

# **Japanese Relations with the European Union**

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# Mere economic partners or real cooperation

## **How strong is the relationship?**

Throughout the eighties the emphasis in Japan/EU relations was primarily on economic relations, but a new level of cooperation was inaugurated in 1991 by the Japan/EC Joint Declaration (it was then the European Community). This declaration reconfirmed their commitment to freedom and democracy, free trade, human rights and other common values, and charted a course for joint contributions to the solution of global issues and to just overall strengthening of the Japan-Europe partnership. Since the joint declaration, Japan and the EU have honored its spirit by holding annual summits as well as engaging in dialogue and cooperation in a wide variety of fields, on a broad range of levels and topics. In the field of economic relations, in particular in 1992 when the trade imbalance hit record high levels and became a major subject of concern, great efforts on both sides have helped to steadily reduce it. There has also been more of an effort to promote dialogue in political fields since the Maastricht Treaty took effect in 1993 and the political unity of the EU itself was strengthened<sup>1</sup>. In addition to problems

of a specifically Japan/EU nature, there is active cooperation on more global issues, including environment and development assistance. Thanks to efforts on both sides, relations between Japan and the EU are basically friendly. Ties between Japan and Europe have been considered relatively weak compared to those between Japan and the US or the US and Europe, but the policy initiatives arising from the joint declaration are helping to improve the balance of relations between these three partners. So with these continued efforts I am convinced that the relationship between Japan and the EU are strong.

### **Development of the Relationship**

The EU is comprised of fifteen member states. The member countries of the EU include: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom. The EU states its aims as the following: First, to lay the foundations of an ever-closer union between the peoples of Europe. Second, to promote balanced and sustainable economic and social progress by creating an area without internal frontiers, by strengthening economic and social cohesion and by establishing economic and monetary union, ultimately including a single currency. Third, to project the Union to the rest of the world, through the common foreign and security policy, and, eventually, a common defense policy. Fourth, to strengthen the protection of the rights and interests of the nationals of its Member States through the introduction of a citizenship of the Union<sup>2</sup>. And finally, to develop close cooperation on justice and home affairs.

Japan is important to the European Union for several reasons. Japan matters to Europe today as it did in the days of the spice trade and the silk road. It matters for the

obvious economic reasons. Japan is the second largest economy in the world. It is an economic miracle that is only surpassed by the United States in terms of importance. The European Union, with its worldwide economic interests, cannot afford to neglect Japan and still maintain a leading role in the World economy. Japan also matters politically. The growing economic weight of Japan is reinforcing its weight on the international political scene. It is in the EU's best interest to help Japan play a more prominent role on the world stage. In terms of the EU's relationship with Japan, the main objective of the European Union is to strengthen the third side of the EU-US-Japan triangle. Thus, moving away from a policy dominated by trade issues and more towards a relationship profitable to both sides and to extend cooperation covering a vast variety of fields.

### **Japan/EU the Political Dialogue**

Japan currently accounts for 18% of the world's GDP (or Gross Domestic Product), and it has a global responsibility to contribute to the peace and stability of the international community<sup>3</sup>. Japan intends to play an increasingly creative role in the building of a new post-Cold-War international order. Japan intends to promote an order in which democratic principles and a free marketbased economy are based. It is from that perspective that Japan has been working actively to foster a closer relationship with the European Union, which has had an increasing amount of weight in the international politics scene.

There is an ever-widening range of issues on which dialogue and cooperation between Japan and the EU is required. Be it a global issue such as UN reform, disarmament and nuclear nonproliferation or a regional problem like the conflict in Bosnia-Herzegovina, development of nuclear capability in North Korea, and the Middle

East peace process, the world's major challenges all merit from the cooperation of prosperous democracies. It is now Japan's chance to show the world that it can be a leader in many troubling world issues.

In July 1991 Japan and the EU announced the "Joint Declaration on Relations Between the European Community and its Members States and Japan in The Hague"<sup>4</sup>. The declaration attempts to expand Japan-EU (or EC as it was then known) relations from their traditional economic focus to a more comprehensive relationship which will be based on the spirit of "sound competition and constructive cooperation." This shift of emphasis away from trade disputes settlement is visible in the expanded framework for Political Dialogue. The most important forum for political dialogue between Japan and the EU is the annual "Japan-EU Summit", created by the Declaration. This summit meeting is held between the Prime Minister of Japan, the head of the presidency of the EU, and the president of the European Commission, and takes place alternately in Europe and Japan. Japanese and EU Troika Foreign Ministers have been meeting, usually, twice a year since 1983 and are continuing this practice. Another longstanding framework is the "Japan-EU Troika Political Directors' Meeting" which is also in principle held twice a year.

Since the declaration, there has been a steady widening of political dialogue between Japan and the EU, which has had significant results for coordination. Japan and the EU opened a new ground in 1996, when they initiated meetings of government experts in areas, which merit close policy coordination. Currently, these areas are Asia, Former Yugoslavia, NIS (Newly Independent States) and Central Asia, the Middle East peace process and the Persian Gulf. As the EU increasingly speaks in one voice, the

importance of policy coordination and joint action between Japan and the EU will continue to grow. The issuance of the new Euro or single currency in the EU is helping to make this a reality.

### **Economic Relations**

The European Union is continuing its efforts to obtain better access to the Japanese market (much like the U.S. efforts). Some sectoral actions launched by the European Commission in recent years have proven largely successful. For example, the exports of wine and spirits, motor vehicles, medical equipment, cosmetics or pharmaceuticals have substantially increased since 1987.

Partly as a result of these actions, trade between the European Union and Japan has been increasing in the last few years. Nevertheless, the volume of EU exports towards Japan remains low: only 5% of total EU exports in 1994, while imports of Japanese products represented 9% of total EU imports; ECU 26.6 billion for the exports and ECU 48.8 billion for the imports<sup>5</sup>. So currently the EU has a trading surplus with the Japanese. This is the result of cooperation between Japan and the EU to achieve more balanced trade that was initiated in 1992 when Japan's trade surplus with the EU hit a record of 3,959 billion yen. From 1992 to 1996 the surplus declined more than 20 % on average.

Not too long ago Japan had a huge advantage in trade over both the United States and EU. This was due to an unfair advantage in which the Japanese closed its markets to the U.S. and the EU. However, now close economic relations between Japan and the EU are founded on dialogue and cooperation. Of particular importance have been coordinated efforts on both sides -campaigns to promote exports to Japan, for example,

the "Gateway to Japan" (1994-1996) and "Gateway to Japan 2 (1997-2000)" and efforts on Japan's part to promote imports. In addition, Japan-EU Experts Meeting on Trade Statistics has since 1993 endeavored to make an objective analysis of the Japan-EU trade structure in order to deepen mutual understanding, which is a prerequisite to any promotion of trade.

Nineteen Hundred and Ninety-four saw a significant decrease in Japan's bilateral trade surplus with the European Union. The decrease was 16.2% in dollar terms (and 9.1% in ECU terms)<sup>6</sup>. This was caused by an increase in EU exports to Japan because of the revaluation of the yen, the recovery of the Japanese economy and the improvement in the competitiveness of European industry. Of EU exports, particularly strong performance was recorded in road motor vehicles (high-end luxury automobiles), furniture, office machinery, chemicals and textiles. Of EU imports from Japan, only electronic parts and car parts showed significant increases. Japanese road motor vehicles decreased, as did audio apparatus and motor cycles. This trend seems to be strengthened by current trade figures as well.

The moderation of the trade imbalance may now be possible because of a strong yen hampering Japanese exports and increased competitiveness of EU industry. However, some of the factors underlying the Japanese surplus, such as market access problems, could, in the absence of adequate actions by the Japanese government, postpone further improvements in the imbalance.

The Union is concerned at the lack of a significant increase of EU exports to Japan in certain sectors where, nevertheless, the EU seems to be competitive internationally. A striking illustration of this is EU exports of office machinery and



telecommunications equipment. Due to Japan's small size versus the EU, food products are another category where Union exports to Japan should be larger.

Most of these trade issues are being tackled, not only in the framework of GATT/WTO but also bilaterally. Europe is determined to pursue certain unresolved matters bilaterally. In 1991 the European Community and Japan reached an agreement on access to the Japanese market for leather and leather shoes. This should be the start to break into the Japanese markets.

The European Union is closely following the US-Japan talks, with a view to making sure that any favorable outcome would be applicable for them. For the present, Japan has shown some positive signs in the sense of an increase in public investments and of a modification of the restrictive provisions relating to large-scale retail stores. The Japanese Fair Trade Commission has also produced guidelines on distribution and business practices, which may contribute to improving access to the Japanese market.

The EU Commission attaches great importance to the expansion of its export promotion program in close cooperation with the European industry and is often supported by JETRO (Japan External Trade Organization). Its action consists more and more of joint European participation in Japanese fairs and exhibitions. Simultaneously, the Union's Executive Training Program is developing favorably with overall participation of more than 500 young European executives<sup>7</sup>. So the mutual respect and sharing that is taking place between the two are further encouraging signs.

### **Cooperative Projects**

The Japanese relations with the EU are greatly expansive into other areas besides the already strong political and economic ones. Even a brief overview of political and

economic relations between Japan and the EU shows how deep and complex they are. Japan and the EU are actively trying to strengthen their ties with a large number of cooperative projects. Building on a basic awareness that relations between the two were not limited just to trade and investment but should encompass a broad range of issues that are in the interests of both and will contribute to the international community. The Japan/EU Joint Declaration of 1991 specifically provides for the pursuit of joint projects in the areas of industrial cooperation, advanced technology, energy, employment, social issues, competition policy, aid policy, environment, science and technology, and education and culture<sup>8</sup>. In addition to these areas, Japan and the EU enjoy a wide range of intergovernmental relations in areas such as telecommunications, transportation, and consumer policy, in many cases cooperating with the private sector as well for discussions, seminars, and symposia. In areas where sufficient depth has been reached, joint projects are under way.

While both Japan and the EU are satisfied with the results that have been achieved so far, they also recognize the need to further strengthen their ties and cooperation in order to build a more multidimensional relationship that includes cooperation on issues of Global importance. Since there are so many cooperative projects that Japan and the EU are currently working on, I will be focusing on industrial cooperation, culture and Education, and finally a subject very important in the twenty-first century, the environment.

Industrial cooperation between Japan and the EU is expanding year by year as called for in the Japan/EC Joint Declaration. Regular intergovernmental talks on industrial policy and industrial cooperation have been organized since 1993 as a dialogue

between the Japanese Ministry of International Trade and Industry and the European Commission. Its purposes are to support industrial cooperation and promote the convergence of industrial policies, thereby strengthening and improving economic relations between Japan and the EU. During the fifth round of talks in October 1997, discussions focused on both sides' policy and current status of several important areas including information technology and standardization as well as on accepting and training students and younger business people.

Japan/EU Industrialists roundtable has been held as private-sector discussions with the participation of top managers from companies in various industrial fields. During the fourth meeting in Brussels in October 1997, the agenda focused on competitiveness and industrial cooperation between Japan and the EU in third countries and new areas of cooperation in the field of electronic commerce etc<sup>9</sup>. There are also other business round tables, seminars, and sales negotiation meetings in individual sectors.

Another step in the right direction towards continued cooperation was the Japan/EU Centre for Industrial Cooperation. The Japan/EU Centre for Industrial Cooperation was established in 1987 through the co-foundation by Japan and the EU. Its main activities are to provide training programs for European senior managers and engineers as well as to provide information that promotes EU exports to Japan and facilitates investment ties.

In the past, cooperation between Japan and the EU on culture and education was primarily based on exchanges between Japan and individual EU members, but Japanese relations with the EU itself have been strengthened in recent years.

Through the Japanese Ministry of Foreign Affairs and the Japan Foundation, Japan provides support for designated "European Cities of Culture." Japanese governmental programs have been inviting many promising European youths to Japan for study and training. These new programs are not unlike the foreign exchange program that takes place between the United States and Japan every year.

A Japan/EU Roundtable on Education was held between the Japanese Ministry of Education and DG XXII (European Commission) in Belgium in June 1996, as a first of this kind. Both parties exchanged knowledge and experiences on educational policy and agreed on continuing dialogue<sup>10</sup>. At the occasion of the EU-Japan Week from 29 September to 2 October 1997 in Tokyo, the EU and Japan held a conference on EU-Japan Co-operation in Education, Science and Technology. The internationalization of higher education and the impact of new technologies on education were the main topics discussed by high-level experts and scholars. These new efforts to educate and culture each country's respective youth population will have promising effects for the future.

The condition of our planet and the environment in general has come under serious concern as of late. In order to tackle the increasingly serious environmental problems, it is essential for Japan and the EU, as members of the international community to collaborate and cooperate with each other. EU countries have been a long time engaged in environmental issues and have already established joint policies on areas such as global warming, ozone-layer protection, waste management, and water conservation. The UNCED meetings held in 1992 helped to arouse the international community's interest in environmental issues, which made Japan as well endeavor to formulate more

effective environmental policies and thereby contribute to make active contributions to the international community. As part of this, the Japanese have been engaged in a close dialogue with the EU on environmental issues, and cooperation between both sides has taken on renewed importance.

The annual Japan/EU High-level Consultations on the Environment provided a forum for exchanging opinions on and coordinating a wide range of environmental policies. The agenda for the sixth consultations, which were held in May 1997, included exchanges of information on environmental policy developments and air quality issues on both sides, and discussions of how to provide leadership to the international community in multilateral forum on such issues as climate change. Particularly Japan and the EU focused, with success, on climate change during the third conference of the parties to the U.N. convention on climate change held in December 1997 in Kyoto, Japan<sup>11</sup>. These extremely important developments in the fight to protect the environment have not gone unnoticed. The United States, Japan, and the EU have taken great strides in protecting the environment and the rest of the world has taken note. Moving forward into the twenty-first century if a country chooses to do business with either three of these major powers, they must do it with environmental concerns taken into account.

## **Conclusions**

Currently, the EU is gaining strength as the central body in Europe for political and economic affairs. In addition to progress toward integration following the IGC, looking ahead to the upcoming round of EU membership negotiations expected to begin in around six months. The EU is also actively strengthening relations with Central and Eastern European states and the three Baltic States with a view towards these countries

future membership in the EU and attention is being paid to the progress. Therefore it is imperative that Japan promote political dialogue with the EU. This is strategically important in moving forward Japan's European foreign policy.

Likewise, the dialogue will continue because it is important to heighten the visibility of Japan-EU cooperation and to advance mutual understanding at a grassroots level. This will occur through promotion of discussion between Japan and the EU in the context of Asia and Europe with which Japan and the EU respectively have strong geographic ties and in areas such as welfare, crime and others which directly effect the lives of citizens. Also, an active exchange of opinions between Japan and the EU on pivotal international tasks such as development assistance and United Nations reform will facilitate efforts to tackle global issues and will be valuable in building a relationship between Japan and the EU, which also contributes to the international community.

So in my personal opinion I believe that Japan and the EU are much more than economic partners. They are forging new areas of real cooperation. They are single handily promoting and negotiated solutions to international tensions and are strengthening the United Nations and other international organizations. This real cooperation is supporting a social system based on freedom, democracy, the rule of law, human right and a market economy. They are consulting and coordinating the non-proliferation of nuclear, chemical and biological weapons, the non-proliferation of missile technology and the international transfer of conventional weapons. This extraordinary cooperation is supporting the efforts of developing countries, to achieve sustained development and political and economic progress, along with fostering respect for human rights. They cooperate with helping any region of the world that want peace,

stability and prosperity. Indeed this cooperation is much more than just a couple of trade partners it is a cooperation, which is bettering, developing, and improving the world.

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<sup>1</sup> European Commission. "Public Access to the Institutions' Documents: Communication to the Council, the Parliament and the Economic and Social Committee." COM (93) 191, May 5, 1993, Official Journal C156, June 8, 1993, page 5.

<sup>2</sup> European Commission, "Interinstitutional Declaration on Democracy, Transparency and Subsidiarity." Bulletin of the European Communities, No. 10-1993, Point 2.2.1, page 118.

<sup>3</sup> The Japanese External Trade Homepage, Japan. "Industrial Cooperation with Developed Nations"  
(<http://www.jetro.go.jp/WHATJET/jet03/jet03.html>)

<sup>4</sup> Japan-EU Deregulation Dialogue (28 May 1998, Brussels)  
(<http://www.jmission-eu.be/whatnew/derdia.htm>)

<sup>5</sup> European Commission. "Openness in the Community: Communication to the Council, the Parliament and the Economic and Social Committee." COM (93) 258, June 2, 1993, Official Journal C166, June 17, 1993, page 4.

<sup>6</sup> Commission. "Public Access to Commission Documents." Decision 94/90/ECSC, EC, EURATOM, Official Journal L46, February 18, 1994, page 58.

<sup>7</sup> Meeting of the Heads of State or Government, Edinburgh, UK, December 11-12, 1992. "Edinburgh European Council," Bulletin of the European Communities, No. 12-1992, Points 1.1 and 1.24, pages 7, 18.

<sup>8</sup> The Japanese Mission to the European Union  
(<http://www.jmission-eu.be/relation/overview/index.htm>)

<sup>9</sup> EU-Japan Club Symposium  
(<http://www.jmission-eu.be/club/schedule.htm>)

<sup>10</sup> The Japanese Mission to the European Union. "Cooperative Projects"  
(<http://www.jmission-eu.be/relation/coopproj/index.htm>)

<sup>11</sup> Commission. "Communication on Improved Access to Documents." Official Journal C67, March 4, 1994, page 5.

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# Appendix

**Map 1: Europe: Economic Associations**

**Map 2: Japan**

**Statistics 1: Japan's multiple balances with the EU**

**Statistics 2: Foreign Direct Investment**

**Statistics 3: Merchandise trade**