EU, engaging in FTAs seems counter-intuitive and noticeably at odds with their commitment to the WTO since FTAs are also considered to be a potential obstacle to Free Trade instead of being building blocks (Baldwin & Seghezza, 2007).

The will to engage in Free Trade Agreements and thus favouring bilateral/plurilateral negotiations is becoming part of a pro-active strategy for both actors but it also comes from a reaction to the fear of trade diversion as the world massively engaged in this process of regional trade agreements. This fear resides in the fact that the creation of FTAs in other regions would attract businesses, production and overall trade exchanges away from the areas behind in terms of FTAs. It would have as a consequence to make non-members of FTAs less relevant internationally, especially in the case of mega trade blocks being created. The EU has expressed very clearly this strategic issue, in 2006 for example, in a communication by the DG trade: “But FTAs can also carry risks for the multilateral trading system. They can complicate trade, erode the principle of non-discrimination and exclude the weakest economies.” (Commission, 2006, 4.2.ii) and its willingness to engage in a global web of FTAs to avoid isolation: “where our partners have signed FTAs with other countries that are competitors to the EU, we should seek full parity at least” (Commission, 2006, 4.2.ii). If the EU was a pioneer in regional trade agreements and regionalism, the evolution of local East Asian regionalisation and new as well as differing models of regional functioning stand up to the EU’s one. The increasing number of FTAs in East Asia can be read as an expression of a new regional model challenging the current international order and the definitions of regional organisation.

East Asia (1): A region that is seemingly struggling with regional integration ...

East Asia is a region essential to world trade which has been developing considerably since the end of the 1990s, gradually representing a part more and more important of global exchanges, while displaying major security stakes. Due to this, the region is expected to hold more power globally (NIC, 2013), country by country but also regionally, with a tendency for the production chain to spread out. This creates constant exchanges engendering a dependence between the different countries regionally. Intraregional trade in the region increased exponentially since the 1990s, especially with the emergence of China. Its development added some magnitude to international production networks (IPNs), defined as “an international division of labour, in which each function or discrete stage of a value chain is spatially or geographically relocated in the most efficient site, and undertaken by different firms including MNEs and local firms” (Yun, 2003, p.173). The sheer amount of exchanges and interdependence between the different countries in the region fuelled various suggestions to engage in a clear and more defined regional model such as what Choong Yong Ahn, Richard Baldwin and Inkyo Cheong studied in *East Asian Economic Regionalism: Feasibilities and Challenges* (2005). They tackle here the creation on the long term of a major East Asian Free Trade Agreement and the strategic implication of such a treaty. This book has the advantage of exposing the different interests of each country regionally, through their hypothesis which actually got concretised in 2013 with the start of negotiations for the China-South Korea-Japan FTA. But, as seen previously, this ambitious mega FTA involving China, Korea and Japan still seems unlikely to be signed, and isn't in sync with the reality of the different negotiations today. Rather than developing a form of institutionalised, unified regionalism, East Asia is much more characterised by the recrudescence of many FTAs with differing clauses engendering new challenges. With, for example, the infringement to the non-discrimination principle of the WTO since developing countries are granted special treatment allowing them to bypass partially article 24 of the GATT. This was first intended as a measure to enhance their development but it created new issues such as the Spaghetti Bowl one with the increasing number of Rules of Origin varying depending on the treaty (Bhagwati, 1995). There's a very spread out pattern of regional agreements, and the recrudescence of forums and treaties doesn't equal the ability to unite the whole region under solid requirements, like a single market as the EU did.

This situation reflects the very specificity of East Asia, ie: the important amount of very sovereign states with differing priorities and policies within a region where all the exchanges and relations are extremely intertwined and built on a fragile balance. This is

due to the fact that some countries are major hubs like Japan and China while others are spokes which directly depend on the economy of these hubs (Baldwin, 2009). The very specific geopolitical situations of these countries, staying very sovereign, all add to this peculiar trade environment. As a result, finding a common ground is difficult and so is reaching ambitious agreements. The free trade agreement linking Japan, South Korea and China for example, though in negotiations, is stalling due to the unwillingness of Japan to give up on its tariffs on agricultural products and Korea's deficit towards Japan on advanced technology merchandise and electronics makes the idea of an FTA appear very unprofitable as it would enhance Japan's advantage (Mukoyama, 2012, p.1). The difference in development stages and policies make any ambitious agreement difficult. For instance, even if China and South Korea signed a bilateral free trade agreement in June 2015, this is still considered "substandard" by the Japanese diplomacy because it excludes sensitive areas such as agriculture and fishery for South Korea and the automobile sector for China. (Asahi Shinbun, June 2nd 2015). These difficulties further express themselves through the stalling of substantial agreements such as the Regional Comprehensive Economic Partnership aiming to regroup the ASEAN+6 into an FTA, which negotiations were due to end in 2015 but lately got postponed to mid-2016. (Japan Times, August 25th 2015)

East Asia is a region that's evolving towards more and more interdependence and the local governments are conscious of this tendency. There's a will to engage in this wave and be pro-active but there's also a very fragile balance locally that makes risk-taking and initiatives very unwelcome. As a result, if there's a political will to make the region integrate further in accordance to its growing importance, the very different levels of development and the balance between interdependence and competition as it is today, make it hard for regional integration to progress towards more clarity and a clearer mega FTA encompassing the all of East Asia. Nonetheless, if East Asia sees itself struggling to sign major ambitious FTAs encompassing multiple nations and aiming to solve key issues, it develops a different type of regional integration, based on a case to case approach favouring bilateral agreements.

East Asia (2): ...That has actually developed a specific approach to trade and regionalisation

In an opening speech for the Invest Japan Symposium in 2004 in Atlanta, Osamu Watanabe said that if the economic integration in “East Asia was said to lag behind” compared to the USA and the European Union, this is only a matter of appearance. If the US and especially the European Union focused on a traditional definition of economic integration as something characterised by a top-down approach (Van Meter & Van Horn, 1975), East Asia was defined by a spontaneous movement, led first by the reformation of the “divisions of labor” (O. Watanabe, 2004, p.2) and thus by the dynamism of its business networks. This illustrates pointedly Hettne and Söderbaum’s conception of the evolution of regionalism. According to them, the latter has a decreasing tendency to search for institutional framing of the local networking and the regionalisation process, it also displays an increasing “asianness”, ie: The process of economic integration based on very East Asian values, trade environment and business practices, with for example, the ASEAN Golf Diplomacy (Boyce, 1968). Through its very local developments especially centred on the interdependence of local productions chain and the following spontaneous economic integration, this very Asian evolution of the phenomenon of regional integration is drifting away from the past very euro-centric comprehension of what regionalism is. This new kind of regionalism is actually characterised by the fact it is more of a regionalisation process rather than state-driven integration. East Asia’s new brand of regionalism could even represent a second wave in new regionalism theories according to Liu and Régnier in their work *East Asian regionalism: a new paradigm*, written in 2003. This analysis lays on the study of the intense new links between the different countries in the production chain which are very specific to the region, the financial endeavours in order to respond to the Asian financial crisis, and finally, the importance of the private sector’s willingness to push the move towards more integration. All these criteria made up for a very peculiar evolution of regionalisation studied by both searchers. In this context, the local new found will to engage in free trade agreements appears to be the concretisation of a movement that’s been going forward for more than a decade, a form of clear expression of the local economic integration that has been taking place. The attempt to sign the RCEP, the impulsion towards negotiating the TPP, the attempt to move forward in the ASEAN with the elaboration of its blueprint and the ASEAN +3 are the local expression of a will to make this regional process count globally. This new global stance to make East Asia a coherent player worldwide is an attempt to benefit entirely from the local networks and appear as a viable form of regionalisation that does not necessarily need to obey the same framework as western models of regional organisations. The enthusiasm shown by East Asia to FTAs is a practical

choice to optimise their trade environment as well as their potential profits, and can be considered to be the very defining characteristic of the second wave of new regionalism theories.

As Stein pointed out, trade is not a variable exogenous but profoundly endogenous to political decision making. As a result, though the European Union tried to promote regionalism in Asia through traditional means, the reality of trade in this region forced an adaptation from the EU, which chose to focus on major partnerships in the area, with which it shares norms and practices. Japan was thus the best candidate for this, as seen in the first part in comparison to other Asian partners. What's specifically interesting in the EU's approach, is that it still aims at contracting FTAs with most East Asian nations individually, while favouring very strategic partnership to create a specific dynamism in the region. As Liu and Régnier very rightly highlight, "Japanese enterprises and overseas Chinese business groups have expanded in the region and have stimulated the further regional progress of economic development" (prologue, xxi). The local influence of both powers is the main driver of the regionalisation process and they thus appear as de facto leaders of the economic integration process by their influence on the production chain organisation and through their business networks. The EU accordingly displays a multi-layered strategy through the sustainment of local links with the different East Asian nations while still fostering specific partnerships with strategic local powers that will influence Asian regionalism and trade on the long haul. This double layered strategy shows that the EU is conscious of its limitation locally, for example in its relation with China or with the experience of the interregional FTA failure with the ASEAN that illustrate the difficulty for the Union to penetrate the East Asian political and commercial spheres.

The EU is deepening its existing relation with Japan and securing this FTA with the country, in the hope that it both adds to their penetration and influence of the markets in East Asia but also that it serves as a tool in global governance for the spread of common norms and consensus on rule making. A partnership with either or both countries is thus a step closer to harnessing the regionalisation process and framing it globally as part of a worldwide system, this being a considerable objective of these mega trade block agreements. This goal goes through an effort in regulations and norm-building. To be efficient, Japan and the EU themselves have to foster common regulations and objectives. Uniting their regulations and practices through the enhancement of their trade relation grants them a greater influence over the regionalising East Asian area.

The Euro-Japanese FTA (1): towards regulatory reforms and global norm-making...

As seen earlier, one of the main aspects of this FTA is its insistence on negotiating over non-tariff measures and cooperate over regulatory measures. It is partly visible in the topics tackled in the negotiations, among which: “Non-tariff measures, Sanitary and Phytosanitary measures, Intellectual Property Rights, Trade and Sustainable growth [...]”. (Y. Watanabe, 2014, p.28) But these issues are, in the end, only to be solved through internal changes. It is in this aim that both countries have been engaging in a regulatory dialogue since 1994. The EU-Japan Regulatory Reform Dialogue (RDD) is aiming to foster common standards and regulations to enhance bilateral trade and to safeguard “the open multilateral trading system by rejecting protectionism and recourse to unilateral measures” (EU&GoJ, 1991). This review mechanism is the token of a long history of cooperation and discussions on regulations to enhance a key relationship, from both viewpoints. This dialogue was, nonetheless, mostly wanted by the EU in order to align Japanese and European practices and standards at a time of deregulation from Japan. In 1993, Morihiro Hosokawa launched a major deregulation project, in order to enhance Japan’s competitiveness and productivity and to align its practices on other major developed countries. It is with the desire to harness this new leap towards deregulation that the EU decided to engage with Japan, hoping to find in this Japanese endeavour, a potential answer to the different challenges their trade relation engendered, as seen earlier. The EU committed to a long term dialogue, wishing to deepen the trade relation to reveal its full potential, an initiative finally concretised through the Japanese Deregulation Action Program released by the GoJ. The latter institutionalised regular regulatory consultations and sharing of common practices and technical dialogue. The RDD is a real contribution to the EU-Japanese trade but is deemed to lack a “future-oriented” mindset. (EEAS, 2015) This statement has to be understood in the broader context of the EU-Japanese partnership, which seeks to foster broader reforms than just those influencing their bilateral trade. In the 2001 Action Plan for EU-Japan Cooperation, it is explicitly stated that certain fields currently under discussion in their common regulatory dialogue, such as “ information technology or biotechnology [...] will serve as important and complex in realising growth in new economy and forming the world of the 21th century” (p.2). This FTA is thus a step taken in the hope that, by agreeing formally on common regulations and standards, the partnership will thus enter a new phase of common strategic thinking. Common strategic thinking would thus be the shift from standardising regulations over measures already taken in Japan and the EU to coordinate them to a situation of common regulatory creation. For instance, this shift would be going from coordinating pharmaceutical standards in order for

foreign clinical data to be recognised in Japan (Sunsen, François & Thelle, 2009, p.174) to actual regulatory creation to foster pharmaceutical licensing and exports. This would allow for both Japan and the EU to keep a grip on the creation of standards in the field, at a time when competition is arising from China for example. The country has indeed engaged in a dynamic policy to foster pharmaceutical innovation and exports, investing \$1.1 billion between 2011 and 2015 in drug creation, becoming the “world’s second-highest investor in R&D” (CFR, 2015). For the EU and Japan, going further than allowing an increase in bilateral trade is thus crucial. There’s a need, in those key domains, to foster a pro-active trade that is not only oriented towards financial gains but also towards regional and global influence and rule-making, in order to stay competitive and protect the work achieved over common regulations.

Along with this insistence on regulatory creation and global trade rule-making, comes a concern for the multilateral institutions framing trade, and more specifically the WTO. If this part aimed to focus on their bilateral relation and the effort to foster common regulations to answer to the world trade evolving challenge, the following section will focus on the multilateral trading system and the reform of the WTO, in the framework of the EU-Japan FTA.

The Euro-Japanese relation (2): ...to frame the development of the East Asian regional integration process

The emergence of new countries and regional integration processes, as seen with the evolution of the East Asian economic and regional integration, has to go hand in hand with a renewal of international institutions to accompany it. In its *Proposals for redefining of Trade strategy* (2013), the Keidanren puts forward the necessity of a “unified axis” (Chapter 4) that would be “sector/issue specific” on which Japan should base its FTA strategy. It would help trade rules to gain in coherence and avoid the infamous “spaghetti bowl” issue explained by J. Bhagwati (1995), ie: the recrudescence of different rules of origins throughout the world as a way to discriminate actors from outside the limits of certain FTAs or instead to attract other actors. It is a new form of protectionism that tricks the free trade rules. Another document from the Keidanren states that “it is important [...] to promote the application of rules stipulated in agreements over a wider area. [...] and to strive to expand and improve WTO rules to contribute to the formulation of new global rules under the WTO” (Keidanren, April 19th, 2011). The Keidanren, the main Japanese Business Federation, a major influence in Japan’s trade policy, calls for the renewal of WTO rules that are not adapted anymore to the development of new trade areas. This view

is shared by different researchers, including Richard Baldwin (RIETI, 2015), known for his interest in free trade agreement and their potential to enhance free trade. He declared that there's only two solutions for the WTO: it either "[...] remains relevant for 20th century trade and the basic rules of the road, but irrelevant for 21st century trade; all 'next generation' issues are addressed elsewhere." Or "[...] engages in 21st century trade issues both by crafting new multilateral disciplines—or at least general guidelines—on matters such as investment assurances and by multilateralising some of the new disciplines that have arisen in regional trade agreements". The idea is that the WTO is relevant for part of the international trade but it hasn't adapted its rules to some of its different developments, specifically the "unbundling" of the production process (Baldwin, 2011, appendix 8), changing the approach from state-based trade to an areas and regions-based one. The evolution of regionalism engendered by the changes in trade too thus justifies the evolution of international rules and regulations, in order to preserve the efficiency of global governance rules. For the European Union, protecting and making the WTO evolve is also a major long-term goal, as it is one of its prime user. The construction of its economy around the principles of rule of law, multilateralism and free trade is a strong motor of its commitment to the WTO which it wishes to see evolve towards a more modern system, as proven by the strategic partnership paper signed in 2001 between Japan and the EU.

Indeed, this desire is being shared by many in both the EU and Japan, as Michitaka Nakatomi's work highlighted. Special advisor to JETRO, an organisation very close to the Japanese government and policy makers, he put forward the necessity to adapt the WTO rules to the development of international trade in his "bicycle theory". According to him, international organisations and agreements are like bicycles, they can only stand and stay stable if they go forward and evolve (2012). As a result, changes and adaptation should be part of the DNA of the WTO, and Nakatomi encourages Japan to be proactive in this regard. He put forward the role of the Euro-Japanese FTA to solve what he feels are major problems with the WTO: decision-making by consensus; diminishing leadership from countries such as the US/Canada/Japan/EU which used to be motors of the institution; statuses of developing countries that are not always adapted to their economic reality; lack of connection between the negotiations and the business communities; weak secretariat and lack of political willingness to support it. By representing a "binding commitment instead of a dialogue" (Keidanren, 2015, section 2) as well as combining shared values and a considerable trade power (both entities representing a third of the world's GDP (European Commission, 2015)), the FTA/EPA seems like the candidate the most likely to offer results

in regulatory creation and rulemaking¹⁰, especially thanks to the EU's experience and dynamism in regulatory creation. Examples of the EU's influence in this matter, are the REACH criteria on chemical products that drove the creation of similar criteria in countries such as Russia. There's also the example of the convention 108 on data privacy that showed the adoption of very similar laws by countries such as South Korea. Thus, if the struggles suffered by the EU in the last years provoked several debates on the role of the Union and its relevance worldwide, its regulatory power stays strong, noticeably because of the size of its market. As a result, as seen with the REACH criteria, regulations originally used in the European market drip down globally due to the requirements to enter its market.

The renewed proactive stance of Japan on its role in international rulemaking as well as the considerable influence of the EU in this regard, make for a strategic partnership meant to add to the influence of already major FTAs in discussion such as the TPP and TTIP. This is helping the reshaping of international trade, which started with the slowdown of the Doha Round. Both sides seek to get more consistency in trade rules, meeting around common goals: development and environment-friendly economies, the lift of tariff measures and the reduction of non-tariff measures. They also aim to safeguard multilateral institutions to avoid issues like the contradiction of jurisprudences, such as what happened with the Argentina Poultry case in 2003. At the time, Brazil asked for the WTO dispute settlement mechanism to judge of the irregularity of Argentina's behaviour towards Anti-Dumping agreements as well as to repel another judgement made by a MERCOSUR tribunal that imposed strict anti-dumping measures and investigations upon Brazil. Both courts judged differently, the Mercosur favouring Argentina and the WTO pointing Argentina's irregularities. Argentina argued that the decision of the WTO did not apply because the Mercosur jurisdiction made law and was thus obeying the Vienna convention (WTO, 2015). This case put forward the importance of creating a clear hierarchy in international trade and clarify the status of FTAs. If in this case, Argentina was the one favouring the ruling of the Mercosur, we can easily imagine Brazil doing so too, had it been favourable to its stakes and that is the very issue the EU and Japan are striving to keep under control at all cost. Coherence and liability in the international trade system is essential for it to be the same for every country and have rules and references upon which legality and fairness can be defined. For a country like Japan, at the heart of a very dynamic region where FTAs are being created at a very fast pace, mainly between developing countries, coherent and

¹⁰ [...] 日本とEUとは、21世紀の「メガFTA」にふさわしいルール作りを目指している。[...] 世界のルール作りの先導役をめざす-“Japan and the EU [...] aim to achieve rule-making benefiting 21st century “Mega FTA” [...] Japan and the EU aim to become heralds of global rule-making” (METI: http://www.meti.go.jp/policy/trade_policy/epa/epa/eu/index.html)

systematic trade laws are essential to maintain its place locally and exchange efficiently with its neighbours.

As proved earlier, governmental and para-governmental institutions within both actors are in favour of changing and enhancing international multilateral institutions, attached to the security and order it fosters. But the reality of Japan and the EU's endeavours are differing, and they are still lagging behind in terms of joint efforts towards the renewal of these institutions. This is due to a very realistic approach to trade chosen by both actors. Effectively, the regional integration process in East Asia made the EU's and Japan's multilateral commitment slip off, to favour a more hands-on approach with the region. There is a gap between the voices within Japan and the EU (European Parliament, Keidanren, JETRO) which are still substantially in support of the multilateral system, and the reality of the negotiations, in an environment that is evolving to be pretty discriminatory for countries which do not take part in FTAs and regional integration processes.

Conclusion

This paper tackled in a first part the relation of the EU to the three major actors in East Asia outside of Japan, namely China, the ASEAN, and the Republic of Korea, aiming to draw a picture of the current relations nurtured with those actors. Studying these relations highlighted the very peculiar place that Japan held in the region in the eyes of the EU. Japan is indeed seen as a strategic partner with similar values of multilateralism, rule of law and free trade, while nurturing strong business networks regionally as well as having an economy driven by advanced technological know-how. In spite of this, they have been displaying an unsatisfying trade relation with each other, with a level of openness regrettably low for Japan, and a part of the EU diminishing in the total of Japan's imports.

This FTA aimed to solve this issue and reveal the true potential of this relationship, with gains possibly higher for this FTA than for the TTIP for example (Kleimann, 2015, p.4). But this FTA only became possible thanks to the evolution of the Japanese external strategy, which was engendered itself by an identity shift that has been ongoing for over a decade. Japan has been effectively turning more and more towards Asia, with a growing part of its trade being shared with its East Asian partners. And yet, it is specifically this evolution that originally meant to turn further away from the EU, which fuelled the EU-Japan FTA project. Indeed, the decision to involve itself more fully in East Asia was first based on the statement that East Asia's global influence was growing and the interdependence of the local economies made enhanced relationships necessary. The reality of Japan is one of a major advanced economy surrounded with economies which came to develop, and are creating a highly competitive environment, such as South Korea, aiming for the same

model of advanced technology-based economy that Japan has been displaying. This competition forces Japan to strengthen its links with major global markets in order not to lose its competitiveness. Japan also supports and engages in these agreements to keep its position as a major global rule and norm-maker in a regional environment where the different nations' goals, regimes and relations all differ greatly. And that's exactly where Japan and the European Union meet: this common FTA, even further than revealing an "untapped potential" (Barroso, 2006) in their mutual relation, is also a way to maintain their grip on global norm-making and regional integration. And they do so in order to protect their relevance globally and ensure that the global trade scene stays favourable to their economies, and framed in a way that is ensuring free trade and multilateralism.

The Euro-Japanese free trade agreement is thus a move from both actors that has to be seen further than the simple effect of trade creation it would engender, though the "untapped potential" is obviously substantial. The FTA is a move from both actors towards nurturing their global influence and maintaining their relevance in international norm-making, but it also holds the promise of being the third mega trade block. If the TTIP and TPP account respectively for a link between the American and the European market and the second, between East Asia and the American market, the relation between the European Union and East Asia still remains as the unsolved part of the equation. This is mainly due to the geographical situation of both regions, as they don't even share an ocean in common. But it is also due to the difficulty they have in understanding each other, with the EU which pains to find an institutional unity in East Asia, when the latter expresses its regional and economic integration very differently from the EU. This attempt at an FTA, though unfortunately ranked lower in a scale of importance than the TPP and the TTIP in spite of its potential, is thus also a way for two very different regional models to eventually create binding links with each other, at least first through one of the regional leaders and the EU. It is also a way for the latter to not be ostracised from the evolution of trade rules and preferences in East Asia, and influence them through the Japanese business networks and strategic discussions.

To answer the research question that drove this paper forward, the EU-Japan FTA is thus both a result and a driving force of East Asian regional integration. It is a result by the contextual changes that this regional integration engendered, which gave a new breath to the EU and Japan's trade relation. And it is a driving force since it has the potential to become the third major global trade block linking East Asia and the EU, with Japan as a gate to the region, through its networks, its experience and its willingness to increase its local role, to ensure a trade environment favourable to its interests. East Asia is gradually appearing as a unique region with its own functioning through the birth of many FTAs,

which help it affirm its own model. The EU-Japan FTA/EPA is thus a major step into integrating East Asia even further into the evolution of the global trade system, and tying a major link between the European Market and this key region.

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Appendices

Appendix 1: Interview with Senior Trade Officer at the EU Delegation in Japan: Jean-François Billet (Original version held in French which I translated for this dissertation):

Due to confidentiality issues, this interview cannot be made public.

This discussion was particularly enriching and allowed me to make my perception of the evolution of the power balance in East Asia evolve. I started to write this dissertation with the idea that, with the emergence of East Asia globally, the region was at the centre of Japan's strategy. But this interview helped me nuance this approach. If the regional and economic integration process in East Asia indeed influenced the Euro-Japanese relationship and the evolution of the Japanese foreign strategy, this regional dynamism pushed Japan to focus on rule-making and enhancing its global influence and participation in the evolution of world trade. In order to achieve this, Japan has to focus on its partnerships with global rule-makers and major markets, such as the EU and the US, which explains the priority given to the FTAs with those countries.

The development of regional integration in East Asia and the competition from other major East Asian players are a cause for the EU-Japan FTA project and the evolution of their relationship. And, in order to answer this situation, Japan makes its strategy evolve and progress.

All in all, this interview helped me explain more thoroughly that Japan aims to answer the change in East Asia and keep a leading role locally. But this desire goes through an increased emphasis put on its trade relations with non-Asian actors too.

Appendix 2: Japan and South Korea's FDI and Development Aid

Japan

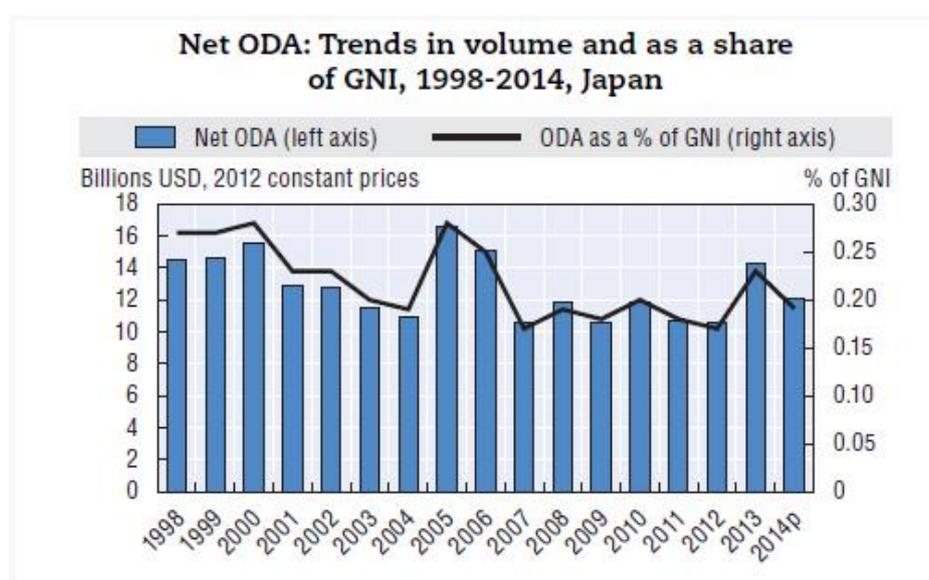
| Japan's Total Outward FDI by Country/Region (D) | | (Unit: US\$million) | |
|--|--------------------------|---------------------|--|
| | FDI Outward Stock | | |
| | end of 13 | end of 14 | |
| Asia | 310 283 | 345 433 | |
| North America | 348 222 | 400 634 | |
| Latin America | 109 325 | 80 771 | |
| Oceania | 59 022 | 68 817 | |
| Europe | 273 039 | 289 179 | |
| Middle East | 5 298 | 6 204 | |
| Africa | 12 077 | 10 467 | |

Source: MOFA, 2015

South Korea

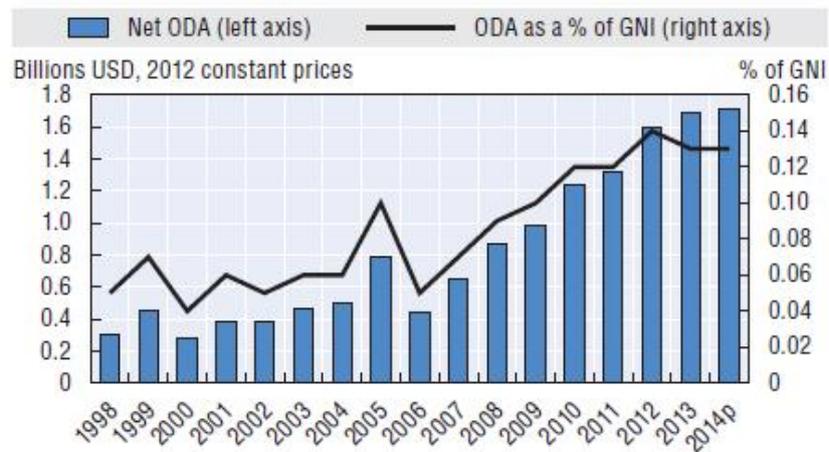
| Investment Statistics by Region (Unit: 1000USD) | | | | | |
|---|----------------------|------------------------------------|--------------------|----------------------|--------------------|
| Region | Number of Acceptance | Number of New Overseas Enterprises | Accepted Amount | Number of Remittance | Invested Amount |
| Total | 140,607 | 61,084 | 417,455,022 | 234,980 | 291,911,781 |
| Asia | 96,149 | 41,256 | 179,456,078 | 167,843 | 123,267,526 |
| Middle East | 1,529 | 591 | 6,964,581 | 3,259 | 5,167,137 |
| North America | 26,377 | 12,947 | 97,761,397 | 37,513 | 68,835,334 |
| Central & South America | 4,607 | 1,634 | 41,652,834 | 7,231 | 28,294,091 |
| Europe | 7,427 | 2,689 | 64,826,953 | 10,405 | 48,950,116 |
| Africa | 1,052 | 451 | 5,055,954 | 2,306 | 3,702,690 |
| Oceania | 3,466 | 1,516 | 21,737,226 | 6,423 | 13,694,888 |

Source: Korea EximBank, 2015



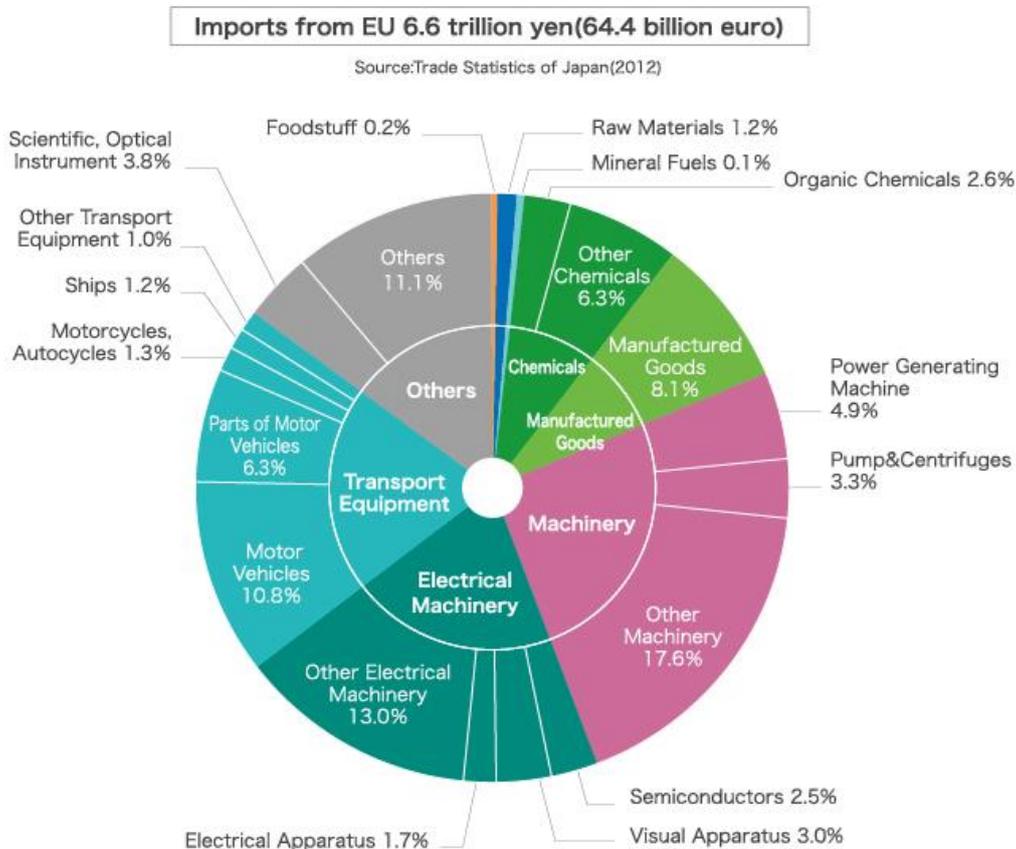
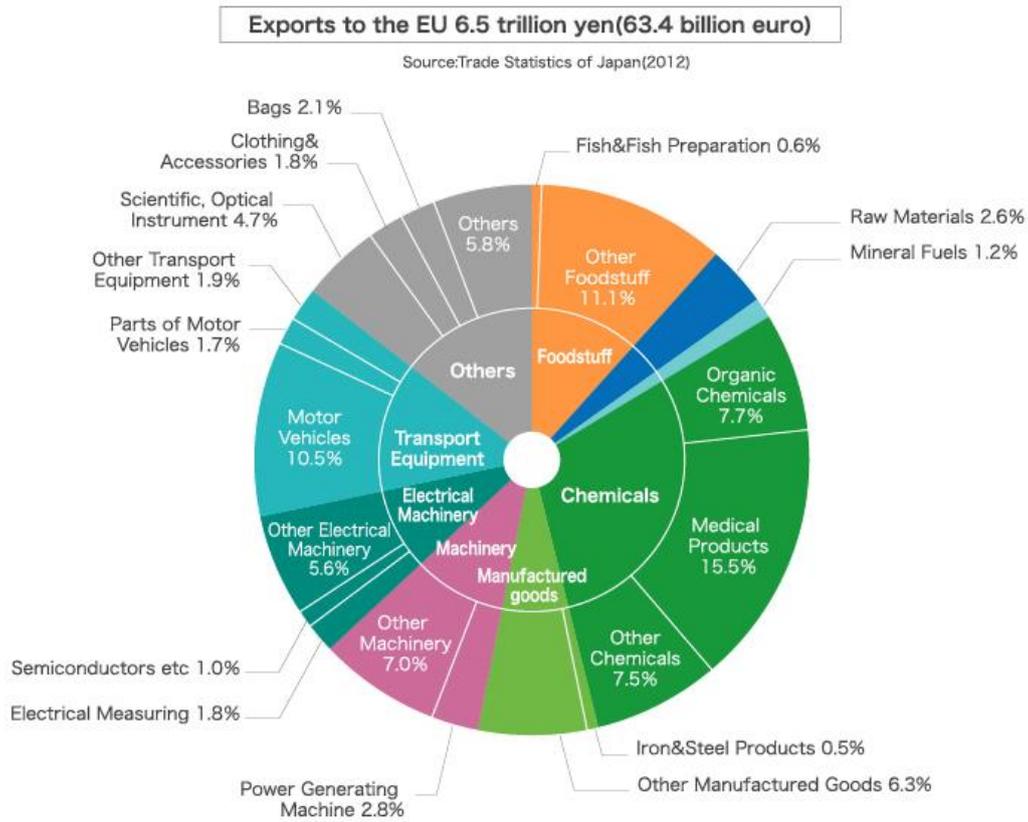
Source: OECD Development Cooperation Directorate (DCD-DAC), 2015

Net ODA: Trends in volume and as a share of GNI, 1998-2014, Korea



Source: OECD Development Cooperation Directorate (DCD-DAC), 2015

Appendix 3: Composition of EU-Japan bilateral Exports/Imports



Source: Japan-EU Economic Partnership Agreement (EPA) Under Negotiation, METI, 2015

Appendix 4: EU International Trade in Goods with Japan and the world in 2014

EU international trade in goods with Japan and the world
(in € billion)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Japan | | | | | | | | | | | |
| Exports | 43.5 | 43.7 | 44.8 | 43.7 | 42.4 | 36.0 | 44.0 | 49.1 | 55.7 | 54.0 | 53.3 |
| Imports | 74.9 | 74.4 | 78.4 | 79.3 | 76.5 | 58.4 | 67.3 | 70.6 | 65.0 | 56.6 | 54.6 |
| Balance | -31.5 | -30.6 | -33.7 | -35.5 | -34.1 | -22.5 | -23.3 | -21.5 | -9.3 | -2.6 | -1.3 |
| Total Extra-EU | | | | | | | | | | | |
| Exports | 945.2 | 1 049.5 | 1 152.4 | 1 234.5 | 1 309.1 | 1 094.0 | 1 353.2 | 1 554.2 | 1 684.2 | 1 736.6 | 1 702.9 |
| Imports | 1 027.4 | 1 183.9 | 1 364.6 | 1 450.3 | 1 585.2 | 1 235.6 | 1 529.4 | 1 725.1 | 1 796.6 | 1 684.9 | 1 680.5 |
| Balance | -82.2 | -134.5 | -212.2 | -215.9 | -276.1 | -141.7 | -176.2 | -170.9 | -112.3 | 51.7 | 22.3 |
| Japan / Total | | | | | | | | | | | |
| Exports | 4.6% | 4.2% | 3.9% | 3.5% | 3.2% | 3.3% | 3.3% | 3.2% | 3.3% | 3.1% | 3.1% |
| Imports | 7.3% | 6.3% | 5.7% | 5.5% | 4.8% | 4.7% | 4.4% | 4.1% | 3.6% | 3.4% | 3.2% |

Source: Eurostat – Newsrelease, May 2015

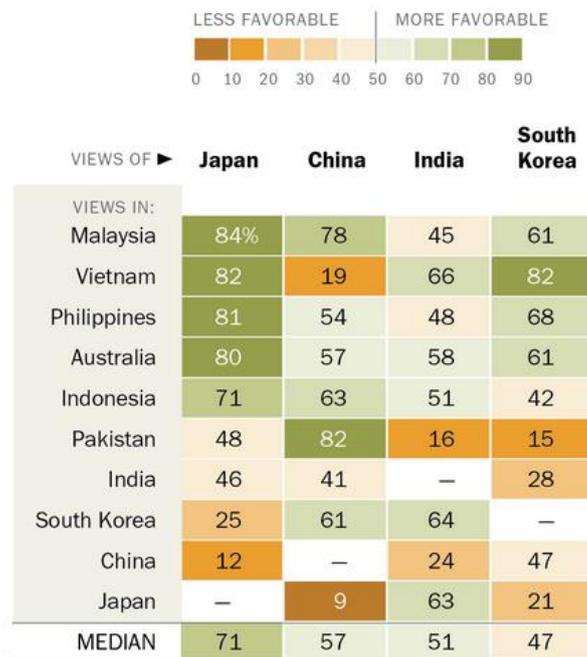
Appendix 5: Clarity and completeness of Corporate Governance codes

Lowest scoring markets (below the average score for developing markets)

16. Philippines
17. Indonesia
18. Canada
19. China
20. Cambodia
21. Japan
22. Vietnam
23. Myanmar
24. Brunei (equal 24th)
25. Laos (equal 24th)

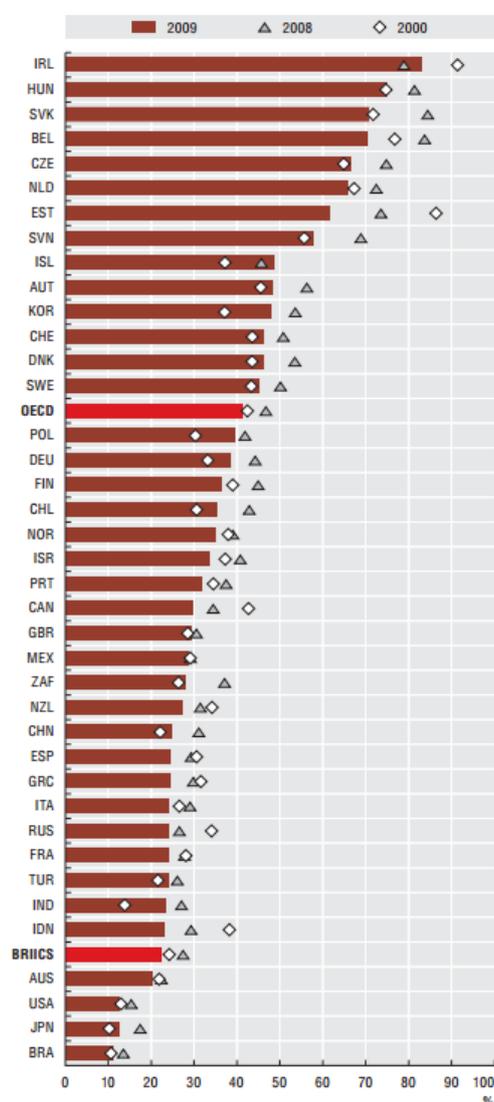
Source: BALANCING RULES AND FLEXIBILITY, A study of corporate governance requirements across 25 markets, KPMG & ACCA, 2014, p.16

Appendix 6: East and South Asian countries' view of Japan, China, India and South Korea.



Source: PewResearchCenter, How Asia-Pacific Publics See Each Other and Their National Leaders (September 2nd 2015)

Appendix 7: Japan's level of trade openness compared to the OECD average.



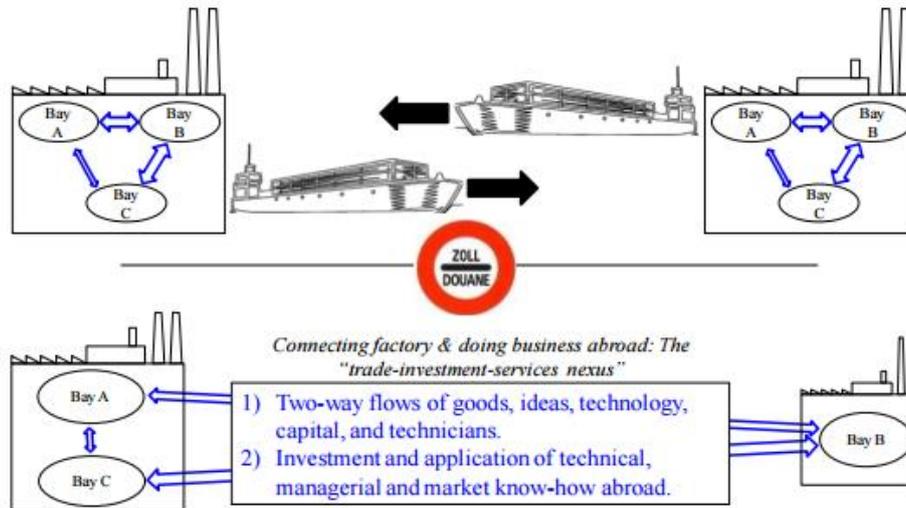
Compared to similar economies in size and levels of development such as the UK, Japan displays a significantly lower level of trade openness.

Source: OECD Science, Technology and Industry Scoreboard, 2011

| Japan | | | | | | | | | | | | | | | | | |
|--|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|---|
| Indicator | Partner | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Source |
| Trade Openness (Total Trade as % of GDP) | World | 18.13 | 18.09 | 18.94 | 19.87 | 21.92 | 24.28 | 28.13 | 30.67 | 31.85 | 22.50 | 26.64 | 28.45 | N/A | N/A | N/A | IMF Directions of Trade Statistics; IMF World Economic Outlook database |
| End Notes: | | | | | | | | | | | | | | | | | |
| • Trade openness is measured by total trade of a country expressed as a percentage of nominal GDP in US dollars. A higher value indicates a more open economy. | | | | | | | | | | | | | | | | | |

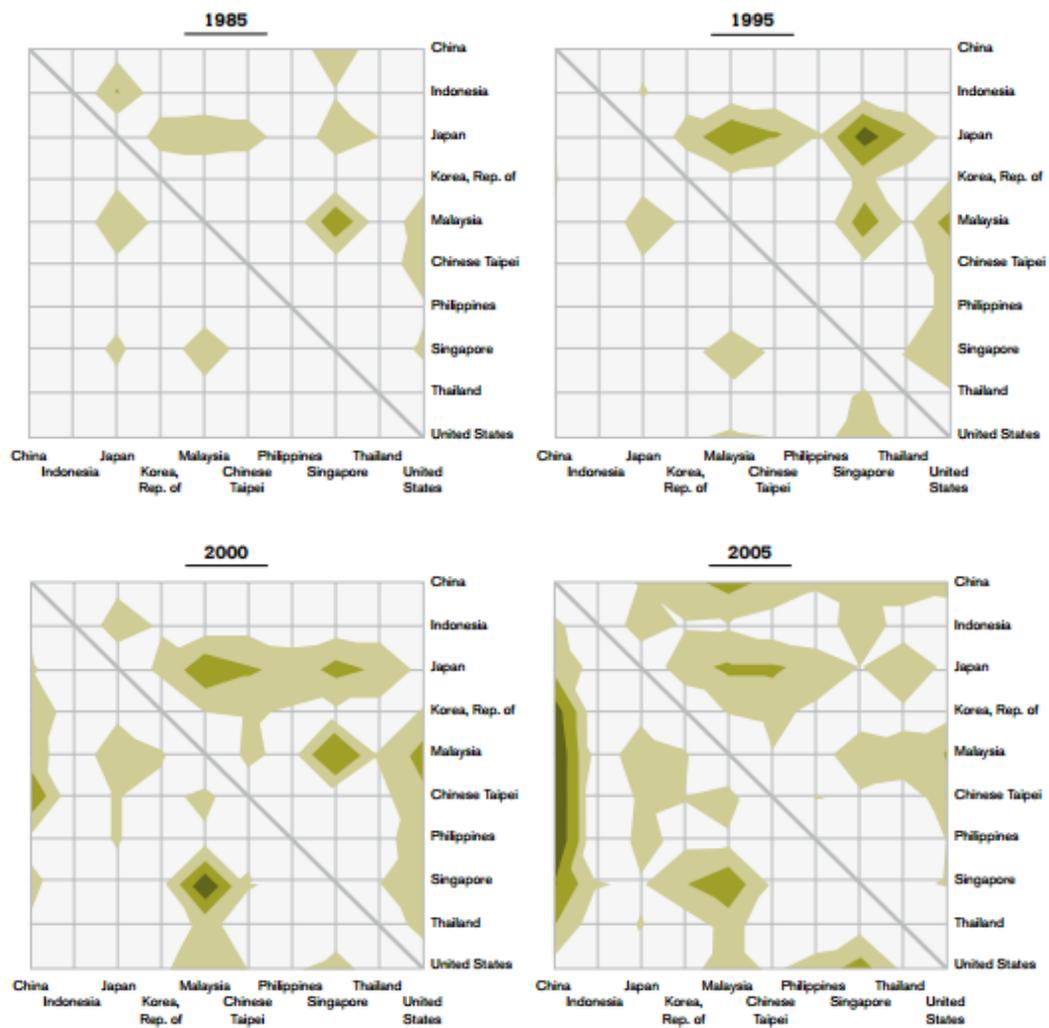
Source: Asian Regional Integration Centre, 2015

Appendix 8: Evolution of the value chain organisation since the second half of the 20th century to 2005 forward



Schematic representation of the evolution of the organisation of the international value chain.

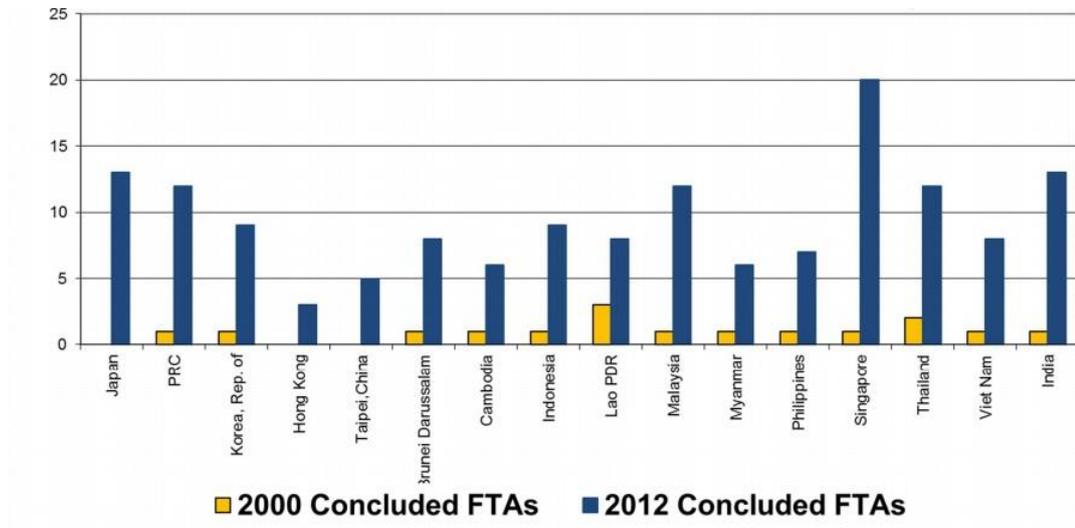
Source: 21st Century Regionalism: Filling the gap between 21st century trade and 20th century trade rules, R. Baldwin, WTO, May 2011



Evolution of the cross-national trade linkages from 1985 to 2005

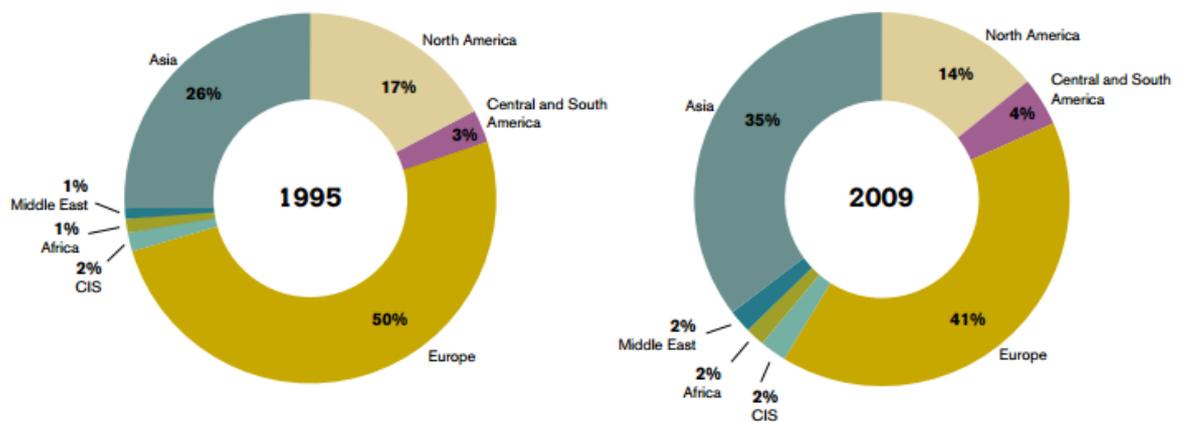
Source: Trade patterns and global value chains in East Asia: From trade in goods to trade in task, WTO & IDE-JETRO, 2013

Appendix 9: Evolution of the number of FTA signed by Asian countries, from 2000 to 2012



Source: Kawai and Wignaraja from the Asian Development Bank Institute, 2013

Appendix 10: Regional shares in world exports of intermediate goods



Source: Trade patterns and global value chains in East Asia: From trade in goods to trade in task, WTO & IDE-JETRO, 2013 – based on the statistics from the UN Comtrade Database and the WTO