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NEW POLICY BRIEF:

Upholding Europe's mandate on trade The EU-Japan FTA

[This paper](#) concerns Europe's ability to continue its trade strategy into large scale FTAs that are necessary to sustain EU industrial capacities. The first challenge for Europe is the EU- Japan FTA, whose merits have been met with scepticism due to Japan's lack of openness. Such notions are misguided. First, they fail to take into account that the US exports are outperforming the EU on the Japanese market – it is simply unlikely that Japanese trade barriers are designed to promote US and Chinese firms while discriminating against the EU. Second, as Japan is likely to conclude (and perhaps prioritise) other trade agreements besides an FTA with a declining Europe, the EU-Japan FTA is necessary to maintain European market shares in the world's second largest consumer market against the global competition.

In this regard, the recent East Asia Summit saw the opening of negotiations for RCEP (ASEAN +6) and the relaunch of the three party FTA negotiations between China, Japan and Korea (CJK). Public support in Japan for joining the TPP has now reached a critical mass. Each of these three RTAs creates a trade diversion that wipes out any GDP gains that EU could achieve through its FTAs, including the EU-US FTA. Furthermore, Japan is the only strategic partner in the Asia Pacific region with similar values that could engage and influence China economically and politically; Japan is also the second largest shareholder of the IMF that holds the political future of some Eurozone governments.

Meanwhile, the debate on the negotiation mandate has been marked by an unprecedented lack of confidence for the Common Commercial Policy that undermines the EU's credibility and leverage in EU-US talks and other future FTA negotiations. Moreover, protectionist concerns for the European car industry (which is now running a trade surplus against Japan) have been allowed to block the proceedings although mercantilism is counterproductive to the long-term goals of the EU – as it legitimises similar behaviour by the other major economies.

[Download the policy brief here](#)

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