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# **Japan's New Trade Policy – A Policy Transformation Without Strategy?**

Ulli Jamitzky

Politikwissenschaft

**Japan's New Trade Policy –  
A Policy Transformation Without Strategy?**

Inaugural-Dissertation  
zur Erlangung des Doktorgrades Dr. phil.  
im Fachbereich Erziehungswissenschaft und Sozialwissenschaften  
der Westfälischen Wilhelms-Universität in Münster

Vorgelegt von  
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**Ulli Jamitzky**

**Japan's New Trade Policy – A Policy Transformation Without Strategy?**



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Ulli Jamitzky

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# Table of content

<b>LIST OF ABBREVIATIONS</b>	<b>III</b>
<b>LIST OF TABLES AND FIGURES</b>	<b>V</b>
<b>1. INTRODUCTION</b>	<b>1</b>
1.1 PREFACE	1
1.2 RELEVANCE AND APPROACH OF THIS STUDY	2
1.3 RESEARCH QUESTIONS AND DISSERTATION OUTLINE	4
1.3.1 <i>Research questions</i>	5
1.3.2 <i>Research focus</i>	6
1.3.3 <i>Research interest</i>	7
1.3.4 <i>Dissertation outline</i>	8
1.4 DEFINITION AND CLARIFICATION OF KEY CONCEPTS	9
1.4.1 <i>Economic Partnership Agreements and Free Trade Agreements</i>	9
1.4.2 <i>FTAs within the WTO regime</i>	10
1.4.3 <i>Deep integration</i>	13
1.4.4 <i>FTA negotiation process</i>	14
1.4.5 <i>Japan's trade structure</i>	17
1.5 LITERATURE REVIEW AND CURRENT STATE OF RESEARCH	19
1.5.1 <i>Literature review</i>	19
1.5.2 <i>Theoretical context</i>	27
1.5.3 <i>Current state of research</i>	33
<b>2. METHODOLOGY</b>	<b>37</b>
2.1 OVERVIEW OF RESEARCH SOURCES	37
2.2 DEFINITION OF EXPERTS AND EXPERT INTERVIEWS	38
2.3 CHALLENGES WHEN CONDUCTING EXPERT INTERVIEWS	43
2.4 PREPARATION OF INTERVIEW GUIDE	45
<b>3. INTERVIEW FINDINGS AND ANALYSIS</b>	<b>47</b>
<b>4. TIME FRAME OF JAPAN'S TRADE POLICY SHIFT</b>	<b>57</b>
4.1 FIRST STAGE OF FTA PROLIFERATION	58
4.2 SECOND STAGE OF FTA PROLIFERATION	60
4.2.1 <i>The Trans-Pacific Partnership</i>	61
4.2.2 <i>The EU-Japan agreement</i>	63
4.2.3 <i>The Regional Comprehensive Economic Partnership</i>	63
<b>5. REASONS AND MOTIVATIONS BEHIND JAPAN'S TRADE POLICY SHIFT</b>	<b>65</b>
5.1 NUMEROUS REASONS TRIGGER SHIFT IN TRADE POLICY THINKING	65
5.2 BUREAUCRATS AS MAIN DRIVING FORCE	68
5.3 BUSINESS INTERESTS AND KEIDANREN	74
5.4 SUMMARY AND PRELIMINARY CONCLUSION	77

<b>6. THE TPP DEBATE – TURNING POINT FOR JAPAN’S TRADE POLICY?</b>	<b>81</b>
6.1 THE TPP DISCUSSION: PROS AND CONS IN A HEATED DEBATE	81
6.2 EMERGENCE OF JAPAN’S ANTI-TPP PROTEST MOVEMENT	85
6.3 JAPAN ENTERS TPP: DEFEAT FOR ITS AGRICULTURAL LOBBY?	87
6.3.1 DPJ’s policy towards the TPP	88
6.3.2 LDP’s trade policy	89
6.4 RECENT DEVELOPMENTS AND OUTLOOK	90
<b>7. EVALUATING TRADE POLICY</b>	<b>93</b>
7.1 POLICY EVALUATION IN JAPAN AND ITS LIMITS	95
7.2 A CRITIQUE OF JAPAN’S TRADE POLICY EVALUATION	100
<b>8. JAPAN’S TRADE POLICY EVALUATION IN INTERNATIONAL COMPARISON</b>	<b>105</b>
8.1 THE LIMITS OF QUANTITATIVE TRADE POLICY EVALUATION	105
8.2 AUSTRALIA’S EVALUATION APPROACH: A MODEL FOR JAPAN?	107
8.3 US TRADE POLICY AND EVALUATION EFFORTS	109
8.4 THE EU’S APPROACH TOWARDS TRADE POLICY EVALUATION	112
8.5 OTHER MODELS FOR TRADE POLICY EVALUATION IN JAPAN	117
8.6 PRELIMINARY CONCLUSION	120
<b>9. JAPAN’S NEW TRADE POLICY – A NEW VENUE FOR ODA?</b>	<b>123</b>
9.1 THE INTERPLAY BETWEEN JAPAN’S DEVELOPMENT AND TRADE POLICY	124
9.2 DEVELOPMENT-RELATED PROVISIONS IN JAPANESE FTAs	125
9.3 LACK OF COHERENCE BETWEEN ODA AND FTA POLICIES	130
<b>10. CONCLUSION AND PROSPECTS</b>	<b>133</b>
10.1 KEY FINDINGS	133
10.2 POLICY RECOMMENDATIONS	137
10.3 LIMITATIONS AND NEED FOR FURTHER RESEARCH	140
10.4 FINAL REMARKS	142
10.5 REFLECTIONS ON PHD DEFENSE AND CURRENT DEVELOPMENTS	143
<b>SUMMARY IN GERMAN</b>	<b>147</b>
I. EINLEITUNG	147
II. FORSCHUNGSINTERESSE UND RELEVANZ DER ARBEIT	148
III. VORHANDENE ERKLÄRUNGSANSÄTZE	149
IV. AUFBAU DER ARBEIT	152
V. METHODIK	153
VI. ZEITLICHE EINORDNUNG DER ARBEIT	154
VII. DIE TPP-DEBATTE IN JAPAN	155
VIII. EVALUATIONSMAßNAHMEN IM BEREICH DER JAPANISCHEN HANDELSPOLITIK	157
IX. EVALUATION IM INTERNATIONALEN VERGLEICH	158
X. ZUSAMMENFASSUNG	160
<b>BIBLIOGRAPHY</b>	<b>163</b>
<b>ACKNOWLEDGEMENTS</b>	<b>203</b>

# List of abbreviations

ACTA	Anti-Counterfeiting Trade Agreement
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BIT	Bilateral Investment Treaty
CEFP	Council on Economic and Fiscal Policy (経済財政諮問会議、Keizai zaisei shimon kaigi)
CGE	Computable General Equilibrium
DIJ	German Institute for Japanese Studies
DPJ	Democratic Party of Japan (民主党、Minshutou)
EIU	Economist Intelligence Unit
EPA	Economic Partnership Agreement (経済連携協定、Keizairenkeikyoutei)
EU	European Union
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GPEA	Government Policy Evaluation Act
GTAP	Global Trade Analysis Project
ICTSD	International Centre for Trade and Sustainable Development
IPE	International Political Economy
IR	International Relations
ITA	Information Technology Agreement
JA	Central Union of Agricultural Cooperatives (全国農業協同組合中央会、 Zenkoku nogyo kyoudoukumiai chuuoukai)
JCCI	Japan Chamber of Commerce and Industry (日本商工会議所、Nihon shoukou kaigijo)
JETRO	Japanese External Trade Organization (日本貿易振興機構、Nihon bouekishinkou kikou)
Kantei	Prime Minister of Japan and His Cabinet (首相官邸、Shushoukantei)
Keidan- ren	Japan Business Federation (日本経済団体連合会、Nihon keizai dantairengoukai)

LDP	Liberal Democratic Party of Japan (自由民主党、Jiyuminshutou)
LNG	Liquefied Natural Gas
MAFF	Ministry of Agriculture, Forestry and Fisheries (農林水産省、Nourinsuisanshou)
METI	Ministry of Economy, Trade and Industry (経済産業省、Keizaisangyoushou)
MFN	Most-Favoured Nation
MHLW	Ministry of Health, Labour and Welfare (厚生労働省、Kouseiroudoushou)
MOF	Ministry of Finance (財務省、Zaimushou)
MOFA	Ministry of Foreign Affairs (外務省、Gaimushou)
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NPM	New Public Management
NPU	New Policy Unit
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PC	Productivity Commission
PTA	Preferential Trade Agreement
RCEP	Regional Comprehensive Economic Partnership (東アジア地域包括的 経済連携、Higashi ajia chiiki houkatsuteki keizai renkei)
RIETI	Research Institute of Economy, Trade and Industry (経済産業研究所、Keizai sangyou kenkyuujo)
SME	Small and Medium-sized Enterprise
TPA	Trade Promotion Authority
TPRM	Trade Policy Review Mechanism
TPP	Trans-Pacific Partnership (環太平洋戦略的経済連携協定、Kantai- heiyou senryakuteki keizai renkei kyoutei)
TSIA	Trade Sustainability Impact Assessment
US	United States
USTR	Office of the United States Trade Representative
WTO	World Trade Organization

# List of tables and figures

## Tables

Table 1:	Overview of negotiation process of Japan's FTAs	16
Table 2:	Japan's evolving trade deficit	17
Table 3:	Japan's largest export partners (2013)	18
Table 4:	Japan's largest import partners (2013)	19
Table 5:	Overview of conducted interviews	40
Table 6:	Example of interview guide	47
Table 7:	Time frame of Japan's evolving trade policy shift	58
Table 8:	EU Trade Sustainability Impact Assessment of the EU-Japan FTA	114
Table 9:	Development-related provisions in Japan's FTAs	126

## Figures

Figure 1:	Multiple streams framework analysis of Japan's trade policy transformation	33
Figure 2:	Japan's trade policy regime	69
Figure 3:	Reasons behind Japan's policy transformation	134
Figure 4:	Policy cycle in trade policy	138





# 1. Introduction

## 1.1 Preface

A radical change in Japan's foreign economic policy is taking place (Munakata 2001; Pempel and Urata 2006). This ongoing development manifests itself first and foremost in one major trend: Japan's turn towards bilateralism in trade policy through the proliferation of so-called Economic Partnership Agreements (EPAs). Japan, since its first agreement with Singapore came into effect in November 2002, has successfully concluded 15 EPAs with countries as diverse as Thailand, Chile and Switzerland, with several other bilateral or regional agreements currently in preparation.<sup>1</sup> Negotiations with the European Union (EU) were launched at the 21<sup>st</sup> EU-Japan Summit in Tokyo in March 2013 (EU Delegation 2013), followed by Japan's decision to enter the Trans-Pacific Partnership (TPP) negotiations a few weeks later. Furthermore, Japan is also negotiating with China and South Korea about a trilateral agreement that would connect the three biggest economies in East Asia (Tiezzi 2014). Particularly these latest regional- and intraregional-oriented trade projects indicate that Japan's EPA-based trade policy is not just a short-lived trend, but rather a major shift from the multilateral trade approach that Japan has followed and championed for most of its post-war history. As these three mega agreements require longer and more challenging negotiations, it also becomes clear that the reorientation of Japan's trade policy is an ongoing process, sure to continue for the foreseeable future. In fact, bilateral trade agreements have already become a substantial pillar of Japanese foreign economic policy and there are few signs that this will change as long as the multilateral talks under the umbrella of the World Trade Organization (WTO) continue to be in the doldrums.

Against this background, two fundamental questions are behind this study. First, as it is necessary to identify the main driving forces and actors behind Japan's policy change, the question of what caused this change arises. These driving forces can be international, such as organizations or foreign governments, as well as domestic actors, such as lobby groups, the government or the media. The main

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<sup>1</sup> As of June 2016, Japan has entered into force EPAs with ASEAN, Australia, Brunei, Chile, India, Indonesia, Malaysia, Mexico, Peru, the Philippines, Singapore, Switzerland, Thailand, and Vietnam. In February 2015 Japan also signed an agreement with Mongolia.

interests and motivations of these diverse actors will be identified and analyzed. The second question is to ask what the political, economic as well as social ramifications of such a pivotal policy shift are. In connection with these two overarching questions regarding the causes and effects of Japan's trade policy change, this study also aims to go a step further to explain how Japan carried out this policy shift.

Conducting policy evaluation would be an ideal way to answer these questions. However, the Japanese government has surprisingly not provided a publicly available evaluation of its most important trade policy change in decades. In addition to this, Japan's policy transformation actually took place without a comprehensive strategy behind it: "[T]he Japanese government under the D[emocratic] P[arty] J[apan] did not formulate a clear-cut FTA strategy even for the crucial issue of participating in the TPP talks" (Yoshimatsu 2014a: 14). The study will shed light on this hypothesis and pursue a deeper understanding of the reasons behind the lack of policy evaluation and strategy formation by analyzing over 20 expert interviews, which I conducted with policy makers and experts on Japanese trade policy.

## 1.2 Relevance and approach of this study

Japan underwent a paradigm change in its trade policy thinking in less than a decade and the implications for both the regional and global trade regime makes it highly significant. In addition to this, particular attention should be paid to Japan's policy change in light of the fact that Japan has been described as a dysfunctional democracy (Kitaoka 2004) with an arthritic economic system (Lincoln 2001), unable to reform due to its slow policy- and decision-making. Japan's political system has been dominated by a complicated and rigid power structure known as the iron triangle of career bureaucrats, business representatives and politicians of the Liberal Democratic Party (LDP) (Calder 1988; Kevenhörster 1973: 28-67).

Japan's trade policy shift, however, is part of widespread political and economic changes in East Asia. As Grimes (2008: 2) puts it "we are now in a very sense present at the creation of a new E[ast] A[sian] order" and in this process Japan "is the state with the most to gain or lose from the regional economic institutions

that are now being created” (Grimes 2008: 3).<sup>2</sup> But it is not only Japan itself that is affected by its policy shift. East Asia, too, faces ongoing effects of that policy transformation. Japan, although challenged in its position by the rise of China, continues to be the political and economic powerhouse in the region and its decisions on foreign economic policy strongly affect its trade partners (Katzenstein 2006).

Obligated to manage the international and domestic ramifications of its policy change, Japan finds itself at the crossroads regarding its decisions on trade policy. This crossroad demands Japan to develop an approach that carefully weighs the pros and cons of its new trade policy for its domestic industries as well as its international trade relations. As mentioned earlier, Japan has already concluded 15 EPAs in recent years and therefore its trade-related bureaucracies have gained first-hand experience regarding negotiating and implementing such agreements. It can be assumed that this experience and knowledge would be used to improve future negotiations as well as being instrumental in developing and formulating a comprehensive trade strategy. However, at the time of writing, there have been only few publicly available attempts within the government and trade-related ministries to comprehensively analyze and evaluate Japan’s existing agreements. Therefore, this dissertation raises the question of why Japan has not conducted or published such evaluations. In turn, Japan’s ad-hoc trade policy has added to a confusing network of bilaterals in the Asia-Pacific region. The unprecedented diffusion of such agreements has increased the complexity of trade policy and is becoming more and more challenging for politicians and trade experts alike to cope with. In addition to this, Japan is currently involved in three major trade agreements that are of a very different quality than its previous FTAs and require thorough consideration, but it seems that the government is missing this opportunity to found its decision-making process on a rigorous and transparent evaluation of its previous policies. In addition, none of the Japanese trade policy experts interviewed for this study knew of such an ongoing trade policy evaluation. This study will address this research gap by introducing the concept of policy evaluation to trade policy in Japan. The lack of policy evaluation constitutes not only a gap in research, but also a gap in Japan’s public policy.<sup>3</sup>

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<sup>2</sup> East Asia is not only experiencing a proliferation of bilateral and regional trade agreements, but also an increase of bilateral investment treaties (BITs). Refer to Corning (2014) for a timely analysis of East Asia’s evolving investment regime.

<sup>3</sup> Although in a different context, Oslington (2000) reminds us of another important gap in research and policy making in Japan. In his informative overview on the contributions of

The reasons and motivations behind Japan's trade policy change have been covered fairly extensively in the literature, although mainly in the form of papers that focus on a single agreement or policy issue (Solis and Katada 2008; Corning 2009; Manger 2005). Krauss (2003) and Munakata (2001) also offer widely accepted explanations for Japan's turn towards EPAs at the early stage of a global proliferation of free trade agreements (FTAs) in the 1990s. However, there is a lack of comprehensive analysis that connects the various existing explanations on particular aspects of Japan's trade policy change to form a big-picture understanding. This dissertation will take a comprehensive approach to obtain a better framework for understanding the political and economic interests and motives that are driving this change, as well as the domestic and international actors involved in the politics of Japanese trade policy. For that purpose, I will draw on the work of Solis (2009) and her idea of competitive challenges. Her approach constitutes the most comprehensive explanation for Japan's trade policy shift, considering not only political and economic but also legal factors for her analysis. The specific set up and functioning of the Japanese political system and particularly its system of interministerial decision-making calls for an interdisciplinary approach to enable a comprehensive analysis. This domestic perspective has often been left out in earlier studies on the topic. However, as most of Japan's existing FTAs and certainly the trade agreements it is currently negotiating cover a wide array of policy fields such as agriculture, labor, industry and public health, it is indispensable to pay attention to the domestic actors and their vested interests in each of these areas. As I will discuss later in more detail, particularly the domestic actor constellation amid the discussion on agricultural liberalization as part of the TPP deserves special attention.

### 1.3 Research questions and dissertation outline

Before this study delves deeper in the realm of the politics of Japan's trade policy transformation and its political and economic ramifications, the following section presents a brief overview of the underlying questions addressed in this study.

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Japanese scholars to international trade theory, he identified that Japanese economists and trade scholars are lacking influence on Japan's domestic policy-making. Considering this "distance between academic trade theory and trade policy-making in Japan" (p.342), it is not surprising that trade policy evaluation has also not yet found its way into the policy-making cycle.

It will also define and clarify key concepts used in this study as well as outline the major chapters of this dissertation.

### *1.3.1 Research questions*

Few Japan experts or observers of the political and economic developments in East Asia will seriously question that Japan underwent a major transformation of its trade policy in the last 15 years. Most will further agree that this transformation process is still ongoing. There is, however, a debate on the main reasons why Japan changed its trade policy and on how this will play out on Japan's economy and its trade relations in the future. At the core of this debate lies the question of why Japan, a country that has been known for its extremely slow adaptation to domestic and international challenges, has decided to change the direction of its foreign economic policy in the late 1990s, and what it hoped to gain from such a transformation.

The first part of this study will focus on the reasons behind Japan's swift and drastic trade policy change, with the underlying goal to identify the interests and long-term ambitions of the actors who are driving this change. This part is set out to answer the puzzle of why Japan has chosen to leave a well-trusted path and turn to bilateral trade agreements as its preferred trade policy forum. In light of this, however, it is important to keep in mind that on the official level, Japan's first trading option is often still a multilateral one. Looking at Japan's FTAs as either stumbling or building blocs for regional or multilateral integration efforts, the question arises if Japan's network of FTAs can be multilateralized in the foreseeable future and subsequently act as building blocs for further economic integration in East Asia.

The second part will introduce the issue of policy evaluation to the field of Japan's trade policy. After discussing the reasons for Japan's shortcomings in trade policy evaluation, I will present a framework for a possible evaluation approach drawing on existing literature (Plummer 2007; Daly 2011) and examples from evaluation approaches in other policy fields and from other countries (OECD 2014). One main purpose of policy evaluation is to measure how effective a certain policy has been in reaching predefined goals. This approach is based on the assumption that policy evaluation should be an integral part of the decision-making process in public policy. As other policies and policy decisions, Japan's trade policy shift should also be transparently assessed to determine whether it reached

its own strategic goals. The leading question here is whether Japan could fulfill its own strategic goals or, in a broader context, if Japan at all has a coherent strategy.

### 1.3.2 *Research focus*

The research focus of this dissertation is on Japanese trade policy, more precisely on the policy transformation it underwent and the new trade policy that resulted from this transformation. However, this study aspires to provide more than a mere analysis of a single policy field. As trade policy is deeply interconnected with several other policy fields, Japan's trade policy transformation offers a setting to examine not only obvious economic impacts, but also possible changes in the power structure of Japan's trade policy regime. Thus, it is not only important *that* Japan's trade policy changed, but also *how* it changed, which can be examined, for example, by retracing the policy making process.

On an international level, Japan's policy shift is also highly relevant. Considering that Japan has traditionally been an important and ardent supporter of the WTO, its ongoing shift to bilateralism in trade policy has immediate effects on the future of the multilateral trading system. Japan's dwindling support for the WTO is happening at a time when an increasing number of states are also turning away from multilateralism as their first option in trade policy. This leads to the question of who benefits from bilateral agreements and what problems might arise for the existing multilateral trade regime. As briefly mentioned above, the stumbling stone versus building bloc debate offers one analytical framework to discuss this issue.

Japan's new trade policy further needs to be considered in the context of the ongoing integration processes in East Asia, Southeast Asia and the Asia-Pacific region. How is Japan's trade policy affecting the regions' efforts to further cooperate politically and economically? This trend becomes most apparent when looking at the emerging competition between the TPP, which includes the US and Japan but not China, and the RCEP, which on the other hand is promoted by China and includes Japan, but not the US. Against this background, some scholars are concerned with a potential institutional competition in the region, while other might see such trade agreements as vehicles of increasing cooperation in the region:

*“In particular, Japan’s support is critical for TPP and RCEP to be successful, which is exactly the source of Japan’s bargaining power. Japan is using the ‘PRC card’ in TPP negotiations vis-à-vis the US and the ‘TPP card’ in RCEP negotiations vis-à-vis the PRC” (Hamanaka 2014: 17).*

Moreover, the topic is not only relevant as a subject of academic debate, but also because it matters politically, for example with regard to party politics and the endorsement of election candidates. While trade policy has not been the most dominating factor in recent elections in Japan, the debate around the TPP has emerged as a crucial theme in party campaigns and political platforms. The DPJ, for example, has prominently mentioned or referred to the TPP in all of its election manifestos since 2010 (DPJ 2015). In this regard, the position on the TPP debate has become an integral part of the election strategy for many lawmakers, particularly in rural and farming regions (Mulgan 2013a; 2013b). The Asahi Shimbun gives an example of former DPJ Prime Minister Yoshihiko Noda demanding party discipline regarding the TPP: “Noda has made it clear that Japan’s participation in the TPP framework is a central policy plank in the party’s efforts to win the election, and signaled here that candidates must toe the party line on this divisive issue” (Asahi Shimbun 2012). However, regardless of it being a highly topical issue, German scholars have not focused on the issue of Japan’s trade policy transformation.<sup>4</sup> Although there have been several independent studies and articles on the topic, which I will refer to in the literature review section, a comprehensive analysis is still lacking. Hence, my dissertation aims to address this research gap.

### ***1.3.3 Research interest***

My research interest is a result of the ongoing public debate on Japan’s future trade policy. Making the topic all the more relevant is the fact that this debate involves policy makers, various interest groups, the media as well as ordinary citizens. As I will lay out in more detail in chapter 6, the TPP debate has been carried out under an increasingly harsh tone, indicating the importance the involved actors attribute to the issue.

Although the research focus of this study is on Japan, the international and interdisciplinary character of trade policy connects the research area to similar debates around the globe. In particular, the negotiations on the Transatlantic Trade

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<sup>4</sup> For example, the German Institute for Japanese Studies (DIJ 2015) in Tokyo has focused on research topics such as “Happiness in Japan”, “Demographic Change”, and “Risk”.

and Investment Partnership (TTIP) between the EU and the US has resulted in a similarly heated debate in many European countries (The Economist 2015a). It is beyond the scope of this study to provide an in-depth analysis of the TTIP negotiations, however, this parallel development is an interesting comparison to touch on in order to assist in the understanding of Japan's transforming trade policy (Jamitzky 2014). Along the same lines, several interviewees also mentioned that Japan's trade negotiation strategy has been influenced by negotiation outcomes of other agreements.

For the above-mentioned reasons, Japan's policy shift is interesting not only in the Japanese domestic context and the impact it might have on the policy-making process and on the power structure of Japan's trade policy regime, but also in an international context, as Japan's behavior can influence ongoing trade negotiations elsewhere.

### *1.3.4 Dissertation outline*

This dissertation is organized as follows: Chapter 1 is comprised of the introduction, the structure of the thesis, remarks on and definitions of the key terms used in this dissertation and finally a brief overview of the existing literature on Japan's trade policy shift. Chapter 2 will give an overview of the methodology employed in this dissertation. I will discuss the approach of conducting expert interviews, as well as the challenges and advantages stemming from it. In chapter 3, I will analyze the 25 expert interviews conducted for this dissertation and discuss its findings. In the fourth chapter, I will introduce the time span in which Japan's trade policy shift occurred, which consequently sets the time frame for this dissertation. In chapter 5, I will present the main reasons and motivations behind Japan's trade policy shift. Furthermore, I will explain the role and interests of the main actors and players involved. Next, chapter 6 will give a summary of the controversial TPP debate in Japan and the emergence of an anti-TPP protest movement. Following that, chapter 7 comprises a discussion on the lack of evaluation in Japan's trade policy. Chapter 8 will provide a comparison of Japan's trade policy evaluation efforts with evaluation efforts in the EU, the US and Australia. In chapter 9, I will discuss the interplay of Japan's development policy and its trade policy by analyzing the development-related provisions in its EPAs. Finally, Chapter 10 will provide a conclusion of this study and discuss prospects of Japan's trade policy.



## 1.4 Definition and clarification of key concepts

Abbreviations are ubiquitous in the field of international political economy. One is of pivotal importance with regard to Japan's foreign economic policy and therefore also at the core of this dissertation: EPA. This term is playing an ever-growing important role in Japanese media and in the academic debate and can be seen as an iconographic symbol for Japan's paradigm change in trade policy. Hence, it is essential to define the term EPA and explain it in its broader context.

### 1.4.1 *Economic Partnership Agreements and Free Trade Agreements*

In order to set their own bilateral trade agreements apart from common FTAs, the Japanese government decided to brand them as Economic Partnership Agreements. Japan chose this name to highlight that its agreements would be more comprehensive and broader in scope than the average FTA. This kind of rebranding is not uncommon in trade policy, as for example many organizations and individuals with positive views of such agreements usually refer to them as “free trade agreements”, whereas opponents and critics more often use the term “preferential trade agreement”. The challenge to find a broadly accepted term already indicates how polarized this issue has become. It is crucial to reflect on this issue for an accurate analysis of EPAs and the like in order to guard against misunderstandings. But before getting further into the details of Japan's EPAs, the following paragraph sets out a general definition of bilateral free trade agreements.<sup>5</sup> The WTO defines free trade agreements as legal arrangements between two or more countries with the purpose of abolishing trade barriers on an either regional, bilateral or plurilateral basis.<sup>6</sup> Generally speaking, governments are seeking trade agreements to liberalize or facilitate their trade relations with other states. By nature, FTAs are designed to the advantage of the respective members, which means member parties grant some kind of preferential treatment to each other,

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<sup>5</sup> Throughout this study, I will use the terms EPA and FTA interchangeably.

<sup>6</sup> Instead of free trade agreements, the WTO uses the term preferential trade agreements (PTA).

such as tariff reduction or import quota abolition. As such, FTAs are discriminatory towards all outsiders of the agreement and therefore different from multilateral liberalization under the WTO and its basic principle of non-discrimination.<sup>7</sup> In contrast to bilateral and regional agreements, in which only signatory parties enjoy mutual preferential treatment, the WTO's norm of non-discrimination, known as the most-favored-nation (MFN) rule, stipulates that WTO members grant preferences they give to one country to all other WTO members as well. This kind of reciprocity goes hand in hand with a single undertaking approach in negotiations, which means that WTO members have to accept the final liberalization package and cannot unilaterally decide to exclude certain issues, also known as "cherry-picking". Following this logic, bilateral or regional agreements that create a preferential trading regime between exclusive member countries should not be allowed between WTO members. However, FTAs are recognized as part of the WTO trading regime through Article 24 (Paragraphs 4 to 10) of the GATT, known as the Enabling Clause, which allows exceptions from the above-mentioned non-discrimination rule, and through Article 5 of GATS.<sup>8</sup> However, these FTAs must fulfill two criteria to be lawful within the WTO legal order. First, such agreements need to abolish a high degree of trade barriers. In the official language, this degree is defined as "substantially all the trade". Second, the integration process laid out in the agreement must be concluded within a certain time frame. As the official wording left this vaguely open with its formulation "a reasonable length of time", further clarification on these rules became necessary to ensure a fair and adequate handling of the enabling clause. Against this background, the "Understanding on the Interpretation of Article 24 of GATT" has been published in 1994, specifying that the maximum implementation time for each agreement „should exceed 10 years only in exceptional cases”.

### *1.4.2 FTAs within the WTO regime*

Since the GATT was set up in 1947, most trade liberalization has been undertaken multilaterally under the umbrella of the GATT regime. In so far eight multilateral rounds of trade liberalization, the current global trading system has been

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<sup>7</sup> For an extensive discussion on the impact of FTAs on the WTO regime see Jeffrey J. Schott's (2004) „Free Trade Agreements: Boon or Bane of the World Trading System?”

<sup>8</sup> Refer to Panagariya (2000) for a theoretical discussion on FTAs.

shaped. Many economists and politicians agree that this system has been more or less successful and following textbook economics, multilateral trade liberalization, institutionalized in the GATT and its successor the WTO, is often regarded as the best option to generate maximum welfare gains for all participating economies. In general, it is assumed that a high number of participating countries is leading to higher overall benefits, making participation for outsiders and further expansion for member countries attractive. Considering this, it is surprising that, by signing FTAs, so many countries voluntarily seek an option that is, at most, only regarded second-best. Mansfield and Reinhardt (2003: 830) summed up this puzzle with the following statement: “It is not clear why states form preferential economic blocs when they belong to a successful multilateral regime.” This either means the allegedly successful multilateral regime is not as successful as it seems, or at least not successful enough for some members, so they start looking for alternatives, in this case bilateral or regional agreements.

So what are the main reasons for countries to turn to FTAs? The obvious argument is that governments strive for bigger economic gains such as increased trade volume or GDP growth, but there is more to it than just economic parameters. Countries also use FTAs as a tool to accomplish their geopolitical goals or to support a certain diplomatic strategy. This goes as far as using them to achieve completely non-economic purposes as Capling (2008: 28) highlights: “But governments are also using PTAs as instruments to secure wider foreign policy and strategic objectives that are often unrelated to trade and commerce.”

Timing also plays an important role on a country’s decision to embark on often time-intensive bilateral negotiations. While some countries actively seek the possible advantages of being a first-mover, for example the opportunity of acting as a rule-setter, other governments take a more hesitant stance and only decide to react in order to catch up with the above-mentioned “early adapters”. In the global race for FTAs, Japan can be attributed to the group of countries that only succumbed to the FTA trend, after most other important trading powers had made their first move (The Japan Times 2004).

One global phenomenon played a particularly important role for many countries, including Japan, to consider FTAs. The standstill in the current multilateral Doha Round has led to a growing attractiveness of bilateral agreements. Regarding them as an insurance policy, many countries started signing FTAs in the mid-1990s in order to improve and facilitate their trade relations on various channels (Mansfield and Reinhardt 2003).

In addition to global trends, such as the WTO stalemate, governments are also influenced by other countries' trade policy choice. Particularly major trading powers, neighboring countries and important trade partners often affect each other's trade policy. The fact that countries influence each other in their trade forum choice has already been analyzed in the early 1990s. Baldwin (1993) introduced the term "domino effect" to describe the phenomenon that countries would change their trade policy as a result of trade policy changes in other countries. More recently, Baldwin has extended his domino theory to the more specific version of a hub-and-spoke-bilateralism in East Asia with Japan and China naturally becoming the FTA centers in the region (Baldwin 2007).

However, national governments and regional organizations have always pursued a variety of ways to facilitate their trade relations. Bilateral agreements are therefore not something completely unknown in the global multilateral trade regime. And yet the unprecedented growth of FTAs in recent years – in all its different variations and across the globe – shows a new quality. This is not only true for the pure number of trade agreements, which four-folded in the last 20 years, but also for the growing volume of trade taking place outside the WTO (WTO 2011a). Since 2005, roughly half of the world's trade volume takes place under FTAs, as Dieter (2007: 81) explains: "In 2005, for the first time ever, more trade was carried out in preferential agreements than under the most-favoured-nation clause. Article 1 of the General Agreement on Tariffs and Trade, the most-favoured-nation clause, has degenerated into the least-favoured-nation clause, [...]." One telling example for the prominence of FTAs is the fact that the WTO, in 2011, dedicated its World Trade Report "The WTO and preferential trade agreements: From co-existence to coherence" (WTO 2011a) to the surge of FTAs and its implications for the multilateral trading system. In other words, FTAs have become an undeniable part of the global trade regime. The WTO sums up their perspective on the double-edged role of FTAs in the multilateral trading system as follows:

*"R[egional] T[rade] A[greements] can complement the multilateral trading system, help to build and strengthen it. But by their very nature RTAs are discriminatory: they are a departure from the MFN principle, a cornerstone of the multilateral trading system. Their effects on global trade liberalization and economic growth are not clear given that the regional economic impact of RTAs is ex ante inherently ambiguous" (WTO 2015a).*

However, there is another crucial difference between the multilateral WTO and bilateral agreements. The WTO, as did its predecessor GATT until 1995, covers

mainly trade in goods, whereas many of the FTAs that are currently under negotiation, such as the TPP or the EU-Japan agreement, are set up to include a wider range of issues. These kinds of more comprehensive agreements are usually called WTO+ or new age partnerships, as they include so-called “Singapore issues”, such as government procurement, trade facilitation, rules on investment and competition, that are not part of WTO legislation. Due to their scope and wide range of issues, these agreements are described as “deep integration” agreements. For this study, it is therefore necessary to briefly define the concept of deep integration and discuss whether Japan’s EPAs fall into this category, and whether achieving deep integration can be seen as part of Japan’s trade strategy.

### *1.4.3 Deep integration*

According to Claar and Nölke (2010; 2013), the term deep integration indicates an agreement that goes beyond conventional FTAs and “also regulate[s] the business environment in a more general sense” (Claar and Nölke 2010). Deep integration agreements often cover rules and provisions on competition policy, for example regarding state-owned companies, as well as standards on products or production processes, e.g. rules on safety procedures or sanitary provisions. Claar and Nölke argue that such deep integration agreements can have positive effects on the general regulatory and institutional environment in member states, however, they are also cautious of the unequal power structures in trade negotiations between industrialized and developing countries and warn against the possible incompatibility of such deep integration rules with the existing legislation in certain countries. Although their work focuses mainly on the impact of deep integration provisions on north-south relations between the EU and countries in Africa, their conclusion that “it is impossible to come up with any comprehensive measurement of D[ee]p I[n]tegration effects before these policies have been implemented on a broad scale” (Claar and Nölke 2013: 278) also holds true for agreements with deep integration provisions in the Asia Pacific region. Hence, Japan is not the only country, that is lacking evaluation of its trade agreements, as “looking at the scope and depth of FTAs is a complicated matter” (Wignaraja et al. 2013: 388). There is also a scarcity of scholarly work regarding that topic. However, Fink and Molinuevo (2008) have provided a first assessment of FTAs

in East Asia that included provisions on services, but overall “hardly any comprehensive work exists on the content of all 22 Asia-Latin American FTAs in effect in November 2013” (Wignaraja et al. 2013: 389).

Against this background, the study by Wignaraja et al. is pioneering, as it comprehensively assesses the content of 22 FTAs in the Asia-Pacific region. Besides analyzing the content of FTAs in general, their study further comprises an extensive section assessing their degree of deep integration. For this purpose, these 22 FTAs were examined on whether they include chapters in the following five areas: 1) investment, 2) competition, 3) government procurement, 4) trade facilitation and 5) intellectual property rights. Based on this, not only an evaluation on the scope and depth of each chapter is provided, but also an overall assessment of the complete agreement regarding its level of deep integration (Wignaraja et al. 2013: 397). Japan’s agreements with Mexico, Chile and Peru as well as the TPP are also part of this survey and score relatively well in some areas. For example, the investment chapter in the Japan-Mexico FTA and the chapter on government procurement in the Japan-Peru agreement were found to be “above standard”. However, contrary to them often being labeled as “deep integration” agreements by the Japanese government or in other publications, all three Japanese agreements covered in this study are only ranked as “medium” in their overall quality and “moderate” in their overall level of deep integration (Wignaraja et al. 2013: 408-411).

In chapter 7 of this dissertation, I will return to the above discussion and combine it with the existing literature on policy evaluation in order to develop a more comprehensive evaluation framework for Japan’s trade policy.

#### *1.4.4 FTA negotiation process*

In general, Japan’s position in trade negotiations is similar to most other trading powers. The government is exposed to pressure and lobbying of different domestic interest groups and tries to meet their demands at the international level in negotiations with other governments. Whereas many different actors are involved in the process of trade policy making either on the domestic or the international level, the government is the sole actor on both levels.

At the center of most FTA talks are several rounds of negotiations where most of the actual negotiating between the participating countries takes place. During

such negotiation rounds, designated negotiating teams comprised of trade officials and experts meet for a certain time period, often lasting for around one week. Each negotiating team, usually led by a negotiation leader, has the authority to negotiate on behalf of their country. Such rounds take place alternatively in the participating countries. However, while the main actors in trade negotiations are certainly the negotiating teams for each country, an exchange of information with interest groups is also happening through the so-called “side room”. In general, special interest lobby groups and business representatives have a preferred access to such informal meetings and exert significant influence on the progress of negotiations (Olsen 1965).

The first couple of rounds have the purpose of getting to know each other as well as confirming positions on most issues. Difficult and controversial issues are often sidelined for later rounds in these first meetings, as they require high-level solutions and sometimes the involvement of leading politicians and their political capital. Compromises and consensus on easier or non-controversial issues on the other hand are frequently formed in specific working groups. However, most formal negotiations are actually preceded by preparatory talks. All of Japan’s FTA negotiations were also preceded by some kind of scoping or consultation meetings. Most of these pre-negotiation talks are conducted in a joint manner and representatives from business groups, academia and other experts are invited to participate. Japan’s EPA negotiations take on average 3 years and 5 months and were concluded after 9 or 10 rounds. The longest negotiation process was the talks with Australia, which took 7 years and 11 months and 16 rounds to finalize. The negotiations with Chile, on the other hand, were the shortest so far. Lasting only for 1 year and 11 months and 5 rounds of negotiations (Table 1).

**Table 1: Overview of negotiation process of Japan's FTAs**

Country	Duration	Number of rounds	Joint study group	Remarks
<b>Singapore</b>	2 years and 2 months	12 rounds	Yes	Partly delayed due to 9.11
<b>Mexico</b>	2 years and 6 months	14 rounds	Yes (7 meetings)	
<b>Malaysia</b>	2 years and 7 months	8 rounds	Yes	
<b>Chile<sup>9</sup></b>	1 year and 11 month	5 rounds	Yes (2 groups)	Very fast pace of negotiations
<b>Thailand</b>	3 years and 9 months	9 rounds	Yes	Delayed by a year due to political instability
<b>Indonesia</b>	3 years and 1 month	7 rounds	Yes	
<b>Brunei</b>	2 years and 2 months	4 rounds	Scoping consultation meetings	
<b>ASEAN</b>	3 years and 8 months	11 rounds	Consultation meetings	
<b>Philippines</b>	4 years and 11 months	8 rounds	Yes	Legislative ratification necessary <sup>10</sup>
<b>Switzerland</b>	2 years and 9 months	8 rounds	Yes (5 meetings)	
<b>Vietnam</b>	3 years	9 rounds	Yes	
<b>India</b>	4 years and 8 months	14 rounds	Yes	
<b>Peru</b>	2 years and 11 months	7 rounds	Yes (2 meetings)	
<b>Australia</b>	7 years and 11 months	16 rounds	Yes	

Source: Author's own compilation based on MOFA and METI websites<sup>11</sup>

<sup>9</sup> For a detailed analysis on the FTA between Japan and Chile refer to Wehner (2007).

<sup>10</sup> For a discussion on the time-consuming legislative ratification process in the Philippines refer to Batalla (2012).

<sup>11</sup> Further information on Japan's FTAs with countries in the Americas can be found at the Foreign Trade Information System of the Organization of American States (2015).



### 1.4.5 Japan's trade structure

Japan is a major trading nation. In 2013, it was the world's 4<sup>th</sup> largest exporter, contributing to 3.8 % of global exports, and also the 4<sup>th</sup> largest importer with a share of 4.4 % of all global imports. Trade is an essential part of Japan's economy and contributes to around one third of its GDP (WTO 2014). With its lack of natural resources and its scarcity of raw materials, Japan heavily relies on exporting manufactured goods. For most of its post-war history, Japan has been recording large trade surpluses due to its export-driven economy. However, the situation changed drastically in 2011, when the Great East Japan earthquake prompted a sudden increase of energy imports after the temporary shutdown of all of the country's nuclear reactors. In the years since the disaster in Tohoku, Japan has experienced four consecutive years with growing trade deficits (Table 2). The 12.8 trillion yen deficit in 2014 has been the highest on record so far, with January 2015 marking the 31<sup>st</sup> consecutive month in which Japan has recorded a trade deficit (DW 2015; Business Insider 2015; Financial Times 2015).

Table 2: Japan's evolving trade deficit

Year	Trade deficit
2011	2.6 trillion yen
2012	6.9 trillion yen
2013	11.5 trillion yen
2014	12.8 trillion yen

Source: METI (2014a), DW (2015)

There are two main reasons behind Japan's growing trade deficit. First of all, Japan's trade balance has been negatively affected by the increase of energy imports, mainly in the form of petroleum and liquefied natural gas (LNG). According to a report by the U.S. Energy Information Administration, Japan is the world's largest importer of LNG, and the third-largest importer of petroleum and petroleum products (EIA 2015).<sup>12</sup> Besides energy imports, which in 2013 amounted to around 34% of total imports, electrical machinery and foodstuff are Japan's other main imports, which contribute to roughly 14% and 10% of total

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<sup>12</sup> However, lower oil and LNG prices are expected to slow down the growing trade deficit (Hosoe and Fujisawa 2015).

imports respectively (WTO 2015b: 15). The second reason behind Japan's growing trade deficit is attributed to the devaluation of the Japanese yen, which lost around 16% against the US dollar in 2014.

Japan's main export products on the other hand are motor vehicles, machinery and electrical machinery, precision instruments as well as iron and steel products. These five items make up over 60% of Japan's total export value (METI 2014a). Automotive products continue to be Japan's single most important export product. In 2013, the US and China were Japan's two main export destination with a share of 18.5% and 18.1% respectively. As can be seen in the table below, Japan has no trade agreements in place with its five largest trade partners and only four out of its top ten (Table 3). The situation looks similarly dire with regard to its import partners. Besides the agreement with Australia, which just came into force in January 2015, Japan has only managed to conclude deals with its 9<sup>th</sup> and 10<sup>th</sup> largest import partners, Malaysia and Indonesia, respectively (Table 4).

Table 3: Japan's largest export partners (2013)

Nr.	Country	Value in US dollars	Share in %	FTA in place?
1	USA	133.2 billion	18.5	No
2	China	129.9 billion	18.1	No
3	EU (28)	72.2 billion	10.0	No
4	South Korea	56.9 billion	7.9	No
5	Taiwan	41.9 billion	5.8	No
6	Hong Kong	37.6 billion	5.2	No
7	Thailand	36.2 billion	5.0	Yes
8	Singapore	21.1 billion	2.9	Yes
9	Indonesia	17.1 billion	2.4	Yes
10	Australia	17.1 billion	2.4	Yes

Source: JETRO (2013)

Table 4: Japan's largest import partners (2013)

Nr.	Country	Value in US dollars	Share in %	FTA in place?
1	China	182.2 billion	21.7	No
2	EU (28)	79.0 billion	9.4	No
3	USA	70.3 billion	8.4	No
4	Australia	51.4 billion	6.1	Yes
5	Saudi Arabia	50.3 billion	6.0	No
6	The United Arab Emirates	42.9 billion	5.1	No
7	Qatar	37.3 billion	4.5	No
8	South Korea	36.1 billion	4.3	No
9	Malaysia	30.0 billion	3.6	Yes
10	Indonesia	29.1 billion	3.5	Yes

Source: JETRO (2013)

## 1.5 Literature review and current state of research

This following section will provide a literature review on Japan's political economy and trade policy; a short overview of the main theoretical frameworks used in Political Science, the study of International Relations (IR) and International Political Economy (IPE); as well as a discussion of the current state of research regarding Japan's new trade policy. This will provide the theoretical context of this dissertation as well as indicate the research gap that my study aims to address.

### 1.5.1 Literature review

Traditionally, the global proliferation of FTAs has been primarily researched by economists who mainly analyze the trade creation and trade diversion effects of FTAs. This strain of research goes back to Viner's (1950) classic study on the static effects of trade liberalization. However, in recent years there has been a growing interest in studying FTAs in other disciplines as well. Political scientists in particular have shown great interest in the policy-making process behind FTAs as well as the domestic determinants of FTA policy. As Japan was a relative

latecomer to the global FTA trend, research that concentrates purely on Japan's recent trade policy shift is still scarce.

However, there is a long tradition of research on Japan's industrial and trade policy as well as its political economy. Classic works in this field include the second volume of "The Political Economy of Japan. The Changing International Context" edited by Takashi Inoguchi and Daniel I. Okimoto (1988) as well as "Regime Shift" by T.J. Pempel (1998) or work by Drysdale (1990). These books, each in its own way, diffuse the common perception of a stable Japanese political and economic system that does not allow for change. Pempel uses the term 'regime shift' to capture the level of transformation Japan is undergoing throughout the 1990s, while Drysdale (1990: 2) asked "whether Japan is up to the task of trade and economic policy leadership and to serving the role of protector and exemplar of a liberal and open international economic system." This question is still appropriate in the current debate regarding Japan's new trade policy.

A broader overview as well as some historic context can be found in David Flath's "The Japanese Economy" (2014). Considering Japan's evolving role as one of the world's foremost trading nations after the Second World War, research often focused on Japan's role in the GATT negotiations (Searight 1999). Consequently, Pekkanen (2001) has provided an analysis of Japan's trade strategy shift under the WTO, which she describes as 'aggressive legalism' due to Japan's active use of WTO rules in trade disputes.

Another important area of research centers on the past disputes between Japan and the US over trade imbalances and confrontations between the EU and Japan over discriminatory treatment. In 1994, Waldenberger provided a timely overview of the challenges and opportunities that arose from the complex interdependency of the US-EU-Japan triad's trade relations at a time when the global proliferation of bilateral and regional trade agreements, in particular NAFTA and the EU integration, was still in the fledgling stages. While the topic of the US-Japan trade dispute has resulted in numerous publications, the relations between the EU and Japan have so far lacked a comprehensive analysis.<sup>13</sup> Keck et al. (2013) recently filled this research gap tracing the evolution of EU-Japan relations from a confrontational relationship to a value- and interest-based global partnership. Unfortunately, their book is limited to the European perspective, as it only includes essays by former officials of the EU. However, Keck et al. also

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<sup>13</sup> For two differing views from the US perspective on US-Japan trade relations, refer to Edward J. Lincoln (1990; 1999) and Leonard J. Schoppa (1997).

expressed their hope that the Japanese side will follow suit and present a Japanese version of the recent economic and political Japan-EU relations. This coincides with my argument that the Japanese government is not very active in the area of policy assessment.

Japan's agricultural sector and its protectionist agricultural policy, based on import restrictions and price support measures for its farmer, is one of the main reasons behind Japan's trade disputes with the US and the EU. Mulgan (2000; 2005; 2006), the most prominent non-Japanese scholar on the issue of Japanese agricultural policy, has published extensively on the interdependency of trade and agriculture in Japan and, in particular, on the enormous political power of one of Japan's largest lobby groups, the JA-Zenchu, and the influential role of Japan's Ministry of Agriculture, Forestry and Fisheries.

Among German's scholars of contemporary Japanese studies, Hilpert (2000) has greatly contributed to our understanding of Japan's agrarian imports. Based on his analysis of Japanese agricultural and consumer data, he identified several determining factors behind Japan's agrarian import structure and specifically its high level of imports of agricultural products. Hilpert argues that the following four key factors play a particularly important role:

- 1) Japan's comparative disadvantage in agricultural production and a limited production capacity due to its geographical characteristics;
- 2) A decreasing consumption rate and changing consumer behavior;
- 3) Import protection of the agricultural sector and subsidies via price-support measures;
- 4) Japan's restrictive distribution system.

Even as Japan's focus has shifted from multilateral to bilateral trade liberalization, Hilpert's general findings still hold true. Hilpert's conclusion that the pace and level of liberalization of agrarian imports strongly depend on domestic political factors is still highly relevant in the TPP discussion and its interplay with Japanese domestic interest groups.

In 1998, the German Institute for Japanese Studies in Tokyo published a seminal study on Japan's economy. Its edited volume "Japan's Economy – Structures between Continuity und Change" provided a comprehensive and systematic overview of twelve main aspects of Japan's economic system. Of particular relevance for this dissertation is Legewie's (1998) chapter on Japan's integration in

the world economy and Waldenberger's (1998) contribution on Japan's economic policy. Further, Hemmert and Lützel (1998) provide a historic perspective with their introductory article on Japan economic development after the Second World War. Similar to their previously mentioned counterparts from the US and Australia, these German scholars also highlight the changing nature of Japan's political economy in the 1990s. As Japan's trade policy transformation also has its beginning in the late 1990s, these studies provide the wider analytical framework for this dissertation. As I will discuss in chapter 5 in more detail, Japan's trade policy shift is a result of various international and domestic factors. Hence, it is important to keep in mind that this policy shift is just one of several transformations Japan's political-economic system underwent since the 1990s. Another branch of research focuses on the openness of Japan's economy and the role of traditional trade barriers, e.g. tariffs, and non-tariff barriers, such as structural and regulatory barriers, to it. Waldenberger (2008), with his study on the trade-restricting role of Japan's internal labor market, has provided one of the pivotal studies in this area. He argues that Japan's low level of trade dependency cannot be fully explained by common tariffs or regulatory barriers. According to his study, the combination of Japan's internal labor market and its structural barriers to foreign direct investment (FDI) offer a better explanation for the low level of openness of Japan's economy and its low trade dependency, despite existing liberalization and deregulation efforts. Waldenberger's concluding assumption is highly relevant to my dissertation research project because FTAs that merely focus on tariff reduction and the abolition of NTBs will not yield improvements to Japan's trade propensity, if not accompanied by efforts to create a more attractive FDI environment.

While not directly within the scope of this dissertation, research on German-Japanese economic relations should also be considered. Today, Germany's trade relations with Japan are strongly determined through the legal and political framework of the EU. Germany, however, as Japan's largest trade partner within the EU and as the EU's largest economy, has a central role on how this relationship is played out. Therefore, German-Japanese trade relations have to be considered as an integral part of EU-Japan trade relations. Werner Pascha (2002) has provided seminal work on the economic relations between Germany and Japan. In 2002, he concluded that the trade and FDI links between Japan and Germany are low, which can still be confirmed by the latest trade data from the German Chamber of Commerce and Industry in Japan (GCCIJ). According to the GCCIJ, Japan

was responsible for 2.2% of total imports to Germany in 2013, while 1.6% of German exports went to Japan in the same year (GCCIJ 2014: 16). Hopes are that a comprehensive trade agreement between the EU and Japan, which includes the elimination of conventional trade barriers as well as non-tariff trade barriers, would also have positive effects on German-Japanese trade relations (BDI 2013). Pascha (2010) has published extensively on the Japanese economic and financial system. However, his comparative work on the differences in the regional economic integration process in East Asia and Europe is most relevant for my research project because it also touches on the early phase of FTA proliferation in East Asia (Pascha 2004). Discussing the issue from a realist perspective, Pascha provides a valid explanation for the mainly market-based integration approach in East Asia: “States mistrusting each other will prefer non-binding agreements, not putting all ‘eggs in one basket’” (Pascha 2004: 5). Consequently, FTAs became a preferred option for trade liberalization in East Asia, including Japan. However, Pascha (2004: 8) anticipated three drawbacks in this upcoming trend, which all proved correct in the case of Japan’s new trade policy. Firstly, geopolitical and strategic reasons prompted Japan to negotiate agreements that might not carry immediate economic benefits. Secondly, Japan has yet to find a solution for uncompetitive or disadvantaged industry sectors, once it commits to full-fledged trade liberalization through the TPP or other ambitious trade projects, such as the EU-Japan FTA. Thirdly, the sheer number of FTAs and their encompassing complexity, e.g. the need to comply with rules-of-origin provisions, have ultimately led to a low FTA utilization rate.

Kevenhörster (1969; 1973) has also contributed greatly to our understanding of Japan’s political and economic system, in particular regarding the role of interest groups in Japanese politics and their impact on the policy-making process.<sup>14</sup> In 1991, he already correctly predicted that Japan’s foreign economic policy will undergo a “step-by-step course correction” and emphasized the growing interdependency of domestic and foreign policy in the area of Japan’s agricultural policy

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<sup>14</sup> According to Wollmann (1986: 124) and Blechinger-Talcott et al. (2006: 11), Kevenhörster’s pioneering work on the Japanese political system in the late 1960s and early 1970s contributed greatly to the establishment of political science research on Japan in Germany. Similar to Kevenhörster’s role in Germany, Arthur Stockwin (1975) can be attributed as the father of British political science research on contemporary Japan. His book “Japan: Divided Politics in a Growth Economy” was one of the first publications that took Japan’s ascent as a major economic power into account. For a more critical overview of Western social science research on Japan, refer to David Williams’ “Japan and the Enemies of Open Political Science” (1996: 120-139).

(Kevenhörster 1991: 155f.). He further provided a timely analysis of Japan's emerging role as a trading state in the rapidly changing international system at the end of the Cold War. His outlook regarding the increasing importance of foreign economic policy as a vehicle of Japan's foreign policy as well as its international standing also contributed to the analytical framework for my dissertation (Kevenhörster 1993: 97-115).

With China's rise as a global political and economic powerhouse, it has become indispensable to take Chinese-Japanese relations into account when conducting research about Japan and its global role.<sup>15</sup> Hilpert and Wacker (2004) from the German Institute for International and Security Affairs offer a comprehensive analysis of the Japanese-Chinese relationship between cooperation and rivalry. They argue that the relatively cooperative trade relations between Japan and China are a result of their complementary economic supply structure and factor endowment. However, their geopolitical rivalry led both countries to a rather aggressive approach in their trade policy with the goal of gaining influence on other states in Asia and spurred an approach, in which bilateral free trade agreements were often the most viable and easiest policy option to achieve either economic or political goals. Nabers (2008: 6), representing a constructivist approach in the study of International Relations, comes to a similar conclusion: "Sino-Japanese antagonism and aspirations to leadership on both sides have, in consequence, been a major source of structural change in the region, resulting in a dynamic interplay between bilateral FTA and multilateral institutions." It is consequently not exaggerated to argue, as I will in this dissertation, that China's trade strategy has had a major impact on Japan's evolving new trade policy.

However, this dissertation does not only touch on Japan's economic system, but also on the organization and role of its public administration. The administrative reforms of the 1990s provide the background for the current system, particularly in regard with the introduction of an internal evaluation system. A historic account of these reform efforts can be found in Blechinger (1996). In addition, Niehaves (2009) provides a comparative study of administrative reform efforts in Japan and Germany for the years 1998 to 2008. His study is a self-declared continuation of Muramatsu and Naschold's (1997) fundamental work on the administrative systems of Japan and Germany. Kevenhörster and Uppendahl's

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<sup>15</sup> At the Annual Conference 2009 of the German Association for Social Science Research on Japan, I recall a participant commenting that "in today's world one cannot talk about Japan without mentioning China."



(1987) examination on devolution efforts in Germany and Japan present another classic study in the area of comparative public administration research.

Finally, this dissertation also builds on existing research on Japan's trade policy shift. Among German scholars, Nabers (2005), Hummel (2006), Loewen (2006), and Burgschweiger (2006) have provided analyses of the early stages of Japan's change from multilateralism to bilateralism in trade policy. Nabers (2005: 30-35), who regards Japan's FTA efforts as part of the overarching FTA-trend in East Asia during the early 2000s, comes to the conclusion that Japan's new bilateral trade policy mainly continues to adhere to the principles it followed in multilateral negotiations. Hence, he defines Japan's early FTAs as a "complementary mechanism" to multilateralism, i.e. FTAs are another policy tool to exclude agricultural products from liberalization. Similar to Nabers, Loewen argues that Japan's bilateral trade agreements have to be seen in the wider context of Japan's overall foreign policy. He explains the Japanese approach as "open bilateralism with a multilateral aim" (Loewen 2006: 226). Hummel (2006: 201-203) offers an even more positive outlook regarding Japan's new trade policy and argues that its FTAs should be understood as building blocs for a liberal international economic order. Burgschweiger (2006: 45) on the other hand argues that Japan emphasizes its efforts for bilateral agreements over its support for multilateral negotiations, which would lead to its trade relations becoming more chaotic.

These early studies suggest that Japan merely widened its trade policy repertoire when it turned towards FTAs. This interpretation was certainly compelling at that time, as Japanese authorities would constantly highlight the priority of WTO-based multilateralism. However, it underestimates the manifold political and strategic reasons that FTAs are sought for, which became more explicit the more FTAs Japan concluded. However, nowadays the debate has shifted away from whether FTAs are simply good or bad for the WTO, towards a discussion where FTAs are treated as an integral part of the global trade regime. For a very recent and extensive analysis on the emerging role of FTAs, refer to Dür and Elsig (2015). Nakatomi (2013) further widens the debate in his discussion on the role of so-called issue-based plurilateral agreements and their effect on global

trade.<sup>16</sup> Hoekman's (2015: 535) following conclusion also reflects this paradigm shift regarding the centrality of the WTO for the global trade regime:

*“But it is clear that the world has changed as far as trade cooperation in concerned, in that the WTO is not playing the role it was envisaged when it was created in 1995: namely, that it was to be the multilateral forum for the negotiation of new policy disciplines on trade-related policies broadly defined.”*

After reviewing how the topic of Japan's trade policy shift has been discussed in the global and German scientific community, the following section will provide an overview on how Japanese political scientists have analyzed this issue. Within the Japanese context, trade policy is often viewed as inextricably tied to agricultural policy, which explains why traditionally most research on this topic by Japanese scholars focuses on the interplay of trade and agricultural policies. However, recent work has also included studies on the decision-making process as well as party politics.

Masayoshi Honma from Tokyo University is one of the preeminent scholars on Japanese agricultural policy. He has been publishing on issues of agricultural protection policies, agricultural reform as well as relations between trade and agricultural policy for over 30 years (Honma 1993; 2006). In addition, Honma has been a member of several expert committees at the Council on Economic and Fiscal Policy (CEFP 2007). In this role he has also influenced the government's position on these issues. Honma has been criticizing Japan's protective agricultural policies and has been an early supporter of Japan joining the TPP. Furthermore, he has edited the most comprehensive and current volume on 'The Political Economy of Japanese Trade Policy' (Mulgan and Honma 2015) together with Australian scholar Aurelia George Mulgan.

For another critical voice on Japan's agricultural policy refer to the former MAFF official Kazuhito Yamashita, who serves as the research director of the Canon Institute for Global Studies since 2009. Yamashita, an outspoken critic of the government's hesitant stance on agricultural liberalization and reform, has also been supporting Japan's participation in the TPP (Yamashita 2011). In addition, Yamashita has been an advocate of restructuring the country's influential agricultural lobby group, the JA-Zenchu, in order to facilitate a comprehensive reform of Japan's agricultural trade policy (Yamashita 2015).

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<sup>16</sup> Nakatomi (2013) mentions the Anti-Counterfeiting Trade Agreement (ACTA) and the Information Technology Agreement (ITA) as examples of issue-based plurilateral agreements.

Shujiro Urata from Waseda University is another authority on the topic of the political economy of Japan's trade policy. Professor Urata has been a member of the same expert council at the CFP as Professor Honma. However, his work focuses more on the economic aspects of Japan's new trade policy and the impact of bilateral trade agreements in the Asia-Pacific (Solis and Urata 2007; Aggarwal and Urata 2006). Hidetaka Yoshimatsu (2005; 2006), Professor at Ritsumeikan Asia Pacific University, has contributed to the discussion through this work on the role of societal groups, such as Keidanren, in trade policy. His research has also been instrumental in our understanding regarding the impact of FTAs in East Asian regionalism (Yoshimatsu 2008). Other important scholars include Takashi Terada (2006; 2015) and Yoritomi Watanabe. Watanabe from Keio University is an outspoken supporter of free trade and has been supporting Japan's turn towards FTAs as well as its participation in the TPP (Watanabe 2011). As a former government official who was involved in several negotiations and now as a professor, he is able to contribute a rare perspective to the academic debate, as he has had insights in both fields. Junji Nakagawa from Tokyo University has added an international comparative law perspective to the discussion. He has published extensively on questions regarding the impact of FTAs on the multilateral WTO order as well the potential of international harmonization of economic regulation through FTAs (Nakagawa 2011; Nakagawa and Liang 2011).

In addition to the above-mentioned established and well-known scholars, a younger generation of Japanese political scientists has also conducted informative research on Japan's trade policy shift. Hironori Sasada from Hokkaido University has contributed to the debate through this work on the impact of the electoral reform of 1994 on agricultural and trade policy as well as through his research on Shinzo Abe's reform plans for JA-Zenchu (Sasada 2008; 2015). On the other hand, Hideyuki Miura has conducted important work on the decision-making process beyond Japan's TPP participation as well as the policy making process in Japan's agricultural policy (Terada and Miura 2012; Miura 2010).

### *1.5.2 Theoretical context*

In this section, I will provide a short overview of the main theoretical paradigms commonly used in the field of Political Science, IPE and IR. However, an exhaustive theoretical discussion is beyond the scope of this dissertation, I will

therefore limit my remarks to theoretical frameworks that have a direct analytical relationship to Asia and respectively Japan as well as trade policy.

Besides contributions from the field of International Relations, IPE scholars have greatly contributed to our understanding of trade policy and the proliferation of FTAs. International Political Economy, with its focus on the interdependence of politics and economy, offers an ideal framework to analyze the political and economic reasons behind trade policy as well as the political and economic impacts of it.

IPE and IR scholars provide us with three major theoretical approaches to examine and explain trade policy. Although these paradigms include a variety of sub-categories and divisions, the three overarching labels are most commonly referred to as i) realism, ii) liberalism, and iii) Marxism/constructivism.<sup>17</sup> While most scholars approach a research puzzle from a certain theoretical angle, in the case of international trade policy the dominant paradigms are not sufficient on their own to fully explain its complex realities. This calls for “eclectic theorizing”, as has been suggested by Katzenstein and Sil (2008). Following such an eclectic approach, this dissertation does not adhere to one single theoretical framework and uses a combined international and domestic level of analysis instead. In particular with regard to Japan, as has been argued before by Hook et al. (2012: 21), it seems expedient to not rely purely on traditional theories:

*“[There are] two difficulties in seeking to interpret Japan’s international relations through the orthodox lenses of international relations (IR) theory and international political economy (IPE) theory. First, Japan has not assumed a position of international importance commensurate with the sheer mass of its power resources; second, it does not conform to the typical pattern of international behavior seen among the other major industrialized powers.”*

This being said, I agree with Pekkanen et al.’s (2014: 12) conclusion regarding “the centrality of the state as an analytical causal category in Asia” and would extend this to Japan as well. Particularly with regard to the research focus of this dissertation, I would argue that Japan’s state, most notably through its bureaucracy, is a, if not *the*, dominant factor in Japan’s trade policy regime. Thus, it is one of the goals of this dissertation to test this assumption and determine what

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<sup>17</sup> For an attempt to break out of the traditional approach to view, study or analyze IPE necessarily through the lens of the “holy troika”, refer to the “Handbook of International Political Economy: IPE as a Global Discussion” edited by Mark Blyth (2009). However, more orthodox approaches to the study of IPE can be found in Gilpin (1987) and Ravenhill (2005).

role the state has played in Japan's trade policy transformation, whether its role is a dominant one, and finally, to assess what kind of influence the trade policy change had on the existing power structure.

The realist school of thought is often regarded as the most dominant approach in IR. Krasner (1978), Gilpin (1981), and Waltz (1979) are among the most famous proponents of this theoretical approach. Gilpin and Morgenthau are representatives of the so-called classic realism, while Waltz represents a division known as structural realism. Krasner, well-known for his work on international regimes, is often labeled a neorealist. Pekkanen et al. (2014: 25) conclude that "realism means different things to different scholars", yet realist scholars usually share a certain pessimism regarding mankind and political behavior in general. One example of a realist reading in IR would be the assumption that power transition results in conflicts between rising and existing powers, or in the words of Pekkanen et al. (2014: 13): "Turning to the economic realm, economic interdependence in Asia, especially in its asymmetric form, from a realist perspective is less a source of stability and force capable of changing the interests of states than a source of state vulnerability." Consequently, realist scholars see the international trade regime determined by states that maximize their national interests by trying to increase their political and economic power, for example through the conclusion of free trade agreements.

The other dominant theoretical framework in IR and IPE is liberalism or more specifically liberal institutionalism. This school of thought goes back to Immanuel Kant, more recent proponents include Oneal and Russett (1997), Doyle (1986) and Sally (2008). In their seminal study "Power and Interdependence", Keohane and Nye (1977) laid the groundwork for the neoliberal theoretical framework by giving more weight to the role of complex interdependency in their analysis of world politics. In general, adherents of liberal institutionalism argue that this increase in interdependence results also in more cooperative relations between states as well as between states and non-state actors, as it becomes more attractive to be integrated in the process of growing interdependence (Hummel 1998: 8). In the context of trade policy, the liberal view believes that increasing trade volumes will also lower the possibility of conflict and ultimately war between states. Consequently, democracies are seen as more likely to trade with each other and create closer economic relations. The more two countries are economically intertwined, the more likely they are to cooperate and avoid conflict.

Following this logic, liberal institutionalism constitutes a suitable theoretical framework to explain Japan's rise as a trading state.

Marxism, including neo-Marxism such as Gramscian-Marxism, or more recent theories of social constructivism, constitute a third, more alternative approach to IR. Such approaches are often grounded in critical theory and question the main ideas and concepts of the two conventional theoretical branches in IR and IPE (Hummel 1998: 12f.). Cox (1981) and Gill (1988 with David Law) are two well-known proponents of this school of thought, which pays more attention to sociological and historical components in the study of global political economy. However, Hummel (1998: 15) notes that "conventional IR theories still dominate the study of Japan's global role and there are too many studies about Japan's hegemony who apply exactly this kind of uncritical positivism." Although I agree with Hummel that there is still a lack of research on Japan's political economy from the perspective of critical theories, it goes beyond the scope of my dissertation to advance this theoretical discussion further.

Within the context of the regional integration process in East Asia, IPE scholars argue that Japan's trade policy formation has to be seen as part of that process. Parallel to Japan's turn towards FTAs, governments across the region discovered bilateral trade agreements as a viable policy option. Following that logic, the same reasons that are behind other countries' FTA policy would also be partly valid for Japan. So what are the main reasons behind the rapid proliferation of FTAs in the region? In contrast to other IPE literature, Ravenhill (2010: 199f.) argues that "the explanation lies not in economics but in governments' political-strategic considerations. The explosion of PTAs in the region has been driven by a 'political domino effect', with governments' primary concern being their potential exclusion from a new dimension of regional economic diplomacy." He then concludes that the shallowness of FTAs in East Asia, e.g. Japan's policy of excluding agriculture from its agreements, is a direct result of the political rather than economic interest behind such agreements.

Choi (2013) has provided another recent study on FTA formation in East Asia from the IPE perspective. His dissertation thesis at the University of Wisconsin looks at the determining factors and conditions behind FTAs in China, Japan and South Korea and comes to the conclusion that sectoral politics, e.g. the support of influential interest groups, and national security interests play a more important role than economic reasons for FTA formation in East Asia. I agree with Choi's argument that the influence of the various determinants and actors that

are involved in FTA policymaking vary greatly during FTA formation. However, while Choi (2013: 20f.) argues that government agencies and ministries play a bigger role at the beginning of FTA policy and interest groups become a driving force at a later stage, my findings in the case of Japan indicate the opposite. As I will discuss in more details in chapter 5, Japan's prime business interest group, Keidanren, played a pivotal role in the early stage of Japan's trade policy shift towards bilateral trade agreements. However, Keidanren's lobbying efforts to conclude FTAs, although still in place, have leveled off.

In addition to the broader IR and IPE theories briefly described above, theories of the policy process offer a more adequate theoretical framework to explain the policy process behind Japan's trade policy transformation.<sup>18</sup> In particular the so-called multiple streams framework (MSF) offers a compelling theoretical model to explain why certain ideas and policies make it to the top of the political agenda and ultimately get implemented (Schlager 2007: 297f.). The MSF has been developed by political scientist John W. Kingdon in his book "Agendas, Alternatives, and Public Policies" in 1984. Criticized for being restricted to the political system of the US, some publications in recent years have also demonstrated its explanatory power outside of the US (Chow 2014: 50; Zhou and Feng 2014). Looking at Japan's trade policy shift through the lens of the MSF will further widen the applicability of this theoretical framework.

This following section will first briefly outline the basic principles of Kingdon's (1995) multiple streams framework and then apply it to analyze the policy process behind Japan's trade policy transformation. According to the MSF, five structural phenomena are prerequisite for policy change: The so-called i) problem stream, the ii) policy stream and the iii) politics stream, which coexist more or less independently from each other, and, when these streams overlap, a iv) window of opportunity for policy change opens up. Or in the words of Zahariadis (2007: 65): "At critical points in time, termed policy windows, the streams are coupled by policy entrepreneurs. The combination of all three streams into a single package drastically enhances the changes that a specific policy will be adopted by policy makers." While crises or external shocks are deemed particularly important in triggering an overlap or coupling of these streams, the MSF also attaches great importance to serendipity:

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<sup>18</sup> For an excellent overview to the major theories of the policy process refer to Sabatier (2007).

*“A large part of the explanation lies, at least for now, in serendipity. In the multiple-streams theory, serendipity revolves around the ability of political entrepreneurs to identify windows of opportunity that would permit them to successfully couple the streams” (Schlager 2007: 310).*

So-called v) policy entrepreneurs act upon this window of opportunity and invest their political clout to bring a certain issue or policy to the top of the policy agenda. “[T]he theory focuses on the critical roles played by certain individuals, or policy entrepreneurs, and the conditions that support broad-based collective action that leads to major policy change” (Schlager 2007: 302). Taking these five structural elements into account, it becomes clear that not only serendipity plays an important role, but also ambiguity which is seen as a determining condition for policymaking. The MSF acknowledges that actors in policymaking processes act irrational and that such processes are not necessarily systematic and linear (Chow 2014: 51).

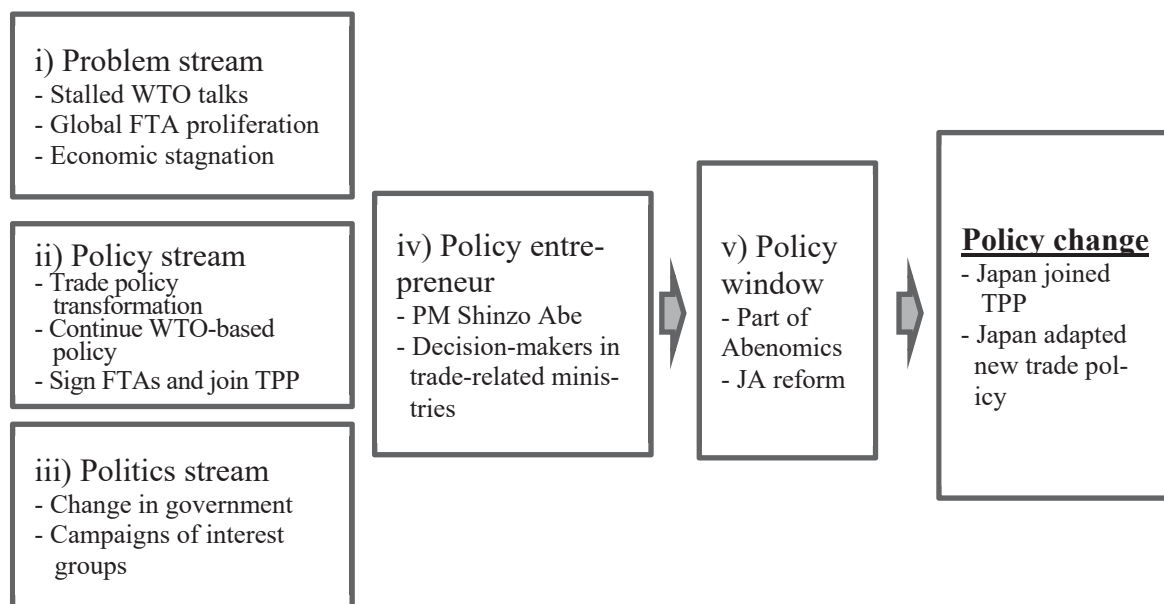
So what does the MSF mean with the problem, policy and politics stream? The term problem stream implies that there has to be a certain consciousness for a political problem or an issue. This is based on the idea that many ideas and problems float around, but only very few catch the attention of decision makers and policy makers. Only if enough members of the political process perceive a certain situation as a problem and consequently formulate a policy solution to it, does this problem begin to constitute a policy stream. On the contrary, it is not enough for outsiders of the political process, such as scientists or members of the civil society, to identify a problem. Following the logic of the MSF framework, it is necessary that a political majority gets behind a certain policy for it to make it on the political agenda. Or in other words, only if a problem is presented in combination with a feasible solution, a policy approach that tackles the identified problem with the suggested solution might get implemented (Zahariadis 2007: 75f.).

In the Japanese case, all five features can be found (Figure 1). The discussion regarding the future of Japan’s trade policy, brought about by the stalemate of the multilateral trade regime as well as the global trend of proliferating bilateral trade agreements, represents the problem stream. In response to this problem, the involved policy actors floated several ideas and policy alternatives. For example, the shift to a bilateral-oriented trade strategy or the continued support for the multilateral regime. The political climate then shifted towards greater acceptance of a policy shift. Japanese trade-related ministries, particularly the decision makers within these ministries, as well as business lobbyists acted as the deciding



policy entrepreneurs during this window of opportunity. The political controversy around the TPP and in particular the anti-TPP protests at the local and national level demonstrate that the issue of trade policy has caught the attention of the public. This policy stream on trade policy in Japan was particularly ‘active’, as a plethora of different actors with different interests articulated their interests and tried to influence the policy making process.

Figure 1: Multiple streams framework analysis of Japan’s trade policy transformation



Source: Author’s compilation based on Zahariadis (2007: 71)

As a highly complex and interdisciplinary research field, the issue of Japan’s changing trade policy requires a theoretical framework that is able to cover such a comprehensive issue. In particular, trade policy in Japan is a multidimensional policy issue that calls for a theoretical framework that goes beyond rational, linear and structured arguments. Hence, the MSF offers an adequate theoretical model.

### 1.5.3 Current state of research

Such as foreign policy in general, the field of trade policy is the result of a complex interplay of international and domestic politics. In order to draw an accurate picture of Japan’s shift in trade policy, it is necessary to include the inter- and intra-national level into the analysis (Putnam 1988). In contrast to many existing studies on this subject, which have restricted their focus either on the domestic

or international level, this work provides a more comprehensive approach. Ten years after Krauss (2003: 308) asserted the lack of a “longitudinal analysis of the shift in Japan’s regional foreign economic policy”, IPE and IR scholars have yet to succeed in filling this research gap, despite numerous studies that have helped to explain certain aspects of this ongoing shift (Solis and Katada 2008; Corning 2009; Manger 2005). In an attempt to add to the existing literature, this dissertation will not only summarize current explanations and combine them in order to get a better grasp of the big picture, but will also apply new findings from numerous expert interviews I have conducted.

Regardless of their scholarly approach, academics and observers agree that Japan has undertaken a rather drastic trade policy change in recent years. A proliferation of bilateral and regional trade agreements has replaced Japan’s traditional multilateral trade policy approach. However, different schools of thought exist on what caused this change and on the main reasons behind this policy shift. Some authors contend that this policy shift is indeed only a change of means to pursue certain continuous goals (Krauss 2003), while others suggest that it presents a paradigm shift with far reaching implications for Japan and East Asia (Terada 2006: 24f.). Meanwhile, others argue that Japan’s turn to bilateralism constitutes merely a short-lived trend that is based on new ‘tactics’ rather than an entire change of ‘strategy’ (Okano-Heijmans 2012).

The ongoing character of Japan’s policy shift makes a comprehensive analysis and evaluation challenging. While numerous issue-specific studies have certainly enriched the understanding on Japan’s policy shift, they also tend to overestimate the explanatory power of their own research subject:

*“Of course, the problem with news reports and ‘oral history’ is that while they may suggest a causal relationship, as evidence they are likely to be biased [...]. This applies to pronouncements from government officials and private sectors representatives alike. Unsurprisingly, then, that authors who draw on interviews with government officials [...] find that Japan’s PTA policy is government driven (Krauss 2003; Ogita 2003), while those who interview industry representatives take a different view (Manger 2005, 2009; Solis 2003). Even less surprising is that when former METI officials themselves analyze the reasons for PTAs (Munakata 2001; Sekizawa 2008), they will find it to be a rational policy initiated by enlightened, dispassionate civil servants” (Manger 2014: 166).*

This dissertation will add a big-picture analysis to the literature regarding Japan’s shift in trade policy by following an approach that takes the political, economic and legal dimensions of Japan’s trade policy into account, while also considering

the domestic and international perspective. Work by Solis (2009) has been groundbreaking in this area, and this study will build on her research. In reference to Solis, this dissertation argues that “the competitive diffusion mechanism explains best the original policy shift and subsequent evolution of Japanese FTA strategy” (Solis 2009: 211). According to Solis, Japan’s emerging FTA policy can be explained as a reaction to three challenges. Being under competition pressure in the economic, political and legal dimension of its international relations, Japan decided to add a new tool to its repertoire by resorting to FTAs. This new policy tool allowed Japanese policy makers to react to these challenges in a proactive and competitive way (Solis 2009).

Economically, Japan’s EPAs are a reaction to the fact that Japanese businesses felt increasing competitive pressure, as more and more countries resorted to bilateral FTAs to advance their trade relations during the late 1990s when the WTO was not able to progress with its multilateral liberalization agenda. Concluding their own FTA network was therefore Japan’s answer to this economic challenge and to support its production network in East Asia as well as an attempt to further expand markets abroad. Politically, Japan concluded FTAs to strengthen political and diplomatic relations with chosen partner countries and to increase its influence in the region, as it is under pressure to balance China’s rise as a powerhouse in East Asia. However, concluding FTAs also has a legal dimension for Japan and its FTAs act as vehicles to underpin investment rules and other legal standards.



## 2. Methodology

### 2.1 Overview of research sources

This dissertation will utilize information drawn from existing academic literature, relevant official documents, press releases and speeches to answer questions related to Japan's trade policy and the transformation thereof. In order to access an even deeper level of insight, more than 20 expert interviews with policy makers, government officials and business representatives were conducted. This study therefore takes a qualitative approach. The semi-structured interviews provided a unique opportunity to access expert opinions, insider perspectives and direct answers to relevant questions. By integrating new insights from these expert interviews with findings that have been established in the academic discussion through previous work, this dissertation aims to enrich the understanding of Japan's trade policy shift.

Qualitative interviews allow for easier access into a research field when available information is scarce or difficult to attain, as in the case of language barriers. Such interviews are useful to generate further hypotheses and to develop new theories. The relative openness of qualitative interviews allows for a flexible, but also a comprehensive approach, which does not only pay attention to the content of the interview, but also on how and why certain positions are expressed. This provides an avenue to gain insights on hidden interests and motivations of the interview partner.

For this study, 25 experts on Japanese trade policy were interviewed over a period of 10 months from June 2012 until March 2013. The expert interviews were conducted as semi-structured interviews. The interview guide comprised around 15 open questions that were clustered in four main issues. The interviews were designed for a timeframe of 45 to 60 minutes, with the average duration amounting to around 70 minutes. Aside from one interview in Japanese and two interviews in German, all remaining 22 interviews for this study were held in English. 19 out of the 25 Interviews were conducted with Japanese nationals, the other six with non-Japanese, who were living and working in Japan at the time of the interview. Five of the interview partners were female and the other 20 interviewees were male. All interviews were conducted face-to-face and in the Tokyo Metropolitan Area. As permitted by the interviewees, audio was recorded for 23

of the 25 interviews. In addition, I took notes during the interviews and compiled a short summary directly after concluding the actual interview. In line with suggestions found in the literature (Mieg and Näf 2005: 17), the interviews were conducted in the interviewees' offices, creating a relaxed atmosphere for the interviewees and contributing to a successful and smooth interview process. This also provided the added benefit that the interview partners were able to make use of resources and information material at their workplace during the duration of the interview and supply such materials to the interviewer.

The interview partners for this study remain anonymous, as agreed with the interviewees prior to conducting the interviews. However, as included in table 5 below, the position and affiliation of the interviewees are disclosed. References to information based on the interviews will therefore be cited as "Interview with [affiliation, position], [location], [date]", for example "Interview with METI senior official, Tokyo, January 2010".

## 2.2 Definition of experts and expert interviews

Expert interviews are a common and frequently used method of data collection in qualitative research in the social sciences. The main purpose of conducting expert interviews is to gather specific knowledge and expertise on a certain pre-defined issue. In contrast to other types of interviews, such as oral history interviews or biographical interviews, the interviewees in expert interviews are not selected for personal reasons. This means the interviewer is not interested in the person per se, but in the specific expertise of that person that they are willing to share during the interview.

So who qualifies as an expert and hence as an appropriate interview partner in an expert interview?<sup>19</sup> According to Meuser and Nagel's (1991: 443) general definition, an expert constitutes a person who is in charge of developing, implementing or controlling a policy or strategy, as well as one who has privileged access to information regarding certain groups or decision processes. This is a very broad definition, which further varies according to the topic or subject matter. It is ultimately a highly subjective definition and therefore needs to be clarified anew for most research issues. As Meuser and Nagel (1991: 443) argue, being defined as an expert and selected as an expert interview partner is relational

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<sup>19</sup> See Bogner et al. (2014: 9-15) for a discussion on expert interviews from the sociology of science perspective.

and depends on the research focus and the definitional approach of each researcher.

For this study, selecting experts on the issue of Japanese trade policy was based on this general definition. Due to its interdisciplinary character, a broad range of people is usually involved in trade policy and trade policy-related matters. Trade policy deals with economic questions as well as issues in a multitude of policy areas, such as agricultural policies or industrial policies. The pool of experts therefore includes people from various organizations and with different focal points in their professional career. In the case of Japan, however, this pool of experts constitutes a relatively homogenous group. When I asked my interview partners to suggest candidates that they might deem suitable to be interviewed on this topic in the future, many actually referred to the same experts.

Ultimately, the following four groups of people were considered as experts on Japanese trade policy and were approached as preferred interview partners for this research project.

- 1) Officials and bureaucrats: In particular, senior officials at Japanese ministries and other government agencies working directly on topics related to trade policy making, including trade policy formulation and implementation as well as officials involved in current or previous trade negotiations and their preparation.
- 2) Representatives of companies and business: In particular, employees of export-oriented companies, which take advantage of trade agreements or are directly affected by the conclusion of such agreements.
- 3) Lobbyists and stakeholders: In particular, lobbyists from highly influential umbrella organizations, such as Keidanren or JA, which represent important industries or business groups.
- 4) Observers and advisors: In particular, journalists and academics who are familiar with the actual process of policy-making, but whose occupational roles also allows them to remain at a professional distance.

In reality, however, it is often not feasible or practical to follow such categorization, as many potential experts work at the interface between the above-mentioned areas or have working experience in two or more areas. For practical reasons, it also might often be difficult to cover all areas and conduct interviews with experts from each category. In the case of this study, however, I was able

to conduct ten interviews with government officials, bureaucrats and policy makers. Additionally, interviews were held with five academics, seven lobbyists and business representatives as well as three think tank members (Table 5). Considering the relatively small number of experts on Japanese trade policy as well as the difficulty of gaining access to the field, I covered a wide range of expert knowledge. Having said that, I am aware of the limitations of conducting expert interviews as a means of collecting data, as the limited amount of interviews automatically restricts, to a certain extent, the depth of the research area covered. In this context, it is also important to note, that “expert” does not mean neutral or objective. In most cases, experts represent their employer or organization and therefore follow a certain hidden agenda. This should be taken into consideration not only while conducting the interviews, but also during subsequent data analysis.

Table 5: Overview of conducted interviews

Nr.	Date of interview	Position and affiliation of interview partner	Professional category
1	June 2012	Senior official at RIETI	Think Tank
2	June 2012	Member of the House of Councillors (LDP)	Policy maker
3	June 2012	University Professor	Academic
4	June 2012	Official at JA-zenchu	Lobbyist
5	June 2012	Senior official at METI	Bureaucrat
6	September 2012	Official at Keidanren	Lobbyist
7	September 2012	Senior official at Japan Chamber of Commerce & Industry	Lobbyist
8	September 2012	Senior official at Cabinet Secretariat, National Policy Unit	Bureaucrat
9	September 2012	Senior official at Mizuho Research Institute	Think Tank
10	October 2012	Senior official at Canon Institute for Global Studies	Think Tank
11	November 2012	Senior official at JETRO	Bureaucrat
12	November 2012	Senior official at Japan Iron and Steel Federation	Lobbyist
13	November 2012	University Professor	Academic
14	December 2012	Senior official at METI	Bureaucrat



Nr.	Date of interview	Position and affiliation of interview partner	Professional category
15	December 2012	University Professor	Academic
16	December 2012	Senior official at Mitsubishi Corporation	Lobbyist
17	December 2012	University Professor	Academic
18	January 2013	Senior official at EU-Japan Centre for Industrial Cooperation	Bureaucrat
19	January 2013	Senior official at EU Delegation to Japan	Bureaucrat
20	February 2013	Senior official European Business Council in Japan	Lobbyist
21	February 2013	University Professor	Academic
22	February 2013	Senior official at European Automobile Manufacturers' Association	Lobbyist
23	February 2013	Official at METI	Bureaucrat
24	February 2013	Senior official at EU Delegation to Japan	Bureaucrat
25	March 2013	Senior official at EU Delegation to Japan	Bureaucrat

Source: Author's own compilation

Reflecting on the methodology of conducting expert interviews highlights once more the importance of preparation. Preparation as such does not only mean defining the term “expert”, but the interviewer should also reflect on the type of expert interview they deem suitable for their research question. According to Bogner and Menz (2009: 46-49) there are three main types of expert interviews:

- 1) Exploratory interviews
- 2) Systematizing interviews
- 3) Theory-generating interviews

For this study, I conducted systematizing interviews with the purpose of generating a more comprehensive understanding of the reasons and motivations behind Japan's trade policy shift and the lack of evaluation in trade policy making. In contrast to exploratory interviews, which are often used to gain first insights to a new research field, systematizing interviews are the preferred option when the interviewer has at least some basic understanding of the interview issues. However, in some cases, exploratory interviews are also used to develop and test the questionnaire for the systematizing interviews. As such they also might con-

tribute to clarify one's own research questions and design. The main characteristic of systematizing interviews is that they follow the same trajectory. That way the interview data becomes comparable and can be aggregated easier. I followed this approach for this study, as the same interview guideline was used during all interviews. However, minor changes to the guideline were implemented in order to better tailor to each individual interview partner. While conducting the actual interviews, I further adjusted the interview guideline by leaving out questions or changing their order.

As a next step, the interviewer should reflect on their own role in the interview process and the impact and effect that their own behavior, knowledge and research interest might have on the interview partner and hence also on the interview outcome. According to Bogner and Menz (2002: 49ff.), there are several types of interviewers:

- a) Co-expert
- b) Expert in another field
- c) Layman
- d) Authority
- e) Confederate
- f) Critic

For this study, I conducted the interviews in the role of a co-expert. In contrast to other types of interviewers, the co-expert has the advantage of meeting the interview partner on a level playing field. This often creates a mutual level of trust, as the interviewees are assured that their interviewer knows what they are talking about. However, depending on the actual occupational background of each interview partner, I also conducted some of the interviews in the role of an expert in another field.<sup>20</sup>

However, these kinds of categories and definitions are seldom fully applied during actual interviews and are often more important as an academic category than as a concept necessary for conducting interviews. There are, however, a couple of qualities that are considered indispensable when conducting interviews in the role of a co-expert. According to Steinar Kvale (1996) the co-expert should be knowledgeable on the research issue as well as on the professional background of the interview partner. This knowledge will also be helpful in structuring and

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<sup>20</sup> For example, in the interviews with the senior officials of the Japan Iron and Steel Federation and the representative of the European Automobile Manufacturers' Association.

steering the actual interview as well as formulating clear and precise interview questions. Being familiar with the interviewee's job-related idiosyncrasies further sharpens the interviewer's awareness of sensitive topics or issues that should better be avoided. Being a co-expert further enables the researcher to point out inconsistencies in the interviewee's argumentation or explanations and challenge the interviewee when needed. However, this kind of "critical" interview approach goes hand in hand with a gentle and careful approach, demonstrating respect and appreciation for the interview partner. A flexible and open demeanor allows the interviewer to adjust the time-flow of the interview and leaves room for interpretation and clarification from both sides, instead of jumping to conclusions.

Another category that needs to be taken into consideration and be reflected on is the several dimensions of expert knowledge that are at the center of each expert interview. According to Bogner and Menz (2009) there are three main categories:

- 1) Technical knowledge
- 2) Process knowledge
- 3) Interpretive knowledge (know-why)

For this study, I largely focused on the process and interpretive knowledge of the interview partners. This was of importance for the first part of questions regarding Japan's trade policy shift, as the interviewed experts had insights in the policy making and policy formation process. Regarding the research question on why Japan shifted its trade policy, the interviewees' interpretive knowledge was most helpful.

## 2.3 Challenges when conducting expert interviews

Defining experts, however, is often only the first hurdle a researcher faces when preparing for expert interviews. There are indeed several challenges that need to be taken into consideration by the interviewer. First of all, depending on the issue, there might only be a limited number of experts, who are also accessible and willing to cooperate in a research project. There are two main explanations behind this. On the one hand, some issues might be so specialized or technical, that there are only a handful of experts worldwide. On the other hand, certain issues,

particularly in fields such as security or military studies, require security clearance and experts may by law not be allowed to discuss such topics publicly.

Secondly, as experts often hold high positions within their organizations, they might be very pressed for time, not to mention the potential difficulty of directly getting in touch with them. Therefore, it is often the case that referrals from experts that are well-connected within their field as well as secretaries or office assistants act as gatekeepers and provide a foot-in-the-door for initial contact. Particularly in Japan, where professional networking almost exclusively works through personal referrals, getting in touch with such gatekeepers is essential. This experience I found to hold true during my interview process. After several months of struggling to set up interviews, I was introduced to several interview partners on one occasion. After the first couple of interviews were conducted, the snowball-method proved effective and each interview usually generated on average two or three new contacts for potential interview partners.

Scheduling the interviews as well as clarifications regarding the structure of the interview and the purpose of the research project was conducted by email. In most cases, I conducted all scheduling regarding the interviews directly with the respective interview partners. However, sometimes it took place through an office assistant or secretary, who organized public relations and correspondence for their line managers. When requested by the interviewee, I provided interview questions or the complete interview guide beforehand.

When using expert interviews as a method of data collection, there are a couple of challenges and advantages that should be addressed by the interviewer. According to Van Audenhove (2007: 5), expert interviews have several advantages.<sup>21</sup> They are, for instance, a relatively quick method to acquire highly specific information. The reasons behind this is that experts are often particularly “motivated” to give interviews and share their knowledge, and for many of them, this is just part of their job. Expert interviews also guarantee access to “aggregated” knowledge and knowledge that might otherwise not be available or might take a long time or extensive resources to acquire. In addition, due to their professional experience or occupational background, many expert interview partners are accustomed to talking about their “knowledge” in front of other people,

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<sup>21</sup> For a more general overview of the advantages and disadvantages of various interview forms, see Raymond Opdenakker’s (2006) “Advantages and Disadvantages of Four Interview Techniques in Qualitative Research”.

such as in speeches and discussions. Their professionalism also makes the interviewee less likely to be affected by external influences such as the interviewer and the circumstances surrounding the interview, compared to a layperson without any experience.

There are also several disadvantages (Van Audenhove 2007: 5) to the method of interviewing experts. In particular, semi-structured interviews are at the risk of turning into a casual dialog, which would provide only anecdotal stories and information, rather than analyzable or comparable data. The interviewer might also be too “active” during the interview, which could inhibit the interviewee to reveal his “whole story”. In addition to this, expert interviews present the interviewer with a methodological challenge. In contrast to most methods in the natural sciences, such as experiments conducted in a laboratory, expert interviews are not repeatable. Although in theory it is possible to conduct the same interview using the same questions, every interview will generate slightly different answers. This effect will even be bigger when another interviewer repeats the same interview guide. Hence, each interview session provides the researcher with a unique set of data that only becomes comparable after its raw information has been categorized or consolidated by the interviewer following a certain pre-defined research approach or method.

Another challenge in conducting expert interviews is the possibility that during the interview, it becomes evident that the interviewee is not the expert as expected. However, a thorough preparation while selecting possible interview partners can minimize this risk.

## 2.4 Preparation of interview guide

After reflecting on the advantages and disadvantages of expert interviews as well as reflecting on the various definitions for “expert”, “expert knowledge” and “type of interview”, it is time to prepare the actual interview guides. After the above-mentioned initial steps, the preparation of conducting expert interviews starts with devising an interview guide. The questions of the interview guide are based on the overarching research question of this study, as introduced in chapter 1.3. The semi-structured interview guideline comprised around 15 open questions and was clustered around four main issues. The first section of the interview was set out to gather information about the professional role and experience of the interview partner as well as the involvement of the interviewee and his or her

affiliated organization in the policy-making process in trade policy. Next, section two of the interview guide posed questions regarding the reasons and motivations behind Japan's policy shift. In connection with this, the interviewees were also asked who they regarded the most important actor behind this policy shift. Following this, the third section focused on the impact and implication of Japan's new FTA-based trade policy. In the fourth section the interview partners were asked about whether they know if Japan is conducting some kind of evaluation of its trade policy.

### 3. Interview findings and analysis

The 25 expert interviews with Japanese and non-Japanese policy makers, officials and business representatives, as well as extensive field work in Japan, consisting of attending conferences, lectures and study groups related to the research topic, allows this dissertation to go deeper in its analysis compared to a research project purely based on secondary sources. The direct field access in Japan proved invaluable for this study, as the interviews generated insights and perspectives usually out of reach for scholars outside of Japan. The interviewed experts provided not only insights in the process of policy formation, but also on the strategic underpinnings of trade policy decisions. It was also valuable to gain insights from business representatives who are directly affected by Japan's new trade policy. The following section will draw on the main findings of the conducted interviews and analyze them in the context of Japan's changing trade policy.

The table below presents the interview questions that were used in the interview guide during the expert interviews (Table 6). I also added a category in which the function or purpose of each question is briefly summarized. Depending on the interviewee and the actual course of the conversation not all questions were asked in each interview. Instead, follow-up questions or subquestions, which are not listed in table 6, were posed, when clarification was necessary. At times, I also changed the order of the interview questions or left some questions out.

Table 6: Example of interview guide

Nr.	Interview question	Function of question
1	How many years and in what kind of roles and positions have you been working on the issue of EPAs/TPP?	Collect personal information; Introduction (“get to know each other”)
2	How are you currently involved in formulating, analyzing or evaluating Japan's trade policy?	Insights into the process of policy-making
3	How is the relation between trade-related ministries and [interviewee's organization]?	Identifying areas of cooperation or conflict in such relations
4	What are, in your opinion, the main reasons for Japan's policy shift towards a bilateral trade policy?	Identifying reasons behind policy shift

Nr.	Interview question	Function of question
5	Would you characterize Japan's policy shift as passive (mainly caused by external factors) or pro-active (mainly caused by internal factors)?	Assessment of policy shift
6	Which actors (government, bureaucracy, business group) are playing the most important role for this policy shift in your opinion?	Identifying actors and assessing their role in policy shift
7	What are, in your opinion, the biggest challenges (domestically and internationally) and obstacles while implementing Japan's new trade policy?	Identify challenges and obstacles for FTA implementation
8	What are, in your opinion, the main political and economic impacts of Japan's EPAs?	Impact of FTAs (merits/demerits)
9	Do you think Japan's bilateral EPA strategy undermines Japan's efforts to promote multilateral trade liberalization under the WTO?	FTAs as building blocs FTAs vs. WTO
10	Do you think Japan's bilateral trade policy supports Japan's general interests in foreign policy?	Assessing political dimension of FTA policy
11	Do you know of any ministry or research institute that is conducting some kind of evaluation of Japan's present EPAs?	Identifying examples of trade policy evaluation
12	Do you think that a regular and recurring evaluation process would improve the outcome of Japan's EPAs and therefore should be implemented?	Assessing interviewee's stance on evaluation
13	Could you refer any possible interview partners on the topic of FTAs/TPP to me?	Find new interview partners

Source: Author's compilation

The interviews consisted of four main parts. The first section was largely fact-driven (questions 1 to 3), while the second, third and fourth part was opinion-based, where I sought to understand the opinion of the interviewee regarding Japan's policy shift (questions 4 to 10) followed by gaining his or her perspective on trade policy evaluation (questions 11 and 12).

The big-picture findings of the interviews are as following: (i) large organizations, such as Keidanren and JA-Zenchu, are very proactive in the process of trade policy formulation and in strategizing the negotiations; (ii) each organization has a certain niche in terms of its role in influencing policy making, which can be dynamic according to the political environment; and (iii) the reasons behind the policy shift are of manifold nature, but most interview partners argued



that the combination of industry lobbying and reform-oriented bureaucrats played the most decisive role in triggering Japan's trade policy transformation. Below I will discuss in more detail the structure of the interviews and the results stemming from it. I will further discuss where the interviews confirmed the general view in the existing literature and where the interviews led to new or unexpected findings. This is in particular of interest in areas where we can observe a change in the power structure of Japan's trade policy.

The first interview question had two functions. On the one hand it was intended to confirm and further collect personal information about the interview partners. Therefore, the interviewees were given a chance to introduce themselves and to explain their level of expertise regarding Japanese trade policy making. That information helped to understand the expert's role and their level of involvement in the respective research field. Asking them about their current engagement on "formulating, analyzing or evaluating" Japan's EPA policy in the second question, provided further insights into the process of trade policy-making. This is of importance while analyzing the interviews later, as statements or claims carry a different weight depending on the speaker's authority. However, the first question is also an introduction to the artificial interview situation. It offers the possibility for both participants, the interviewer and the interviewee, to warm up as well as to get to know each other. In addition, this first question often sets the tone for the remainder of the interview. The section below can be considered as an exemplary interview segment:

Interviewer: *"How many years have you been working on the issue of EPAs/TPP and in what kind of roles and positions? And currently, are you involved in formulating, analyzing or evaluating Japanese trade policy?"*

Interviewee: *"First time I was involved with EPAs was in 2001. That was Japan's first EPA, the EPA with Singapore. [Interviewee's employer] submitted a viewpoint on the Japan-Singapore EPA to the government. But I have been involved with trade policies since the 1990s. In particular with regard to WTO, APEC [...] I am closely working with the government and also with governments and private sector representatives from other countries that are involved in TPP negotiations."*<sup>22</sup>

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<sup>22</sup> Interview with a senior official from the JCCI, Tokyo, September 2012.

Question 3 had the purpose to shed light on the specific relations between the interviewee's organization or employer and other actors in trade policy-making, such as trade-related ministries or governmental agencies. In the context of this question, I hoped to identify areas of cooperation or conflict in such relations, such as situations where the interviewee feels that their organization or employer is not integrated well enough in the decision-making process. The interviews allowed for conclusions on how various trade-related agencies interact and communicate with each other. This question also provided insights in the changing power structure among the various groups involved in trade policy-making.

In the interviews with officials from JETRO, Keidanren, Japan's Chamber of Commerce, as well as JA, it became clear that these organizations are highly involved in the process of policy formulation and in the preparation of actual negotiations. As the senior official from JETRO explained, the triangle of METI, JCCI and JETRO plays an important role in setting up study groups and gathering knowledge on upcoming trade talks. According to him, such study groups were set up to prepare and promote the agreements with Mexico, Chile and the EU as well as to prepare negotiations with Turkey.<sup>23</sup> As the interview section above also demonstrates, trade policy in Japan is an area with a high level of cooperation between the various involved actors. According to the interviewed JCCI official, the exchange of opinions and information is held in high regard and also conducted with representatives from businesses and governments from abroad. The following interview section highlights the degree of cooperation in Japanese trade policy making from the perspective of the Keidanren:

Interviewee: *“Of course we work with the Japanese government, so we do have very good relations with the Foreign Ministry and the METI. And we also have good relations with MAFF, although from time to time we have different positions on certain issues such as the TPP. [...] All in all, I think that Keidanren and the government are heading towards the same direction. The relations are very good.”*<sup>24</sup>

These interviews also revealed that each organization is considered to have a certain function. According to Professor Kunimatsu, Keidanren's main task, for

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<sup>23</sup> Interview with senior JETRO official, Tokyo, November 2012.

<sup>24</sup> Interview with Keidanren senior official, Tokyo, September 2012.

instance, was to sum up pro-FTA voices from the industrial world.<sup>25</sup> However, the NPU senior official also commented on the diverging interests between industries and the ensuing political difficulties for the government to represent ‘the interest’ of the private sector.<sup>26</sup>

However, such attributed roles are also subject to change according to the government’s approach and the respective organization’s position on FTAs. For instance, when asked about the role of JA, the JA official commented that its influence was much higher under the LDP government and that relations were particularly good during the Koizumi administration. He went on to explain that the LDP had usually invited JA to its ministerial trilateral meeting of METI, MAFF and MOFA, but that the DPJ administration kept information away from the JA. This clearly demonstrates that Japan’s trade policy formulation and the role of certain actors are not set in stone. This effect was particularly visible in the years when the DPJ was in power. However, my interview partner from Keidanren observed a different trend. According to him, the relations between Keidanren and the government actually improved under the DPJ government, as the administration under Prime Minister Noda was perceived to be very outward looking. For example, when the DPJ took power, the government began to invite Keidanren to directly participate in its tripartite study groups in order to prepare and discuss new trade agreements, which was not the case under the former LDP government.<sup>27</sup>

The DPJ also set up the “New Policy Unit” (NPU) at the Cabinet Office with the purpose of centralizing the government’s handling on trade policy matters. One of its main tasks was to establish a common position regarding the TPP question. It was tasked to develop a roadmap for the national trade policy. However, several interview partners criticized the NPU for not achieving this task. Its low staff number was mentioned by one interviewee as a main reason behind this. The NPU official that I interviewed also mentioned that the NPU did not have enough staff to tackle the challenging task of coordinating the government’s trade policy. He also explained that the common practice of job rotation within the Japanese bureaucracy, where officials are sent to new posts every two years or so, created another hurdle, as negotiations for trade agreements often continue for longer than two years. At the time of the interview in September 2012, just six people

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<sup>25</sup> Interview with Professor Kunimatsu, Tokyo, June 2012.

<sup>26</sup> Interview with NPU senior official, Tokyo, September 2012.

<sup>27</sup> Interview with Keidanren senior official, Tokyo, September 2012.

within the NPU were assigned to work on trade policy related issues. This reflects the relative low priority level that the government attached to this topic. The NPU, regarded as a symbol for the change in government in 2009, was quickly dissolved by the second Abe administration, and was ultimately not able to deliver the policy results it was originally set up for.<sup>28</sup>

Following this, the next part of the interview guideline comprised of questions on the reasons and motivations behind Japan's policy shift. The interview partners were asked about their personal opinion regarding the main reasons for Japan's policy shift towards signing bilateral trade agreements (Question 4). Most interviews partners agreed that a combination of reasons led to this policy shift. For example, Professor Urata, who also was a member of the study group to prepare the agreement with Singapore, argues that the following three factors prompted Japan to turn to FTAs in the late 1990s:

Interviewee: *“The US factor [signing NAFTA] was big. And then the Asian factor [Asian financial crisis] and the WTO factor [failure to start negotiation round in 1998] was big as well. All these factors made Japan realize that FTAs are an important policy option to pursue.”*<sup>29</sup>

In connection to this, the interview partners were also asked if they would describe this policy shift as passive or active (Question 5). As the answer above already indicates, Professor Urata describes Japan's trade policy shift as clearly passive or strictly speaking as a reaction to various external factors. However, this perspective does not portray the entire picture, as internal factors and motivations certainly also played an important role. For example my interview partner from Keidanren highlights the role of the business sector in convincing the government to pursue a more active FTA-policy.

Interviewee: *“I think it's pro-active. (...) I think it's mainly the voice of the industrial sector. Keidanren has always been saying that we should promote FTAs. (...) And I think the government now understands our view. In case of Japan, the domestic market is not growing and the population is declining. So I think to invest in the Asian countries, especially China, is Japan's ultimate goal. In order to do that, FTAs are going to be the break-through.”*<sup>30</sup>

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<sup>28</sup> Interview with NPU senior official, Tokyo, September 2012.

<sup>29</sup> Interview with Professor Urata, Tokyo, November 2012.

<sup>30</sup> Interview with Keidanren senior official, Tokyo, September 2012.

Question 6 asked about the role of various actors, such as the government, bureaucracy or business groups, for this policy shift. The purpose of this question was to identify the main actors in this shift and assess their respective roles. Although the answers to Question 6 regarding the role of certain actors in Japan's trade policy shift varied greatly according to the background of the interview partner, most agreed that business interests in the form of Keidanren and public sector interests were most influential. See the following interview section for an exemplary answer to this question:

Interviewee: *“Regarding the policy change of the late 1990s, the bureaucrats were the main engines for Japan’s trade policy shift ... METI was the policy entrepreneur for the policy shift.”*<sup>31</sup>

The interview partners were further asked what they believed to be the main challenge or obstacle for a successful implementation of this new policy (Question 7). In the context of that question, I asked the interviewees if they believe these challenges or obstacle to be of domestic or international origin.

The interviewees were then asked to share their opinion on the political and economic impact of EPAs (Question 8). In connection to this, follow-up questions were posed regarding the benefits and demerits on certain policy fields. Not surprisingly, the answers to these questions strongly depend on the interviewee's general stance towards FTAs. For example, Professor Honma from the University of Tokyo argues that the purpose of Japan's EPA has shifted from mostly reducing tariff rates in earlier bilateral trade agreements to establishing common investment issues in the current TPP negotiations. Accordingly, the impact of future trade agreements will be of a very different nature. He further explained that it is essential to look beyond the alleged impact on whole industry sectors and take into account that businesses and farmers, for example within the agricultural sector, will be affected differently depending on their product range and business model. In contrast to the usual skepticism from agricultural interest groups, Professor Honma contends that certain Japanese agricultural sectors, such as rice and horticultural products, might actually benefit from further tariff liberalization through the TPP or other trade agreements.<sup>32</sup>

The interview partners were also asked to give an assessment on how Japan's new bilateral trade policy would affect the country's support for the multilateral

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<sup>31</sup> Interview with senior official at Mizuho Research Institute, Tokyo, September 2012.

<sup>32</sup> Interview with Professor Honma, Tokyo, December 2012.

WTO (Question 9). With this question I made a direct reference to the building bloc vs. stepping stone debate and asked the interview partners to share their position regarding that debate.

Question 10 had the purpose to gain insights on the political dimension of Japan's bilateral trade policy and asked the interviewees if they deemed Japan's new bilateral trade policy supportive to Japan's general foreign policy goals. In the academic literature, it has been established that most FTAs are also politically motivated or have political implications. I would argue that this is also true for Japan's agreements. However, surprisingly not many of the interview partners were aware of the alleged connection between Japan's general foreign policy and its FTAs. One reason for this could be the fact that the Japanese government so far has not developed a comprehensive trade strategy that fully addresses the manifold political and economic potentials of FTAs, which has left many unclear about the overall goals and long-term impact of this policy change.

In the final part of the interviews the experts were asked about their knowledge on existing evaluation schemes and on the government's stance on trade policy evaluation. In this context, the interview partners were then also asked regarding their personal position on trade policy evaluation. Many experts disclosed that they believe evaluation to be an appropriate tool to improve trade policy. Many stated that they would welcome the implementation of a comprehensive trade policy evaluation system, although some expressed their criticism. The former METI senior official and now senior official at Mitsubishi Corporation that I talked to on this matter also expressed such a view:

*“Japan needs to adopt a practice of objectively evaluating its policy after implementation. Somehow we don't have a systematic practice for evaluation. Regarding FTA policy, I don't know of any systematic evaluations.”<sup>33</sup>*

On the other hand, we have to be cautious on how useful such evaluation results actually could be. In case the implementation of a trade policy evaluation system is not accompanied by a more profound reform within the Japanese bureaucracy, it probably would continue to yield little results. It is also highly likely that evaluations were conducted without being published afterwards.

Most interview partners confirmed Japan's failure to conduct some kind of evaluation on their trade policy. One senior official at METI supposed that the omission of trade policy evaluation is due to the reason that the government did not want to further stir up discussions on controversial trade policy issues, such as

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<sup>33</sup> Interview with senior official at Mitsubishi Corporation, Tokyo, December 2012.

the TPP debate. She also disclosed that internal evaluations have been conducted, but results were purposefully kept away from the public.

According to a METI official, the EU division of the METI does not have its own evaluation department, nor does it have one official specifically assigned to this task. My interview partner explained that evaluations were conducted ad-hoc for smaller projects. In case of larger projects, external consulting companies are commissioned to run the evaluations. However, not all of these evaluations are published afterwards. As my interviewee confirmed, an evaluation on the EU-Japan agreement, which was conducted before the start of official negotiations, has not been published yet.<sup>34</sup>

Professor Honma points out another challenge for the Japanese evaluation system. He argues that Japan's trade-related ministries should not evaluate each other, as they tend to criticize each other for political and ideological reasons. Instead, Honma suggests to assign the Council on Economic and Fiscal Policy (CEFP), which is under the Cabinet Office, with the task to conduct trade policy evaluations. As a central government body with well-established relations to the three main trade-related ministries METI, MOFA and MAFF, the CEFP is believed to be in a more neutral position to perform this task.<sup>35</sup>

However, another business representative highlighted the point that the EU does not necessarily do a better job when it comes to FTA impact assessment. He, in particular, mentioned the need to assess the possible cumulative effects of a series of asymmetric agreements. In order to reach a comparative perspective on this, it would be helpful to conduct a follow-up study with expert interviews from the European side.

The last question in each interview session usually had the purpose to identify additional potential interview partners. As I applied a so-called snowball system to get in touch with trade policy experts, I mostly relied on suggestions by my interview partners to find new interviewees. In most cases this approach was successful and many of my interview partners introduced me to new experts in the fields.

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<sup>34</sup> Interview with METI senior official, Tokyo, February 2013.

<sup>35</sup> Interview with Professor Honma, Tokyo, December 2012.





## 4. Time frame of Japan's trade policy shift

Japan's trade policy shift, which manifests itself in the ongoing proliferation of bilateral FTAs, can be divided into roughly two phases. The first phase started in the mid-1990s, when bureaucrats and lobbyists began to ponder FTAs as a policy option for Japan. During this phase the transition from a multilateral to a bilateral trade policy began and led to the conclusion of FTAs with Singapore in 2002 and Mexico in 2005. Japanese policy makers slowly accepted bilateral FTAs as an alternative forum to conduct trade policy. The peak of this first phase was reached between 2006 and 2009, when Japan signed and implemented the majority of its current FTAs. These years saw the conclusion of nine FTAs and the consolidation of Japan's FTA activity. The second phase, still ongoing, started around 2009, when several pre-negotiations and studies on larger and more comprehensive plurilateral and regional trade projects were initiated (Table 7). This phase in particular has been marked by the controversial TPP debate, which revealed a high level of public discontent with the government's position. In contrast to the first stage, however, when different points of view regarding Japan's future trade policy were mainly discussed between bureaucrats and business lobbyists, the debate on trade policy is now taking place in the media and a multitude of stakeholders is involved. Drysdale (2005: 10) observes, "what is remarkable is that such a fundamental shift in Japan's trade policy diplomacy was effected without public debate in Japan and the reactions to it from partner countries were almost entirely unanticipated by Japanese policymakers." The second phase also saw the implementation of the two legislative acts that determine Japan's current official trade policy. In 2010, the DPJ government enacted the 'Basic Policy on Comprehensive Economic Partnerships' while the Abe administration passed the 'Japan Revitalization Strategy' in 2013 (Kantei 2010a; Kantei 2014).

Table 7: Time frame of Japan's evolving trade policy shift

	1 <sup>st</sup> phase	2 <sup>nd</sup> phase
<b>Time frame</b>	Mid-1990s – 2009 (Evolving policy shift and consolidation)	Ongoing since 2009 (second policy shift)
<b>Scale</b>	Bilateral	Bilateral and plurilateral
<b>Number of concluded FTAs</b>	11	3
<b>Main reasons behind FTAs</b>	Multidimensional (economic, political, legal)	Multidimensional (economic, political, legal)
<b>Major conflict</b>	Shift from WTO to EPAs within bureaucracy	Public TPP debate
<b>Main driving force</b>	Coalition of METI and MOFA officials and business interests (Keidanren)	Government (Kantei) Prime ministers DPJ leaders
<b>Main challenge</b>	Initiating a shift in trade policy thinking	Balancing interests Overcoming domestic opposition (JA)
<b>Main goal / benefits</b>	Loss avoidance Catching up Learning process for officials	Establishing future trade framework Domestic restructuring

Source: Author's compilation

## 4.1 First stage of FTA proliferation

The following two sections will briefly reiterate the two phases in Japan's trade policy shift. These two phases also set the time frame that will be covered in this dissertation, which starts from the mid-1990s and continues through today.

Until the mid-1990s, concluding any bilateral trade agreement was not even considered a viable policy option in Japan.<sup>36</sup> In fact, Japan was among the last OECD

<sup>36</sup> As Pempel and Urata (2006: 75f.) have shown, Japan has actually signed several bilateral trade agreements with the US since the 1970s. However, those sector-specific agreements

countries to enter the realm of bilateral free trade negotiations in the beginning of the 21st century. This can be explained by looking at Japan's post-war economic and industrial policy. Since reintegrating into the world economy and joining the GATT in 1955, Japan has been a strong advocate of the GATT-based multilateral trade system. Being an export-oriented economy, Japan profited from ongoing market liberalization and tariff reduction achieved by GATT's recurrent multilateral trade rounds. At the same time, GATT's single undertaking approach made it possible for Japan to exclude its sensitive agricultural products from the negotiating table to avoid opposition from influential domestic interest groups (Sumiya 2000).

However, Japan decided to leave its highly trusted path of multilateral trade negotiations in the late 1990s to join the global race for signing bilateral agreements with other like-minded countries. The stalemate of the current Doha Development Round, the decisions of the United States (US), the EU and South Korea to actively pursue bilateral trade agreements with their strategic partners as well as China's rise as a global economic and political powerhouse, were among the main reasons behind this policy change. In the area of foreign economic policy, Japan, within a decade, transformed itself from one of the strongest supporters of the multilateral trade regime to a very active player in the ongoing process of signing preferential trade agreements.

Japan's trade bureaucrats dubbed the new approach a multi-layered foreign economic policy that aims to broaden the scope of Japanese trade policy through the inclusion of bilateral and regional agreements (METI 2002: 191f.). Ever since Japan embraced this new trade policy approach, its trade-related ministries, particularly the Ministry of Economy, Trade and Industry (METI) and the Ministry of Foreign Affairs (MOFA), incrementally shifted their focus and internal capacities towards a more bilateral-oriented trade policy with the so-called EPAs becoming Japan's most essential foreign economic policy tool (Dent 2006: 79). This presents a critical shift from Japan's former reliance on and support for the WTO as the main forum of multilateral trade liberalization. Many bureaucrats, who were previously responsible for multilateral trade negotiations, were reassigned to newly formed bureaus or departments working on the issue of bilateral agreements (Pekkanen et al. 2007: 954f.; Yoshimatsu 2006: 486f.).

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mostly had the purpose to manage and facilitate the constrained US-Japanese trade relations and are not comparable to the kind of EPAs that Japan has concluded in recent years.

Japan's trade policy shift, however, is no exception in the world of global trade, as the last two decades have seen a wide diffusion of bilateral FTAs. This trend has truly altered the international trade regime. What makes Japan a particularly interesting case is the fact that it initially did not even consider FTAs as a policy option, but subsequently changed its position drastically and is now one of the main FTA-hubs in the Asia-Pacific. However, this early stage was still characterized by a high level of passiveness from the Japanese side. Urata (2011: 43) argues that Japan's FTA negotiations up until the ASEAN negotiations in 2005 "were carried out without a firm strategy". In this early stage, negotiations were typically launched only after the other side approached Japan. In the words of Urata (2011: 43): "Rather than Japan actively putting pressure on partner countries to carry out negotiations, the truth was that Japan's negotiations were launched in response to requests from partner countries." It was not until several years later that Japan started to take a more proactive approach in initiating FTA negotiations.

## 4.2 Second stage of FTA proliferation

After shifting its trade policy focus from multilateralism to bilateralism in the last decade, Japan has now reached a critical juncture. Japan's government has moved on from pursuing only bilateral agreements to plurilateral agreements, such as the TPP, the Regional Comprehensive Economic Partnership (RCEP) or negotiations on a trilateral FTA between Japan, China and South Korea. Japan also began talks with the EU to form an interregional agreement. These plurilateral agreements and the TPP in particular are often labeled as next-generation agreements. They aim at higher and more comprehensive levels of tariff liberalization, as well as the creation of new rules and standards in many areas that have not been covered by previous agreements, such as government procurement, competition policy and regulations on state-owned enterprises (Fergusson et al. 2013: 18-49).

Although one might consider these current trade projects as the natural and subsequent result of Japan's earlier agreement, they are much more than just plurilateral versions of their bilateral precedents. In the eyes of their proponents, these agreements have the potential to finally lead to results that many Japanese business leaders and bureaucrats were initially hoping to achieve when they started supporting the idea of concluding EPAs in the late 1990s. For them, joining the

TPP, concluding an agreement with the EU and promoting the idea of the RCEP tantamount to substantial economic and political benefits for Japan. However, this second stage of trade agreements is also met with hesitation and concerns by many in Japan and a growing domestic opposition has initiated a harsh controversy. This discussion mainly centers on the TPP negotiations, however, most of these controversial issues also play a role in the negotiations with the EU and other trade talks.

Hence, this dissertation will look at the three mega trade projects Japan is currently involved in with the purpose to identify major similarities as well as differences between the content of the negotiations and the interests of the involved actors. As it becomes increasingly clear that the status of each negotiation influences other talks and negotiations, it is imperative to shed light on the interplay and the interdependency of these agreements.<sup>37</sup> In interviews that I conducted with METI officials, this assumption was confirmed as well. According to one METI official, joining and completing TPP negotiations should be Japan's first priority, as this would make other negotiations, such as talks between China, Korea and Japan for a trilateral agreement, the negotiations between Japan and Canada as well as the RCEP negotiations easier. The METI official argued that particularly RCEP negotiations would profit from Japan joining the TPP, as several TPP members are also involved in the RCEP and therefore some issues under negotiation might overlap.<sup>38</sup>

#### *4.2.1 The Trans-Pacific Partnership*

The TPP is a plurilateral trade agreement with global dimensions. Currently there are 12 countries in the Asia-Pacific region (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam) involved in the negotiations which started already in 2006 as a small four-party agreement between New Zealand, Singapore, Brunei and Chile. According to the Office of the US Trade Representative (2015), the negotiating countries represent approximately 40 percent of global GDP. The TPP has been dubbed the first 21<sup>st</sup> Century trade agreement due to its ambitious trade liberalization agenda and

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<sup>37</sup> Refer to Lewis (2013) for an extensive discussion on the differences and similarities of the TPP and the RCEP.

<sup>38</sup> Interview with senior METI official, Tokyo, December 2012.

is seen as the centerpiece of the US trade strategy (Barfield 2011).<sup>39</sup> The negotiations on the Trans-Pacific Partnership reached a new milestone when Japan, after a long time of hesitation, decided to join the ongoing talks in early 2013 and took part in the 18th round held in Malaysia in late July 2013 (VerWey 2013). As part of Prime Minister Abe's "Japan Revitalization Strategy", the TPP has also become a key policy goal for the Japanese government (Kantei 2014). Particularly now with Japan onboard, the TPP has the potential to become a new standard for bilateral and plurilateral trade agreements around the globe. According to its proponents, the TPP is at the forefront of global trade policy and is likely to determine the future of global trading patterns and rules not only for the participating countries, but also for the rest of the world. "It is tempting to think of the TPP as an US effort to create a new model not only for trade agreements but for economic governance as well. Critics inside and outside the United States see it as an attempt to mold the world fit to the needs of major US corporations" (Grimes 2014). Like other trade agreements, the TPP aims at abolishing common tariffs to increase the trade volume between the partner countries. However, it also aims at reducing so-called non-tariff barriers (NTB) to trade such as technical barriers, sanitary measures and bureaucratic hurdles. And even though many industries around the globe, for example the Japanese agricultural sector, are still highly protected by traditional import tariffs, the WTO sees NTBs as the real obstacle to freer global trade (WTO 2012). Harmonization and mutual recognition of standards, procedures and regulations across industries have been identified as the most promising method to further facilitate trade relations (WTO 2012: 150). However, even after the full text of about 6000 pages has been released, it remains difficult to assess the real impact of the TPP (BBC 2015). Although negotiations have been successfully concluded in October 2015, it is still a long way "before the TPP morphs from an agreement in principle to an agreement in reality" (Solis 2015a). Each participating country will need to ratify the trade deal in the upcoming months before any tariff line will be removed. Particularly in the US, the ratification process is expected to be an uphill battle (Katz 2015). Sugawara (2015) presents an early assessment of the TPP from a Japanese perspective, however, he also reminds us of the difficulty to fully evaluate the agreement before it takes effect in each member country.

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<sup>39</sup> However, with the TTIP negotiations progressing, one might argue that the US is actually following a two-pronged trade strategy.

## 4.2.2 The EU-Japan agreement

After several years of preparation and pre-negotiations, Japan and the European Union began formal trade negotiations on 25 March 2013. For both sides this trade project is pivotal, as Japan is the EU's seventh largest trade partner and the EU is the third largest partner for Japan (EU Commission 2014). For Japan, this agreement is mainly about improving access to the European automobile market, while the EU has an interest in gaining better access to the Japanese service sector (Dreyer 2013). Similar to the TPP, the EU-Japan agreement is also believed to play a major role in global rule-setting. This dimension of trade agreements is often overlooked for their immediate economic benefits, however, establishing global norms on trade policy is a key policy goal of all major trading powers.

*“At this juncture, the proposed EU-Japan EIA offers the chance to shape international rules for trade by forming the biggest free trade area for goods and services in the world. If the European Union and Japan can agree on rules, standards and certifications, these are likely to become the global norm” (Manger 2012: 34).*

This goes hand in hand with the reduction of NTBs, which has been identified as one of the main goals of the negotiations, as it is believed to be most beneficial regarding possible trade gains. A study on the EU-Japan agreement by Sunesen et al. (2010: 86) concludes that welfare gains due to the reduction of such NTBs will be around five times higher than potential gains through the abolition of general tariffs.

## 4.2.3 The Regional Comprehensive Economic Partnership

Negotiations on the RCEP officially started in November 2012 and are taking place between the ASEAN member states and Japan, China, South Korea, Australia, New Zealand and India (Lim 2012). In February 2015, the 7<sup>th</sup> round of negotiations was held in Thailand. Although RCEP has been originally initiated by Japan, ASEAN has become the main driving force behind the negotiations. If successful, the RCEP would create the world's biggest free trade area. However, compared to the TPP or the Japan-EU agreement, RCEP is often regarded as being shallower and not as ambitious in its liberalization agenda, due to its special or differential treatment of economically weaker ASEAN members (ASEAN 2011). To this end, its critics argue that RCEP might end up just consolidating ASEAN's already existing ASEAN+1 agreements, instead of becoming a com-

prehensive, deep integration agreement (Basu Das 2014). Despite these challenges, it still has a huge potential in harmonizing trade rules and standards in the wider Asia-Pacific region, particularly as it includes China, which has been excluded from TPP negotiations so far (Wignaraja 2013).

Engaged in the TPP, the EU-Japan agreement and the RCEP, Japan is in the midst of a major transformation that will have significant consequences on its economy, even if these agreements will ultimately not be concluded as ambitious as initially intended. Despite this, Japan has not taken enough measures to transparently evaluate its new approach in trade policy, in order to formulate an actual trade strategy and secure the best possible political and economic outcome in future negotiations (WTO 2011b: 30). This constitutes not only a gap in the academic literature, but also from the perspective of policymakers. In light of Japan's lack of self-evaluation regarding its current FTAs, this dissertation will introduce the concept of policy evaluation, which is currently missing in the existing literature on Japan's trade policy shift. This dissertation will also present the example of Australia's trade policy evaluation as a case of successfully implemented evaluations and best practice. In addition, this study will discuss the challenges Japan is facing in the attempt of implementing such a comprehensive evaluation system. As Japan is currently involved in three major trade policy projects, I will start my analysis with a stance that such evaluation is indispensable for Japan to successfully implement future FTAs. As it is becoming increasingly clear over the past years that Japan lacks an overarching trade strategy, a comprehensive and transparent evaluation of its existing trade agreements and recent policy-decisions would at least generate parameters and indicators helpful in current negotiations. Yoshimatsu (2014a: 18) on the other hand, comes to the conclusion that Japan's trade policy has evolved to become "comprehensive and straightforward". He describes Japan's trade policy since 2012 as a "simultaneous FTA strategy". I will test his assumption to clarify whether this latest development can be rightly labeled as a strategy, which implies calculated policy decisions, or rather just as a retrospective description of Japan's trade policy.



## 5. Reasons and motivations behind Japan's trade policy shift

### 5.1 Numerous reasons trigger shift in trade policy thinking

Trade policy thinking in Japan underwent a major shift in the late 1990s. For most of post-war history, Japan's policy makers and trade bureaucrats promoted a multilateral trade policy approach based on GATT's and WTO's international binding rules and regulations. However, starting from the mid-1990s, a variety of reasons caused these trade officials to change their mind and rethink their approach on trade policy. As a result, the idea of bilateral trade agreements, mushrooming all over the world, also found its way into Japanese trade politics and eventually Japan's multilateral approach evolved into a multi-layered one. So what exactly triggered Japan's interest in FTAs in the very beginning and made the Japanese government ultimately start negotiating its own FTAs? According to Krauss (2003) and Munakata (2001), the following three events have been highly instrumental for this development.

#### **Global proliferation of FTAs**

The 1990s experienced an unprecedented proliferation of regional economic integration particularly marked by the rise of bilateral trade agreements. While by 2002 only around 160 FTAs were in force, the number today has risen to approximately 400 (Urata 2002; WTO 2015a). Particularly the economic integration process that was taking place in Europe and North America at that time caught the attention of senior officials at the METI. They soon started to study this phenomenon and its effects on the global trade regime in order to better understand how Japan could react to this changing environment (Munakata 2001: 13). The overall crisis of the multilateral WTO system and specifically the stalemate of the Doha Round further urged Japan to rethink its trade policy approach (Urata 2011: 45-48).<sup>40</sup>

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<sup>40</sup> Lamprecht (2014: 113) offers another explanation. According to him, the exclusion of certain issues from the Doha Round urged Japan to focus on bilateral agreements. Investment issues in particular, being of high importance to Japanese negotiators, have become a centerpiece in Japan's EPA policy.

## **South Korea's turn towards FTAs**

Japan was not the only country in Asia that began to consider bilateral trade agreements as a reaction to this global trend. South Korea initially also had a skeptical attitude regarding FTAs for most of the 1990s, but its unanticipated decision to pursue an agreement with Chile in November 1998 was perceived as a shock among many Japanese trade officials, which in turn further urged them to transform their approach and follow suit with Korea (Munakata 2001: 15).<sup>41</sup> Even though other countries, such as Singapore, had already embarked on an assertive policy of building a network of bilateral agreements and establishing themselves as regional or even global centers or hubs of such agreements, South Korea's decision to join this race in particular had a major impact on Japanese policy makers who feared to lose Japan's competitive edge.<sup>42</sup> However, as South Korea's trade policy played an instrumental role in triggering Japan's policy transformation, China's rise as a global economic and political powerhouse and the resulting leadership competition with Japan in East Asia is just as important (Drysdale 2005).

## **Failure of the APEC system**

In the 1990s, the Japanese government not only championed multilateral efforts under the WTO, but also trade liberalization attempts within the Asia-Pacific Economic Cooperation (APEC) process, which as a regional grouping enjoyed Japan's strongest support at that time. Trade liberalization within APEC was seen as complementary to the WTO, as it was conducted unilaterally and voluntarily. The most ambitious project of the APEC was the early voluntary sector liberalization initiative (EVSL), but its failure further diminished Japan's support for "open regionalism" (Bergsten 1997) efforts (Krauss 2003: 317f.; Okamoto 2000).

The combination of these events ultimately triggered the emergence of a new attitude among Japanese policy makers towards FTAs. These external factors – in a nutshell the changing behavior of other major trading countries and the resulting gravity shift in international trade policy from multilateralism to bi- and regionalism – highly influenced the change in Japan's domestic view on trade

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<sup>41</sup> Refer to Solis (2013) and Koo (2011) for a discussion on the evolution of Korea's proactive FTA strategy.

<sup>42</sup> Interview with senior official at the National Policy Unit, Cabinet Secretariat, Tokyo, September 2012.

policy at this early stage (Munakata 2001: 17). However, even though the resulting change in Japan's trade policy thinking was significant, it did not alter Japan's "consistent pattern of preferences and goals through the post-war period" (Krauss 2003: 208). The changing environment rather led Japan's bureaucrats to expand their trade policy instruments by a regional and bilateral layer, which resulted in the evolution of Japan's multi-layered trade policy. Furthermore, it is important to note that the reasons behind Japan's EPAs change according to the country it is negotiating with. While Japan's early agreements with developing countries in Asia were predominantly driven by economic and business interests, political and strategic interests became more important during talks with Australia and Switzerland (Ziltener and Yoshimatsu 2010). In addition, negotiations with developed countries have not only seen varying motivations on Japan's side, but also a difference in the style and the actual content of the negotiations.

The two actors that adapted most quickly to this new environment were METI and Keidanren. Both emerged as important driving forces behind Japan's trade policy transformation. However, both organizations were not monolithic in their support for bilateral agreements, as they represented various industry areas or different company interests, which also included several groups that opposed such a policy shift. Its proponents nonetheless were influential enough to shift their organizations' attitude slowly in favor of FTAs and therefore created an informal pro-FTA bloc between the private sector and the government. According to Krauss (2003: 319), the crucial change of opinion happened when METI officials stopped regarding FTAs as an alternative and ultimately opposition to multilateral liberalization and accepted that FTAs might indeed be complementary to the WTO regime. When they overcame their initial skepticism, the way was paved for Japan's new multi-layered foreign economic policy, as the METI (2000) labeled it in its 'White Paper', to gain more supporters and ultimately become the government's official position.

The majority of interview partners also named METI and Keidanren as the two most influential actors in this policy shift.<sup>43</sup> However, it depends on the background of the interviewees whether they assess industry or bureaucracy as more influential. Having said that, only the joint efforts of these actors, as well as the multifaceted external and internal reasons, created a unique window of opportunity that ultimately led to the transformation of Japan's trade policy. The next

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<sup>43</sup> 14 out of my 25 interview partners named METI and Keidanren as the most important actors in Japan's policy change.

chapters will analyze the role of the involved actors as well as their interdependency, which is indispensable to understand Japan's trade policy making.

## 5.2 Bureaucrats as main driving force

Trade policy in Japan is largely shaped and implemented by senior bureaucrats within several trade-related ministries. Among Japan's numerous ministries and government agencies, METI and MOFA are the most influential when it comes to setting the course for the country's trade policy. Within this two-headed structure, MOFA often represents a more "internationalist" approach due to its mission to facilitate and manage Japan's international relations and to improve the country's standing in the global order. The METI, in contrast, traditionally championed its industry and international companies, representing more often a "protectionist" stance, due to its policy of assisting and supporting companies' outward-looking activities.

In his seminal work on METI, Chalmers Johnson (1982) described the ministry's prominent role in Japan's trade and industrial policy.<sup>44</sup> METI is in charge of almost all relevant trade policy matters and their officials have an unrivaled impact on trade negotiations, not only within the WTO, but also regarding Japan's numerous bilateral agreements. Having said that, several other ministries, most notably the MOFA, the Ministry of Finance (MOF), the Ministry of Agriculture, Forestry and Fisheries (MAFF), the Ministry of the Environment (MOE), and the Ministry of Health, Labour and Welfare (MHLW), also play influential roles in Japan's trade policy making process. Depending on the issue at hand, at least four or five ministries are usually involved in the process of forming Japan's foreign economic policy.<sup>45</sup> This has been labeled a "concerted economic system", in which the state defines general economic and political goals and then provides a framework for companies to achieve these (Kevenhörster 1993: 103). Figure 2 gives an overview of the involved ministries and agencies and their various roles

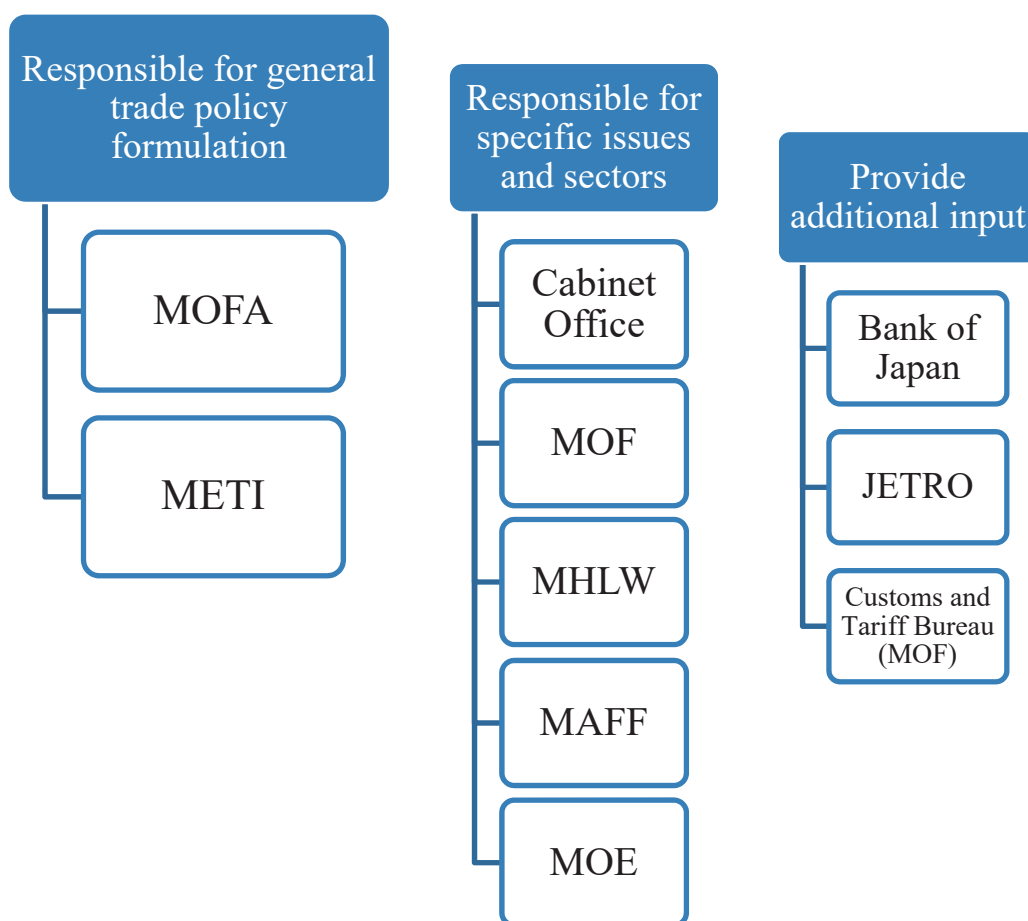
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<sup>44</sup> Although Johnson (1982) usually gets credited for establishing the term "developmental state" to describe the pivotal role of the state and METI in Japan's economy, Kevenhörster (1973) already explained the interplay between Japan's public and corporate sector and the impact on its economic development almost a decade earlier (Heilmann 2006: 104).

<sup>45</sup> For a historic perspective refer to Haruhiro Fukui (1978), who describes the interministerial decision-making process during the GATT Tokyo round.

in Japan's trade policy regime.<sup>46</sup> The actual discussions and consultations are taking place in various committees and advisory bodies of the Diet, such as the Committee on Economy, Trade and Industry, the Committee on Financial Affairs, the Committee on Forestry and Fisheries, and the Committee on Fundamental National Policies (WTO 2015b: 19). This procedure has not really changed since Kevenhörster (1973: 17-26) described the importance of such committees and advisory bodies in Japan's political system over forty years ago.

Figure 2: Japan's trade policy regime



Source: Author's compilation based on WTO (2015b: 19)

Japanese bureaucrats began to consider FTAs as a possible policy option in the second half of the 1990s. Manger (2005) argues that this sudden policy transformation within Japan's trade bureaucracy was unprecedented and mainly due to

<sup>46</sup> Other government agencies that influence the trade policy-making process include the Japan Bank for International Cooperation (JBIC), the Nippon Export and Investment Insurance (NEXI), the Japanese Industrial Standards Committee (JISC), the Pharmaceutical and Medical Devices Agency (PMDA), and the Japan National Tourist Organization (JNTO).

a switch of opinions of several senior trade officials. After a hesitant start and after being highly critical towards any form of bilateral agreement for many years, even reluctant to consider them an option, senior officials in the two leading ministries, MOFA and METI, eventually spearheaded this process and particularly METI emerged increasingly as the main driving force behind Japan's policy shift. Krauss and Naoi (2011: 58) conclude that "the shift from regional multilateralism to bilateral FTAs also was led by METI, this time in response to the economic stagnation of Japan, regional and global trade liberalization, and in the case of Mexico, the US FTA with Canada and Mexico (NAFTA)."

What had happened that Japan's bureaucracy, which for many years had rejected bilateral trade agreements, decided to significantly shift its personnel and resources towards FTAs? The METI, for example, set up a special FTA working group in October 2003 with the purpose to improve the ministry's expertise on the emerging topic of bilateral trade agreements and more than doubled its staff from 35 to 80 in November 2004, which in turn caused MOFA and MAFF to also enlarge their personnel on FTAs (Dent 2006: 79; Pekkanen et al. 2007: 954f.).

According to Manger (2005: 814) the opinion change of two key policymakers inside MOFA and JETRO played a decisive role in Japan's trade policy reorientation. Those were Tanaka Hitoshi, the Director General of MOFA's Economic Affairs Bureau between 2000 and 2001, and Hatakeyama Noboru<sup>47</sup>, who in 1998 became Chairman and CEO of JETRO after serving as METI's Vice-Minister for International Affairs from 1991 until 1993. Mr. Hatakeyama proposed to the METI to actively develop its own FTA strategy, while the MOFA under Tanaka started to educate itself on bilateral agreements with the purpose to publish the ministry's approach to FTAs (Manger 2005: 814f.).

Due to their extraordinary influential position within the Japanese political system, such senior officials in Japanese ministries actually "do" politics rather than just administer it. This is also the case in trade policy, where the change of mind of a few public servants in key positions resulted in the slow adaption of a new trade policy direction. According to Manger (2005: 814), economic motives, such as the NAFTA conclusion in 1994 and its discriminatory effects on Japanese companies, caused many officials to reconsider their view on FTAs. In the following years, Japan's trade bureaucracy became increasingly aware that the

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<sup>47</sup> Served as Chairman of the Japan Economic Foundation until March 2013.

economic stakes with regard to FTAs were high and that Japan had to react to this looming challenge.

The fear of falling behind or losing its competitive advantage can be seen as the main force behind the policy transformation during this early period. These concerns were first voiced by Japan's export-oriented corporations, which started lobbying the government to counteract NAFTA's allegedly negative effects on their business. This fear increasingly became a major factor for the perception change within Japan's policy-making bureaucracy. Officials recognized that the rules and the shape of the international trade regime were changing and that Japan, and especially its export-oriented firms, were about to fall behind in this new and rapidly intensifying struggle for preferential access to important markets. METI, in particular, was receptive to the growing demands from the business community, whose first and foremost priority was the FTA with Mexico, and soon began to promote such an agreement by running a PR campaign to raise awareness among politicians and the public. Solis and Katada (2008: 82) conclude that "METI has undoubtedly played the catalytic role for Japan's FTA initiatives and, early on, attached great importance to an FTA with Mexico."

However, even though MOFA and METI started more or less at the same time to accept FTAs as a part of Japan's foreign economic policy, traditional interministerial conflicts and diverging approaches towards bilateral agreements made it virtually impossible for the Japanese government to formulate a comprehensive approach that would integrate the interests of all involved ministries. One reason behind this is the fact that the loyalty and strong identification of bureaucrats to their own ministry or agency is often stronger than to the central government. This peculiar feature of Japanese bureaucracy is affecting policy-making in all areas and has been a major reason for interministerial conflicts on trade policy issues as well. Solis and Katada (2008: 86) also point out that "the contrast among the promoter METI, the resister MAFF and the reluctant MOFA in FTA negotiations with Mexico could not be starker." Mulgan (2008) agrees that the conflict between agriculture, represented by MAFF, and industry, in the form of METI and MOFA, is the main obstacle to a comprehensive FTA strategy. This highly fragmented process of policy-making is not only true in the area of trade policy, but is a general feature of Japan's political system: "Essentially, Japanese trade policy is crafted amid tension between different ministries, a direct consequence of the diffusion of power and authority throughout the bureaucracy that permeates the Japanese political system" (Lord 2010: 27). Depending

on the policy field, different ministries are included in the process of preparation and negotiation of FTA agreements. These inter-ministerial tensions, or “territorial conflict” as Terada (2010: 78) calls it, have long been a characteristic of Japan’s policy making process. According to Mulgan (2008: 172), there are so-called sub-governments in each respective policy field. These sub-governments are “self-sufficient policymaking structure[s]” that have the actual power to shape relevant policies in their industrial sector by excluding other actors and organizations. However, at that time, pro-FTA officials at METI not only had to convince external interest groups and the general Japanese public, but also had to deal with oppositional forces in other ministries and FTA-critics at METI itself. Another reason for the lack of a common position on FTAs was the relatively short period of time in which this policy change took place. As of 1993, the Ministry of Foreign Affairs of Japan was everything but open towards any kind of deviation from its strictly multilateral track. In its yearly report on foreign policy, the ‘diplomatic bluebook’, it made very clear that FTAs are not an option because “institutional regional integrations, such as customs unions and free trade zones, in particular, would inevitably create discriminatory treatments against countries outside the region” (MOFA 1993). The METI White Paper, which is the ministry’s most important yearly policy publication, in 1998 still dismissed the general idea of such bilateral agreements. However, just one year later it had changed its course and mentioned the positive effects of FTAs for the multilateral trading system (Dent 2006: 77f.). METI’s ‘White Paper on International Trade’ in 1999 was actually the first official publication from Japan that considered regional integration and FTAs as a possible policy option with positive effects for the Japanese economy and Japanese companies. METI’s main argument at that time was that FTAs could contribute and strengthen the multilateral trade system: “However, regional integration has also revealed the following positive aspects, making it increasingly vital that Japan responds flexibly and constructively to such integration in recognition of the potential contribution to strengthening the multilateral trading system” (METI 1999). In August 2000, METI published its report ‘The Economic Foundations of Japanese Trade Policy: Promoting a Multi-Layered Trade’ which came to be seen as the theoretical framework for Japan’s foreign trade policy and for METI’s change of mind. However, MOFA’s officials took a more deliberate position and were hesitating longer to embrace FTAs as an integral part of Japanese trade policy, but in 2002 they also published a



FTA strategy paper.<sup>48</sup> Its main contribution was the definition of certain criteria on how to select future FTA partner countries. According to MOFA's publication (MOFA 2002a), the following factors should play a major role when selecting FTA partners:

1. Economic criteria
2. Political and diplomatic criteria
3. Feasibility criteria
4. Time-related criteria

These criteria already indicate that Japan was considering its EPAs as versatile policy tools, which could be used to advance Japan's interests in a variety of areas.

Japan was clearly experiencing a major policy shift, as Japan's trade bureaucracy embraced the idea of FTAs as part of their trade policy repertoire, while slowly abandoning the paradigm of multilateral trading under the umbrella of the WTO. However, according to Aoki (2004: 5), the anti-FTA group within the METI was still quite strong at that time. They were, however, open towards negotiations with Singapore, as tariffs between Japan and Singapore had already been at a very low level and the agreement was seen as a precedent for future negotiations as well as "a pilot type for getting those who adhere to a multilateral negotiations system accustomed to FTAs" (Aoki 2004: 5f.). Singapore was already an extremely open economy with very low taxes and virtually no agricultural industry at the time of the negotiations, which made the process significantly easier for Japan.<sup>49</sup>

15 years later, however, the outlook of the government on trade policy has changed drastically. The METI White Paper 2014 regards EPAs as the most important pillar within Japan's global outreach strategy (METI 2014b: 20), whereas the WTO is not even included in that strategy. The publication describes the government's goal as follows: "The government will multilaterally promote not only the TPP, but also the RECP, the Japan-China-South Korea FTA, and the Japan-EU EPA to build economic partnership networks covering most of Japan's trade partners." The WTO is mentioned only later and with particular focus on pluri-

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<sup>48</sup> A detailed summary of METI and MOFA's changing positions in their official publications between 1998 and 2002 has been provided by Ogita (2002: 2-10).

<sup>49</sup> For the Singaporean perspective on the negotiations refer to Pang (2010).

lateral negotiations within the WTO, such as the efforts to conclude an Information Technology Agreement (ITA) between 55 countries. The WTO, although still regarded as “the basis of the world trade system” by Japanese policy makers, has been replaced by FTAs as the most important trade policy choice.

So is there after all a single group or actor that can be identified as the most important driving force behind Japan’s policy shift? After discussing the role of governmental actors above, the following section will focus on Keidanren’s role.

### 5.3 Business interests and Keidanren

Nippon Keidanren, Japan’s most important association of business representatives, has played and continues to play a key role in Japan’s trade policy change. Since the mid-1990s it has been lobbying the government to conclude FTAs for mainly economic reasons. Keidanren’s efforts are based on its general mission to improve business opportunities for its member companies. Keidanren has played a particularly important role in the early years of Japan’s policy shift, when resistance against any form of non-multilateral trade policy was still dominant in the trade-related ministries. As the peak organization of the Japanese business community, and thanks to its influential position in the Japanese policy making process, Keidanren’s change of mind reflected a major shift in the domestic debate on whether Japan should engage in FTAs as a means of trade policy. Its policy paper “Report on the possible effects of a Japan-Mexico Free Trade Agreement on Japanese Industry”, published in April 1999, was the first comprehensive report on FTAs (Keidanren 1999). It scrutinized the use of FTAs as instruments of Japanese trade policy by examining its possible positive and negative effects. But the report’s main impact, besides analyzing the possibility of an agreement with Mexico, was actually the fact that it raised attention for this topic among Japanese lawmakers and government officials. It highlighted the importance of concluding the Mexico agreement as fast as possible by stressing the negative economic effects for Japanese companies compared with companies from the US and the EU, which were enjoying preferential access to the Mexican Market since the NAFTA conclusion in 1994 and the EU-Mexico FTA in 1997. Keidanren’s main argument that Japanese businesses will be negatively affected if Japan fails to conclude FTAs, has subsequently become an important argument for pro-FTA groups in Japan and is repeatedly brought up in discussions on the necessity of certain FTAs. As demonstrated in the section above, this is also one

of the arguments that was raised by pro-FTA METI and MOFA officials to win support within their own ministries.

Yoshimatsu (2005; 2006) laid the groundwork for our understanding of Keidanren's role in Japan's trade policy shift. He identified Keidanren as one of the crucial actors behind this policy change and explained the organization's interests in FTAs. However, as Yoshimatsu's analysis is limited to Japan's early PTAs negotiations with Singapore, Mexico and Korea, it is necessary to further examine Keidanren's role in the negotiations that followed. Has Keidanren's interest in FTAs changed since these early FTAs were concluded? Is Keidanren still a driving force behind Japan's FTA activity? Answering these questions will enable us to compare Keidanren's role in the different time periods of Japan's FTA activity, in addition to better identifying the driving force of Japan's current negotiations.

### **Keidanren's role in the early stage of Japan FTA activity**

Keidanren's lobbying efforts have played a major role in establishing FTAs as a central pillar of Japan's new trade strategy. Similar to other interest groups, Keidanren avails itself of various means to reach its goals of protecting the interests of Japanese companies and improving their business environment. It mainly acts as a lobby group targeting politicians and other decision makers and disseminating information and opinions on topics of their own interests.

According to Yoshimatsu (2005), Keidanren performed three specific functions in the early FTA negotiations with Singapore, Mexico and South Korea. It acted as a pressure group, an information provider and as an interest coordinator. It traditionally has exerted its influence through various channels (Yoshimatsu 2005: 262):

- (i) By holding informal meetings with ministry officials and lawmakers involved in respective negotiations or study groups;
- (ii) Through the publication of papers and reports.

Keidanren usually follows a certain standard approach in its lobbying efforts and Yoshimatsu has described this approach based on the negotiations with Singapore. The first step consists of setting up a joint study group and conducting working level meetings. In the case of Singapore, this kind of study group was called 'Liberalization Task Force'. The study group is supposed to conduct several meetings to gather information from all concerned industrial and business

sectors. They also facilitate the cooperation with involved societal groups in order to submit an official position paper or a survey that reflects the interests and concerns of the business community. These reports can be very detailed, and in the case of the agreement with Singapore comprised 16 specific industrial areas that industry representatives wished to be included in the agreement. The report on the Korea agreement was even more granular and listed not only 14 industry sectors, but also ten specific items that had to be incorporated into the agreement. These reports and the close cooperation with the involved politicians can explain Keidanren's high impact on the outcome of the actual agreement. Keidanren plays a particularly important role when it comes to investment rules and provisions regarding dispute settlement mechanisms in FTAs (Pekkanen 2008). These lobbying efforts ensure that Japanese industrial and business interests are very well reflected in the final agreement. The following quote underlines the prominent role of Keidanren:

*"In retrospect, the JSEPA was concluded with comparatively little difficulty. Keidanren played a major role in this success: one could say that the government created a container out of the JSEPA and Keidanren helped fill it" (Yoshimatsu 2005: 266).*

However, Keidanren's pivotal role during the early stage of Japan's FTA activity was not limited to its lobbying efforts. Besides helping to promote the issue of bilateral trade agreements and raising awareness for it among government officials, Keidanren also spearheaded the process of selecting and designating possible future FTA partners for Japan. This is of particular importance, as the government itself, particularly in this early stage of Japan's FTA policy, was not able to form a common position on FTAs among the diverging opinions of all trade-related ministries. The reluctance and ultimately the inability of the Japanese government to formulate a comprehensive trade strategy resulted in a situation where Keidanren virtually dominated the domestic discussion on FTAs through its papers and reports, although the farming lobby constitutes an equally influential domestic player vehemently opposed to this turn in Japan's trade policy.

However, Keidanren's sole efforts to promote FTAs were not enough to shift Japan's trade policy priorities. Only when government officials took to it and understood that FTAs might not only carry positive economic effects, but also bring geo-political and strategic merits, they were willing to engage in bilateral negotiations. Trade officials found a likening to the idea that FTAs might be an opportunity to help restructure certain parts of the Japanese economy. They also

began to think of FTAs as an important and useful instrument in the ongoing leadership struggle in East Asia. And as this power struggle was fought on economic as well as political grounds, the concept of bilateral agreements that promised to deepen political and economic cooperation between partner countries fulfilled exactly this demand. Once this broader concept of FTAs and its numerous opportunities found its way into the heads of the administrative elite, it also had an effect on the potential choice of future partner countries. Whereas at least in the beginning, the partner choice was determined mostly by economic interests of Japanese companies, which either feared losing competitiveness or hoped to gain better market access, countries later were also chosen because they had, for example, shown interest in negotiations with one of Japan's main competitors in the region. This added a strategic element to the FTA discussion, which in the eyes of its supporters made them even more valuable.

## 5.4 Summary and preliminary conclusion

After reviewing the main reasons that urged policy makers, bureaucrats and business leaders to consider shifting Japan's trade policy approach, the following section will provide a preliminary conclusion. The existing explanations behind Japan's trade policy shift can be divided in two major schools of thought. On the one hand, scholars argue that government officials and policy makers wanted to achieve political and strategic goals by signing FTAs. However, on the other hand, other scholars contend that business and industry interests were the main driving force behind Japan's growing FTA network.

Munakata and Ravenhill are the best-known proponents of the first school of thought. The senior METI official Munakata argues that many government officials were actually hoping to promote the restructuring of Japan's domestic industry and the reinvigorating of its stagnant economy by joining the global FTA race. Krauss (2003: 319) shares this view and explains how Japanese government officials, particularly METI officials, began to understand and incorporate the wider potential of FTAs after Singapore approached Japan with the goal of negotiating a FTA in late 1999. Subsequently METI officials went to Singapore to interview Japanese company representatives about the business environment in Singapore and their potential need for a FTA. They quickly learnt that FTAs not only had the potential to simply abolish tariffs, but also to lower costs by harmo-

nizing and streamlining Japanese business and industry procedures and legal requirements. According to Krauss, this aspect of domestic restructuring through FTAs has become one of the most important motives for METI officials in their shift to bilateral trade agreements. Ravenhill (2010) also highlights the strategic aspect of FTAs and explains Japan's turn towards FTAs with the intensifying leadership competition with China.

Switching gears, the second school of thought contends that the main driving force behind Japan's FTA proliferation were business and industry interests. Manger and Yoshimatsu are the leading exponents of this approach. Manger (2005: 805) argues that Japanese investment interests were crucial for its turn to EPAs. He explains that this is in line with the general trend in the global economy, as foreign direct investments and cross-border production are becoming more and more important and companies, particularly those which have operations in many countries, are lobbying their governments at home to strengthen competitiveness by signing FTAs with countries they are invested in. Manger (2005: 807) extends Mansfield and Reinhardt's (2003) argument that FTAs are attractive for governments because they serve as an insurance when the predominant trade forum, in this case the WTO, fails to progress. Against this background, Japan's international oriented companies regard FTAs as useful trade policy tools, as they were the first to experience negative effects of being excluded from other preferential agreements, such as the NAFTA. Manger (2005) demonstrates the influence of investment interests in his two case studies on the agreements with Mexico and Thailand. Katada and Solis (2010) build on his argument with their theory of loss avoidance. According to them, the interest of certain business groups "to avoid losses rather than to reap gains" (Katada and Solis 2010: 139) has been a major reason for their successful mobilization campaigns, as for instance Keidanren's push for Japan to turn to FTAs.

However, when looking at these domestic actors in Japanese trade policy, we have to keep in mind that these often do not act in unison. Neither the business world nor the bureaucracy constitutes a singular unified actor in this debate. The government in particular is highly divided on the issue of trade policy and FTAs, as the respective ministries tend to defend the interests of the industry they are in charge of. However, the existing divide within the business world, particularly between different business sectors as well as between small and medium-sized enterprises (SMEs) and international corporations is often overlooked. Even though Keidanren is Japan's largest and most important business association,

which weighs in on most domestic debates related to Japanese industry and companies, it would be shortsighted to view them as the only representative of Japanese manifold companies. Particularly when it comes to their position regarding FTAs, there is a significant difference between Japan's large international operating corporations and its SMEs.





## 6. The TPP debate – turning point for Japan’s trade policy?<sup>50</sup>

Trade negotiations always have been a complicated matter and with the rising level of comprehensiveness of the latest agreements, negotiations are becoming even more contentious. Plurilateral agreements naturally involve more issues and a higher number of stakeholders. Hence, there is a higher potential for controversy or conflicts. In the case of Japan, the domestic debate on whether it should join the TPP negotiations has become a turning point for Japan’s trade policy, as it has provoked a fierce discussion, which also led to the emergence of an anti-TPP social protest movement.<sup>51</sup> The question on how much Japan should open up its markets to foreign countries, companies and investors, is at the core of this argument (Mulgan 2014: 24). The highly influential lobby group JA-zenchu (Central Union of Agricultural Co-operatives) has been the most vehement opponent to the TPP, but their efforts ultimately failed to prevent Japan’s current Prime Minister Shinzo Abe from joining the ongoing negotiations in the summer of 2013. There are also several other opposition groups, ranging from labor unions, the Japan Medical Association and members of Japan’s two main parties, the LDP and the DPJ, but these groups were not able to form a larger and unified protest movement and therefore could not reach their political goal. This chapter will analyze the reasons why the vocal anti-TPP campaign was ultimately unsuccessful. In order to understand the behavior of the involved actors and groups, this section will focus on their diverse interests and motivations that reflect the comprehensive nature of the proposed trade agreement.

### 6.1 The TPP discussion: pros and cons in a heated debate

While many officials in Japan’s trade-related ministries as well as LDP and DPJ politicians are also critical towards the further proliferation of such bilateral and regional agreements, JA-zenchu is the leading actor in this broad and heteroge-

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<sup>50</sup> This following chapter was first published in Jamitzky (2015a).

<sup>51</sup> Refer to Fan (2013) for a comprehensive analysis of Japanese sources on the TPP debate in Japan.

neous group. JA-zenchu, with nearly 10 million members, is Japan's most influential agricultural organization and mainly due to its lobby efforts Japan was able to exclude many agricultural products from tariff reduction in WTO negotiations and past FTAs. As a result of this, Japan's rice market, for example, is currently still protected by a 778 percent tariff on imported rice that exceeds the minimum market access guaranteed through the WTO (The Japan Times 2014a). JA's opposition stems mainly from their conviction that bilateral and plurilateral agreements harm Japan's sensitive agricultural industry and will eventually destroy the livelihood of many farmers.

On the other hand, however, as I have argued before, many individuals and organizations promote and support Japan's new trade policy. Keidanren, the country's peak business association, and the Japan Chamber of Commerce and Industry (JCCJ) have been calling for bilateral and regional EPAs since the late 1990s. The resulting antagonism between, generally speaking, more outward-looking and export-oriented large corporations versus more inward-looking and protectionist small-scale farmers has been dominating the political discussion on this issue since then and has hindered Japan from reforming its agricultural sector. Takada and Humber (2012) explain that "while Keidanren backs exporters who say that Japan needs accords like the TPP, JA Group says the accord will kill domestic agriculture." This antagonism also exists on the ministerial level. The traditional opposition between MAFF and METI, both staunch defenders of their constituencies' vested interests, further aggravated this trend. The Japanese public, too, has been more or less evenly split between supporters and opponents of Japan's participation in the TPP negotiations (Yamashita 2012), making it a challenging area for politicians to win broad approval among the electorate. Wallace (2011) concluded that the "public debate surrounding Japan's proposed entry into the Trans-Pacific Partnership (TPP) remains as heated and confused as ever." As a result, most Japanese governments since the late-1990s have been hesitant and cautious to fully engage in bilaterals, trying to balance the opposing interests of protectionist farmers and free trade advocates. Although Japan's trade bureaucrats started to consider EPAs as a possible supplement to its foreign economic policy, the government's official position is still marked by a high level of indecisiveness in the field of trade policy. The lack of formulating and implementing a more coherent strategy has received criticism from academics and policy experts, who see Japan falling behind in what has become a global race for bilaterals (Urata 2011: 3f.).

Nevertheless, while this conflict of interest continued to smolder in the background, Japan is expanding its EPA network and in January 2015 its agreement with Australia, Japan's 14<sup>th</sup>, went into force. Being Japan's first agreement with a major food producer, it is of high importance. In addition, Japan is currently holding talks with several other countries, such as Canada and Colombia. It also agreed in principle in the negotiations with Mongolia on the outline of an EPA (METI 2014c). This leaves Japan in the remarkable situation of being involved in several major negotiations without aggressively following a comprehensive trade policy strategy such as Singapore, Mexico or other countries that try to position themselves as regional hubs in the ever-expanding global network of bilaterals (Baldwin 2007: 24ff.). It also puts Japan into a position where its leaders can deliberate on which trade project should be prioritized. A convenient situation, as the two main trade projects Japan is currently engaged with in the Asia-Pacific region, TPP and RCEP, promote very different approaches on trade liberalization and the abolition of non-trade barriers (Basu Das 2013). They also stand for a completely different geopolitical outlook towards China, either integrating it further in the regional and global trade system by promoting the RCEP or containing China's rise through the conclusion of the TPP (Drysdale 2014). Although Japan's earlier EPAs all faced some kind of domestic opposition at the time of their proposal and during negotiations, the debate regarding Japan's entry into the TPP reached an unprecedented level of conflict. Emphasizing the importance of this trade initiative and its far-reaching political and economic consequences, supporters and critics alike stepped up their lobbying efforts. Subsequently, numerous articles, press releases and books on the issue were published from pro- and anti-TPP groups. The debate soon grew highly emotional, as both sides often argued that nothing less than the future of Japan depends on the outcome of this decision. When the government published a first outline of its future trade policy in late-2010 (Kantei 2010a), which also stressed the importance of the TPP, JA-zenchu was quick to release its own report highlighting the negative impacts of joining the agreement (Mulgan 2010). Henceforth, JA would periodically publish papers and advertisements, in which it turned the TPP debate into a decision on Japan's national identity:

*“If Japan signs the TPP while ignoring the differences in land conditions and the volume of agricultural production among the negotiating countries, Japanese agriculture will no longer be able to fulfill all of its diverse roles, placing the livelihoods of a wide range of people at risk. (...) Now is the time to think about what Japan should do to achieve sustainable*

*agricultural development, so that the Japanese people will be able to maintain their national identity” (JA 2011).*

The TPP and its encompassing debate hence clearly mark a turning point not only in Japan’s changing trade policy approach, but also in the genesis of a broader protest movement. According to Mulgan (2011: 27), the growing opposition to the TPP actually played an important role in reviving the influence and leverage of the JA. “The TPP in fact revived Nokyo’s political fortunes and provided an issue whereby it could reconnect politically with farmers.” JA-zenchu, long known for its protectionist stance on trade policy, soon became the leader of this growing, yet only loosely organized, movement of farmers, citizen rights groups and other interest groups that oppose the TPP. Although united in their protest against the TPP, the high diversity of member organizations with different political agenda and at times contradictory interests has also made it difficult to initiate a wider social movement.

The business world, on the other side, paints a very different picture regarding the impact of the TPP on the Japanese economy. They are also quick to amplify TPP’s impact for Japanese companies and consumers, but unlike JA, most business representatives stress its positive economic effects and believe it is necessary in order to keep up with other nations with an extensive network of free trade agreements.

*“If Japan fails to join the TPP or is slow in doing so, the resulting competitive disadvantage would not only lead to a decline in Japanese companies’ sales in TPP member countries, but might also necessitate the transfer to TPP member countries of production bases for finished products and essential components that embody Japan’s advanced technologies. This would be a grave situation for Japan both as a nation built on trade and investment and as a nation built on technology, and might even shake the foundations of the Japanese economy” (Keidanren 2011).*

In the absence of reliable data on the economic impact of Japan’s earlier EPAs, three studies on the potential impact of joining the TPP were published by the MAFF, the METI and the Cabinet Office, which reflect the diverging political standpoint of the government on this controversial topic. These three datasets, each coming to a different conclusion, only added to the confusion about the TPP and underlined the government’s difficulty to find a coherent approach on trade policy (Ishikawa 2012). Whereas the MAFF estimated a loss of 3.4 million jobs if Japan joins the TPP, the METI on the other hand predicted the creation of over 800,000 jobs. The Cabinet Office’s forecast was less dramatic, expecting 0.54% GDP growth in 10 years (Mulgan 2014: 27). It is however highly problematic to

compare these numbers, as each study conveniently picked industry sectors that are expected to suffer, or contrarily to benefit, from the TPP in order to best support their stance. Based on such contradicting estimations, the TPP had become a watershed issue for Japanese domestic politics, with the debate taking an unprecedented harsh tone.

## 6.2 Emergence of Japan's anti-TPP protest movement

Against the background of Japan's entry into the TPP negotiations in 2013, this section will briefly illustrate the emergence of Japan's anti-TPP protest movement. In a second step, I will analyze why this broad and vocal protest movement ultimately failed in preventing Japan's government from joining the negotiations. In the case of Japan, domestic politics play a pivotal role in the formation of trade policy. As a very well-organized and powerful organization, JA-zenchu has been able to mobilize its members and directly influence politicians and other policy makers on trade-related matters thanks to its connections to ministerial officials, farmers and politicians with close links to the agricultural industry. In the course of the TPP debate, JA succeeded in collecting over 11 million signatures for a petition against Japan's entry into the TPP in less than a year. A truly remarkable feat, seeing that there were only 2.6 million commercial farmers in Japan in 2010 (Naoui and Urata 2013: 334). This demonstrates JA's success in mobilizing a broad anti-TPP alliance beyond its core rural constituency. However, JA's strong engagement in the TPP debate is not surprising, as its members and supporters are thought to be most affected by the TPP. Based on this prospect, JA has tried to establish itself as the opinion leader in the national discussion surrounding this trade agreement. In order to safeguard its own and its members' interests, the organization is hence highly involved in Japan's trade policy making. To this end, JA also reached out to many other stakeholders, such as Japan's Consumers Union and the Japan Medical Association, by organizing workshops and meetings on the issue matter. However, JA was determined not to be perceived as anti-free trade and overly protective of vested interests, but rather as a defender of Japan's national interest. This allowed JA to connect and collaborate with other protest groups, which often also do not reject EPAs per se, but rather oppose TPP's unprecedented comprehensive and ambitious liberalization model. This integrating approach made JA the natural leader of the emerging alliance of diverse groups opposing the TPP (Kim 2013: 200f.).

Protests by Japanese farmers were further spurred when former Prime Minister Naoto Kan declared his interest in joining the TPP negotiations in 2010. In February 2011, 300 people came together at a Japanese university in what has been called “the beginning of intensified local protest against the TPP” (Maslow 2011). The distinctive feature of this emerging protest movement is its heterogeneity, encompassing traditional as well as progressive farmers, next to other civil rights groups, such as the Consumers’ Cooperative Union and anti-globalization activists. According to Maslow (2011), the concern that Japan’s entry into the TPP would lead to a lower food self-sufficiency rate and negatively affect Japan’s rural areas were the main arguments driving this early stage of protests.

Although critics of the TPP in Japan were successful in building a broad coalition by demonstrating that the TPP might affect various aspects of Japan’s economy, the protest of local farmers can be seen as the fundament of the anti-TTP movement in Japan. Protests in Hokkaido, one of Japan’s foremost farming regions, played a particularly important role, as local farmers were especially concerned about the looming effects of joining the TPP. According to a report by the Tokachi General Subprefectural Bureau, up to 40,000 jobs in the region would be in danger due to the TPP. The outlook for Tokachi region seems particularly severe as the local farm-related transport and logistics industry is expected to be strongly affected by a weakened agricultural industry (Japan Press Weekly 2010). The anti-TTP protests in Hokkaido serve as an exemplary case for the importance of protests on the local level. The regional branch of JA-zenchu, the Hokkaido Prefectural Union of Agricultural Cooperatives, was particularly successful in mobilizing its members when it organized large protest marches in Sapporo to demonstrate against Abe’s decision to join the TPP negotiations. The protests proved effective, and at the height of the domestic debate over the TPP, the Hokkaido Prefectural Assembly as well as the Sapporo City Assembly expressed their clear opposition to the TPP in January 2011 (The Japan Times 2011). In March 2013, when Abe was expected to announce his decision on the TPP question, 1500 farmers gathered in Sapporo to express their discontent with Abe’s position. As expected, protests further intensified after Abe declared Japan’s entry to the TPP and around 7000 farmers took to the streets to protest against the ongoing TPP negotiations later that summer. As in the rest of Japan, the protest movement in Hokkaido also consisted of many interest groups such as the Hok-

kaido Economic Federation, the Hokkaido Consumers Association, the Hokkaido Medical Association and members of several parties (The Japan Agricultural News 2013).

As a reaction to this growing opposition, the national government decided to hold meetings at the local level in order to explain its trade policy and particularly the consequences on the local economy to their constituencies. In April 2013, for instance, nine such meetings were held in Hokkaido. Japan's Chamber of Commerce and Industry also organized countrywide briefings and information sessions on the TPP to allay company leader's concerns. Pro- and anti-TPP groups alike ran campaigns on the local and national level, keeping the TPP issue on the political agenda.

### 6.3 Japan enters TPP: Defeat for its agricultural lobby?

However, despite its comprehensive media campaign and success on the local level, the anti-TPP movement ultimately failed to reach its goal of preventing the Japanese government to join TPP negotiations. In fact, while dominating the domestic debate on trade policy for many years, Japan's highly influential farming lobby could only delay entering the TPP talks. However, JA's extensive lobbying efforts prompted Prime Minister Abe to deviate from his non-exceptional approach and exclude over 500 Japanese farm products from the TPP negotiations in 2013. Abe promised to protect Japan's five 'sacred' agricultural categories, which are rice, wheat, dairy, sugar and meat, in return for JA's acceptance of his pro-TPP policy (Financial Times 2013; The Economist 2013; The Japan Times 2013). To this respect, the agricultural lobby still reached its goal of protecting Japan's agricultural industry despite Japan's joining the TPP negotiations.

There are several explanations on why Abe was able to push through with the TPP. First of all, the opinion that it might be more advantageous to join negotiations at an earlier stage has become prevalent among Japanese policy makers. They understood that it is to Japan's benefit to actually be involved in the TPP talks in order to draft chapters on certain policy issues, instead of being confronted with a more or less finalized agreement, which can only be accepted or rejected in its entirety later on. In order to better understand why Abe was able to make a decision in the TPP debate, the following section will compare his

trade policy approach with the previous DPJ governments. The subsequent paragraph will then focus on the trade policy of the second Abe government.

### *6.3.1 DPJ's policy towards the TPP*

The landslide victory of the DPJ in the 2009 parliamentary elections raised expectations for a profound policy transformation in Japan. The DPJ, however, disappointed most such hopes for policy change by failing to stand true to their promise, prompting Kushida and Lipsy (2013: 5) to a crushing assessment: “not only did the DPJ implement few of its promised reforms, but it implemented very little of anything.” Did the DPJ perform any better in the area of trade policy?

Since its formation in 1998, the DPJ has followed a pro-free trade and pro-liberalization agenda. With a majority of its voters and supporters coming from urban areas, this approach reflected the political and economic interests of most of its constituency (Sasada 2013). Its election victory accordingly raised expectations that the new DPJ government would be able to break free from the ‘iron triangle’, which had dominated trade policy under the LDP and follow a determined free trade approach instead. In fact, however, the opposite was the case. Although the DPJ had started with a policy platform and approach, which was very different to the LDP in 2009, the increase of rural DPJ voters led to a rising influence of the farming industry on the party’s policy-making (Sasada 2013). And although the DPJ had started out with the promise to strengthen the power of policy makers while restricting the influence of bureaucrats, the agricultural lobby was still too strong to allow the DPJ governments to go ahead with its plan of joining the TPP.

Hence, the trade policy of the three DPJ administrations between 2009 and 2012 did not deliver many tangible outcomes. Its three Prime Ministers, Hatoyama, Kan and Noda, concluded only two FTAs during their time in power and were not able to initiate new trade agreements. One major reason for this was certainly the triple disaster from March 11, which prompted the government to sideline the discussion on the TPP and postpone the decision of whether Japan should join or not. Although the DPJ successfully established the topic on the political agenda when Prime Minister Kan mentioned it for the first time prominently in a speech in 2010 (Kantei 2010b), it soon became overshadowed by the immediate crisis response in the disaster-hit zone, which demanded the full attention of the central, regional and local governments. These efforts were soon followed by



large-scale cleanup and reconstruction projects in the Tohoku region. In addition, with the nuclear catastrophe unfolding, the formulation of a new energy policy became the top priority for the national government.

Another important reason for DPJ's unsuccessful trade policy was the missing consensus on trade policy within the party. All three DPJ Prime Ministers faced strong opposition from their own party members, who were organized in several informal groupings (Kim 2013: 199). TPP-critics within the DPJ also teamed up with politicians from other parties to form the "National Council to Study the TPP", which held workshops and lectures on the TPP. According to Mulgan (2011: 27), this group comprised around 180 members and acted as a counter movement to the pro-TPP camp in the government.

### *6.3.2 LDP's trade policy*

When the LDP under Abe returned to power in December 2012, it was widely believed that the agricultural lobby would further strengthen its influential position on Japan's trade policy. But contrary to these expectations, Abe was actually able to achieve what the DPJ had struggled on: Declaring Japan's intention to join the TPP talks and ultimately concluding said negotiations.

Whereas Abe certainly profited from his predecessors and their efforts to establish the TPP issue on the political agenda as well as their efforts to convince and persuade opposed policy makers and citizens, the main reason for this surprising turn in Japan's TPP policy has its roots elsewhere.<sup>52</sup> First of all, Abe's strong leadership skills and his high approval rates at the beginning of his second term as Prime Minister made it possible for him to unilaterally decide the controversial TPP issue. In contrast to the previous DPJ governments, he succeeded in integrating the decision on the TPP into his overall policy approach. Portraying the TPP as an integral part of his 'Abenomics' policy approach made it increasingly difficult for his opponents to openly criticize his pro-TPP stance. He further successfully presented the TPP as an indispensable precondition for overall structural reform and agricultural reform.

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<sup>52</sup> Abe himself had reached an important milestone in the government's shift regarding FTAs during his first administration, when FTAs came to be seen as a tool to open up the Japanese economy and unleash its innovative potential (Kantei 2006; Yoshimatsu and Ziltener 2010: 1065).

*“The LDP under Prime Minister Abe has had greater success in centralizing trade policymaking as Zenchu has been unable to find another national party to veto TPP membership, and by establishing TPP headquarters in the Cabinet in order to overcome bureaucratic sectionalism” (Solis 2014: 156).*

A Japanese government official, summarizing Abe’s approach, was quoted as follows in the Wall Street Journal (2014): “The TPP is an important tool for Mr. Abe, but it’s still just a tool. He won’t let it dictate his policy, which is to produce positive outcomes that would strengthen his political power.”

Abe’s prowess, however, was not the only reason for the sudden breakthrough in the TPP debate. JA’s coming around on the issue also played an important role. JA understood that its leverage and influence is going to decrease as a result of Japan’s shrinking population of farmers. It also saw increasing numbers of farmers turning their back to JA, as some small-scale farmers started to venture into new ways of marketing and selling their rice directly to local consumers (The Wall Street Journal 2013a). Against this background, it might have seemed more promising for JA to negotiate a compromise that satisfies farmers now to a certain degree, instead of finding itself in a less powerful situation later on. JA therefore adapted a strategy on the TPP, in which it was at least able to negotiate substantial carve-outs for some agricultural commodities. That way, JA still fulfilled its political goal of protecting Japanese agriculture, despite joining the TPP. This demonstrates how overarching political and economic interests prevailed over local protests. Ultimately, Japan’s local protest movement, although well organized and powerful, was not able to hold sway against the national pro-TPP coalition. And although the anti-TPP protest movement was also partly inspired by the anti-nuclear demonstrations, which gained momentum after the Fukushima disaster, it failed to establish a permanent coalition between these two social movements to challenge the government’s position on the TPP (The Wall Street Journal 2012).

## 6.4 Recent developments and outlook

In May 2014, the Regulatory Reform Council, an advisory panel to Prime Minister Abe, suggested a sweeping reform of the JA. Aiming to reduce the power of the JA and to make local and regional cooperatives more independent from the centralist organization, along with proposed tie-ups with the private sector to increase competitiveness, were among the main points of the reform proposal.

Although it seems that Abe is not yet willing to follow up on these policy recommendations, a long-overdue reform process of the JA appears to have been initiated. And even after many of the far-reaching recommendations were scrapped after consultations with LDP politicians and MAFF officials, this proposal is still highly significant, as it is the first time that an official government document calls for systematic changes of the mighty JA (Yamashita 2014; The Japan Times 2014b).

Considering these developments, in hindsight it might have been a smart move by JA to exercise its power and influence while still being unrestricted by any reform. On the other hand, this proposal should not be overestimated regarding its direct impact on trade policy-making. The JA is still the most powerful and best organized interest group in Japanese politics and its influence will continue to be widely felt in the years to come.



## 7. Evaluating trade policy<sup>53</sup>

In Japan, trade policy has become much more than just a purely technical and economic matter. As demonstrated in the previous chapter, particularly the discussion around the TPP has been highly contentious and the surrounding debate has become entangled with essential questions of where Japan's society is heading and how Japan can preserve its traditions while modernizing its economy. The contested image of the TPP also dominated the more general discussion on trade policy, which makes it not very attractive for Japanese policy makers to openly promote other trade negotiations. As a result of this, trade policy mainly follows a pragmatic trial-and-error approach without any strategic underpinnings, making it highly unpredictable and leaving Japan short of becoming an attractive negotiating partner. In addition, the lasting political uncertainty – Japan has changed its prime minister six times between 2006 and 2012 – has also not been helpful for developing a long-term trade strategy. However, it remains to be seen if the current administration shows enough leadership to push forward on these issues, as the governing LDP and the biggest opposition party, the Democratic Party of Japan, continue to be divided on trade policy.

One way of responding to the growing discontent of the Japanese public and influential domestic actors would be by better explaining trade policy decisions as well as possible impacts of future trade agreements. Conducting evaluations of existing agreements as well as providing an assessment of the risks and benefits of future agreements could be beneficial for a more transparent policy. However, the Japanese government itself, in particular METI and MOFA, the two main players in trade policy-making, have yet to publish a comprehensive trade policy evaluation. This is not to say that there has not been any assessment or analysis of Japan's EPA policy by the government, although all publicly available reports fail to deliver a comprehensive evaluation of Japan's EPAs based, for example, on a cost-benefit analysis of their political, economic, social and environmental impact. For instance, the Research Institute of Economy, Trade and Industry (RIETI), a Japanese government think tank closely related to the METI, currently runs several research programs on trade policy. However, only one of

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<sup>53</sup> This following chapter was first published in Jamitzky (2015b).

them focuses on trade policy evaluation.<sup>54</sup> In general, government-related reports either focus merely on the possible economic impacts of FTAs or they discuss a single agreement in depth, without reaching the level of a truly comparative analysis (Ando and Urata 2011).<sup>55</sup> All in all, there has been a lack of publicly available evaluations that cover not only the economic aspects of trade agreements, but also the political, social or environmental implications.

In contrast to these previous studies, this dissertation constitutes a first attempt to discuss Japan's approach on trade policy evaluation. By demonstrating the need for trade policy evaluation in Japan, it establishes a new research field and fills a gap in the literature as well. Scholars who have analyzed Japan's trade agreements come to the disillusioning conclusion that its early agreements only had modest economic impacts. Many of them also argue that Japan has failed to reach a particularly deep integration level in its agreements, although this was how Japan's FTA proponents often had promoted them. For instance, Van De Haar (2011) identifies Japan's agreement with the Philippines as rather shallow and Wignaraja et al. (2013) assess the overall issues coverage in the agreements with Mexico, Chile and Peru as moderate. None of the Japanese agreements have been classified by them as 'new age' agreements. Sally (2006: 315) calls the term EPA misleading as he concludes that "EPAs are euphemisms for weak and partial FTAs". Their mostly insignificant economic results and at best symbolic political effects concur with his assessment. Japan has concluded most of its agreements with minor economies and the exemption of sensitive industrial and particularly agricultural products has been a major obstacle for structural reform and market liberalization. Even Katsumata, vice-chairman of Japan's biggest business association, Keidanren, raised similar concerns when he criticized Japan's FTA policy. He warned that the "economic impacts may be limited as these EPAs are mainly with countries with relatively small trade volumes" (Katsumata 2010). Van De Haar's (2011) analysis of the Japan-Philippines agreement, which holds true for most of Japan's agreements, puts it in a nutshell:

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<sup>54</sup> The research program "Economic Impacts of Free Trade Agreements: The case of Japan" under project leader Professor Shujiro Urata is focusing on the possible economic impact of agreements that are still under negotiation. However, it does not take into account agreements that Japan has already signed (RIETI 2014).

<sup>55</sup> In February 2013 METI's minister, Mr. Motegi, announced that his ministry will conduct an economic impact estimation of the TPP (The Wall Street Journal 2013b).

*“Japan’s EPAs offer minimal market opening, and negotiations over most agricultural products are off-limits. Japan thus aims to maximize the political benefits of its EPA programme, while minimizing perceived economic costs. Political concerns dominate, especially considering that none of the bilateral EPAs with ASEAN countries will bring substantial economic benefits to Japan.”*

Low economic impacts, however, are not the only shortcomings of Japan’s FTAs, as other studies show that they also suffer from low utilization rates. The existence of numerous overlapping trade agreements with different provisions and rules, the so-called ‘noodle bowl’ problem identified by Kawai and Wignaraja (2011), is said to be a main cause for the relatively low FTA utilization rate among Japanese companies. Currently most of Japan’s bilateral agreements vary not only in content, coverage and market access, but also apply different rules of origin, which is a major issue for Japanese trading companies. Kawai and Wignaraja (2011: 104) argue that many Japanese companies will therefore benefit from FTA harmonization, as it would make documentation and labeling procedures easier and cheaper. However, the potential to harmonize and to set new rules and standards is not only beneficial for the involved companies, but has also an overarching strategic aspect. Manger, for instance, posits that the EU-Japan agreement could create rules in many areas that have not been covered by the WTO and would therefore establish the EU and Japan as new global standard-setters. He argues that this aspect in trade policy is often overlooked:

*“An EU-Japan EIA would present a powerful policy tool to influence the processes of rule-making. (...) This would be an example of the ‘California effect:’ joint European and Japanese standards would become the de-facto global standard” (Manger 2012: 10).*

## 7.1 Policy evaluation in Japan and its limits

Policy evaluation has become an integral part of governments’ attempts to improve the outcome of its policies and policy measures, as governments and state employees in a resource-scarce world are constantly required to be cost-effective and to increase productivity. Thus, the last three decades have seen a growing importance of policy evaluation as part of modernization efforts in the area of public administration in most OECD-countries. Policy evaluation exists in vari-

ous forms and under different names, for instance as review and monitoring practices, and is used in many policy fields.<sup>56</sup> Bureaucracies and scholars have acquired practical and theoretical knowledge in evaluation practices, which leads to a constant improvement and advancement of the applied evaluation methods. As a mean of improving transparency and accountability, policy evaluation frameworks continue to be implemented by governments all around the world. Interestingly, despite its worldwide prevalence, policy evaluation in Japan is a relatively new phenomenon. Whereas countries such as the United States, United Kingdom and Australia started to implement policy evaluation in the early 1990s, it took Japan another decade to slowly embrace concepts and ideas of the New Public Management approach (NPM) (Yamamoto 2003: 1f.; Hori 2003: 3). It was during the Hashimoto government in 1996 that the then newly established Administrative Reform Council (Council) with Prime Minister Ryutaro Hashimoto as its chairman initiated public sector reforms. The Council served as a forum in which the Japanese administrative and ministerial elite for the first time seriously considered introducing a system of policy evaluation (Ito 2007: 4). Part of the so-called Hashimoto reforms, it became the most comprehensive administration reform in post-war Japan (Yamamoto 2003: 11). During this time, the Japanese bureaucracy was suffering under an erosion of trust. The burst of the bubble economy and a series of financial scandals in the early 1990s led the public and even some government officials to recognize that bureaucracy was fallible and that ambitious reforms of the Japanese financial, political and economic systems were far overdue. This provided a rare window of opportunity to introduce a legal framework of policy evaluation to Japan (Ito 2007: 5-7). The proposals of the Reform Council addressed an important goal of policy evaluation: to restore trust in the bureaucracy and reinforce the legitimacy of the government. In the Japanese case, this even seemed to outweigh the general purpose of evaluations, namely the improvement of policies and policy outcomes. Achieving what Ito (2007: 8) calls the “unofficial – or ‘latent’ function of recovering the public’s belief in reliability, if not infallibility, of the bureaucracy” was certainly a crucial reason for the decision to introduce a policy evaluation system.

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<sup>56</sup> The use of evaluations in the area of development policy has been particularly prevalent. Refer to Kevenhörster (2014a) for a comprehensive evaluation of the development policies of the United States, Japan, Great Britain, France, Germany and the Netherlands.



However, depending on the actual evaluation outcome this can also have the opposite effect and further damage the bureaucracies' reputation (Ito 2007: 2). The anticipation of such unfavorable results among senior bureaucrats explains the lack of political will to actually implement and conduct policy evaluation in the very beginning. Japanese policy makers are basically concerned that a comprehensive evaluation of Japan's past trade agreements would prove their marginal economic effects and hence further weaken the government's position to proceed with a more pro-active FTA policy.<sup>57</sup>

The main ideas of the Reform Council on policy evaluation can be summarized as follows:

1. Strengthening evaluation capabilities in general by establishing a framework for policy evaluation;
2. Setting up policy evaluation units in each ministry;
3. Setting up a central evaluation organ at the Ministry of Internal Affairs and Communications.

When Prime Minister Yoshiro Mori enacted the Government Policy Evaluation Act (GPEA) in April 2002 to advance the administrative reform that had started under his predecessor Hashimoto, the first policy evaluation system in Japan became legally institutionalized. The GPEA followed the main proposals of the Council and constitutes the legal framework of Japan's policy evaluation system. It emphasized the general decentralization and reorganization efforts of the Hashimoto administration reform through its two-layered structure. The role of the Ministry of Internal Affairs and Communications in this framework is to act as an overall manager of the entire evaluation system while each ministry sets up its own internal policy evaluation bureau, which actually conducts the evaluation of their own ministries' policy. This effectively is a biased and subjective evaluation process, as each ministry is free to choose the evaluation measures and methods it deems most suited, or in other words, they can ensure for a best possible evaluation outcome. Additionally, this approach guarantees that specific characteristics of each ministry and its needs for policy evaluation can be addressed properly (Koike et al. 2007: 6). However, in cases in which a ministry is not capable of conducting its own evaluation, the Ministry of Internal Affairs and Communications will act as a proxy and conducts the evaluation instead in

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<sup>57</sup> Interviews with Japanese politicians and policy makers between June 2012 and February 2013.

order to guarantee an independent and thorough evaluation (Yoshimuta 2003: 44). This set-up of the Japanese evaluation system as a system of self-evaluation provides the respective ministries with three main evaluation methods: project evaluation, performance evaluation and comprehensive evaluation.

Project evaluation is part of the decision making process and is usually conducted before deciding about a certain policy or project. In Japan, the vast majority of policy evaluations fall into this category, as project evaluation plays an important role in public works and infrastructure projects. In the case of trade policy, project evaluations are often called impact studies, which try to quantify the economic impact of a trade agreement on the partner countries. As such, these studies, especially the econometric data, are helpful when informed policy decisions need to be made, but their contribution to actually improving policy outcomes is limited, as project evaluations are usually conducted as one-time studies.

Performance evaluation on the other hand has the purpose to measure and evaluate the degree of achieving certain predefined and numerical objectives with a policy. In contrast to project evaluation, performance evaluation is conducted continuously throughout the whole implementation of a project or policy and is supposed to contribute to a continuous policy review and through this, to the ongoing improvement of that respective policy. In the area of trade policy this could be the attempt to evaluate the performance of certain agreements, for example, to measure if and when an agreement leads to pre-defined objectives, such as an increase in trade volume in a certain period of time. However, Japan so far has not applied this kind of evaluation approach in trade policy.

Comprehensive evaluation is, as the name indicates, the most extensive evaluation method in this field to date. It consists not only of in-depth analyses of policy effects, but it also looks at those policy effects from various perspectives to guarantee balanced policy-making. Evaluations are also conducted throughout the entire implementation phase of a policy, including ex-ante and ex-post evaluations (Ito 2007: 9f.). In the case of trade policy evaluation, this kind of comprehensive approach could be achieved by including social and environmental categories into the evaluation, which again, Japan has not yet implemented.

Thus, Japan's evaluation system offers different evaluation approaches and provides Japanese bureaucrats with several ways of setting up evaluation practices in their respective ministries. Yet, considering the legal basis, it is surprising that Japan's trade bureaucrats so far have not made better use of the existing framework. The reasons for these shortcomings can be attributed to the high cost of

evaluation, lack of political will, as well as the lack of qualified personnel to perform the evaluation. Setting up an independent and sound evaluation system requires not only a financial commitment, but also the political will to finance it for a longer time period. In the case of Japan, this will be particularly costly, as the government first needs to hire and train evaluation personnel.

The specific organization model of Japanese ministries and the prevalence of certain traditional values constitute another obstacle for successful policy evaluation. Japanese bureaucrats maintain a strong sense of loyalty and identification towards their respective ministry, making it unlikely that they will conduct an openly critical evaluation of their own ministry (Yoshimatsu 2006: 481f.). This stands in contradiction to the legal fundament of the GPEA, which requires each ministry to conduct its own evaluation. Due to the principle of regular job-rotation among Japanese officials, they often also lack the “in-depth technical expertise in specific program areas necessary for rigorous policy evaluation” (Yoshimuta 2003: 45). Therefore, developing experienced and well-trained evaluation experts poses a huge challenge for the Japanese administration because successful policy evaluation is highly dependent on the actual personnel responsible for its execution (Koike et al. 2007: 11). The lack of personnel assigned to policy evaluation has also been pointed out by Yoshimuta (2003: 47):

*“The Japanese public sector is insufficient in evaluation capacity. It is now important to hire, train, and retain government personnel who are familiar with a specific policy field and have skill in policy evaluation.”*

To sum up, Japan’s GPEA provides only a vague policy evaluation design which does not include detailed provisions on the procedure. This opens up the opportunity for ministries to exclude specific policy fields from being evaluated. In the words of Yamamoto (2003: 15):

*“Each ministry is basically allowed to decide itself which areas and policy items it will evaluate. This may result in a situation in which ministries will not include specific policy areas for evaluation if there are likely to be technical difficulties in quantifying and measuring performance, or if a ministry foresees certain problems.”*

This very likely happened in the area of trade policy. As a complex policy field that integrates political, economic and social aspects, defining measurable and quantifiable performance goals, let alone conducting an actual evaluation, is challenging and the vague legal framework of the GPEA makes it possible for trade officials to circumvent it.

Thus, this section concludes that while Hashimoto's administrative reform in general has been dubbed "a watershed in the history of public administration in Japan" the actual implementation of policy evaluation in the area of trade policy has not been very successful (Koike et al. 2007: 10). However, the GPEA has been enacted only in 2002 and the idea of policy evaluation is still a new phenomenon in Japan. The lack of political will to implement thorough and recurrent evaluations is prevalent as is the lack of know-how in the form of well-trained, experienced evaluation government officials. These shortcomings suggest that a successful implementation of such an evaluation system will be difficult for years to come.

## 7.2 A critique of Japan's trade policy evaluation

After reviewing the legal fundament of Japan's policy evaluation framework and discussing the shortcomings and challenges of applying it in the area of trade policy, this section will present the WTO's critique of Japan's approach on trade policy evaluation. The WTO established the Trade Policy Review Mechanism (TPRM) in 1989 and has been reviewing and evaluating trade policy and trade-related policy measures of most of its member states since then. The main purpose of the TPRM is to ensure the transparency of its member states' trade policy. Mutual peer-group assessments under the guidance of the WTO Secretariat are conducted regularly and its final reports as well as a statement of the respective government under review are made public. The largest economies, such as the US, China, Japan and the EU, are reviewed every two years, while the next 16 largest economies are subject to a review every four years. All other member states are to be reviewed every six years, whereas least developed countries, however, might be exempted from this rule and reviewed in a less regular interval (ICTSD 2015).

Due to the sheer size of its economy and its importance for global trade, Japan's trade and industrial policy has been a major focus of the TPRM and has been reviewed eleven times since the establishment of the TPRM. By and large, their criticism matches the findings made in the previous chapter regarding the absence of a comprehensive Japanese trade policy evaluation framework. Japan's trade-related ministries have only conducted very few quantitative evaluations, which means there is only limited understanding of Japan's EPAs and their effects on the Japanese economy:

*“Cost-benefit analyses are not frequently used when introducing, revising, or abolishing measures; such analyses are rarely used to evaluate existing measures, such as the costs and benefits of tariff and non-tariff protection on agriculture, or to evaluate the economic effects of regional trade agreements” (WTO 2011b: 11).*

The latest WTO trade policy review on Japan in February 2013 comes to a similar conclusion:

*“The lack of cost-benefit analyses of policies, particularly of existing policies, makes it difficult for consumers to assess their effectiveness and effectively undermines the Government’s intention to promote transparency. (...) Thus, the costs and benefits of protection from various tariffs and other trade policy measures are not evaluated by the Government” (WTO 2013: 13).*

However, Japan is not the exception when it comes to insufficient trade policy evaluation. The WTO has published a working paper on the evolution of economic policies in Asian countries based on its numerous country-specific trade reviews. Not surprisingly, Japan is not doing worse than its Asian neighbors, as the “institutionalization of transparency is not a common practice in much of the Asia-Pacific region (or elsewhere in the world)” (Daly 2011: 7f.). Japanese policy makers should consider this as an opportunity. If Japan is able to successfully set up and implement a trade policy evaluation system, many of its EPA partner countries in the region, which currently still lack the institutional and financial capabilities, might be interested in learning from the Japanese experience in the future. Such a region-wide promotion of transparency and accountability in public policy would be in Japan’s interest and could foster its position as a regional leader in capacity building.

The reality in Japan, however, looks very different. Although many trade officials and policy makers confirmed in the interviews I conducted that they view policy evaluation as a useful tool to improve policy outcomes, the Japanese government apparently neither plans to implement such a system nor prepares a comprehensive analysis of its existing EPAs. Although it is important to note that some Japanese ministries might have conducted an internal EPA analysis, the final reports have not been made publicly available. This confirms the peculiar understanding of policy evaluation in Japan, as evaluation can only achieve its promise of higher transparency by being conducted in an open manner.

Even METI’s latest annual White Paper does not mention the necessity of evaluating Japan’s trade policy, and its main accomplishment in the area of trade policy lies in the mere identification of the major challenges for Japan’s EPAs

(METI 2012: 635-658). However, it misses the opportunity to come along with a deeper analysis of the weak points it mentions, let alone developing policy recommendations on how to address these shortcomings. Still, this constitutes an important starting point for further analysis, as possible future evaluations should try to tackle those issues.

The first challenge identified in the White Paper is the relatively low coverage rate of Japan's existing EPAs. The EPA coverage rate indicates the percentage of a country's trade volume that is covered by its agreements in comparison to its total trade value. Japan's ratio, currently standing at 18.6%, is twice as low as the US's ratio at 39.0%, and also considerably lower than South Korea's 33.9% and the EU's 28.6%<sup>58</sup>. This concerns many Japanese policy makers and trade analysts because they are worried that a low ratio will result in Japan further losing ground to other major trading nations (METI 2012: 639).

The second challenge identified by METI's trade officials is the relatively low liberalization rate of Japanese EPAs. Compared to rates of more than 95% in agreements between developing countries in terms of trade value and close to 100% in terms of trade items, Japan's EPAs achieve only around 86% in terms of trade items. The numerous exceptions and particularly Japan's approach of excluding agricultural products from trade liberalization are the main causes for such low rates (METI 2012: 640).

Japan's governments so far have chosen the path of least resistance in their EPA approach. As argued above, they tried to minimize negative economic impacts on sensitive industries while pursuing politically uncontroversial agreements that strengthened Japan's position in Asia-Pacific and avoided opposition from influential domestic lobby groups. It is for that reason that Japan only managed to conclude agreements with three of its top ten trading partners. However, if Japan were to successfully conclude the negotiations with the EU and implement the TPP, this would raise its coverage rate significantly. In the government's 'Japan Revitalization Strategy', a FTA coverage rate of around 70% by 2018 has been defined as the government's official goal (Kantei 2014: 166).

### **Renegotiating trade agreements as part of evaluation efforts**

While Japan has not yet conducted comprehensive evaluations of its existing trade agreements, the concept of renegotiation has been established in several of

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<sup>58</sup> Excluding interregional trade.

its FTAs. This can be seen in the wider context of Japan's reviewing and evaluation efforts. For example, its agreement with Mexico has been reviewed in 2009 and the revised agreement has been in force since April 2012 (METI 2015). In 2013, Japan and Indonesia also decided to renegotiate their trade agreement. Both sides agreed to conduct an evaluation of the existing agreement in order to use its findings during the renegotiation process (The Jakarta Post 2013). However, it is important to differentiate between reviewing and renegotiating. Hosono (2011: 38f.) argues in his analysis of the Japan-Philippines FTA that the agreement will not be renegotiated, but only reviewed. He explains that the joint committee in charge of the review only meets once a year and that the already ratified treaty would be difficult to change.





## 8. Japan's trade policy evaluation in international comparison

After presenting the legal fundament of Japan's policy evaluation system and discussing its shortcomings, the following chapter will provide a comparison of Japan's trade policy evaluation with such efforts in other countries, focusing mainly on the cases of Australia, the US, and the EU. Considering the general lack of research in the field of trade policy evaluation, I hope to identify international best-practice examples through such a comparison. I chose the cases of Australia, the US, and the EU for the following reasons: A first literature search indicates that Australia might be "best-in-class" when it comes to the practice of trade policy evaluation. A comparative analysis between Japan and Australia, which in addition is also deeply involved in the emerging network of overlapping FTAs in the Asia-Pacific region, should therefore be valuable. The cases of the US and the EU were chosen due to their importance for the international trade regime. Both are highly influential trading powers that determine international trade policies and trade-related regulations through their own behavior and practices. In addition, the US and the EU are currently both involved in trade negotiations with Japan, which makes a comparison even more significant.

### 8.1 The limits of quantitative trade policy evaluation

As mentioned earlier, Japan is not the only country struggling to assess the impact of its bilateral and regional trade agreements. Before discussing how other countries perform in the area of trade policy evaluation, this following section will present the main method utilized in such assessments. One of the most frequently used methods by economists worldwide is the so-called computable general equilibrium (CGE) analysis.<sup>59</sup> Plummer et al. (2010: 22) explain the popularity of CGEs as follows: "CGE models are used to evaluate the effects of trade policy because policy makers require quantitative assessments of the impacts of any policy in order to make decisions." However, the quantitative approach of the CGE also has certain disadvantages that limit its explanatory power. CGE

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<sup>59</sup> Refer to Dixon (2006) for a history of CGE modelling and his explanation on why CGE models have particularly flourished in Australia.

analysis relies heavily on data and its results are highly influenced by its underlying assumptions, such as income levels, consumer behavior or the motivations of actors in general. Many CGE studies draw on data from the Global Trade Analysis Project (GTAP) at Purdue University, which, according to an article in the Economist (2015b), is skewed due to its uneven categorization and original set-up to measure effects on the agricultural sector.<sup>60</sup> Also, CGE analyses are usually used for ex-ante studies, which further limits its applicability in a fully-fledged trade policy evaluation cycle.

A short glance at the literature based on CGE analysis reveals two findings. First of all, there is an abundance of CGE research originating in the field of economics and econometrics. Secondly, there is an equally high level of disagreement regarding the results of such studies (Petri et al. 2014; Ciuriak and Xiao 2014; Cheong 2013). These disagreements mainly stem from the differing assumptions that these models are built on. The above-mentioned studies on the TPP confirm this problem, leading the Economist (2015b) to the following conclusion: “Pacific trade talks expose the limits of economic modelling.” A recent study by Narayanan et al. (2015: 6) also reflects on the limitations of the existing CGE models and hence the need for additional qualitative methods:

*“Mega regionals can be modelled, but only incompletely and with considerable areas left open for qualitative assessment. Much depends on the ability of modellers to quantify the commitments in trade agreements [...]. Accordingly, a variety of other empirical techniques must be used in conjunction with CGE modelling.”*

Reflecting on the existing limitations of trade policy evaluation based on quantitative studies from an econometric perspective, my dissertation highlights the need for qualitative evaluation from the perspective of political science, IR and IPE in order to fully address issues of power, geopolitical influence and strategic interests which are inherent in most trade agreements.

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<sup>60</sup> The Economist (2015b) reports on the inconsistencies in categorizing agricultural products and chemicals: “But since it [Purdue’s GTAP] was initially developed for agriculture, it is skewed. It has separate categories for raw milk and dairy products, but lumps pharmaceuticals into one overarching category for chemicals – a problem for models since TPP deals extensively with drugmakers’ IP.”

## 8.2 Australia's evaluation approach: a model for Japan?

The WTO and other scholars have been praising Australia's approach on policy evaluation as best practice (Daly 2011: 8). Thus, this section will present some examples demonstrating Australia's success and discuss how Japan could learn from it.<sup>61</sup> Australia's Productivity Commission (PC), an independent research and advisory body of the Australian government, plays a crucial role in trade policy evaluation. In 2010, the PC published an almost 400 page-long research report on bilateral and regional trade agreements and their effects on the Australian economy, the regional integration process and the multilateral trading system. This report presents one of the most comprehensive studies on the issue and manifests Australia's leading position in trade policy evaluation: "The PC conducts evaluations of a wide array of domestic policies, including those that are trade and trade-related, as well as regulation (and social and environmental topics), which are arguably more important than traditional barriers to trade (and FDI)" (Daly 2011: 8). The PC's study was set up to examine the effects of bilateral and regional trade agreements on several issues and its wide scope could also serve as a useful starting point for a similar endeavor in Japan. The report focused on the effects of bilaterals on the following issues (PC 2010: IVf.):

- Tariff reduction;
- Trade discrimination effects for companies;
- The WTO;
- Regional integration;
- A country's economic performance;
- The promotion of structural reform in the country itself as well as in partner countries.

If Japan aims to develop a comprehensive trade strategy and, as demonstrated by Australia, a "whole-of-government position" (Goode 2005: 10), it would be necessary to conduct a similar study that at least engages with the above-mentioned issues. However, there are other challenges as well. Japan's strongly fragmented policy-making process and the resulting inter-ministerial conflicts are major obstacles. This makes it very difficult for Japan to even find a compromise on EPAs among all trade-related ministries. For instance, it was not until 2010 that the

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<sup>61</sup> For a critical perspective on Australia's trade policy refer to Carmichael (2016).

Japanese government formulated and published a basic policy approach on comprehensive economic partnerships, even though the MOFA decided to launch an EPA headquarter with the purpose to develop such a strategy already in 2002 (MOFA 2002b; MOFA 2010a). The Japanese ‘basic policy’ consists of four pages, whereas the Australian Department of Foreign Affairs and Trade even published a whole guidebook consisting of over 100 pages on how to negotiate free trade agreements (FTA) in 2005.<sup>62</sup> In addition, JETRO (2014) has published a 16-page manual on the use of EPAs in 2014.

However, there are also positive examples on the Japanese side. For instance, the Japanese Chamber of Commerce and Industry has conducted more than 60 seminars on the TPP for its member companies and the interested public in the last three years. These events were used to disseminate information on the TPP among member companies and to share JCCI’s viewpoint on the TPP. According to a senior official of the Chamber, the seminars were perceived very positively by the vast majority of JCCI members.<sup>63</sup> Additionally, the New Policy Unit at the Cabinet Secretariat also held several meetings on the TPP. Continuing such events is crucial for a transparent policy-making process. The above-mentioned Australian FTA guidebook also stresses the importance of including many stakeholders such as non-governmental organizations (NGOs) and local people at an early stage of trade negotiation. This can contribute to legitimizing the negotiations and lead to a higher acceptance among the general public, particularly in Japan where the question of whether Japan should join the TPP provoked one of the fiercest domestic debates in the last couple of years.

In addition to public hearings, Australia’s FTA guidebook recommends running advertising campaigns to inform the public about ongoing negotiations. Alongside this, information needs to be disseminated and shared among agencies to strengthen intragovernmental cooperation, as trade policy in Japan continues to be characterized by sectionalism and turf battles. It is also important to identify and contact local groups that might be affected by an upcoming agreement in order to include them early on into a discussion (Goode 2005: 10). The WTO’s TPRM also praises the approach of Australia’s PC that actively involves various actors, such as interest groups on the local and community level, to deliver input

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<sup>62</sup> The Australian guidebook laid out details of how to prepare, negotiate and implement a trade agreement and also discussed general questions on the coverage of a model agreement, on the problems that might occur during the negotiation process, as well as many other practical advices for trade negotiators (Goode 2005).

<sup>63</sup> Interview with a senior official from the JCCI, Tokyo, September 2012.

at the early stage of possible trade negotiations. This kind of approach combines a bottom-up and top-down perspective, as it raises awareness among government officials for the problems and views at the community level as well as among actors who are locally involved for the interests and policy decisions at the top (Daly 2011: 9).

### 8.3 US trade policy and evaluation efforts

As Japan's second largest trading partner and the world's largest economy, U.S. trade policy has immediate effects on Japan's own trade strategy. The following section will briefly present the main characteristics of US trade policy, in particular in regard to US trade relations with Japan. I will further discuss the US efforts in the area of trade policy evaluation and compare these with measures taken in Japan.

In contrast to Japan, the US has a central government agency responsible for trade policy formation and coordination. The Office of the US Trade Representative (USTR), which is part of the Executive Office of the US President, directly conducts negotiations with other countries, however the ultimate legislative authority lies with the Congress.<sup>64</sup> In order to speed up the conclusion and implementation of trade agreements, the Congress has the possibility to grant so-called Trade Promotion Authority (TPA) to the President, which has been the case for all trade agreements since the Second World War.<sup>65</sup> However, the last TPA has expired in 2007 and disagreements between members of Congress on trade issues have hindered a TPA renewal, which was seen as the key element from the US side to successfully conclude the TPP and TTIP. Or in more dramatic words: “[Q]uite simply, without TPA, there is no TPP” (Solis 2015b).

After championing the multilateral trade regime through its support for GATT and the WTO, the US was among the first countries to build up a network of bilateral trade agreements since its first FTA with Israel in 1985. However, when multilateral trade liberalization began to stall in the 1990s, the US further accelerated FTA negotiations. In particular under the second Bush administration, the

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<sup>64</sup> For further information on the role of the USTR refer to its website, which also provides detailed and up-to-date information on all US bilateral and regional trade agreements (USTR 2015a).

<sup>65</sup> Refer to the latest Congressional Research Service Report by Ian F. Fergusson (2015) for details on the TPA and the role of the Congress in US trade policy.

US followed a very active FTA approach, initiating over 20 trade-related agreements in just six years. The trade policy of the US is equally driven by economic, geo-political and security interests and is overall seen as an important policy tool to advance US interests around the globe (Hoadley 2007). Currently the US government has 20 FTAs in effect and is negotiating the TTIP, which together with the TPP is at the center of its trade strategy (McBride 2015).<sup>66</sup> The Congress Research Service, whose role it is to inform members of Congress on relevant policy issues, has provided several reports on the possible impact of FTAs on the US economy (Cooper 2014; Jackson 2013).

The US and Japan have a long and close history of economic and trade relations. The 1970s, 80s and early 90s were mostly characterized by trade disputes and trade imbalances as well as an intense competition over market shares. Cooper (2014: 3f.) characterizes US trade policy towards Japan during that time as “unilateral”, as the US was retaliating against Japan’s allegedly closed market by restricting access to its own market. However, the last couple of years have seen a rapprochement in US-Japanese economic relations and intense negotiations around the US-led TPP agreement, due to the question under what circumstances Japan would join the ongoing talks. It has been argued that a successful TPP would reinvigorate the US-Japan alliance on an economical as well as geopolitical level. Others even argue that ultimately the TPP is only an extension of a bilateral US-Japan agreement. Grimes presents this view as follows: “I approach it as a comprehensive US-Japan FTA. These two states will see the largest absolute gains in trade, investment, and income if TPP is successful” (Grimes 2014). Currently, the US government does not run a substantial trade policy evaluation program.<sup>67</sup> However, after examining key government publications, such as the annually published “Trade Policy Agenda” (USTR 2015b) as well as the five-year “Strategic Plan” (USTR 2013), it is evident that important functions of policy evaluation have found their way into US trade policy. However, these functions are not integrated in one trade policy evaluation system, but rather spread out over several offices and bureaus with different areas of responsibility. Within

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<sup>66</sup> As of June 2016, the US has FTAs in place with Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, and Singapore.

<sup>67</sup> Zepeda et al. (2009) also argue for a review of US trade policy, although from a different perspective. Concerned about the impact of US trade policy on development policy, the authors urge the US government to review their template for trade agreements and incorporate a wider range of issues (e.g. labor, environment) into it.

the USTR agency there are 23 assistant USTRs who are responsible for various regional and functional areas (USTR 2013: 28). One of the assistant USTR is in charge of “Monitoring and Enforcement”, which makes this role the most senior to be associated with evaluation and assessment efforts.

Among other initiatives the “Strategy Plan” stipulates to improve the archive of the USTR. This indicates the willingness to learn from previous negotiations when negotiating current agreements and improve the transparency of trade policy making:

*“Refine and computerize USTR’s document archiving system to preserve negotiating histories for completed FTAs and other agreements. USTR will consult this system in the course of monitoring and enforcing compliance with U.S. trade agreements” (USTR 2013: 29).*

The plan also gives a bigger role to the Congress with regard to trade policy assessment: “This robust Congressional partnership is important not only for forming new trade policies and negotiations, but also for monitoring and implementing existing policies” (USTR 2013: 17). However, it is not further elucidated how the Congress is supposed to fulfill this role. The “Strategy Plan” also established performance goals for the USTR’s cooperation with international trade-related organization such as the WTO or the World Bank. However, there are no performance goals mentioned with regard to US FTA-policy (USTR 2013: 34). Another important issue noted in the plan is the necessity to implement organizational and administrative reform ideas as demanded by the Federal Government: “This will require [the USTR] to be highly adaptable to increasing demands on its people and resources by focusing on outcomes (results) versus activities and using a performance-based approach” (USTR 2013: 41). This indicates that the US government has understood that efforts to set-up and implement a successful trade policy evaluation system have to go hand in hand with the modernization of procedures and practices in public administration. The Strategy Plan also reflects on the limitation of the USTR with regard to providing adequate administrative support: “In the past, USTR’s aggressive trade agreement negotiation, implementation and monitoring and enforcement agenda strained the Agency’s capacity to provide the necessary support” (USTR 2013: 41). This self-reflection through the agency might trigger a learning process which in turn might positively affect USTR’s policy making capacity as well as US trade policy in general.

As I discussed earlier in chapter 7, Japan's public sector has only recently begun to apply methods of new public management. Compared to the situation in, for example, the UK or the US, "Japan is a developing country in terms of local government administrative reform" (Yorozu 2014). Hence it is not surprising that similar self-reflections, as the one described above, are not yet found within Japan's trade-related ministries and agencies.

## 8.4 The EU's approach towards trade policy evaluation

After examining the approach of Australia and the US towards trade policy evaluation, the following section will focus on the trade policy of the European Union and its evaluation efforts. Similar to the US and Japan, the EU has also shifted its trade policy from multilateralism to bilateralism. With the publication of the "Global Europe" strategy in 2006, bilateral and regional FTAs have assumed a pivotal role in the trade relations of the EU.<sup>68</sup> The "Global Europe" strategy established "competitive regionalism" and "deep integration" as the two main characteristics of the new trade policy (Koopmann and Wilhelm 2010). The multifaceted political and economic underpinnings of the EU's new trade strategy constitute a striking similarity with the trade policies of the US and Japan. This parallel development makes the EU an interesting case for comparison with Japan. In addition, the EU's sheer economic weight and its role as a rule setter in the international trade regime make such a comparison even more relevant (De Bievre and Poletti 2014). Another similarity with the US and Japan is the EU's parallel involvement in various ongoing trade negotiations, such as the TTIP talks with the US and the negotiations with the EU over the EU-Japan agreement. In general, the European Commission is conducting two different kinds of evaluations in the area of trade policy.<sup>69</sup> On the one hand, it commissions external reports and conducts case studies on trade policy-related areas, such as evaluations on its Market Access Database (GHK 2011) or the Export Helpdesk of the EU (Adelphi Consult 2007). It also assesses its own communication strategy in

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<sup>68</sup> Refer to Meunier (2007) for an account of the EU's trade policy prior to the inception of the "Global Europe" strategy.

<sup>69</sup> Refer to the website of the EU Commission for its reports on policy evaluation in trade policy: <http://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/> [accessed on 20 February 2015].



the area of trade policy as well as its dialogue efforts with the civil society. This approach highlights the EU's commitment to improving its policies and practices through constant reviews and learning from its own lessons. Japan, too, has initiated a dialogue with members of its civil society regarding the country's future trade policy by holding so-called town hall meetings on the highly contested TPP issue. However, the Japanese government so far has neither evaluated this approach nor demonstrated in a transparent manner how it is going to react to criticism or suggestions from the public. In particular the heated TPP debate could have profited from such an open dialogue with civil society. This kind of evaluation would be an excellent way to reach out to NGOs and local groups and demonstrate that policy makers and trade bureaucrats are willing and able to apply lessons learnt from the dialogue it started. Particularly in a case such as the TPP debate, this instrument has the potential to improve communication and mutual understanding between government and the public.

On the other hand, the EU Commission also conducts assessments on the ecological and environmental impact of its trade policy through the so-called Trade Sustainability Impact Assessment (TSIA). Since the inception of the program in 1999, all of the EU's trade agreements have been analyzed regarding their possible impact on sustainability.<sup>70</sup> These ex-ante studies are conducted by external experts and published on the Commission's website, guaranteeing independency and transparency. Their main goal is to develop an evidence-based trade policy. The assessments are conducted during the negotiations process and provide the involved parties with additional information on a wide range of issues, such as the potential impact of the respective trade agreement on biological diversity, public health or human rights. The studies also have the aim to improve communication between stakeholders and interest groups in the partner countries (EU Commission 2015a). Again, this could serve as an example for Japan, which also has begun to integrate issues such as capacity building and technical assistance in its FTAs.

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<sup>70</sup> The European Commission is currently updating its Trade Sustainability Impact Assessment program as well as its Handbook for Sustainability Impact Assessment, which indicates the growing awareness of the importance of such practices within the EU's bureaucratic apparatus. The Commission has initiated a public online consultation mechanism through the following website [http://trade.ec.europa.eu/consultations/index.cfm?consul\\_id=186](http://trade.ec.europa.eu/consultations/index.cfm?consul_id=186) and is also organizing a Civil Society Dialogue.

In this context, the EU Commission has also commissioned an impact assessment on the current FTA negotiations between the EU and Japan (EU Commission 2015b). This comprehensive study, prepared by the consultancy LSE Enterprise, includes evaluations in four different areas with the purpose to assess the impact of the EU-Japan FTA on sustainability. Table 8 below shows the specific areas and policy fields that are part of the study. In addition, the EU Commission has launched a website that informs on the progress of the assessments via a timeline, publishes documents regarding the project as well as introduces the members of the evaluation team (LSE Enterprise 2015). The entire set-up of this impact assessment highlights the efforts of the EU to improve the transparency and accountability of its trade policy.

**Table 8: EU Trade Sustainability Impact Assessment of the EU-Japan FTA**

Area of analysis	Economic analysis	Social and human rights analysis	Environmental analysis	Sectoral analysis
<b>Impact assessment</b>	<ul style="list-style-type: none"> <li>- Economic impact of EU-Japan FTA</li> <li>- Economic impact of other FTAs on the EU-Japan FTA</li> </ul>	<ul style="list-style-type: none"> <li>- Social implications of FTA</li> </ul>	<ul style="list-style-type: none"> <li>- FTA impact on the environment</li> </ul>	<ul style="list-style-type: none"> <li>- FTA impact on specific sectors</li> </ul>
<b>Indicators</b>	<ul style="list-style-type: none"> <li>- Trade liberalization coverage</li> <li>- NTB treatment</li> <li>- Institutional features</li> </ul>	<ul style="list-style-type: none"> <li>- Impact on the implementation of ILO Core Labor Standards</li> <li>- Impact on the promotion of the ILO Decent Work Agenda</li> </ul>	<ul style="list-style-type: none"> <li>- Carbon emissions</li> <li>- Technology transfer</li> <li>- Identify key environmental regulations</li> <li>- Analyze how FTA relates to multilateral environmental agreements</li> </ul>	<ul style="list-style-type: none"> <li>- Sector-specific indicators</li> </ul>

Source: EU Commission (2015b)

Regardless of being tailored to the perspective of the EU, this report also contains much information on Japan. However, it would be advisable for the Japanese government to commission a similar study on its own. Such a Japan-led study

would be better suited to reflect on the particular challenges that Japanese companies and stakeholders are confronted with when using FTAs. It would also have a symbolic effect towards the civil society by showing that the government is interested in an open dialogue with the public.

The approach of the EU in trade policy evaluation is unique in that it connects economic and environmental analyses for a more comprehensive assessment, whereas other studies usually follow a single-issue approach. This unique approach of the EU has its beginning in 1999 with the start of the TSIA. However, the existing assessment practices and in particular the transparency efforts have to be placed in the context of growing concerns by civil society groups towards the trade strategy of the EU and its negotiating tactics. These groups successfully raised awareness for trade-related issues through various protest forms:

*“The anti-globalisation movement that emerged at the turn of the century raised interest in and awareness of trade issues which were once the exclusive preserve of trade technicians. Civil society organisations raised legitimate concerns about the power of the state to regulate; about the future of agriculture; and about the shortcomings of development policies” (EU Commission 2006).*

The protests reached another climax in June 2013 when the EU and the US began negotiations to form a bilateral free trade agreement, known as TTIP. The protests focused mainly on the secretive negotiation process as well as on disagreements with the US side regarding several key issues, such as the investor-state dispute settlement (ISDS) mechanism or divergent views on chemical regulations. However, after growing demands from various NGOs and citizen groups, the EU has begun to publish internal documents, such as drafts of chapters and position papers, related to the TTIP negotiations.<sup>71</sup> Since the beginning of 2015, documents with the actual negotiations text as well as EU position papers on various issues have also been made public on an EU online platform. As part of this initiative, factsheets and text proposals have been published on all 24 chapters of the proposed agreement. The so-called issue factsheets have the purpose to explain the reasons why the respective issues, for example cosmetics, pesticides or energy and raw materials, are included in the TTIP. They further state the specific policy goals of the EU regarding each respective issue. For example

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<sup>71</sup> By June 2016, the initiative “Stop TTIP” had collected more than 3.4 million signatories. It is a self-organized European Citizen Initiative that comprises around 500 organizations. The petition for a referendum has been submitted at the EU Commission in October 2015. For more information on the campaign consult its website at <https://stop-ttip.org/> (European Citizen Initiative 2016).

the factsheet on cosmetics states the following EU goals (EU Commission 2015c):

- “Push for the progressive phase-out of animal tests worldwide”;
- “Improve technical cooperation between regulators to facilitate US approval of UV filters already authorised in the EU”;
- “Collaborate in new areas such as allergen labelling and market surveillance.”

In addition, controversial or sensitive issues for each topic are identified.<sup>72</sup> On the other hand, the EU position papers contain drafts for the legal texts on each topic. These drafts are, however, preliminary, as the final text will be a result of negotiations with the counterpart team from the US (EU Commission 2015d). However, the efforts of the EU to improve the transparency of the TTIP negotiations have so far not been received as well as probably hoped for. According to the FAZ, the website of the EU on the TTIP has on average only 25 visitors per day in the three months since being launched. The article further explains that even one of the most controversial issues of the TTIP negotiations, the regulations around food safety and sanitary provisions, received only 55 visits per day on average (FAZ 2015).

As another consequence of the growing public protest against the EU’s handling of its trade negotiations, the new EU trade commissioner, Ms. Malmström, has shown a very different demeanor towards critical voices compared to her predecessor. In contrast to Karel van Gucht, the former trade commissioner, Malmström has tried to reach out to the public. Acknowledging the “intense public debate” on the TTIP in Europe, she presented her four personal priorities regarding the new EU trade strategy. She highlighted the need to rebuild trust with the civil society and improve transparency, which she sees as the number one priority, even above the importance of having a broad strategy, including issues such as digital trade and people mobility, as well as a broad geographical scope. She also argued that trade policy should be based on EU values, such as human and labor rights, and that the EU should enforce stronger responsibility in the supply chain. In her understanding, the TTIP and the way it is negotiated and implemented plays a pivotal role on how the EU will shape its future trade policy:

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<sup>72</sup> For example, the EU lists the following concerns with regard to the issue of cosmetics in the TTIP negotiations: i) treatment of banned substances; ii) changes in EU law; and iii) future of the precautionary principle (EU Commission 2015c).

“When it comes to the politics of trade, TTIP is also essential. The new ways of engaging with people we are trying there are a testing ground for the rest of trade policy” (Malmström 2015: 5). However, Malmström is not the only highly-ranked EU official who represents a new approach in trade policy. The EU’s chief economist also has spoken out in support of more trade policy evaluation. He outlines such an approach in his publication “Towards ‘Trade Policy Analysis 2.0’: From national comparative advantage to firm-level trade data” (Cernat 2014).

While the EU and Japan obviously face different challenges in promoting its trade policy among the public, the trade policy evaluation system of the EU as well as its efforts to address its citizens’ concerns regarding the lack of transparency and legitimacy constitute an ideal case for the Japanese government to study and learn from. I am aware that the EU model can and should not be blindly imitated by Japan. However, it offers several ideas and concepts that so far have not played a major role in the evaluation of Japan’s trade policy. In particular, the efforts of the EU Commission to promote transparency and to reach out to its critics are remarkable and have not been undertaken in Japan.

## 8.5 Other models for trade policy evaluation in Japan

Australia’s and the EU’s approach on trade policy evaluation are not the only examples that might be applicable for Japan. In the following section, I will present and discuss several other approaches on evaluation in the area of trade policy in order to draw a conclusion on whether they are helpful in designing an evaluation approach for Japan. However, it is important to keep in mind that there is no one-size-fits-all approach in trade policy evaluation and ultimately Japan’s trade officials and academics will need to draft and develop their own approach that takes Japan’s unique system of policy-making into consideration.

Plummer et al. (2010) have compiled a report on the “Methodology for Impact Assessment of Free Trade Agreements” with the purpose of providing researchers and policy makers, particularly from developing countries, with methods and technical knowledge to evaluate and assess trade agreements. I will briefly present their work and discuss its applicability in the case of Japan below.

While the study of Plummer et al. (2010: 1f.) focuses on methods and techniques for economic evaluations, it also stresses the importance of collecting information on possible FTA impacts by consulting domestic stakeholders, such as

trade-related ministries and business groups. Plummer et al. highlight the role of interviews and surveys in order to conduct such comprehensive assessments. They further argue that it is imperative to run FTA evaluations independently: “At the very least, those directly involved in the FTA negotiations should not lead the FTA evaluation studies” (Plummer et al. 2010: 2). Japan’s current approach, however, as presented in chapter 6.1, is in stark contradiction to this, as each ministry is ultimately responsible for its own evaluation. One option to respond to this challenge would be to set up a central evaluation agency that is responsible for all internal evaluations. However, finding adequately trained evaluation experts who also possess the required broad technical knowledge is a challenging task. Another option lies in the assignment of external evaluators, which has the advantage that an independent evaluation is guaranteed. Having outside evaluation experts further increases the legitimacy of such efforts. It also increases the chances that the perspective and expertise of various interest groups gets reflected in the evaluation process. In the context of evaluating trade agreements, this would mean having specific country experts as members of the evaluation team, in accordance to the country or region Japan is negotiating with. In addition to this, the evaluation team should include experts on particular policy issues, which are considered controversial or crucial for the conclusion of the respective agreement. Plummer et al. also point out that it is important to conduct evaluations with the awareness of the multifaceted effects of FTAs on different domestic groups, such as business owners, farmers or consumers. Plummer et al.’s study is particularly valuable, as it also reflects on the limitations of its own approach and recognizes that certain FTA welfare effects cannot be quantified. The authors highlight that changes on the supply and demand side or advancements in technology often affect production or trade numbers more than concluding FTAs (Plummer et al. 2010: 81).

Following another approach, the Economist Intelligence Unit (EIU) (2014) has conducted a survey on the views of small and medium-sized companies in the Asia-Pacific region regarding FTAs.<sup>73</sup> The EIU study covers over 50 FTAs of 8 countries and shows that the average FTA usage rate is relatively low at just 26%. Other studies have shown that Japan’s FTA utilization rate is also relatively low. Even though Japanese companies have been increasingly using FTAs in recent

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<sup>73</sup> Kawai and Wignaraja (2011) have also published an assessment of free trade agreements in Asia. Their study takes the perspective of businesses and asks how they have responded to the growing number of FTAs in the region.

years, its usage rate is still at 42.9% (METI 2014d: 499).<sup>74</sup> The companies surveyed in the EIU study mention several reasons for their low FTA usage. Many of the interviewed company representatives found that their government does not do enough to publicize the existence of FTAs. In addition to this, companies often felt overwhelmed by the complexity of FTAs. In order to improve this situation, the authors of the study suggest, for example, the introduction of a FTA single-window system, similar to the system already in place in Singapore (EIU 2014: 6f.).<sup>75</sup> However, the EIU study comes to the conclusion that even the existence of such a service in Singapore did not alleviate the low level of awareness regarding FTAs among companies. It is therefore questionable if the implementation of such a system in Japan would actually result in higher awareness. The EIU study further concludes that larger companies face the same constraints as smaller firms when using FTAs. A surprising result, as the existing assumption was that smaller firms struggle more than larger companies because of the high cost associated with implementing FTAs. The surveyed companies asked for increased agreements that are also more comprehensive. However, considering that most firms lamented their low level of knowledge regarding FTAs, it is questionable whether merely completing more agreements will have any positive effects on the current situation. It is easy for companies to demand their governments to improve the domestic business environment. However, it remains unclear if the proposed measures will yield any tangible results.

The EIU study makes another noteworthy point. According to one of its surveys, only 25% of the companies believe that the abolition of NTBs would help their export-driven sales. This is in stark contrast to the findings of many other studies that attach great importance to the reduction of such barriers. The EIU report offers an interesting explanation for this unexpected result: They argue that this is either because companies are actually unaware of the negative impact of NTB or because scientists and trade officials have attributed too much attention to them (EIU 2014: 11).

METI, too, has devoted an entire chapter on the issue of low FTA utilization in its ‘White Paper on International Economy and Trade 2014’ and discusses the

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<sup>74</sup> For a more technical discussion on the computation of FTA utilization rates, refer to Hayakawa et al. (2013).

<sup>75</sup> The concept of a single-window system is a trade facilitation tool promoted by several international trade organization and agencies. It is based on the idea that a single location will improve efficiency of cross-border trade and hence have a positive influence on a country’s trade relations.

challenges companies are facing when using FTAs. Similar to the companies interviewed in the EIU survey, most Japanese companies also mentioned high costs and the administrative burden as the main problems in using FTAs (METI 2014d: 505). The METI White Paper further presents several measures that would make it easier and cheaper for companies to use existing FTAs. It refers to the examples of Singapore, South Korea and the US on how to successfully disseminate information on FTAs through sharing stories of companies that successfully used FTAs. Other examples include central information websites and FTA-related online search engines. In addition, the chapter on low FTA usage in METI's White Paper shows that the Japanese government is at least aware of some of the shortcomings of its trade policy. As a result, JETRO (2014) has recently published a pamphlet with detailed information for Japanese companies on how to utilize FTAs.

## 8.6 Preliminary conclusion

The previous sections compared Japan's efforts in trade policy evaluation with the current status of trade policy evaluation in Australia, the EU and the US. In comparison to these cases, Japan is lacking behind in its trade policy evaluation efforts. What are the main differences and how might these explain Japan's shortcoming?

One possible explanation is the missing combination between general reforms in the public administration system and specific trade policy evaluation in Japan. Although Japan initiated a reform of its administration system and even set up an evaluation system in the 1990s, the evaluation frameworks in Australia, the EU and the US, are comparatively better integrated into more comprehensive administrative reforms. In Australia, the EU, and the US, trade-specific policy evaluation is part of a larger, more general policy evaluation system, which in turn often goes hand in hand with comprehensive efforts to modernize overall administrative processes and improve public services according to ideas and concepts based on NPM. The following quote from the current draft for the second edition of the EU's TSIA handbook demonstrates this approach clearly:

*“The present revision of the 2006 SIA Handbook should be seen in the wider context of the Commission's major on-going revision of its approach to better regulation, which includes specific new guidelines on impact assessment, evaluation and stakeholder consultation” (EU Commission 2015e: 3).*



This also explains why it would not be enough to merely develop an evaluation system in the case of Japan's trade policy, but that this has to be a long-term effort that integrates trade policy assessment with wider evaluation efforts across policy fields and covering larger parts of the entire bureaucratic system. Accordingly, the following chapter will provide a closer look at the relationship between Japan's trade and development policy.



## 9. Japan's new trade policy – a new venue for ODA?

Japan's approach towards development policy constitutes another important aspect of Japan's overall foreign economic relations. Economic cooperation and foreign aid have long played a crucial role in Japan's foreign policy and for its standing in the international community (Kevenhörster 2014b: 164ff.). In particular, Japan's relations with countries in Southeast Asia have been defined by Japan's financial engagement in the region, mainly through official development assistance (ODA), which can be considered Japan's most important development policy tool (Trinidad 2007). Starting out as war reparation payments in the late 1950s, Japan's ODA budget grew constantly over the next few decades. By the late 1980s, Japan had even overtaken the US as the world's biggest donor of ODA. However, in recent years Japan's development policy has undergone important changes. Budget cuts, aid fatigue among the Japanese public as well as criticism regarding the economic-centered approach on development policy spurred a reform discussion (Kawai and Takagi 2004).<sup>76</sup> According to Feasel (2014: 114), the “emphasis on infrastructure development in Japan's aid policy based on its model of growth through industrialization” is one of the main reasons behind such criticism. These reforms notwithstanding, Japan still stands out as one of the biggest donors of foreign aid, at least when calculated in absolute terms, and hence is an indispensable actor in the international development community. Or, in the words of Jain (2015: 2): “Despite losing its number one position, Japan's ODA budget is still huge.”

While this chapter cannot provide a comprehensive discussion on Japan's development policy, it is important to acknowledge the interdependent nature of development policy and trade policy.<sup>77</sup>

*“Bilateral trade and aid policies could complement each other when donors have common external policies that consider both aspects simultaneously. However, they could also be used as substitutes when aid is given to countries with weak trade links with the aim of establishing closer relations” (Martinez-Zarzoso 2015: 184).*

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<sup>76</sup> Refer to Sunaga (2004) for an overview of the ODA reform discussion from the perspective of the Japanese government.

<sup>77</sup> For a more comprehensive and current analysis of Japan's development policy refer to Feasel (2014) or Jain (2015).

Considering the particularly close relationship between Japan's development policy and its overall foreign economic policy, this following chapter attempts to enrich our understanding of Japan's new trade policy by looking at the challenges and opportunities of Japan's current development policy approach. Such an analysis will be instrumental in identifying similarities and differences between these two policy fields. Of further interest for this dissertation is Japan's approach on evaluating its ODA policy. The lessons learnt from evaluating development policy may provide a valuable learning opportunity for Japanese policy makers and bureaucrats with regard to setting up a similar evaluation system in the area of trade policy. As Kevenhörster (2014b: 191-200) has demonstrated, even before implementing the Government Policy Evaluation Act in 2001, the MOFA has been conducting yearly evaluation reports on Japan's activities in the area of economic cooperation.

## 9.1 The interplay between Japan's development and trade policy

The connection between development and trade policy deserves special attention for several reasons. As both areas have undergone major transformations in recent years, it is necessary to analyze these related policy fields for a better understanding of Japan's current foreign economic policy. Firstly, it is important to note that Japan's approach to developmental policy is strongly influenced by its economic interests in the respective country. While this is certainly true for most donor countries, Japan's traditional approach of using foreign aid to enhance its economic interests represents such an approach in the most explicit form.<sup>78</sup> Due to this behavior, Japan has been given the name 'economic animal' by the international development community.

Secondly, for historic reasons, Japan continues to have a special interest in the countries of Southeast Asia (Beeson 2001). This special interest is most visible in Japan's development policy towards the region. However, it goes far beyond

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<sup>78</sup> For a comparison of Japanese development policies with development policies from around the globe, refer to the book "Japan's Foreign Aid: Old Continuities and New Directions" edited by David Arase (2005).

simple ODA flows or technical cooperation.<sup>79</sup> Trinidad summarizes the economic and political importance of Southeast Asia for Japan as follows:

*“Since the enunciation of the Fukuda Doctrine, Southeast Asia has been a priority region of Japan’s ODA program. Japan’s commitment to the region was restated clearly in its Diplomatic Bluebook 2005 in which ODA was described as being utilized not only to strengthen economic ties but also to meet other desired policy objectives, such as alleviation of regional disparities and assisting in resolving transnational issues like terrorism and piracy.” (Trinidad 2007: 114f.)*

ODA is not the only channel of developmental cooperation between Japan and Southeast Asia. The economic growth of ASEAN member states has also resulted in closer trading ties between Japan and the region, which in turn has also led to the proliferation of EPAs. As a result, seven of Japan’s 15 current EPAs are with countries in Southeast Asia. In addition to this, Japan and ASEAN also concluded a trade agreement in 2008. Considering that the evolution of Japan’s EPA policy took place in parallel to Japan’s ODA reform discussion raises the question of whether Japan’s EPAs could be seen as a continuation of its traditional ODA policy, as its EPAs cover at least some development-related issues.

## 9.2 Development-related provisions in Japanese FTAs

While the interconnectedness of ODA and trade agreements seems obvious when considering the Japanese case, the literature on this topic in general is scarce. Against this background, this section presents a first attempt to address this research gap. A cursory analysis reveals the high linkage between both policy fields. While Japan’s EPAs do not include chapters that are directly dedicated to development policy or ODA, an increasing number of its EPAs include provisions on development-related, environmental or labor issues. Most development-related provisions in Japanese EPAs can be found in the respective chapters and articles on technical cooperation. The table below shows which of Japan’s EPAs include such provisions (Table 9). It also contains provisions on labor and environmental issues in an attempt to cover a broader understanding of development policy. As the table indicates, labor standards are least common as only the

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<sup>79</sup> Koppenborg (2016: 32ff.) argues that Southeast Asia has also been a major recipient of Japan’s environmental and climate-related ODA. However, her own assessment of these policies comes to a mixed picture regarding their sustainability.

agreements with the Philippines, Switzerland and Mongolia include such provisions.<sup>80</sup> Environmental measures as well as provisions on technical cooperation are more frequently featured in Japanese EPAs.

**Table 9: Development-related provisions in Japan’s FTAs**

EPA partner country	Labor standards	Environmental	Technical cooperation
Philippines	✓	✓	✓
Brunei	✗	✓	✗
Chile	✗	✓	✗
India	✗	✓	✗
Indonesia	✗	✓	✓
Peru	✗	✓	✗
Switzerland	✓	✓	✗
Thailand	✗	✓	✓
ASEAN	✗	✗	✓
Malaysia	✗	✓	✓
Mexico	✗	✓	✓
Singapore	✗	✗	✓
Vietnam	✗	✗	✓
Australia	✗	✗	✗
Mongolia	✓	✓	✓

Source: Author’s own compilation based on FTA database of the ADB (ADB 2015).

<sup>80</sup> Refer to Article 103 of the Japan-Philippines EPA for an example of such labor provisions: “The Parties recognize that it is inappropriate to encourage investment by weakening or reducing the protections afforded in domestic labor laws. Accordingly, each Party shall strive to ensure that it does not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such laws in a manner that weakens or reduces adherence to the internationally recognized labor rights referred to in paragraph 2 below as an encouragement for the establishment, acquisition, expansion or retention of an investment in its Area” (MOFA 2006: Article 103).

However, some of the environmental provisions, for example in the case of the EPA with Malaysia, consist only of one sentence without determining specific rules or measures: “Each Country shall not encourage investments by investors of the other Country by relaxing its environmental measures” (MOFA 2005: chapter 7, article 90). Such vagueness and impreciseness is also characteristic of other Japanese EPAs:

*“Japan’s agreement with Mexico on environment cooperation (a side agreement to the Japan–Mexico PTA) represents a variation in that it mandates parties to cooperate. Article 147 of the agreement states, ‘The Parties, recognizing the need for environmental preservation and improvement to promote sound and sustainable development, shall cooperate in the field of environment’ (italics added). The description of cooperative activities is, however, drafted in nonbinding, inclusive language, allowing scope for the parties to develop further agreements on implementation in the future.” (Anuradha 2011: 417).*

Notwithstanding, Japan is following an international trend by including such environmental provisions in its EPAs. Chauffour and Maur (2011: 14) asserted that “environmental provisions are increasingly being incorporated into PTAs, especially by major developed economies. The United States, the EU, Canada, and New Zealand are the principal proponents of environmental provisions in PTAs.” They also come to the conclusion that labor and human rights are increasingly included in trade agreements.<sup>81</sup> However, monitoring and, in particular, enforcing such provisions, continues to be a challenge for the international community (Chauffour and Maur 2011: 15f.). In light of this, the two authors refer to the Sustainability Impact Assessment of the EU, as discussed in more detail in chapter 8.4, as an example on how policy assessment can be successfully implemented with regard to this policy field.<sup>82</sup> Yanai (2014) on the other hand is more critical towards Japan’s attempts to include relevant provisions on environmental issues. While she identifies the agreement between Japan and Chile as a positive example, she ultimately comes to the conclusion that Japan’s EPAs with developing countries suffer from a “lack of environmental impact assessment” (Yanai 2014: 10). In accordance with my findings on the general need for more evaluations of trade agreements, Yanai (2014: 11) demands that “[...] Japanese RTAs

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<sup>81</sup> For a critical discussion on the emerging issue of human rights provisions in FTAs refer to Lewis (2014).

<sup>82</sup> For more background information on sustainable development provisions in the FTAs of the EU refer to Cuyvers (2013).

must incorporate a subsequent or follow-up assessment system in order to identify environmental problems resulting from the RTAs [...].” However, while Japan does not have a comprehensive evaluation system in trade policy, it has a relatively long history of evaluating its ODA policy (Muta and Minamoto 2009). The experience and know-how of evaluating ODA policy should be applied to the area of trade policy.

So how can we explain the emergence of development-related provisions in Japan’s bilateral trade agreements? Three groups can be identified as the main proponents of development-related provisions in EPAs. Although for different reasons, the Japanese government, business interest groups as well as scholars of development studies have all argued for closer coordination of development and trade policy. For example, the Japanese government deliberately labeled their free trade agreements as EPAs to underline the comprehensiveness of their agreements. In order to distinguish its EPAs from trade agreements of other countries, the government stresses the development-oriented component of its EPAs. In particular, technical assistance and cooperation has played a major role in Japan’s agreements:<sup>83</sup>

*“[...] All Japan-ASEAN EPAs except JSEPA include a chapter on cooperation that covers various types of tailor-made technical assistance programs. Moreover, some EPAs include concrete technical assistance measures targeting a specific industry, for example, in the automobile sector under JMEPA and in the energy and mining sectors under JIEPA. Thus, the tailor-made technical assistance obligations under a number of Japan–ASEAN EPAs are substantial” (Hamanaka 2011: 34).*

In addition to the Japanese government, Japan’s business community also started lobbying for a higher level of coordination between development and trade policy: “In a nutshell, they [business circles] wanted to see the ODA more integrated into Japan’s economic and trade policy, in view of growing economic integration in East Asia” (Sunaga 2004: 7). Furthermore, the academic discussion in development studies also played an important role. The idea of policy coherence had become the dominating topic in the ever evolving global development discourse and scholars as well as practitioners coincided in their calls for improved policy coherence of Japanese development policy. The Japanese discourse regarding foreign aid and developing policy had also been hugely affected by the measures

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<sup>83</sup> Refer to Hamanaka (2011) for a comprehensive analysis of technical assistance provisions in EPAs between Japan and several ASEAN member states.



of the OECD's Development Assistance Committee (DAC) to improve aid policies worldwide. This process was further prompted by the growing financial pressure on Japan's ODA policy in the 1990s and the resulting need to improve the quality of its policy measures, instead of simply focusing on the quantity of financial flows as in the previous decades (Kevenhörster 2014b: 177-200).<sup>84</sup> As the result of these concerted efforts, Japan's EPA have also become a new venue for Japanese ODA policy and economic cooperation. Its trade agreements have become an ideal vehicle for Japan to manage its economic relations with the emerging countries of Southeast Asia, which slowly had outgrown being merely recipients of foreign aid:

*"[...] As a trading nation, it is in the interest of Japan to help promote the economic development of its trading partners, particularly in neighboring Asia, and to create and preserve a world of peace and stability, a necessary condition for stable trade and investment" (Kawai and Takagi 2004: 259).*

However, only integrating a few development-related provisions into its EPAs cannot be the solution for Japan's ODA and trade policy. As long as both policy fields are missing a long-term strategic outlook, it will be difficult to achieve any level of policy coherence. Solis and Urata (2007: 242) conclude:

*"Our comparative analysis of trade and ODA helped underscore an increasing disconnect between the rhetoric for integration of policy areas [...] and the actual lack of policy coordination. Indeed, there is no high-level government body where both of these issue areas are discussed jointly."*

In addition, policy coherence is not only about aligning policies in two related field, but streamlining policy goals as well as policy measures in a wide array of fields, such as agricultural policy, investment policy and labor policy. Aligning the goals of such diverse policies might enhance their actual impact, while the alignment costs, for example the negotiations and the personnel needed to reach that solution, can also hamper efforts in certain policy fields. Improving policy coherence is therefore not a one-way-street to improving policies per se, but rather a challenging process that requires careful planning and long-term political clout.<sup>85</sup> However, since embracing a bilateral trade policy approach, Japan has

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<sup>84</sup> Another important factor is the emergence of China. Yoshimatsu and Trinidad (2010) discuss the impact of China's growing influence on Japan's development policy towards ASEAN.

<sup>85</sup> Refer to Raposo (2014: 15-27) for a discussion of Japan's aid policy towards Africa and the influence of the TICAD process on improved policy coherence.

not undertaken enough efforts to improve the coherence of its aid policy and trade policy (Kevenhörster 2009).

### 9.3 Lack of coherence between ODA and FTA policies

The section above looked at the interdependence of Japanese development and trade policy and addressed the lack of research on this emerging topic. While the long-term goal should be to develop a coherent and integrative approach that covers development and trade policy, policy makers and officials also need to deal with the fact that these two policy fields continue to have distinct policy goals as well as different strategies for achieving these goals.

Despite the fact that the scholarly discussion on policy coherence has been going on for more than a decade, Japan's EPAs do not have a strong record of integrating development-related provisions.<sup>86</sup> Such provisions are usually limited to technical cooperation and support in capacity building through training programs, leaving further room for policy harmonization.<sup>87</sup> The wording of the 'Japan-Vietnam Joint Statement on the Strategic Partnership for Peace and Prosperity in Asia' confirms such an approach:

*"Prime Minister Naoto Kan [...] reaffirmed Japan's strong support for Viet Nam's economic development through providing assistance in such priority areas as promotion of economic growth, improvement of living standard and social safety net, institution and capacity building while utilizing advanced Japanese technology and expertise. The Japanese side welcomed Viet Nam's determination to advance economic reform and anti-corruption measures related to Japan's ODA" (MOFA 2010b).*

However, the ongoing transformation of both policy fields has created a window of opportunity for the Japanese government to improve development and trade policy by harmonizing its ODA and EPA strategies. Already in 2007, Solis and Urata (2007) argued for more coherence in Japan's foreign economic policy formulation when they identified two pivotal trends. On the one hand, they identified the turn towards bilateral trade agreements as the new main pillar of Japan's

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<sup>86</sup> Refer to OECD (2004) for an early discussion on the issue of policy coherence in development policy.

<sup>87</sup> In his in-depth analysis of Japan's attempts to increase policy coherence as well as the quality of its development policy, Kevenhörster (2009) comes to a mixed result. While he acknowledges Japan's ODA reform efforts, Kevenhörster identifies further potential for improving the policy coherence of Japan's trade agreements with Japan's development policy goals.

trade policy. On the other hand, they found that Japan's foreign aid program was undergoing an extensive reform. In conclusion, they argued that "the remarkable degree of policy activism in both trade and ODA in the last decade is not a coincidence, but rather is a response to common challenges: domestically the economic recession, internationally the pressure for policy convergence and competition with China" (Solis and Urata 2007: 241). Since then these two trends have further accelerated, making the goal of policy coherence even more urgent.



## 10. Conclusion and prospects

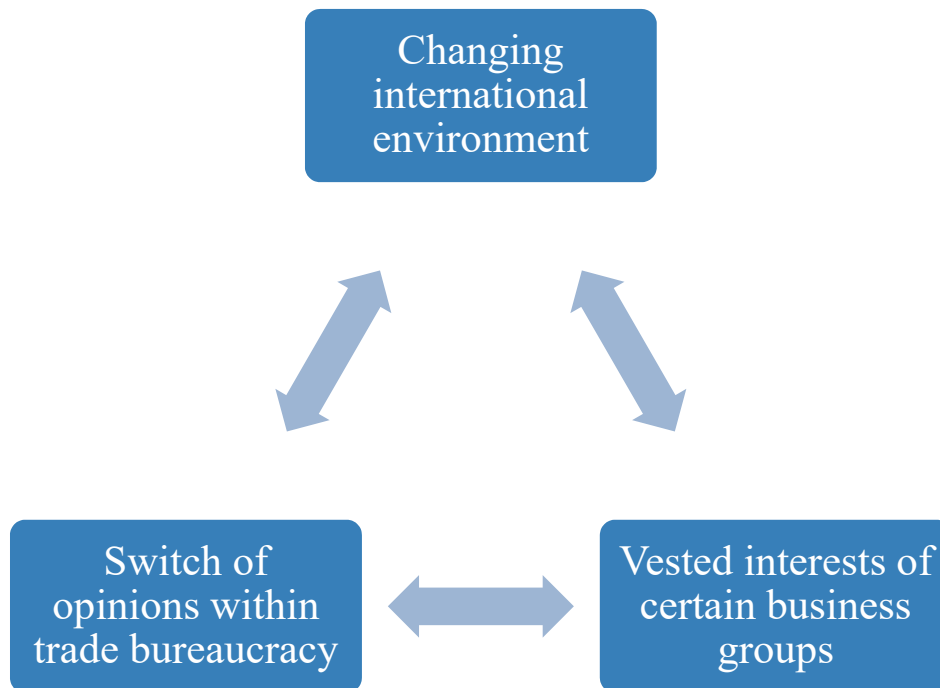
### 10.1 Key findings

Rather than a carefully planned strategy change, Japan's trade policy transformation is the result of a more passive response to various economic and political factors, which resulted in changing opinions towards bilateral trade agreements within Japan's political landscape and ultimately led to an incremental trade policy shift. The three main factors contributing to this gradual policy shift were the changing international environment, successful lobbying efforts of businesses and the susceptibility of various influential officials at trade-related ministries to a new perspective on bilateral trade agreements. These three main factors mutually reinforced each other and ultimately their joint occurrence laid the ground for such a pivotal trade policy shift (Figure 3). The changing international environment provided a particularly fertile ground for business lobbyists to argue for their desired policy change, especially as decision-makers at various trade-related ministries were coming to understand that Japan should follow the international trend in order to remain competitive. As discussed in chapter 1.5.2, this conclusion concurs with the multiple streams framework. The MSF rightly posits that policy entrepreneurs act upon a window of opportunity to promote policy change. Although the end result was quite drastic in its unprecedented turn towards bilateral FTAs, the actual policy shift took place incrementally in two main phases over a period of 15 years, as discussed in chapter 4.<sup>88</sup>

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<sup>88</sup> However, even during Japan's most active phase of negotiating and implementing various bilateral and plurilateral agreements simultaneously, the official main goal of the government's trade policy remained the conclusion of the WTO Doha Round.

Figure 3: Reasons behind Japan's trade policy transformation



Source: Author's compilation

Ultimately, Japan's trade policy transformation has resulted in a rather practical approach towards FTAs. Instead of being overly cautious towards such bilateral agreements, as Japan was throughout the 1990s, Japan's current stance has evolved into a robust position regarding FTAs as a trade policy tool. Although the lack of a full-fledged strategy has brought certain tangible disadvantages, such as not being regarded as a reliable negotiation partner and determined supporter of free trade, these factors are outweighed by the advantages.

First of all, the lack of a straightforward trade policy roadmap has actually enabled Japan to be more flexible, as demonstrated by the fact that Japan has engaged in several major trade negotiations simultaneously. More importantly, the simultaneous pursuit of these agreements, in particular the TPP and RCEP, are significant because they have very different outlines. Through this, Japan has managed to keep the doors open to two contrary developmental paths for the Asia-Pacific region. While some commentators (Yoshimatsu 2014b: 186) have viewed Japan's position as a sign of indecisiveness and weakness, I would argue that the opposite is true. Japan is currently in the comfortable situation to be able to wait and see, while not losing out on any obvious first-mover advantage, as progress in similar trade negotiations is slow as well. So far this approach proved to be successful. The TPP negotiations have been concluded and are awaiting

domestic ratification by its member countries. At the same time, other major negotiations, such as the RCEP or the EU-Japan EPA, are being continued.

In addition, when other scholars urge Japan to act more decisively regarding their stance on the TPP or other agreements, this often seems motivated by some underlying interests that such a behavior would profit the US, contain China or promote the liberal free trade order. In other words, Japan is expected to act according to the interests of others, instead of following a policy approach that serves its own interests. It is however important to keep in mind that Japan has not really defined the goals of its own trade policy. But then again, with such a vague outlook it does not hurt Japan's vital interest to act slowly in the area of trade policy.

However, others have also argued that it is exactly this lack of long-term trade strategy that has negatively affected Japan's global standing as well as its domestic economic performance. Funabashi and Ninomiya (2015) argue that in comparison to China's two-pronged Asia strategy, which aims at building a multilateral economic architecture and internationalizing the Renminbi, Japan is lacking a visionary outlook: "By contrast, policymaking in Japan has lacked such a big-picture, strategic perspective and has become more inward-looking in the years since the Asian financial crisis" (Funabashi and Ninomiya 2015).

Instead of developing a grand strategy, Japan's approach to trade policy has undergone incremental transformations, characterized by being conservative and flexible at the same time. Conservative to the extent that Japan mainly responds to FTA inquiries from other countries instead of pro-actively proposing trade projects itself. Japan also continues with an approach it had followed during previous GATT and WTO negotiations by excluding sensitive issues, such as agricultural products, from tariff liberalization. Along with this, Japan's trade negotiators maintain a certain flexibility in their approach, in particular regarding the motives behind their trade policy. As I have argued in chapter 5, Japan tries to achieve various goals with its policy of conducting bilateral agreements. While in the late 1990s, economic reasons played a more prominent role, as Japan was hoping to avoid trade-diversion effects as an increasing number of countries embarked on a FTA-based trade policy during that time, it later also engaged in negotiations for geo-political or diplomatic reasons.

At times, it seems that the Japanese government decided to take the road of least resistance and only negotiates agreements that do not require any sacrifices.

However, based on the findings of this study, I argue that Japan's current approach has worked well during the first stage of Japan's trade policy transformation. However, I believe that the current second stage requires a more strategically grounded approach. It is against this background that I suggest the concept of conducting transparent evaluations of Japan's trade agreements as well as its policy-making in the area of trade policy. As many of my interview partners confirmed, policy evaluation is seen as an appropriate tool to improve Japan's trade policy outcome. In addition, comprehensive evaluation could also help to overcome its fragmented policy-making by providing decision makers in the respective ministries with the same data. All too often, ministries "produce" their own data, which naturally might be biased to the ministry's vested interests. In addition, systematic impact studies as a vital part of policy evaluation could also be helpful in identifying areas that will be affected by FTAs. The outcome of such impact studies should be used as input for ongoing negotiations. As a result, certain negotiation goals, for example Japan's "sacred list" of sensitive agricultural products, could hence be determined not by political motivations but by quantitative and qualitative studies.

This dissertation mainly focused on the changing character of a single policy field – in this case trade policy. However, Japan's trade policy shift also has a broader meaning through its effect on Japan's overall political-economic system. The trade policy transformation is part of a wider shift in Japan's foreign economic policies, which has also resulted in changes in its development policy and regional financial policy. Solis concludes: "These historic initiatives indicate a strong penchant for policy activism and highlight how far Japan has moved from its passive stance as a 'reactive state', which had previously characterized its economic diplomacy" (Solis 2014: 150). However, an analysis of the mutual effects of these policy changes has not yet been conducted and invites further research.

Another area that has been affected by Japan's new trade policy is the growing involvement of non-governmental groups in trade policy making.<sup>89</sup> As I discussed in chapter 6, several groups were highly involved in the TPP debate. However, ultimately these groups failed to achieve their goal of stopping Japan from joining the TPP negotiations. Traditionally, NGOs and other social groups in Japan are not very active in the process of trade policy making. One reason behind

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<sup>89</sup> For an analysis of the role of NGOs in international trade policy under the WTO refer to Hannah Murphy (2010).



this is that the government so far has not been encouraging their active involvement, for instance by inviting NGOs to participate in trade-related workshops (Lamprecht 2014: 124ff). Whether the current involvement of NGOs in trade politics constitutes a new element of Japanese trade policy making or whether this constitutes merely a passing trend, needs to be determined by further research.

## 10.2 Policy recommendations

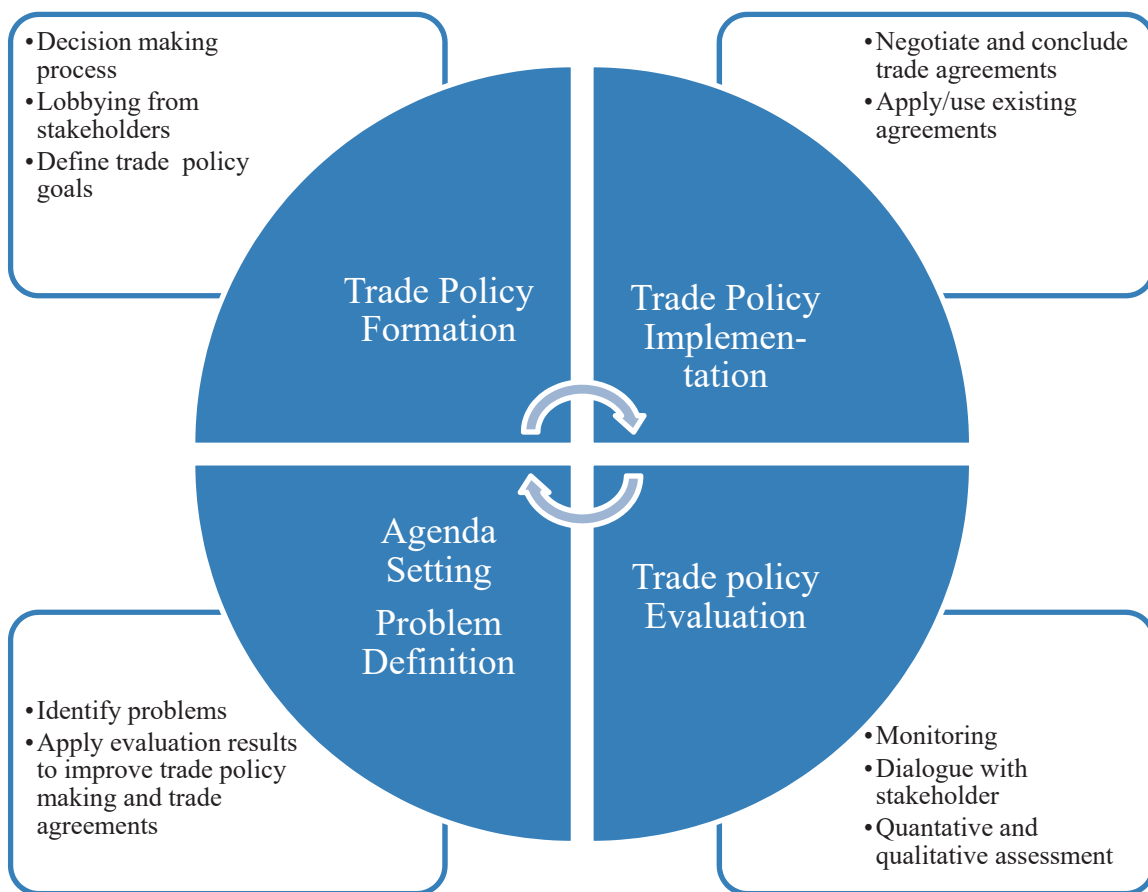
Following a policy analysis approach, this dissertation not only aims at analyzing Japan's trade policy change, but also hopes to deliver input for the policy-making process by providing a few policy recommendations (Blum and Schubert 2011: 10). As I argued earlier, the issue of Japan's trade policy transformation constitutes an up-to-date research topic for scholars and academics, but it is also a real-life challenge for Japanese policy makers and bureaucrats. Based on a literature review and the analysis of secondary sources, the findings of 25 expert interviews, as well as a comparative analysis with the US, the EU and Australia, I would like to propose the following policy recommendations.

- 1) In order to improve the outcome of its trade policy, the Japanese government should set-up and implement a comprehensive, systematic and transparent trade policy evaluation framework;
- 2) The implementation of such trade policy evaluation system should be accompanied by general reforms in the trade policy-making process, e.g. by streamlining the decision-making process;
- 3) Trade evaluation is not self-serving and should be integrated into a coherent policy cycle.

However, comprehensive policy evaluation goes further than just gauging direct and concrete impacts of a certain policy, as it also needs to take the symbolic effect of policies into consideration. Kevenhörster (2015: 25) argues that it is necessary to understand how policies affect the perceptions and opinions of all involved actors in order to fully evaluate a certain policy decision and its implementation. In the case of Japan's trade policy, this means that a successful evaluation should also consider the impact of the policy change on the overall political climate. In particular, it should take into consideration how this new trade

policy has affected the political climate with regard to structural reform. Kevenhörster (2015: 59) also reminds us that evaluations usually take place in an environment of constant change, for example when the political goals of the institution who commissioned the evaluation change or when its influence or political power decreases or increases. In addition, evaluations usually depend on the goodwill of the evaluating team to cooperate and actually implement it. Furthermore, they also depend on the goodwill of the people that are being evaluated. Hence, building up the necessary consent of the involved personnel is an important part of the evaluation efforts. Considering the above-mentioned challenges of policy evaluation, I would like to suggest the following trade policy cycle as a possible model of analysis (Figure 4).

Figure 4: Policy cycle in trade policy



Source: Author’s compilation based on the policy cycle of Jann/Wegrich 2009

The above-suggested model for a trade policy cycle is based on Jann and Wegrich’s (2009) policy cycle. There are, however, several models for policy

cycles within the area of policy analysis and my suggestions are merely a first attempt in applying policy cycles to the study of trade policy (Blum and Schubert 2011).<sup>90</sup> My suggestion follows Blum and Schubert's (2011: 108f.) argument to treat the two phases "problem definition" and "agenda setting" within the same sequence (Figure 3). However, being aware of the fact that the definition of such phases and sequences are fluid in reality, this dissertation does not attempt to advance such theoretical discussions.

Policy analysis with its focus on a) the policy output; b) the behavior of the involved actors that results in certain policies; and most importantly c) policy outcomes, represents a useful analytical approach for setting up an evaluation system in the area of trade policy.<sup>91</sup> However, in order to set up a systematic evaluation system, Japan's political leaders and decision-makers in the bureaucracy need to consider what type of evaluation best reflects the complexity of trade policy. Blum and Schubert (2011: 131f.) discuss three types of evaluation: 1) administrative, 2) political, and 3) scientific. They furthermore distinguish between internal and external evaluations. In addition, Blum and Schubert (2011: 137) introduce an open policy cycle that integrates the dimension of time and therefore better reflects the fact that policy cycles are not a closed and infinite analysis tool.

Results delivered by trade policy evaluation could be used to identify problems and challenges in the trade policy making process as well as regarding the outcome of trade policy, for example the quality and utilization rate of actual FTAs. Trade evaluation would therefore directly support the agenda-setting process by establishing certain issues on the policy agenda that otherwise might not be reflected in future trade agreements. The quality of Japan's FTAs, being a relatively new policy tool in Japan, as well as trade policy in general could profit enormously from such a learning process.

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<sup>90</sup> For a business perspective on trade policy cycles refer to the report "Micro-Multinationals, Global Consumers, and the WTO. Towards a 21<sup>st</sup> Century Trade Regime" by eBay Inc. (2013).

<sup>91</sup> Refer to the edited volume "Policy Analysis in Japan" by Yukio Adachi, Sukehiro Hosono and Jun Iio (2015) for a comprehensive and current overview of policy analysis practices in Japan.

### 10.3 Limitations and need for further research

The ongoing nature of the research topic of Japan's trade policy shift makes this dissertation extremely timely. However, this also poses a challenge, as it is difficult to draw conclusions on a developing issue. As I laid out in the opening chapter, this study focuses on Japan's trade policy shift, which began in the late 1990s and can roughly be divided into two overlapping phases. The second and current phase, however, is still ongoing, as is most prominently seen in the ratification process of the TPP or the talks between Japan and the EU. Therefore, the timeliness of this research project constitutes a simultaneous strength and limitation. Furthermore, it is important to keep in mind that although this dissertation focuses on Japan and its trade policy, the reality of global trade policy is complex, highly interdependent and also determined by external factors. Addressing each possible external influence is beyond the scope of this study.

The methodological approach employed in this study provided an opportunity to delve deeper into this research topic and to gain first-hand insights. However, as discussed in the respective chapter on methodology, one disadvantage lies in the fact that interview partners are limited in number due to the time-consuming nature of such data collection. Nevertheless, I was able to conduct 25 interviews with experts that represent a wide range of professional backgrounds, which provided valuable and up-to-date insights on the topic not available in literature.

This dissertation constitutes a first attempt at comprehensively analyzing Japan's trade policy shift and its new trade policy by introducing the concept of policy evaluation to Japan's trade policy. Based on this dissertation, two follow-up studies come to mind. Firstly, further insights could be gained by comparatively assessing each single Japanese trade agreement according to the same framework or similar indicators. While this has been attempted for several issue areas or a selection of agreements in previous studies, a comprehensive and systematic survey does not exist to my knowledge.

Another option for further research is conducting evaluations with a regional scope, for example on how specific trade agreements have affected certain regions in Japan. Hokkaido, as an important agricultural region in Japan, would serve well for an in-depth study. Another follow-up study could provide a regional comparison on the efforts on trade policy evaluation in East Asia.

Further need for research can be found in the increasing involvement of NGOs and other societal interest groups in Japan's trade policy making. As I have discussed in chapter 6, societal interest groups have clearly voiced their disagreement with the government's approach, a new phenomenon in Japan worth noting. As I demonstrated, the protest movement ultimately was not able to reach its political goal of preventing the government from entering the TPP negotiations. However, the role of NGOs in Japanese trade policy formation remains understudied and should be subject to future research.

The utilization of FTAs at the company level constitutes another area for further research. The conclusion of numerous FTAs has created a new institutional framework for Japanese companies and businesses. Research from their perspective will further enrich the debate. As Schaub has argued:

*“The entry into force of an FTA is only a first step towards trade liberalization. In order to make companies utilize the negotiated benefits, policy makers will have to ensure that these are able to take the hurdle of initial fixed costs and can get access to the world of FTAs” (Schaub 2012: III).*

In addition to the above-mentioned Japan-related research areas, this study provides a fundament for further research from an international perspective. As I demonstrated earlier, Japan's trade policy shift is not only influenced by the trade policy choices of its neighboring states and trade partners, but its own trade policy decisions also have ramifications for the trade strategy of these countries. This is of particular importance in East Asia and Southeast Asia, as the TPP and the RCEP represent quite different approaches on trade liberalization. Further research could situate Japan's policy shift within the wider regional trade policy transformation by analyzing the interplay of national trade policy choices and regional institutionalization.

Furthermore, as discussed in chapter 9, further research should be conducted regarding the overlapping fields of development and trade policy. With both policy fields simultaneously undergoing significant transformations, it becomes increasingly necessary to analyze them through an integrated lens, such as Japan's external relations.

## 10.4 Final remarks

The aim of this dissertation has been to provide an in-depth analysis of Japan's foreign economic policy transformation. I conclude that while Japan's trade policy itself changed, its trade policy regime has not been significantly transformed. This manifests itself in the fact that the political power structure in Japan's trade policy-making process has not undergone a major change. After more than 15 years of experimenting with FTAs as the new central pillar of its trade policy, the main actors, for example trade-related ministries, the business community and agricultural interest groups, have more or less remained unchanged.

However, the Abe government has been more successful than its predecessors in streamlining trade policy, which has resulted in a more dynamic stance of the Abe administration in the TPP debate and, ultimately, the successful conclusion of the TPP negotiations. In addition, we have also witnessed the emergence of an influential anti-TPP movement consisting of farmers and agricultural lobbyists, NGOs and various other societal groups. However, it is yet to be determined whether this relatively loosely organized opposition movement will continue to be influential with regard to trade policy-making in Japan. Its first litmus test will be the ratification process of the TPP during the next Diet session, in which the government hopes to ratify the agreement while the opposition, fueled by allegations of miscalculations by the government regarding the potential impact of the TPP, demands more time to study the issue (The Mainichi Shinbun 2016). It will be essential for the opposition parties to join forces with other anti-TPP groups in order to be successful. However, there are also voices that foresee a smooth ratification process, as the agreement has already been approved by the most important party committees of the LDP and its coalition partner Komeito (Winter 2016).

Another constant in Japan's foreign economic policy, namely the reluctance to liberalize certain parts of its agricultural industry, remains unchanged, too. Hence, successful trade policy continues to depend on a substantial reform of Japan's agricultural sector and its main political player JA, which has been initiated in 2015. The following years will have to show how far these reform plans really go and if we can expect a genuine policy shift regarding the politics of agriculture in Japan.

Notwithstanding, Japan's current trade policy approach has evolved quite remarkably from a situation in which the "heated domestic stalemate between advocates and detractors clipped the wings of Japanese PTA policy during its first decade" (Solis 2014: 154) to a situation in which Japan stands out as one of the key players in global and regional trade talks. This manifests itself in Japan's crucial involvement in the TPP, the negotiations with the EU and its role in the integration process in East Asia and towards ASEAN. Japan is now engaged in several plurilateral negotiations that are more complex and potentially will have greater political and economic impact than its existing bilateral agreements. In reference to the title of this dissertation, I would conclude that although Japan's trade policy transformation has been initiated without a grand strategy behind it, it has by all means evolved to become a truly strategic transformation.

The future of Japan's trade policy will obviously strongly depend on the actual outcome of the TPP, which still needs to be ratified domestically by its member states. However, as suggested in this dissertation, trade policy evaluation constitutes another way of shaping trade policy and in order to fully utilize the lessons learnt through TPP and other trade negotiations it will be indispensable for Japan's trade bureaucracy to train its evaluation staff, enhance its policy evaluation tools and frameworks as well as, ultimately, conduct evaluations in a transparent manner.

## 10.5 Reflections on PhD defense and current developments

The second half of 2016 has further intensified the struggle to establish a new global trade order. Inadvertently, Japan and the EU might emerge as beneficiaries from this confusion. In particular, the agreement between the EU and Japan could benefit from the recent turmoil in global trade talks after US president Donald Trump announced his will to withdraw from the TPP and other trade deals. Trump's negative stance on multilateral and plurilateral trade deals as well as the uncertainties that the Brexit brings along, have urged leaders in the EU and Japan to accelerate negotiations (Mucci et al. 2016). Against these recent developments my study on the evolution of Japanese trade policy proved particularly timely, as trade policy will continue to be high on the agenda. However, there are several issues that are not sufficiently covered in my work and would benefit from further analysis in a follow-up study. Reflecting on my PhD defense

and the recent developments, I will summarize the most pressing issues in this chapter.

Japan and the EU were initially hoping to conclude negotiations by the end of 2016, but several outstanding issues have forced both parties to continue their talks into 2017. This has led to growing concerns on the Japanese side that the EU might become more inward-looking in 2017 due to upcoming general elections in key EU member states, for example in the Netherlands, France and Germany. The agreement with the EU is increasingly seen as a kind of compensation for the failed TPP. Hence, the EU-Japan agreement has become a higher priority for Japan's policymakers and expectations to quickly conclude negotiations are rising (J-Cast News 2017). Alan Beattie from the Financial Times attributes this recent development to the fact that the EU-Japan deal has been "well below the radar" compared to other more contentious trade deals (Beattie 2016). Eventually, Japan and the EU might be able to use this looming watershed in the politics of international trade in order to strengthen their relationship and establish their compromise on trade rules and provisions as the global standard. Establishing their own standards on a global level has long been a goal for both trading powers and this new constellation in the world of trade policy might enable them to push forward on certain issues with a common agenda.

So how does Japan's new trade policy measure up to these latest challenges? Ultimately, Trump's decision to withdraw from the TPP seems to confirm Japan's careful approach in trade policy. In an increasingly volatile world, it might pay off for Japan to pursue several trade projects at the same time. Such a diversified and balanced trade policy approach leaves Japan now in a position to quickly realign its priorities and shift its focus to the bilateral agreement with the EU and other regional agreements in Asia. As a matter of fact, a conclusion of the TPP without the US being a part of it constitutes another policy option for Japan. This solution might at first seem like a failure for its trade strategy, as the Abe administration has invested substantial political capital in order to strike a free trade deal with the US: "Just hours before Mr. Trump dispensed with it, Mr. Abe told Parliament that Tokyo would lobby the new administration on the merits of the deal" (Baker 2017). However, Japan could emerge as a regional leader through its attempt to conclude a new TPP, which would not include the US, but potentially other countries, such as China or Indonesia. This could also strengthen Japan's position in future negotiations with the US directly, as Trump declared that the US would seek bilateral agreements with their allies (Nikkei



2017a). Trump's top advisor on trade issues, Peter Navarro, has also indicated the strong desire of the new US administration to discuss a comprehensive FTA with Japan during the upcoming meeting between Trump and Abe in February 2017 (Nikkei 2017b).

These recent developments clearly demonstrate the need to better understand trade policy formulation and implementation, a research gap I addressed with my study. However, it also becomes clear that the growing interdependency of plurilateral and bilateral trade agreements demands a more global approach in studying such deals and their potential outcomes. As has been discussed during my thesis defense, this study would benefit from an in-depth analysis and comparison of best practices and standards in trade policy as well as trade policy evaluation. One question that came up during my PhD defense is how the EU could learn from Japan's approach in trade policy evaluation. However, Japan's approach on evaluation is still in the fledgling stages and does not offer much potential to be showcased.

As we still lack comprehensive studies on trade policy evaluation it is important to identify and use examples from related or similar policy fields. One such example is a publication from the Dutch Ministry of Foreign Affairs that focuses on the evaluation of technical assistance for trade policy and regulations (Bade and Petri 2015). This report also follows the idea that the evaluation of particular policy fields needs to be embedded into a more comprehensive evaluation process: "The evaluation of technical assistance for trade policy and regulations is a building block of a larger policy evaluation to be conducted by IOB that will evaluate Dutch policy [...]" (Bade and Petri 2015: 6). This kind of approach is also one of the key characteristics of the more comprehensive evaluation efforts in the EU, the US and Australia compared to the approach in Japan.

Taking this into consideration, the EU-Japan FTA offers not only an opportunity to foster economic and political relations between the EU and Japan, but also provides an opportunity to conduct joint trade policy evaluations and learn from each other in the field of policy assessment and public policy evaluation.



# Summary in German

## *Japans neue Handelspolitik – Politikwandel ohne strategische Ausrichtung*

### I. Einleitung

Japans Außenwirtschaftspolitik unterliegt momentan einem radikalen Wandel, der sich vor allem in der Ausbreitung von so genannten bilateralen Wirtschaftspartnerschaftsabkommen (engl. Economic Partnership Agreements, EPA) manifestiert. Seit 2002 hat Japan bereits mit 15 Staaten in Europa, Asien und Lateinamerika derartige Abkommen abgeschlossen. Derzeit befindet es sich außerdem mit zahlreichen weiteren Ländern in Verhandlungen mit dem Ziel, ein globales Netzwerk von bilateralen und plurilateralen Handelsabkommen aufzubauen. Drei transregionale Abkommen nehmen dabei eine besondere Stellung ein. Dies sind zum einen die Verhandlungen mit der Europäischen Union (EU), die nach jahrelangen, intensiven Vorverhandlungen offiziell seit März 2013 laufen und eine umfassende Freihandelszone zwischen Japan und den Mitgliedstaaten der EU schaffen soll. Zum anderen sind dies die im Oktober 2015 abgeschlossenen Verhandlungen über das Transpazifische Partnerschaftsabkommen (TPP), denen Japan im Sommer 2013 beigetreten ist. Dieses Abkommen, welches vor allem von den USA vorangetrieben wurde, hat das Ziel, eine Handelszone zwischen seinen zwölf Mitgliedsstaaten in der Region Asien-Pazifik zu schaffen. Drittens befindet sich Japan in Gesprächen über ein trilaterales Abkommen mit China und Südkorea sowie über ein darüber hinausgehendes Abkommen mit den ASEAN+6-Ländern. Japans aktive Mitwirkung bei diesen Mega-Handelsabkommen ist ein Indiz dafür, dass es sich bei dem Wandel der japanischen Handelspolitik nicht um einen kurzfristigen Trend handelt, sondern eher um eine langfristig angelegte Neuausrichtung.

## II. Forschungsinteresse und Relevanz der Arbeit

Vor dem Hintergrund dieser handelspolitischen Neuorientierung nimmt die vorliegende Studie Japans Außenwirtschaftspolitik, deren Akteure sowie die vielfältigen Interessen eben dieser involvierten Akteure in den Fokus. Ausgehend von der Frage, warum und in welche Richtung Japan seine Handelspolitik gewandelt hat, versucht die vorliegende Arbeit eine umfassendere Antwort zu bieten als die häufig auf einzelne Aspekte begrenzten vorhandenen Studien. Daran angeschlossen stellt sich die Frage, welche politischen, wirtschaftlichen, und möglicherweise auch sozialen Folgen sich aus dieser Neuausrichtung ergeben. Eine umfassende Evaluation dieser handelspolitischen Neuorientierung wäre eine geeignete Methode, um die oben genannten Fragestellungen zu bearbeiten. Bemerkenswerterweise hat die japanische Regierung es aber bisher unterlassen ihren handelspolitischen Kurswechsel oder einzelne Abkommen und deren Auswirkungen eingehend zu evaluieren. Auch von wissenschaftlicher Seite beschränken sich die meisten Evaluationsstudien auf so genannte quantitative Wirkungsstudien (engl. impact studies) mit vorwiegend wirtschaftswissenschaftlichem Hintergrund. Hieraus ergibt sich eine doppelte Herausforderung für die vorliegende Dissertation: Zum einen zielt die Arbeit darauf ab, Evaluationsmethoden und -ansätze aus einer politikwissenschaftlichen Perspektive in den Bereich der japanischen Handelspolitik einzuführen, zum anderen soll eine fundierte und aktuelle Analyse des japanischen Politikwechsels vorgelegt werden, die als Fundament für zukünftige Politikempfehlungen vor allem in Bezug auf die konkrete Evaluierung japanischer Handelspolitik dienen kann.

Die Relevanz dieser Studie ergibt sich zum einen aus der hochaktuellen Thematik des Untersuchungsgegenstandes und zum anderen aus den potentiellen Auswirkungen der neuartigen japanischen Handelspolitik auf regionaler und globaler Ebene. Die Aktualität des Themas liegt außerdem darin begründet, dass es sich bei der handelspolitischen Neuausrichtung um einen noch nicht abgeschlossenen Prozess handelt, in dem sich der Schwerpunkt der japanischen Handelspolitik von der multilateralen Ebene auf die bilaterale bzw. regionale Ebene verschoben hat. Japan galt lange Zeit als zuverlässigster Anhänger und Verteidiger des Multilateralismus, zuerst unter dem Dach des GATT und danach im Rahmen der Welthandelsorganisation (WTO). Die Abwendung von diesem Pfad ist ein bedeutender Einschnitt in der globalen Handelspolitik und verdient besondere Beachtung.

Darüber hinaus ist das Thema Handelspolitik, vor allem im Zusammenhang mit der hitzigen Diskussion um die Teilnahme Japans an den TPP-Verhandlungen und den damit verbundenen Reformen in der Agrarpolitik, ein Dauerbrenner in den japanischen Nachrichten. Japan ist aber nicht die einzige globale Handelsmacht, die momentan einen neuartigen Kurs in der Handelspolitik verfolgt. Sowohl die USA als auch die EU haben in den letzten Jahren ihren außenwirtschaftspolitischen Schwerpunkt auf bilaterale oder regionale Abkommen verlagert und bemühen sich stetig, ihr weltweites Netzwerk von Freihandelsabkommen (engl. Free Trade Agreements, FTAs) auszubauen. Japans handelspolitische Neuorientierung ist vor diesem Hintergrund daher nicht nur ein innenpolitisches Thema, sondern ebenso auf globaler Ebene von Bedeutung.

### III. Vorhandene Erklärungsansätze

Aus Sicht der Internationalen Politischen Ökonomie gibt es zwei zentrale Denkansätze, die die explosionsartige Verbreitung von FTAs in der vergangenen Dekade zu erklären versuchen. Da diese beiden Erklärungsansätze auch für Japan anwendbar sind, soll im Folgenden kurz darauf eingegangen werden.

Baldwin liefert mit der so genannten Domino-Theorie eine der einflussreichsten Erklärungen für den globalen FTA-Boom. Gemäß Baldwins Theorie steigt mit jedem weiteren Abkommen der politische und ökonomische Druck für die Staaten, die bisher noch keine FTAs abgeschlossen haben, ebenfalls ein Abkommen abzuschließen. Dass dieser Außendruck auch eine nicht unerhebliche Rolle bei Japans Politikwechsel gespielt hat, wird von den meisten bisherigen Studien bestätigt. Bevor 2002 das erste Abkommen mit Singapur in Kraft trat, war Japan einer der letzten großen Handelsstaaten ohne FTA. Wie mehrere meiner Interviewpartner ebenfalls bestätigen, herrschte zu dieser Zeit unter japanischen Unternehmensführern und Beamten im Handelsministerium die Meinung vor, dass Japans Firmen im globalen Wettbewerb weiter zurückfallen würden, sollte Japan nicht auch beginnen mit seinen Handelspartnern bilaterale Abkommen zu verhandeln. Besonders in dieser frühen Phase spielten die Lobbybemühungen der Privatwirtschaft, organisiert und vertreten durch den Keidanren, eine zentrale Rolle bei der allmählichen Neuorientierung der japanischen Handelspolitik.

Auch die zweite Theorie, die unter dem Namen „Baustein- vs. Stolperstein- Debatte“ bekannt ist, bietet in Bezug auf Japans Handelspolitik einen hohen Erklärungswert. Wie bereits erwähnt, galt Japan über viele Jahrzehnte als wichtiger

Unterstützer und großer Profiteur des multilateralen GATT- bzw. WTO-Regimes. Durch die erfolglosen Verhandlungen während der seit 2001 laufenden Doha-Runde verlor die WTO jedoch als Epizentrum globaler Handelspolitik nachhaltig an Attraktivität. Zahlreiche Staaten begannen damit, FTAs als eine Art Ersatzabkommen zu betrachten, obwohl sie in der Handelstheorie aus ökonomischer Perspektive als zweitbeste Lösung gelten. In der Diskussion bezüglich der Vor- und Nachteile einer solchen bilateralen Handelspolitik lassen sich zwei Lager ausfindig machen.

Manche Beobachter argumentieren, dass Japans bilaterale Handelsabkommen langfristig als Bausteine für das multilaterale Handelssystem wirken können. Diese Sichtweise priorisiert weiterhin eine multilaterale Liberalisierung im Rahmen der WTO anstelle eines Netzwerks von bilateralen Abkommen, sieht FTAs aber als nötigen und hilfreichen Zwischenschritt. Sie werden als eine Art Versicherung verstanden, die die betreffenden Staaten davor absichern sollen, im weltweiten Wettbewerb um Marktanteile und Standortvorteile in eine nachteilige Situation zu geraten. In diesem Sinne werden FTAs als „Rückversicherung“ angesehen, die es Staaten ermöglicht, partielle Liberalisierungen voranzutreiben und gleichzeitig politisch umstrittene Bereiche auszuklammern. Dies erklärt zum Teil auch deren Attraktivität aus Sicht Japans. Während es in multilateralen Verhandlungen schwierig sein kann, Ausnahmen für bestimmte Industriebereiche bzw. Produkte zu erreichen, kann Japan in direkten bilateralen Verhandlungen seine Position der politischen und ökonomischen Stärke ausspielen und seinen Verhandlungspartnern bestimmte Bedingungen diktieren. Für Japan spielt dabei die Abschottung landwirtschaftlicher Produkte wie z.B. Reis eine besonders wichtige Rolle.

Kritiker dieser Entwicklung heben jedoch hervor, dass derartige bilaterale Abkommen diskriminierend gegenüber Nichtmitgliedern wirken und daher einen gegenteiligen, handelsumleitenden Effekt haben können. Gemäß dieser Lesart entziehen FTA-Verhandlungen den Gesprächen auf multilateraler Ebene entscheidende personelle und finanzielle Kapazitäten. Dies ist vor dem Hintergrund zu verstehen, dass Staaten nur eine begrenzte Anzahl von Handelsexperten haben bzw. nur über eine begrenzte Kapazität verfügen um gleichzeitig eine bestimmte Anzahl von Verhandlungen auf bilateraler und multilateraler Ebene zu führen. In diesem Sinne werden FTAs als Stolpersteine für multilaterale Handelsliberalisierung im Rahmen der WTO betrachtet. Darüberhinaus betonen FTA-Kritiker auch deren Komplexität und gegenseitige Inkompatibilität, die dazu führe,

dass das globale Handelssystem von einer Vielzahl von unübersichtlichen Verträgen und Regelungen durchzogen wird, die es letztendlich Unternehmen sowie Staaten schwieriger macht, Handel zu betreiben. Dieses Phänomen wird in der Literatur als „spaghetti bowl“ oder in Bezug auf Asien als „noodle bowl“ beschrieben. Die niedrigen Nutzungszahlen vieler FTAs können als ein Indiz dafür gelten, dass die komplexen Regeln zur Implementierung und Nutzung von FTAs für viele Unternehmen und Staaten nicht attraktiv sind.

Die erwähnten allgemeinen Theorien erklären jedoch nur einen Teil der vielfältigen Gründe die hinter dem Wandel der japanischen Handelspolitik stecken. Es fehlt bisher vor allem eine umfassende Analyse, die versucht *das große Ganze* im Auge zu behalten. Die bisher umfassendste Studie zu Japan wurde von Solis vorgelegt, die den japanischen Politikwechsel als eine Reaktion auf verschiedene „competitive challenges“ erklärt. Solis identifiziert drei zentrale Herausforderungen, denen Japan mit seiner neuausgerichteten Handelspolitik begegnet. Laut Solis ermöglichen Japans FTAs es dem Land auf Herausforderungen auf wirtschaftlicher, politischer und rechtlich-institutioneller Ebene zu reagieren. Die vorliegende Arbeit knüpft an diesen Erklärungsansatz an, der betont interdisziplinär ist und sowohl internationale also auch innenpolitische Faktoren in die Analyse miteinbezieht.

In der vorhandenen Literatur lassen sich außerdem einige häufig erwähnte Erklärungen für Japans handelspolitische Transformation finden, die die Vielschichtigkeit hinter diesem Politikwechsel widerspiegeln. Während auf globaler Ebene die wachsende Ausbreitung von bilateralen Abkommen einen großen Einfluss auf Japans Handelspolitik hatte, spielten auf regionaler Ebene besonders die Entscheidung Chinas und Südkoreas, ebenfalls FTAs zu verhandeln, eine zentrale Rolle für Japans handelspolitische Transformation. Hinzu kam noch das Scheitern des so genannten offenen Multilateralismus im Rahmen der APEC, das Japan veranlasste, neue Wege in seinen außenwirtschaftlichen Beziehungen zu gehen. Die Kombination dieser Faktoren führte zu einem grundlegenden Überdenken vorhandener Politikprinzipien in Japan.

Darüber hinaus lassen sich zwei grundlegende Erklärungsansätze unterscheiden. Während ein Ansatz die Verwaltungen einiger Ministerien als wichtigste Akteure dieses Politikwandels identifiziert, sieht ein anderer im Gegensatz dazu Keidanren als Repräsentant der japanischen Industrieinteressen als wichtigsten Akteur. Derartige auf einzelne Akteure und Faktoren abzielende Erklärungen

greifen jedoch zu kurz. Die vorliegende Arbeit argumentiert, dass eine Kombination von mehreren Akteuren zur Erklärung des japanischen Politikwechsels herangezogen werden sollte. Hinzu kommt, dass die Erklärung oft je nach Akteursperspektive variiert. So stellt Mark Manger fest, dass Mitarbeiter der Verwaltung und der Ministerien den Einfluss ebendieser Institutionen als zentral einschätzen, während Unternehmensvertreter und Industrielobbyisten eher die Rolle der Privatwirtschaft betonen. Die von mir durchgeführten Experteninterviews bestätigen diese Beobachtung.

Wo viele andere Studien versuchen, einen einzigen Akteur bzw. einzelne Gründe als ausschlaggebend zu deklarieren, kommt die vorliegende Untersuchung zu dem Ergebnis, dass nur ein Zusammenspiel mehrerer Faktoren und Akteure diesen Wandel angestoßen haben kann. Und auch dann war es nicht ein abrupter Richtungswechsel, sondern eher eine allmähliche Erweiterung der handelspolitischen Maßnahmen um das Instrument FTA.

#### IV. Aufbau der Arbeit

Die Dissertation ist folgendermaßen strukturiert: Das erste Kapitel umfasst die Einleitung zum Thema, stellt die grundlegenden Forschungsfragen vor und gibt einen kurzen Überblick über die zentralen Begriffe und Konzepte. Das Kapitel liefert außerdem eine Literaturlauswertung sowie eine Einschätzung zum aktuellen Stand der Forschung. Daraus abgeleitet wird auch die Forschungslücke, die mit dieser Dissertation geschlossen werden soll. Kapitel 2 umfasst eine Diskussion der dieser Arbeit zu Grunde liegenden Methodik, nämlich der Durchführung und Analyse von halbstrukturierten Experteninterviews. Dabei werden zunächst einige Probleme und Herausforderungen diskutiert, die bei dieser Forschungsmethode bedacht werden sollten. Daran anschließend werden dann in Kapitel 3 die Experteninterviews in den Mittelpunkt der Analyse gestellt. Es werden zentrale Interviewpassagen vorgestellt und im Hinblick auf die leitenden Forschungsfragen nach neuen Erkenntnissen untersucht. Das vierte Kapitel liefert im Anschluss eine Analyse entlang der zeitlichen Entwicklung der neu ausgerichteten bilateralen Handelspolitik Japans. Dieses Kapitel ist sowohl historische Einordnung des Themas als auch Zeitrahmen des in dieser Studie bearbeiteten Themas. Kapitel 5 behandelt dann die wichtigsten Gründe für den Politikwechsel Japans. Es werden außerdem die Rollen der in diesen Politikwechsel involvierten



Akteure erläutert und deren Interessen identifiziert. Das sechste Kapitel konzentriert sich auf die TPP-Diskussion in Japan und die aufkommende Anti-TPP-Protestbewegung. Darauf folgt in Kapitel 7 eine Diskussion der japanischen Bestrebungen zur Evaluation seiner Handelspolitik. In diesem Teil der Arbeit wird das Konzept der Evaluation im Bereich der japanischen Handelspolitik eingeführt. In diesem Zusammenhang wird zunächst der rechtliche Rahmen des japanischen Evaluationssystems diskutiert, bevor dann Kapitel 8 einen internationalen Vergleich der japanischen Evaluationsbemühungen mit Systemen in der EU, Australien und den Vereinigten Staaten bietet. Kapitel 9 diskutiert den Zusammenhang von Entwicklungs- und Handelspolitik und das verstärkte Aufkommen von entwicklungspolitischen Maßnahmen in Handelsabkommen. Abschließend werden in Kapitel 10 ein Fazit gezogen sowie Grenzen der vorliegenden Arbeit und weiterführende Forschungsansätze vorgestellt.

## V. Methodik

Die vorliegende Arbeit bedient sich eines Methodenmixes und bezieht sich in ihrer Analyse zum einen auf die Auswertung von 25 Experteninterviews, zum anderen auf die Auswertung von Forschungsliteratur sowie offiziellen Veröffentlichungen und Dokumenten von Ministerien und weiteren Regierungsbehörden mit handelspolitischem Bezug. Dieses breite Quellenspektrum, welches sich auch in der Wahl der Interviewpartner widerspiegelt, ermöglicht es, das Thema aus verschiedenen Blickwinkeln zu betrachten und neue Einblicke zu generieren. Für die Arbeit wurden 25 Politiker, Ministerialbeamte und Vertreter aus Wirtschaft und Industrie interviewt. Diese halbstandardisierten Experteninterviews wurden in einem Zeitraum von 10 Monaten zwischen Juni 2012 und März 2013 durchgeführt. Für die Interviews wurde ein Leitfaden mit etwa 15 offenen Fragen aus vier Schwerpunktthemen erstellt. Die Interviews, die für eine Dauer von 45 bis 60 Minuten angelegt und geplant waren, haben im Durchschnitt etwa 70 Minuten gedauert. Zur besseren Auswertung wurden die Interviews unter Zusage der Anonymität der Gesprächspartner aufgenommen. Mit der Ausnahme von zwei Interviews auf Deutsch und einem Interview auf Japanisch wurden die übrigen 22 Interviews in englischer Sprache durchgeführt. Dies hatte den Vorteil, dass sich der Autor und die Gesprächspartner auf einer neutralen sprachlichen Ebene begegnen konnten. 19 der Interviewpartner waren Japaner, die übrigen Gesprächspartner in Japan arbeitende und lebende Ausländer. Dank einem

Schneeballsystem war es dem Autor möglich, 25 Experten zum Thema zu finden, die sich bereit erklärt haben, als Interviewpartner zur Verfügung zu stehen. Der Experte war dabei nicht als Person mit seiner persönlichen Biographie interessant, sondern als Träger von Expertenwissen, der Kenntnis über Abläufe, Prozesse und Entscheidungen hat, über die Außenstehende eben nicht verfügen bzw. keinen Zugang haben. Daher eigneten sich besonders Experteninterviews, um Prozessverläufe und Entscheidungsprozesse in den Blick zu nehmen. Die vom Verfasser durchgeführten Gespräche bieten einen aktuellen und exklusiven Einblick in den Entstehungsprozess der neuen bilateral ausgerichteten Handelspolitik Japans.

Eine qualitative Studie aus politikwissenschaftlicher Perspektive hat gegenüber einer rein datenbasierten Untersuchung zwei Vorteile. Einerseits liefern die Experteninterviews, die im Rahmen der vorliegenden Studie durchgeführt wurden, einen tiefergehenden Einblick als eine bloße statistische Auswertung. Und andererseits nimmt gerade eine politikwissenschaftliche Arbeit die „blinden Flecken“ der Wirtschaftswissenschaft in den Blick und versucht nachzuzeichnen, warum wer sein Verhalten geändert hat. Hierbei ist es vom besonderem Interesse aufzuzeigen welche Akteure (wer?) mit welchen Gründen und Absichten (warum?) was für eine Politik betreiben (was?). Ein qualitativer Ansatz empfiehlt sich außerdem besonders bei einem interdisziplinären Themenfeld wie der Handelspolitik, welches explizit an der Schnittstelle von Außen- und Innenpolitik, Industrie- und internationaler Wirtschaftspolitik angesiedelt ist. Auch wenn Handelspolitik in den Medien oft als technisches Feld beschrieben wird, sind es doch gerade die vielfältigen politischen Interessen, die handelspolitische Entscheidungsprozesse zu einem derart kontroversen Thema werden lassen.

## VI. Zeitliche Einordnung der Arbeit

Die Neuausrichtung der japanischen Handelspolitik lässt sich grob in zwei Phasen einteilen. Die erste Phase fand ihren Anfang in den 1990er Jahren und dauerte bis Ende der 2000er Jahre. Der Beginn der zweiten Phase fällt etwa in das Jahr 2009 und dauert an. Die vorliegende Arbeit folgt diesem Verlauf in ihrer Analyse. Während in der ersten Phase, mit Ausnahme des ASEAN-Abkommens, vor allem rein bilaterale Abkommen verhandelt und abgeschlossen wurden, ist die zweite Phase von plurilateralen Verhandlungen, wie zum Beispiel dem TPP und dem RCEP, gekennzeichnet.

Japans handelspolitische Transformation begann zunächst mit einer allmählichen Veränderung der handelspolitischen Überzeugungen einzelner Entscheidungsträger innerhalb der Ministerialbürokratie. Wegen Lobbybestrebungen der japanischen Exportindustrie, die Wettbewerbsnachteile befürchteten, wurde die traditionelle multilaterale Ausrichtung der japanischen Handelspolitik überdacht. Bilaterale Abkommen wurden erstmals als realistische Politikoption betrachtet, mit denen mögliche Wettbewerbsnachteile für japanische Unternehmen verhindert werden sollten. In der Folge wurden dann die beiden ersten FTAs mit Singapur im Jahr 2002 und mit Mexiko im Jahr 2005 abgeschlossen. Der Höhepunkt der japanischen FTA-Aktivität wurde in den Jahren 2006 bis 2009 erreicht. Allein in diesem Zeitraum wurden neun Abkommen abgeschlossen.

Im Anschluss daran beginnt etwa im Jahr 2009 die zweite noch andauernde Phase. Ihr Beginn kann gleichgesetzt werden mit der aufkommenden Diskussion um den möglichen Beitritt Japans in die laufenden TPP-Verhandlungen. In dieser zweiten FTA-Phase verschiebt sich der Schwerpunkt der japanischen Handelspolitik erneut, und zwar von rein bilateralen Abkommen auf plurilaterale Abkommen. Ebenso wurden zwei grundlegende Rechtsakte erlassen, die den handelspolitischen Wechsel auch auf rechtlicher Ebene manifestieren. Die DPJ-Regierung hat 2010 eine „Basic Policy on Comprehensive Economic Partnerships“ erlassen. Im Jahr 2013 hat die Abe-Regierung dann eine „Japan Revitalization Strategy“ formuliert, die ebenfalls wichtige Passagen zur zukünftigen Handelsstrategie beinhaltet. Ein weiteres zentrales Merkmal dieser zweiten Phase liegt in der umfassenderen inhaltlichen Ausgestaltung der Handelsabkommen im Vergleich zu den FTAs der ersten Phase, die oft nur den bloßen Abbau von Industriezöllen und Importtarifen beinhaltet hatten.

## VII. Die TPP-Debatte in Japan

Die intensive und kontroverse Debatte um Japans möglichen Beitritt in die Verhandlungen über das TPP-Abkommen kann als Kulminationspunkt für die Neuausrichtung der japanischen Handelspolitik gesehen werden. Die zum Teil heftigen Auseinandersetzungen zwischen Befürwortern und Gegnern eines TPP-Beitritts haben das Thema Handelspolitik fest in der japanischen Nachrichtenlandschaft verankert. Die in diesem Prozess entstandene Anti-TPP Protestbewegung war zwar letzten Endes nicht erfolgreich mit ihrem Ziel den Beitritt zu verhindern, aber die Genese dieses Protests sowie der Verlauf der TPP-Debatte hat den

Prozess der Politikformulierung und -implementierung im Bereich der Handelspolitik nachhaltig verändert.

Die Proteste gegen den TPP-Beitritt werden von der JA-Zenchi angeführt, einer der einflussreichsten und bestorganisierten Interessengruppen in Japan. Die JA-Zenchi ist Japans zentrale landwirtschaftliche Organisation, die die Interessen der japanischen Landwirte bündelt und vertritt. Bei der Organisation der Proteste ist es der JA-Zenchi gelungen, Bündnisse mit zahlreichen weiteren Interessengruppen einzugehen, wie z.B. mit der Verbrauchergewerkschaft Nishoren oder dem Ärztenbunde Japans. Ausschlaggebend für die „Erfolge“ der Anti-TPP-Bewegung war aber vor allem die lokale Verankerung. Dank der umfassenden Organisationsstruktur der JA-Zenchi, dessen treue Mitglieder über das ganze Land verteilt sind, war es möglich, den Protest trotz des Bottom-up-Ansatzes landesweit zu koordinieren. Auf dem Höhepunkt der nationalen TPP-Debatte war es JA-Zenchi also möglich, Protestmärsche in Tokyo und vielen weiteren Städten und Regionen zu organisieren.

Nichtsdestotrotz gelang es der Abe-Regierung, sich gegen die von JA-Zenchi angeführte Opposition durchzusetzen und den Beitritt Japans zu den TPP-Verhandlungen im März 2013 zu verkünden. Im Gegenzug versprach die Regierung als Kompromiss, fünf als „sensibel“ bezeichnete Agrarprodukte nicht im Rahmen des TPP zu verhandeln. Hierzu gibt es zwei Erklärungsansätze. Zum einen wird argumentiert, dass die JA-Zenchi strategisch gehandelt hat und einem derartigen Kompromiss zugestimmt hat, bevor die Organisation mit ihrer alternden Mitgliederbasis mehr und mehr politischen Einfluss verliert. Eine weitere Begründung liegt in dem Regierungsstil von Premierminister Abe, dem es gelungen ist, den TPP-Beitritt als eine zentrale Säule seines wirtschaftspolitischen Regierungsprogramms zu präsentieren. Abe hat seine relativ hohen Zustimmungsraten genutzt, diese kontroverse Entscheidung trotz Gegenwind aus der eigenen Partei zu fällen, für die seinen Amtsvorgängern in der DPJ das politische Kapital fehlte. Im Gegenteil zur JA, betont Japans führende Wirtschaftslobby Keidanren sowie die Japanische Industrie- und Handelskammer die Notwendigkeit des TPP-Beitritts. Dieser Antagonismus zwischen Agrar- und Industrieinteressen, also zwischen JA-Zenchi und Keidanren, spiegelt sich auch auf ministerieller Ebene wieder. Die dem TPP kritische gegenüberstehende JA-Zenchi findet Unterstützung beim Agrarministerium MAFF, während das japanische Außenministerium

MOFA und das Handels- und Wirtschaftsministerium METI bilateralen Handelsabkommen eher positiv gegenüberstehen und den TPP-Beitritt Japans unterstützen.

## VIII. Evaluationsmaßnahmen im Bereich der japanischen Handelspolitik

Vor dem Hintergrund der zunehmenden Bedeutung von FTAs für die japanische Handelspolitik sowie der hitzigen innenpolitischen Auseinandersetzung um den TPP-Beitritt schlägt die vorliegende Arbeit vor, auch im Bereich der Handelspolitik verstärkt Evaluationsmethoden anzuwenden. In diesem Zusammenhang werden zunächst die rechtlichen Grundlagen des japanischen Evaluationssystems dargestellt und anschließend mit Evaluationsmaßnahmen in anderen Ländern verglichen.

Zu beachten ist hierbei, dass es kein international akzeptiertes Standardverfahren zur Evaluierung im Bereich der Handelspolitik gibt. Das heißt: weder bei der Evaluierung von einzelnen Handelsabkommen noch bei dem Versuch, den Politikformulierungs- und Implementierungsprozess in der Handelspolitik zu evaluieren. Die aussagekräftigsten Studien werden bisher von der WTO herausgegeben, die im Rahmen des Programms „Trade Policy Review Mechanism“ die Handelspolitik ihrer Mitgliedsstaaten untersucht und gezielte Vorschläge zur Verbesserung ausarbeitet.

Evaluation, also die umfassende und methodische Analyse und Bewertung von politischen Maßnahmen, ist ein relativ neues Phänomen in Japan. Im Zusammenhang mit der globalen Verbreitung der Ideen der Staatsmodernisierung und Verwaltungsreform (engl. New Public Management) fand das Konzept der Evaluierung jedoch in den 1990s auch dort Widerhall. Damals fanden in Japan umfassende Reformdiskussionen bezüglich der Verwaltung und des öffentlichen Sektors statt. In der Folge wurde ein legaler Rahmen für die verstärkte Nutzung von Evaluierungen in der öffentlichen Verwaltung geschaffen. Jedoch handelt es sich bei diesen Gesetzesinitiativen nicht um spezifische Regelungen für den Bereich der Handelspolitik, sondern um allgemeine Ausführungen.

Eine weitere Herausforderung bei der Implementierung von Evaluierungsmaßnahmen stellt der Faktor Zeit dar. Einerseits bedarf es einiger Jahre um Mitarbeiter, die auch inhaltlich über ein gewisses Expertenwissen im Bereich der Han-

delspolitik verfügen, zu kompetenten Evaluatoren aus- oder weiterzubilden. Andererseits reicht es nicht, Evaluation als bloßes neues Politikziel zu definieren. Sowohl die Mitarbeiter, die als Evaluatoren arbeiten, als auch diejenigen, die evaluiert werden, müssen zunächst durch interne Schulungen mit dem Konzept vertraut gemacht werden. Nur wenn der Sinn und Zweck etwaiger Evaluationsmaßnahmen von den beteiligten Mitarbeitern verstanden worden ist, kann man erwarten, dass Evaluationen sinnvoll durchgeführt werden. In einem nächsten Schritt sollte dann sichergestellt werden, dass die Evaluationsergebnisse auch angemessen verwendet werden und wieder in den Prozess der Politikformulierung einfließen. Wie im folgenden Abschnitt gezeigt wird, mangelt es in Japan noch an einem umfassenden Rahmen zur Integration derartiger Evaluationsergebnisse.

## IX. Evaluation im internationalen Vergleich

Zur besseren Einschätzung des japanischen Evaluationssystems ist ein systematischer Vergleich mit Evaluationsmaßnahmen in anderen Ländern hilfreich. Für diese Studie wurden ein Vergleich mit Australien, der Europäischen Union und den Vereinigten Staaten herangezogen. Neben den USA und der EU, die als Wirtschaftsmächte mit ihren handelspolitischen Entscheidungen das globale Handelsregime nachhaltig beeinflussen, wurde Australien, welches in der Literatur häufig als Vorzeigebeispiel erwähnt wird, als Vergleichsfall ausgewählt. Alle drei Vergleichsfälle haben außerdem entweder, wie im Falle Australiens, ein Handelsabkommen mit Japan abgeschlossen oder befinden sich momentan in Verhandlungen. Der Vergleich mit konkreten Evaluationsmaßnahmen bzw. dem politischen Rahmen in der Gegenüberstellung mit Australien, den USA und der EU hat außerdem die Absicht die Diskussion um eine qualitative Perspektive zu erweitern. Die bestehende Fachliteratur zu Evaluation im Bereich der Handelspolitik ist nämlich bisher von quantitativen Studien geprägt. Diese computergestützten und datenintensiven Ansätze (CGE-Studien) beruhen normalerweise auf Datensätzen des Global Trade Analysis Project (GTAP). Jedoch haben diese Studien den Nachteil, dass die Ergebnisse zum Teil stark von den jeweiligen wirtschaftspolitischen Hypothesen und Annahmen abhängen.

## **Australien als Model für Japan?**

Australien wird in der Forschungsliteratur zur Evaluierung oft als best-practice Beispiel zitiert. Ein Grund dafür liegt unter anderem in der zentralen Rolle der so genannten Productivity Commission (PC). Diese Regierungsbehörde ist Dreh- und Angelpunkt der staatlichen Evaluierungspolitik in Australien und führt seit Jahren im Auftrag der Regierung Evaluierungen durch oder beauftragt und koordiniert Evaluationsberichte durch unabhängige Anbieter. Die herausragende Rolle der PC manifestiert sich außerdem in ihrer Tätigkeit als Herausgeber von Handbüchern und Ratgebern zum Thema Handelspolitik, in denen Hinweise und Tipps zur Verbesserung der australischen Handelspolitik gegeben werden.

## **Evaluierungsmaßnahmen in den USA**

Die US als zentraler wirtschaftlicher und politischer Partner Japans bietet ebenfalls einen geeigneten Vergleichsfall. Insbesondere durch die aktuellen TPP-Verhandlungen besteht auf beiden Seiten ein gegenseitiges Interesse die handelspolitischen Entscheidungsprozesse zu verstehen und gegebenenfalls zu beeinflussen. Die US gehörte weltweit zu den ersten Staaten, die ein Netzwerk von bilateralen FTAs aufbauten und diesen eine entscheidende Rolle in ihrer Außenwirtschaftspolitik zuschreiben.

Ähnlich wie in Australien gibt es auch in den USA mit dem Office of the United States Trade Representative (USTR) einen zentralen Akteur in der Handelspolitik. Zwar verfügt die USA nicht über ein einheitliches Evaluationssystem, dennoch spielen Evaluationsmaßnahmen eine weitaus größere Rolle als in Japan. Die wichtigen Evaluationsmechanismen wurden in der „Trade Policy Agenda“ und dem auf fünf Jahre angelegten „Strategy Plan“ erwähnt. Darüberhinaus stehen dem Leiter des USTR 23 Stellvertreter (engl. Assistant USTR) zur Seite, denen bestimmte Themengebiete zugeordnet sind. Einer dieser Stellvertreter ist für den Bereich „Monitoring and Enforcement“ verantwortlich, dem somit eine zentrale Rolle bei der Evaluierung US-amerikanischer Handelspolitik zukommt.

## **Evaluierungsmaßnahmen in der EU**

Die EU Kommission verfügt über zwei Ansätze in Bezug auf die Evaluierung von Handelspolitik. Zum einen werden externe und unabhängige Evaluationsstudien beantragt. In diesem Zusammenhang evaluiert die Kommission nicht nur direkte handelspolitische Maßnahmen, sondern auch Bereiche, wie z.B. die Kommunikationsstrategie der EU Kommission oder den Dialog mit NGOs. Zum

anderen überprüft die EU in ihrem umfangreichsten Evaluierungsprogramm ihre Handelspolitik nach dem Maßstab der Nachhaltigkeit.

Im Vergleich zu den Evaluationssystemen und Maßnahmen in Australien, der EU und den USA kommt die Arbeit zu dem Schluss, dass Japan im Bereich der Evaluation seiner Handelspolitik Nachholbedarf hat. Ein wesentlicher Unterschied ist die fehlende Verknüpfung von allgemeinen Reformbestrebungen in der öffentlichen Verwaltung und der Implementierung und Durchführung von Evaluationsmaßnahmen. Ein weiterer Aspekt liegt im spezifischen politischen Prozess Japans begründet. Im Gegensatz zu den Vergleichsfällen, ist Japans Entscheidungsstruktur nicht zentralisiert und über eine große Anzahl von Ministerien und Akteuren verteilt. Dies spiegelt sich auch in der Evaluation wieder, in dem jedes beteiligte Ministerium einen eigenen Ansatz verfolgt.

## X. Zusammenfassung

Wenn es auch geglückt ist mit dieser Dissertation neue Perspektiven und eine umfangreichere Analyse der handelspolitischen Transformation Japans zu liefern, hat die vorliegende Arbeit dennoch einige Begrenzungen, die zum Teil in der methodischen Vorgehensweise begründet liegen, zum anderen inhaltlicher Natur sind. Auch wenn die Arbeit versucht, einen interdisziplinären und umfassenden Ansatz zu verfolgen, lassen sich nicht alle externen Faktoren und Gründe, die Japans Wandel in der Handelspolitik beeinflusst haben, innerhalb dieser Arbeit aufarbeiten. Mit der Entscheidung Experteninterviews durchzuführen, hat die Arbeit es zwar ermöglicht, einen aktuellen, tiefergehenden Einblick zu liefern, aber es gibt natürlich auch eine natürliche Begrenzung bei der Anzahl der Interviewpartner.

Es lassen sich mehrere Nachfolgestudien aus der vorliegenden Dissertation ableiten. Zum einen die Weiterentwicklung des in dieser Arbeit vorgestellten Evaluationskonzepts. In diesem Zusammenhang wurde auf das Konzept eines policy cycles als Analyseinstrument zurückgegriffen und darauf aufbauend ein trade policy cycle vorgeschlagen, der Evaluationsmaßnahmen als zentralen Teil dieses Kreislaufes etabliert. Der bisherige Mangel an Evaluationsmaßnahmen ist zudem nicht nur eine Lücke in der wissenschaftlichen Auseinandersetzung mit Japan, sondern vor allem eine Herausforderung für Japans Politiker, Ministerialbeamte sowie Think-Tank Mitarbeiter und Unternehmensvertreter.



Eine weitere Nachfolgestudie könnte sich mit den Auswirkungen des TPPs auf bestimmte Regionen in Japan befassen, zum Beispiel in einer regional angelegten Studie zur Agrarwirtschaft in Hokkaido. Insgesamt hofft die Arbeit eine Debatte über die Vorteile und den Nutzen von Evaluierung im Bereich der Handelspolitik anzustoßen, die möglicherweise dazu führen kann eben diese häufiger zu evaluieren und dadurch Entscheidungsprozesse zu optimieren und transparenter zu machen.

Vor diesem Hintergrund wurde mit dieser Dissertation eine Bestandsaufnahme der japanischen Handelspolitik vorgelegt. Auch wenn sich diese momentan in einem beachtlichen Veränderungsprozess befindet, kommt die Arbeit zu dem Schluss, dass sich Japans Handelspolitik weiterentwickelt hat, ohne jedoch die ursprüngliche Natur dieser Politik nachhaltig zu verändern. Vor allem das politische Machtgefüge zwischen den beteiligten Akteuren hat sich nicht grundlegend geändert. So sind noch immer dieselben Akteure in Form von Ministerialbeamten des METI oder des Außenministeriums von zentraler Bedeutung. Darüber hinaus ist noch ein weiterer Eckpfeiler japanischer Handelspolitik weiterhin gültig: Die Ausklammerung ausgewählter Agrarprodukte von Liberalisierungsbestrebungen setzt sich auch auf bilateraler Ebene fort. Hier zeigt sich, dass der Einfluss der JA-Zenchu sowie des Agrarministeriums ungebrochen ist. Dennoch haben sich auch einige Änderungen ergeben, wie beispielsweise die umfassende Reform der JA-Zenchu, die nicht nur die Organisationsstruktur des Verbandes nachhaltig verändern wird, sondern einen erheblichen Einfluss auf deren bisherige Position als quasi-Vetomacht hat. Premierminister Abe ist es außerdem gelungen, den handelspolitischen Entscheidungsfindungsprozess ein wenig zu zentralisieren und dem Einfluss einzelner Ministerien zu entziehen.

In der Tradition der Policy-Analyse schließt die Arbeit mit einigen Vorschlägen und Empfehlungen. Japan, am Scheideweg bezüglich der zukünftigen Ausrichtung seiner Handelspolitik, steht vor der Aufgabe die möglichen Vor- und Nachteile eines handelspolitischen Bilateralismus auf seine Industrie und auf seine internationalen Handelbeziehungen abzuwiegen. Zu diesem Zweck sollte die Regierung ein umfassendes Evaluierungssystem einführen. Die Erfahrungen aus den bereits abgeschlossenen FTA-Verhandlungen sollten zudem in die Formulierung einer umfassenden handelspolitischen Strategie einfließen. Nur dann wird es Japan möglich sein, die drei aktuellen Mega-Handelsabkommen in seinem Interesse zu gestalten.

## **Aktuelle Entwicklungen**

In der zweiten Jahreshälfte von 2016 wurde das Kräftemessen um die zukünftige Ausgestaltung einer globalen Handelsordnung weiter angeheizt. Zum einen hat der neu gewählte US-Präsident Donald Trump den Rückzug der USA vom TPP-Abkommen verkündet. Zum anderen hat Großbritannien in einem Referendum beschlossen aus der EU auszutreten. Überraschenderweise könnten insbesondere die EU und Japan von diesen Entwicklungen profitieren. Trumps Entscheidung aus dem TPP auszusteigen und der bevorstehende sogenannte Brexit haben dazu geführt, dass die seit bereits 2013 laufenden Verhandlungen für ein EU-Japan Handelsabkommen intensiviert wurden. Vor allem Japan betrachtet das Abkommen mit der EU nun zunehmend als Kompensation für die gescheiterten TPP-Verhandlungen. Zwar wurde zunächst Ende 2016 anvisiert um die Verhandlungen abzuschließen, aber Unstimmigkeiten bei einigen Themenbereichen haben dazu geführt, dass die Gespräche 2017 fortgesetzt werden müssen. Die japanische Seite befürchtet nun, dass sich angesichts der bevorstehenden Wahlen in Frankreich, den Niederlanden und in Deutschland das Zeitfenster schließen könnte, um das EU-Japan-Abkommen erfolgreich und vor allem zeitnah umzusetzen.

Aufgrund dieser Entwicklungen ergeben sich einige neue Szenarien für die japanische Handelspolitik. Obwohl die japanische Regierung sich vor allem im letzten Jahr stark darum bemüht hat das TPP-Abkommen in Kraft zu setzen, ergeben sich auch bei einem TPP ohne die USA zahlreiche Handlungsmöglichkeiten. Einerseits könnte Japan seinen Führungsanspruch in Asien untermauern und das TPP unter seiner Führung umsetzen und gleichzeitig den Beitritt weiterer Staaten ermöglichen, die bei einem US-zentrierten Abkommen außen vor geblieben wären. Zum anderen wird bereits in direkten Gesprächen zwischen den USA und Japan ein rein bilaterales Abkommen zwischen den beiden Ländern diskutiert. Diese aktuellen Entwicklungen zeigen deutlich den Bedarf von umfassenden und international vergleichenden Evaluationsstudien zur Handelspolitik der wichtigsten Handelsnationen. Wie auch in der an die Disputation anschließenden Diskussion angemerkt wurde, besteht zwar weiterhin eine große Diskrepanz zwischen dem Anspruch und der tatsächlichen Effektivität derartiger Evaluationsstudien, aber die Beispiele aus der EU, den USA und Australien haben ebenso gezeigt, dass es best practice Beispiele gibt.

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*Ulli Jamitzky*

Sapporo, Japan im Juni 2017

# Japan's New Trade Policy – A Policy Transformation Without Strategy?

Ulli Jamitzky

Japan's trade policy has undergone major changes in recent years. This policy shift manifests itself in Japan's turn towards bilateral and plurilateral trade agreements as a new pillar of its trade policy.

In this book, the author identifies and analyzes the main driving forces and actors behind this policy change and discusses its potential political and economic ramifications. This book also raises the question on why Japan has failed to conduct a comprehensive and transparent evaluation of its new trade policy.

The author draws on 25 expert interviews with policy makers, bureaucrats and other experts on Japanese trade policy to unveil deep insights into the complex process of trade policy-making in Japan.

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