

UDC 327

**THE IMPORTANCE OF THE ECONOMIC PARTNERSHIP AGREEMENT SIGNED  
BETWEEN THE EUROPEAN UNION AND JAPAN**

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The current state of bilateral relations between Japan and the European Union is considered to be quite strong, dynamically developing in various areas of cooperation, favorable and having positive results. Japan, as one of the largest Asian countries by economic indicators, takes all the benefits from cooperation with the countries of the European Union, while the EU deepens ties and its influence in the East Asian region through Japan. Such bilateral benefits allow countries to continue the integration process through the signing of partnership and cooperation agreements. This article will consider the main points of the evolution of economic relations between the European Union and Japan, the current state and size of the markets, the history of signing the Economic Partnership Agreement and the advantages the countries receive.

Multilateral relations between the European Union and Japan are generally characterized by their absence. The actual problem is that there is no actual problem. For several decades, the countries have been creating a favorable platform for cooperation in the field of economy and trade despite of different trade insecurities and conflicts including trade wars. However, until the final transformation of the organization into the European Union, the parties experienced tensions in the field of trade relations.

Trade conflicts were a frequent confrontation in the 1950s and 60s. Japan could not avoid the same fate in relations with mainly Western European countries. In this case, the pressure began when Japan began to develop a strategy whose main goal would be the liberalization of the Japanese economy. However, external pressure, named by the Japanese word 'gaiatsu', exerted by Western countries, led to a new document. In 1960, the Cabinet of Ministers adopted a new plan for the liberalization of foreign trade and trade turnover. In particular, this would lead to a significant increase in the import of raw materials for the development of heavy and chemical industries. This would mark a new stage in the development of economic potential with an emphasis on cooperation with the world. However, the Japanese economy also faced internal pressure coming from mainly young industries, namely steel producers and the automotive industry. The negative reaction to liberalization was justified by the fear of job losses, which was accompanied by the withdrawal of foreign currency. The society of Japan strictly advocated the preservation of the policy of protectionism. The process of liberalization was limited, the production of some goods was included in the negative list of the OECD [1, p. 33-34].

In 1970, negotiations with Japan and the countries of the European Community began. Japan, increasing its potential both in politics and in the economy, is emerging as a developing economic center in East Asia. However, the result was not achieved due to the opposing views of both delegations. This lasted several years. The conflict arose in 1976 when one of the largest federations of economic organizations (Nippon Keidanren) visited Europe to improve economic ties with this region and signed trade agreements. After the trip, Europe published a number of documents containing negative reviews about Japanese businessmen. The Europeans portrayed Japanese businessmen in official reports as 'insane workaholics.' The tension was the result of the occurred situation in the domestic market of Japan, and Japan itself was displayed in a negative light in the media throughout the European Community. However In the 1980s, Europe urged Japan to improve control over trade flows, to which Japan announced the restructuring of the economy in the future, taking into account domestic demand. In the 1990s, the signing of the Joint Hague Declaration marked a new stage in the development of relations, which included other areas of cooperation. In the early 1990s, largely thanks to the Hague Declaration, relations between the EU and Japan became more important than relations between the EU and other Asian countries [2, p. 14-15].

The Hague Declaration of 1991 allowed the countries to facilitate economic cooperation, namely to:

- Expand the scope of cooperation, not limited to economic indicators and diplomatic ties.
- Strengthen the arena for global and regional trade by developing the economy in multilateral structures and systems, eliminating protectionism as one of the ways of development, adopting the existing principles of GATT and OECD.
- Strengthen investment flows [3].

Since 1991, leaders from the EU and Japan hold annual summits to impulse a growing bilateral official activity. In the 10th summit, held in Brussels in 2001, both sides adopted a comprehensive EU-Japan action plan with many goals within four major objectives: promoting peace and security; strengthening the economic and trade partnership within globalization dynamics; coping with global and societal challenges; and bringing together people and cultures

[4, p. 14]. Thus, Japan entered the 21st century as a country developing and demonstrating the principles of free trade. The European Union is beginning to pay attention to Asian countries, in particular to Japan and to the opportunities to gain a strong position in the East Asian region through an island state.

Nowadays Japan and the European Union are separately considered powerful economies due to developing sectors and industries. Combining the official GDP figures for 2020, the EU and Japan together amount to \$20.350 trillion representing 24% of the World GDP. While the population of the states continues to grow and exceed 573 million people [5-7].

Japan, like the European Union, is a sought-after partner in the international trade market. The share of Japanese exports to European countries is 9.2%, which is half as much as the goods directed to United States and three times less than to China. Japan, in turn, is the 7th trading partner, behind Turkey, Russia, Switzerland, the United Kingdom, the United States and China.

Considering the main economic indicators Japan and the European Union, bilateral trade is the main tool for conducting economic relations. The highest indicator of trade flow with Japan was recorded in 2019, when exports to Japan amounted to 62,628 euros, and imports to EU countries – about 63,000 euros. These indicators fell by 12% next year due to the announcement of a global pandemic associated with a wave of Covid-19 incidence rate. The same year, Japan was in the top 7 EU trading partner countries in terms of exports, as well as the top 6 in terms of imports [8].

The European Union exported to Japan goods worth more than 55,000 euros, including machinery and transport equipment (35.3%) (19,442), chemicals and related products – 24.0% (13,208), miscellaneous manufactured articles – 14.9% (8,231), food and live animals – 7.1% (3,932), beverages and tobacco – 4.8% (2,638). While the following goods were imported from Japan: manufactured goods classified chiefly by material - 6.6% (3,644), commodities and transactions - 0.7% (366), food and live animals – 0.4% (211) [8].

The growth of economic indicators and the involvement of both sides in improving the external economic picture is primarily due to the signing of the Economic Partnership Agreement in 2018. Since the beginning of the 21st century, countries have repeatedly thought about adopting a single unique document that would almost completely free markets from tariff and other restrictions, which would allow unhindered development of industries, as well as improve trade.

Since the signing of the Hague Declaration in 1991, relations between the states have significantly strengthened and expanded on various points of contact, including not only economic interests, but also political and industrial issues. The Joint Action Plan concluded between Japan and the European Union in 2001, as well as the recognition of Japan as a strategically important partner by the European Union, is considered a further development. Such a positive and slightly dynamic strengthening is primarily due to the fact that both sides actively recognize mutual values. This list can also include democratic freedoms, the concept of a market economy, as well as the absence of the need to use military and political power and the rejection of the use of nuclear potential. In addition to various values, Japan and the EU periodically face a number of conflicts and threats: terrorism, cybersecurity, piracy, natural disasters and catastrophes, the human factor, issues of energy equipment, territorial totality. The modern economic partnership, as already mentioned, is based on the joint action plan of 2001, which expanded opportunities in scientific and technological research, the use of nuclear potential, customs regulation and so on [9, p. 2-3].

Negotiations on the implementation of the Economic Partnership Agreement were held for the first time in 2013, increasing the significance of the transaction every year. Since 2013, 18 meetings and negotiations have been held. Several factors influenced the imminent signing of the agreement. One of the factors was the possibility of the UK officially withdrawing from membership of the European Union. Brexit influenced the Japanese side more, as distrust and fear appeared [10, p. 73]. The potential withdrawal of the country from the EU caused Japanese

politicians at that time extreme tension and uncertainty about further results. The second factor is the periodic protests of the population of the European Union in general to conclude agreements or treaties with world powers.

The official entry into force of the agreement took place in February 2019. To date, this agreement is considered one of the largest trade agreements ever signed in history. Former Japanese Prime Minister Shinzo Abe believed that this step would unite the countries and motivate the use of free trade values [11, p. 2].

According to the agreement, a high level of trade liberalization will be reached within the framework of EU-Japan cooperation. Liberalization will concern not only the goods market, but also the services market, which will contribute to an effective, transparent and predictable trading environment. The agreement also affects labor standards.

Referring to the WTO standards for the implementation of free trade, countries are obliged to exclude duties on almost all trade. Nevertheless, the EPA includes 99% of tariff items and 100% of imports from the EU, while 97% of tariff items and 99% of imports from Japan. Japan's relatively low numbers compared to Europe are argued by the island nation's agricultural industry and its vulnerability. Concessions will not apply to rice, seaweed, as well as products banned in Europe. The agreement cancels duties on industrial goods. Japan already implements zero tariffs in the automotive, electronics and other transport industries. After the entry into force of the agreement, Japan has already zeroed tariffs in the chemical, textile, heavy industry, including jewelry, cosmetics, ceramic and glass products. Thus, in 2019, 91% of Japanese imports turned out to be duty-free [12, p. 20].

Both sides, in turn, have very sensitive sectors of the economy that were heavily dependent on taxes. In Japan, as already mentioned, this is the agricultural sector, the forestry industry. For Europe, this is the production of passenger transport. For such dependent industries, there was a gradual abolition of the 10% tariff. The countries support each other and accept equal conditions, proving the seriousness of the agreement [p. 21].

Thanks to the EPA, economic cooperation can confidently be considered solid and promising. In addition, it can consolidate the EU's position in the East Asia region and improve the portrait of Japan in European countries. The signing of such a global project can have a pushing effect and encourage other countries to join in improving standards in world trade. The rejection of trade barriers will bring benefits to both sides. First of all, this concerns the industries that were mentioned earlier. Thus, the agreement, which has several dozen chapters, affects all sectors and none will remain without attention. Agricultural production in European countries may increase by 294% [13, p. 20]. On the Japanese side, benefits are expected from the manufacturing industry, the service sector, and automobile companies. In addition to reducing or eliminating tariffs, the countries will strengthen investment flows, control over information and confidential data, and provide a platform for cooperation between small and medium-sized businesses.

The current geopolitical situation is increasingly reminiscent of the beneficial sides of integration processes and in-depth cooperation between various countries. In this case, the Economic Partnership Agreement shows the beneficial sides of the economic association. This agreement is a real example of increasing the importance of free trade in the modern world, despite the distance and differences in national characteristics. The Economic Partnership Agreement, signed in 2018 and entered into force in 2019, cannot yet be fully evaluated. The results of trade are noticeable in foreign economic indicators and the growth of exports to the countries. Within the framework of bilateral relations, new detailed projects are being developed and created that strengthen individual sectors of the economy. For the effectiveness of the agreement, countries can focus more attention on the development of the service sector, since it requires innovation and productivity more than others. During the pandemic, countries were overwhelmed by the need for digital technologies and services. It is digitalization that can accelerate the appearance of obvious

results and stimulate even more growth of economic cooperation. Entering the market for such technologies should be simplified and become more transparent.

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