THE EUROPEAN UNION AND JAPAN TOWARDS STRATEGIC PARTNERSHIP AGREEMENT AND ECONOMIC PARTNERSHIP AGREEMENT

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ABSTRACT
This study aims to reveal the evolution of the EU-Japan relations towards a comprehensive and fully formalized strategic partnership, the main determinants of that process, as well the importance of the political and economic alliance. In the evolution of the EU-Japan relations, there were identified four stages – 1960–1990, 1991–2000, 2001–2010, 2011–2018 – which had led up to a strategic partnership regulated under the framework of political and economic agreements. In future, the Strategic Partnership Agreement and the Economic Partnership Agreement might enhance the regional and global influence of the EU and Japan.

KEYWORDS: European Union, Japan, Strategic Partnership Agreement, Economic Partnership Agreement.

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Introduction

In the 20th century, up to its last decade, the international relations were dominated by the Cold War. The West European states were hugely involved in it, which resulted in their concentration on the process of integration and consolidation of their potential capable of opposing the strength of the Eastern Bloc. At that time, European-Japanese relations remained on the margins of interest for the parties. Japan after the Second World War was focused on internal development. After the end of the American occupation, that state entered the path of rapid economic growth, gradually opening up to international cooperation and strengthening its role in the global arena. It is important to emphasize that Japan’s key partners have remained the U.S. and the South-Eastern Asia countries. The collapse of the bipolar international order and the recession in Japan in the 1990s gave the impulses to strengthen its relations with the Western Europe countries. Integration strengthened by the creation of the European Union has created new conditions for the development of relations with Japan. This required an increase of mutual understanding and deeper knowledge about the mechanisms of policy functioning of both partners. Although many efforts have been put into this process, the differences between the EU and Japan still cast a shadow over their cooperation.

The European Union policy towards Japan stems directly from its general objectives, especially from the Common Foreign and Security policy defined by the Lisbon Treaty. In external relations the EU’s objectives include strengthening and promotion of its values and interests, contribution to peace, security, sustainable development of the Earth, as well as solidarity and mutual respect among peoples, free and fair trade. Moreover, the EU seeks to eliminate poverty, protect human rights, in particular the rights of the child and the observance and development of international law, especially the United Nations Charter. The article 21 of the Lisbon Treaty defines the main aims of foreign policy as: protecting the EU’s values and interests, its

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security, independence and integrity, consolidating and supporting democracy, rule of law, human rights and principles of international law, peacekeeping, conflict prevention and strengthening international security in accordance with the objectives and principles of the UN Charter, the Helsinki Final Act and the objectives of the Paris Charter, including the purposes and principles relating to external borders; promoting sustainable economic and social development, which includes the environment in developing countries, to eradicate poverty, promote integration into the global economy, including through progressive abolition of restrictions on international trade, contributing to develop international measures to preserve and improve the environment and sustainable management of global natural resources, and assistance to the peoples, countries and regions hit by natural disasters or man-made disasters; promoting an international system based on the stronger multilateral cooperation and good global governance (Consolidated Version of the Treaty on European Union, 2012). The EU is trying to create the architecture of a cooperative multi-polar system of global governance based on the structures and principles of the UN. In this context, the EU pursues foreign and security policy based on cooperation with international organizations, strategic alliances and external regional policies. The purposes of the CFSP indicate that the EU attempts to build civilian power. Its key substructure is founded by its economic strength, but it also requires the strengthening of its political global impact (Grevi, 2008; The Value of Power, the Power of Values: A Call for an EU Grand Strategy, 2009; Bendiek, Kramer, 2010; Howorth, 2010; Holslag, 2010; Majuima, 2015: 584–598).

Japan is the most developed, stable and democratic country in Asia cooperating with the EU countries on all major international forums. The EU and Japan are united by a common interest of bilateral, regional and global, particularly the vision of international architecture. For those reasons, in the 21st century, Japan has become a natural strategic partner of the EU. Both sides need each other for more effective achievement of their interests in the multipolar world. However, their mutual relations developed gradually and only in 2018 resulted in the establishment of a fully formalized strategic partnership.

This study aims to reveal the evolution of the EU-Japan relations towards a comprehensive formalized strategic partnership, the main determinants of that process, as well as the importance of that level bilateral relations.

The research problem is to define the stages of the EU and Japan cooperation in the 20th and 21st century which have led them up to a strategic partnership enhanced by the framework of political and economic agreements and their potential significance. The paper focuses on examination the hypothesis that in the evolution of the EU-Japan relations till now there can be identified four stages – 1960–1990, 1991–2000, 2001–2010, 2011–2018 – which have led to establishment of a fully formalized strategic partnership that enhances their regional and global position. The research tasks are as follows:

- To explore the dynamics of bilateral relations since the 1960s.
- To determine the key factors which indicate the following phases in building the strategic partnership process.
- To evaluate certain potential implications of the Strategic Partnership Agreement and the Economic Partnership Agreement.

To achieve the goal of the research, the author employed qualitative research methods such as: literature review, analysis and interpretation of legal provisions, observation.

1. EU-Japan relations in the 20th century – creating the partnership pillars

Changes in the international order at the end of the 20th century, a strong Japan’s role in the international arena and aspirations of the new European integration structure – the European Union – contributed to the intensification of their bilateral cooperation. Development of the EU-Japan relations can be divided into five stages (compare: de Prado, 2017: 435–436) which had resulted in the full and formalized establishment of the strategic partnership.
The first phase of the EU-Japan relations took place in the years 1960–1990. The beginning of that period was noted by setting down a Japan’s ambassador to Belgium and also as a Japan’s ambassador to the three European Communities in 1959. In the 1960s, Japan started political dialogue with the main European Communities’ Member States individually and within the OECD. In the 1970s, there was no place for Japan within the European political cooperation, mainly due to the Cold War and concentration on the Communities internal matters. During the 1970s and 1980s, the European Communities policy towards Japan was still dominated by its Member States’ bilateral relations based on economic interests. Although the last decade brought the new element because at that time started developing the bilateral political dialogue and both sides held their first ministerial meeting in 1984. Until the end of the 1980s, the core of cooperation was economic issues, mostly problematic, while political relations developed very slowly. During that stage, the first material evidence of mutual cooperation was the Agreement for cooperation between the European Atomic Energy Community and the Government of Japan in the field of controlled thermonuclear fusion. It was signed and entered into force on February 20, 1989 (Treaties Office Database).

The second phase of the EU and Japan relations lasted from 1991 until 2000 and had brought more intensive cooperation spread in more areas. In 1991, the first EU-Japan Summit took place and its result was the Joint Declaration on Relations between the European Community and its Member States and Japan signed on 18th of July. That document defined the principles and objectives of cooperation in political, economic, cultural, such as security, increased trade and investment, helping developing countries, development programs, scientific, cultural and youth exchanges and cooperation in the Asia Pacific region. It also established a framework for consultation in the form of annual summits (Joint Declaration on Relations between the European Community and its Member States and Japan, 1991; 20th EU-Japan Summit, Joint Statement, 2011). The changes in international architecture that took place at the end of the 20th century and changes in the partners’ policy contributed to normalization of their economic cooperation and the development of political dialogue. Due to the post-Cold War international order, the EU has faced new challenges. Therefore, the EU sought how to preserve and strengthen its position in the global economy, which required greater involvement in all geographical directions. In turn, continuously since 1994, a more open attitude of Japan towards Europe and the liberalization of its economic policy have aimed to increase the access to international markets (Joint Declaration on Relations between the European Community and its Member States and Japan, 1991)2. The interests of both sides contributed to the increase of mutual interest and deepening of their cooperation. The Japan’s rising position in the economic relations with the EU and their axiological community have made it the most important partner in the East Asian region (Gilson, 2000: 89; Ueta, Remacle, 2001). The important element that complements and strengthens the EU relations with Japan has become the document “Towards a new Asia strategy”, adopted in June at the European Council in Essen in 1994. This document has assumed the expended scope of cooperation, going well beyond the economic issues. Among the priority issues were listed: promoting of democracy and human rights, involvement in solving regional conflicts, arms control and non-proliferation of weapons of mass destruction, such as by promoting the principles of the Treaty on the Non-Proliferation of Nuclear Weapons, as well as creating a favourable climate for European investment in Asia (Communication from the Commission to the Council: towards A New Asia Strategy, 1994). Since the mid-nineties their relations were strongly shaped through the prism of economic issues but were regulated mostly by bilateral agreements with the EU Member States, not with all the Community. At that period, the EU and Japan did not sign any agreement. However, at the end of 20th century, the partners attempted to establish a strategic framework for their cooperation, especially in trade and security.

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2 Formal and informal constraints in access to the Japanese market are the subject of numerous trade disputes with the EU turned to the WTO. Because of the slowdown of economic development policy objective in 1993, Japan became a series of deregulation and relaxation of the rules mainly to facilitate the development of economic activities, release of greater competition to promote imports and reduce legal formalities. A dialogue on Regulatory Reform materialized in response to the deregulatory action taken by the Japanese side. The EU introduced deregulation in the sphere of public procurement, foreign direct investment, healthcare, telecommunications, aviation and maritime transport, and financial services, and Japan – in the field of environmental protection, accounting standards, work permits and residence and the recognition of the license.
The key factors that influenced the gradual development of mutual relations were economic frictions and the image of the Communities and later the EU, at that period, in Japan. In the 1990s, the perception of the EU was burdened with Japanese apprehensions, incomprehension of the functioning of its structures and scepticism. Japan had doubts about how to treat the Community/EU – whether as one body or a set of separate states. The Japanese government did not know whether the dialogue should be conducted with the EU Member States or the EU institutions, and whether the decisions taken were binding on all countries or not. Initially, the uncertainty also aroused about the future of the European integration project. The dialogue between the EU and Japan in the 1990s contributed to the clarification of the objectives and rules of the Community functioning and their consequences for bilateral cooperation. It has resulted in the changes of perception of the EU which gradually became an increasingly reliable partner for Japan. This can be especially seen from the signing of the Maastricht Treaty, its subsequent reforms and the expansion of the number of the EU members. Japan has started treating the EU as one organization, not as a set of individual states. Despite that fact, Japan has been simultaneously developing the relations with the EU and bilateral cooperation with its individual member states. Furthermore, Japan has seen more common cultural and social elements with the EU than, for example, the US, which had affected positively the development of mutual collaboration (Stańczyk, 2010).

2. EU-Japan cooperation in the 21st century – towards comprehensive strategic partnership


3 Its four main objectives were: promoting peace and security; strengthening the economic and trade partnership within globalization dynamics; coping with global and societal challenges; and bringing together people and cultures.
The leaders set up a high-level group aimed to define the conditions for the comprehensive strengthening of the EU-Japan relations (Berkofsky, 2012: 275–279).

The fourth stage of the EU-Japan relations covers the years 2011–2018. That time was marked by the preparation of a comprehensive legal framework for the implementation of the strategic partnership. The free trade agreements conducting with the most important countries in the world or neighbourhood partners is a part of the EU policy which allows reaching its global aims of the Common Foreign and Security Policy (Overview of FTA and Other Trade negotiations, 2018). Apart from the EU-Japan economic cooperation development there was also observed increasing need towards the deeper normative impact from both sides.

So that had led the EU and Japan to a decision on preparing the negotiations to sign the Strategic Partnership Agreement (SPA) and the Economic Partnership Agreement (EPA) at the 20th summit on May 28, 2011 in Brussels (20th EU-Japan Summit, 2011; Söderberg, 2012: 249; Hosoya, 2012: 317–337).

The negotiations were officially launched on March 25, 2013. In the fourth year of the discussions, the 24th summit meeting in Brussels on July 6, 2017, the EU and Japan reached the agreement to soon finalize both the SPA and EPA negotiations (European Commission, EU – Japan Summit: Leaders give Green Light to Landmark Economic and Strategic Partnership Agreements, 2017). Also, it was relatively quickly achieved, because the Economic Partnership Agreement negotiations was finalized on December 8, 2017, after the eighteen rounds of negotiations. The EU and Japan have additionally regulated the pharmaceutical products trade issues signing the Agreement in the form of an Exchange of Diplomatic Notes with Japan in accordance with Article 15(3)(b) of the Agreement on Mutual Recognition (MRA) in order to amend Part B of the Sectoral Annex on Good Manufacturing Practice (GMP) for medicinal products on April 22, 2016. It has not entered into force yet (Treaties Office Database). After the thirteenth round of discussions the sides also finalized the Strategic Partnership Agreement negotiations on February 16, 2018 (Ministry of Foreign Affairs of Japan, 2018). This treaty is a response to both the EU and Japan’s challenges they are facing in the 21st century. The interests of both sides were expressed in their foreign policy priorities and security strategies, but not the same way (Mykal, 2011; de Prado, 2017: 444–452; Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union’s Foreign and Security Policy, 2016)\(^4\).

3. Certain implications of EU-Japan strategic partnership in the 21st century

The EU is the major Japan’s trading and investment partner, and Japan is the EU’s second-biggest trading partner in Asia, after China. Moreover, Japan and the EU share fundamental values such as democracy, rule of law, and basic human rights. So, their common interests and their political and economic potential make them important global partners. Thus, their comprehensive partnership based on political and economic framework agreements has become a natural step forward in developing their cooperation.

The Economic Partnership Agreement text consists of 23 chapters (plus the annexes), which regulate the following issues: trade and goods, rules of origin and origin procedures, customs matters and trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, trade in services, investment liberalization and electronic commerce, capital movements, payments and transfers and temporary safeguard measures, government procurement, competition policy, subsidies, state-owned enterprises, enterprises granted special rights or privileges and designated monopolies, intellectual property, corporate governance, trade and sustainable development, transparency, good regulatory practices and regulatory cooperation, cooperation in the field of agriculture, small and medium-sized enterprises, dispute settlement, institutional provisions (ANNEX to the Proposal for a Council Decision on the signing, on behalf of the European Union, of the Economic Partnership Agreement between the European Union and Japan, 2018). Ultimately, the treaty predicts the liberalization of 99% of the EU imports from Japan, after the completion

\(^4\) Japan’s first National Security Strategy of 2013 expressed the interest in collaborating with the EU’s soft power components. The EU, in its Global Strategy for the Foreign and Security Policy of 2016, also emphasized the significant role of Japan, especially regarding the Economic Partnership Agreement.
of different staging periods. And the 91% of the EU exports to Japan will be liberalized on the moment of agreement ratification (Frenkel, Walter, 2017: 359).

According to the European Commission estimations from 2010, a comprehensive free trade agreement with Japan should bring a significant economic impact, such as increase the EU’s GDP by between 0.34% and 1.9% by 2020. The document predicted annual income gains for the EU of €11 billion over ten years after the agreement enters into force. A conservative estimate modelled on the experience of the EU-Korea trade agreement suggests that due to the absolute profits value, the largest beneficiaries of the EU-Japan agreement should be Germany – €3.4 billion, the United Kingdom – €1.6 billion, France – €1.2 billion, and the Netherlands – €0.9 billion. The biggest relative gains might achieve the countries such as Ireland – 0.19%, the Netherlands – 0.14%, Luxembourg – 0.13%, and Germany – 0.11%. Finally, the research results based on the average trade effects of a large set of existing trade agreements indicate welfare gains that might be several times larger than the lowest bound estimates. However, the aggregate gains are expected to be not homogeneous, different in the industries within the EU and Japan. The differences in expected output across the industries might be a consequence of the asymmetries between the existing trade barriers in Japan and the EU. The reason may be found also in the different foreign market business model of the EU and Japan. There are predictions that in Europe, the agreement would have positive value-added effects in the areas such as pharmaceutical industry, production of food, beverages and tobacco, and in the motor vehicle sector. The largest benefits in the services sectors could reveal in wholesale trade. At the same time, the European production and services might note some losses, for example, machinery industry, computer programming or entertainment industry. While the main Japanese gains are expected in the computer and electronics sector, as well as motor vehicle and machinery industries. Some losses might appear in the pharmaceutical sector and in wholesale trade. There is also a risk that agri-food production can be smaller. Moreover, given Brexit, the economic gains from the agreement for Japan probably will be reduced by about 14% (Felbermayr, Kimura, Okubo, Steininger, Yalcin, 2017). For the promotion of the EU-Japan Economic Partnership Agreement there was organized a special Forum held on April 12, 2018 at the Old Stock Exchange in Copenhagen. That event gathered global business leaders and stakeholders vitally interested in the new legal framework of the EU-Japan economic cooperation. There was emphasized that projected results of the agreement will to more than double European exports to Japan from around €80bn a year to over €180bn a year within a 10-year time frame, with a similar increase in Japanese exports to the EU going from €55bn to over €140bn. The following sectors should benefit most: automotive, transport equipment, pharmaceuticals, medical devices, electronics, information technology, chemicals, food and agriculture, textiles and leather goods, FMCG as well as service sectors such as insurance, business and financial services (EU-Japan EPA Forum, 2018). But, that agreement was also criticized because inter alia of a key focus of the document on the former unsolved issues such as tariff reduction of motorcars, electronics and agricultural products, the unsatisfactory scope of innovative ideas and Japan’s ability to export its regulations (Suzuki, 2017: 875–889). Although, the joint EU and Japan potential gives them not only significant power in the global economy, but it can also translate into the increase in political influence. In 2016, the EU and Japan population created the market accounting for 8.6% consumers of the world, and the total value of their GDP accounted for 28.4% of the world’s GDP. The total exports and imports volume of the partners was equal 37.2% of the world’s trade (Japan-EU EPA Forum, 2018). It could also help to fill the gap created by suspension of the negotiations on the Trans-Pacific Partnership. The important potential effect of that agreement could be the EU and Japan leadership in setting the global trade standards based on deeper integration.

The Strategic Partnership Agreement provides a legal basis for the Japan-EU highest level of their relations. Based on the existing cooperation and the axiological community it might support in promoting peace, achieving stability and prosperity in the global and regional scope, especially facing common challenges, such as security, including energy security, migration, economic and social challenges (Japan-EU Strategic Partnership Agreement (SPA); European Union External Actions). The political and economic EU-Japan partnership, despite the anticipated negative economic, social and environmental impacts (European Commission DG Trade, Trade Sustainability Impact Assessment of the FTA Between the EU and Japan, LSE Enterprise, 2016), will deliver huge profits for both partners and enhance their global and regional role in the modern world.
Conclusions

The comprehensive and fully formalized EU-Japan strategic partnership was built within the long process at the turn of the 20th and 21st century. The hypothesis was confirmed, i.e., there were identified four stages – 1960–1990, 1991–2000, 2001–2010, 2011–2018 – within the evolution of the EU-Japan relations which had led up to strategic partnership enhanced by the framework of political and economic agreements that enhance their regional and global position.

Their relations have evolved as a result of changing factors, endo-and exogenous. In the Community, during the Cold War, they were focused on a rivalry with the Soviet Union and economic integration, and Japan has remained on its margins. Since the second part of the 20th century, Japan has noted increasingly higher pace of economic development, what also has translated into its more open and intense international cooperation and global political position. The second phase of the EU-Japan relations opened the adoption of the Joint Declaration and action plan in 1991. The important breakthrough in the European-Japanese relations was the Maastricht Treaty which entered into force in 1993, establishing the EU and its Common Foreign and Security Policy. The Asian direction in the EU foreign policy had started taking on weight, which later was expressed in the intensification and institutionalization of contacts, a growing number of bilateral agreements and areas of cooperation taken at the summits. In the 1990s, however, a particular priority for the EU was to stabilize the new situation on the European continent related to the end of the Cold War and to prepare for a large enlargement of new members in the first decade of the 21st century. Therefore, the EU-Japan dialogue and cooperation was at the relatively initial stage in which both parties expressed their will to develop cooperation and drew up a ten-year action plan. This period was devoted mainly to strengthening mutual understanding, overcoming economic disruptions and ensuring Japan that the EU is a reliable partner as a structure, not only a set of collaborating countries.

Since 2001, it has been clearly visible that the strategic approach to the EU-Japan partnership has made the process of concluding further agreements more dynamic. Due to the tenth anniversary of the signing of the first Declaration of the EU-Japan, there was adopted the action plan at the summit in 2001. It has resulted in the deepened and broadened scope of bilateral relations including political, social and global challenges of sustainable development, fight against terrorism and cultural rapprochement. During the years 2001–2010, their cooperation was regulated by numerous new agreements. For Japan, however, it was difficult to free itself from the traditional patterns of political thinking. Therefore, its relations have been mostly shaping with the EU Member States and within international organizations fora. The consequence was a vast advantage of bilateral agreements over the multilateral treaties. At the end of that period, the EU and Japan strengthened and comprehensively formalized their strategic partnership. It has become an important response to internal and external challenges that the partners are facing in the 21st century. It was even more important because the legal framework for mutual relations after 29 years since the first signed agreement, was modest and covered the total of nine agreements focusing on the three main areas of cooperation. These were economics and trade (four agreements) and energy, especially nuclear (three agreements), and security (two agreements). However, the stable foundation of the new era of the EU-Japan strategic partnership building constituted quite a well-developed dialogue on many other matters. From 1991 to 2017, the EU and Japan leaders met at the annual summits 24 times. During those years they brought the cooperation development in: political dialogue, promotion of peace and security, including conflict resolution and prevention, non-proliferation of weapons of mass destruction, combating terrorism, promoting multilateralism and sustainable development, including employment, aging, elimination of poverty, health and environmental protection, as well as within the scientific and technological cooperation, trade, financial services, deregulation, promotion of investment, industrial cooperation and industrial policy, fair competition and consumer protection, intellectual property, energy, telecommunications and maritime transport, human rights, bringing people and cultures, including academic, business communities, and civil societies.

Symbolically, the end of the fourth phase of the EU-Japan strategic partnership building process was treated in 2018. The reason of that was the finalization of the negotiations on the Economic Partnership
Agreement on December 8, 2017, and the Strategic Partnership Agreement on February 16, 2018. That effect has been achieved over the 59 years’ period due to such factors, among others, as: Japan gradually opening to the world; changes in the international order; creation of the EU and its reforms, including three enlargements, the process of getting to know each other, as well difficulties overcoming cultural differences and political and economic patterns. The EU-Japan Economic Partnership Agreement and the Strategic Partnership Agreement will bring a lot of profits. Both sides can expect an increased trade, investment, production and income, as well as stimuli for innovation and better competition. However, those gains will not be equal either for each partner or their economic sectors.

The importance of those agreements has a strong, both economic and political, dimension. This is a clear sign for the international community that the deeper integration based on free trade and common values might result in the higher prosperity of each partner. It creates for them opportunities to become the world’s leaders in creating the international trade rules and enhancing their regional and global position through closer cooperation on foreign policy and security. The ratification and implementation process of the Economic Partnership Agreement and the Strategic Partnership Agreement will proof the real power of the EU-Japan strategic alliance in the 21st century. There also should be noticed that the partnership building process between the EU and Japan will require permanent enhancement of the strategic vision and ability to react to the changes undergoing in the modern world.

References


EUROPOS SĄJUNGA IR JAPONIJA: STRATEGINĖS IR EKONOMINĖS PARTNERYSTĖS SUSITARIMAI

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