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日本外交政策形成における経済連携協定（EPA）に関する
政治経済学的研究

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AYSUN UYAR

**POLITICAL ECONOMIC ANALYSIS OF ECONOMIC
PARTNERSHIP AGREEMENTS WITHIN JAPANESE FOREIGN
POLICY MAKING**

AYSUN UYAR

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The Graduate School of East Asian Studies, Yamaguchi University
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ABSTRACT

Motivation of this research originates from the discrepancy in the literature to define the recent FTAs (Free Trade Agreements) of Japan in East Asia. This work attempts to emphasise underestimation of the political impact of Japan's FTAs and how this has resulted in emergence of 'Strategic EPAs (Economic Partnership Agreements)' as foreign policy tools. Significance of this research is the methodology of combining the recent literature with clear-cut empirical analysis of the current FTA/EPA experiences via questionnaires and interview surveys and comparing FTA policy making patterns between Thailand and Japan with a case study of Thai FTAs. An attempt to draw a general pattern of 'Japan's politically defined FTA/EPA stance in East Asia' while signifying the rising importance of 'strategically defined EPAs' of Japan within its foreign policy making mechanism are the main contributions of this research. Three main hypothesis and two results, with hypothesis testing methods, are summarised in the Table.

After the introductory chapter, Chapter 2 defines FTAs according WTO rules and clarifies differences between PTAs, RTA, BTAs, FTAs and EPAs. This chapter later compares PTA with other regional cooperation frameworks like Northeast Asian Development Bank in East Asia by locating regional cooperation attempts within the framework of asymmetric functional cooperation. Chapter 3 analyzes foreign policy making of Japan with a special focus on Japan-Southeast Asia relations. Chapter 4 gives empirical analysis of the current EPA cases of Japan by focusing on static (technical preparation and domestic political economic) impacts and dynamic (economic) impacts of the recent EPA cases. Chapter 5 is devoted to the analysis of the questionnaire and interview survey, conducted in Japan, between May 2006 and August 2007.

Chapter 6 focuses on the case study of FTA policy making in Thailand in order to see similarities and differences between the Japanese and Thai cases of PTA policy making. Chapter 7 concludes overall research by comparing the Thai and the Japanese PTA experiences with an attempt to explain current position of Japan in East Asia from the perspective of Asymmetric Functionality (AF) Model. Then, the main inquiry of this research, that the recent FTA/EPAs have become strategic instruments of Japan as part of its foreign policy approach towards East Asia due to regional and

domestic changes since the end of the 1990s, is re-emphasised.

Table: Framework of the Research

Hypothesis			
H 1: FTA/EPA policies of Japan are formed not only through economic considerations but also regional-political developments and responses shape the Japanese PTA/FTA decision making mechanism.			
H 2: EPAs have emerged as one of the main foreign policy instruments of Japan: `Strategic EPAs`.			
H 3: EPA issues are used as tools of domestic transformation within the decision making mechanism.			
Dependent Variable		Independent Variables	
Decision making mechanism Different industry sensitivities		Regional institutionalism FTA trend (bilateral, multilateral) China, US	
Hypothesis Testing			
Literature gap	Dynamic nature and comparisons of EPAs	Foreign policy making, changing determinants	Different actors and factors of EPA policy making process
Methodology			
Literature review (Ch 1)	Simulation (Ch 4)	Case Study (Ch 6)	Interview & questionnaire (Ch 5)
↓	↓	Results	↓
Realist pragmatism Asymmetric functional cooperation	Not only trade oriented but gradually extending EPAs.	Thailand: FTA Japan: EPA	Institutionalisation Domestic reform
Result 1: `Strategic EPAs` shift Japan's foreign policy into a more pragmatic and `asymmetric functional regional cooperation` oriented one.			
Result 2: Politically defined EPAs, derived from regional factors, transform the domestic policy making environment.			

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To my mother and father,

Medine and Ali İhsan Uyar

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LIST OF ACRONYMS

ACFTA: ASEAN-China FTA
ADB: Asian Development Bank
AFTA: ASEAN Free Trade Area
APEC: Asia-Pacific Economic Co-operation
APTA: Asia-Pacific Trade Agreement
ARF: ASEAN Regional Forum
ASEAN: Association of Southeast Asian Nations
ASEAN+3: ASEAN, China, Japan and South Korea
ASEAN+6: ASEAN+3, India, Australia and New Zealand
BOJ: Bank of Japan
BIMSTEC: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BTA: Bilateral Trade Agreement
CACM: Central American Common Market
CEP: Closer Economic Partnership
CER: Closer Economic Relations
CGE: Computable General Equilibrium
EFTA: European Free Trade Association
EHS: Early Harvest Scheme
EVSL: Early Voluntary Sectoral Liberalization
EU: European Union
FTA: Free Trade Agreement
FDI: Foreign Direct Investment
GATS: General Agreement on Trade in Services
GATT: General Agreements on Tariffs and Trade
GCC: Gulf Cooperation Council
GDP: Gross Domestic Product
GSTP: Global System of Trade Preferences
GTAP: Global Trade Analysis Project
HPAEs: High-Performing Asian Economies

IMF: International Monetary Found
ITP: Index of Trade Position
IPR: Intellectual Property Right
JSEPA: Japan-Singapore EPA
JTEPA: Japan-Thailand EPA
LDP: Liberal Democratic Party
MAFF: Ministry of Agriculture, Forestry and Fisheries, Japan
MERCOSUR: Mercado Común del Sur (The Southern Common Market)
METI: Ministry of Economy, Trade and Industry, Japan
MFN: Most Favoured Nation
MOF: Ministry of Finance, Japan
MOFA: Ministry of Foreign Affairs, Japan
NAFTA: North America Free Trade Agreement
NEAFTA: Northeast Asia Free Trade Agreement
NEADB: Northeast Asian Development Bank
NGO: Non-governmental Organization
NIEs: Newly Industrializing Economies
ODA: Official Development Assistance
PAFTAD: Pacific Trade and Development Conference
PBEC: Pacific Basin Economic Council
PECC: Pacific Economic Co-operation Council
PM: Prime Minister
PSA: Partial-Scope Agreement
PTA: Preferential Trade Agreement
PTN: Trade Negotiations Among Developing Countries
RCA: Revealed Comparative Advantage
RoO: Rule of Origin
RTA: Regional Trade Agreement
SAARC: South Asian Association for Regional Cooperation
SACU: Southern African Customs Union
SAPTA: SAARC Preferential Trade Agreement
SDF: Self Defence Forces
TPSEPA (Trans-Pacific SEP): Trans-Pacific Strategic Economic Partnership Agreement

TRIPS: Trade-Related Aspects of Intellectual Property Rights

TRT: Thai Rak Thai, Thailand

US: United States

WTO: World Trade Organization

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CHAPTER 1

INTRODUCTION

This is the introductory chapter of the research on “Political Economic Analysis of Economic Partnership Agreements within Japanese Foreign Policy Making”.

Motivation of this research originates from the discrepancy in the literature to define the recent FTAs (Free Trade Agreements) of Japan in East Asia. This work attempts to emphasise underestimation of the political impact of Japan’s FTAs and how this has resulted in emergence of `Strategic EPAs (Economic Partnership Agreements)` as foreign policy tools. Significance of this research is the methodology of combining the recent literature with clear-cut empirical analysis of the current FTA/EPA experiences via questionnaires and interview surveys and comparing FTA policy making patterns between Thailand and Japan with a case study of Thai FTAs. An attempt to draw a general pattern of `Japan’s politically defined FTA/EPA stance in East Asia` while signifying the rising importance of `strategically defined EPAs` of Japan within its

foreign policy making mechanism are the main contributions of this research.

This introductory chapter starts with the framework analysis of the research and introduction of the research questions. Later on, literature review as one of the methods of hypothesis testing is made in detail. Following section discusses different methodologies and research tools. The last section summarises the chapter structure of the thesis with an explanatory flow chart.

1.1. Framework of Analysis

Among the developed countries and countries in East Asia, Japan has been recognised as the last one to focus on PTAs (preferential trade agreements). (1) One reason for this was Japan's emphasis on the traditional multilateral trade approach and focus on the WTO trade liberalisation schemes. (2) Another reason was the resistant domestic economic and decision making structure, which had been taking stance against opening up of Japanese fragile industries to international trade competition. (3) Multi-headed decision making mechanism, unwilling to forge preferential trade deals, of the Japanese foreign policy making mechanism was another reason. (4) The last

reason was that Japan had already been a successful story in establishing its trade linkages with especially Southeast Asia countries through business networks. Then, there was no need for new and limited trade deals. Nevertheless, growing problems in the multilateral track of the recent WTO trade negotiations and changing regional balance due to rising economic powers of China, India and other small and medium-size Southeast Asian countries have culminated into a totally different environment in terms of regional economic interactions. Regionalist tendencies among the countries, not only in one region but on cross-regional platforms as well, have also raised discussions on rather preferential trade deals, among which FTAs have become inevitable.

Although most of the literature focuses on free trade agreements as main trade arrangements, WTO defines all trade arrangements as `regional` trade agreements (RTA). Nevertheless, recent growth of RTAs led to a new sort of non-multilateral trade agreements, which are not necessarily regional. Hence, the term FTA has evolved as a consequence of the third and last wave of specifically defined trade arrangements.

Nevertheless, whether it is a regional, inter-regional or bilateral, all free trade agreements are preferentially defined. They are also region, member or scope oriented

formulations. For this reason, the term `PTA- preferential trade agreement` is deliberately used as a common FTA concept in order to cover all non-multilateral, region, member and/or scope oriented, specifically, arranged trade arrangements.

Nevertheless, not many of the current FTAs are in line with the WTO procedures. When the scope of agreement is extended with more discriminatory issues to include not only trade but also service, movement of people, goods and finances and other sectors, the agreement is called as economic partnership agreement. Table 1.1 gives a summary of various PTAs according to their scope and membership. Degree of integration of the agreements goes deeper from PTAs towards regional integration mechanisms, as can be seen on the left side of Table 1.1.

Preferential trade agreements do not create any responsibility for the signatories towards non-member parties while customs union create common customs regulations on external tariffs to the third parties. Krugman also defines free trade areas, as politically straightforward regulations with extra-administrative paperwork while customs unions are the opposite ones¹. One further level of economic collaboration

¹ Krugman and Obstfeld 1997: 243 and Yeung 1999: 17-25.

creates common market that regulates labour and capital movements to lead to the monetary union. The last phase of economic integration is the economic union, which harmonises fiscal and monetary policies of each contracting party². Though all these levels are called as regional trade blocs, economic union is the most integrated one in terms of its organisational structure. It is a constant trade bloc since it manages all government spending, central banks and monetary differences.

Table 1.1. General Definition of Preferential Trade Agreements

	Bilateral		Plurilateral		Multilateral
	Regional	Inter-regional	Regional	Inter-regional	
Regional Integration			Economic Union		
			Monetary Union		
			Common Market		
			Customs Union		
Multilateral Trade Agreements			Civil Aircraft Agreements		WTO (GATT, GATS)
			Government Procurement Agreements		
Preferential Trade Agreement	Economic Partnership Agreement				
	Free Trade Agreement				
	Closer Economic Partnership Closer Economic Relations				
	Partial-Scope Agreements				

Source: WTO 2007a and Aggarwal and Urata 2006. Arranged by author.

² Low 2004.

In addition to their contents, PTAs can also be classified according to the extent of their geographical/membership scope. The right side of the table presents membership of the arrangements, which can be bilateral, plurilateral or multilateral. Geographic/membership scope of PTAs lead to bilateral trade agreements (BTA) when the agreement is between two parties while plurilateral agreements can be framed in one region between more than two signing parties. When one state conducts a preferential arrangement with other economic group or different states/groups from different regions, this leads to an inter-regional trade agreement. Changing domestic decision making environment and transformation of traditionally protected industries within the country also made Japan open the door for any consideration for PTAs.

According to the table, a more loosened form of FTA is called as closer economic partnership (CEP), closer economic relations (CER) or partial-scope agreements (PSA) like early harvest scheme (EHS) in East Asian case with a special emphasis on agriculture. For example, EPAs are preferential trade agreements, which can have membership of regional or inter-regional character. Besides, its membership might be bilateral or plurilateral from single or multiple regions. As explained above,

PTA is a general term, which includes all varieties of preferential trade arrangements.

However, FTA is the most commonly used term for preferential trade agreements in the recent literature. For the Japanese case, FTAs and EPAs are interchangeably used in refer to PTAs. Hence, the term FTA/EPAs are used to explain Japanese strategically formed preferential trade agreements throughout this work.

This research is mainly originated from the inquiry of “Why has Japan been late for following world-wide accepted PTA trend?” Then, related literature review revealed the main research questions of this work: “How can the recent Japanese EPAs be defined?”, “What is the relationship between Japan’s overtly assertive FTA (Free Trade Agreement)/EPA policy and its changing position in East Asia?” and “Can FTAs be defined with more political economic parameters than mere economic trade liberalisation policies?”

These questions have raised an academic enthusiasm to inquire different aspects of the Japanese FTA/EPA policy making as important foreign policy tools of Japan’s East Asia perspective under the impact of the recent regional cooperation frameworks. Hence, the work is extended with four main methods of inquiry in order to

reach the conclusion that Japan's 'strategic EPAs' are important foreign policy instruments to place Japan within the recent 'Asymmetric Functional' regional cooperation mechanisms of East Asia. Of course, discussions about political and strategic aspects of EPAs have already been in recent researches. Then, these aspects are further underlined in this study. A new quantitative analysis with questionnaires to test the recent situation of the foreign policy making actors in Japan has brought a new aspect to the main argument of this work. An extended literature review, as one of the hypothesis testing tools, has also been made in order to emphasise the significance of this research.

1.2. Literature Review

Literature review about the main inquiry of this work has been done in order to show the main gap in the literature about economic and political aspects of FTA. Most of the literature looks at the issue either from an economic or a political point of view. Hence, this research aims to provide solid and fresh analysis of the political economic aspect of FTA/EPAs of Japan within the context of regional economic cooperation. For

this reason, three main surveys were made in the literature. Analysis of the research questions necessitated not one single research field or approach but rather an interdisciplinary one.

The first literature review has been made on *formation and definition of FTA within the context of regionalism according to theories of international economics*.

Most of the recent literature about FTA concentrate on the economic reasoning, cost-benefit analysis, trade creation and trade diversion effects of preferential trade agreements. These sources are mainly derived from the theories of international economics, international trade and critics about WTO system. Krugman and Obstfeld, Baghwati, Greenaway, and Panagariya, and Panagariya give elaborate definitions of preferential trade arrangements according to international trade theories³. Regionalism discussions are also made in the same line by focusing more on the economic impacts of PTAs. However, there have been valuable works, originating from the political economic perception of regionalism, based on the theories of economic cooperation⁴.

³ Krugman and Obstfeld 1997, Baghwati, Greenaway, and Panagariya 1998, and Panagariya 2000. For further analysis of how preferential trade is formed and practiced, see Bhagwati 1987 and Krueger 1999. Baldwin provides recent analysis of preferential trade agreements according to changing concept of multilateralism, see Baldwin 2006.

⁴ Baldwin 1997, Bhagwati 1992, Krishna 1998, and Milner 1992.

More empirical analysis of PTAs with more focus on effects of PTAs on the domestic economies on trade creation and trade diversion analysis are also crucial. These researches were intensified during late 1990s when Japan has initially showed its interest in preferential trade arrangements⁵.

The second group of literature survey was on the *Japanese foreign policy making mechanism with its actors and then the Japanese FTA policy making*, in particular. It is obvious that the inquiry of this work is limited to the 'strategic EPAs' of Japan within the Japanese foreign policy making agenda. Hence, a deductive approach is necessary in order not to lose the focus of the work. Nevertheless, it was also vital to search about the foreign policy making mechanism and its main tenets in Japan. Although, it is not targeted to cover all foreign policy formulations and approaches, classical works of Hook (et. al.) on the norms, structures and agents of the Japanese foreign policy making and work of Preston on the inter-actors linkages within domestic policy making structure are detailed in Chapter 3⁶. Curtis also provides a critical

⁵ Urata has been the leading figure about impacts of FTAs on sectoral basis, see Urata 2002 and 2004a.

⁶ Hook, et. al. 2001, Preston 2000. For analysis of the Japanese foreign policy making during late 1980s and 1990s, when Japan was defining its priorities after the Cold War, see Pempel 1992, 1997, and Pyle 1992. For rather classical examination of the Japan's foreign relations, Johnson elaborates the importance of MITI during Japanese economic development, see Johnson 1982. Pempel and Yoshinara again examines changing actor interaction in 1980s, see Pempel 1987 and Yoshihara 1994. Tanaka inquires

analysis of the government-party and election systems of the Japanese domestic politics⁷.

Important part of the literature survey has been made on the analysis of the Japanese FTA making as a foreign policy tool in the late 1990s and early 21st century under the impact of shifting regional dynamics. Because Japan's `strategic EPAs` is relatively new, when compared to the other East Asian FTAs, most of the work on this issue is part of a regional work made on East Asia or regionalism. Three crucial books projects are widely utilized in this context. Aggarwal and Urata has edited a work on bilateral trade agreements in the Asia-Pacific, claiming that there has been a growing tendency of regionalism in the Asia-Pacific, with a special focus on not regional but bilateral trade agreements⁸. As also discussed in Dent, bilateral trade arrangements are increasingly popular for their practicality of preparation and implementation. In addition these, political interests behind bilateral track of trade deals are rather easier to

changing place of Japan within the shifting context of the post-Cold War, see Tanaka 2002.

⁷ Curtis 1999. As with domestic politics, which has a substantial impact of the making of foreign policy, social dynamics of the Japanese policy making actors are also to be examined. Thorough analysis of the Japanese society can be observed in the works of Benedict 1946, Reischauer 1982, Dore 1987, and Lebra and Lebra 1986.

⁸ Aggarwal and Urata 2006.

accomplish in the short run according to evaluation of this research⁹. An earlier work on the political economic and cost-benefit analysis of FTAs has been edited by Okamoto¹⁰. Discussion of FTAs as the last wave of regionalism from a political economic point of view has been a crucial argument for the beginning of the inquiry of this research. Taking ground from this discussion, it is argued in this work that FTA/EPAs are important policy tools of Japan as its response to shifting framework of regionalism in East Asia.

Urata gives rather regional economic contributions of FTAs in East Asia in his work¹¹. Meanwhile, Yoshimatsu provides a rare analysis of the Japanese FTA policy making from the perspective of political economy by combining domestic actors and interest mechanisms to the regional dynamics¹². In addition, Watanabe provided a more international political perspective of the issue, while Mulgan contributes to the literature by focusing on the traditional sectors' side of the issue¹³. There is a growing number of interests on the political economic side of the Japanese FTAs with the works mentioned

⁹ Dent 2006.

¹⁰ Okamoto 2003.

¹¹ Urata 2004b.

¹² Yoshimatsu 2005 and 2006a.

¹³ Watanabe 2002 and Mulgan 2005.

above. However, placing FTA to the foreign policy making mechanism of Japan and linking this to the shifting Japanese perceptions in East Asia, as a research is still limited and for this reason, there was a need to conduct this current research. Hence, it is aimed that there can be a significant contribution to the literature with provided quantitative analysis of the recent questionnaire and interviews, conducted for this research.

The last part of literature survey has been made on the inquiry of *Japan and its position within the changing regional cooperation structure of East Asia*. Since this research aims to re-emphasise Japan's FTA/EPAs as important policy tools vis a vis proliferating regional tendencies in East Asia, it was crucial to analyse regional cooperation in East Asia from perspectives of international political economy and international relations.

Mansfield and Milner have given a thorough analysis of regionalism with a political economic perspective¹⁴. Different stages of regionalism and states' reactions towards regionalism are the main issues discussed. Sally and Dent elaborate political

¹⁴ Mansfield and Milner 1997.

economic impact of FTAs within the context of wider regional integration scenarios in East Asia and the Asia-Pacific¹⁵. Analyses from the perspective of international political economy are also provided by Lincoln, Matsuo, and Ravenhill with more emphasis on wider regionalism practices¹⁶.

Security dimension of the East Asian regionalism with international relations approach has been scrutinised by Baker and Morrison and Dent as important background analysis of this work¹⁷. Although not directly related, international relations theories on regional cooperation and actor interactions have also been examined given the limits of this research¹⁸. The linkage between Japan's changing foreign policy perceptions and shifting regional dynamics has been emphasised in important works by Krauss and Hughes and Inoguchi and Bacon¹⁹. Katzenstein and Shiraishi discussed, in their follow up work of their first book, that regionalism in East Asia has moved beyond

¹⁵ Sally 2006 and Dent 2007.

¹⁶ Lincoln 2004, Matsuo 2004, and Ravenhill 2002. For further international political economic analysis of regionalism, see Mansfield, Milner and Rosendorff 2000 and Plummer 2007.

¹⁷ Baker and Morrison 2005 and Dent 2003.

¹⁸ For international relations theories, related with regional cooperation, see Baldwin 1993, Grieco and Ikenberry 2003, Krasner 1976, and Jervis 1999. Keohane 2002 and 2005 and Stubbs and Underhill 2006 analyse changing power relationship due to globalisation.

¹⁹ Krauss and Hughes 2007 and Inoguchi and Bacon 2006. For further analysis on why Japan should adjust itself to the changing East Asian regionalism, see Rozman 1999, Yamazawa 2004, and Green 2001.

the capacity of nation state²⁰. It is an important argument that Japan has also been in the process of re-defining its priorities in the region with new policy tools like FTA/EPAs. Last but not least, evaluation of the changing positions of US and China in the region are also important topics for the complementary of this work²¹.

Nevertheless, there is still a need for more comprehensive research in order to analyse economic, political, social and regional impacts of PTAs and especially political economically defined Japanese EPAs. For this reason, contributing to the literature by combining economic and political aspects of Japan's FTA/EPA by focusing on EPAs as foreign policy tools is aimed in this research. Another reason to contribute to the literature is that, the issue for Japan is an ongoing development, as all EPAs are not fully implemented yet. For this reason, an overall work of covering all EPAs of Japan and placing EPA policy making of Japan as a foreign policy instrument is thought to be beneficial for better understanding the recent EPA proliferation in East Asia.

²⁰ Katzenstein and Shiraishi 1997 and 2006.

²¹ For changing US priorities from security only to a multilateral and economic cooperation focused agenda, see Ikenberry and Mastanduno 2003, Quansheng 2002, Nye 2001, and Beeson 2002. For China, as a pushing factor behind assertive regionalism in East Asia, see Pekkanen and Kellee 2005, Katzenstein and Okawara 2002, Roy 2005, and Womack 2004. In the meantime, China's foreign policy mechanism has also been in transformation with rising institutional cooperation in East Asia. Hughes 2005, Cheng-Chwee 2005, and Wong 2007.

1.3. Methodology

The significance of the research is emphasised with the methodology of combining the recent literature with clear-cut empirical analysis of the current PTA/FTA experiences via questionnaires analysis and a comparison of foreign policy making patterns between Thailand and Japan with a case study of Thai FTAs. An attempt to draw a general pattern of “Japan’s politically defined PTA/FTA stance in East Asia” through above-mentioned methods of research is to be the main contribution of this research. Motivation and potential contribution of the research originates from the discrepancy among the literature to define Japan’s relations with East Asia, gap within the literature to define the recent PTA/FTA moves of Japan in East Asia, underestimation of the political impact of Japan’s PTA/FTAs in East Asia within the current literature and dynamic nature of the issue with concurrent developments. Hence, three hypothesis and two results are formulated in this research. These hypothesis and results with dependent and independent variables are shown in Table 1.2. As indicated in the table, there are four inquiries, methods of inquiries and related arguments to connect three hypotheses to two results. (1) There is a literature gap among the work,

which examines FTAs from either economic point of view or political point of view.

Hence, a thorough literature review, which is made in this chapter, is one method of

research to lead to the argument that recent FTA/EPAs are result of assertive

regionalism tendencies in East Asia.

Table 1.2: Framework of the Research

Hypothesis			
H 1: FTA/EPA policies of Japan are formed not only through economic considerations but also regional-political developments and responses shape the Japanese PTA/FTA decision making mechanism.			
H 2: EPAs have emerged as one of the main foreign policy instruments of Japan: `Strategic EPAs`.			
H 3: EPA issues are used as tools of domestic transformation within the decision making mechanism.			
Dependent Variable		Independent Variables	
Decision making mechanism Different industry sensitivities		Regional institutionalism FTA trend (bilateral, multilateral) China, US	
Hypothesis Testing			
Literature gap	Dynamic nature and comparisons of EPAs	Foreign policy making, changing determinants	Different actors and factors of EPA policy making process
Methodology			
Literature review (Ch 1)	Simulation (Ch 4)	Case Study (Ch 6)	Interview & questionnaire (Ch 5)
↓	↓	Results	↓
Realist pragmatism Asymmetric functional cooperation	Not only trade oriented but gradually extending EPAs.	Thailand: FTA Japan: EPA	Institutionalisation Domestic reform
Result 1: `Strategic EPAs` shift Japan's foreign policy into a more pragmatic and `asymmetric functional regional cooperation` oriented one.			
Result 2: Politically defined EPAs, derived from regional factors, transform the domestic policy making environment.			

Source: Created by author.

(2) There is a dynamic nature of the recent Japanese FTA/EPAs to be tested with simulation of FTA comparisons in Chapter 4 (as indicated in Table 1.2), to reach the argument that EPAs are more strategic with extended scope of the new Japanese EPAs. (3) Changing foreign policy making determinants of Japan can better be examined with a case study of Thai foreign policy making analysis (Chapter 6). (4) The last inquiry and testing method is questionnaire survey in order to compare position of various actors and factors of the FTA policy making.

Table 1.3: Hypothesis and Results

Hypothesis	Results
H 1: FTA/EPA policies of Japan are formed not only through economic considerations but also regional-political developments and responses shape the Japanese PTA/FTA decision making mechanism.	Result 1: `Strategic EPAs` shift Japan's foreign policy into a more pragmatic and `asymmetric functional regional cooperation` oriented one.
H 2: EPAs have emerged as one of the main foreign policy instruments of Japan: `Strategic EPAs`.	
H 3: EPA issues are used as tools of domestic transformation within the decision making mechanism.	Result 2: Politically defined EPAs, derived from regional factors, transform the domestic policy making environment.

Source: Created by author.

As indicated in Table 1.3, hypothesis one and two lead to result one that `Strategic EPAs` shift Japan's foreign policy into a more pragmatic and `asymmetric functional regional cooperation` oriented one. While third hypothesis leads to result two

that, politically defined EPAs, derived from regional factors, transform the domestic policy making environment.

1.4. Structure of the Thesis

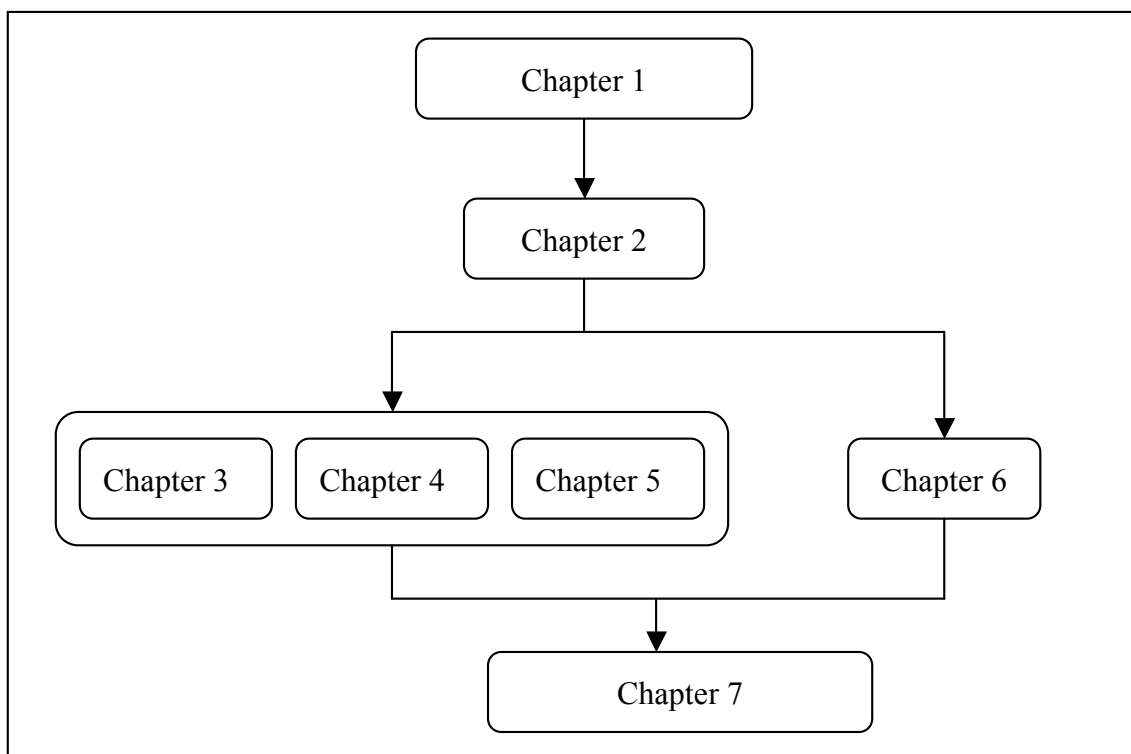


Figure 1.1: Structure of the Thesis

Source: Created by author.

As presented in Figure 1.1, this work is comprised of seven chapters.

Following Chapter 1, Chapter 2 gives informative background of this dissertation.

Chapter 3, 4 and 5 examine gradual improvement of Japan's 'strategic EPAs' by

focusing on different dimensions of FTA making in Japan. Chapter 6 is the case study part of the dissertation to be followed by the concluding Chapter 7.

Chapter 2 initially gives definition of PTAs with a focus on the evolving nature of PTAs according to the understanding of the World Trade Organization (WTO). General definition of the term with its varieties is elaborated for better understanding of the related literature and for clarification the term usage for the rest of the dissertation. The second section of Chapter 2 places PTA into the wider picture of regional economic cooperation since PTAs are, by definition, considered as one step deeper regional economic cooperation frameworks. The AF (Asymmetric Functionality) Model is also introduced in this section as the explanatory framework of the changing Japan-East Asia regional cooperation scene. The last section of Chapter 2 gives an alternative regional cooperation scheme, i.e. NEADB-Northeast Asian Development Bank, in order to show the larger perspective of regional cooperation and position of preferential trade arrangements within this platform.

It is mainly argued in this work that strategic preferential trade agreements of Japan have become important foreign policy initiatives as a reaction to the political

economic developments in East Asia. PTAs of Japan are generally called as economic partnership agreements while they were called free trade agreements when Japan got interested in preferential trade agreements in late 1990s. Even analysis of this terminological transformation reveals that Japan's PTAs have gradually gained more significance within its foreign policy making mechanism. Hence, Chapter 3 defines Japan's FTA/EPAs within foreign policy making mechanism of Japan. The first part examines foreign policy making of Japan by focusing on Japan-Southeast Asia relations. The second part gives the classical approach of Japan to FTAs while the third part examines the domestic and regional determinants of the formation of 'strategic EPAs'.

Chapter 4 analyses economic and technical/administrative impacts of the current EPA experience of Japan in order to show that the Japanese EPA are formed as new foreign policy instruments of Japan not for only economic interests, which is quite subtle in some cases, but for political and strategic reasons as well. Continuing on the discussion of Chapter 3, where foreign policy making mechanism of Japan is elaborated with a focus on transformation of FTA/EPA policy making, this chapter aims at re-defining EPAs as strategic foreign policy instruments of Japan with regional-

political economic as well as strategic necessities. The first section looks at technical preparation impacts of EPAs by making chronological, issue-orientation and regional interaction comparisons. The second part is devoted to comparing investment and trade interdependencies of Japan and its potential EPA partners. A brief mention about the other EPA cases and proposals is made at the end of the chapter. Although this chapter mainly focuses on the economic and technical impacts of EPAs for Japan, analysis of the political economic impacts of the current Japanese EPAs are made in Chapter 5 by examining the relationship between the actors and factors of the FTA policy in Japan.

Chapter 5 presents the survey of questionnaire and interviews, which have been made in Japan between May 2006 and August 2007 in order to analyse policy making aspects of FTAs. The first section of Chapter 5 briefly mentions framework and preparation of questionnaire survey while the second section focuses on implementation of the survey. The last section discusses the results of the questionnaire survey with empirical data comparisons in various figures. Main aim of this chapter is to test the hypothesis that EPAs have gained more momentum and recognition by domestic groups of the EPA policy making of Japan as well. While testing this hypothesis with the

results of the survey, perceptual variation among different groups of respondents about how they perceive the recent EPAs can also be observed.

Chapter 6 is developed as a case study of analysing the Thai FTA policy making in order to compare it with the Japanese case. Of course the main focus of this work is to test the hypothesis that the Japanese EPA has been increasingly important within the Japanese foreign policy making mechanism, especially towards Southeast Asia. For this reason, it is logical to analyse the Southeast Asian way of FTAs and to compare it with that of Japan. In order to do that analysis, Thai FTA policy making is picked as a comparative test case. The first part looks at the PTA and regional cooperation experience of Thailand in Southeast Asia. The second part analyses the Thai case of FTA as a foreign policy instrument. While the first section puts emphasis on the flexible foreign policy practices of Thailand in the recent history, the second section deals with domestic and regional tenets of the new foreign policy mechanism of Thailand. The third section analyses the results of interviews and questionnaires, conducted in Thailand as a field search and the last section concludes with a new pattern of FTA making in Thailand. An analytical methodology is used while main comparison

between the Thai and Japanese FTA making patterns is made in Chapter 7.

Chapter 7 gives summaries of each chapter. Then, it restates comparison of the Thai and the Japanese PTA experiences with an attempt to explain the current position of Japan in East Asia. Following part discusses Japan's position in East Asia with the pragmatic approach of the asymmetric functionality model. Limitations of the work are given in the last section with inquiries for future work.

CHAPTER 2

PREFERENTIAL TRADE AGREEMENTS IN EAST ASIA

As the informative chapter of this dissertation, Chapter 2 at first gives definition of PTAs with a focus on evolving nature of PTAs according to the understanding of the World Trade Organization (WTO). General definition of the term with its varieties is elaborated for better understanding of the related literature and for clarification the term-usage in the rest of the dissertation. The second section of Chapter 2 places PTA into the wider picture of regional economic cooperation since PTAs are by definition considered as one step to deeper and larger regional economic cooperation frameworks (see Table 2.1). The AF (Asymmetric Functionality) Model is also introduced in this section. The last section of Chapter 2 gives an alternative regional cooperation scheme, i.e. NEADB-Northeast Asian Development Bank, in order to show the larger perspective of regional cooperation and position of preferential trade arrangements within this platform.

2.1. Definition of PTAs

Preferential trade agreements are special arrangements to set trade interaction between the contracting parties. For definitive introduction to the PTAs, it is necessary to look at the origin of the concept driven from WTO as the main governing body for multilateral trade arrangements. World Trade Organization is considered to be the main international platform to enhance quality of trade and trade liberalisation by setting certain rules through multilateral negotiations and to provide a dispute settlement mechanism about trade conflicts among the parties. Main principles of the WTO are; (1) trade without discrimination with the 'Most Favoured Nation (MFN)' and 'National Treatment' clauses, (2) free trade, (3) predictability among the parties, (4) fair competition, and (5) promotion of development. It is a consensus-based organisation to strengthen world trade liberalisation and increase the quantity and quality of trade for consumers and producers, according to its establishment premise. Fundamentals of WTO were set during the negotiations of Uruguay Round, lasted from 1986 to 1994²². Today, WTO has 151 members and is in the process of a new round of negotiations to

²² Santos, Farias and Chunha 2005: 340-45, WTO 2007a, Mansfield and Reinhardt 2003: 832-833, Sally and Sen 2005: 94, Rose 2004: 99, and Collier 2006: 1430.

adjust and reform the principles of the current multilateral trade system through Doha Development Round since 2001.

Main WTO agreements on trade are General Agreements on Tariffs and Trade (GATT) to cover goods, General Agreement on Trade in Services (GATS) to cover services and Trade-Related Aspects of Intellectual Property Rights (TRIPS) to cover intellectual property rights²³. According to country groups, developed countries committed to cut tariffs by 36% within six years of initiation and developing countries by 24% within 10 years. Depending upon domestic and international market conditions, there are exceptions with special treatments as well. For example, `special safeguards` are used to protect producers against abrupt price changes in emergency situations. `Special treatment` is another exemption to the general tariff and tariff quota reduction procedure of GATT regulations. Four countries, Japan, South Korea, Philippines (in case of rice) and Israel (in case of sheep-meat, wholemilk powder and certain cheese products) have used this exception. Japan used this import restriction option for its sensitive rice sector for a six-year period and stopped in 2000. South Korea and

²³ WTO 2007b.

Philippines still use this exemption for their rice production.

Although WTO governs multilateral trade regime among its members, there has been a concurrent development along the multilateral track of trade negotiations: Preferential trade agreements (that is regional trade agreements upon WTO definition). There are many reasons for re-proliferation of PTAs depending on trade capacity and political/economic power of the countries²⁴. Initially, the most common reason for both developing or developed countries as well as trading countries is the dissatisfaction with regulations of the recent WTO negotiations from the beginning of Doha Development Round. From the neorealist point of view, recent trade frictions among the countries, economic and technical practicality of having a rather limited arrangement on trade is also another common reason for any country to go for specifically arranged PTAs. For the developing countries, it is also crucial to be within FTA building blocks to benefit from trade creation effects of the blocks as well as not to be isolated by competitive measurements and trade diversion effects of the rising FTA groupings. This is obviously a policy of accessing larger markets for the developing countries while it is

²⁴ For reasons of proliferation of preferential trade agreements, see Krueger 1999: 123, Baldwin 2006: 1510, Milner and Kubota 2005: 110-112, Asia New Network 2007a, and Financial Times 2003a.

also a chance of entering into local markets for the developed ones. Investment dimension is, on the other hand, significant for both countries since FTAs attract foreign direct investment (FDI)²⁵. Promise of economic cooperation with more neoliberal premises also leads to proliferation of FTAs with both regional and inter-regional focus. Indeed, regionalism is not a new phenomenon as the recent tide of RTAs are considered to be the third wave of regionalism. Figure 2.1. shows the general tendency of PTAs notified to WTO since 1948. It can be seen from the figure that there is growing tendency for more preferentially signed trade arrangements even within the WTO premises after mid 1990s. Nevertheless, it is obvious this time that the scope and effectiveness of the recent RTAs are too significant to be neglected by WTO and its member countries. As of July 2007, there are 194 RTAs notified to WTO²⁶. RTAs, as defined earlier, are more region-based arrangements different from the multilateral track of WTO. They also, by their content, focus on certain sectors and issues among specified countries in contrast to the MFN clause and multilateralism insistence of WTO. Namely, RTAs are more issue and member oriented and preferably set

²⁵ For various discussions of technical and political economic causes of FTA, see Dent 2006: 83, Okamoto 2003, Kimura and Suzuki 2004, and METI 2000.

²⁶ 206 of these arrangements were signed during the GATT period while 180 agreements were put into force after establishment of WTO. WTO 2007a.

arrangements. Hence, preferential trade agreements, by definition, regulate the terms of trade among the contracting parties with the aim of eliminating tariffs on selected items in order to increase the volume and quality of trade.

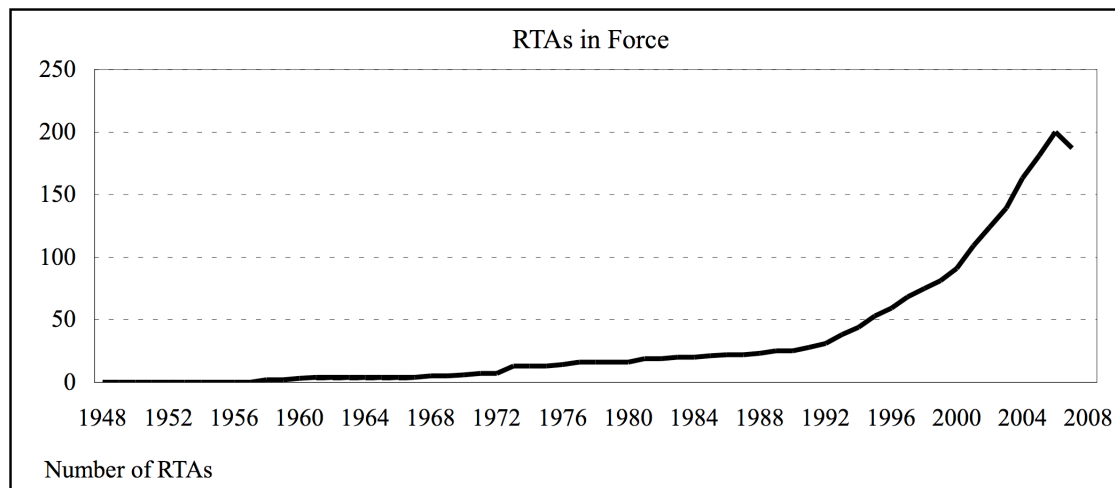


Figure 2.1. Expansion of PTAs Notified to WTO

Source: WTO 2007a.

Theoretically, preferential trade agreements help economies integrate themselves to broader markets. According to classical definition of PTA, the agreement creates an increased demand as well as a better supply with increased competitiveness, efficiency and productivity, i.e. `trade creation` effect²⁷. PTA also creates collaboration by promoting movement of labour and capital among the economies. Reduced tariffs

²⁷ Trade creation effect can further be seen if the origin of intra-industry trade between the parties was also high at the time of PTA consolidation. Kuchiki 2006, MOFA 2002, JETRO 2007, and 浦田秀次郎 2007.

and quotas further facilitate establishment of joint ventures, networking of intra-industry segments across different countries can easily lead to a more integrated market with regional premises. Last but not least, trade liberalisation with further domestic adjustment and specialisation might spur economic growth. So that, proliferation of PTAs since the late 1990s is clear in Figure 2.1. Most of the literature focuses on FTAs as the most common preferential trade arrangement and mainly 90% of PTAs are free trade agreements according WTO. Article 24 of the GATT/WTO on free trade agreements defines FTAs as “arrangements, the parties to which must not raise trade quotas to the third parties higher than they had when the agreement was signed and the parties must remove `substantially all trade` barriers along the promise of completing the negotiations within a reasonable (usually 10 years) period of time”²⁸.

In line with regionalism tendencies, the first wave of PTAs started in 1950s with establishment of European Coal and Steel Company and European Economic Cooperation towards the union form of today. Resettlement of the Cold War rivalry and economic development needs promulgated this first wave of regional cooperation.

²⁸ WTO 2007b.

The second wave of the regionalist tendency appeared in the beginning of the 1980s when the Bretton Woods system started to break down with currency crisis and trade frictions along with the rising new economic powers of Europe and Japan against the American hegemonic stance in international trade. Hence, this time the US initiated RTAs to be able to cope with trade diversion and manage its stance in the growing markets. The US-Canada FTA was initiated in 1989, Single European Act in 1985 and APEC was established in 1989. Most of the regional trade blocks were established during the first and the second waves of regionalism. Figure 2.2 shows the main RTAs of European Union (EU), North American Free Trade Area (NAFTA), ASEAN (Association of Southeast Asian Nations) and Southern Common Market (MERCOSUR) in terms of their world merchandise trade in the world economy²⁹.

The last wave of PTAs is the recent phase, which covers all the first and second groups of RTAs with the new extended FTAs in terms of their membership and content agendas. As mentioned earlier, growing dissatisfaction with the multilateral track of trade liberalisation and further deepening of existing RTAs precipitated the rise

²⁹ For regionalism, see Milner and Mansfield 1999: 594, Vayrynen 2003: 30, Larner and Williams 2002: 393, and Fernandez and Portes 1998: 215.

of various FTAs with special emphasis on small scale and bilateral ones³⁰.

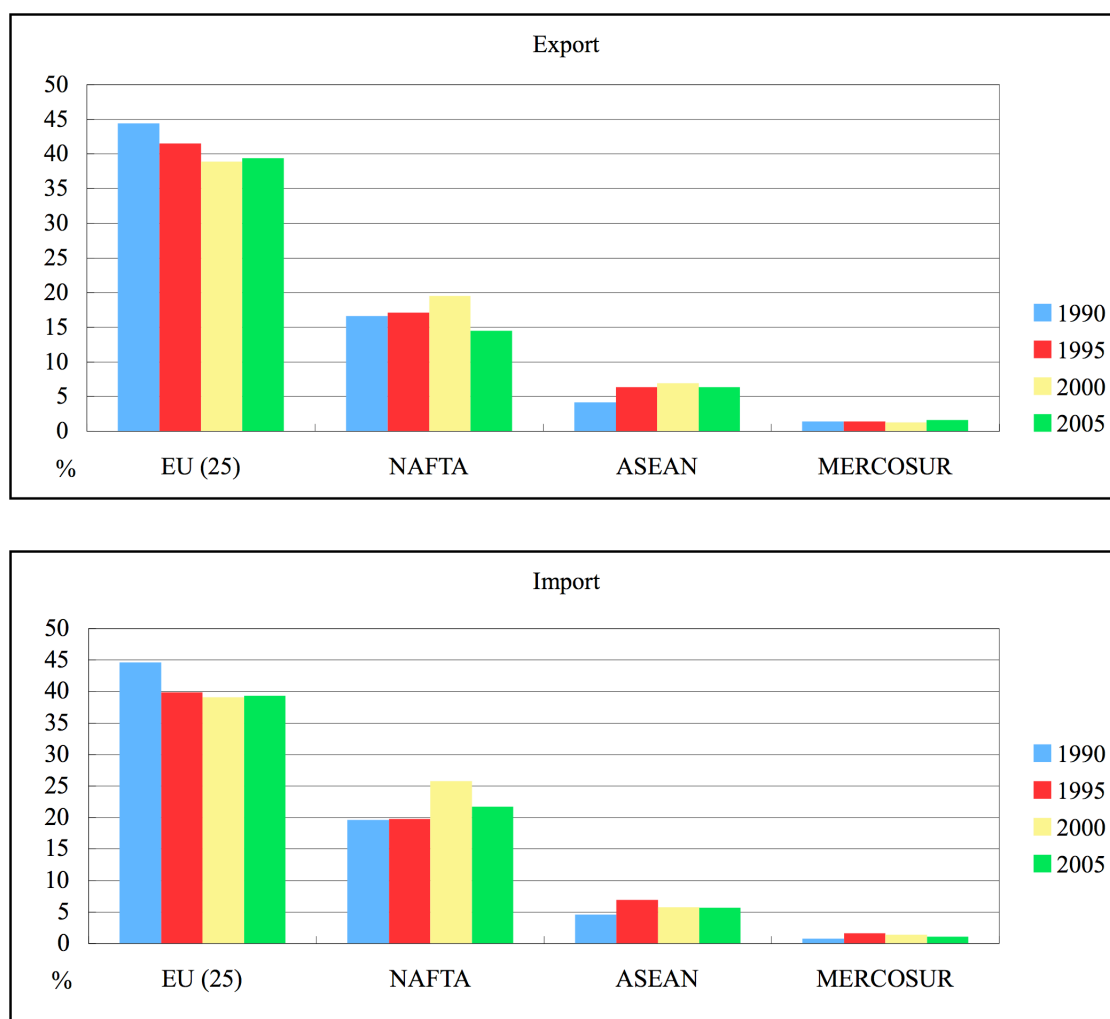


Figure 2.2: World Merchandise Exports and Imports by Region

Source: 1990 and 1995 figures of the EU are for EU-15 countries. WTO 2006.

³⁰ The first Asia-Pacific FTA was Australia-New Zealand CER of 1983. Dent 2006: 1 and Aggarwal and Urata 2006.

2.2. Regional Economic Cooperation in East Asia and Asymmetric Functionality

Model³¹

Figure 2.1 shows the general tendency towards preferential trade agreements since the mid 1990s. Total RTAs notified to WTO were 25 in 1990 while the number increased to 124 in 2000. The peak was in 2006 when approximately 200 RTAs of all stages were notified to WTO. It is obvious from these figures that the last wave of PTAs is the most comprehensive and complex one. In terms of membership, the recent PTAs are not only limited to one region but rather inter-regional. Among these, BTAs are especially crucial in East Asian case. Agreements, not only between developed and developing countries but also between developing countries is another feature of new PTAs. Asia also is a new focus of regional trade arrangements vis a vis the other parts of world which have initiated PTAs before. Hence, inter-regional and small size PTAs are recent focus of East Asian regional arrangements. Table 2.1 indicates this recent surge of bilateral FTAs as preferential trade arrangements, notified to WTO by September 2007 in accordance with range of PTA from partial-scope agreement to the

³¹ This section is partly based on the paper, “An Approach to Promote Regional Economic Cooperation in Asia: Asymmetric Functionality (AF) Model”, published at the Ritsumeikan Journal of Asia Pacific Studies. Uyar 2007.

economic union. Figures within the parenthesis show the East Asian PTAs with intensive bilateral inter-regional focus among which 13 out of 23 bilateral inter-regional PTAs are in East Asia. This proves growing tendency towards bilateral inter-regional EPAs in East Asia³².

Table 2.1: PTAs Notified to WTO

Preferential Trade Agreement	Bilateral		Plurilateral	
	Regional	Inter-regional	Regional	Inter-regional
Economic Union			1	
Customs Union - CU	1	1	14	
EPA	14(3)	23 (13)	8	1
FTA	32	33 (1)	8 (1)	2
CEP, CER			1 (1)	
PSA	2 (2)		6	5 (4)

Source: September 2007. Numbers within parenthesis indicate the RTAs of East Asia. Some of the CUs are on the way of becoming deeper with Common Market and Monetary Union premises. EPA and FTA differentiation is also made according to the relativity of the contents of the PTAs in each case. Legal differentiation of PTAs are made according to their legal basis of GATT Article 24 for RTAs, GATS Article 5 for economic integration and 'Enabling Clause' for developing countries, WTO 2007b, 2007c, and 2007d. Calculated by author.

Meanwhile, scope of new PTAs is also in accordance with the nature of recent interdependent trade relations. While initial FTAs are only for trade liberalisation, GATT mechanism has brought investment, service liberalisation and intellectual

³² For new bilateralism in East Asia, see Ravenhill 2003: 304 and Dent 2006: 87-90.

property rights (IPRs) dimensions to PTAs³³.

Table 2.2: East Asian PTAs Notified to WTO on Regional Basis

PTAs	Regional	Inter-regional
East Asia	AFTA ASEAN-China Japan-Singapore Japan-Malaysia Korea-Singapore China-Macau China-Hong Kong Laos-Thailand	Trans-Pacific SEP
Rest of Asia		Trans-Pacific SEP Singapore-India Singapore-Jordan APTA, GSTP, PTN
Australasia		Trans-Pacific SEP Thailand-New Zealand Thailand-Australia Singapore-Australia Singapore-New Zealand
Europe		Korea-EFTA Singapore-EFTA
North America		Singapore-US
South America		Japan-Mexico Japan-Chile Singapore-Panama Korea-Chile China-Chile

Source: September 2007. Trans-Pacific SEP is the Trans-Pacific Strategic Economic Partnership Agreement between Brunei, New Zealand, Chile and Singapore. APTA is the Asia-Pacific Trade Agreement, involving Bangladesh, China, India, Korea, Laos and Sri Lanka. GSTP is the Global System of Trade Preferences with 43 participants. PTN is the Trade Negotiations among Developing Countries to include Bangladesh, Brazil, Chile, Egypt, Israel, Mexico, Pakistan, Paraguay, Peru, Philippines, Korea, Romania, Tunisia, Turkey and Uruguay. WTO 2007a. Arranged by author.

Further interpretations of the recent PTAs have added new dimensions like

movement of goods, people, services, adjusting competition policies, environmental

³³ Oyane 2003: 94.

issues, FDI measurements, rule of origin deliberations, e-commerce, financial cooperation, security and human rights issues³⁴. In the light of this new PTAs experience of East Asia, Table 2.2 gives overall summary of East Asian PTAs notified to WTO, on regional basis.

This growing PTAs tendency is part of the last regionalism wave in East Asia.

In addition to the common approaches to regionalism (Chapter 7), there are specific terms like open regionalism, economic regionalism and sub-regionalism to define East Asian experience. Open regionalism is generally applied to define the characteristics of ASEAN (Association of Southeast Asian Nations)³⁵. It mainly aims at avoiding institutionalisation of military and security issues, any discriminatory trading bloc and any kind of strict institutionalisation for the non-member actors (be it a state or a non-governmental organisation). Economic regionalism focuses on economic interactions but it is a wider concept including open regionalism and sub-regionalism as well. When one considers the current Asian experiences of regional co-operation, it is

³⁴ For FDI dimension of the recent PTAs, see Urata 2003: 40-41, Lee 2005: 713, and Hoekman and Newfarmer 2005. Human rights issues are also recently discussed for betterment of the human rights especially in developing countries, Hafner-Burton 2005: 595 and Dent 2006.

³⁵ Segal and Wanandi 1998: 136, International Herald Tribune 2001, 2007a, and Financial Times 2005a. For more information on open regionalism, see Case 2002 and Jayasuriya 2003.

obvious that regionalism has developed through different mechanisms as some are mere economic gatherings while others are gatherings with political and/or security concerns.

ASEAN is a regional economic co-operation platform with an FTA assumption and a political consultation mechanism for the ten nations of Southeast Asia. After the colonial period in Southeast Asia, the main ambition of the countries was establishment of their national governments and economic growth for further development and stability³⁶. Today the ASEAN has a population of about 567 million with a 5.8% annual GDP growth rate, a total export value of US\$766 billion and a total foreign direct investment inflow of US\$38billion³⁷. Between 1991 and 1996, this growth became so remarkable that some of the original ASEAN members are named as the contenders of the so-called 'East Asian Miracle'³⁸. With the impact of this growth, ASEAN has become a multilateral channel with transnational and inter-governmental linkages while discussing mainly the economic issues.

³⁶ Euaruksul 1998: 249. Founding members are Malaysia, Thailand, Singapore, Indonesia and the Philippines. After this start, Brunei Darussalam joined ASEAN in 1984, Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia became the last member in 1999. For formation of ASEAN, see Jones 2004: 142 and Acharya 1997: 324.

³⁷ ASEAN Secretariat 2007.

³⁸ The 'East Asian Miracle' contenders are highly performing Asian economies of Japan, South Korea, Singapore, Taiwan, China, Honk Kong, China, Indonesia, Malaysia and Thailand according to the World Bank report on 'East Asian Miracle'. See, World Bank 1993. Thailand averaged 7.9% growth, Malaysia 8.7%, Indonesia 7.8% and Singapore 8.5% growth during the late 1980s and early 1990s. Even the Philippines, being in domestic crisis during that time, grew by 5.9% on the eve of the 1997 Asian financial crisis. Henderson 1999: 40.

APEC (Asia-Pacific Economic Co-operation) is another economic co-operation bloc, launched in 1989. Since the Asia-Pacific region has become economically and geographically attractive with its growing market capacity, the idea of creating a broader regional platform emerged from the regional economic powers³⁹. The forum is quite sizeable in the world economy since more than 50% of global GDP and more than 40% of world trade is conducted by this almost 'inter-regional' mechanism. Though, it was declared that "APEC has been more concerned with the health of global trade than the creation of an East Asian trade bloc," its emphasis and recent development in the region is evident⁴⁰. Nonetheless, APEC, as the largest regional group, to the extent of its geographical size, membership and commercial capacity, has obstacles to achieve further regional co-operation. These are mainly lack of a strong institutional framework, national domestic constraints and hesitations of ASEAN members in case of direct access of big powers to their realms, further enlargement needs and adjustment costs of each member for wide-ranging membership agenda⁴¹.

³⁹ APEC was established with original membership of ASEAN countries, Canada, the US, Australia, New Zealand, Japan and South Korea. Later on, China, Taiwan, Mexico, Papua New Guinea and Chile joined. Villacorta 2001.

⁴⁰ Yeung 1999:60.

⁴¹ Aggarwal and Morrison 2000: 309, Yeung 1999: 63-67. Due to above mentioned obstacles, trade liberalisation efforts like Bogor Goal of creation of a Pacific trade agreement or compliance with early

The ASEAN+3 Forum (ASEAN plus China, Japan and South Korea), a more extended but a more loosened form of regional formulation, was established in 1997 with initiatives of Japan, China and South Korea. Since the ASEAN market has become a lucrative one during the mid-1990s, all actors in the region aimed at having a direct access to ASEAN. Although, a region-wide multilateral dialogue became necessary for further intra-regional economic co-operation, Japan, China and South Korea still have their own linkages with the ASEAN countries⁴². For these reasons, there is no institutional framework for ASEAN+ 3 yet, albeit the East Asia Study Group (EASG) put forward the common target of conveying ASEAN+3 mechanism into an ‘East Asian Summit’ framework⁴³.

Since both of the above experiences are mainly economy driven, it is also valuable to look at politically driven co-operation attempts in East Asia. ASEAN Regional Forum (ARF) is one of the rare political and security based forums. It was established in 1994 after the ASEAN Heads of State and Government declared that

voluntary sectoral liberalisation (EVSL) strategy have also failed. Dent 2006.

⁴² Japan has pursued the Initiative for Development in East Asia (IDEA), the Republic of Korea has initiated the East Asia Vision Group and East Asia Study Group to set up policy proposals for the meetings and China has initiated the Framework Agreement on ASEAN-China Economic Co-operation. ASEAN Secretariat 2002b.

⁴³ ASEAN Secretariat 2002a.

ASEAN should intensify its external co-operative dialogue on political and security issues with the other actors in the Asia-Pacific region⁴⁴. It aims to enhance confidence-building measurements, preventive diplomacy and conflict resolution⁴⁵. ARF seems to be successful in promoting its goal of being a dialogue forum as no tension has escalated into an armed conflict since its establishment. However, this goal was only a pacifist one and the ARF still cannot take a common stance on the Asia-Pacific security issues, which might have regional repercussions.

As can be seen from above perspectives, recent definitions of `region` and `regionalism` as well as `regional co-operation` are mainly concentrated around economic means of formal/informal co-operations. Furthermore, current definitions of `region` and approaches of `regionalism` are very well established but not focusing on the needs of regional co-operation in East Asia as a whole. Therefore, a distinctive, transparent framework would be proposed by which, *regional identity in Asia would be developed around economic co-operation, which would be improved with political,*

⁴⁴ The current ARF Member States are Australia, Brunei Darussalam, Cambodia, Canada, China, the European Union, India, Indonesia, Japan, Republic of Korea, Laos, Malaysia, Burma, Mongolia, New Zealand, Papua New Guinea (with observer status), the Philippines, the Russian Federation, Singapore, Thailand, the United States, Vietnam and the Democratic Peoples' Republic of Korea.

⁴⁵ ASEAN Secretariat 1995 and Heller 2005: 130.

*societal and other functional linkages*⁴⁶. Indeed, a comprehensive model for regional co-operation, that is 'Asymmetric Functionality Model-AF Model', could also be a framework model for current patterns of regional co-operation in Asia. This model is also inclusive of the recent PTA tendency in East Asia and FTA policy formulation of Japan as part of foreign policy making mechanism. Further explanation of this model is made in Chapter 7 while presenting the linkage between the rising trend of FTA/EPA making of Japan and Japan's position in East Asian regional cooperation mechanisms.

2.3. An Alternative to PTA: Loose Functional Integration in Northeast Asia-

Northeast Asian Development Bank⁴⁷

As regionalism is in its third phase of rapid proliferation, there are also new ideas of sub-regional groupings in East Asia. This part examines a notable proposal of Northeast Asian Economic Development Bank (NEADB) as an alternative regional economic cooperation framework. This section aims to show the bigger perspective of regional cooperation in East Asia in relation to the AF Model. It is noteworthy that the

⁴⁶ Uyar 2007: 42.

⁴⁷ This part is a shortened version of the paper, "Loose Functional Integration in Northeast Asia: The Northeast Asian Development Bank". Uyar 2006.

drive of the Asia-Pacific regional co-operation led by academics on the one hand and business people on the other hand has been important track of regionalism.

Arrangements that emerged from the discussions, such as the Pacific Trade and Development Conference (PAFTAD) and the Pacific Basin Economic Council (PBEC), both formed during the late 1960s, reflected academic and business interests in the Asia-Pacific regional co-operation, respectively. It was not until the discussions led to the formation of the Pacific Economic Co-operation Council (PECC) in 1980, that governments became formally, though only partially, involved and it was not until the formation of APEC in 1989, that governments deliberately focused on regional co-operation issues. Along the government and business initiatives, there have also been local activities, the most notable example of which is the Pan-Yellow Sea Economic Cooperation mechanism, in order to stimulate economic as well as cultural exchange in the region.

Throughout the considerations issued by the above different interest groups, the Northeast Asian economic co-operation proposals have been characterised according to the specific features of the region. There have been many ideas like

Northeast Asia Free Trade Agreement (NEAFTA), Council for Northeast Asian Economic Co-operation, institutional co-operation at local and/or central government level and joint business initiatives. There have also been a growing number of scholarly studies on the idea of the Northeast Asian Development Bank (NEADB) with political, economic as well as technical perceptions. Having been discussed since the beginning of the 1990s, NEADB would be the crucial feasibility mechanism of a functional integration potential of the region via breakthrough development of the regional economies.

It is well known that one of the important lessons learned from the 'East Asian Miracle' is the key importance of infrastructure for promoting and supporting economic development. In other words, the basic requirement of self-sustaining economic growth is an adequate base of transportation, communication, energy, environmental and other development-supporting infrastructural preparedness. This lesson is especially important for the Northeast Asian economic region, since by most assessments, the region's infrastructure is too weak and fragmented to support development on a sustainable, region-wide scale. Northeast Asia, which covers Japan, People's Republic

of China (China), Republic of Korea (South Korea), Russian Federation (Russia), Democratic People's Republic of Korea (North Korea), and Mongolia. These countries bear a natural economic territory capacity whereby abundant oil, minerals and other natural resources of Russia and Mongolia, a huge labour force of China and DPRK and ample capital and technology of ROK and Japan could be utilised for regional economic growth. However, sizeable investments and quality improvements are required to replace the existing infrastructure and to contemplate a region-wide development.

Regional integration in East Asia is usually analysed according to two parameters: One aspect drives the institutional, formal forces of regional integration while the other one merits the informal, non-institutional characteristic of the regional collaboration. While political sensitivity and lack of any regional commitment prevent any formally established regionalism, a dialogue along co-operative measures and non-traditional security issues is functional. Complementarity between the member countries while focusing on each country's own strategic and development needs can be achieved via functional co-operation schemes. An informal economic integration, usually emphasised in the forms of regional production networks, ethnic business

networks and sub-regional economic zones, would also be applied in Northeast Asia⁴⁸.

However, promoting regional development by revitalizing rich resource endowment and utilizing the intra-trade capacity of the region would be achieved by coordinating both informal and formal networks.

It is difficult to call Northeast Asia as a region as there are uneven development performances, different political structures and cultural experiences. History, full of non-commonalities but skirmishes and wars based on security as well as cultural disputes makes it even more difficult to start any discussion about probable regional co-operation in Northeast Asia. Furthermore, border problems between Japan-China-Russia, Japan-Korea and Russia-China, denuclearisation of North Korea, integration of North Korea into the international community, historical issues between China-Japan-Korea and obstacles of Mongolia and North Korea in integrating to the world community prevent these six countries to set up a regional group around any ambitious joint objective. Nevertheless, recent history occupied with globalisation and shifting set of national interest with divergent security and economic needs for each

⁴⁸ Katzenstein 1997, Aggarwal and Koo 2005. These informal production networks can further be defined as market-driven, privately sponsored or network-based and non-institutional interactions, Peng 2000.

state proves that unilateral or bilateral actions would not work in order to solve those political and cultural issues. Even ongoing six-party talks about denuclearisation of North Korea reveal the fact that regional communication is imperative in Northeast.

Duck Woo Nam, former prime minister and finance minister of the Republic of Korea initially proposed the original idea of NEADB, in 1991⁴⁹. Later on, scholars, bureaucrats and regional experts contributed to the idea with further feasibility studies⁵⁰. In addition to these studies, regional co-operation agenda of trade interdependency and political conciliation based on the 'loose functional integration' approach are considered as merits of NEADB, in this section.

An East-West Centre study has estimated that the cost of upgrading and expanding infrastructure would amount to \$7.5 billion a year for the next 15 to 20 years. Nevertheless, the World Bank and ADB could only cover \$2 billion of this amount⁵¹. Hence the rest shortfall would be secured via NEADB mechanism of sharing (40 per cent of which would be allocated by the Northeast Asian members and 60 per cent

⁴⁹ Kakazu 1995: 106.

⁵⁰ A special committee, once presided over by Burnham Campbell, has worked on the technical details of the project beginning from the 1994 annual meeting of the Northeast Asia Economic Forum. Then, an ad hoc committee for the study of the potentials of NEADB was adhered for its first meeting in Tianjin, China, May 11-13, 2000. Jinghua 2001: 77.

⁵¹ The organisational structure of the Bank is mainly based on the work of Stanley Katz and Lee-Jay Cho in collaboration with the East-West Centre, Katz 2002: 64 and Naya 2003.

would be shared by other Asian, non-Asian (including the US) and organisational members-World Bank, IMF, ADB).

In practical terms, it is suggested that the Northeast Asian Development Bank would provide an important part of additional financing that could be effectively employed in expanding and improving Northeast Asia's infrastructural base. Its purpose would be to supplement the capital transfer activities of the ADB, the World Bank and other private and governmental sources, thereby ensuring a more adequate flow of capital to Northeast Asia for its infrastructural development. Implementing its projects as a bridge between the region and international and other financial/development resources is the main short-term contribution of the Bank according to its loose-functional mechanism.

This 'bridge' function of NEADB would be realised in several ways. Since the establishment of the idea, it has been argued that NEADB would take away the roles of ADB and World Bank in the region since both have overlapping issues and targets. The Bank was further criticised by claiming that it would create mismanagement of the already implemented ADB-led projects. Moreover, it was discussed that different

economic capacities and degree of commitment would make it costly for each member to handle its financial contribution and responsibility. Lack of clear leadership due to political sensitivity of the region might also create another stalemate for the administrative management of the NEADB mechanism, according to other critics. On the other hand, it was also stated that strategically defined political and security considerations of regional members might slow down the establishment of NEADB within its expected time.

According to the scheme of 'loose functional integration' in Figure 2.3, an incremental mechanism of economic as well as financial interaction is needed in the short-term in order to reach a medium-term target of regional economic co-operation. In order to convey regionalism impetus into a more regional informal and, then, formal mechanism, a loose but functional integration is crucial at initial, sub-regional level. This assumption leads to the country-level and sub-regional infrastructural problem solving and resource allocating issues, which require initial financial sustainability at first stage. A mechanism, which can give impetus to this incremental regional integration process via financial co-operation, is actually the Northeast Asian

Development Bank. According to the 'loose functional integration' approach, rationalizing the sub-regional financial problem solving in the short-term would lead the region to a sustainable development along deepening regional understanding and co-operation. This mechanism centres on NEADB as the main policy implementation tool of further regional institutional integration in the long-term. According to Figure 2.3, financial initiation on project-based co-operation might in the medium-term lead to economic co-operation and then political conciliation as well as social consensus in the long-term perspective.

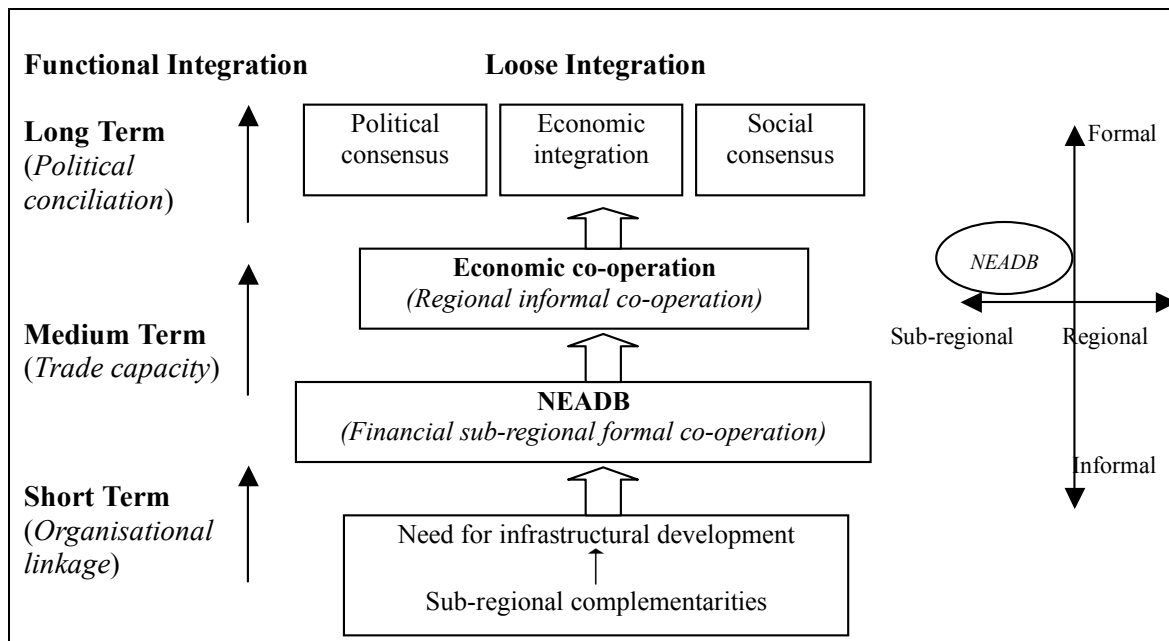


Figure 2.3. Scheme of 'Loose Functional Integration' in Northeast Asia

Source: Created by author.

When one considers other regional and sub-regional co-operation alternatives, it is inevitable not to realise the spurring effects of the recent preferential trade arrangements in East Asia. Indeed, a Northeast Asian Free Trade Agreement (FTA) is one of the suggestions for Northeast Asian regional co-operation. Indeed, there is a growing intra-trade potential in Northeast Asia. Hence, an FTA with a premise of trade creation and liberalisation would be realised. Nevertheless, according to other trade arrangement examples in East Asia, required degree of commitment and regional integration level would be higher than that of a project-based financial co-operation mechanism of NEADB. Another difference between a Northeast Asian FTA and NEADB is that, given the political sensitivity and lack of commitment by any country to enter into formally defined trade arrangement in the short-term, NEADB better fits to the needs for loose co-operation in the region. Relatively slow growing phase of intra-trade intensity when compared to the other FTA-based regional blocks is another reason why it would be too early to establish a Northeast Asian FTA in the short-term. But, of course, a Northeast Asian FTA is compatible with the medium-term economic development objectives of the 'loose functional integration' mechanism of NEADB and

can naturally be established upon infrastructural development assertion of the Bank.

Northeast Asia consists of strong market-oriented economies of Japan and South Korea; economies in various stages of transition in China, Russia and Mongolia and a rather rigid command economy of North Korea. Apart from the inherent political difficulties among these entities, infrastructure needs and broader policy objectives with intra- and inter-regional trade potentials are convincing enough for those countries to prosper together. Thus, given the needs and potentials of the region, functional integration would be more beneficial than immediate formal institutionalisation.

Functional integration, in other words, would focus on the outcome of market forces rather than on the organisational models of governments or other institutions. The mechanism would further seek to enhance economic co-operation in currently sensitive cross-border issues, such as transportation, communication, environmental protection, energy development and even cultural and educational ones, as well as more enduring concerns of investment, industrial co-operation and macro-policy co-ordination.

Hence, NEADB would be the information, interaction and co-operation centre of the region for learning, training, know-how and other auxiliary activities. Creation of

a common pool for the members to live and improve together would be another impact of the mechanism. It would combine human and natural resources on the one hand and the capital and technology on the other hand for future regional co-operation. Last, but not least, NEADB would be the main consultation mechanism for the members to understand each other and conciliate on bilateral as well as regional security issues. Hence, these last two functions would lead to the realisation of the 'loose functional integration', which aims a long-term political reconciliation and co-habitation in the region.

2.4. Summary and Conclusion

Chapter 2 explains formation of preferential trade agreements and the linkage between preferential trade agreements with various regional cooperation discussions. The first part presents necessary background information about theoretical definition of PTAs, RTAs, FTA/EPAs and BTAs. As it is previously mentioned in Chapter 1, the term FTAs are used for East Asian trade arrangements while the term FTA/EPA is used in reference to the Japanese preferential trade agreements. Proliferation of RTAs from

the classical WTO principles into politically defined FTAs and EPAs upon strategic necessities of signing partners, i.e. states, is one conclusion to be derived from this chapter. The second part discusses different regional cooperation frameworks in East Asia. It is argued in this part that FTAs are also part of the recent regional cooperation experiences of East Asia alongside ASEAN, APEC, ARF and ASEAN+3 and ASEAN+6 frameworks.

Although FTAs are inclusive part of these processes, there is a rather comprehensive framework of Asymmetric Functionality Model-AF Model to explain the recent regionalism tendency in East Asia. This model is briefly introduced in Section 2.2 to be further discussed in the concluding chapter. Indeed, Japan's strategic FTAs and the recent position of Japan within changing East Asian regionalism can be better understood by elaboration of this Model which proposes composition of functional mechanisms of political, economic and social interactions of the asymmetrically divergent units of East Asia. FTA/EPAs of Japan have also gradually been instruments of this functional cooperation mechanism in terms of their practicalities as mentioned in Section 2.1. The last part of this chapter discusses another

alternative regional cooperation scheme; i.e. Northeast Asian Development Bank in order to present the larger picture of regional cooperation in East Asia.

CHAPTER 3

FOREIGN POLICY MAKING OF JAPAN and EPAs

Chapter 3,4 and 5 are devoted to analyse the strategic preferential trade agreements of Japan within Japanese foreign policy making mechanism in order to show that PTAs of Japan have become an important foreign policy initiative in Japan as a reaction to the political economic developments in East Asia. PTAs of Japan are generally called as economic partnership agreements while they were called free trade agreements when Japan got interested in preferential trade agreement in late 1990s. Even analysis of this terminological transformation reveals that Japan's PTAs have gradually gained more significance within its foreign policy making mechanism. Hence, 'strategic EPAs' were improved as foreign policy instruments within changing dynamics of East Asian regionalism. Chapter 3, 4 and 5 examine gradual improvement of Japan's 'strategic EPAs' by focusing on different dimensions of FTA making in Japan. Chapter 3 defines Japan's FTA/EPAs within foreign policy making mechanism

of Japan. Chapter 4 compares the recent FTA/EPA cases of Japan in terms of economic and political implications of these agreements and Chapter 5 presents the results of the survey, conducted on FTAs.

3.1. Foreign Policy Making: Japan-Southeast Asian Relations

There are critical actors in foreign policy making process as organisational actors, groups and individuals⁵². Herman and Herman classify those related actors as predominant leader, single group and multiple autonomous actors⁵³. Sensitivity and insensitivity of the predominant leader to outside influence affect decision-making process. Agreement and disagreement among the members of the single group also influence the group decision of being more confident to outside factors in the former case and more open in the latter. Multiple autonomous actors appear in the wake of clear leadership (either in the form of individual leader or a governing body) in decision-making level. Japan has a distinctive character of its foreign policy making

⁵² For other analysis of foreign policy mechanisms, see Putnam 1988: 450-453, Mesquita 2002: 3, Katzenstein 1976: 5-9, Risse-Kappen 1991: 480, and Welch 1992: 115-116.

⁵³ Herman and Herman 1989: 363-365.

mechanism as it has shown signs of all types of policy making in different periods⁵⁴.

Yoshida Doctrine of the post-WWII regulations has initiated the basis of Japanese foreign policy. This has laid the foundations of foreign policy of the decades until the end of the Cold War⁵⁵. However this has changed after the Cold War with rising concerns about the new world order. These concerns were: (1) initially immediate crisis of the Gulf War, (2) re-definition of international organisations (as in UN credentials), (3) questioning the uni- or multi-polar world order after the Cold War, (4) acceptance of the new regional powers like China, India, and (5) adjusting to trends like regional economic cooperation.

Lack of Japan's physical presence in the Gulf War has been highly criticised by many but specifically by the US. There even emerged some doubts about Japan's credibility as a reliable ally to the US. Many criticisms were heightened about lack of clear vision of global responsibility in Japan. After these harsh appraisals, heated debates started in every strata of the society. As a governing party, LDP convened a study group

⁵⁴ For Japanese foreign policy making with different actors, see Curtis 1999: 26-63, Hayes 2005: 47-68, Kawashima 2003: 1-21, and Yoshimatsu 2004.

⁵⁵ Yoshida Doctrine has always been discussed as the foundation of the Japanese foreign policy framework after the Second World War. For different interpretations of the Doctrine, see Pyle 2007, Samuels 2007, Hatch and Yamamura 1996: 20-40, Hook and Hasegawa 2001: 40-55, and Pempel 1997: 335.

to review Japan's role in the aftermath of the crisis. Business groups took up discussions about the constitutional point of the issue⁵⁶. Since then, both government and the public in Japan changed their ideas about international activities of SDF and decided to take more proactive roles in the UN peacekeeping operations. Michael Gorbachev's visit to Tokyo in April 1991 also made the Japanese accept that the Cold War had ended and there was no more Soviet threat. Thereafter, Japan has shown particular interest in taking initiatives and proposing new policies/ solutions for regional or international conflicts.

Initially, Japan proposed diplomatic solutions to regional disputes like North-South Korean dispute. It also softened economic sanctions against China in 1991 G-7 and early 1990s GATT meetings. Japan once more committed its new standing when the US president George Bush visited Tokyo in 1992, after which Diet enacted the UN resolution for peacekeeping operations in Cambodia (June 1992) and reformulated its National Defence Program Outline in 1995⁵⁷. The Japanese existence in the Middle

⁵⁶ Nevertheless, there emerged two groups in society: one was voting for extension of SDF and appeasement of US by taking part in the anti-Iraq alliance (LDP was also in this group as being the leading critic of Article 9). While, the other group insisted on the Pacifist resolution of the conflict and proposed a new policy like financial support to US and the war-affected countries, hit by the Gulf War. Inoguchi 1993: 120.

⁵⁷ This law has been revised in 1976 but it was still limited in terms of SDF activities. Singh 2002: 83.

East was also being strengthened for the sake interdependent character of the Middle East and the Japanese trade relations. Thus, this period was considered as beginning of the ‘normalisation’ of the role of Japan in the international community⁵⁸.

From this period on, a gradual increase of initiative taking, responsible Japanese foreign policy agenda has taken its place. Not to mention that, the security agenda of Japan gained a new direction when North Korea launched ballistic missile exercises in August 1998. Thus, Japan seemed to be eager to be more self-reliant state on its military capacity. Nevertheless, the strong military bond with the US with repeating security alliances has also continued. This strong tie of Japan to the US privileges in the international community could also be observed on the Asia agenda of the Japanese foreign policy mechanism. Japan proposed establishment of an Asian Monetary Fund in order to manage the after-crisis adjustment policies of the East Asian economies after 1998 Asian financial crisis. However, it had to withdraw its proposal as a result of a strong US rejection.

When the terrorist attack against the US happened on September 11, 2001,

⁵⁸ McCargo 2000: 173-174.

Japan immediately reacted to the developments while keeping in mind the criticisms of international community against it during the Gulf War. The Japanese Prime Minister Junichiro Koizumi went to the US immediately after the attack and declared the Japanese wishful position of standing firmly with the US. He even offered \$10 million support for rescue assistance. When Koizumi announced the Seven Point Plan on September 19, 2001, it was agreed that Japan would compensate its passive reactions of the Gulf War. Although Japan also welcomed the Conference on Reconstruction Operations in Afghanistan, it has also showed its continuing hesitancy on use of military forces in the international arena. Continuance of the Japanese logistic assistance to the US forces in Afghanistan is, today, one of the most discussed foreign policy issues in addition to the classical debate of the constitutional change of the Article 9 of renunciation of war⁵⁹.

Nevertheless, this is not the only issue of the recent Japanese foreign policy agenda. Regional stability of East Asia due to concerns over North Korea's nuclear weapons program and the ongoing six-party talks (Japan, United States, Russia, China,

⁵⁹ Article 9 of the Constitution states that Japan renounces war or any use of military force to settle disputes. Change of Article 9 and the budget and legal stance of the Japanese Self Defence Forces has been fiercely discussed recently in relation with the Japanese logistic support to the US military forces in international military operations.

North Korea and South Korea) are the other security issues on the foreign policy agenda⁶⁰. In the meantime, permanent membership of Japan to the UN Security Council and changing ODA agenda of Japan towards Southeast Asian and African countries are other foreign policy issues, which are recently deliberated.

The recent concern of Japan, in terms of its foreign policy making, reflects itself in the face of increasing impact of globalisation and regionalist tendencies with regional institutionalism⁶¹. These impacts within Japanese foreign policy mechanism can easily be analysed in Japan-Southeast Asian relations. It is also meaningful to review the development of network relations between Japan and Southeast Asia as the focus is on the Japanese EPAs with Southeast Asian countries in this study. Meanwhile rise of Chinese position within regional cooperation frameworks has also affected the gradual shift of interest of Japan towards rather bilateral linkages alongside the regional cooperation initiatives with East Asian countries⁶². It was this cornerstone development

⁶⁰ Samuels 2007: 64.

⁶¹ These changes were also result of culminating economic problems piled up since the mid 1980s. For transformation of the Japanese foreign policy, see Heginbotham and Richard 1998: 172-173, Brown 1993: 545, Katzenstein and Nobuo 1993: 115-116, and Rozman 1999: 5.

⁶² Yoshimatsu 2006b: 116, Aoki 2004, International Herald Tribune 2006a, 2007b, and Asia News Network 2007b, 2007c.

when Japan had also started configuring FTAs with its neighbours⁶³.

When ASEAN was established, Japan was one of the first supporters of this multilateral co-operation in the region. Japan was also seen as the leading economic figure for the development strategies of the East Asian nations throughout the 1970s, 1980s and the early 1990s. Nevertheless, Japan's slowing economy and the rising economic position of China in the region affected the already sensitive position of Japan in the ASEAN market. When Japan's economy started to show negative signs both in Japan and in the Japan-led economic growth model applied East Asian economies, discussions also started about the end of Japanese economic leadership in ASEAN. Indeed, the Asian financial crisis of 1997 was a turning point, after which China has precisely demonstrated its eagerness to be involved in the Southeast Asian regional formations or trade arrangements.

The ASEAN countries followed Japan's 'Developmental State Model' as their development strategy. The 'Developmental State Model' has significant features like the rapid accumulation of the physical and human capital, special emphasis on research

⁶³ The first FTA proposal has been made by Japan to South Korea in 1998. See Table 4.1. International Herald Tribune 2005a, Financial Times 2005b, and the Japan Times 2003.

and development of the industries and already established level of infrastructure to back the total accumulation of the factors of production. Other tenets of the model are strong protection of certain sectors, subsidising the target industries and establishment of public enterprises at the earlier stage of industrialisation⁶⁴. Robert Gilpin has also indicated the significance of this model with its special focus on the producer over the consumer interests, the powerful 'Keiretsu' corporate system and the high saving rates⁶⁵. This export-oriented development strategy was further improved with the internationalisation of the Japanese financial sector as a consequence of the changing world financial system during the late 1970s and the early 1980s⁶⁶.

Before the establishment of ASEAN, close connections with the Southeast Asia countries were already established in order to process raw materials of the region for over-producing heavy industries of Japan. According to some, the Japanese perception of Southeast Asia was merely of a pragmatic origin with the objective of getting raw material, utilizing the cheap labour and implementing the sub-contracting

⁶⁴ Lake and Frieden 1991: 392.

⁶⁵ Gilpin 1995: 6.

⁶⁶ Gilpin 1987: 328-336.

investment plans. This policy also created anti-Japanese resentments in the region⁶⁷.

In due time, the Japanese 'Developmental State Model' has further extended and created an 'economic interdependence' in Southeast Asia. The then ASEAN governments welcomed close relationship between the government and the private sector under strong government protectionism and intervention. Thus, the model became a region-wide initiative when Japanese economy has tightened up further connections with the East and Southeast Asian sub-contractors. These models have created a region overly dependent on Japan and foreign (especially that of Japan) direct investment. Indeed, this complex relationship was, later on, criticised by the global investors as a blockage against their own entrepreneurial initiatives in Southeast Asia. The Asian financial crisis was also linked to this dependent and vulnerable economic character of the region. When the Plaza Accord of September 1985 made the financial system of the region further sensitive to any changes in yen and/or dollar, Japan and ASEAN announced 'A New Partnership toward Peace and Prosperity' with the premise

⁶⁷ Social boycotts against the Japanese stance in ASEAN countries peaked when the Japanese Prime Minister Tanaka Kakuei visited Thailand and Indonesia in 1974. This reaction of the Southeast Asian public resulted in the development of a more political economic approach towards the region. Hence, the 'Fukuda Doctrine' of 1977 became a turning point in relations between Japan and ASEAN. Hook, et. al. 2001: 186-187.

of further technical support to ASEAN in 1987⁶⁸.

Meanwhile, Japan gradually shifted its economic relations with ASEAN towards a more pragmatic one with the concepts of developmentalism and Asianism during the early 1990s. The Asian financial crisis of 1997 and the ongoing domestic economic problems in Japan forced the country to implement a more internationalist and Asianist approach towards the region. Nevertheless, the perception of the US of this rising Asianism in the Japanese position in Southeast Asia, the reluctance of the Japanese policy makers to take the burden of further crisis situation in Southeast Asia and the rising position of China in the region enforced Japan to take more rationalist approach in the recent years⁶⁹. Hence, Japan is forced to prove its benign stance towards Southeast Asia while it has to present its recovering economy to regain the leadership position of the region. As a result of these regional implications, Japan has also shifted its policy approach to Southeast Asia from a multilateral to a more bilateral one.

⁶⁸ ASEAN 2003.

⁶⁹ International Herald Tribune 2007 and Asia News Network 2007d.

3.2. Japan's Classical Approach to FTAs

Japan's traditional approach to any regional or bilateral FTA was rather critical. For a long time, Japan followed the idea that the FTA arrangement would damage the MFN clause of the classical liberal economic theory. Another reason why Japan was reluctant to join any FTA platform or special trade agreement was the concept of the traditional FTA. According to the Article 24 of the GATT regulations, the parties to the FTA must not raise trade quotas to the third parties higher than they had when the agreement was completed. Furthermore, parties to the agreement must remove barriers to 'substantially all trade' and the parties should complete the negotiations in a reasonable length of time (approximately in 10 years). As the traditional FTA promotes the removal of all tariff and non-tariff barriers was aimed, this classical approach was totally inconsistent with the protectionist trade and investment strategy of the Japan model till the mid-1990s.

Protectionist tendency of the traditional and fragile industries was also another obstacle for Japan to plan any preferential trade arrangement with any of its trade partners. Agricultural sector is considered to be one of the obstacles for further

trade liberalisation through EPAs⁷⁰. Although there are different levels of commitment by developed, developing and the least developed countries, tariff reductions for different group of countries were set during the Uruguay Round. Non-tariff barriers, quotas, export subsidies and agricultural market regulations were also converted into specified tariff in order to strengthen fair competition and reduce protection in agriculture. Tariff quotas were set as lower tariff rates for limited quantities but higher tariff rates for quantities exceeded that limit. Hence, tariffs and tariff quotas under the GATT premises of Uruguay Round covered all agricultural products in 1995 and tariffs were bound in a way that it is not easy to change tariff rates on agricultural products. However, agriculture has always been one of the most sensitive issues of both WTO trade liberalisation efforts during Kennedy, Tokyo and Uruguay Rounds as well as PTA negotiations attempted to set the rules of the arrangements⁷¹. Table 3.1 shows tariff bindings of Japan and its FTA/EPA partners on agricultural and non-agricultural goods.

⁷⁰ Even during the Meiji era, when Japan started to open up itself to the world system and international economic arena, the autarkic price of rice relative to the world price was higher than to be practically exported. It was 1.10 (when compared to the 0.79 relative autarkic price of raw silk, 0.79 of copper and 0.67 of tea at that time) when compared to the other exported goods of that time. This also shows that the comparative advantage of rice, to be exported, has never been advantageous enough according to the classical comparative advantage theory. Given the evolving export and import scale of Japan after the Pacific War, exports shifted towards textiles (in comparison to coal and silk during the Meiji era) and imports shifted towards fuel and other primary products (while the main focus was on manufactured goods, wool and cotton during the Meiji era). Then, Japan's major production emphasis gradually focused on more capital and technology oriented products since the 1950s. Huber 1971: 615-619.

⁷¹ Anderson 2005: 345-346, Mulgan 1997, Munataka 2001, and Asia News Network 2007e.

Japan's tariff binding coverage is 99.6 %, as being of the highest ones among the countries presented below. MFN clause tariff ratios are to be lowered to the percentages indicated on the right side of Table 3.1.

Table 3.1: Tariff Profiles of Japan and FTA/EPA Partners

(%)	Tariff Binding Coverage	MFN Tariffs			
		Agricultural Goods		Non-Agricultural Goods	
		2006	Final Bound	2006	Final Bound
Japan	99.6	24.3	28.4	2.8	2.7
Singapore	69.2	0.2	27.6	0	6.3
Mexico	100	18.2	43.7	13.3	34.9
Malaysia	83.7	12.3	79.7	7.9	14.9
Philippines	66.8	9.6	34.7	5.8	23.4
Chile	100	6	26	6	25
Thailand	74.7	22.1	40.7	8.2	25.5
Brunei	95.3	5.2	30.5	3	24.5
Indonesia	96.6	8.2	47	6.8	35.6
Vietnam	100	24.2	18.5	15.7	10.4
India	73.8	37.6	114.2	16.4	34.9
Australia	97	1.2	3.4	3.9	11
Switzerland	99.8	43.8	57.2	2.1	2.6
South Korea	94.5	47.8	59.3	6.6	10.1

Source: IMF 2007. Arranged by author.

There is a big discrepancy between the MFN tariff bound and the actual tariff coverage of each country for especially agricultural products. For this reason, agricultural sectors are still the most sensitive ones in case of lowered tariff bound necessitated by free trade agreements. Japan has experienced problems both within its domestic production sectors and during FTA negotiations with partner countries which

has high tariff coverage rates. Nevertheless, as indicated in hypothesis 3 of this study, Japan has gradually made use of FTA/EPA in order to transform its over-sensitive agricultural sectors towards further liberalisation. The most obvious proof of this is the fact that Japan has signed EPAs with many Southeast Asian country which also high tariff coverage rates.

A thorough analysis about the Japanese foreign policy making has shown that the recent foreign policy making structure of Japan is comprised of structures (be it regional or international), agents and norms⁷². According to Hook, et. al., structure is the international environment of Japan, which determines the domestic and foreign policy making mechanisms. Main agents, according to the same source, are tripartite elite model of the Liberal Democratic Party (LDP), central bureaucracy and business representatives. The other sources of interest, however, are political parties and domestic society groups (mass media, think thanks, academic community, sub-state political authorities and pressure groups like NGOs). Norms are forms that shape the attitudes of the agents, i.e. actors. International norms are internationalism, asianism and

⁷² Hook, et. al. 2001: 37-70, Muramatsu and Krauss 1984: 130, Johnson 1975: 12-15, and Vogel 1997.

bilateralism. Domestic norms are anti-militarism, developmentalism and economism according to the same source⁷³.

Japan's voting behaviour is more influenced by political attitudes of interest, trust, efficiency, party support, media sources, social networks and affiliations like agricultural cooperation and citizen organisations. Hence, constituency inclination of the government, which has been mainly the rural areas of Japan for a long time of the LDP history, is important to take reaction against FTAs. Nevertheless, this attitude is also changing gradually since FTA/EPA policies are used as a counter-balancing policy instrument of the government in order to adjust to the dynamics of the society⁷⁴. As a result of protectionist tendency of the government alongside the domestic electoral structure of the society induced a hesitant attitude towards FTAs in the late 1990s.

Summary of the Japanese classical perception towards FTA as a foreign policy initiative is given in Table 3.2. In this table, each important actor group of the Japanese foreign policy making mechanism and their previous inclinations towards FTAs are displayed point by point. This table is configured from various resources in order to present a

⁷³ Hook, et. al. 2001: 66-68.

⁷⁴ For more detailed review of Japan's electoral structure, see Krauss and Pekkanen 2004. Personal interview, Tokyo 2006c.

comparative analysis of the opinion of each actor group, the survey analysis of who is made as part this study as discussed in Chapter 5. Business groups and interest groups still have similar opinions about FTAs when their elaborations of the FTAs during the survey are compared with their classical opinions. However, there is a clear shift within the government, bureaucracy and ministerial groups towards FTAs. This change of opinion towards FTAs can easily be seen when Table 3.2 is compared with Table 3.3 on how domestic and regional determinants have changed the policy perception of main decision-making actors.

Table 3.2: Domestic Determinants of FTA Policy Making

Government (party, parliament, opposition)	<ul style="list-style-type: none"> - constituency inclination - re-election concerns - factions within the party (Nourinzoku within LDP) - not too much interest in international affairs (parliament) - prejudice against the terminology
Bureaucracy, Ministries	<ul style="list-style-type: none"> - sectionalisation - inter-ministry conflict - multipolarity among the ministries - lack of necessary staff
Business groups	<ul style="list-style-type: none"> - profit maximisation - influence on domestic politics - only related business groups are concerned - small entities do not have any interest
Interest groups (Zennoh, Zenchu, Keidanren, etc)	<ul style="list-style-type: none"> - interest seeking entities
Mass media	<ul style="list-style-type: none"> - no clear approach
Academia	<ul style="list-style-type: none"> - progressive

Source: Yoshimatsu 2005, Yoshimatsu 2006, MOFA 2002, MOFA 2007a, METI 2007c, and Ogita 2002. Compiled by author.

Changes have also appeared within the WTO mechanism agricultural policy.

According to this, agriculture is mainly regulated in three ways: Tariffs and tariff quota regulation, regulations on domestic support of government in order to protect farmers and regulations on export subsidies. Nevertheless, different tools like green box regulation, government allocation for research, disease prevention, infrastructural advancement, food security and subsidies to the farmers are used by governments to control and support their agricultural sector.

Representation of the agricultural sectors and communities at the parliament is vital enough to influence the government's policies as the party organisation at the local level has been based on personalised politics and communication mechanism for long years⁷⁵. Although the constituency choices and part communications of urban regions have been shaped through union, structure and interest groups basis, the main power resource of the LDP has always been the rural-agricultural localities of Japan⁷⁶. Within this context, a stark representative of the agricultural community, i.e. MAFF has even changed its FTA perception⁷⁷. Besides, agricultural community has also been

⁷⁵ Mulgan 2005 and MAFF 2007.

⁷⁶ Personal interview, Tokyo 2007b. Reischauer 1983: 315.

⁷⁷ Personal interview, Tokyo 2006b. MAFF 2004, Financial Times 2007a, the Economist 2007a, and

gradually transforming while its share within the economy is in decline.

3.3. Formation of Strategically Defined EPAs

Table 3.3. presents summary of changes, leading to regulation within decision-making mechanism, in continuation of Table 3.2. Political factors beginning from the regional developments have created a more FTA-prone policy orientation in the government, as can be seen in the first part of Table 3.3. Not only declining WTO multilateralism or changing dynamic of the region due to developments in ASEAN countries together with China, institutionalisation with the aim of transforming the Japanese foreign policy making with a more issue-oriented focus also resulted in this shift of FTA towards EPA. Implication of these regional factors on decision-making actors and interest-seeking groups has been visible beginning from 2001. Although initial FTA talks with South Korea has started 1998 and Singapore in 1999, recognition of the importance of taking FTA as a foreign policy tool was not until 2001 and 2002 (second part of Table 3.3).

Table 3.3: Transforming FTA Policy Making: Regional Determinants

Political Factors	
Regional	<ul style="list-style-type: none"> - Rising interaction with Southeast Asia with increasing regionalism at formal and informal levels - Relatively practical concept of making EPA vis a vis the more formal and closely knit regional institutions - Already ongoing FTA trend - China's both informal and institutional interaction with Southeast Asia - Rising bilateralism with Chinese economic bid - WTO impact - Cooperation assistance
<p><i>Imposition of the regional factors on domestic change</i></p> <p style="text-align: center;">↓</p>	
Domestic	<ul style="list-style-type: none"> - Institutionalisation: PM: (2001) Council for Economic and Fiscal Policy (2004) Council of Ministers on Promotion of Economic Partnership MOFA: (2002) EPA/FTA Office METI: (2003) EPA/FTA Office MAFF: (2003) EPA/FTA related office - Self-control mechanism, further documentation - Change in the FTA understanding of constituencies, claiming that FTA would bring; <ul style="list-style-type: none"> → deregulation, structural reform → more cooperation with Asia → rise of exports and imports → multipolarisation of food variety in Japan → reform, improvement for the traditional sectors

Source: Yoshimatsu 2005, Yoshimatsu 2006, Aggarwal and Urata 2006. Compiled by author.

An optimal EPA partner is defined by looking at economic benefits, not only in trade of goods and services but also in extended context of EPAs. According to these conditions, economic benefits of tariff reduction and extent of the sectors, which could be included to the agreements is measured. In addition to trade diversion and trade creation effects, impact of FTA, whether it requires domestic regulation or structural reform is also questioned. Lastly, impact of FTA on movement of people is

scrutinised⁷⁸. In the meantime, outsourced reasons behind recent FTA/EPAs are defined as such⁷⁹: Creation of international environment with community building attempts in East Asia, reinforcing Japan's position in the international arena through partnership and other cooperative mechanism and strengthening economic position of Japan while dealing with diplomatic challenges. These requirements also prove that political considerations are ahead of the economic benefits of EPAs for government while projecting preferential trade policies. Therefore, Japan has started FTA deals with countries, like Chile and Brunei, with which Japan has already a limited economic linkage and signing of an FTA or EPA could not bring any trade creation or trade liberalisation benefit to Japan (for more discussions on economic impact of Japanese FTA/EPA cases, see Chapter 4).

A typical PTA process has five main stages of proposing a preferential trade agreement, working on potential benefits and costs of the agreement, negotiating between the partners in order to test the feasibility of a potential agreement, completing the agreement with a joint signature and the last stage of approving the preferential

⁷⁸ MOFA 2006.

⁷⁹ METI 2005, METI 2007a, METI 2007b, and MOFA 2007.

arrangement at legislating bodies of the contracting parties⁸⁰. Main decisions are made during the preparation stage of the working groups. Generally, a working group is composed of representatives from Ministry of Foreign Affairs (MOFA), Ministry of Economy, Trade and Industry (METI), Ministry of Finance (MOF), Ministry of Agriculture, Forestry and Fisheries (MAFF) and Bank of Japan (BOJ) as the main participants of the meetings. Other ministries like Ministry of Internal Affairs and Communication, Ministry of Justice, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labour and Welfare, Ministry of Land, Infrastructure and Transport and Ministry of Environment are invited to take part upon issues indicated as related to those ministries. Representatives from various groups like Fair Trade Commission Council on Economic and Fiscal Policy (as the main consultative organ to the Cabinet Office, Financial Service Agency, academia and private sector associations also participate to present their policy proposals and opinions during working group preparations. Non-governmental groups like academia and NGO representative are always present during FTA/EPA making processes in order not only

⁸⁰ NIRA 2006 and 経済レポート 2007.

show that FTA/EPA present opinions of various social groups but also legitimise the FTA/EPA making process in the eyes of the public.

Table 3.4: Strategically Defined EPAs

	Domestic	Regional	International
Economic	<ul style="list-style-type: none"> - Liberalisation - Standardisation - Development - Increasing efficiency, productivity, competitiveness 	<ul style="list-style-type: none"> - Liberalisation - Attract foreign capital - Revitalise regional context - Economic growth 	<ul style="list-style-type: none"> - Liberalisation - Trade creation - Trade diversion
Political	<ul style="list-style-type: none"> - Regulation, reform - Self-control mechanism 	<ul style="list-style-type: none"> - Stability - Less complicated to reach a consensus - Increasing stance in the region - Further FTA/EPA 	<ul style="list-style-type: none"> - Bargaining power vis a vis international organisations (fostering WTO talks)
Social	<ul style="list-style-type: none"> - Training, education - Impetus for social change 	<ul style="list-style-type: none"> - Training, education - Non-state actor's role 	

Source: Yoshimatsu 2005, Yoshimatsu 2006, MOFA 2002, MOFA 2007a. Compiled by author.

Table 3.4 summarises transformed EPA understanding of Japan by various ministries, government organs, business groups and domestic interest groups. Indeed, important decisions are mainly taken in special committees. A special committee, Council on the Promotion of Economic Partnership, has been launched in May 2004 in order to better perform inter-ministry coordination under the authority of the Cabinet Office. Although, it has been a common belief that business interest groups like

Keidanren has important policy implications on FTA/EPA preparation process, direct commentary of the business companies on FTA/EPA making process is just a new trend for legitimisation concerns⁸¹.

General tendency in Japan towards FTA by those actors are groups as domestic, regional and international tendencies (each column of the table presents one tendency). Meanwhile, impact of each tendency, as economic, political and social impacts, is shown on corresponding rows of Table 3.4. A more pragmatic tendency is obvious in each economic, political and social implications of domestic, regional and international tendencies.

Table 3.5: Current EPA Cases of Japan

In Effect	Signed	Negotiated	Studied	Proposed
Singapore Mexico Malaysia Chile Thailand	Philippines Brunei Indonesia	Vietnam India Australia Switzerland South Korea ASEAN GCC	East Asia	South Africa Japan-China-South Korea

Source: September 2007. GCC is Gulf Cooperation Council, members of which are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates. Compiled by author.

As a result, economic benefits through trade and investment are the driving

⁸¹ Personal interview, Tokyo 2006a and 2007b.

forces while domestic impacts of EPAs have also been reformed and enhanced during transformation years of late 1990s and early 2001-2004 in Japan⁸². Keeping in mind this politically and socially oriented EPA policy making, Table 3.5 gives recent list of overall EPA cases of Japan.

3.4. Summary and Conclusion

Chapter 3 is rather an explanatory part to give political and economic formation of the recent Japanese EPA policy making with a special focus on Japan and Southeast Asian economic relations. The chapter starts with classical foreign policy making discussion as a theoretical background with emphasis on the current foreign policy making mechanism of Japan. Domestic and regional variables of the Japanese foreign policy making are pointed out by analysing economic relationship between Japan and Southeast Asia. The second section connects the discussion of Japanese foreign policy making to 'strategically defined EPAs' of Japan by focusing on classical definition of Japan's FTAs and transformation of this classical FTA understanding. The

⁸² Manger 2005.

last section analyses the EPA policy making with its domestic and regional determinants in Table 3.3, Table 3.4 and gives the list of the recent FTA/EPA cases of Japan.

It is discussed in this chapter that Japan's foreign policy making process has transformed into a more active and self-reliant one in the period beginning with the Gulf War and end of the Cold War. East Asia and particularly Southeast Asia have been given more emphasis as part of this transition. Rising tendency of regionalism in East Asia and growing challenge on regional leadership from China were the constraints, Japan has taken seriously. Recognition of the importance of regional but rather bilateral FTAs and EPAs is also a process and part of an emerging Japanese foreign policy mechanism. It is argued in the second and last sections of Chapter 3 that, although Japan has traditionally been against any preferential trade agreement, regional tendencies have forced domestic transition of the foreign policy making mechanism. Then, 'strategic EPAs' or 'new age FTAs' were born not for 'would be' economic benefits of these agreements but their strategic implications for Japan and its stance in East Asian regional cooperation mechanism.

CHAPTER 4

ECONOMIC PARTNERSHIP AGREEMENTS of JAPAN

This chapter analyses economic and technical/administrative impacts of the current EPA experience of Japan in order to show that the Japanese EPA are formed as a new foreign policy instrument of Japan not for only economic interests, which is quite subtle in some cases, but for political and strategic reasons as well. Continuing on the discussion of Chapter 3, where foreign policy making mechanism of Japan is elaborated with a focus on transformation of FTA/EPA policy making, this chapter aims at re-defining EPAs as strategic foreign policy instruments of Japan with regional-political economic as well as strategic necessities.

Generally, it is emphasised that FTAs might bring trade creation benefits for its members with varying degrees depending on trade and adjustment capacity of the parties. Gravity model basically elaborates the propensity of trade by looking at the

relationship between economic size and geographical proximity⁸³. Computable General Equilibrium (CGE) models are also widely used in order to retrieve relational impacts of FTA⁸⁴. GTAP (Global Trade Analysis Project) and Michigan Models are two widely used CGE types. CGE models are usually used in order to analyse dynamic effects of trade creation and trade diversion of FTAs⁸⁵.

At the same time, these models could also be questioned as they usually depend on mere trade values between the contracting parties vis a vis extended scope of EPAs⁸⁶. However, preferential character of today's FTAs and especially Japanese EPAs require rather comprehensive analysis by which not only selected traded items and their tariff changes but the ratio of interdependency due to changing sectoral interaction under the EPAs should also be calculated. Hence, both static and dynamic impacts of FTAs can be calculated. For this reason, this chapter focuses on economic impacts of EPA by covering overall trade and investment interdependency between the parties. In

⁸³ Anderson 1979: 108-109, Bergstrand 1985, and Otsubo 1998.

⁸⁴ Urata and Kiyota 2003, Ando and Urata 2005, Park, Urata, and Cheong 2005, Scollay and Gilbert 2001, and 小林友彦 2007.

⁸⁵ There are other methods that analyses impacts of FTA by focusing on issue, sector or item-based calculations. Some examples are Index of Trade Position (ITP), see Peridy 2005: 332-334, Revealed Comparative Advantage (RCA) and various calculation indexes of UNCOMTRADE 2007. Kimura and Ando 2004.

⁸⁶ Dent 2006: 83-89.

spite of case-by-case analysis made by most of the academic work, issue-by-issue comparison is opted in this chapter. One reason is that issue-by-issue comparison is not so common that new results could be derived. Another reason is that not all EPAs are completed or in force. Last but not least, there are well covering works of Gravity, CGE and any other economic cost-benefits analysis of FTA. This work aims to cover both economic and political economic impacts and reasoning of EPAs.

For this reason, it is more consistent to attempt to create a common ground, impact-issue in this case, in order to see overall benefits and costs of EPAs for each of the contracting party. The methodology of this chapter is a comparative one. The first section looks at technical preparation impacts of EPAs by making chronological, issue-orientation and regional interaction comparisons. The second part is devoted to comparing investment and trade interdependency of Japan and its potential EPA partners. A brief mention about the other EPA cases and proposals is made at the end of the chapter. Although this chapter mainly analyses the economic and technical impact of EPA for Japan, analysis of the political economic impacts of the current Japanese EPAs are made in Chapter 5 by examining the survey results.

4.1. “Technical Features” Comparison of EPAs

There are currently 18 FTA/EPA cases of Japan by the end of September 2007. Eight of these agreements are concluded and five of these EPAs, the arrangements with Singapore, Mexico, Malaysia, Chile and Thailand, are put into effect. 18 cases are divided into two groups for the sake of comparison in this chapter. 13 bilateral cases are analysed in one group. The other group is comprised of the two regional FTA cases and three new proposals. Table 4.1 gives the summary of the recent stages of the Japanese EPAs.

Table 4.1: Time Sequence of EPA Cases

<i>(September 2007)</i>	Proposed	Feasibility Study	Start of Negotiations	Conclusion	In Effect
<i>Singapore</i>	1999	2000	January 2001	Nov. 2001	Nov 2002
<i>Mexico</i>	1999	2002	November 2002	Sep. 2004	April 2005
<i>Malaysia</i>	2002	2003	January 2004	Dec. 2005	July 2006
<i>Chile</i>	1999	2005	February 2006	March 2007	Sept. 07
<i>Thailand</i>	2001	2002	February 2004	April 2007	Oct. 2007
<i>Philippines</i>	2002	2003	February 2004	September 2006	
<i>Brunei</i>	2005	2006	June 2006	June 2007	
<i>Indonesia</i>	2003	2005	July 2005	August 2007	
<i>Vietnam</i>	2005	2006	January 2007		
<i>India</i>	2005	2005	January 2007		
<i>Australia</i>	2005	2005	April 2007		
<i>Switzerland</i>	2005	2005	May 2007		
<i>South Korea</i>	1998	1998	October 2003	Interval	
<i>ASEAN</i>	2002	2004	April 2005		
<i>GCC</i>	2005	2006	September 2006		

Source: Various resources, Dent 2006, and ADB 2002. Compiled by author.

Although two regional FTA cases, Japan-ASEAN FTA and Japan-GCC FTA are also in negotiation stage now, they are treated separately from the bilateral arrangements in order to better utilise related data. Officially the two terms of FTA and EPA are used collaboratively at the government level. However, both academic circles and domestic interest groups as well as media tend to replace the term FTA with EPA as extended scope of EPAs are also covered by society. Japan's FTA/EPA partner countries are not limited to only one region. However, Asian emphasis is also clear as most of the EPA partners are ASEAN countries, with which bilateral track is followed alongside the multilateral track⁸⁷.

Common economic background information about EPA partners of Japan are summarised in Table 4.2. It is clear from this summary that there are variety of economies and partner societies, from highly populous countries of India and Indonesia to small size but fierce EPA forerunner country of Chile. As economic performances of these countries are different, their contribution to the world trade and investment is also various (section 4.2)⁸⁸.

⁸⁷ For FTA/EPA composition of East Asia, see Kimura 2003: 169-170, Sally 2006: 310, Drysdale 2005, Elek 2003, and International Herald Tribune 2007d.

⁸⁸ Detailed GDP growth rates of each of the above countries are given in Appendix 3.

Table 4.2: Country Profiles of EPA Partners

	Population (million)	GDP Growth Rate (%)	GDP Per Capita Current Prices (US\$)	Inflation (%)	Current Account Balance (% of GDP)
<i>Singapore</i>	4.417	7.9	29,917.200	1	27.5
<i>Mexico</i>	104.139	4.8	8,066.247	3.6	-0.2
<i>Malaysia</i>	26.392	5.9	5,718.432	3.6	15.8
<i>Philippines</i>	86.965	5.4	1,344.577	6.2	2.9
<i>Chile</i>	16.381	4	8,864.341	3.4	3.8
<i>Thailand</i>	65.761	5	3,136.455	4.6	1.6
<i>Brunei</i>	0.378	3.8	30,298.413	0.5	58.7
<i>Indonesia</i>	222.054	5.5	1,640.315	13.1	2.7
<i>Vietnam</i>	84.368	8.2	722.968	7.5	0.3
<i>India</i>	1,112.996	9.2	796.828	6.1	-2.2
<i>Australia</i>	20.650	2.7	36,553.429	3.5	-5.4
<i>Switzerland</i>	7.287	7.9	29,917.200	1	27.5
<i>South Korea</i>	48.297	5	18,391.681	2.2	0.7

Source: UNCTAD 2007.

Nevertheless, one common element among these partners is that almost all of the partners are strong supporters of regional as well as bilateral FTAs in the world.

Chile, for example, has been managing its interdependency on foreign trade by creating a hub of bilateral and regional FTA in South America. Chile was also one of the early

FTA cases of Japan, idea of which was initiated in 1999 Nevertheless, FTA/EPA

experiences of these partner countries are also so clear that Japan has also started its

first FTA negotiations with rather experienced countries in a way to learn itself.

Appendix 7 gives various RTA and PTA experiences of each of the Japanese EPA

partner. Extended trade profile of each country in terms of world merchandise trade

percentage and world services percentage are given in Table 4.3.a and Table 4.3.b.

Table 4.3.a: Trade Profiles of Japan and EPA Partners, Merchandise Trade

2005 (%)	MERCHANDISE TRADE							
	World Export Share	Allocation of Exported Groups			World Import Share	Allocation of Imported Groups		
		Agriculture	Fuel& Mining	Man.		Agriculture	Fuel& Mining	Man.
<i>Japan</i>	5.68	1	2.5	91.9	4.75	12.8	31.9	53.7
<i>Singapore</i>	2.19	2	13.3	80.6	1.85	3.2	19.3	76.1
<i>Mexico</i>	2.4	6	16.8	76.9	2.15	7.4	8	83.5
<i>Malaysia</i>	1.35	9.5	14.4	74.4	1.06	6.3	11.7	79
<i>Philippines</i>	0.39	6.6	4.1	89	0.44	8.1	16.2	74.5
<i>Chile</i>	0.39	24.9	54.6	12.7	0.3	6.6	23.3	61.6
<i>Thailand</i>	1.05	16.2	5.6	76.6	1.09	6	21.6	69.5
<i>Brunei</i>	0.06	0	88.6	6.4	0.01	15.7	3.3	74.3
<i>Indonesia</i>	0.82	16.7	36.1	46.9	0.69	11.5	33.7	54.8
<i>Vietnam</i>	0.31	17.9	23.3	58.2	0.34	7.8	14.4	77.3
<i>India</i>	0.95	10.1	20	69.4	1.29	5.1	38.4	48.5
<i>Australia</i>	1.01	20	48.4	20.4	1.16	5.5	12.1	79.9
<i>Switzerland</i>	1.25	3.1	4.8	90	1.17	6.5	10.6	81.7
<i>South Korea</i>	2.72	1.9	7.2	90.7	2.41	6.4	32.6	60.6

Source: Man; Manufacture. WTO 2007e.

Impacts of PTAs are generally considered to be economic. Nevertheless, the recent PTAs, which are FTA and EPA in the Japanese case, have more than mere trade concerns. Hence, rationale of EPA can be categorised in two groups: Economic and political economic effects. In related literature, the former is called as dynamic effects and the latter is called as static effects.

Table 4.3.b: Trade Profiles of Japan and EPA Partners, Services Trade

2005 (%)	SERVICES TRADE							
	World Export Share	Allocation of Exported Groups			World Import Share	Allocation of Imported Groups		
		Transp.	Travel	Other		Transp.	Travel	Other
<i>Japan</i>	4.40	33.2	11.5	55.3	5.58	30.4	28.4	41.2
<i>Singapore</i>	2.09	35	11.2	53.8	2.28	36.8	18.2	45
<i>Mexico</i>	0.66	10.9	73.3	15.8	0.88	13	36.3	50.7
<i>Malaysia</i>	0.79	20.8	45.5	33.7	0.92	38.6	17.1	44.3
<i>Philippines</i>	0.18	23.3	47.7	28.9	0.24	54	22.1	23.9
<i>Chile</i>	0.29	59.3	17.7	23	0.32	54.2	13.9	31.9
<i>Thailand</i>	0.84	22.6	49.3	28.1	1.16	51	18.2	30.8
<i>Brunei</i>	0.03	77.3	13.9	8.8	0.05	20.5	46.7	32.8
<i>Indonesia</i>	0.28	16.6	78.5	4.9	0.95	28.1	18	54
<i>Vietnam</i>	0.17	-	-	-	0.22	-	-	-
<i>India</i>	2.22	10.6	12	77.4	2.08	40.4	11.9	47.8
<i>Australia</i>	1.24	20.3	55.5	24.2	1.26	36	37.6	26.4
<i>Switzerland</i>	1.87	9.5	24.2	66.3	1.1	21.3	35.5	43.2
<i>South Korea</i>	1.79	54.4	12.9	32.7	2.43	34.6	26.5	38.9

Source: Transp; Transportation. WTO 2007e.

Economic effects would be trade creation, trade diversion and changing terms of trade⁸⁹. Political economic effects determines how much of the EPA policies are perceived by domestic groups by analysing the impacts of FTA on competitiveness on business, changing intra- and inter- industry production and investment practices and further foreign direct investment (FDI) creation potential on sectoral basis of each agreement. Further emphasis is also made by scrutinising whether or not EPAs would prevent any of Japan's East Asian policy of community building and political and strategic stand off.

Technical preparation comparison can be made according to two data groups in this section. The first is the chronological comparison among the EPA cases. Table 4.1 shows the time sequence of each case. Singapore, which is the first EPA partner of Japan, is often mentioned as not a real EPA for Japan since there was no trade interdependency, especially on the Japanese side (Figure 4.2.a)⁹⁰. That is why, over all process of Japan-Singapore EPA (JSEPA), from the very beginning to the ratification of the agreement has taken only three years. Nevertheless, Japan-Mexico EPA, which is

⁸⁹ Urata 2002: 50-52.

⁹⁰ Asia Times 2003a and the Japan Times 2000.

considered to be the first complete FTA of Japan including various areas, has taken six years to reach the agreement. Although the long negotiation process with intervals was result of being Japan's first reciprocal FTA since Japan also had to enforce its fragile sectors while negotiating with Mexico⁹¹.

Looking at the scope of completed EPA can make the other technical preparation comparison easy. Table 4.4 gives the summary of EPA cases, which have been completed by September 2007. As mentioned before, JSEPA, Japan-Mexico EPA, Japan-Malaysia EPA, Japan-Thailand EPA (JTEPA) and Japan-Chile EPA are put into force⁹². According to this summary, there are general provisions that could be found in any typical FTA/EPA form. Nevertheless, a distinctive characteristic of each case is also obvious. One clear commonality among the ASEAN members is that, social sides of EPA, namely movement of natural persons, entry and temporary stay of nationals for business purposes, science and technology, human resource development, intellectual property, environment and tourism.

⁹¹ MOFA 2004, MOFA 2007b, and Financial Times 2003b.

⁹² Summary of JSEPA and JTEPA can be seen in Appendix 1 and 2 respectively.

Table 4.4: Scope of Completed EPAs

	JSEPA	Jp-Mexico EPA	Jp-Malaysia EPA	Jp-Chile EPA	JTEPA	Jp-Brunei EPA	Jp-Indonesia EPA
General provisions	X	X	X	X	X	X	X
General definitions				X			
Trade in goods	X	X	X	X	X	X	X
Rules of origin	X	X	X	X	X	X	X
Customs procedures	X	X	X	X	X	X	X
Bilateral safeguard measures		X					
Paperless trading	X				X		
Mutual recognition	X				X		
Technical regulations, standards and conformity assessment procedures			X	X			
Sanitary and Phytosanitary Measures			X	X			
Investment	X	X	X	X	X	X	X
Trade in services	X	X	X	X	X	X	X
Financial services	X	X		X			
Movement of natural persons	X				X		X
Intellectual property	X		X	X	X		X
Controlling anti-competitive activities			X				
Energy						X	X
Entry and temporary stay of nationals for business purposes		X		X			
Government procurement	X	X		X	X		X
Information and communications technology	X						
Science and technology	X						
Human resource development	X						
Trade and investment promotion	X						
Small and medium enterprises	X						
Broadcasting	X						
Tourism	X						
Improvement of business environment		X	X	X		X	

Source: Compiled by author from various resources. Design of the table is taken from Lee 2004.

When this detailed agreement chart is combined with the time sequence one, it appears that the scope of Japan's EPAs have become more issue oriented. The first

two agreements, JSEPA and Japan-Mexico EPA have commonality in many of the objects but the later ones have specific focus, which proves that EPA are not only dynamic trade benefit oriented but there are regional, political as well domestic impacts too⁹³.

4.2. “Economic Impact” Comparison of EPAs

Urata defines FDI as efficiency-seeking or market-seeking foreign direct investments⁹⁴. Efficiency-seeking FDIs can preferably be in liberal markets given the fact that the cost of production might be reduced. Market-seeking FDI operations can be seen in any type of market, as the main target is to obtain a share of that regional/local market. FDI inflows and outflows are seen in both terms in Southeast Asia. With the aim of economic development under the program ‘export promoting industrialisation’ Southeast Asian countries also opened their local markets to foreign direct investment. Trade liberalisation in order to attract further FDI was the policy of those economies beginning from early 1980s⁹⁵. For these economies, finance, communication and

⁹³ Dent 2003: 3-7 and Bisley 2004: 241-242.

⁹⁴ Urata 2002: 40-41, Lee 2005, JETRO 2006.

⁹⁵ Farrell, Gaston and Sturm 2004: 165-170.

transportation have always been the fragile ones together with manufacturing sectors (especially steel and automobiles in the case of Southeast Asia). FDI for home country or investor would bring specialisation as it happened in the Japanese case of vertical division of labour till the late 1980s. Product differentiation would also be another outcome for the home country. The host country would opt for further trade liberalisation with economic growth and export-promotion in order to attract further investment. Transformation of infrastructure, technology, administrative regulations and education are other impacts of FDI, which can be seen in the host economies.

Depending on development strategies among the High-Performing Asian Economies (HPAEs), FDI strategies also developed separately⁹⁶. Hence, Honk Kong and Singapore have had open FDI policies while South Korea and Taiwan were rather controlled.

ASEAN economies necessitated FDI in order to catch up with the regional economic growth (for Thai case, see Chapter 6). Japan's FDIs have also been some of the first to be invested in those economies. Due to Japan's long standing 'business networks' in the region, Japan's FDI establishment with the region is still strong and comprises an

⁹⁶ The East Asian Miracle 1993.

important part of the recent EPAs. Figure 4.1.a and 4.1.b shows the FDI

interdependency between Japan and 13 EPA partner countries between 1995 and 2003.

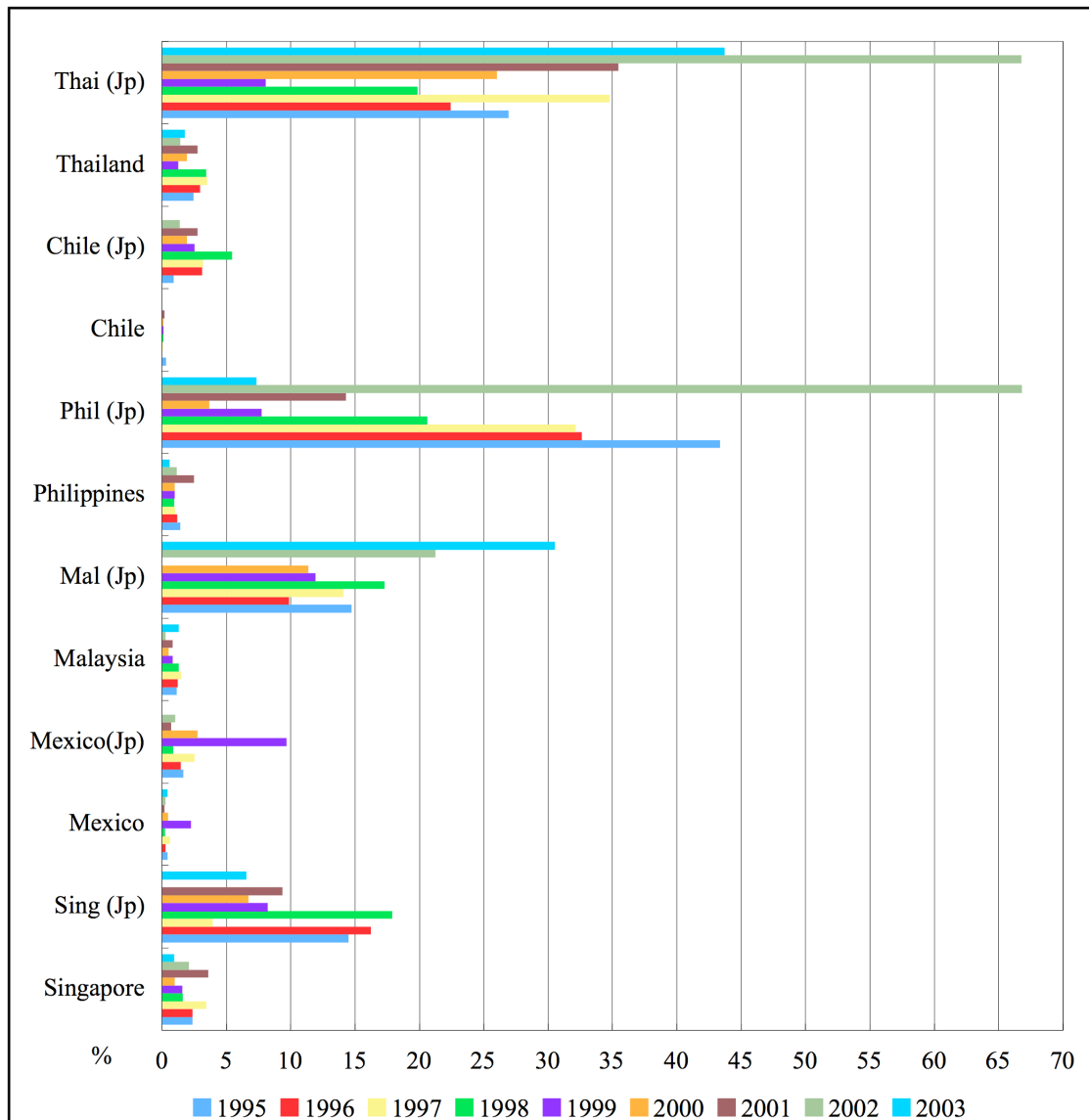


Figure 4.1.a: Japan’s Foreign Direct Investment in Partner Countries

Source: UNCTAD 2007, MOF 2007, and ASEAN 2005.

Figure 4.1.a shows FDI interdependency of Singapore, Mexico, Malaysia, Chile, Thailand and Philippines. The first line of only country name percentage of that country within overall Japanese outflow made that year. The next line with the name of the country and Japan in parenthesis presents the percentage of Japanese FDI within overall FDI inflows of that country. It is also meaningful that the time scale of 1995-2003 is just before the beginning of the Japanese EPA with most of these countries (except Singapore since JSEPA has already started in 2002).

Figure 4.1.b gives the same FDI interdependency ratio between Japan and Brunei, Indonesia, Vietnam, India, Australia, Switzerland and South Korea. General tendency is that the Japanese inflow into these countries (especially ASEAN countries) is a considerable one within each country FDI inflow. For example, Japanese inflows in the Thai economy constitute an important part of the Thai investment. For this reason, it is obvious that JTEPA has clear economic benefits for both sides of the FDI as EPA would further ease customs procedures, movement of people between the countries and attracting further FDI with reduced tariff quotas.

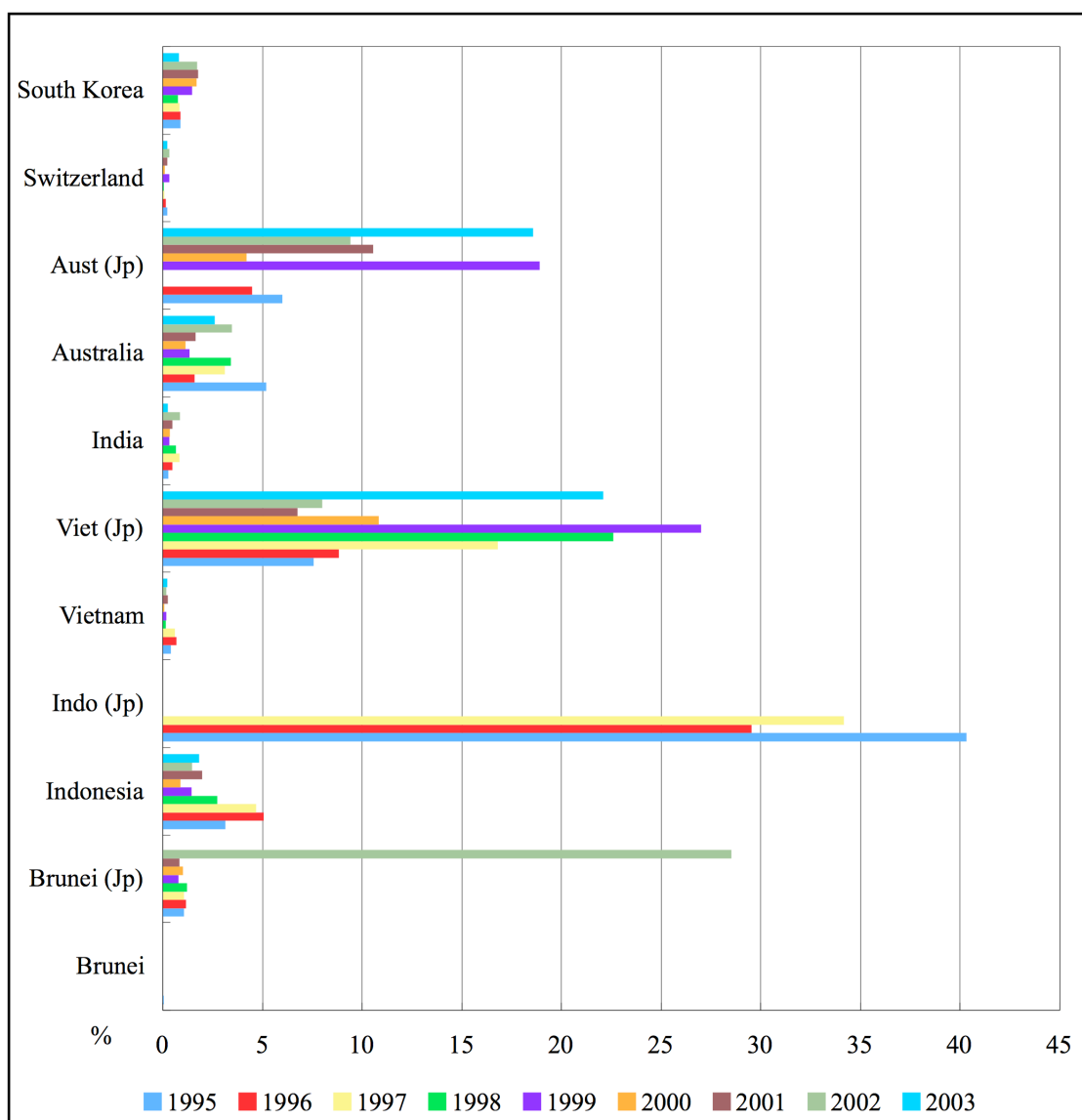


Figure 4.1.b: Japan’s Foreign Direct Investment in Partner Countries (Continued)

Source: UNCTAD 2007, MOF 2007, and ASEAN 2005.

Nevertheless, there are also cases in which FDI interdependency between Japan and the EPA partner is not strong. For example Japan’s FDI inflows in Chile and Switzerland are not so considerable to take FDI and trade creation as the main aim of EPAs with these countries. Detailed data of FDI interdependency between Japan and 13

EPA partners can be found in Appendix 4.

The results of the same interdependency analysis in trade are presented in Figure 4.2. As mentioned earlier, there are compatible and well covering trade interdependency and trade impact analysis made by various resources. Indeed, dynamic effects of FTAs can clearly be seen but CGE and Gravity models and are cited in this work too. However, it is also logical to see the overall analysis of trade interaction between Japan and its EPA partners. Figure 4.2 has 13 cases, showing each of the Japanese EPA. Time scale is between 1999 and 2005 so that impacts of the first two EPAs (JSEPA and Japan-Mexico EPA) could also be observed⁹⁷.

As for legends, the line with `JP X-Country` shows the percentage of Japan's exports to that country within overall Japanese exports while `COUNTRY-Jp M` indicates percentage of the Japanese imports within overall imports of that country. This ratio of Japanese export-Partner imports is usually high on the country imports side as Japan is a considerable trade partner of most of the EPA partners. The third line of `Jp-COUNTRY M` shows percentage of the imports made from that country to Japan

⁹⁷ Detailed version of trade data between Japan and its EPA partners can be found in Appendix 5 and 6.

within overall imports of Japan, while the last line of 'COUNTRY X-Jp' gives the percentage of the country exports to Japan within overall exports of that country.

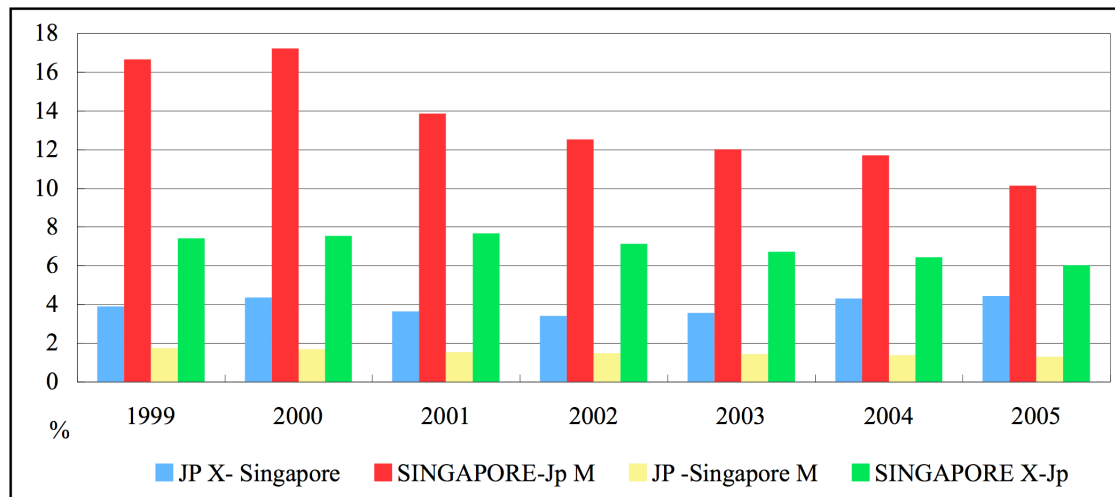


Figure 4.2.a: Trade Interdependency between Japan and Singapore

Source: WTO 2006a.

Being the first EPA of Japan, JSEPA is a clear example to show impact of EPA on trade relations whether EPA has led to a trade creation or a trade diversion impact in the economies. JSEPA is intended to eliminate tariff rates of 98% of the items traded. Hence, it can also be seen in the figure that trade creation is the initial result of JSEPA. However, there is no competitiveness in between the industries of Japan and Singapore. Already established trade link has been continuing since JSEPA did not bring any new dimension to the trade agenda of the two countries. Nevertheless, Japan

even extended the scope of its first EPA by amending JSEPA in August 2007.

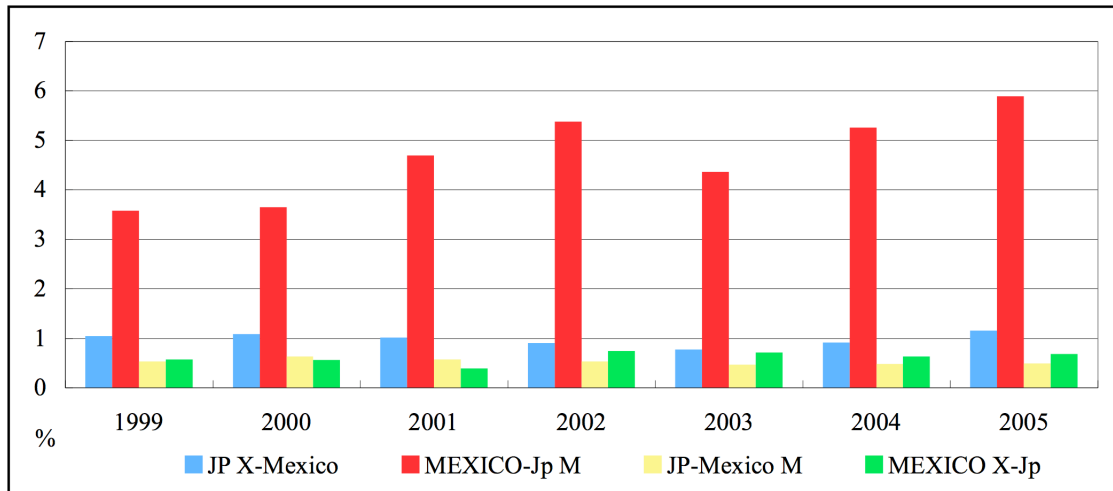


Figure 4.2.b: Trade Interdependency between Japan and Mexico

Source: WTO 2006a.

Japan-Mexico EPA is considered as the first comprehensive FTA of Japan since it even covers agriculture. Japan initially proposed an FTA with Mexico in order not to be kept behind vis a vis advantageous position of the US and EU companies in Mexico. It is also obvious from Figure 4.2.b that Japanese exports in the country are more important when compared to the imports from Mexico. Hence, Japan-Mexico EPA is also investment-oriented arrangement (especially one the sectors of capital goods, automobile and home electrical appliances). Creation of a link to the lucrative movement of NAFTA and other South American regional movements is also another

reason for Japan-Mexico EPA.

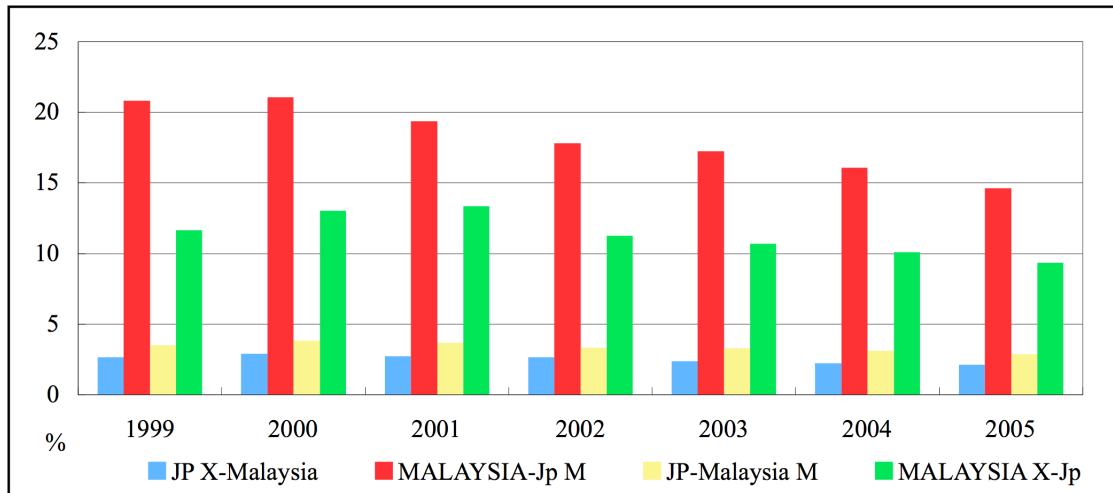


Figure 4.2.c: Trade Interdependency between Japan and Malaysia

Source: WTO 2006a.

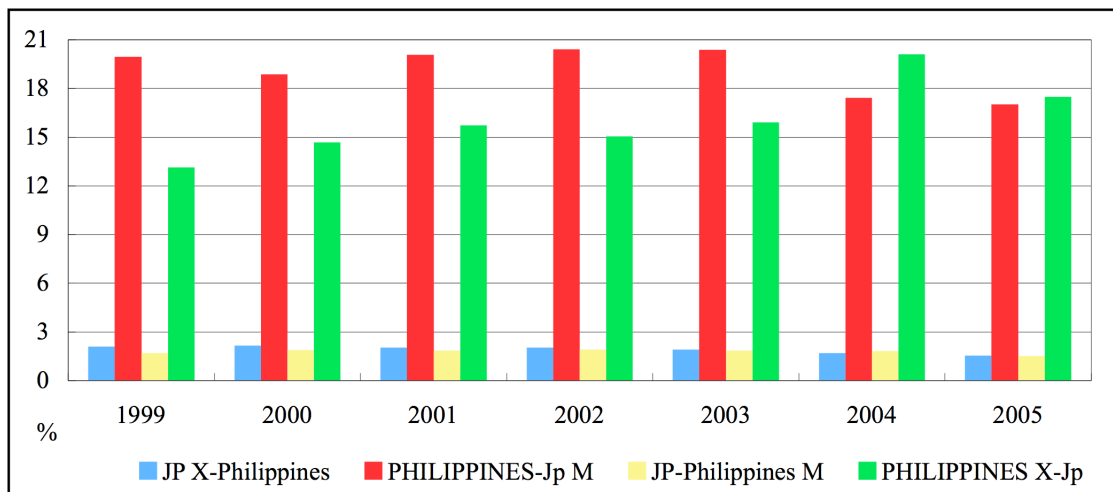


Figure 4.2.d: Trade Interdependency between Japan and Philippines

Source: WTO 2006a.

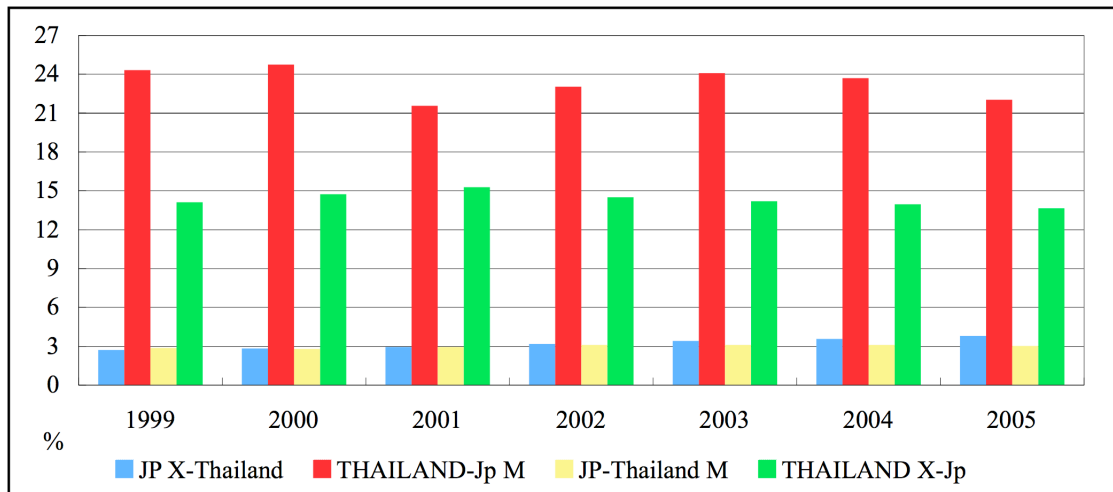


Figure 4.2.e: Trade Interdependency between Japan and Thailand

Source: WTO 2006a.

Proposal to start bilateral negotiations with ASEAN countries started was made at the Japan-ASEAN Commemorative Summit in December 2003. Tariff reductions were aimed at covering at least 75 to 95 per cent of trade between Japan and those countries⁹⁸. There are EPAs with Malaysia, Thailand, Philippines, Indonesia and Vietnam. Although only two of the recent ASEAN bilateral EPAs are out into force (Japan-Malaysia EPA and JTEPA), the rest, except the one with Vietnam, is also concluded⁹⁹.

⁹⁸ MOFA 2004.

⁹⁹ Asia News Network 2007g, the Economist 2007b, the Economist 2007c, the Japan Times 2007a, and International Herald Tribune 2006b.

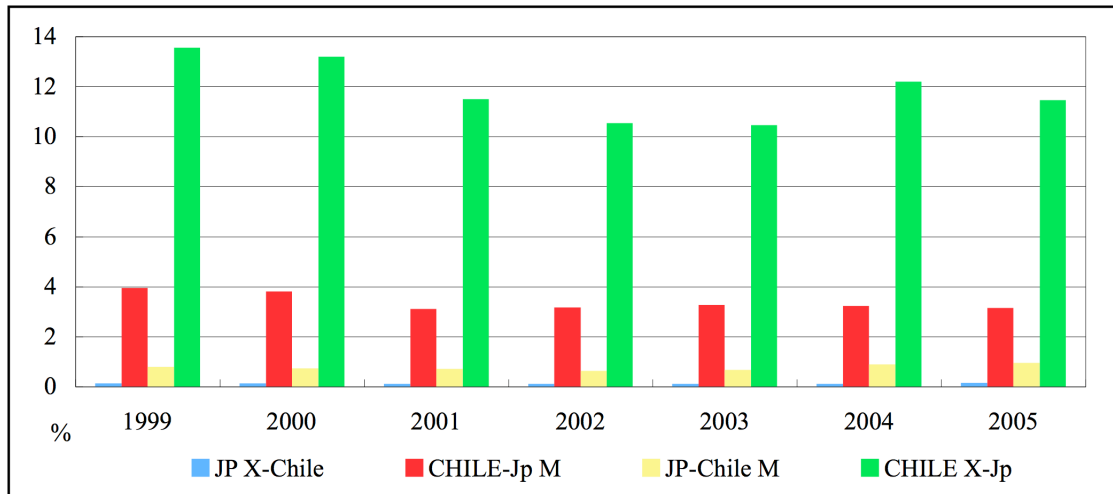


Figure 4.2.f: Trade Interdependency between Japan and Chile

Source: WTO 2006a.

As mentioned earlier, Chile has been taking advantage of its hub position by establishing new bilateral and plurilateral FTAs at both regional and inter-regional terms (For FTAs of Chile, see Appendix 7). It is clear from Figure 4.2.f that position of Chile within Japanese export and import agenda is limited however, Japan constitutes an important import partner for Chile¹⁰⁰. Japan's interest in signing an EPA with Chile, however, is to have a linkage with South America, the market orientation of which has become FTA focused in the recent years.

¹⁰⁰ The Japan Times 2007b.

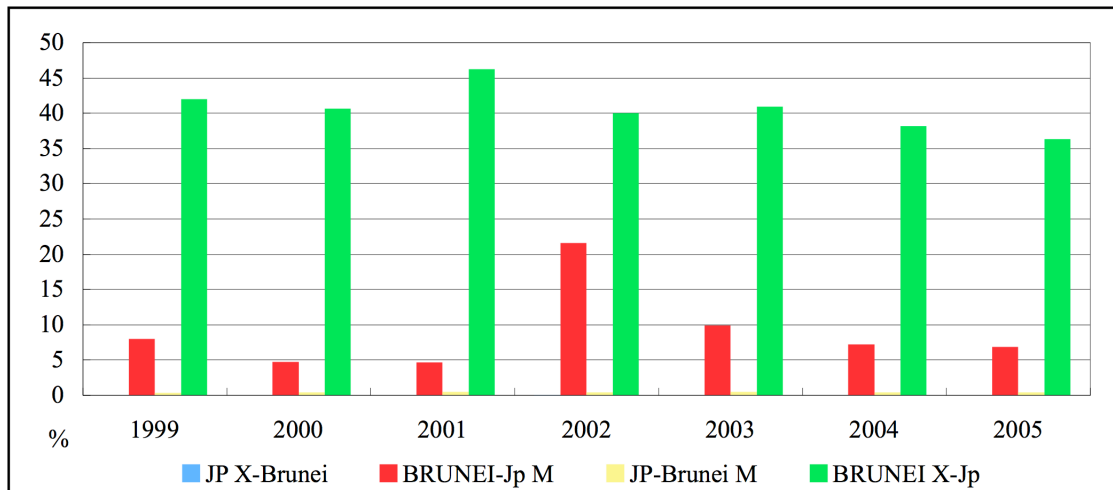


Figure 4.2.g: Trade Interdependency between Japan and Brunei

Source: WTO 2006a.

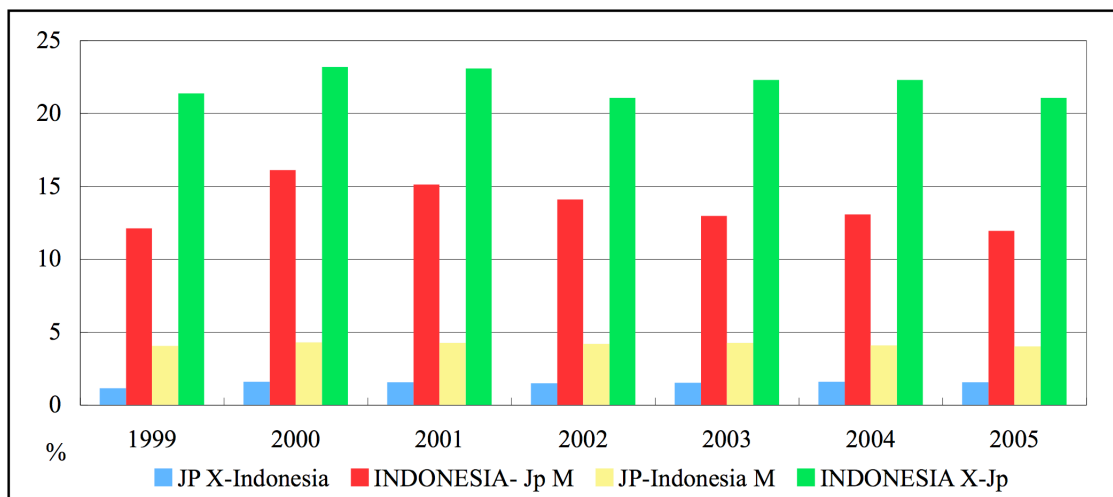


Figure 4.2.h: Trade Interdependency between Japan and Indonesia

Source: WTO 2006a.

As for the EPAs that are still under negotiation, it is difficult to predict trade creation or trade diversion impact but it is obvious from various case specific chart of Figure 4.2 for those countries with which Japan has been negotiating its EPAs, trade

creation capacity is not the most predicted outcome of those agreements. It is also clear from Chapter 3 that Japan has already been in the region via business networks and horizontal division of regional production systems and revitalised export-oriented development of ASEAN countries through FDI and ODA policies. Hence, EPA would not expect to bring vital economic changes in both Japanese and country markets¹⁰¹.

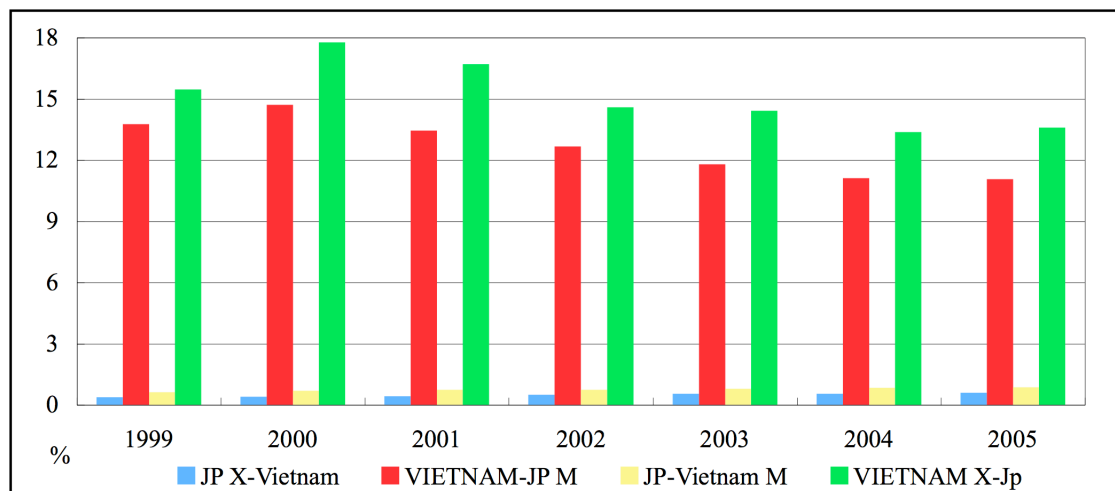


Figure 4.2.i: Trade Interdependency between Japan and Vietnam

Source: WTO 2006a.

¹⁰¹ Personal interview, Tokyo 2007c.

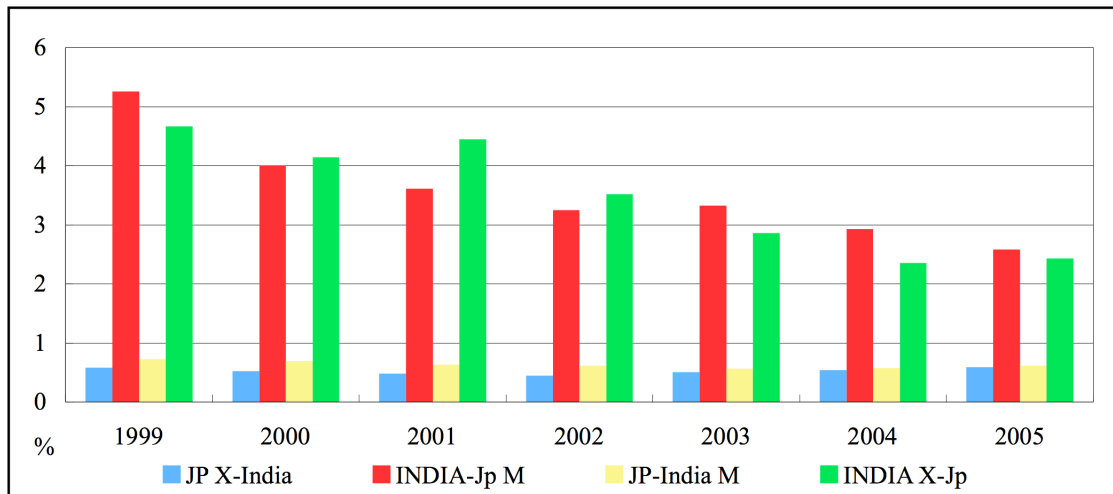


Figure 4.2.j: Trade Interdependency between Japan and India

Source: WTO 2006a.

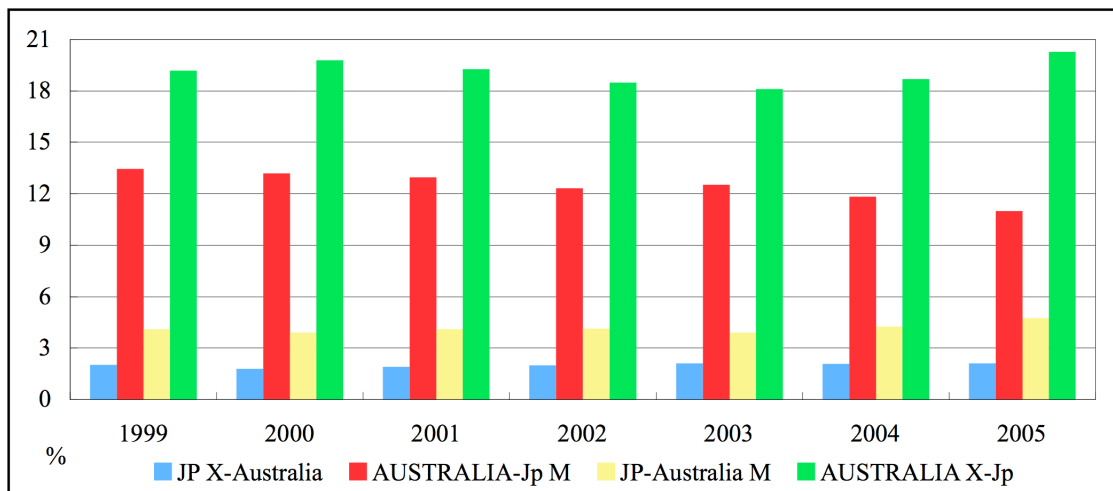


Figure 4.2.k: Trade Interdependency between Japan and Australia

Source: WTO 2006a.

The second round of negotiations between Australia and Japan was completed in August 2007. Australia has been an important trade partner of Japan as Japan is the first exporting and the fourth important partner of Australia. Agricultural sector is the

main issue of a potential Japan-Australia EPA¹⁰². However, Japan puts a special emphasis on this EPA as it is even signified as the first full-fledged EPA that negotiated on an equal footing because of the trade and economic development capacity of the two countries¹⁰³. Another EPA is between Japan and Switzerland. Negotiations started in mid 2007 and to be concluded smoothly. Although, the trade capacity between the two is limited for Japan (Figure 4.2.1), there has been no political barrier or enforcement on both sides¹⁰⁴.

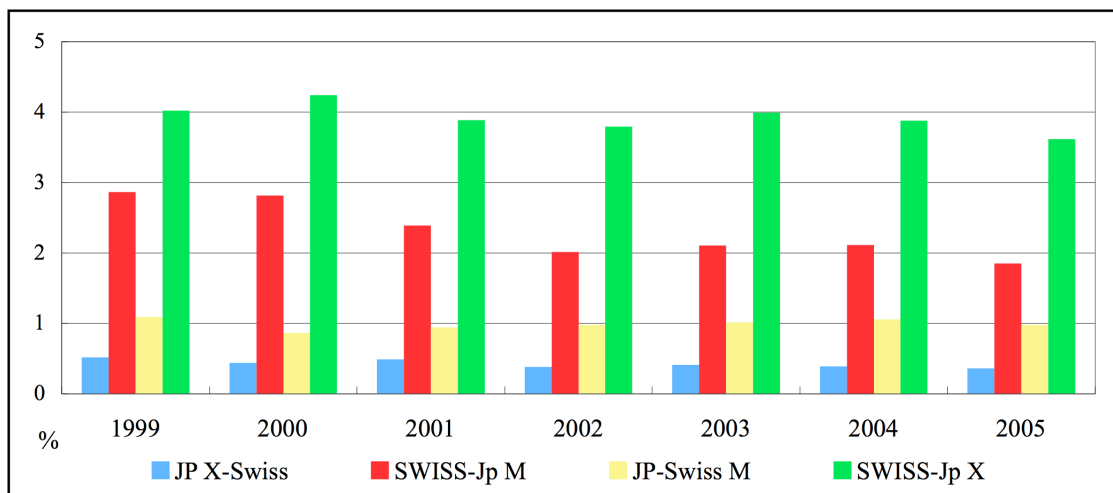


Figure 4.2.1: Trade Interdependency between Japan and Switzerland

Source: WTO 2006a.

¹⁰² Asia News Network 2007h.

¹⁰³ Personal interview, Tokyo 2007d.

¹⁰⁴ The Japan Times 2007c.

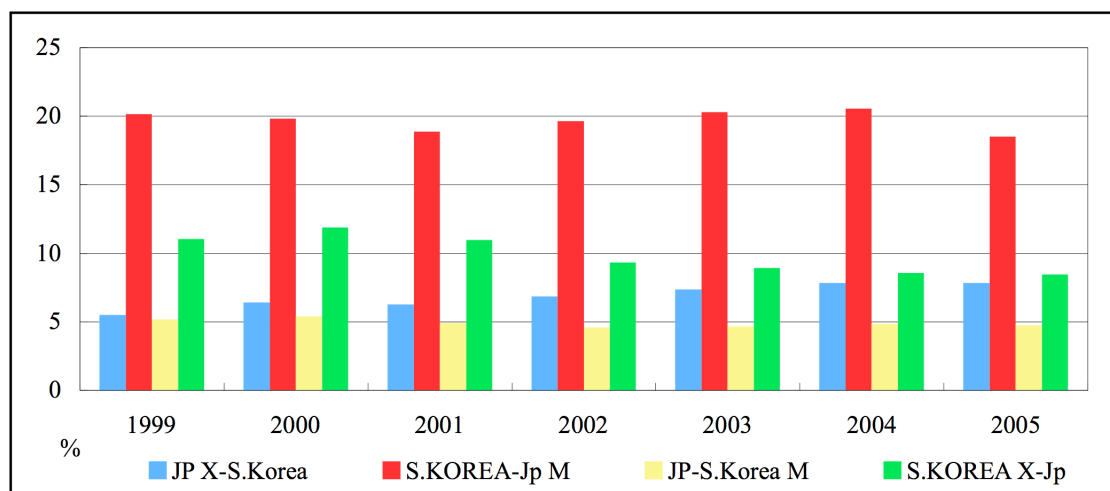


Figure 4.2.m: Trade Interdependency between Japan and South Korea

Source: WTO 2006a.

South Korea has a special place within Japanese EPAs. The first FTA consideration is brought up between South Korea and Japan in 1998 (Table 4.1) and an extended technical preparation has taken place till 2003¹⁰⁵. Economic impacts models for South Korea and Japan FTA revealed various conclusions saying that a potential FTA might bring both trade creation and trade diversion impacts. Nevertheless, only trade and investment focus of the agreements has also been extended to include financial services like creation of a bilateral currency swap exchange mechanism and utilizing Asian regional bonds. This financial side is a different version of response of South Korea and Japan to take after the Asian financial crisis. Nevertheless, political

¹⁰⁵ Financial Times 2003c, 2007b, and Asia Times 2003b.

skirmishes and territorial disputes occurring repetitively in the recent years have stalled the negotiations. Thus, a potential South Korea-Japan FTA is the most notable example of how strategically Japan perceives its EPAs.

4.3. Other EPA Cases and Proposals

As for other impacts of EPAs, political economic impacts are typical to observe when an agreement is put into force. Nevertheless, with a focus on ASEAN, GCC, South Africa, East Asia and just a proposal of Japan-China-South Korea agreements show that creation of an East Asian Community is also important¹⁰⁶.

Japan-China-South Korea tripartite trade arrangement was initially proposed at the 2003 October Summit. However, not much progress was observed since Japan-South Korea FTA negotiations were also stalled due to regional political issues. Development of the idea of East Asian Community either under the rubric of `ASEAN+` mechanism has taken the lead among the discussions aftermath of this trilateral FTA proposal¹⁰⁷.

Nevertheless, proposals and cost-benefit analysis of a potential tripartite FTA is still

¹⁰⁶ MOFA 2004, International Herald Tribune 2005b, and 2006c.

¹⁰⁷ For `ASEAN+` proposals, see Stubbs 2002: 441, Kawai and Wignaraja 2007, and Soesastro 2005.

discussed in the academic environments¹⁰⁸.

4.4. Summary and Conclusion

Chapter 4 aims to compare Japan's current EPA case in terms of their economic and technical preparation aspects in order to argue hypothesis one that the recent 18 FTA cases of Japan are mainly formed for political economic benefits than just economic interests. This hypothesis is tested in terms of economic, technical perspectives of FTAs in Chapter 4, while political economic aspects of FTAs are examined in Chapter 5. The first section of Chapter 4 looks at technical preparation process of trade arrangements with cumulative information on chronological order, issue orientation, scope and regional integration aspects of the FTA cases. The second section details investment and trade interdependency aspects of the Japanese FTA/EPAs with figures on bilateral basis. Fresh FTA/EPA proposals and regional trade arrangements are briefly mentioned in the third section.

It is conferred from technical and economic comparisons of each FTA/EPA

¹⁰⁸ The Economist 2007d, 2007e, International Herald Tribune 2007a, 2007f, and Financial Times 2007c.

case of Japan that hypothesis one is true to reach the result that Japan's FTAs are not economic interest-oriented formulations but rather 'strategic tools' to clarify stance of Japan vis a vis changing regional dynamic in East Asia. It is obvious that FTAs are by nature politically oriented. Nevertheless, this chapter confirms this hypothesis by showing lack of direct relevance of trade interdependency and investment potential of each FTA case to Japan's economic interests. In addition, it is also aimed to show in this chapter that although there is not much trade creation impact of the most of the Japanese FTA/EPAs, there is still a growing emphasis on signing more FTAs from the Japanese side. Hence, Japan has increasingly been using FTAs as crucial foreign policy tools in East Asia in recent years.

CHAPTER 5

EMPIRICAL SURVEY OF EPA POLICY MAKING

Foreign policy making of Japan with a special focus on Japan-Southeast

Asian economic relations and transforming EPA policy making is discussed in Chapter

3. Empirical analysis of the recent EPAs of Japan is detailed in Chapter 4 by looking at

technical preparation and economic impact comparisons of each of the EPA case of

Japan. Political economic analysis of the recent EPAs and changing perception of

different domestic interest groups towards EPAs are discussed in this chapter. The first

section briefly mentions framework and preparation of questionnaire survey while the

second section focuses on implementation of the survey. The last section discusses the

results of the questionnaire survey with empirical data comparisons in various figures.

Main aim of this chapter is to test the hypothesis that EPAs have gained more

momentum and recognition by domestic groups of the EPA policy making of Japan as

well. While testing this hypothesis with the results of the survey, perceptual variation

among different groups of respondents about how they perceive the recent EPAs can also be observed.

5.1. Framework and Preparation of Survey

This survey is conducted as one of the hypothesis testing methods. It was necessary to analyse foreign policy making mechanism of Japan through literature review (Chapter 1) and conduct empirical data analysis of the recent EPAs (Chapter 4).

As another method of testing, case study comparison is made between Japan and Thailand (Chapter 6). As the main research question of this work is changing perception towards PTAs with domestic and regional dynamics of the Japanese foreign policy making, fieldwork to grasp the recent perception of the important decision-making actors within society was also crucial. For this reason, two survey methods were used: Questionnaire and interviews. Preparation of the questionnaire has taken a few months as necessary opinions were gathered and a test survey was made as a feedback.

Respondent groups were targeted as politicians, bureaucrats, business representatives and academic, research institutions, opinion groups. Since the

respondent groups were quite different from each other, the questionnaire was aimed to reach each of the group sensitivities. For this reason, the scope of the questionnaire was kept as wide as possible since many non-academic, non-expert but practitioner of the recent EPA could easily answer. However, abstract questions through which the main research inquiry of this work could be derived were also added for professional academics who work on the issue and policy making actors, who had the first hand information about FTA proposing and preparation processes. Content of the questionnaire is also formed in the same direction with the scope. There are general questions as background information of the respondents and more issue-specific questions, related with various aspects of EPAs. Interviewees were also picked with the same logic in order to reach as various segments of society, who might be interested in or linked with the issues of EPAs.

5.2. Implementation of Survey

Survey of both questionnaires and interviews started in May 2006 and lasted till August 2007. This 15-month survey was conducted through email, interviews, postal

mails and fax. Sample questionnaires, both in English and Japanese can be found in Appendix 8. Questionnaire has four parts: The first two parts are general informative sections about personal information (optional) and general experience of the respondent about East Asia. Of course, main focus of this work is the Japanese EPAs but emphasis is made on the Japanese EPAs towards East Asia in order to reach more concrete results. Since most of the EPA partners of Japan are from Southeast Asia, this region is given a special attention both during the survey and analysis of this work. The third part is about FTAs in East Asia in order to see the respondent's general attitude towards East Asian and development, especially that of FTAs, in East Asia.

The last part is the largest part as general and detailed questions are asked about Japan's EPA policy making. Each of these question groups is analysed with basic statistical data revealing methods and the results are presented in the next section with attentive comments. Similar questions were asked to the interviewees during the interviews in order not to damage comprehensiveness of the survey. Cumulative result of the questionnaire, combining four respondent groups can be found in Appendix 9.

Respondent groups are deducted into four main groups of 'bureaucracy',

`business`, `academic`, and `interest groups` as mainly policy centres, NGOs and institutions. However, respondent scale was kept as wide as possible, so that there are respondents from these main groups as well as from mass media, embassies, consultant companies, small and medium enterprises (not always big conglomerates and their representative business groups like Keidanren), policy centre, NGOs, trade chambers, international organisations, banks and associations.

5.3. Results of Survey

In this section, responses of overall respondents (89 questionnaires and 38 interviews in total) and of each of the four respondent groups are examined upon their comments on the questions on FTAs in Southeast Asia (Figure 5.1.a, 5.1.b, 5.1.c, 5.2.a, 5.2.b and 5.2.c). Then, impact of FTAs on Japan's stance in East Asia is examined in Figure 5.3. Influences of various actors and factors within FTA/EPA decision-making are detailed overall and EPA case-sensitive Figures of 5.4, 5.5, 5.6 and 5.7. Analysis is completed with a concluding question of how respondents saw Japan in East Asia as a linkage to the concluding Chapter 7.

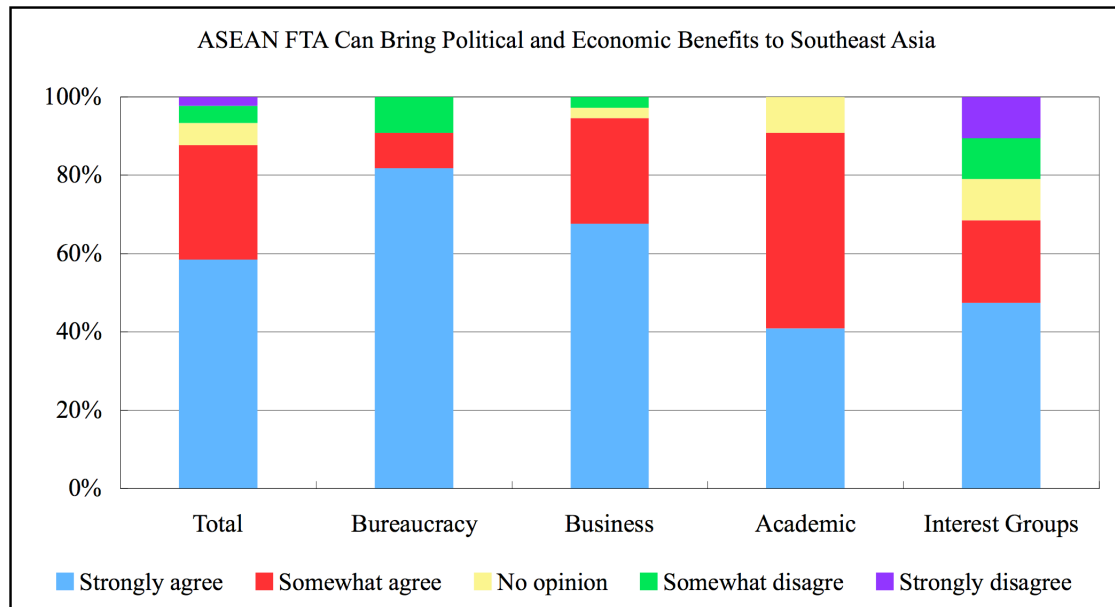


Figure 5.1.a: ASEAN FTA in Southeast Asia

Source: Calculations of the survey, Appendix 8, 9, and 10.

Figure 5.1 analyses the impact of ASEAN FTA in Southeast Asia.

Respondents were asked whether they agree or not with the statements, shown in Figure

5.1.a, 5.1.b and 5.1.c. Almost all respondents agree with the statement that ASEAN

FTA seems to be a positive development for regional cooperation in Southeast Asia.

The same question, separated as economic and political benefits of ASEAN FTA,

however, reveals the differences among respondent groups¹⁰⁹. Bureaucracy seems to be

the most persistent group in according to Figure 5.1.a, while academics have rather

dispersed tendency about stance of ASEAN FTA in Southeast Asia. Furthermore,

¹⁰⁹ Personal interview, Tokyo 2006d.

political benefits of ASEAN FTA seem to be more precise when compared to its economic benefits as can be seen in comparing the colour variation in Figure 5.1.b and 5.1.c. When three figures of Figure 5.1 are compared, it is revealed that Figure 5.1.a and 5.1.c have similar variation while Figure 5.1.b is different. This concludes two result:

(1) General understanding of the respondents about ASEAN FTA is rather economic (Figure 5.1.a and 5.1.b) than political aspects of the agreement and (2) bureaucracy and business groups have similar tendencies vis a vis academic and other interest group.

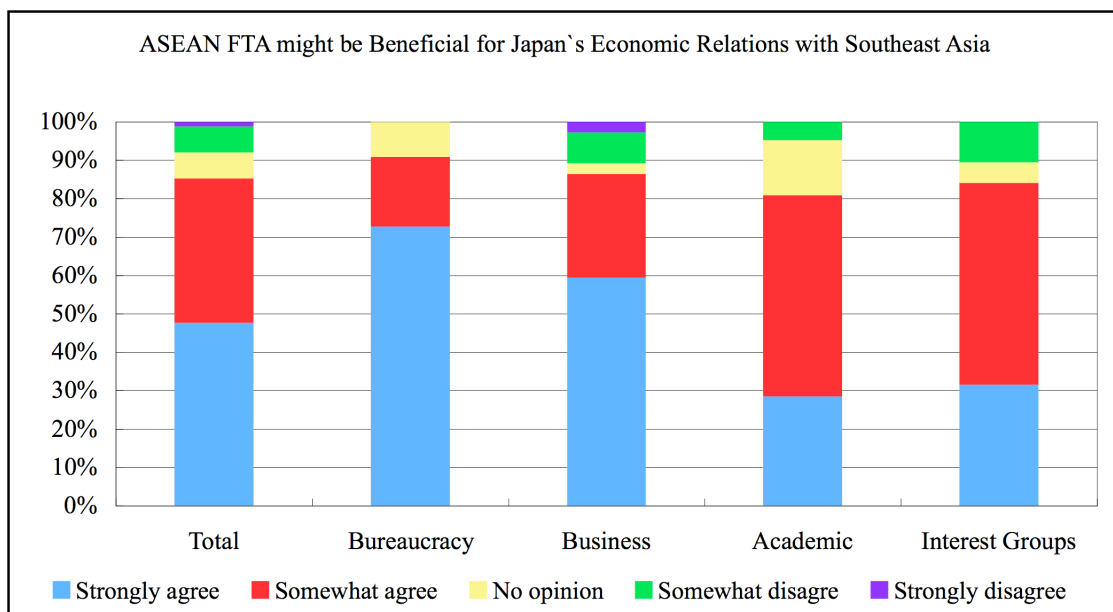


Figure 5.1.b: ASEAN FTA in Southeast Asia

Source: Calculations of the survey, Appendix 8, 9, and 10.

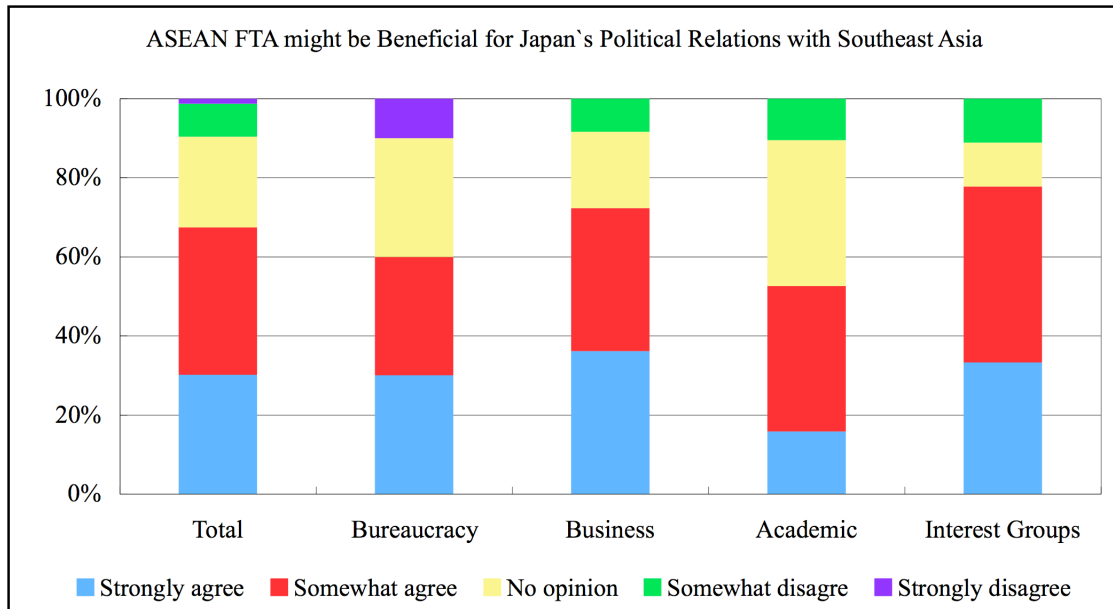


Figure 5.1.c: ASEAN FTA in Southeast Asia

Source: Calculations of the survey, Appendix 8, 9, and 10.

Similar tendencies between bureaucratic and business groups as more confident beside more dispersed academic and interest group opinions can also be seen in the answer to the questions of Figure 5.2.a and 5.2.b. It is asked in Figure 5.2, whether China-ASEAN FTA might bring political (Figure 5.2.a) or economic cooperation in Southeast Asia (Figure 5.2.b). Although political impact of this agreement is more obvious than its economic benefits according to Figure 5.2.a, 'non opinion' option about political consideration is also too small to neglect.

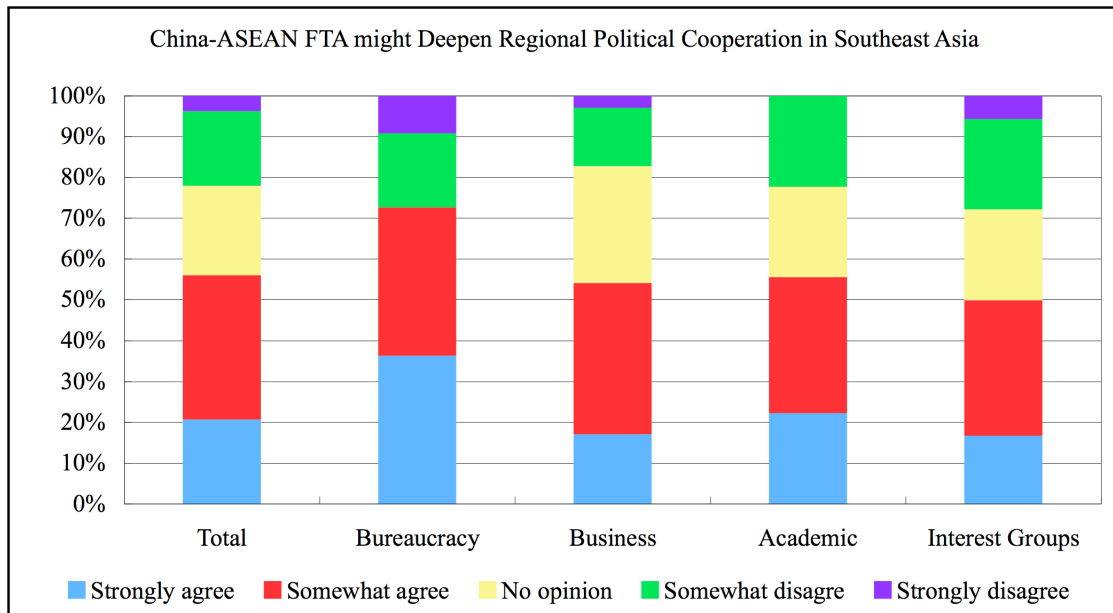


Figure 5.2.a: China- ASEAN FTA in Southeast Asia

Source: Calculations of the survey, Appendix 8, 9, and 10.

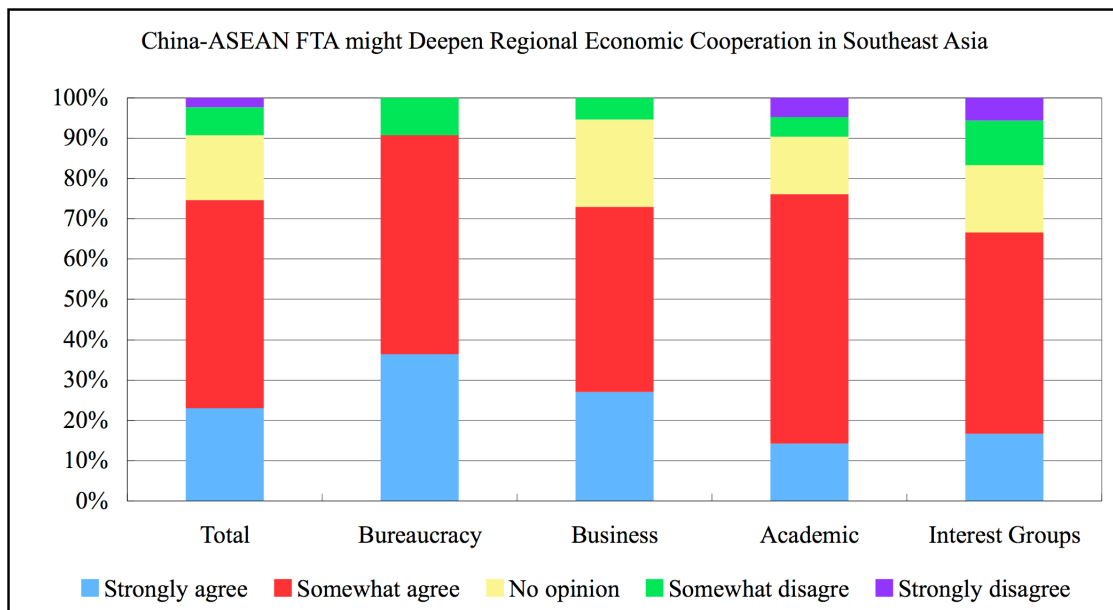


Figure 5.2.b: China- ASEAN FTA in Southeast Asia

Source: Calculations of the survey, Appendix 8, 9, and 10.

This result can be combined with the results of Figure 5.1 that economic understanding of these regional agreements are more crucial for respondents when compared to political dimension of these agreement. Comments of respondents, which are mainly in Japanese and/or live in Japan, during implementation of the questionnaire survey explains this discrepancy. According to the respondents, they were not aware of the regional developments so that they did not feel confident in answering questions about ASEAN FTA and China-ASEAN FTA. For this reason, they conferred that FTA are mainly trade agreements and have direct economic impacts in the short-run.

However, as it is obvious from analysis of the next figures in the rest of Chapter 5, the respondents were more aware of the political impacts of the Japanese FTA/EPAs.

Another reason for different interpretation of non-Japanese and Japanese FTAs is that non-Japanese FTAs, especially ASEAN FTA and China-ASEAN FTA as concerned in this survey, are regional trade arrangements while most of the Japanese FTA/EPAs are bilateral ones. Hence, FTAs as foreign policy instruments are generally considered as bilateral arrangements with both economic as well as political dimension. Nevertheless, survey about regional non-Japanese FTAs was useful to better understand the Japanese

FTA/EPA proposals as foreign policy tools.

Questions of the survey, which are put into comparable forms from Figure 5.3 to Figure 5.7 are about the Japanese FTA/EPA with the last concluding figure about Japan's position in East Asia in Figure 5.8. Regarding impact of FTA/EPA on Japan, presented in Figure 5.3.a and 5.3.b and 5.3.c, the first figure reveals that economic benefits are slightly higher than political ones. This result at first hand indicates that there is also a similar tendency about the Japanese FTA/EPAs that there were more economic benefits. However, comparison of Figure 5.3.b about economic benefits of FTAs and Figure 5.3.c about political benefits of FTAs gives a more accurate result. According to this result, although economic benefits of FTAs are slightly higher than the political benefits, this is only true when the respondents answered as 'strongly agree'. When overall consent (strongly agree and agree) for the political benefits is questioned (combination of the blue and red columns in Figure 5.3.c), its give much higher percentage than general support for the economic benefits (combination of the blue and red columns in Figure 5.3.b).

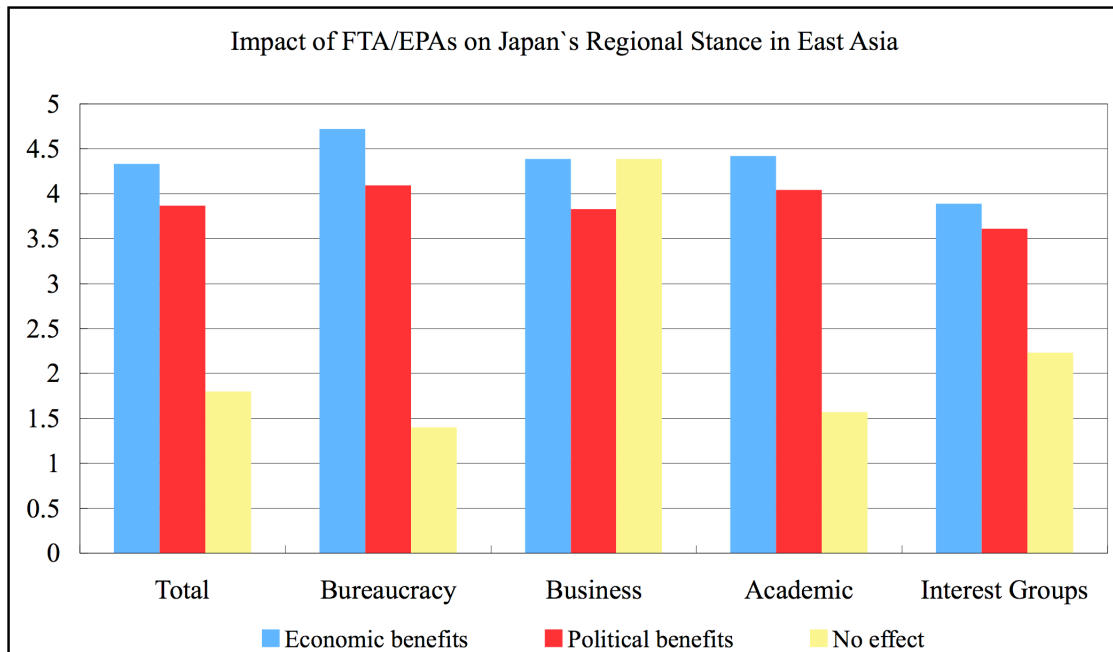


Figure 5.3.a: Impact of FTA/EPAs on Japan

Source: Calculations of the survey, Appendix 8, 9, and 10.

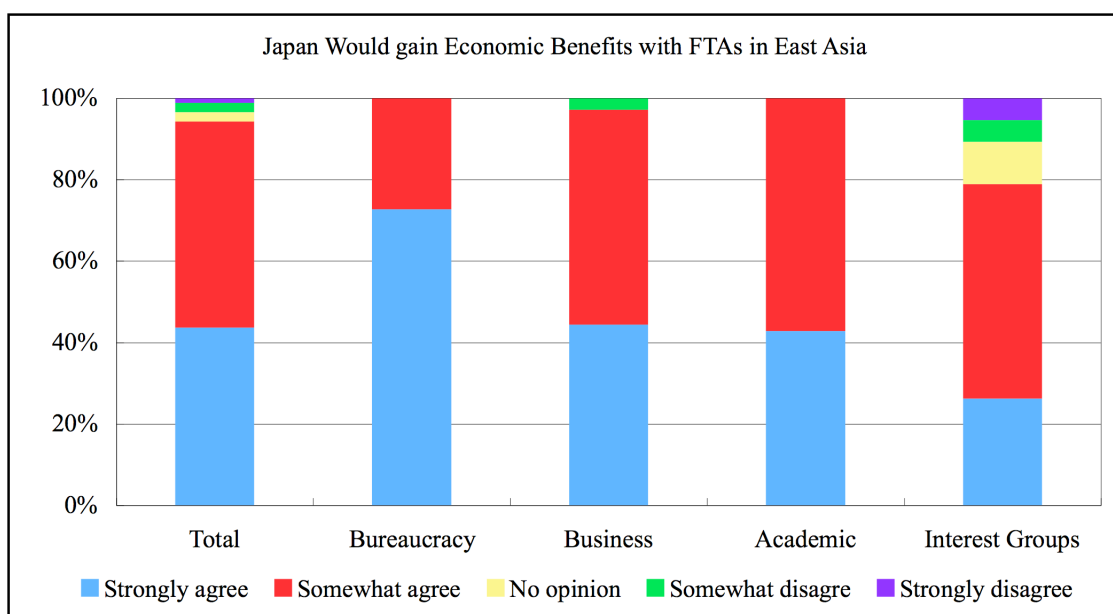


Figure 5.3.b: Impact of FTA/EPAs on Japan

Source: Calculations of the survey, Appendix 8, 9, and 10.

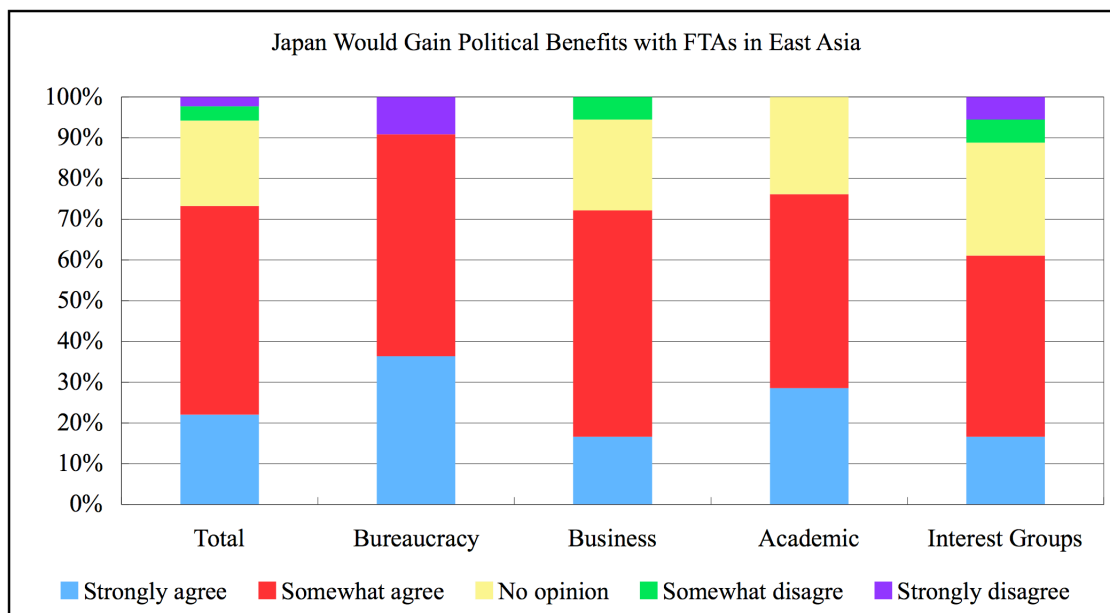


Figure 5.3.c: Impact of FTA/EPAs on Japan

Source: Calculations of the survey, Appendix 8, 9, and 10.

The rest of the survey is devoted to the actor/factors interaction and influence on the Japanese EPAs. Figures 5.4.a and 5.4.b are detailed presentations of the influence of actors within general and then specific FTA/EPAs. Main actors, influencing decision-making process of EPAs are classified as executive party, top ministry officials, bureaucracy, keidanren, business sectors, agriculture/fisheries as sensitive sectors, research/policy centres, academic institutions, mass media and NGO/NPOs. Figure 5.4.a gives tendency of each actor in terms of their importance while taking general FTA/EPA decision as foreign policy initiatives.

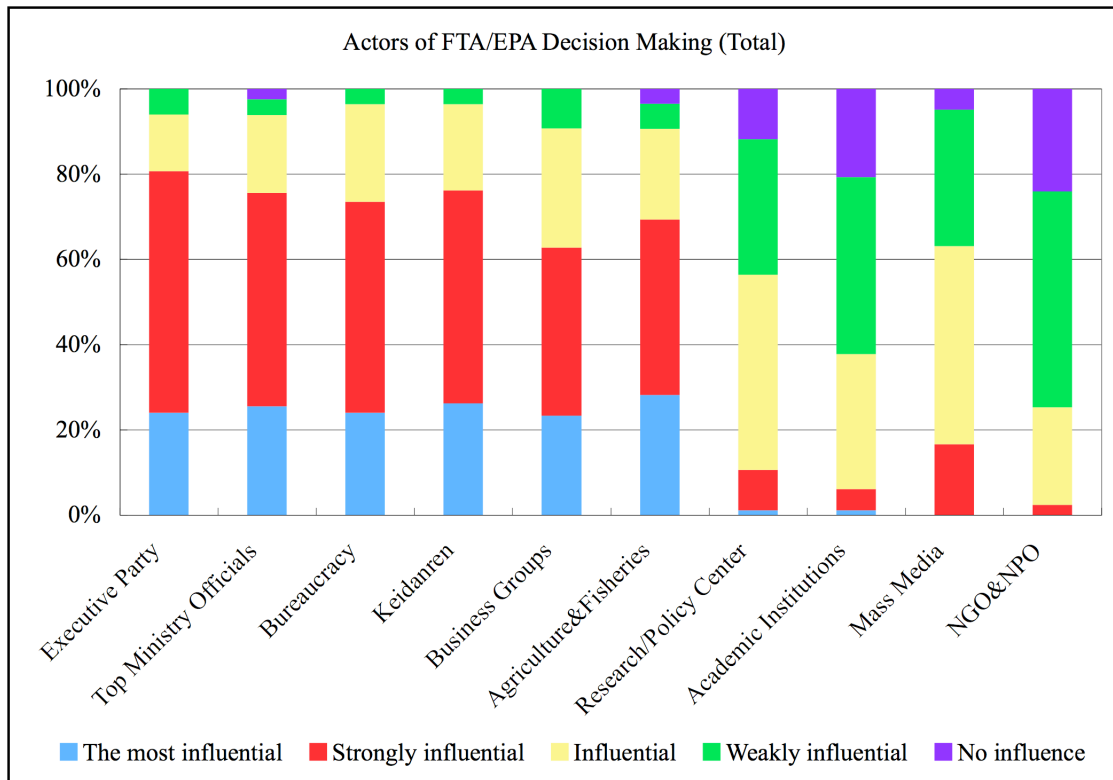


Figure 5.4.a: Actors in FTA/EPA Decision Making (Total)

Source: Calculations of the survey, Appendix 8, 9, and 10.

While Figure 5.4.a gives position of each actors in overall decision-making process, Figure 5.4.b details importance of these actors for selected four FTA/EPA cases. According to Figure 5.4.a, executive party, top ministerial officials, bureaucracy, business groups and keidanren have greater impacts on FTA/EPA making process. Meanwhile, other business groups and agricultural sectors play the following important roles in preparation of FTA/EPAs. This general pattern also applies when it comes to specific FTA case as it can clearly be observed in Figure 5.4.b of selected EPAs.

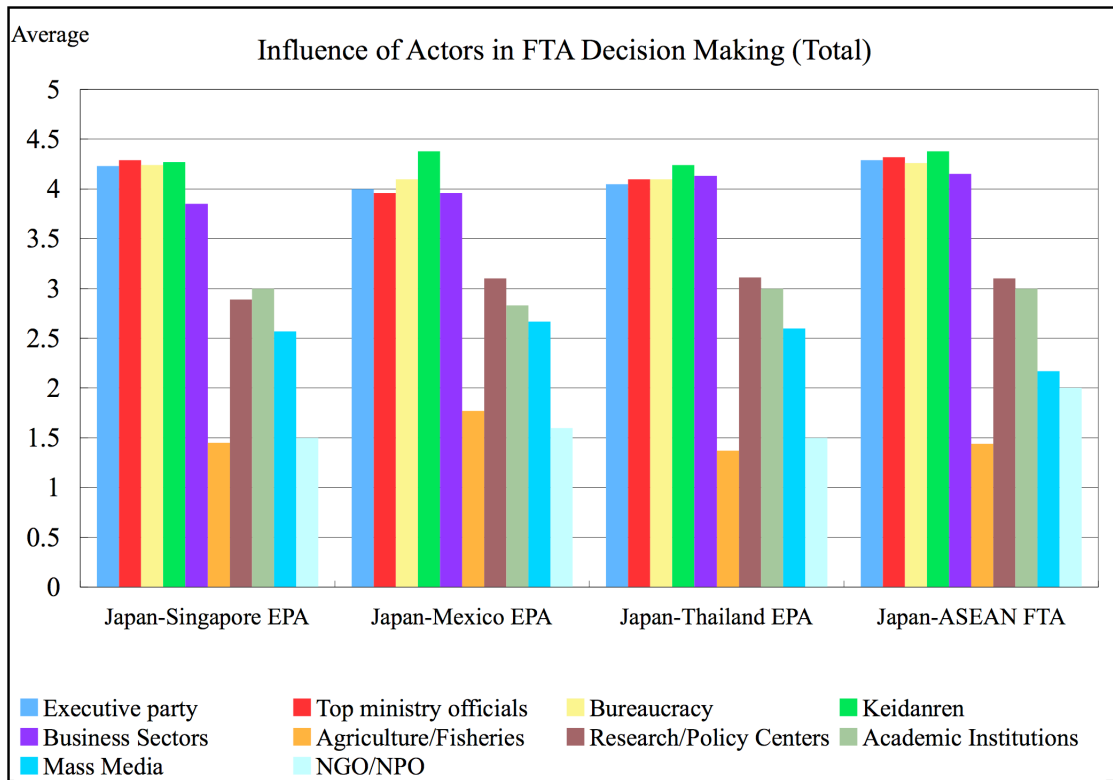


Figure 5.4.b: Actors in Specific FTA/EPA Decision Making (Total)

Source: Calculations of the survey, Appendix 8, 9, and 10.

The same analysis can be made for each respondent group by looking at different bar graphs of Figure 5.5. Each graph of Figure 5.5 reveals opinion of each of the four respondent groups. Each group has its own characteristic with one clear finding: respondents from bureaucracy concentrates on importance of the business sectors and their representatives (keidanren) as the most critical EPA driving actors while business environment returns this gesture by focusing on importance of the government and related ministries and bureaucracy as the most important actors in

FTA/EPA policy making process. Hence, these two groups seem to be supporting each other on EPA promotion¹¹⁰. Tendency of each respondent group can be seen in Figure 5.5.a for bureaucracy, Figure 5.5.b for business, Figure 5.5.c for academia and Figure 5.5.d for interest groups, institutions and centers.

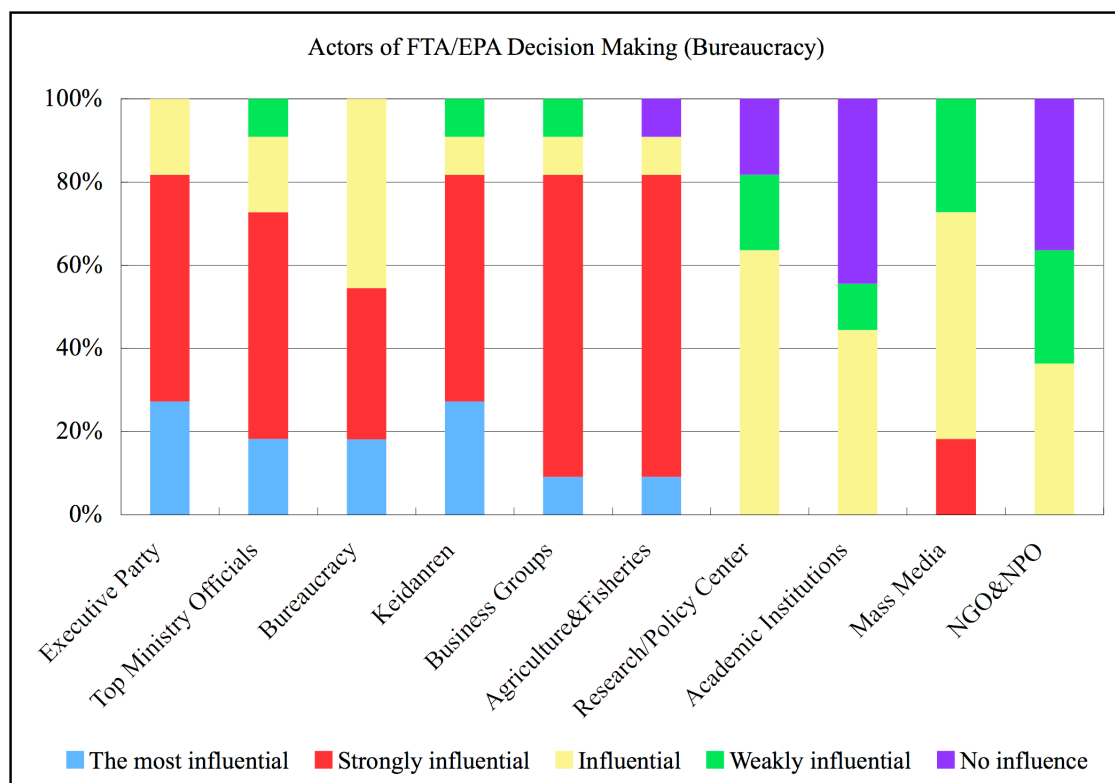


Figure 5.5.a: Actors in FTA/EPA Decision Making (Bureaucracy)

Source: Calculations of the survey, Appendix 8, 9, and 10.

¹¹⁰ Personal interview, Tokyo 2006e and 2007e.

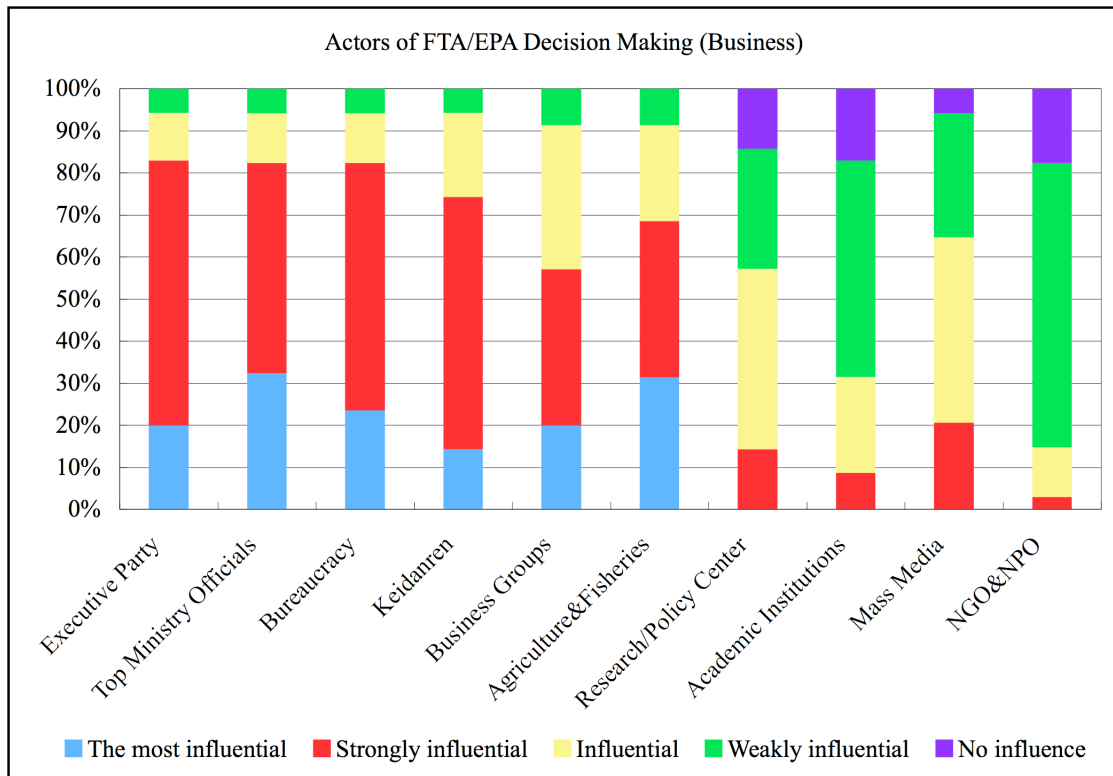


Figure 5.5.b: Actors in FTA/EPA Decision Making (Business)

Source: Calculations of the survey, Appendix 8, 9, and 10.

In the meantime, stance of each group towards agriculture is also noteworthy.

Bureaucracy and business groups do not believe that agriculture is a barrier in front of further EPA proliferation, while NGO/NPOs and other domestic and local interest groups, so-called informal representatives of the sensitive industries, emphasise the position of agriculture in EPA negotiations. Meanwhile, academic groups have the general tendency of being around the medium terms on whether or which actors would be efficient for further EPA formation. Again, as it is observed in Figures 5.1 and

Figure 5.2, there is a general tendency among the respondent groups that bureaucracy and business groups have usually similar tendencies in their interpretation of actors and FTA/EPA processes. In comparison, academia and institutions/centres tend to give similar tendencies in their opinions. The other common feature of the answers by different groups is that bureaucratic and business groups have relatively concentrated and clear inclinations about their opinions while academic and institutions/centres have rather wide range of opinions within their groups.

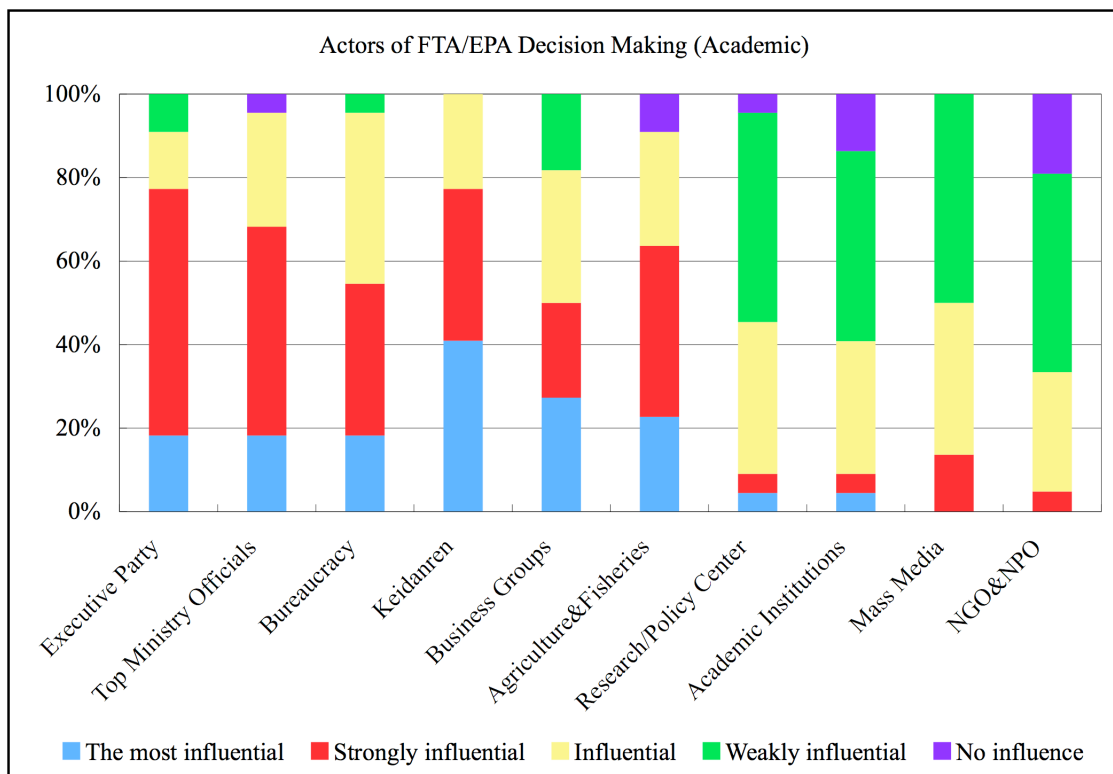


Figure 5.5.c: Actors in FTA/EPA Decision Making (Academic)

Source: Calculations of the survey, Appendix 8, 9, and 10.

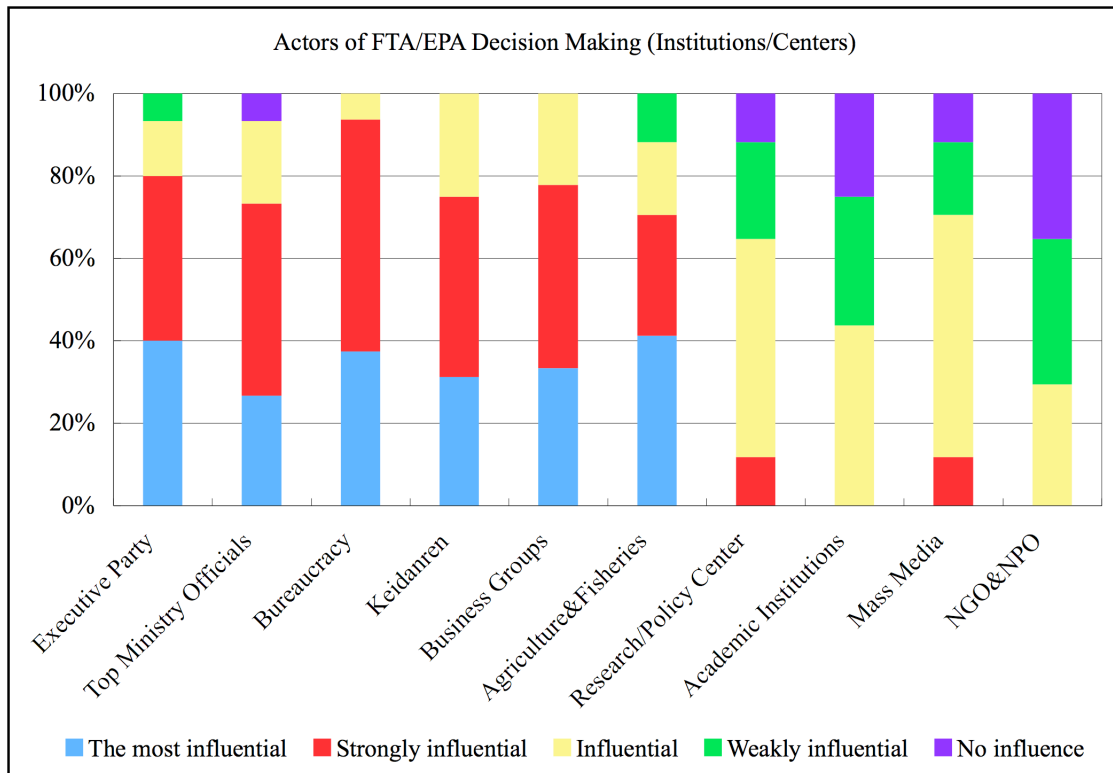


Figure 5.5.d: Actors in FTA/EPA Decision Making (Institutions/Centres)

Source: Calculations of the survey, Appendix 8, 9, and 10.

Figure 5.6 gives the results of a question about the impact of factors (which are regional, domestic and international factors alongside economic, political and social factors in the country) on FTA/EPA policy making process in Japan. Figure 5.6.a reveals opinions of respondents about general FTA/EPA making experience while Figure 5.6.b gives opinions about a few selected EPA cases of Japan. Indeed, those questions of factor analyses were the most criticised ones, since not many of the respondents felt comfortable about differentiating regional and international factors on

the one hand and economic and political factors on the other hand. Placing social factors within FTA/EPA process was also met by surprise. This proves the dynamic nature of EPA, which covers not only economic and political but social aspects of societies as well.

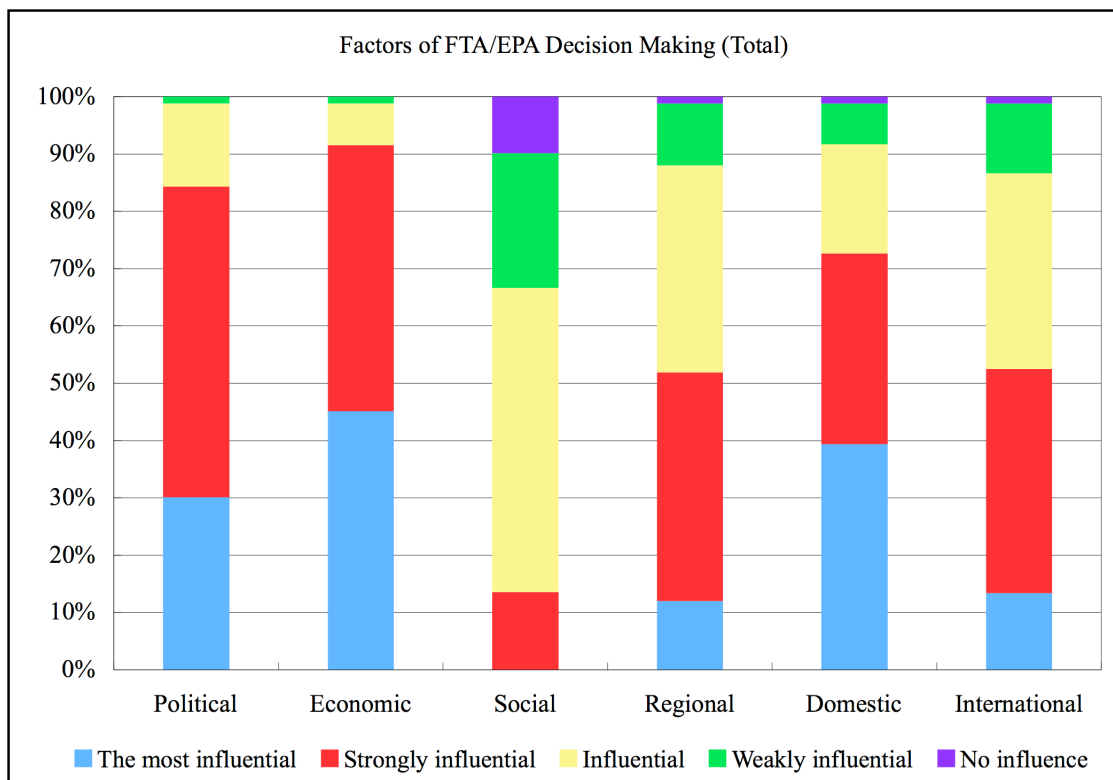


Figure 5.6.a: Factors in FTA/EPA Decision Making (Total)

Source: Calculations of the survey, Appendix 8, 9, and 10.

Economic and political factors seem to be taking the lead according to Figure 5.6.a. Domestic factors also show a growing tendency of importance in taking FTA/EPA decisions according to respondents. Misperception about differentiation

between regional and international factors is also another result to be derived from

Figure 5.6.a. In line with Figure 5.6.a, there is a general tendency among different

FTA/EPA cases in terms of factors to be effective in FTA/EPA process, according to

Figure 5.6.b.

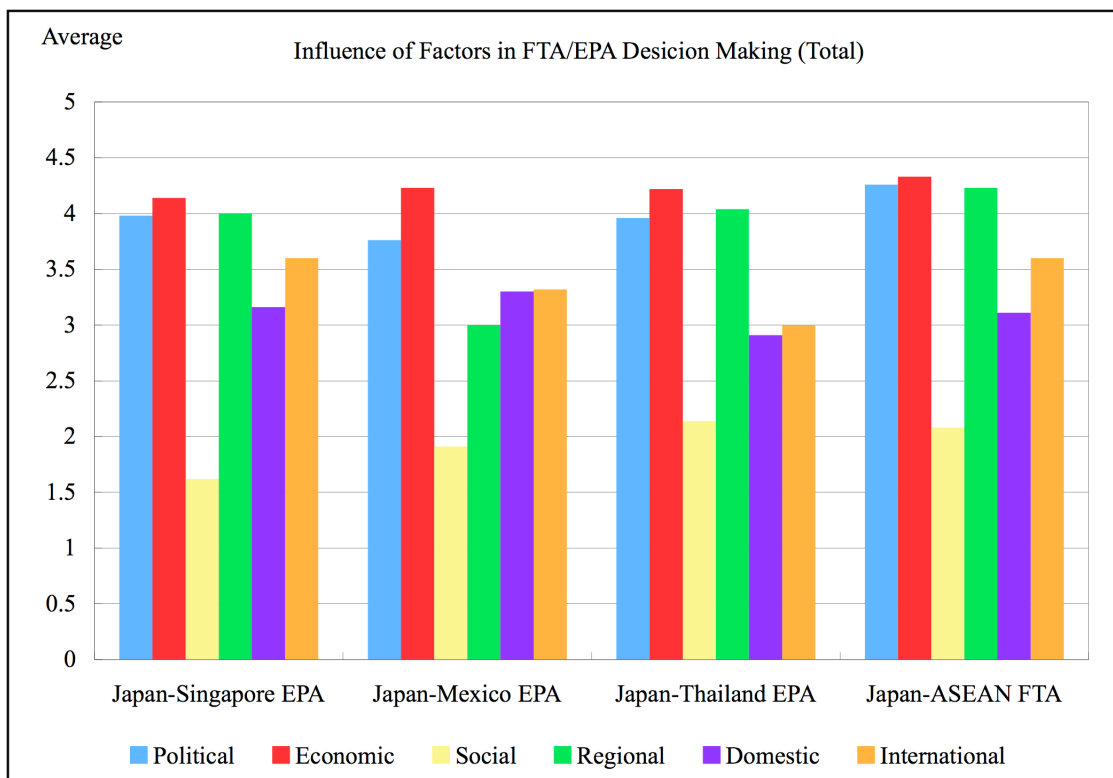


Figure 5.6.b: Factors in Specific FTA/EPA Decision Making (Total)

Source: Calculations of the survey, Appendix 8, 9, and 10.

Figures 5.7.a, 5.7.b, 5.7.c and 5.7.d present interpretation of different factors by each of the four respondent groups. In contrast to Figure 5.5, which gives comments of different respondents about various FTA/EPA influencing actor, there is a different

classification among four respondent groups. In case of factors, bureaucracy and institutions/centres have similar tendency. They have more scattered and weak opinions about the order of importance of factors. While business groups and academics have similar tendency of paying more attention, in general, to all factors with specific emphasis on economic and political factors. In the meantime, academics and institutions put more focus on the importance of regional and international factors than bureaucratic and business groups did. This proves openness of academia and institutions/centres towards different factors than mere political and economic impacts.

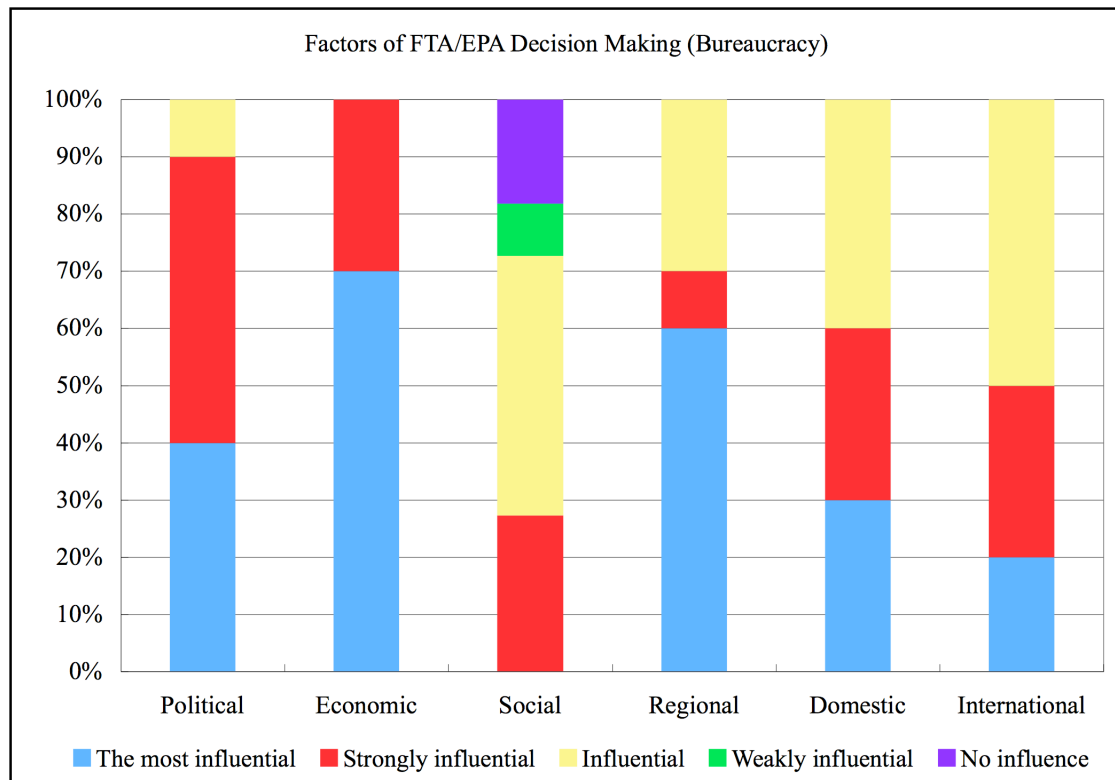


Figure 5.7.a: Factors in FTA/EPA Decision Making (Bureaucracy)

Source: Calculations of the survey, Appendix 8, 9, and 10.

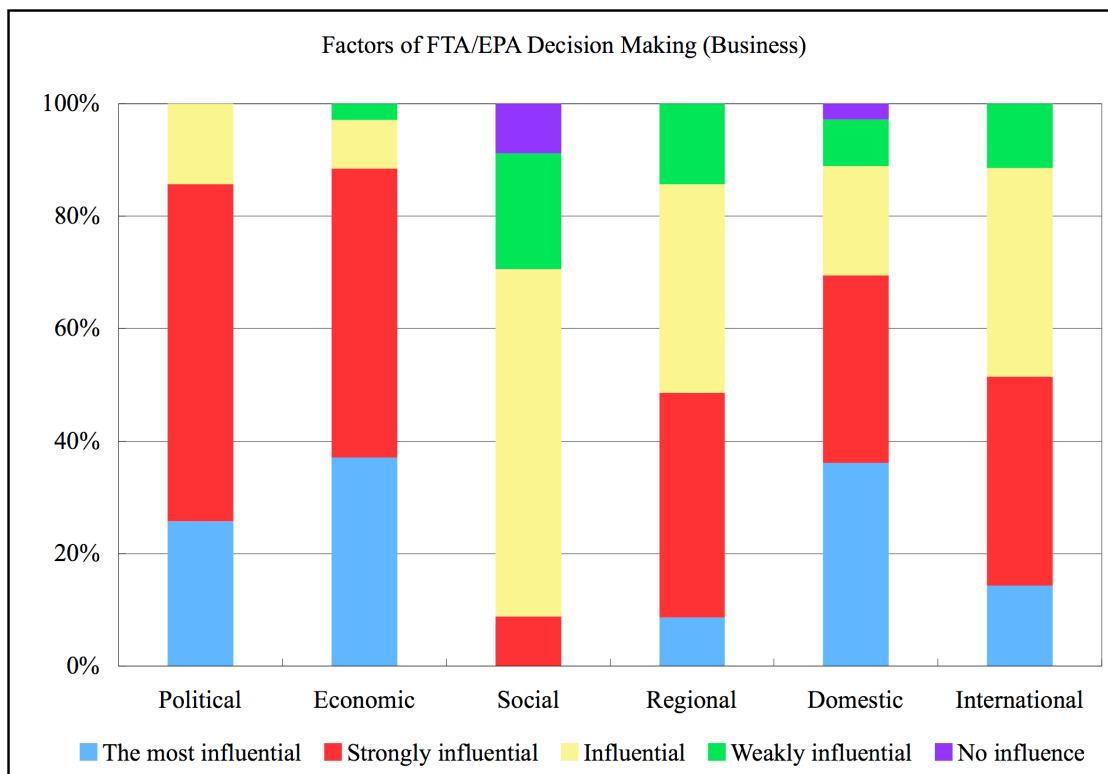


Figure 5.7.b: Factors in FTA/EPA Decision Making (Business)

Source: Calculations of the survey, Appendix 8, 9, and 10.

It also resulted from the overall examination of Figures 5.6 and 5.7 that bureaucracy is the most persistent group in terms of emphasizing similar factors and has understanding of clear differentiation between regional and international factors¹¹¹. This is as a result of the transforming FTA/EPA making mechanism and increasing self-confident of bureaucracy in forging FTA as foreign policy instruments (as summarised in Table 3.3 and Table 3.4). Result of Figures 5.6 and 5.7 is the general

¹¹¹ Personal interview, Tokyo 2006f and 2006g.

tendency that political, economic and international factors are the main forces for growing tendency of EPAs, while domestic and social influences are paid little attention.

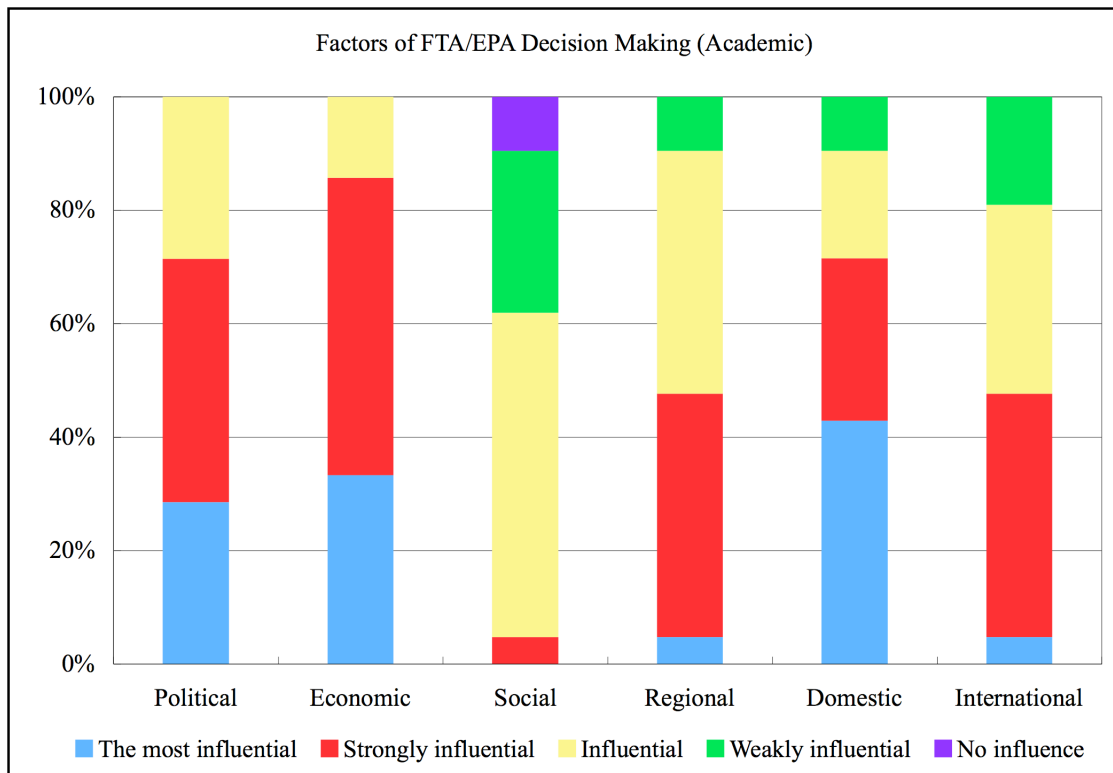


Figure 5.7.c: Factors in FTA/EPA Decision Making (Academic)

Source: Calculations of the survey, Appendix 8, 9, and 10.

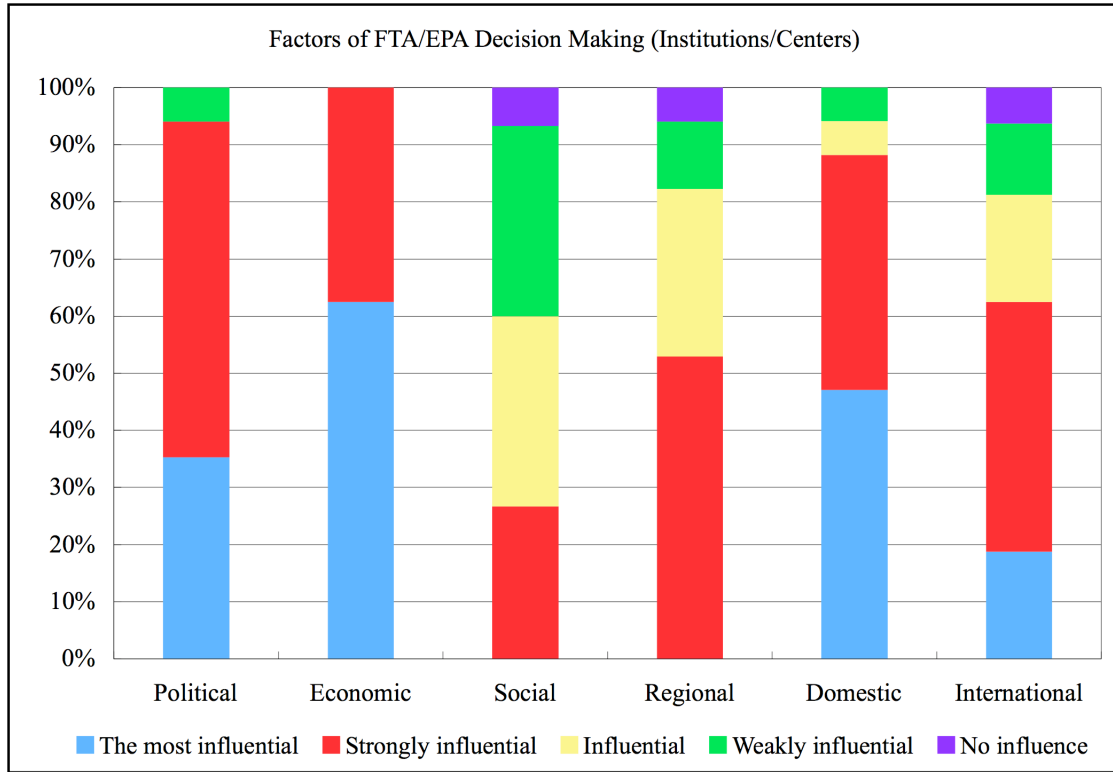


Figure 5.7.d: Factors in FTA/EPA Decision Making (Institutions/Centres)

Source: Calculations of the survey, Appendix 8, 9, and 10.

The last question, shown in Figure 5.8, inquires about how respondents saw Japan in East Asia. It is obvious in all respondent groups that promoting regionalism is the most optimum agenda, to be considered for Japan. Nevertheless, pragmatic approach of the business groups on sometimes expecting Japan to be assertive in its dealings in East Asia is also too considerable to neglect. Another result of this survey can also be driven from this analysis: Although bureaucracy and business groups usually show similar approaches to the questions about EPAs, their long-term

perspectives and main aims of fostering EPAs seem to be different. While business groups prefer a more assertive and individual position for Japan, bureaucrats pursue the classical Japanese foreign policy tendency of following regional developments¹¹². Emphasis on growing stance of China and positive relationship with China and South Korea are also other conclusions that can be driven by looking at the tendency of academic and centres groups.

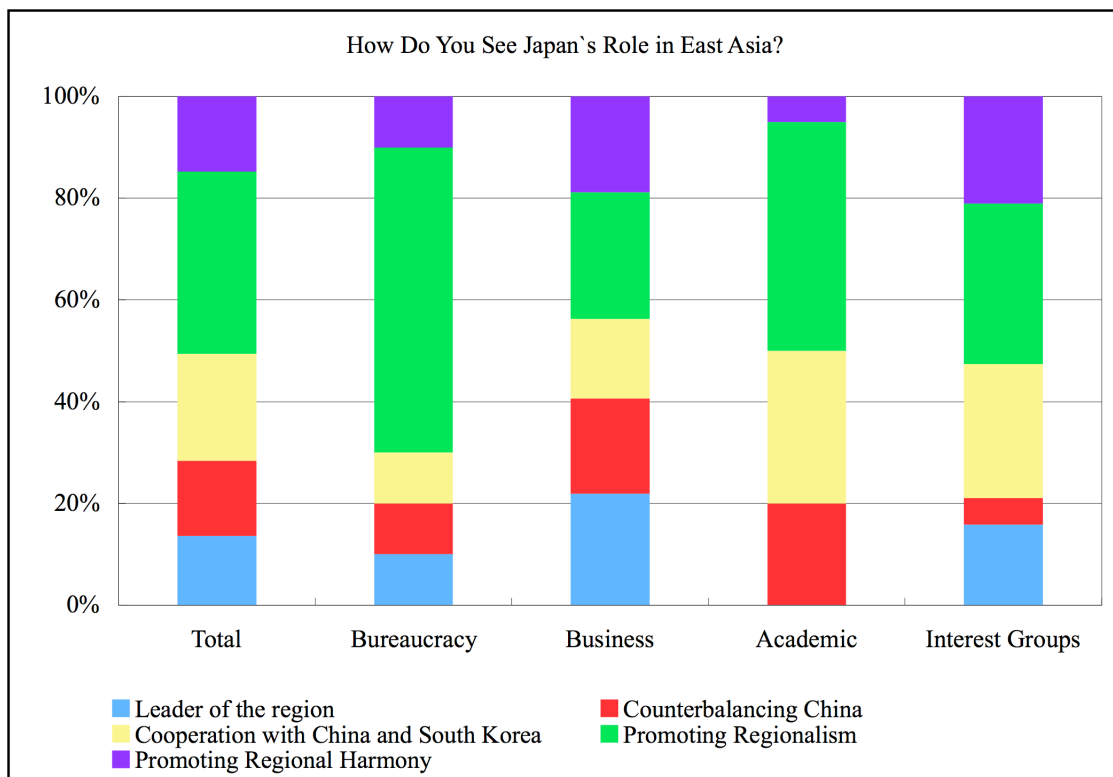


Figure 5.8: Japan in East Asia

Source: Calculations of the survey, Appendix 8, 9, and 10.

¹¹² Personal interview, Tokyo 2007f.

5.4. Summary and Conclusion

Chapter 5 deals with political economic aspects of the FTA cases of Japan as complementary part of empirical examination of the Japanese FTA/EPA cases following Chapter 4. As part of the hypothesis testing, empirical survey about perception of the decision-making actors about the Japanese FTA/EPA was conducted in Japan. The aim of the survey was to test hypothesis one, which argues that FTAs are not only economically inclined foreign policy instruments but also shaped by regional-political developments. Hypothesis three, that EPAs are also used as transformation tools of the domestic decision making structure in line with regional changes in East Asia, is also tested in this chapter.

The first part introduces this questionnaire and interview survey, the sample of which can be found in Appendix 8. The second part elaborates implementation of the survey between May 2006 and August 2007 in Japan. The third part gives detailed analysis of the questions raised in the questionnaire. Figure 5.1 and Figure 5.2 elaborates non-Japanese FTAs in East Asia while the rest of the figures focus on the Japanese FTA/EPAs.

Two main results are derived from Chapter 5: First, non-Japanese regional FTA, i.e. ASEAN FTA and China-ASEAN FTA are more economic interest oriented while the Japanese FTA/EPA are prone to be more comprehensive with both economic and political inclinations. Hence, 'strategic EPAs' of Japan are on the surge as configured in result one. Second, there is a clear tendency of increasing awareness about FTA/EPAs in each group. Especially bureaucracy and business groups have more persistent opinions in forging FTAs while academic and institutions with other interest groups have more cautious perceptions about impact of FTAs in Japan. Hence, these findings are closely related with result two that FTA/EPA are forces of domestic transformation since the beginning of this decade.

CHAPTER 6¹¹³

CASE STUDY: FTA POLICY MAKING in THAILAND

This Chapter is developed as a case study of analysing the Thai FTA policy making in order compare it with the Japanese case. Of course the main focus of this work is to test the hypothesis that the Japanese EPA has been increasingly important within the Japanese foreign policy making mechanism, especially towards Southeast Asia. For this reason, it is logical to analyse the Southeast Asian way of FTAs and to compare it with that of Japan. In order to do that analysis, Thai FTA policy making is picked as a comparative test case.

Being one of the forerunners of the Southeast Asian economic co-operation and regional integration, Thailand has been quite active in forging FTAs. However, Thailand has come to the stage of forging FTAs as a result of its evolving foreign policy making tradition throughout the 1990s. Hence, the policy of FTA did not have a mere

¹¹³ This chapter is based on the paper, “FTA as a New Foreign Policy Initiative for Thailand”, submitted for publication.

economic reasoning but political necessities at the same time.

Justification to look at FTA policy making as a new foreign policy tool in Thailand can be derived from two developments. On the one hand, Thailand is recently the most FTA-devising country after Singapore in Southeast Asia. On the other hand, an independent foreign policy mechanism has been formed in Thailand since the beginning of 1990s. Hence, examining the Thai foreign policy making and defining the similarities and differences between Japan and the Southeast Asian way of FTA would be helpful in order to see Japan's FTA position in Southeast Asia more systematically.

The first part looks at the PTA and regional cooperation experience of Thailand in Southeast Asia. The second part analyses the Thai case of FTA as a foreign policy instrument. While the first section puts emphasis on the flexible foreign policy practices of Thailand in the recent history, the second section deals with domestic and regional tenets of the new foreign policy mechanism of Thailand. The third section analyses the results of interviews and questionnaires, conducted in Thailand as a field search and the last section concludes with a new pattern of FTA making in Thailand. An analytical methodology is used while main comparison between the Thai and Japanese

FTA making patterns is made in Chapter 7.

6.1. FTA and Regional Economic Cooperation in Southeast Asia

Different approaches defining regional economic cooperation in Southeast Asia are explained in Chapter 2 with special references to ASEAN, APEC and ASEAN+3. In this part, FTA experiences of Thailand in Southeast Asia are elaborated. Southeast Asia is one of the last regions where FTA tracks were initiated or stayed abstract during the first and the second waves of PTAs. However, Asian financial crisis and membership of China to WTO in 2001 and other regional cooperation tracks have precipitated preferential trade arrangements¹¹⁴. Thailand is also forerunner of both regional, but especially, bilateral trade arrangements.

The first preferential trade arrangement of ASEAN is set up in 1977. This agreement provided the system of ‘tariff preferences’ in order to increase intra-ASEAN trade. Later, the Framework Agreement on Enhancing Economic Co-operation (namely the ASEAN Free Trade Area -AFTA) was adopted at the Fourth ASEAN Summit in

¹¹⁴ Sally 2005, Bhattacharyay 2006, Ong 2003: 68-70, and Dent 2005: 289-297.

1992, Singapore. Elimination of the tariff and non-tariff barriers among the member countries was targeted in order to increase the economic efficiency and productivity within the region.

Initially, AFTA was aimed at reducing the tariffs to 0-5 per cent in a fifteen-year period but later on, more country-specific priorities were targeted according to the adaptation performances of the late ASEAN members¹¹⁵. ASEAN-six countries have completed their tariff reduction commitments in the beginning of 2003¹¹⁶. But for the new member countries, the aim of a 0-5 per cent tariff regulation is to be implemented by 2015. More specific deadline of 2010 is set for Cambodia, 2006 for Vietnam and 2008 for Laos and Myanmar. As there are sectors, which are sensitive to tariff changes, completion of AFTA is projected at around 2018, including all ASEAN members. Thailand, as a founding member of the Association, has taken AFTA serious for further economic benefits to be taken from the emerging economies of ASEAN.

¹¹⁵ The Fifth ASEAN Summit, held in Bangkok in 1995, adopted the 'Agenda for Greater Economic Integration', which included the acceleration of the timetable for realisation of AFTA from original 15-year time frame to 10 years. The new ASEAN members were the last four members of ASEAN: Vietnam, Myanmar, Laos and Cambodia.

¹¹⁶ The ASEAN-six countries are the first six members of the Association: Malaysia, Indonesia, the Philippines, Thailand, Singapore and Brunei. Grouping of the ASEAN members are made according to economic and development performances of the member countries. However, zero tariff rate is not applicable to all members of the ASEAN-6 group. For example, Singapore normally has no tariffs and raising any tariff rate would cause problems for Singapore.

Thailand has also supported the idea of AFTA as a general platform of combining the market forces of the member countries vis a vis the rising trend of NAFTA and EEC (EU) of that time. Namely, Thailand considered itself as the bridge between this emerging regional market and the big actors of the emerging regionalism.

Another regional tendency, which particularly related with the PTA agenda of Southeast Asia, is ASEAN-China FTA (ACFTA). The Deputy Director of the Chinese Academy of International Trade and Economic Co-operation Li Wei stated, just before the signing of the FTA between China and ASEAN, that the FTA was expected to increase the GDP of ASEAN by 0.9 per cent, or by \$5.4 billion, while the GDP of China would grow by 0.3 per cent, or by \$2.2 billion, annually¹¹⁷. Although the ASEAN-China FTA is currently a positive stimulus in the region, there are still arguments discussing the potential deficits of the FTA. Perceptual differences, whereby China proposed a 'narrowly focused' FTA while some ASEAN members emphasised a wide-range engagement, appear as an obstacle. Furthermore, China in the long-term seems to be strategically persistent than just being an economic partner.

¹¹⁷ Macan-Markar 2003.

Nevertheless, it is also agreed by the ASEAN members that the Association should further accommodate itself to China in order not to lose the market of 1.3 billion people and not to turn the 'neighbour' into a further competitor¹¹⁸.

Another questionable aspect of the ACFTA is the bilateral negotiations between China and the member countries. Especially Thailand is a close partner since China has opened the way for bilateral talks by amending the FTA arrangement during the ASEAN+3 October Summit in 2003. Strategic partnership between Thailand and China already started in 1975. Search for a solution to the security problems of Southeast Asia (Vietnam's invasion of Cambodia, refugee problems and unsettled border disputes are a few examples) made also the other ASEAN countries welcome China to the security dialogue of ASEAN in 1989. China has strengthened its stance vis a vis Thailand and other crisis-torn countries by being the first country to provide aid to the region after the 1997 Asian financial crisis¹¹⁹. As a result, Thailand has also agreed to sign its first important FTA with China in October 2003. It is an EHS arrangement in order to contemplate ACFTA to be concluded by 2010.

¹¹⁸ McBeth 2003: 38-39.

¹¹⁹ China contributed \$1 billion to IMF bailout fund of Thailand. It further promised not to devalue its Yuan after the crisis. Snitwongse 2001: 202.

By June 2007, Thailand has four bilateral FTAs in force (Australia, New Zealand, India and China), three completed FTA and EPAs (Japan-Thailand EPA [JTEPA], Bahrain and Peru), five partners with whom the negotiations are on different stages (US, BIMSTEC, South Korea and South Africa and EFTA [European Free Trade Area]) and other potential arrangements (Appendix 7). Thailand is the second country, after Singapore, in Southeast Asia to promote both regional and bilateral FTAs. Most of the above cases have been promulgated and/or completed during the Thaksin period.

Thailand-Australia FTA, which was put in force in January 2005, is the first FTA case of Thailand, followed by Thailand-New Zealand FTA in July 2005. Both of the agreements are similar in terms of their scope and implementation. Although the trade capacity between Thailand and Australia is not that big, the impact of negotiations on agricultural products were mainly discussed and even criticised by social interest groups¹²⁰. Although the growing trade capacity and attractiveness of China already pleases the Thai side, the RoO problems and a fear of influx of cheap Chinese agricultural products into Thailand create criticism against¹²¹.

¹²⁰ Moxham 2004. Bangkok Post 2006.

¹²¹ Jagan 2006. Bangkok Post 2005.

JTEPA is completed with the premises of trade creation, trade liberalisation, movement of services, people and investment. Of course the already established automobile industry and potential size of Japan as a trade partner of Thailand make this treaty important enough¹²². However, there has also been a criticism against the partial benefits of the treaty for only certain industries and potential damages to the agricultural and other sensitive sectors of both countries¹²³. Although there are further criticisms claiming that the negotiation period has taken more than expected, JTEPA is still expected to reduce trade barriers by \$40 billion¹²⁴.

Given the size of trade between the two countries and the strategic importance of the US in the region, the US-Thailand FTA has the top priority within the foreign policy agenda of Thailand. As it will be the most comprehensive FTA of Thailand, there is an ongoing negotiation process under the chief negotiator tutelage of the Ministry of Foreign Affairs. However, there are also difficulties. First of all, the wide-coverage, of both tariff and non-tariff barriers require deeper governmental regulation and reform. The other stalemate is the close scrutiny of the US side by taking US-Singapore FTA as

¹²² The Nation 2006.

¹²³ Letter 2007 and The Nation 2007a.

¹²⁴ Chirathivat 2007.

a model. As the impact of this FTA is expected to be both economic and social, there have been ongoing protests against certain requirements of the US in the Thai society¹²⁵. While small size agreements (like Bahrain, Peru and BIMSTEC) are mainly politically driven, the cabinet appoints a different chief negotiator for each FTA case (chief negotiator for Thailand-China FTA was from the Ministry of Commerce while the chief negotiators for JTEPA and Thailand-US FTA were from the Ministry of Foreign Affairs)¹²⁶. Another feature of the Thai PTAs is the Article 224 of the 1997 Constitution. According to this, if there were no need to change a domestic law or regulation in order to implement the FTA, there would not be a need to go to the Parliament for approval. Nevertheless, Prime Minister (PM) Thaksin was a businessman and preferred policies to be completed quickly. That is why, this regulation created more room for politically and strategically driven FTAs during his period¹²⁷.

6.2. FTA Formulation in Thailand

Apart from being a part of the Southeast Asian culture of heterogeneous

¹²⁵ The Nation 2007b.

¹²⁶ Personal interview, Bangkok 2006a.

¹²⁷ Personal interview, Bangkok 2006b.

ethnicities, disputed border problems and different level of democratisation attempts depending on the authoritarian and pragmatic nature of the societies, Thailand has always been a special figure with its practical diplomatic skills during the modernisation period of Southeast Asia¹²⁸. Indeed, this practical nature of Thai foreign policy making can also be seen in today's independent policy characteristic of Thailand. Historical foundation of this realistic policy making ability of Thailand can be characterised with the term 'Willow/Bamboo Diplomacy'¹²⁹. According to the term, Thailand had always sided with the strong power of the time either in order to get the benefits of being with the strong one or not to be swept away by colonial powers. It started with diplomatic appeasement policies of the King Mongkut and the King Chulalongkorn towards the French and the British colonial powers in the mid nineteenth century. In order not to lose their independence, limited territory was given out as a trade off during the time of colonialism. Later on, Thailand is affected by the Japanese military existence in East Asia enacted a code of agreement with Japan before the World War II, as another term

¹²⁸ Although 'Siam' was used as a country name for many centuries for today's Thailand, nationalist forces renamed the country as a sign of showing off the strength of a defined nation to its neighbours and later to colonialist powers of the early twentieth century. Chakri Dynasty has been the monarch of the country when the King Rama I established modern state organisation in Bangkok, beginning from 1782. Since then, Thailand has been in close relation with its neighbours in Southeast Asia. Abe and Srawooth 2004.

¹²⁹ Ganesan 2004: 33.

of engagement with a strong power.

When the Japanese collaboration ended by the end of the World War II, The US needed Thailand as a buffer zone against the communist threat in Indochina and also as a spot of the growing US economic presence in the region. Thailand, on the other hand, enjoyed presence of the US in Indochina since it helped Thailand to cool down its border disputes with neighbours. When the US has totally withdrawn from Indochina after the Vietnam War, this also ended the US-Thai military alignment in 1975. The last stage of the `Bamboo Diplomacy` was set between Thailand and China until 1988.

Invasion of Cambodia by Vietnam in 1979 brought China and Thailand around the same table with the intention of preventing Vietnamese hostility in Indochina. It was also proper timing for China as it had an excuse to formalise its relations with the then ASEAN countries and have an entrance to the ASEAN market via diplomatic channels.

China was most welcomed by Thailand, which kept in mind that improving Chinese economy would provide necessary market for growing needs of Thailand. Furthermore, China's relative weight in Southeast Asia would also provide certain level of stability in the region according to the practical Thai diplomacy. This last phase of `Bamboo

Diplomacy` with China was rationalised by the then PM Prem Tinsulanond. An ex-army commander Prem was supported by the King and consolidated his eight-year term, a relatively long period for the Thai political experience, which has often been suspended by coup d`etat and other interventions. Initial signs of the Thai opening to Southeast Asia through economic terms also appeared during this period of `monarchy-military-bureaucracy` collaboration¹³⁰.

6.2.1. Domestic and Regional Determinant of Foreign Policy Making in Thailand

The year 1988 is considered to be the beginning of the new stage of the Thai foreign policy making when the changing nature of society has shown itself with the coming term of non-military PM Chatichat. Being an old businessman, Chatichat immediately asserted his economy oriented foreign policy by his famous statement of `turning Indochina from a battlefield into a market place`¹³¹. As Vietnam`s occupation of Cambodia ended during the same period, Thai foreign policy towards its neighbours was no longer defined with security concerns but an economic growth one. ASEAN has

¹³⁰ Baker and Phongpaichit 2005: 234.

¹³¹ Snitwongse 2001: 190.

also entered into a more self-confident phase with the end of Vietnam-Cambodia conflict, increasing economic potential of the founding members and growing economic interest of the big actors like Japan and China. Thailand, which recognised growing impact of globalisation and economic growth needs, also changed its pragmatism from a dependent guideline to a more independent and self-seeing one. Hence, the royalist but durable term of Prem and economic opening and relatively durable term of Chatichat set the background of this new independent foreign policy.

Beginning of the GATT/WTO membership in 1982 was another cornerstone development in terms of economic liberalisation in Thailand. Under the promise of adjusting to the WTO rules, Thai economic interest in multilateral and then regional trade arrangements also started. 40 per cent of average tariff rate, the highest among the ASEAN-six in 1992, was to be reduced with implementation of AFTA in the same year¹³². According to the same source, it was also clear that AFTA was initialised for the purpose of `training` of the local firms and industries for regional and international trade when PM Anand first mentioned about AFTA in 1991.

¹³² Chirathivat and Mallikamas 2004: 38.

Table 6.1: Development Indicators of Thailand

	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006
Population, million	51.58	55.85	59.4	62.41	62.91	63.43	63.96	61.97	62.42	62.83
Annual GDP Growth Rate, %	4.6	11.2	9.2	4.8	2.1	5.4	6.7	6.3	4.5	5.0
Agriculture, % of GDP CP	-	12.5	9.5	-	9.1	9.4	10.3	10.1	9.9	-
Industry, % of GDP CP	-	37.2	40.8	-	42.1	42.4	43.6	43.5	44.1	-
Services, % of GDP CP	-	50.3	49.8	-	48.7	48.1	46.2	46.4	46	-
Per capita GDP, baht	20,483	39,104	70,474	78,891	81,601	85,951	92,857	99,127	106,816	117,362
Annual Export change, %	10.3	14.2	23.6	25.2	4.1	1.3	14	21.6	15	17.4
Annual Import change, %	2.5	27.4	28.8	30.8	10.4	0.8	13.1	25.7	25.9	7
CAB, % of GDP	-3.9	-8.4	-7.9	7.6	5.4	5.5	5.6	1.7	-4.5	1.6

Source: CP: Current prices, CAB: Current account balance. ADB County Fact Sheet 2003. Figures after 2004 are taken from the Bank of Thailand 2007.

Remarkable change of the growing Thai economy can be seen in export and import figures of 1990s in Table 4. Of course this uncontrolled growth with heavy reliance on informal conduct of business, and uncontrolled expansion of credit in the market with rising number of financial institutions have all contributed to the Asian financial crisis of 1997¹³³. Nevertheless, steady growth of foreign trade after the year 2000 is also evident in Table 6.1. to show the rising necessity of FTA talks as a

¹³³ MacDonald 1998: 690.

diplomatic tool of the region since 2001.

Domestic determinants of foreign policy making in Thailand have transformed along political, economic and social developments. Initially, where combination of foreign policy mechanism with bureaucratic, military and party elites created clash of interests in most of the foreign policy making cases, monarchy gradually lost its control on politics. Changing implication of monarchy also underwent along the changing position of military-governed bureaucracy. According to McCargo, this old 'network monarchy' has turned into a 'network governance' during the 1990s and lost its control on politics in 2001 with election of a totally civilian and 'unknown' leader, Thaksin Shinawatri, as the top executive. Another domestic factor, which transformed the foreign policy making mechanism into a more independent one was a stable economic environment created by relatively long term governments. During this time, business groups combined their economic interests with domestic and national interests of the country by taking positions in the government. Steady economic growth and development of the middle class alongside the business politics during the early 1990s have culminated spark changes within the economic system in Thailand (Table

6.1). The baht was made convertible, control on interest rates and stock markets were relieved and offshore banking system was initiated¹³⁴. May 1992 anti-government protests further encouraged civil society and the middle class to present themselves. Economic growth of society, which is accompanied with a positive growth of account balance (which was -3.9 per cent of GDP when liberalisation reforms started in mid 1980s and became 7.6 per cent when first FTA talks started during the term of PM Chuan, see Table 6.1) further increased the regional power of the Thai business elites and encouraged an independent Thai foreign policy.

Regional developments, on the other hand, contributed to further independence of foreign policy making. First of all, gradually stabilizing regional balance and downplayed role of the old border demarcation problems in Indochina have helped transformation of policy making at both domestic and national levels. Secondly, closed nature of foreign policy making was opened by civilian, business-oriented elites who take the lead. Thirdly, non-traditional security issues of drug trafficking, smuggling, transnational crime and refugees necessitated a collaborative handling of the regional

¹³⁴ Baker and Phongpaichit 2005: 253.

issues among the neighbouring countries. Furthermore, improving ASEAN regionalism with AFTA and lack of any leadership in the region have also given an opportunity to Thailand to present itself as the next leader of the region. Last but not least, Asian financial crisis and lack of any immediate international support in the aftermath of the crisis enforced Thailand to opt for more independent policy options on dealing with regional matters. Hence, Thailand, which has long aspired to act as a bridge in the region and between ASEAN and regional players, transformed itself into a more self-reliant stance on both economic and security measures and improved its own independent foreign policy with leadership premise in Southeast Asia¹³⁵.

6.2.2. Results of Empirical Survey on FTA Policy Making in Thailand

The survey on FTA policy making was conducted in Thailand, December 2006. The survey aimed at collecting necessary documentation about Thai foreign policy making and empirical data on influential actors and factors about FTA policy making. The methods of data gathering were interviews (13 in total) and questionnaires

¹³⁵ Buszynski 1994:723.

(14 in total). Although the respondent number is limited, the questions of the questionnaire and interviews were organised around similar topics covering the level of knowledge of the respondents about AFTA, ACFTA, important actors and factors of the FTA making in Thailand. Opinion about specific FTAs by asking which FTA would be beneficial for the Thai economy and society and impact of FTA on Thailand's position in Southeast Asia is also tested. Main respondents were four main groups of bureaucrats, business people, academic institutions, and policy/research centres. Actors, which were thought to be influencing foreign policy making, are executive party, top ministry officials, bureaucratic ministerial officials, business groups, agricultural/fishery industries, research/policy centres, academic institutions, mass media and NGOs/NPOs.

Mean values in the scale of 1 to 5 of each actor within FTA policy making processes are calculated by appearance of each actor for each FTA case of Thailand according to the respondents' answers and shown in Figure 6.1. As business network of foreign policy making has gained importance with economic interests, it is obvious from Figure 6.1 that the business groups, in addition to the executive party, are one of the core actors, shaping the FTA direction of Thai economy. While the mean point of

the executive party is 4.29 out of 5, business groups are also influential with average of 4.04. In addition to the executive party, ministries also still hold the grip on FTA negotiations. Although NGO/NPO groups play a small role in selected FTA cases, their presence in overall FTA negotiations are also considerable.

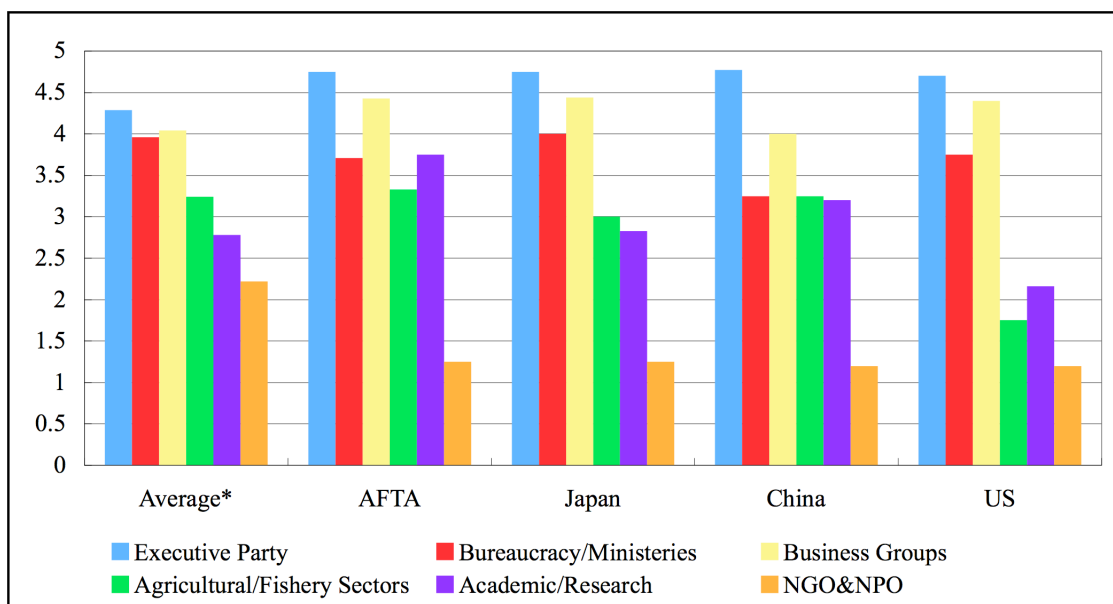


Figure 6.1: Influence of Actors in FTA Decision Making of Thailand

Source: Created by author. *Average values of the actors are calculated from the average of the eight FTA cases. These eight FTA cases are AFTA, JTEPA, Thailand-China FTA, Thailand-US FTA, Thailand-CER FTA, Thailand-Australia FTA, Thailand-India FTA and Thailand-BIMSTEC FTA. This figure shows only the average and the first four of these eight FTA cases. Complete values of all cases are in Appendix 11.a.

Meanwhile, Figure 6.2 presents the factors (political, economic, social, regional, domestic and international) that shape the FTA considerations in Thailand.

While economic factors are equally important as political factors (4.22 and 4.23 average

out of 5 respectively), domestic factors, which connote mainly rising transparency and accountability of the political, and business groups in society also play important role (4.14 out of 5) in shaping the FTA policies.

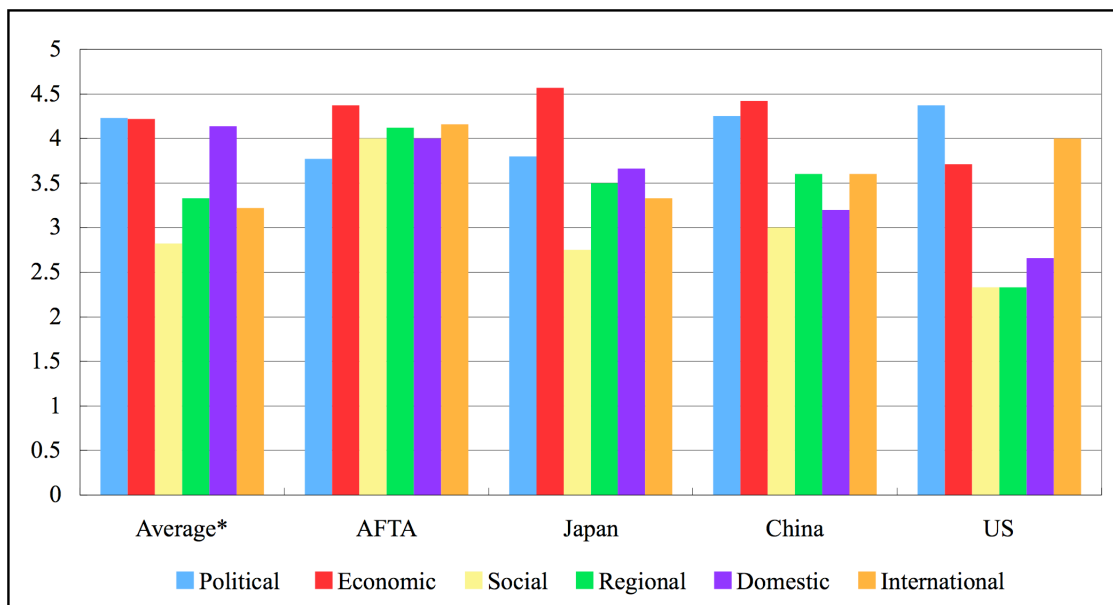


Figure 6.2: Influence of Factors in FTA Decision Making of Thailand

Source: Created by author. *Average values of the factors are calculated from the average of the eight FTA cases. These eight FTA cases are AFTA, JTEPA, Thailand-China FTA, Thailand-US FTA, Thailand-CER FTA, Thailand-Australia FTA, Thailand-India FTA and Thailand-BIMSTEC FTA. This figure shows only the average and the first four of these eight FTA cases. Complete values of all cases are in Appendix 11.b.

When it comes to the impact of regional trade arrangements like AFTA or ACFTA, respondents display certain group pattern of indecisiveness about the economic benefits of FTAs. Although most of the respondents agree on the political as well as economic benefits of bilateral FTAs, economic benefits are more questioned and

treated cautiously, especially by policy/research centres and academic groups. Although the size of survey was relatively small to give a common opinion about FTA policy making pattern, it is clearly displayed that, there is a common difference in respondents' considerations between the importance of actors/factors influencing FTA making and political/economic impacts of completed FTAs on the Thai society.

One of the reasons for this indecisiveness among the respondent groups is insufficient dissemination of information about the social and long-term impacts of FTAs. Related to this, growing concern about agricultural impacts of FTAs play another role in dispersed opinions about trade agreements. Although the ratio of agricultural share of the GDP has been shrinking, agricultural goods are still important export products¹³⁶. Government has taken measures like creating a special fund of 10 billion Baht in order to help farmers adjust themselves to the trade liberalisation of FTAs but most of the funds were meant for big firms and other export-oriented ones instead of the small-scale entities¹³⁷. Apart from agriculture-related social and domestic impacts of FTAs, similar concerns were figured out about the essential outcomes of trade

¹³⁶ Bank of Thailand 2007. Table 6.1 figures of agriculture.

¹³⁷ Zamroni 2006.

agreements. Table 6.2. indicates the most favoured nation import tariff rates of Thailand. Tariff rates for Thailand are 10 per cent in total, 22.1 per cent in agriculture and 8.2 per cent in non-agricultural goods while the same ratio for other FTA partners like Japan is 5.6 in total MFN imports applied and 24.3 for agriculture and 2.8 for non-agricultural goods. Hence, it is argued that any change in the high tariff rate of Thailand would not bring any profit with any tariff change from developed countries but influx of cheap products from the developing ones. The same criticism is also made for non-agricultural industries¹³⁸.

Table 6.2: Simple Average MFN Imports Tariff Rates of Thailand and Its Main FTA Partners

2006, %	Total	Agriculture	Non-agriculture
Thailand	10	22.1	8.2
Japan	5.6	24.3	2.8
China	9.9	15.7	9
United States	3.5	5.3	3.3
Australia	3.5	1.2	3.9
New Zealand	3	1.7	3.2
India (2005)	19.2	37.2	16.4
EU (25)	5.4	15.1	3.9

Source: WTO 2007a.

Deriving results from Figure 6.1 and 6.2, its can inferred that economic

¹³⁸ Not only agricultural difficulties, it was also claimed that the manufacturing benefits of the FTAs can not be utilised by the Thai business because of the fact that almost 80 per cent of the market production shares, sales and exports are managed by the Japanese companies. Prachason 2007.

incentives along bureaucratic and political considerations have strong impetus on trade negotiations. But the same determination about political and economic impacts of FTAs cannot be observed. Especially the non-bureaucratic groups have more divergent opinions about the potential effects of FTAs in Thai economy. By taking into account the lack of bureaucratic and technical preparation for the negotiations and lack of public awareness about the potential economic and social impacts of FTAs, this result is expectable along mounting eagerness of certain interest groups like policy/research centres and NGO/NPOs. Razeen Sally points out that there is a lack of coordination within each ministry in charge, limited preparation for negotiations, need for strong inter-ministry coordination and poor publicity about the domestic impacts of FTAs in society (2007). Trade liberalisation process is also criticised by forcing too many FTAs at the same time without prior feasibility study. Since PM Thaksin was in favour of more FTA linkages, he made use of the legislation by implementing mere government decrees than parliamentary ratification for approval of FTAs. As the recent interim government pledged for already completed FTAs, the government promised not to sign any further FTA without ratification of the new constitution. Nevertheless, when PM

Surayud Chulanont completed JTEPA with PM Abe of Japan in April 2007, there were fierce protests against the legality of the agreement, claiming that the agreements should have gone to the Parliament for ratification¹³⁹.

6.2.3. FTA as a Foreign Policy Initiative in Thailand

When trade negotiations started between US and Thailand in 2002, it was widely welcomed by both business elites and bureaucratic officials. There were reports implying that Thailand needs further modernisation of its services, level of technology, know-how and upgrade its labour and management skills, so that it could catch up with the competitiveness of China and Vietnam and get benefit from the trade arrangements¹⁴⁰. However, after PM Thaksin gave support to the `war on terror` policy of the US, it was possible to open trade talk with the neo-conservative trade policy makers in Washington¹⁴¹. As can be seen from this example, FTA can be used as a pragmatic instrument, which should not necessarily mean immediate economic benefits in the short term. The changing nature of FTA preparation and implementation

¹³⁹ The Strait Times 2007 and Bangkok Post 2007.

¹⁴⁰ TDRI 2003.

¹⁴¹ Arnold 2006: 197-200.

according to above questionnaire analysis also proves the changing Thai foreign policy making, whereby Thai government finds political reasoning while forging especially bilateral FTAs¹⁴².

In the aftermath of 1997 Asian financial crisis, Thai Rak Thai (TRT) of Thaksin Shinawatri was established with the motto of refreshing and strengthening society, shaken by the catastrophic effects of the crisis, through managing globalisation and regional leadership. Thaksin started his term with a bolstering reform program of political transition in order to control the `network monarchy` of the Thai politics by turning it into a `business network` one. Although Thaksin put his agenda on empowering the poor, opposing the neo-liberal reforms and blaming the IMF to be the causes of the crisis, he was also aware of the need for further internationalisation of the Thai economy¹⁴³. Domestic politics has been interrupted again by the military overtake of the Thaksin government in September 2006 and the so-called `network monarchy` shows its stronghold on business elite-driven politics. Transformation of a more interdependent and economy oriented foreign policy making in Thailand seems to be

¹⁴² Personal interview, Bangkok 2006c.

¹⁴³ Hewison 2005: 316-321.

deeply involved with already established bilateral and regional arrangements of Southeast Asia, albeit there are counter-arguments against FTAs.

As for FTA policy making mechanism, there are central ministries, which is in collaboration with certain industries via Thai Chamber of Commerce and Federation of Thai Industries. There was also International Economic Policy Committee, which was mainly composed of government officials (on trade matters from the Ministry of Commerce, investment from the Board of Investment, finance from the Bank of Thailand and tax issues from the Ministry of Finance) and academic experts, reported to the negotiating ministries about the economic benefits and costs of each FTA case¹⁴⁴. After consultations while taking the government positions for official negotiations, related committees dealt with each issue. While the main committee, which was responsible for trade negotiation with the chief negotiator, presided the talks with the potential partner, coordinating committee combined different opinions of each committee with that of the academic study group and then reported to the prime minister. However, this coordination mechanism was troubled by inter-ministry

¹⁴⁴ Talerngsri and Vonkhorporn 2005: 63-65.

conflicts. Then, each chief negotiator pursued his/her strategy¹⁴⁵. In terms of decision-influencing actors, legislatures, trade unions and NGOs play limited role.

While the Ministry of Commerce has played key role for trade policies, the Ministry of Foreign Affairs has become active in FTA negotiations by providing the chief negotiators in critical cases of FTA¹⁴⁶. Meanwhile, business sectors, via their representatives like the Thai Chamber of Commerce and the Federation of Thai Industries, have also increased their say during the FTA policy making.

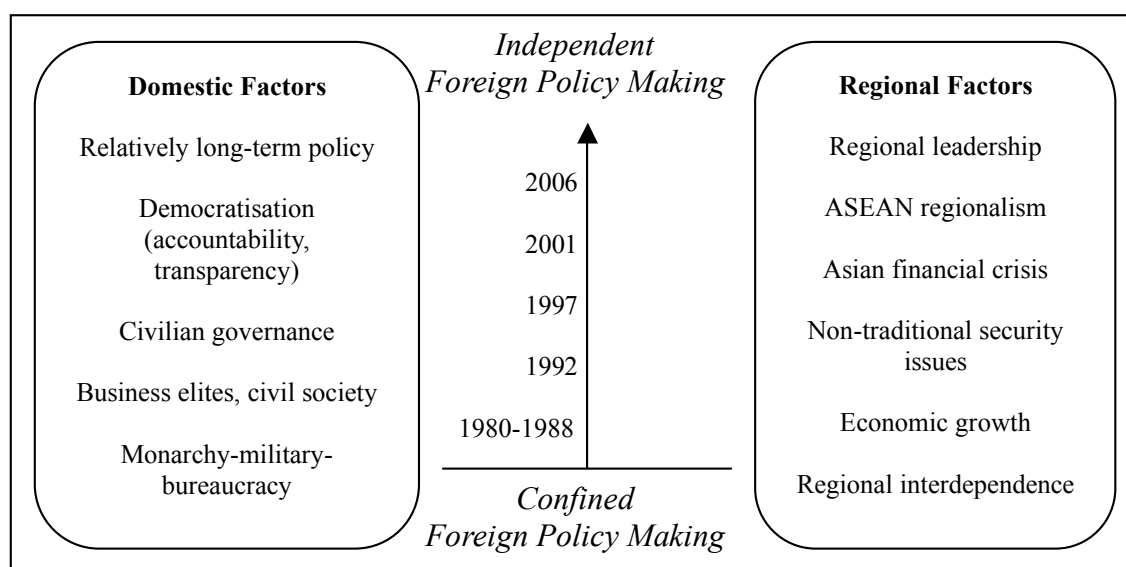


Figure 6.3: FTA Policy of Thailand with Domestic and Regional Factors of Foreign Policy Making Mechanism

Source: Created by author.

¹⁴⁵ Personal interview, Bangkok 2006d.

¹⁴⁶ Sally 2005.

Figure 6.3 summarises the Thai foreign policy making transformation from a limited and domestic oriented into a more independent and self-reliant nature with both domestic and regional factors. Actors like leaders, which have generally had military or royalist endorsements with collaboration of strong bureaucratic officials have focused on FTA in the beginning of the 1990s. Nevertheless, gradual changing configuration of the society started with economic growth and regional developments in Southeast Asia enhanced Thai presence in regional and international affairs with self-reliant business networks. As can be seen in the flow of the column of domestic factors from the monarchy-military-bureaucratic network politics towards the top, an incremental degree of practicality and interdependence in foreign policy making is obvious. Of course, main focus has always been political transformation of the elites and civil society, regional developments created proper environment for emancipation of foreign policy making.

6.3. Summary and Conclusion

Chapter 6 analyses the FTA agenda of Thailand as one of its important

foreign policy instruments in recent years. The reason for analyses of the Thai FTAs is to test the hypothesis one that FTA/EPA policies of Japan are formed not only through economic considerations but regional-political developments and responses of Japan to these developments also shape the Japanese FTA/EPA decision making mechanism.

Analysis of Thai FTAs is chosen by keeping in mind that Thailand is the most FTA forging Southeast Asian country after Singapore. The other reason for taking Thailand as comparison to Japan is that Thai perception of FTA making looks relatively similar to the Japanese FTA/EPA mechanism than Singapore or any other Southeast Asian country.

The first part of this chapter analyses current regional FTAs in Southeast Asia. The second part examines formulation of FTA in Thailand while the last section of this part concludes by defining FTAs of Thailand as new foreign policy initiatives. Indeed, FTAs have become more eligible with both domestic and regional changes of the Thai foreign policy making mechanism. While practical policy making through elites still continues, business network politics have gained power as non-military and bureaucratic elites. Though the interim government is in power after an

over-personalised 5-year term of PM Thaksin, emphasis on FTA still continues from executive, business elites and the government itself.

As can be followed from the regional factors column of Figure 6.3, implicit chronological order of regional developments have accompanied opening of the Thai politics with economic interest towards Southeast Asia. With growing Thai economy and the need for natural resources accompanied by larger market search, Thai business elite necessitated further opening and liberalisation. Failure of multilateral liberalisation of the WTO system further convinced Thai business elites and executives to go on regional and bilateral FTA talks. Asian financial crisis also forced Thailand to go for more practical economic engagements. Thailand initially turned to AFTA in order to increase the strength of regional economies. Nevertheless, economic differences among the old and new members and slow functioning mechanism within AFTA pushed Thailand to go for bilateral FTAs. Weak political leadership within ASEAN, on the other hand, enhanced regional 'leadership' premises of Thailand rather than being just a 'bridge' in among the ASEAN members.

CHAPTER 7

CONCLUSION: JAPANESE EPA AS A FOREIGN POLICY INSTRUMENT

7. 1. Japanese Economic Partnership Agreements

This work has been conducted to search about `strategic EPAs` of Japan from the perspectives of international relations by examining the Japanese FTA/EPAs as foreign policy tools of Japan towards East Asia. Main hypothesis and results of the work are detailed in Table 7.1.

Table 7.1: Hypothesis and Results

Hypothesis	Results
H 1: FTA/EPA policies of Japan are formed not only through economic considerations but also regional-political developments and responses shape the Japanese PTA/FTA decision making mechanism.	Result 1: `Strategic EPAs` shift Japan's foreign policy into a more pragmatic and `asymmetric functional regional cooperation` oriented one.
H 2: EPAs have emerged as one of the main foreign policy instruments of Japan: `Strategic EPAs`.	
H 3: EPA issues are used as tools of domestic transformation within the decision making mechanism.	Result 2: Politically defined EPAs, derived from regional factors, transform the domestic policy making environment.

Source: Created by author from Table 1.3.

Chapter 1 is the introductory part of the work to explain the framework of the research, methodology, literature review as one method of the hypothesis testing and the structure of the chapter organisation. Chapter 2 explains formation of preferential trade agreements and the linkage between preferential trade agreements with various regional cooperation discussions. The first part presents necessary background information about theoretical definition of PTAs, RTAs, FTA/EPAs and BTAs. As it is previously mentioned in Chapter 1, the term FTAs are used for East Asian trade arrangements while the term FTA/EPA is used in reference to the Japanese preferential trade agreements. Proliferation of RTAs from the classical WTO principles into politically defined FTAs and EPAs upon strategic necessities of signing partners, i.e. states, is one conclusion to be derived from this chapter. The second part discusses different regional cooperation frameworks in East Asia. It is argued in this part that FTAs are also part of the recent regional cooperation experiences of East Asia alongside ASEAN, APEC, ARF and ASEAN+3 and ASEAN+6 frameworks.

Although FTAs are inclusive parts of these processes, there is a rather comprehensive framework of Asymmetric Functionality Model-AF Model to explain

the recent regionalism tendency in East Asia. This model is briefly introduced in Section 2.2. Indeed, Japan's strategic FTAs and the recent position of Japan within changing East Asian regionalism can be better understood by elaboration of this model which proposes composition of functional mechanisms of political, economic and social interactions of the asymmetrically divergent units of East Asia. FTA/EPAs of Japan have also gradually been instruments of this functional cooperation mechanism in terms of their practicalities as mentioned in Section 2.1. The last part of this chapter discusses another alternative regional cooperation scheme; i.e. Northeast Asian Development Bank in order to present larger picture of regional cooperation in East Asia.

Chapter 3 is rather an explanatory part to give political and economic formation of the recent Japanese EPA policy making with a special focus on Japan and Southeast Asian economic relations. It starts with classical foreign policy making discussions as theoretical background with emphasis on the current foreign policy making mechanism of Japan. Domestic and regional variables of the Japanese foreign policy making are pointed out by analysing economic relationship between Japan and Southeast Asia. The second section connects the discussion of the Japanese foreign

policy making to 'strategic EPAs' by focusing on classical definition of Japan's FTAs and transformation of this classical FTA understanding. The last section analyses the EPA policy making with its domestic and regional determinants in Table 3.3, Table 3.4 and gives the list of the recent FTA/EPA cases.

It is discussed in this chapter that Japan's foreign policy making process has been transformed into a more active and self-reliant one in the period beginning with the Gulf War and end of the Cold War experiences. Rising tendency of regionalism in East Asia and growing challenge on regional leadership from China were the constraints, Japan has taken seriously. Recognition of the importance of regional but rather bilateral FTAs and EPAs is also a symptom of transforming Japanese foreign policy mechanism. It is argued in the last sections that, although Japan has been traditionally against any preferential trade agreement, regional tendencies have forced domestic transition of the foreign policy making mechanism. Then, 'strategic EPAs' or 'new age FTAs' were born not for potential economic benefits of these agreements but their strategic implications for Japan's stance in East Asia.

Chapter 4 aims to compare Japan's current EPA cases in terms of their

economic and technical preparation aspects in order to argue hypothesis one that the recent FTA cases are mainly formed for political economic benefits than just economic interests. This hypothesis is tested in terms of economic, technical perspectives of FTAs in Chapter 4 while political economic aspects of FTAs are examined in Chapter 5. The first section of Chapter 4 looks at technical preparation process of trade arrangements with cumulative information on chronological order, issue orientation, scope and regional integration aspects of the FTA cases. The second section details investment and trade interdependency aspects of the Japanese FTA/EPAs with figures on bilateral basis. Fresh FTA/EPA proposals and regional trade arrangements are briefly mentioned in the third section.

It is inferred from technical and economic comparisons of each FTA/EPA case of Japan that hypothesis one is true to reach to the result that Japan's FTAs are not economic interest oriented formulation but rather 'strategic tools' to clarify stance of Japan vis a vis changing regional dynamics in East Asia. It is obvious that FTAs are by nature politically oriented. Nevertheless, this chapter confirms this hypothesis by showing lack of relevance of trade interdependency and investment potential of each

FTA case to Japan's economic interests. In addition, it is also aimed to show in this chapter that although there is not much trade creation impact of the most of the Japanese FTA/EPAs, there is still a growing emphasis on signing more FTAs from the Japanese side. Hence, Japan has increasingly been using FTAs as crucial foreign policy tools in East Asia in recent years.

Chapter 5 deals with political economic aspect of the FTA cases of Japan. As part of the hypothesis testing, empirical survey about perception of the decision-making actors about the Japanese FTA/EPA was conducted in Japan. The aim of the survey was to test hypothesis one that FTAs are not only economically inclined foreign policy instruments but also shaped by regional-political developments. Hypothesis three, that EPAs are also used as transformation tools of the domestic decision making structure in line with regional changes in East Asia, is also tested in this chapter.

The first part introduces this questionnaire and interview survey. The second part elaborates implementation of the survey between May 2006 and August 2007 in Japan. The third part gives detailed analysis of the questions raised in the questionnaire. Figure 5.1 and Figure 5.2 elaborates non-Japanese FTAs in East Asia while the rest of

the figures focus on the Japanese FTA/EPAs.

Two main results are derived from Chapter 5: First, non-Japanese regional FTA, i.e. ASEAN FTA and China-ASEAN FTA are more economic interest oriented while the Japanese FTA/EPA are prone to be more comprehensive with both economic and political inclinations. Hence, 'strategic EPAs' of Japan are on the surge as configured in result one. Second, there is a clear tendency of increasing awareness about FTA/EPAs in each group. Especially bureaucracy and business groups have more persistent opinions in forging FTAs while academic and institutions with other interest groups have more cautious perceptions about impact of FTAs in Japan. Hence, these findings are closely related with result two that FTA/EPA are forces of domestic transformation since the beginning of this decade.

Chapter 6 analyses the FTA agenda of Thailand as one of its important foreign policy instruments in recent years. The reason for analysis of the Thai FTAs is to test hypothesis one that FTA/EPA policies of Japan are formed not only through economic considerations but regional political developments and responses of Japan to these developments also shape the Japanese FTA/EPA decision making mechanism.

Analysis of Thai FTAs is chosen by keeping in mind that Thailand is the most FTA forging Southeast Asian country after Singapore. The other reason for taking Thailand as comparison to Japan is that Thai perception of FTA making looks relatively similar to the Japanese FTA/EPA mechanism than Singapore or any other Southeast Asian country.

The first part of this chapter examines current regional FTAs in Southeast Asia. The second part scrutinises formulation of FTA in Thailand while the last section concludes by defining FTAs of Thailand as new foreign policy initiatives. Indeed, FTAs have become more eligible with both domestic and regional changes of the Thai foreign policy making mechanism. While practical policy making through elites still continues, business network politics have gained power as non-military and bureaucratic elites. Though the interim government is in power after an over-personalised 5-year term of PM Thaksin, emphasis on FTA still continues from executive, business elites and the government itself.

7.2. Comparison of the Japanese and Thai FTA Policy Making

As can be followed from the regional factors column of Figure 6.3, implicit chronological order of regional developments have accompanied opening of the Thai politics with economic interest towards Southeast Asia. With growing Thai economy and the need for natural resources accompanied by larger market search, Thai business elite necessitated further opening and liberalisation. Failure of multilateral liberalisation of the WTO system further convinced Thai business elites and executives to go on regional and bilateral FTA talks. Asian financial crisis also forced Thailand to go for more practical economic engagements. Thailand initially turned to AFTA in order to increase the strength of regional economies. Nevertheless, economic differences among the old and new members and slow functioning mechanism within AFTA pushed Thailand to go for bilateral FTAs. Weak political leadership within ASEAN, on the other hand, enhanced regional 'leadership' premises of Thailand rather than being just a 'bridge' in among the ASEAN members.

Analysis of the Thai FTAs is taken as the case study of this work, as it is believed that the Thai and Japanese PTA policy making attitudes might have both

similarities and differences. Similarities might have emerged due to potential leadership capabilities of each country within their realms. Both countries have strong agricultural and traditional industries, which seemed to be resistant to further PTAs and regional opening. Nevertheless, differences are also obvious as economic structure of the two countries are diverse and have different linkages with their regions. ASEAN has been a crucial foreign policy issue for Thailand, while Japan has been struggling to retain its regional leadership position in entire East Asia.

Thai trade policy, as common in the other Southeast Asian states, is more centralised among the key ministries, usually ministry of commerce and foreign affairs, and does not hear the voices of legislation, trade unions, NGOs. But the recent trend is inclined more on the business side as the internationalising business elites gain greater say for further FTAs and analyse not only the regional-strategic interests but economic benefits of Thailand as well¹⁴⁷.

Hence, the Thai trade policy is more centralised than the Japanese one, whereby multi-headed decision making and consultation process still continues in the

¹⁴⁷ Sally 2007.

Japanese case. Business, however, has similar impacts in both countries by supporting the ministries, promoting PTAs through business groups and associations. Especially in Thailand, industries gained more proactive stance vis a vis their economic interest with PTAs. The other peculiarity to be driven from the Thai-Japan FTA comparison is that Thai inclination to forge FTAs is originated from the domestic necessities like prime minister, ministries or business initiatives. Of course, leading figures of FTA/EPA policies in Japan are also related ministries and it is often discussed that business elites have greater say for FTAs in Japan. However, initial press often comes from outside, which is mainly regional cooperation tendencies and other FTA negotiations of the neighbours and/or ASEAN countries. Hence, Thai experience of FTA making is a crucial analysis in order to see these particularities of the Japanese FTA/EPA policy making.

7. 3. Japan's Strategic EPAs in East Asia: Asymmetric Functional Regional Cooperation

It is restated in this work that Japan's perception of FTA/EPA and regional

cooperation has been changing with the impact changing regional dynamic and regional cooperation itself in East Asia. Hence, a new approach of asymmetric functionality model is mentioned throughout the work to provide a theoretical framework for this changing relationship between Japan and East Asia. *AF Model is a framework of economic co-operation along with functional mechanisms of political and societal interactions of the asymmetrically divergent units of its region*¹⁴⁸. It is necessary to clarify what this model means at first hand. To begin with asymmetry, it is diversity of power, capability, interest and commitment of each unit, which ranges from states to non-state and inter-state actors. Different capability and defined interest of each unit lead to variable unit of analysis along functional level of interactions. Unit of analysis of a possible regional gathering is re-defined by asymmetry of the units towards each other in this model. Main feature of this asymmetry is *asymmetric diversity*, which brings benefits to the units depending on the content of the issue and time extent of each interaction. *Complementary gain*, which turns relative gains into complementary ones in given time and different functional levels of analysis, is another feature of this model.

¹⁴⁸ Discussion about the AF Model is based on the paper, “An Approach to Promote Regional Economic Cooperation in Asia: Asymmetric Functionality (AF) Model”, published at the Ritsumeikan Journal of Asia Pacific Studies. Uyar 2007.

Thus, one's relative gain would be a complementary one for the other in a different level of interaction¹⁴⁹. *Relative leadership* is another characteristic by which there is no need to only one leader but complementary, limited leadership advantages within each functional grouping at different level of interactions in the region. There would be more than one leading platform depending on the level of analysis and issue of the interaction according to its relative time consideration. *Scope* of the framework, which covers any unit that is in interaction in East Asia, is another distinctive feature of the model. While focusing on the unit of analysis as state, inter-state and non-state actors, it is crucial to mention undeniable contribution of NGOs to the development of the concepts of region as well.

Functionality of the interactions through formal and informal institutions is one of the main features of regionalism patterns in the literature. The AF Model also emphasizes the feasibility of *informal form of functionality*, keeping in mind that 'relative disparity shift' might damage commitment of less capable units to their regional grouping¹⁵⁰. Hence, enhancing the *commitment* of units around the core

¹⁴⁹ Milner 1992: 468.

¹⁵⁰ Grieco 1997: 176.

economic functions via confidence building political, security mechanisms and societal communications, i.e. informal institutions, is the motto of the model. The Model has also *transparency* aspect through which it can be implemented even as an umbrella framework for the other approaches like open regionalism and sub-regionalism. Therefore, AF Model is not a framework which rivals against other platforms of ASEAN, ASEAN+ platforms or APEC. However, it proposes a well covering framework of interaction even among these platforms. FTA as one level of interaction can also be well suited into this framework.

Diversity has always been a natural characteristic of East Asia. Hence, classical definitions of region and regionalism can not be effectively used for the asymmetric nature of the Asian units of any regional interaction. Economic development of the main East Asian countries is one crucial driving force behind further regional economic cooperation premises. However, there is also a need to combine those functional mechanisms with the pluralist understanding of the state as a non-unitary actor and acceptance of other non-state actors regarding their merits and capabilities for the governance necessities of today's international relations. Keeping in mind this

subjectivity and non-unitary nature of the state, any kind of regional membership is better to be open not only to states but also transnational groupings, unions, MNCs and NGOs in order to bring the societal level to the governance agenda. Then, these unit of analysis require an asymmetric interaction to keep the consensus of each actor at relatively different but complementary level.

Of course, AF model is complex with different levels of interaction and units of analysis. As for the functional aspect of the model, it combines both economic, political, security as well as societal issues as instruments of regional economic co-operation. Meanwhile, the asymmetric aspect of the model invites all state and non-state actors to be represented as the units of regional co-operation. To restate, AF Model is not a counter-argument against the already established approaches like regional institutionalism or open regionalism, nor it is declining the contributions of the regional co-operation patterns like APEC or ASEAN+. Nevertheless, AF Model is only a framework to understand the better attainment of regional differences in one common platform by either proposing new approaches and/or patterns or refocusing on the existing ones. This sort of asymmetric functional regional co-operation can respond to

divergent nature of the region while bringing more progress to the ongoing economic development and stability in East Asia.

In this study, EPAs of Japan are analysed from the international political economic point of view with an attempt to define Japan's 'strategic EPAs'. To discuss this evolution of EPAs, different methodologies are used in each body chapter of this work. Table 7.2 formulates relationship between the main inquiries (the top row), method of hypothesis testing (the middle row) and main arguments (the bottom row).

Table 7.2: Hypothesis Testing

Hypothesis Testing			
Literature gap	Dynamic nature and comparisons of EPAs	Foreign policy making, changing determinants	Different actors and factors of EPA policy making process
Methodology			
Literature review (Ch 1)	Simulation (Ch 4)	Case Study (Ch 6)	Interview & questionnaire (Ch 5)
↓	↓	Results	↓
Realist pragmatism Asymmetric functional cooperation	Not only trade oriented but gradually extending EPAs.	Thailand: FTA Japan: EPA	Institutionalisation Domestic reform

Source: Created by author from Table 1.2.

Methods of literature review, simulation of economic comparison of the recent Japanese EPA cases, case study of comparison between the Thai and Japanese

PTA policy making and questionnaire/interview survey of the recent actors/factors of the Japanese EPA policy making are used in order to test above hypothesis. Hence, it is obvious that asymmetric functional nature of any regional platform of East Asia match FTA/EPA policy approach of Japan.

As a result, it is examined in this research that Japan has gradually transformed its classical understanding of FTA policy making and formulated `strategic FTA/EPAs` as a response to changing regional dynamics of East Asian asymmetric functional regional cooperation. In addition to that, Japan has also utilised its politically defined FTA/EPA policy making tools in order to transform the domestic policy making environment to be able to maintain its status in East Asia. To conclude, contribution of this work to its related literature can be summarised as;

- a. Emphasis on foreign policy aspect of FTA/EPAs with quantitative and qualitative data.
- b. Combining political and economic impacts of EPAs with the Japanese domestic/regional policy making environment.
- c. Emphasis on transforming Japanese foreign policy making mechanism with a focus

on FTA/EPA and domestic policy making actors.

d. Attempt to see Japan's position with an interdisciplinary perspective of asymmetric functional cooperation framework in East Asia.

7.4. Inquiry for Future Research

This research is made to reassure importance of Japan's strategically composed FTA/EPAs as foreign policy instruments to adjust to the dynamic changes of East Asia regional cooperation frameworks. Since the main argument was to place FTA/EPAs into Japanese foreign policy making mechanism. *For this reason, whether FTAs are beneficial or detrimental to the Japanese political economy is not argued in this research.* Although, mainly the most recent literature has been surveyed for the analytical background of the research, there is still a considerable amount of insightful work, which has been done on different aspects of the Japanese FTA/EPAs. *Other aspects of FTA and Japanese foreign policy analysis are also left out of analysis for the sake of logical consistency of the work.* Hence, future academic inquiries on the Japanese FTA/EPAs could extend the research, initiated in this work, by including

different aspects.

As the focus is mainly on Japan's EPAs towards East Asia, other FTAs of Japan are not covered in detail. Hence, further analysis can be made in future surveys by examining other inter-regional FTA/EPAs of Japan too. Last but not least, the same questionnaire and interview survey can be conducted in five-year term and analysed with a comparative methodology while keeping in mind the same/similar hypothesis. The results must be vital to examine changing parameters of Japan's FTA/EPA policy within its foreign policy making.

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Appendix 1: Summary of Japan-Singapore EPA

AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF SINGAPORE FOR A NEW-AGE ECONOMIC PARTNERSHIP

January 2002
MOFA, METI

Objectives

- To promote a freer trans-border flow of goods, people, services, capital and information between the two countries, and to strengthen linkages in economic activities; in other words, to reduce economic borders.
- To contribute to promote economic partnership and linkages of the two countries in a comprehensive manner not only on trade and investment but also includes such areas as financial services, information and communication technology and the human resource development.

Impact

- Creating more attractive markets through closer cooperation between markets in the two countries.
- Providing stimulation for economic reforms in both countries as well as revitalizing of the economies of the two countries.
- Complementing and reinforcing the multilateral trading system.
- Developing closer political and diplomatic relations between the two countries and promoting greater mutual understanding between their respective citizens.

Facilitating Trade in Goods

Tariffs

- Over 98% of tariffs on the items that is traded between the two countries will be eliminated (as of 2000, based on monetary value)
- Eliminate all tariffs on Japanese exports to Singapore.
- Eliminate tariffs on approximately 94% of Japan's imports from Singapore.

Rules of Origin

- Prevent circumvention of goods from third countries.

Customs Procedures

- Simplify customs procedures; cooperate on harmonizing with international standards.

- Promote electronic filing and transfer of trade-related documents.
- Facilitate trade by providing a framework to enable conformity assessment procedures required in the importing country for telecommunications terminal equipment and electrical products, to be done in the exporting country.

Movement of Natural Persons

- Facilitate the movement of natural persons between the two countries for business purposes and recognise professional qualifications mutually.

Human Resources Development

- Promote exchanges of students, scholars and teachers and government officials between the two countries.

Tourism

- Promote to increase tourist between the two countries.

Science and technology

- Promote exchanges of scientists in the field of science and technology.

Facilitating Trade in Services

Services

- Liberalize trade in services between the two countries beyond WTO commitments:

Facilitating the Flow of Capital and Information

Investment

- Create an environment that makes it easier for investors in one country to invest in the other by protecting investors and investments, according national treatment to investors and investments in principle, ensuring the appropriate compensation in the event of expropriation and securing free transfer of payments.

Intellectual Property

- Facilitate the patenting process in Singapore by providing the Intellectual Property Office of Singapore with an examination report by the Japan Patent Office

Financial Services Cooperation

- Cooperate in facilitating the development of capital markets in both countries and in Asia and strengthening financial market infrastructure.

Information and Communication Technology

- Cooperate to promote the development of ICT and ICT related services (e.g. facilitation of the procedures of Accreditation/Recognition of the Certification Authorities).

Trade and Investment Promotion

- Cooperate to promote trade and investment between the two countries. (E.g. Missions and seminars, Business study missions to third countries, Sharing JETRO-TDB online databases of Singapore and Japanese companies)

Small and Medium Enterprises

- Promote cooperation among small and medium enterprises. (E.g. Establishment of JETRO Business Support Centre in Singapore)

Source: MOFA 2007a.

Appendix 2: Summary of Japan-Thailand EPA

JOINT STATEMENT AT THE SIGNING OF THE AGREEMENT BETWEEN JAPAN AND THE KINGDOM OF THAILAND FOR AN ECONOMIC PARTNERSHIP

...The Agreement will increase the cross-border flows of goods, investment and services. It will also facilitate the movement of natural persons. The Agreement will, thus, strengthen the economic partnership between the two countries and, in turn, promote the development of the two respective economies. Furthermore, it provides for the facilitation of the mutual recognition, the protection of intellectual property, the enhancement of cooperation in the field of government procurement, the promotion of fair and free competition, as well as the cooperation in the fields of (i) agriculture, forestry and fisheries, (ii) education and human resource development, (iii) enhancement of business environment, (iv) financial services, (v) information and communication technology, (vi) science and technology, energy and environment, (vii) small and medium enterprises, (viii) tourism, and (ix) trade and investment promotion. Pursuant to the negotiations, we further make statements on specific issues as attached to this Joint Statement and affirm our determination to fulfil our shared responsibility contained therein.

We hope that, through the Agreement, Japan and Thailand will be able to make maximum use of respective competitive edge and promote the development of both economies, which will bring about prosperity and stability to peoples in both countries.

The Agreement will foster existing and new business opportunities, enhance competitiveness, and encourage closer partnership between the private sectors of the two countries, including development of and networking among SMEs as well as development of local-to-local linkage, thereby bringing benefit to the grassroots level. We are therefore encouraged by the fact that the private sectors of both countries have already begun exploring how to benefit from the Agreement. We reaffirm the determination of the two Governments, in close consultation with the private sectors and taking into account the interests of stakeholders, to support such efforts.

In this regard, we welcome the Joint Statement between the Minister of Agriculture,

Forestry and Fisheries of Japan and the Minister of Agriculture and Cooperatives of Thailand on cooperation in the areas of food safety and local-to-local linkage under the Agreement. We also welcome the Joint Statement between the Minister of Economy, Trade and Industry of Japan and the Minister of Commerce of Thailand on the following seven cooperation projects, namely: Trade and investment promotion for "Kitchen of the World" project, Japan-Thailand "Steel Industry Cooperation Programme", "Automotive Human Resource Development Institute" project, Energy conservation, Value-creation economy, Public-private partnership, and Textile and Apparels Cooperation. We look forward to the effective and meaningful implementation of these Joint Statements as soon as possible.

We further note the challenges of energy security to the progress of our respective countries and resolve to promote cooperation in areas of energy efficiency and conservation and the development of alternative energy as is also discussed in the ASEAN+3 Ministers on Energy Meeting (AMEM+3 Meeting), with due consideration given to environmental protection. We reaffirm that the two Governments will pursue discussions in further details as to how they can cooperate under this Agreement. We share the view that the enhanced and comprehensive partnership between Japan and Thailand will put the two countries in a better position to contribute to the development of partnerships among countries in the region, including a comprehensive economic partnership and a partnership for development between Japan and ASEAN, and of other regional frameworks...

Tokyo, 3 April 2007

Shinzo Abe

Prime Minister of Japan

Surayud Chulanont

Prime Minister of the Kingdom of Thailand

Attachment

1. Automobiles
2. Most-Favoured-Nation Treatment
3. Investment
4. Mutual Recognition
5. Anti-dumping

Source: MOFA 2007a.

Appendix 3: Real GDP Annual Change of Japan and Its FTA/EPA Partners

(%)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<i>World</i>	2.9	3.2	3.5	2.1	3.1	4.1	1.5	1.8	2.6	4	3.3	3.9	3.4	3.5
<i>Singapore</i>	8.2	7.8	8.3	-1.4	7.2	10.1	-2.4	4.2	3.1	8.8	6.6	7.9	5.5	5.7
<i>Mexico</i>	-6.2	5.2	6.8	5	3.8	6.6	0	0.8	1.4	4.2	2.8	4.8	3.4	3.5
<i>Malaysia</i>	9.8	10	7.3	-7.4	6.1	8.9	0.3	4.4	5.5	7.2	5.2	5.9	5.5	5.8
<i>Philippines</i>	4.7	5.8	5.2	-0.6	3.4	6	1.8	4.4	4.9	6.2	5	5.4	5.8	5.8
<i>Chile</i>	10.6	7.4	6.6	3.3	-0.4	4.5	3.5	2.2	4	6	5.7	4	5.2	5.1
<i>Thailand</i>	9.2	5.9	-1.4	-10.5	4.4	4.8	2.2	5.3	7.1	6.3	4.5	5	4.5	4.8
<i>Brunei</i>	4.5	2.9	-1.5	-0.6	3.1	2.9	2.7	3.9	2.9	0.5	0.4	3.8	2.6	3
<i>Indonesia</i>	8.2	7.8	4.7	-13.1	0.8	5.4	3.6	4.5	4.8	5	5.7	5.5	6	6.3
<i>Vietnam</i>	9.5	9.3	8.2	5.8	4.8	6.8	6.9	7.1	7.3	7.8	8.4	8.2	8	7.8
<i>India</i>	7.6	7.5	4.7	6	6.7	5.3	4.1	4.3	7.3	7.8	9.2	9.2	8.4	7.8
<i>Australia</i>	3.6	4.3	4	5.1	4.4	3.4	2.1	4.1	3.1	3.7	2.8	2.7	2.6	3.3
<i>Switzerland</i>	0.4	0.5	1.9	2.8	1.3	3.6	1	0.3	-0.2	2.3	1.9	2.7	2	1.8
<i>South Korea</i>	9.2	7	4.7	-6.9	9.5	8.5	3.8	7	3.1	4.7	4.2	5	4.4	4.4

Source: IMF 2007

Appendix 4.a: FDI outflow of Japan towards FTA/EPA Partner Countries

<i>(million yen)</i>	1995	1996	1997	1998	1999	2000	2001	2002	2003
World	4,956,800	5,409,537	6,623,570	5,277,951	7,529,207	5,419,257	4,041,269	4,493,030	4,079,535
Singapore	114,329	125,619	223,795	83,875	115,787	50,464	143,468	91,719	36,390
Mexico	20,235	12,774	39,297	10,635	165,469	22,950	5,750	10,252	15,771
Malaysia	55,456	64,384	97,084	66,759	58,756	25,624	32,096	9,751	52,294
Philippines	69,186	62,970	64,249	48,752	71,084	51,424	98,924	50,037	22,179
Chile	13,613	185	2,826	2,931	4,221	3,105	6,538	667	390
Thailand	119,562	158,078	229,131	179,840	93,402	102,955	110,607	61,438	71,099
Brunei	1,469				178				
Indonesia	154,812	271,954	308,497	142,836	107,006	46,427	78,500	64,438	73,234
Vietnam	19,243	35,905	38,138	6,525	11,002	2,364	9,745	7,331	7,868
India	12,512	24,670	53,240	33,213	23,150	18,534	18,137	37,813	9,872
Australia	256,103	85,157	204,787	179,656	99,258	60,293	65,181	155,150	104,816
Switzerland	10,163	6,528	2,488	1,284	23,457	4,104	8,319	13,616	8,297
South Korea	43,327	46,827	54,256	38,893	109,363	90,247	70,389	76,272	32,083

Source: UNCTAD 2007.

Appendix 4.b: Percentage Share of FTA/EPA Partner Countries within Japanese FDI Outflows

(%)	1995	1996	1997	1998	1999	2000	2001	2002	2003
<i>Singapore</i>	2.31	2.32	3.38	1.59	1.54	0.93	3.55	2.04	0.89
<i>Mexico</i>	0.41	0.24	0.59	0.20	2.20	0.42	0.14	0.23	0.39
<i>Malaysia</i>	1.12	1.19	1.47	1.26	0.78	0.47	0.79	0.22	1.28
<i>Philippines</i>	1.40	1.16	0.97	0.92	0.94	0.95	2.45	1.11	0.54
<i>Chile</i>	0.27	0.00	0.04	0.06	0.06	0.06	0.16	0.01	0.01
<i>Thailand</i>	2.41	2.92	3.46	3.41	1.24	1.90	2.74	1.37	1.74
<i>Brunei</i>	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Indonesia</i>	3.12	5.03	4.66	2.71	1.42	0.86	1.94	1.43	1.80
<i>Vietnam</i>	0.39	0.66	0.58	0.12	0.15	0.04	0.24	0.16	0.19
<i>India</i>	0.25	0.46	0.80	0.63	0.31	0.34	0.45	0.84	0.24
<i>Australia</i>	5.17	1.57	3.09	3.40	1.32	1.11	1.61	3.45	2.57
<i>Switzerland</i>	0.21	0.12	0.04	0.02	0.31	0.08	0.21	0.30	0.20
<i>S.Korea</i>	0.87	0.87	0.82	0.74	1.45	1.67	1.74	1.70	0.79

Source: UNCTAD 2007.

Appendix 4.c: Percentage Share of Japan within FDI Inflow of FTA/EPA Partner Countries

<i>(%)</i>	1995	1996	1997	1998	1999	2000	2001	2002	2003
<i>Singapore</i>	14.46	16.18	3.89	17.83	8.17	6.67	9.31		6.52
<i>Mexico</i>	1.62	1.43	2.49	0.82	9.62	2.73	0.66	0.99	
<i>Malaysia</i>	14.69	9.82	14.06	17.24	11.88	11.35		21.21	30.47
<i>Philippines</i>	43.31	32.59	32.08	20.58	7.71	3.65	14.24	66.77	7.32
<i>Chile</i>	0.85	3.06	3.14	5.40	2.47	1.88	2.74	1.35	
<i>Thailand</i>	26.88	22.40	34.73	19.82	8.02	25.96	35.43	66.74	43.66
<i>Brunei</i>	1.05	1.13	1.03	1.20	0.75	0.98	0.82	28.50	
<i>Indonesia</i>	40.29	29.52	34.14						
<i>Vietnam</i>	7.54	8.80	16.77	22.57	26.99	10.80	6.73	7.96	22.08
<i>India</i>									
<i>Australia</i>	5.97	4.46			18.89	4.18	10.54	9.39	18.55

Source: UNCTAD 2007.

Appendix 5.a: Export of Japan to FTA/EPA Partner Countries

<i>(million US\$)</i>	1999	2000	2001	2002	2003	2004	2005
<i>World</i>	419,456	478,361	403,517	416,789	471,906	565,811	594,887
<i>Singapore</i>	16,345	20,830	14,713	14,183	14,858	17,976	18,529
<i>Mexico</i>	4,406	5,211	4,087	3,766	3,643	5,190	6,881
<i>Malaysia</i>	11,153	13,886	11,012	11,016	11,250	12,565	12,624
<i>Philippines</i>	8,783	10,257	8,188	8,457	9,011	9,598	9,154
<i>Chile</i>	551	660	468	496	575	723	942
<i>Thailand</i>	11,358	13,634	11,873	13,217	16,043	20,274	22,563
<i>Brunei</i>	52	56	56	319	97	108	105
<i>Indonesia</i>	4,908	7,604	6,405	6,235	7,177	9,074	9,332
<i>Vietnam</i>	1,641	1,975	1,777	2,135	2,623	3,181	3,590
<i>India</i>	2,426	2,488	1,940	1,869	2,396	3,044	3,524
<i>Australia</i>	8,446	8,580	7,693	8,318	9,966	11,818	12,513
<i>Switzerland</i>	2,161	2,094	1,966	1,609	1,957	2,190	2,170
<i>South Korea</i>	23,089	30,703	25,292	28,612	34,823	44,247	46,678

Source: WTO 2006.

Appendix 5.b: Percentage Share of FTA/EPA Partner Countries within Japanese Exports

(%)	1999	2000	2001	2002	2003	2004	2005
<i>Singapore</i>	3.90	4.35	3.65	3.40	3.56	4.31	4.45
<i>Mexico</i>	1.05	1.09	1.01	0.90	0.77	0.92	1.16
<i>Malaysia</i>	2.66	2.90	2.73	2.64	2.38	2.22	2.12
<i>Philippines</i>	2.09	2.14	2.03	2.03	1.91	1.70	1.54
<i>Chile</i>	0.13	0.14	0.12	0.12	0.12	0.13	0.16
<i>Thailand</i>	2.71	2.85	2.94	3.17	3.40	3.58	3.79
<i>Brunei</i>	0.01	0.01	0.01	0.08	0.02	0.02	0.02
<i>Indonesia</i>	1.17	1.59	1.59	1.50	1.52	1.60	1.57
<i>Vietnam</i>	0.39	0.41	0.44	0.51	0.56	0.56	0.60
<i>India</i>	0.58	0.52	0.48	0.45	0.51	0.54	0.59
<i>Australia</i>	2.01	1.79	1.91	2.00	2.11	2.09	2.10
<i>Switzerland</i>	0.52	0.44	0.49	0.39	0.41	0.39	0.36
<i>South Korea</i>	5.50	6.42	6.27	6.86	7.38	7.82	7.85

Source: WTO 2006.

Appendix 5.c: Percentage Share of Japan within Imports to FTA/EPA Partner Countries

<i>(%)</i>	1999	2000	2001	2002	2003	2004	2005
<i>Singapore</i>	16.66	17.22	13.87	12.52	12.03	11.72	10.14
<i>Mexico</i>	3.58	3.65	4.69	5.38	4.37	5.26	5.90
<i>Malaysia</i>	20.81	21.08	19.37	17.82	17.26	16.08	14.64
<i>Philippines</i>	19.95	18.88	20.07	20.42	20.37	17.43	17.02
<i>Chile</i>	3.95	3.81	3.12	3.17	3.27	3.24	3.16
<i>Thailand</i>	24.34	24.73	21.56	23.02	24.09	23.70	22.05
<i>Brunei</i>	7.99	4.72	4.64	21.57	9.90	7.24	6.90
<i>Indonesia</i>	12.14	16.10	15.14	14.09	12.99	13.07	11.97
<i>Vietnam</i>	13.78	14.72	13.46	12.69	11.81	11.11	11.07
<i>India</i>	5.26	4.01	3.62	3.25	3.33	2.93	2.58
<i>Australia</i>	13.46	13.18	12.96	12.34	12.52	11.82	10.98
<i>Switzerland</i>	2.87	2.82	2.39	2.01	2.10	2.11	1.85
<i>South Korea</i>	20.16	19.83	18.88	19.63	20.31	20.56	18.53

Source: WTO 2006.

Appendix 6.a: Import of Japan from FTA/EPA Partner Countries

<i>(million US\$)</i>	1999	2000	2001	2002	2003	2004	2005
<i>World</i>	310,774	379,577	349,081	337,172	382,953	454,809	515,194
<i>Singapore</i>	5,438	6,426	5,382	5,001	5,493	6,283	6,697
<i>Mexico</i>	1,661	2,388	2,008	1,791	1,781	2,174	2,542
<i>Malaysia</i>	10,943	14,490	12,824	11,173	12,593	14,093	14,686
<i>Philippines</i>	5,308	7,190	6,418	6,498	7,033	8,243	7,717
<i>Chile</i>	2,471	2,833	2,517	2,131	2,595	4,113	4,988
<i>Thailand</i>	8,876	10,595	10,353	10,507	11,890	14,098	15,574
<i>Brunei</i>	1,053	1,653	1,696	1,515	1,826	1,892	2,282
<i>Indonesia</i>	12,618	16,371	14,883	14,174	16,352	18,652	20,758
<i>Vietnam</i>	1,972	2,637	2,604	2,529	3,088	3,858	4,534
<i>India</i>	2,246	2,637	2,212	2,090	2,174	2,611	3,194
<i>Australia</i>	12,808	14,774	14,385	13,986	15,005	19,404	24,406
<i>Switzerland</i>	3,385	3,282	3,283	3,302	3,875	4,813	5,036
<i>South Korea</i>	16,138	20,454	17,221	15,497	17,931	22,063	24,398

Source: WTO 2006.

Appendix 6.b: Percentage Share of FTA/EPA Partner Countries within Japanese Imports

(%)	1999	2000	2001	2002	2003	2004	2005
<i>Singapore</i>	1.75	1.69	1.54	1.48	1.43	1.38	1.30
<i>Mexico</i>	0.53	0.63	0.58	0.53	0.47	0.48	0.49
<i>Malaysia</i>	3.52	3.82	3.67	3.31	3.29	3.10	2.85
<i>Philippines</i>	1.71	1.89	1.84	1.93	1.84	1.81	1.50
<i>Chile</i>	0.80	0.75	0.72	0.63	0.68	0.90	0.97
<i>Thailand</i>	2.86	2.79	2.97	3.12	3.10	3.10	3.02
<i>Brunei</i>	0.34	0.44	0.49	0.45	0.48	0.42	0.44
<i>Indonesia</i>	4.06	4.31	4.26	4.20	4.27	4.10	4.03
<i>Vietnam</i>	0.63	0.69	0.75	0.75	0.81	0.85	0.88
<i>India</i>	0.72	0.69	0.63	0.62	0.57	0.57	0.62
<i>Australia</i>	4.12	3.89	4.12	4.15	3.92	4.27	4.74
<i>Switzerland</i>	1.09	0.86	0.94	0.98	1.01	1.06	0.98
<i>S.Korea</i>	5.19	5.39	4.93	4.60	4.68	4.85	4.74

Source: WTO 2006.

Appendix 6.c: Percentage Share of Japan within Exports of FTA/EPA Partner Countries

<i>(%)</i>	1999	2000	2001	2002	2003	2004	2005
<i>Singapore</i>	7.42	7.54	7.67	7.14	6.72	6.43	6.05
<i>Mexico</i>	0.57	0.56	0.39	0.74	0.71	0.63	0.69
<i>Malaysia</i>	11.64	13.02	13.34	11.28	10.69	10.10	9.35
<i>Philippines</i>	13.13	14.68	15.73	15.03	15.92	20.12	17.48
<i>Chile</i>	13.56	13.20	11.50	10.54	10.47	12.19	11.47
<i>Thailand</i>	14.12	14.74	15.30	14.52	14.19	13.98	13.66
<i>Brunei</i>	42.02	40.68	46.21	40.05	40.96	38.14	36.35
<i>Indonesia</i>	21.37	23.21	23.10	21.07	22.30	22.31	21.08
<i>Vietnam</i>	15.48	17.78	16.71	14.59	14.44	13.37	13.60
<i>India</i>	4.67	4.15	4.45	3.52	2.86	2.35	2.43
<i>Australia</i>	19.16	19.78	19.26	18.48	18.11	18.68	20.28
<i>Switzerland</i>	4.02	4.24	3.89	3.79	3.99	3.88	3.62
<i>South Korea</i>	11.03	11.88	10.97	9.33	8.91	8.55	8.45

Source: WTO 2006.

Appendix 7: FTA Cases of Each FTA/EPA Partner of Japan

<i>(June 2007)</i>	Free Trade Agreements
Singapore	1. AFTA, New Zealand, Japan, Australia, US, South Korea, TPSEPA, Panama, Switzerland, EFTA, Jordan, India 2. Mexico, Canada, Peru, China, GCC, Pakistan, Ukraine, Sri Lanka
Mexico	1. NAFTA, Chile, Costa Rica, Nicaragua, Northern Triangle, Japan, Switzerland, Bolivia, Columbia, Venezuela, Uruguay 2. Singapore, South Korea
Malaysia	1. AFTA, Japan 2. US, Australia, New Zealand, India, Pakistan
Philippines	1. AFTA, Japan 2. US
Chile	1. Mexico, Canada, Peru, US, South Korea, Japan, TPSEPA, China, Switzerland, CACM, India 2. Panama, Australia
Thailand	1. AFTA, China, India, Australia, New Zealand, Japan, Peru, Bahrain 2. US, BIMSTEC, South Korea, South Africa, EFTA, Switzerland
Brunei	1. AFTA, TPSEPA, Japan
Indonesia	1. AFTA, Japan 2. Switzerland, India
Vietnam	1. AFTA 2. Japan
India	1. SAPTA, Chile, Afghanistan, MERCOSUR, Singapore, Japan, Thailand, ASEAN, Malaysia, Indonesia, SACU, Mauritius, South Korea, GCC, Chile, China 2. Korea, GCC, Chile, China
Australia	1. New Zealand CER, Singapore, Thailand, US 2. China, Malaysia, Chile
Switzerland	1. EFTA, Faroe Islands, Macedonia, Croatia, Turkey, Israel, Morocco, the Palestinian Authority, Jordan, Lebanon, Tunisia, Egypt, Mexico, Singapore, Chile, South Korea, SACU 2. Canada, Thailand, GCC, Peru, Colombia, Indonesia.
South Korea	1. Chile, Singapore, ASEAN, Switzerland 2. Thailand, New Zealand, Mexico, Canada, India
ASEAN	1. AFTA, China, India, South Korea 2. Japan, US, CER, India
GCC	2. Japan, Switzerland, India

Source: By June 2007. BIMSTEC is Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, member of which are Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. EFTA is European Free Trade Association, member of which are Iceland, Lichtenstein, Norway, Switzerland. TPSEPA is Trans-Pacific Strategic Economic Partnership involving New Zealand, Singapore, Brunei and Chile. SACU is Southern African Customs Union, involving Botswana, Namibia, Lesotho, South Africa and Swaziland. CACM is Central American Common Market, involving Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. SAPTA is SAARC Preferential Trade Agreement involving Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The first line is for FTAs, which are completed, signed or put in force. The second line is for FTAs, which are under negotiation, studied or just proposed. MOFA 2007, Dent 2006, Feridhanusetyawan 2005, WTO 2007, SECO 2007, EIS 2007, SAARC 2007.

Appendix 8.a: Sample

JAPAN and FREE TRADE AGREEMENTS

Questionnaire Survey

Noriatsu Matsui, Director, The Collaborative Research Institute for East Asia

Aysun Uyar, PhD Candidate (*Contact Person*)

Contact Phone: +81-90-9738-3955 Fax: +81-83-933-5530

Contact E-mail: aysunuyar@mac.com

Thank you for contributing to the survey of the PhD project on “Political Economic Analysis of Japan’s FTA Policy Making,” conducted at GSEAS, Yamaguchi University.

This questionnaire is a totally value-free survey for the interviewee to express his or her opinions on the issue. Interviews or mailed requests are the ways of issuing the questionnaire. Open and closed questions are used in different parts of the survey.

QUESTIONS

I. Personal Information:

1. Name:
2. Occupation:
3. Affiliation/ Company:
4. City / Country:
5. Age (optional):
6. Contact Address (Phone and/or E-mail):

II. Experience about East Asia:

1. Do you have any contact with any of the East Asian countries? **YES** **NO**
2. If so, please indicate the nature of your contact and the time period for which you have been in contact with those countries.

	Business, company dealings	Government or bureaucratic relations	Research purposes	Personal, travel purposes	Other (Please indicate)	In the past 5 years, how often have you visited these countries?
China						
S. Korea						
Taiwan						
Brunei						
Cambodia						
Indonesia						
Laos						
Malaysia						
Myanmar						
Philippines						
Singapore						
Thailand						
Vietnam						

III. Free Trade Agreements (FTAs) in East Asia:

1. How much are you familiar with the ASEAN FTA (AFTA) and the China-ASEAN FTA (CAFTA)? Please choose one of the followings:
 - a. I follow the developments about AFTA and CAFTA.
 - b. I follow the developments about AFTA but not CAFTA.
 - c. I follow the developments about CAFTA but not AFTA.
 - d. I do not follow any development about either CAFTA or AFTA.

➤ *Personal opinion:*

2. Please indicate whether you agree or not with the following statements about ASEAN FTA.

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
AFTA might bring economic as well as political benefits to ASEAN countries and deepen the regional cooperation in ASEAN					
AFTA might bring economic benefits to ASEAN but it is difficult to deepen the regional cooperation					
AFTA might only bring further regional cooperation but not any economic benefits					

➤ *Personal opinion:*

3. What do you think about the impacts of the ASEAN FTA on Japan in Southeast Asia?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
Beneficial for Japan`s economic relations with ASEAN					
Beneficial for Japan`s political relations with ASEAN					
It does not affect Japan`s economic relations with ASEAN					
It does not affect Japan`s political relations with ASEAN					

➤ *Personal opinion:*

4. What do you think about the impacts of the China-ASEAN FTA on East Asia?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
It would further deepen regional political cooperation in East Asia					
It would further deepen regional economic cooperation in East Asia					

It would bring political benefits only to China					
It would bring political benefits only to ASEAN					
It would bring economic benefits only to China					
It would bring economic benefits only to ASEAN					

➤ *Personal opinion:*

5. Do you think the China-ASEAN FTA has any impact on Japan's relations with ASEAN?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
It would lead Japan deepen its political cooperation with ASEAN					
It would lead Japan deepen its economic cooperation with ASEAN					
It would not affect Japan's relations with ASEAN					

➤ *Personal opinion:*

IV. Japan and FTAs in East Asia:

1. In your opinion, which actor(s) has (have) an influence within Japan's FTA policy making process? Please indicate your valuation for each actor.

		5 The most influential	4 Strongly influential	3 Influential	2 Weakly influential	1 No influence
A	Executive party (与党)					
B	Top ministry officials (官界のトップ)					
C	Bureaucratic ministerial officials (官僚)					
D	Keidanren and others (財界団体)					
E	Business groups (業界)					
F	Agricultural& Fishery sectors (農協など)					
G	Research & Policy Centers					
H	Academic Institutions					
I	Mass Media					
J	NGOs & NPOs (Please name)					
K	Other(s): (Please name)					

2. Which of the above mentioned actors, do you think, would be *the promoting one(s)* within each FTA policy making process in Japan? Please indicate the actors for each FTA case with the given capital letters, from **A** to **K** in **Question 1** above.

	5 The most promoting	4 Strongly promoting	3 Promoting	2 Weakly promoting	1 No promotion
Japan- Singapore EPA					
Japan- Mexico FTA					
Japan- ASEAN FTA					
Japan- Thailand FTA					
Japan- Malaysia FTA					
Japan- Philippines FTA					
Japan- South Korea FTA					
Japan-S.Korea-China FTA					

3. Which factors, do you think, have been important incentives for the FTA discussions in Japan? Please give your opinion for both tables.

Factors		5 The most influential	4 Strongly influential	3 Influential	2 Weakly influential	1 No influence
ア	Political (政治的)					
イ	Economic (経済的)					
ウ	Social (社会的)					

Factors		5 The most influential	4 Strongly influential	3 Influential	2 Weakly influential	1 No influence
エ	Regional (地域的)					
オ	Domestic (国内の考慮)					
カ	International (国際的)					

4. Which of the above factors would be *the promoting one(s)* for each FTA case of Japan? Please indicate the factors with the given katakana letters, from **ア** to **カ** in Question 3.

	5 The most promoting	4 Strongly promoting	3 Promoting	2 Weakly promoting	1 No promotion
Japan- Singapore EPA					
Japan- Mexico FTA					
Japan- ASEAN FTA					
Japan- Thailand FTA					
Japan- Malaysia FTA					

Japan- Philippines FTA					
Japan- South Korea FTA					
Japan-S.Korea-China FTA					

5. Within 10 years from now on, would you expect Japan to sign further FTAs? If so, please choose or write as many as you want.

Multilateral	ASEAN+3 (Japan, S. Korea and China)					
	Japan-China-S. Korea			ASEAN		
Bilateral	China	S. Korea	Taiwan	Brunei	Cambodia	Indonesia
	Laos	Myanmar	Vietnam	India	Australia	US
Others						
No any other FTA						
No opinion						

6. Please indicate whether you agree or not with the following statements about how the FTAs would affect Japan`s regional stance in East Asia?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
Japan would gain economic benefits through FTAs in East Asia					
Japan would gain political benefits via FTAs in the region					
FTAs would not affect Japan`s economic or political interests in East Asia					

7. How do you see Japan`s role in East Asia? Please choose one of the following statements.
- Japan should be the political as well as the economic leader of East Asia.
 - Japan should counterbalance the Chinese economic and strategic stance in the region.
 - Japan should cooperate with China and South Korea for regional stability.
 - Japan should promote regional cooperation through ASEAN+3 and APEC in the region.
 - Japan should support regional harmony among the actors.

➤ *Personal opinion:*

V. If you would like to express any opinion or comment, please use this space:

We appreciate your kind interest to our survey. For your benefit, please sign the below consent section in order to keep your record only to be used for the research purposes.

“Hereby, I give my consent for the information and comments I shared above to be only used for the indicated research purposes.”

Date.....

Name and Signature.....

Appendix 8.b: Sample

JAPAN and FREE TRADE AGREEMENTS

日本と自由貿易協定アンケート調査

松井範惇 東アジアコラボ研究推進体 所長

アイスン・ウヤル 博士課程 (連絡)

「日本の自由貿易協定決定プロセスの政治経済的分析」に対する博士課程研究のアンケート調査にご協力ありがとうございます。このアンケートはインタビューかメールで行われております。個人的なご意見を自由に書いて下さい。

ご質問かご意見がある場合は連絡先を見て下さい。

質問

① 個人の情報:

1. お名前:
2. 職業:
3. 職場・会社名:
4. 勤務地:
5. 年齢:
6. 連絡 (電話・メール):

② 東アジア地域における経験:

1. 東アジアの国々のご経験をお持ちですか? 有 無
2. 有りの場合には、国とご経験の内容を選んでその時期を書いて下さい。

	商業、 産業 ビジネス	政治、 政府関係	研究、 科学調査	個人的、 観光など	その 他： 具体的	過去5年間に何回 ぐらい行ったこと がありますか？
中国						
韓国						
台湾						
ブルネイ						
カンボジ						
インドネシ ア						
ラオス						
マレーシ ア						
ミャンマ						
フィリピ ン						
シンガポー ル						
タイ						
ベトナム						

III.東アジア地域における自由貿易協定(FTA):

1. ASEAN 自由貿易協定(AFTA)と China- ASEAN 自由貿易協定(CAFTA)について次の中から一つ選んで下さい。

- (ア) AFTA も CAFTA も両方に対して興味があり、ニュースを見ます。
 - (イ) AFTA に対して興味があり、ニュースを見ます。
 - (ウ) CAFTA に対して興味があり、ニュースを見ます。
 - (エ) 両方に対してもニュースを見ません。
- ご意見:

2. ASEAN 自由貿易協定(AFTA)に関する以下の説に賛成するかどうか選んで下さい。

	5 賛成	4 どちらかと言 うと賛成	3 どちらで もない	2 どちらかと言 うと反対	1 反対
AFTA は経済的および政治的な影響・利益をもたらし ASEAN の地域的な協力に貢献する。					
AFTA は ASEAN に経済的な利益をもたらすが、地域的な協力には貢献しない。					
AFTA は地域的な協力には貢献するが、経済的な利益はもたらさない。					

➤ ご意見:

3. ASEAN 自由貿易協定(AFTA)の日本に対する影響についてどう思いますか？

	5 賛成	4 どちらかと言 うと賛成	3 どちらで もない	2 どちらかと言 うと反対	1 反対
日本と ASEAN 間の経済関係で有益になる。					
日本と ASEAN 間の政治関係で有益になる。					
日本と ASEAN 間の経済関係に影響しない。					
日本と ASEAN 間の政治関係に影響しない。					

➤ ご意見:

4. 中国-ASEAN 自由貿易協定の東アジアにおける影響に対してどう思いますか？

	5 賛成	4 どちらかと言 うと賛成	3 どちらで もない	2 どちらかと言 うと反対	1 反対
東アジアの政治的な協力をもっと深める。					
東アジアの経済的な協力をもっと深める。					

中国だけ政治的利益をもたらす。					
ASEAN だけ政治的利益をもたらす。					
中国だけ経済的利益をもたらす。					
ASEAN だけ経済的利益をもたらす。					

➤ ご意見:

5. 中国－ASEAN 自由貿易協定は日本と ASEAN の関係にどんな影響を与えると思いますか？

	5 賛成	4 どちらかと言 うと賛成	3 どちらでも ない	2 どちらかと言 うと反対	1 反対
日本は ASEAN と政治的な協力をより深める。					
日本は ASEAN と経済的な協力をより深める。					
日本と ASEAN の関係は変わらない。					

➤ ご意見:

IV.日本の東アジアにおける自由貿易協定(FTA):

1. 以下の各アクターは日本の FTA 政策決定プロセスにどの程度影響を与えると思いますか？それぞれのアクターの影響レベルについて選んで下さい。

		5 最も 影響	4 強く 影響	3 影響	2 弱く 影響	1 影響 しない
A	Executive party (与党)					
B	Top ministry officials (官界のトップ)					
C	Bureaucratic ministerial officials (官僚)					
D	Keidanren and others (財界団体)					
E	Business groups (業界)					
F	Agricultural& Fishery sectors (農協など)					
G	Research & Policy Centers (研究所& 政策センター)					
H	Academic Institutions 学 究的な研究所					
I	Mass media マスメディア					
J	NGOs & NPOs					

K	Other(s)その他 :					
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2. 次のそれぞれの FTA 政策決定プロセスにはどのアクターが**推進**しているかどうか **質問 1** のアクターの中から (**A** から **K** までの文字で) 選んで下さい。

	5 極めて 強く推進	4 強く 推進	3 推進	2 弱く 推進	1 推進 しない
日本 - シンガポール EPA					
日本 - メキシコ FTA					
日本 - ASEAN FTA					
日本 - タイ国 FTA					
日本 - マレーシア FTA					
日本 - フィリピン FTA					
日本 - 韓国 FTA					
日本 - 韓国 - 中国 FTA					

3. 日本の FTA 政策決定プロセスに以下の要因はそれぞれどの程度影響を与えていますか？ 二つのグループで、それぞれの要因の影響について考えて下さい。

要因	5 最も 影響	4 強く 影響	3 影響	2 弱く 影響	1 影響 しない
A Political (政治的)					
I Economic (経済的)					
U Social (社会的)					

要因	5 最も 影響	4 強く 影響	3 影響	2 弱く 影響	1 影響 しない
E Regional (地域的)					
O Domestic (国内の考慮)					
K International (国際的)					

4. 次のそれぞれの FTA 政策決定プロセスにはどの要因が**推進**しているかどうか **質問 3** の要因の中から (**A** から **K** まで) 選んで下さい。

	5 極めて 強く推進	4 強く 推進	3 推進	2 弱く 推進	1 推進 しない
日本 - シンガポール EPA					
日本 - メキシコ FTA					
日本 - ASEAN FTA					
日本 - タイ国 FTA					
日本 - マレーシア FTA					
日本 - フィリピン FTA					
日本 - 韓国 FTA					

日本 - 韓国 - 中国 FTA					
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5. 今からの10年間で、日本はこれからどんな国や地域とFTAを結ぶと思いますか？
いくつでも選び、またはその他の場合は下を書いて下さい。

多国間	ASEAN+3 (日本 - 韓国 - 中国)					
	日本 - 韓国 - 中国			ASEAN		
二国間	中国	韓国	台湾	ブルネイ	カンボジア	インドネシア
	ラオス	ミャンマー	ベトナム	インド	アストラリア	米国
その他						
FTAの締結なし						
どちらでもない						

6. 日本の東アジア地域とのFTAに関して次の意見についてどう思いますか？

	5 賛成	4 どちらかと言 うと賛成	3 どちらでもな い	2 どちらかと言 うと反対	1 反対
FTAは日本に経済的利益をもたらす。					
FTAは日本に政治的影響力をもたらす。					
FTAは日本の東アジア地域における経済的・政治的立場に影響しない。					

7. 日本の東アジア地域に対する状態についてどう思いますか？一つ選んで下さい。
- 日本は東アジア地域の経済的・政治的リーダーになるべきである。
 - 日本は経済的・政治的に中国と拮抗するバランス勢力となるべきである。
 - 日本は地域的な安定のために中国と韓国と協力するべきである。
 - 日本は地域的な協力のためにASEAN+3とAPECとの協力を促進するべきである。
 - 日本は地域内の調和を支持するよう行動するべきである。
- ご意見:

V. 最後にご意見ご質問がある場合はここに書いて下さい:

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ご協力どうもありがとうございました。このアンケートでのご意見と答えを研究目的でのみ使わせて頂きます。個別のデータは一切外に出ることはありません。

「このアンケートの答えとコメントを今回の研究目的に使うことに同意します。」

日付.....

お名前.....

Appendix 9: Results of Questionnaire (TOTAL, PERCENTAGE)
JAPAN and FREE TRADE AGREEMENTS
Questionnaire Survey

Noriatsu Matsui, Director, The Collaborative Research Institute for East Asia
Aysun Uyar, PhD Candidate (*Contact Person*)

Contact Phone: +81-90-9738-3955 Fax: +81-83-933-5530
Contact E-mail: aysunuyar@mac.com

Thank you for contributing to the survey of the PhD project on “Political Economic Analysis of Japan’s FTA Policy Making,” conducted at GSEAS, Yamaguchi University.

This questionnaire is a totally value-free survey for the interviewee to express his or her opinions on the issue. Interviews or mailed requests are the ways of issuing the questionnaire. Open and closed questions are used in different parts of the survey.

QUESTIONS

① Personal Information:

1. Name:
2. Occupation:
3. Affiliation/ Company:
4. City / Country:
5. Age (optional):
6. Contact Address (Phone and/or E-mail):

② Experience about East Asia:

3. Do you have any contact with any of the East Asian countries? **YES** **NO**
4. If so, please indicate the nature of your contact and the time period for which you have been in contact with those countries.

	Business, company dealings	Government or bureaucratic relations	Research purposes	Personal, travel purposes	Other (Please indicate)	In the past 5 years, how often have you visited these countries?
China						
S. Korea						
Taiwan						
Brunei						
Cambodia						
Indonesia						
Laos						
Malaysia						
Myanmar						
Philippines						
Singapore						
Thailand						
Vietnam						

III. Free Trade Agreements (FTAs) in East Asia:

1. How much are you familiar with the ASEAN FTA (AFTA) and the China-ASEAN FTA (CAFTA)? Please choose one of the followings:

- a. I follow the developments about AFTA and CAFTA. **58.8**
- b. I follow the developments about AFTA but not CAFTA. **29.4**
- c. I follow the developments about CAFTA but not AFTA. **1.2**
- d. I do not follow any development about either CAFTA or AFTA. **10.6**

2. Please indicate whether you agree or not with the following statements about ASEAN FTA.

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
AFTA might bring economic as well as political benefits to ASEAN countries and deepen the regional cooperation in ASEAN	58.4	29.2	5.6	4.5	2.2
AFTA might bring economic benefits to ASEAN but it is difficult to deepen the regional cooperation	3.7	17.3	14.8	35.8	28.4
AFTA might only bring further regional cooperation but not any economic benefits	1.3	2.5	16.3	37.5	42.5

3. What do you think about the impacts of the ASEAN FTA on Japan in Southeast Asia?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
Beneficial for Japan's economic relations with ASEAN	47.7	37.5	6.8	6.8	1.1
Beneficial for Japan's political relations with ASEAN	30.1	37.3	22.9	8.4	1.2
It does not affect Japan's economic relations with ASEAN		7.9	7.9	34.2	50
It does not affect Japan's political relations with ASEAN		7.9	11.8	46.1	34.2

4. What do you think about the impacts of the China-ASEAN FTA on East Asia?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree

It would further deepen regional political cooperation in East Asia	20.7	35.4	22	18.3	3.7
It would further deepen regional economic cooperation in East Asia	23	51.7	16.1	6.9	2.3
It would bring political benefits only to China	9	25.6	23.1	24.4	17.9
It would bring political benefits only to ASEAN	0	1.3	31.2	40.3	27.3
It would bring economic benefits only to China	3.9	19.4	23.4	36.4	16.9
It would bring economic benefits only to ASEAN	0	2.6	27.6	46.1	23.7

5. Do you think the China-ASEAN FTA has any impact on Japan's relations with ASEAN?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
It would lead Japan deepen its political cooperation with ASEAN	13.6	32.9	27.8	16.5	8.9
It would lead Japan deepen its economic cooperation with ASEAN	24.1	37.3	16.9	16.9	4.8
It would not affect Japan's relations with ASEAN	6.7	16	18.7	32	26.7

IV. Japan and FTAs in East Asia:

1. In your opinion, which actor(s) has (have) an influence within Japan's FTA policy making process? Please indicate your valuation for each actor.

		5 The most influential	4 Strongly influential	3 Influential	2 Weakly influential	1 No influence
A	Executive party(与党)	24.1	56.6	13.3	6	0
B	Top ministry officials (官界のトップ)	25.6	50	18.3	3.7	2.4
C	Bureaucratic ministerial off. (官僚)	24.1	49.4	22.9	3.6	0
D	Keidanren and others (財界団体)	26.2	50	20.2	3.6	0
E	Business grps (業界)	23.3	39.5	27.9	9.3	0
F	Agricultural& Fishery sectors (農協など)	28.2	41.2	21.2	5.9	3.5
G	Research & Policy Centers	1.2	9.4	45.9	31.8	11.8

H	Academic Institutions	1.2	4.9	31.7	41.5	20.7
I	Mass Media	0	16.7	46.4	32.1	4.8
J	NGOs &NPOs	0	2.4	22.9	50.6	24.1
K	Other(s):	0	5.3	21.1	31.6	42.1

2. Which of the above mentioned actors, do you think, would be *the promoting one(s)* within each FTA policy making process in Japan? Please indicate the actors for each FTA case with the given capital letters, from **A** to **K** in Question 1 above.

	5 The most promoting	4 Strongly promoting	3 Promoting	2 Weakly promoting	1 No promotion
Japan-Singapore EPA	A13B12C17 D14E8GHI	A6B7C14D6 E8FGH	A7B5C6D5 E8IG3H2	CDE2F2G4 H3I5J2	F8J2
Japan- Mexico FTA	A9B8C13D19 E12GHI	A6B9C9D7 E4F3G3	A5B7C8D5 E9IF3G2H2	A2BCDE2F2 G4H3I4J3	F14J2K
Japan- ASEAN FTA	A14B9C13D19 E12GHI	A4B7C9D10 E8FG3H	A5B3C4D4 E4G2H2	ACDE2F5 G4H3I3J3	F12J2
Japan- Thailand FTA	A10B8C11D17 E12FGHI	A4B8C13D15 E11G2	A3B4C6D4 E6FG3H2	A3BCD2EF G3H2I4J2	F16J2
Japan- Malaysia FTA	A9B7C11D13 E12FGHI	A5B9C12D12 E9FG2	A3B3C5D3 E6FG2H2	A2B2C2D3E F2G3H2I4J2	F12J2
Japan- Philippines FTA	A9B7C11D16 E10FGHI	A6B7C13D10 E6G2	A3B5C8D5 E6FG2H2	ABC2D2E4F G3H2I4J2	F14J2
Japan- South Korea FTA	A7B6C6D11E8 FGHI2	A5B9C15D10 E8I2G2	A5B4C8D7 E4G3H2	A3B2C2D3E3 FG3HI4J2	DEF10 J3K
Japan-S.Korea-China FTA	A6B4C4D12 E7G2H2I2	A3B7C10D11 E6I2G	A5B7C8D7 E7GH	A5B3C4D2E FG3H2I4J	A2B2C2DE F13J3K

3. Which factors, do you think, have been important incentives for the FTA discussions in Japan? Please give your opinion for both tables.

Factors		5 The most influential	4 Strongly influential	3 Influential	2 Weakly influential	1 No influence
ア	Political (政治的)	30.1	54.2	14.5	1.2	0
イ	Economic (経済的)	45.1	46.3	7.3	1.2	0
ウ	Social (社会的)	0	13.6	53.1	23.5	9.9

Factors		5 The most influential	4 Strongly influential	3 Influential	2 Weakly influential	1 No influence
エ	Regional (地域的)	12	39.8	36.1	10.8	1.2
オ	Domestic (国内の考慮)	39.3	33.3	19	7.1	1.2
カ	International (国際的)	13.4	39	34.1	12.2	1.2

4. Which of the above factors would be *the promoting one(s)* for each FTA case of Japan? Please indicate the factors with the given katakana letters, from ア to カ in Question 3.

	5 The most promoting	4 Strongly promoting	3 Promoting	2 Weakly promoting	1 No promotion
Japan- Singapore EPA	A15I16E6 O4K6	A15I19E4 O4K4	A8I4UE3 O5K7	A4I3U6 O3K2	U6EO3K
Japan- Mexico FTA	A6I18E3 O6K3	A15I15U2 EO4K7	A4I5E2 O3K8	A3I2U4E3 O4K2	AU5E2 O3K2
Japan- ASEAN FTA	A23I25E12 O4K6	A9I22U3E8 O5K5	A8I2E6 O3K6	A2I3U5 O3K	U5O4K2
Japan- Thailand FTA	A12I21E8 O4K2	A9I27U2E10 O4K3	A6I5UE4 O5K5	A4I2U8 O6K	U3EO4K3
Japan- Malaysia FTA	A10I22E7 O3K2	A10I23U2E10 O4K2	A6I6E24 O4K3	A2I2U5E O2K	U3OK
Japan- Philippines FTA	A10I20E8 O3K2	A9I20U4E11 O6K3	A7I7O4EK5	A3I3U5 O4K	U3O2K2
Japan- South Korea FTA	A14I18E4 O5K3	A14I12U4E10 O5K3	A13I6E7 O3K5	A4I6U8 EO4K	AU4O2K2
Japan-S.Korea- China FTA	A13I12UE8 O4K5	A13I12U2E8 O4K5	A14I8E4 O2K3	A4I4U5E3 O4K4	A3U4O3K

5. Within 10 years from now on, would you expect Japan to sign further FTAs? If so, please choose or write as many as you want.

Multilateral	ASEAN+3 (Japan, S. Korea and China) 30					
	Japan-China-S. Korea 19			ASEAN 36		
Bilateral	China 21	S. Korea 35	Taiwan 16	Brunei 28	Cambodia 10	Indonesia 41
	Laos 9	Myanmar 10	Vietnam 37	India 35	Australia 33	US 21
Others	North Korea, GCC 4, UAE, New Zealand 2, Canada, EU 3, MERCUSOR					
No any other FTA						
No opinion						

6. Please indicate whether you agree or not with the following statements about how the FTAs would affect Japan's regional stance in East Asia?

	5 Strongly agree	4 Somewhat agree	3 No opinion	2 Somewhat disagree	1 Strongly disagree
Japan would gain economic benefits through FTAs in East Asia	43.7	50.6	2.3	2.3	1.1
Japan would gain political benefits via FTAs in the region	22.1	51.2	20.9	3.5	2.3
FTAs would not affect Japan's economic or political interests in East Asia	2.4	1.2	14.6	37.8	43.9

7. How do you see Japan`s role in East Asia? Please choose one of the following statements.
- a. Japan should be the political as well as the economic leader of East Asia. **13.6**
 - b. Japan should counterbalance the Chinese economic and strategic... **14.8**
 - c. Japan should cooperate with China and South Korea for regional stability. **21**
 - d. Japan should promote regional cooperation through ASEAN+3 and APEC. **35.8**
 - e. Japan should support regional harmony among the actors. **14.8**

VI. If you would like to express any opinion or comment, please use this space:

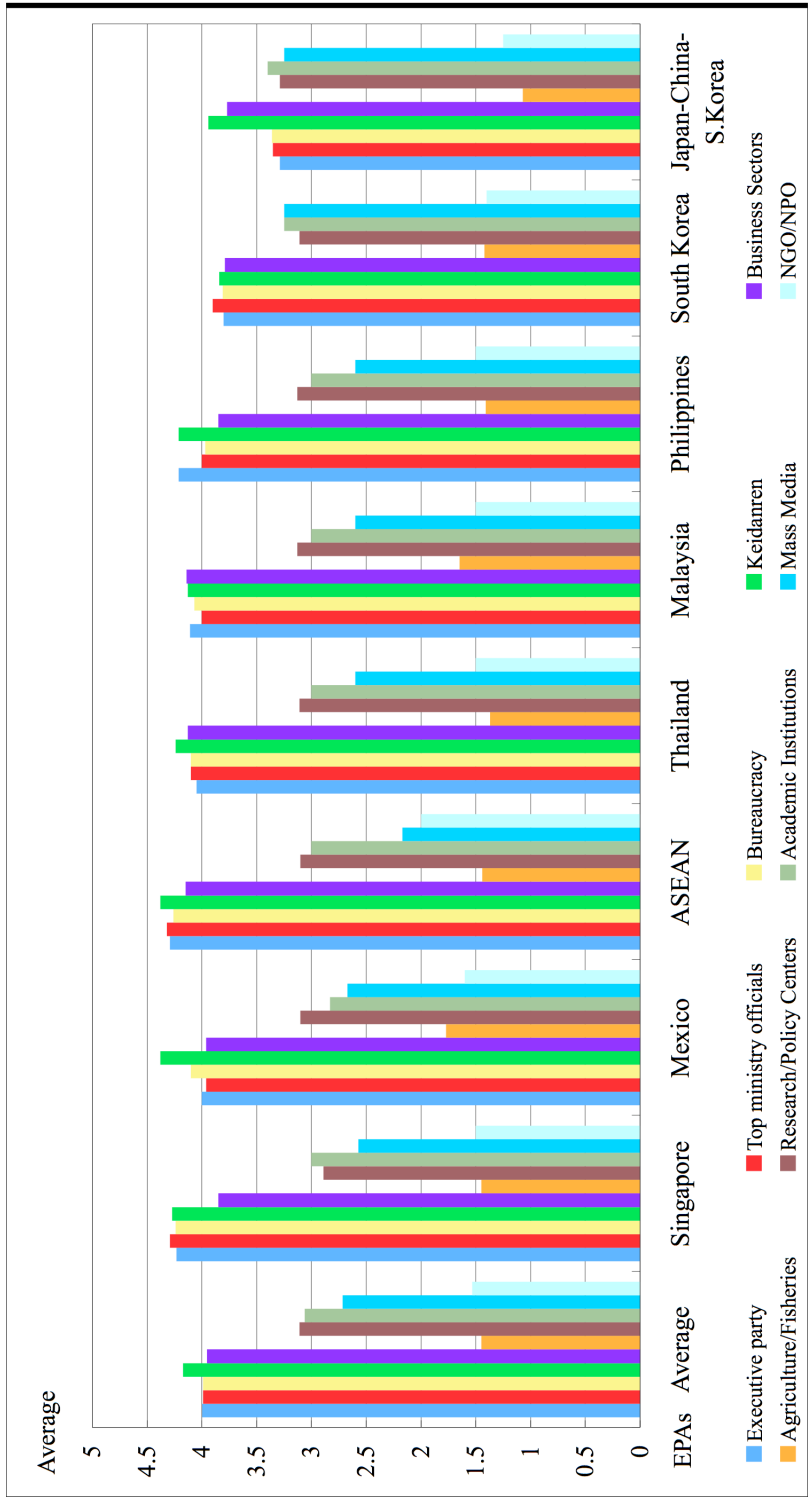
We appreciate your kind interest to our survey. For your benefit, please sign the below consent section in order to keep your record only to be used for the research purposes.

“Hereby, I give my consent for the information and comments I shared above to be only used for the indicated research purposes.”

Date.....

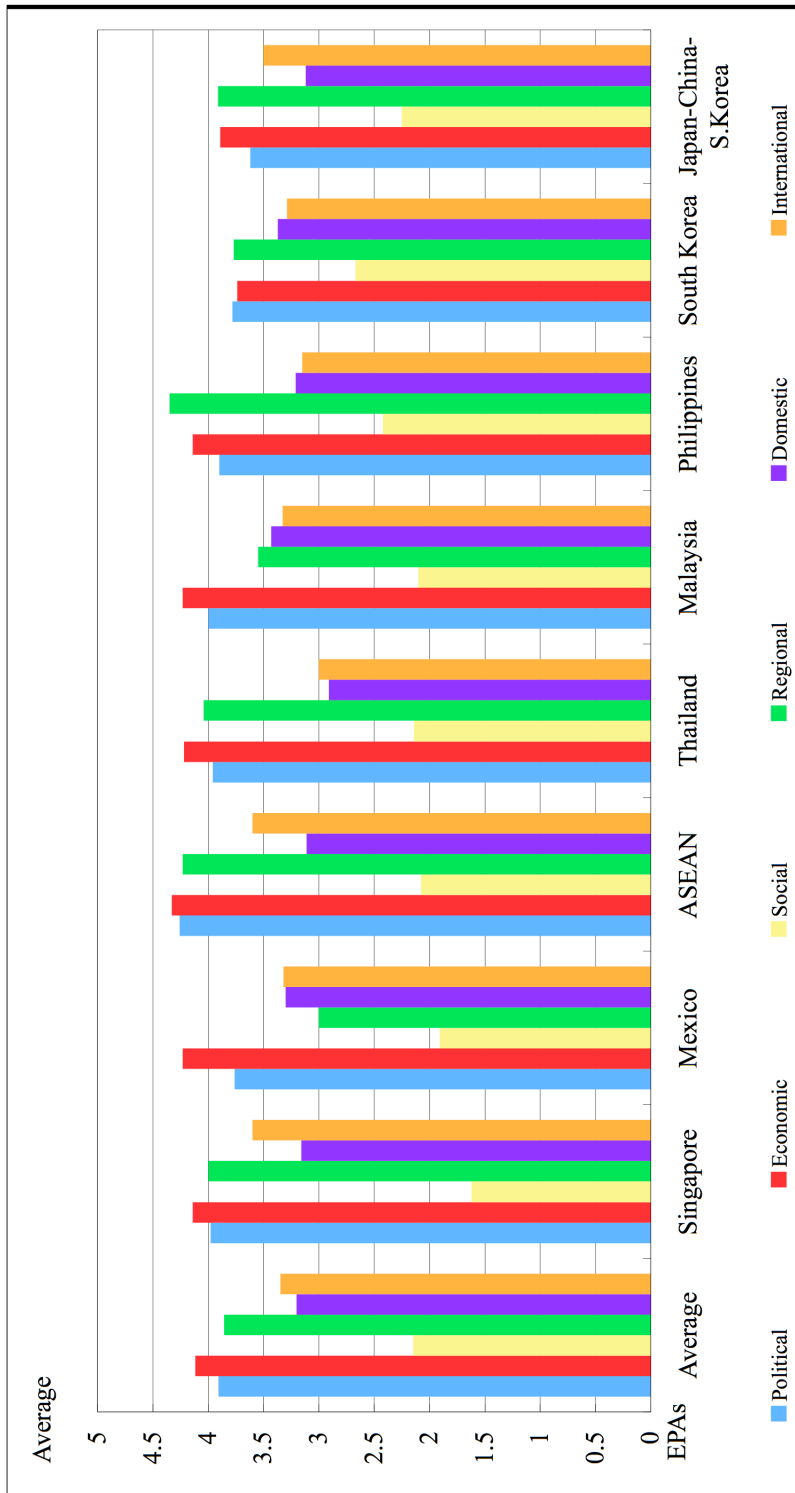
Name and Signature.....

Appendix 10.a: Influence of Actors in FTA/EPA Decision Making



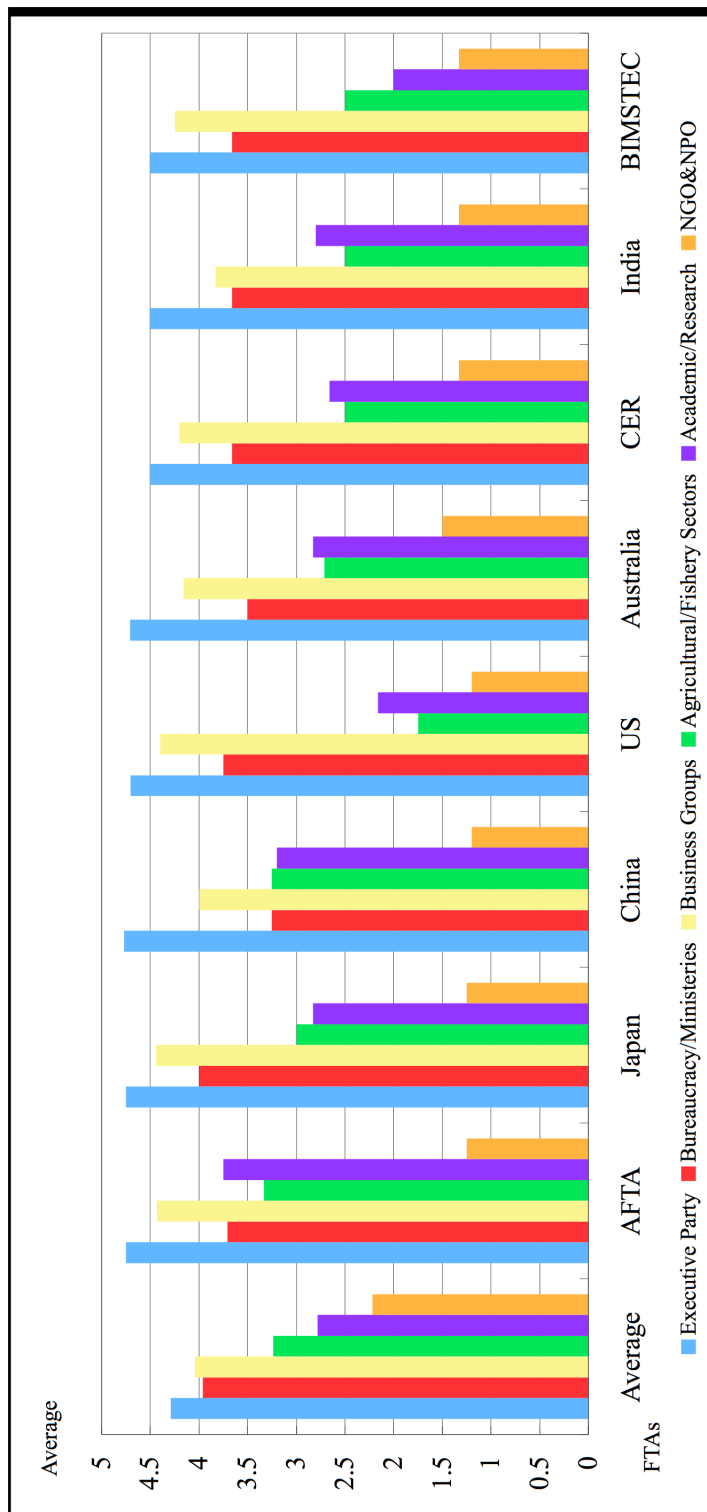
Source: Calculated by author based on the data in Appendix 9

Appendix 10.b: Influence of Factors in FTA/EPA Decision Making



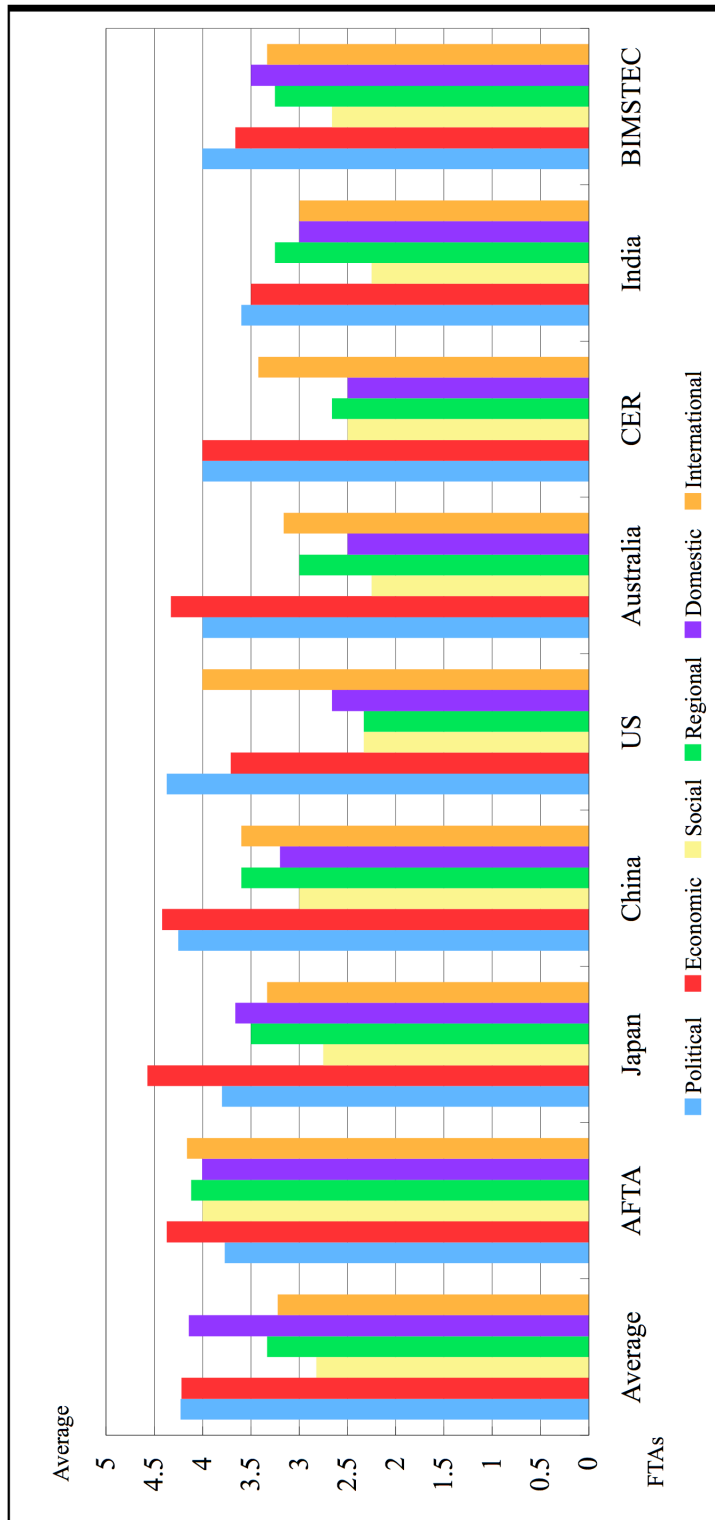
Source: Calculated by author based on the data in Appendix 9

Appendix 11.a.: Influence of Actors in FTA Decision Making of Thailand



Source: Questionnaire conducted in Thailand.

Appendix 11.b: Influence of Factors in FTA Decision Making of Thailand



Source: Questionnaire conducted in Thailand.