

Time to boost Japan-EU ties

By GLYN FORD

CINDERFORD, England — Yukio Hatoyama and the Democratic Party of Japan (DPJ) have finally taken up the reins of power after their stunning election victory Aug. 30. The promise of their manifesto is change. With politicians on top and bureaucrats on tap, Japan is to develop a proactive autonomous foreign policy that establishes a more balanced Japan-U.S. alliance, strengthens Japan's trade relations and promotes measures to prevent global warming. Interestingly, this agenda is echoed in Brussels.

Yet in the 30 pages of the DPJ's "Platform for Government," the European Union is not mentioned on a single occasion; nor is it in the "Policy Agreement upon the Establishment of a Coalition Government," signed Sept. 9 by the DPJ, the Social Democratic Party and the People's New Party.

While one understands the need to emphasize the establishment of cooperative mechanisms in East Asia that would build toward an East Asian Community, it seems to be a mistake to play down the EU to this extent. After all, the EU is bigger than the United States, richer than the U.S. and gives more assistance to the Third World than the U.S. Moreover, Washington has played the EU and Japan off against each other. More autonomy requires new allies.

While there is a specific commitment to promote the liberalization of trade and investment through the conclusion of a free trade agreement (FTA) with the U.S., nothing is said about the EU, presumably subsumed under the phrase "as well as countries throughout the world." Yet the economic case is crystal clear. Combined EU-Japan trade is almost 40 percent of the world's total, and the EU is overwhelmingly the biggest source of foreign direct investment into Japan.

The political case is even clearer. Both the U.S. and EU have been negotiating FTAs with Seoul. An FTA between South Korea and the U.S. was finally signed last year at the end of the Bush administration after facing massive opposition and demonstrations in South Korea.

Now the FTA is in limbo as the Obama administration wants to renegotiate it, something that may be impossible for South Korean President Lee Myung Bak to accept in view of the domestic backdrop. Without a renegotiation, Obama is so in hock to the Democrats and the motor lobby that the proposal will be difficult to put to Congress and almost impossible to get ratified.

By contrast, the EU-South Korea agreement has been comparatively trouble-free. There was opposition in Seoul but it was largely ritual. Certainly, the numbers on the street could be counted in the dozens rather than thousands. The agreement is close to being initialed with a late message on duty drawback on the one side and the German elections to be out the way on the other. The reason is simple.

While there are enormous clashes on agriculture between South Korea and the U.S., these are largely absent with the EU. The EU does not produce much rice. The implementation of a deal like the EU-South Korea FTA would hugely disadvantage Japan for two reasons.

First, South Korean manufacturers would for the first time have an advantage over Japanese domestic producers. Second, Japanese motor manufacturers in Europe would be badly hit. All the surveys indicate that the 600,000 Korean cars expected to be sold in the EU after the six-year transition period lapses would almost exclusively be at the expense of Japanese production in Europe.

Any attempt by Japan to negotiate an FTA with the U.S. would have the same problems regarding agriculture as were discovered by Seoul and would fly in the face of the incoming government's commitment to revitalizing agriculture, forestry and fisheries and to making Japan self-sufficient in staple grains.

Rather than neglect the EU on trade, Japan should embrace it. Agriculture is less problematic and there is an opportunity to go far beyond a simple FTA to an economic integration agreement (EIA). This would embrace the EU's four freedoms — the movement of goods, services, capital and people — with cooperation on regulation, food safety and procurement plus an integrated approach to research, development and innovation, and an environment-friendly society.

Japanese and European industry have seen the opportunity with the EU-Japan Business Round Table urging in its report June 22 the "early commencement of a joint bilateral study into a Japan-EU EIA to be undertaken by industry, government and

academia, on the basis of a high level bilateral initiative."

This would all neatly mesh with the new government's commitment to a low-carbon economy and low-carbon industries. The EU has led the way here and welcomes the commitment on these issues by the new government in Tokyo. But to advance the agenda the EU and Japan need to work in tandem to ensure global rules are not written to disadvantage the green new deal that both sides are trying to deliver at a cost to the two domestic economies.

Some of Japan's companies are embracing the need to move toward low-carbon and even carbon-neutral products and lifestyles. All of the above will be helped by taking Europe seriously.

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