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**Building an “East Asian Community” in vain:
Japan's Power Shift and Regionalism in the New Millennium**

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Abstract

In August 2009, as a result of the “historical” general election of Japan, the Democratic Party of Japan (DPJ) gained legislative majority and took over the Liberal Democratic Party (LDP) government, which had been in power for more than 16 years. One of the most noteworthy foreign policies launched by the new Japanese government was aimed at building an “East Asian Community;” however, little progress was observed with regards to the promotion of economic regionalism, during the DPJ era (2009-2012). Why was this policy not as actively pursued by the DPJ cabinet as originally intended? This is puzzling, given the fact that economic regionalism was one of the Prime Minister’s most favored policies; and that there was an absence of significant objections from opposition parties with regards to this policy. This paper addresses this question by elucidating factors that promoted or impeded the building of an “East Asian Community” from the perspective of Japanese domestic politics. In particular, this paper sheds light on the preferences of the existing societal organizations of land, capital, and labor, on the one hand, and their relationships with the ruling government, on the other. This paper shows that the previous DPJ government, having been an advocate of economic regionalism in East Asia, has, in fact, experienced strong dissent among its supporters. Groups that had strong ties with the DPJ reacted negatively against economic regionalism as opposed to those closely linked to the LDP. Thus, conditions for promoting East Asian regionalism were relatively weaker under the DPJ government, than under the preceding LDP government. Even though the Prime Minister was a strong advocate of East Asian regionalism, his efforts to promote it remained largely constrained, due to the opposition of his party’s supporters. Such was the reality that the DPJ government faced.

Keywords

Japan’s foreign policy; East Asian economic regionalism; Economic partnership agreements (EPAs); Free trade agreements (FTAs); Japanese interest groups

Introduction

In August 2009, as a result of the “historical” general election of Japan, the Democratic Party of Japan (DPJ) gained legislative majority and took over the Liberal Democratic Party (LDP) government, which had been in power for more than 16 years. Many Japanese hoped that the DPJ government would change the old-fashioned and ineffective political system that the LDP had previously constructed. This expectation was one of the factors accounting for DPJ’s landslide victory.

One of the most noteworthy foreign policies launched by the new DPJ government was concerned with building an “East Asian Community.” Together with another slogan of constructing an “equal Japan–US relationship,” this policy was headlined as one of “the two distinctive features”² of DPJ’s diplomacy and played a symbolic role as a new foreign policy set forth by the incoming government. The policy of building an East Asian Community was, however, nothing new in itself. The LDP governments had, in fact, proposed it since 2002, when the then Prime Minister Jun’ichirō Koizumi visited Southeast Asian countries. In the following year, the Japanese government adapted the Tokyo Declaration with member countries of the Association of Southeast Asian Nations (ASEAN), showing its support for establishing a community in East Asia.³ Since then, Japan has made continued efforts ever since then, to promote East Asian regionalism. Signing Economy Partnership Agreements (EPAs)/Free Trade Agreements (FTAs) with other East Asian states was one of such measures.⁴ Not only the LDP but also the second largest opposition party, the New Komeito supported the creation of an “East Asian Community.”⁵ However, it was the DPJ that first proposed the idea of an “East Asian Community” in their manifesto as a policy goal.⁶ Moreover, DPJ’s first Prime Minister, Yukio Hatoyama,

² Mainichi Shimbun, December 24, 2009.

³ Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium, December 2003, <http://www.mofa.go.jp/region/asia-paci/asean/year2003/summit/tokyo_dec.pdf>, accessed June 5, 2013.

⁴ Since FTAs are included in EPAs, hereafter FTAs are also called EPAs unless otherwise noted. I will later explain this in more detail.

⁵ NEW KOMIETO, Manifesto 2010 (Complete version available only in Japanese).

⁶ DPJ, Democratic Party of Japan Manifesto for the 2005 House of Representatives Election: Nippon

advocated this idea every time he visited foreign countries.⁷ As a result, building an “East Asian Community” became a prominent theme in Hatoyama’s diplomacy.

Yet, as I will highlight in the next section, little progress was made in reality, on the construction of an “East Asian Community” during the DPJ’s administration. Prime Minister Naoto Kan, taking over Hatoyama for example, did not mention an “East Asian Community” in his January 2011 speech on administrative policies. Clearly, the DPJ’s enthusiasm for building an “East Asian Community” had cooled down even before the Tōhoku earthquake of March 2011 hit the country and drastically changed the course of various government plans. Eventually, the last Prime Minister of the DPJ era, Yoshihiko Noda (who succeeded Kan), declared openly his lack of enthusiasm for the policy goal, by saying that “it [was] not necessary to launch a big vision such as the East Asian Community”⁸.

Why was this policy not more actively pursued by the DPJ cabinet, despite being one of Hatoyama’s favored policies and despite the absence of significant objections from opposition parties (such as the LDP and the New Komeito)? Several years have passed, ever since the DPJ lost to the LDP in the 2012 general elections, putting an end to the DPJ era. With this in hindsight, the current point in time seems to be an appropriate one to give the above question some serious thought. This paper addresses this question by elucidating factors that promote or constrain the building of an “East Asian Community” from the perspective of Japanese domestic politics. In particular, this paper sheds light on the preferences the existing societal organizations of land, capital, and labor on one hand and their relationships with the ruling government on the other. This paper proves that the DPJ government, having been an advocate of economic regionalism in East Asia, had, in fact, dissenters among its supporters who oppose it.

Sasshin: Toward a Change of Government Manifesto, 2005; Change of Government: The Democratic Party of Japan's Platform for Government Putting People's Lives First, 2009.

⁷ For instance, Hatoyama raised this issue when he met leaders of China in New York (September 21), South Korea in Seoul (October 9), and ASEAN countries in Hua Hin (October 24) in 2009.

⁸ Noda, Yoshihiko, “Waga Seiji Tetsugaku” [my political philosophy], Voisu [Voice], No.406, 2011, p.52.

1 East Asian Community and Japan's EPAs: An overview

“Building an East Asian Community” is an ambiguous slogan. Regionalism, defined as a political will to cooperate with, or sometimes to create a formal arrangement among states on a geographically restricted basis can take different functional forms in areas such as trade, finance, environment, or security. Issues concerning membership—which countries are included in or excluded from the arrangement—are often controversial. DPJ's regionalism is no exception; it has not defined an “East Asian Community” clearly in terms of its function and membership.

Given this problem, this paper focuses on economic regionalism.⁹ Japan's EPAs-policy, in particular, is mentioned as a way of achieving an “East Asian Community” in DPJ's Manifesto.¹⁰ Moreover, Japan's EPA is unique in that it covers broader economic agreements including not only typical FTA—liberalizing goods and services—but also what are called “new issues”: liberalization of labor turnover, cooperation in technology transfer and intellectual property, and Bilateral Investment Treaties (BITs). All the economic agreements that Japan has signed to date have been EPAs. Therefore, it is valid to examine Japan's EPA policy if we want to measure the degree of success that the DPJ government had achieved in building economic regionalism. In addition, I define “East Asia” as “ASEAN + 6.” That is, it contains, in addition to the 10 ASEAN members and the People's Republic of China (hereafter China), Japan, and the Republic of Korea (hereafter South Korea)—which are collectively called “ASEAN plus three”—the three nations of Australia, India, and New Zealand. This is consistent with the definition of “East Asia” understood by the Japanese government, which has tried to reduce China's influence by inviting these three powers. Moreover, my definition of “East Asia” -which is comprised of

⁹ Therefore, throughout this paper, “regionalism” and “regional (economic) cooperation” are used interchangeably. “Regional integration” refers to a process toward establishing a regional framework such as an “East Asian Community.”

¹⁰ DPJ, Change of Government.

the 16 countries mentioned above is also in accordance with the membership of the Regional Comprehensive Economic Partnership (RCEP), which started negotiation in May 2013.

In short, creating an East Asian Community in the economic realm means reducing tariffs and other trade barriers, liberalizing mobility of capital and workers, and improving investment opportunities among the abovementioned 16 countries¹¹. A network of bilateral EPAs would eventually lead to regional EPAs.¹² Table 1 shows the chronological progress of Japan's bilateral EPAs with East Asia countries.

Table 1 appears here

This table outlines the following facts. First, EPAs with seven Southeast countries and ASEAN were already signed by August 2008 under the LDP administration. Second, hardly any progress was made during the DPJ era, with respects to EPA negotiations with Australia and South Korea. Third, negotiations with China and New Zealand never commenced during this phase of time. Fourth, although EPA with Singapore was amended in 2007 and Japan's tariffs on some products such as mining, manufacturing, and agriculture were reduced, this was an only exception. Renegotiation with other East Asian countries such as Thailand did not progress remarkably despite the Thailand government's persistent request. Fifth, the only case the DPJ government developed was with India, but the negotiations started in 2007, and the DPJ government only had to carry out the laid-out plan.

¹¹ Complete Regional economic integration is achieved if common external tariff, fiscal, and monetary policies are implemented among member states. Balassa, Bela A. *The Theory of Economic Integration*, (Homewood, Ill.: Richard D. Irwin, 1961).

¹² Stallings and Katada doubted whether increasing the number of bilateral EPAs/FTAs worldwide would contribute to regional economic integration. Their argument, however, is based on inter-continental bilateral FTAs, not limited to intra-regional ones. No one would disagree that had all East Asian countries concluded EAPs with one another, it would have led to regional economic integration, that is, the East Asian Community. Stallings, Barbara and Saori N. Katada "Conclusion: FTAs in a Competitive World", in Solís, Mireya, Barbara Stallings and Katada N. Saori eds., *Competitive Regionalism: FTA Diffusion in the Pacific Rim*, (Basingstoke: Palgrave Macmillan, 2009).

In summary, we can conclude that despite strong advocacy on the part of its leaders, the DPJ's proposal to build an "East Asian Community" was never effectively put into practice. The DPJ government did not take any notable initiatives at all. At the time of Hatoyama's resignation ten months after the new government came into power, a Japanese newspaper understandably criticized the DPJ for failing to promote the building of an "East Asian Community", as the party had initially proposed¹³. The only defender of the situation might be Hatoyama, who praised himself on the issue, stating that "the proposal of an East Asian Community was well done".¹⁴ But nobody knows what the benchmark of his self-esteem is.

2 Japan's economic regionalism and domestic interest groups

What, then, are the main factors impeding substantial regional economic cooperation in the face of a country's leader strongly in favor of enhancing it? Numerous studies have tried to shed light on the factors that promote economic regionalism. In economics, for example, Richard Baldwin theorized the domino movement of regionalism, which is by nature defensive action on the part of states.¹⁵ He argues that the main driving force in creating regional trade arrangements is a defensive response to the risk and threat of trade diversion from regional trade arrangements in other parts of the world. In the discipline of international relations, social constructivists insist that the convergence of regional "norm" and/or "identity" matters for a region to create and maintain formal arrangements.¹⁶ Constructivists observe that an increase in economical, political, and

¹³ Asahi Shimbun, June 24 2010.

¹⁴ Asahi Shimbun, June 19 2010.

¹⁵ Baldwin, Richard E, "A Domino Theory of Regionalism", National Bureau of Economic Research (NBER) Working Paper no.4465, 1993, Baldwin, "Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade", *The World Economy*, Vol.29, No.11, 2006, pp. 1451-1518.

¹⁶ Acharya, Amitav, *Whose ideas matter?: agency and power in Asian regionalism*, (Ithaca : Cornell University Press, 2009); Hemmer, Christopher and Peter Katzenstein, "Why Is There no NATO in Asia:

social interaction and common inclinations for economic development among East Asian states have contributed to the emergence of a collective understanding, leading eventually to “East Asian Regionalism”.¹⁷ They would agree that the critical juncture for developing regional identity was the period of Asian Financial Crisis of 1997. East Asian countries criticized the International Monetary Fund (IMF) as well as the United States for forcing damaged countries to undertake domestic structural reform. Since then, financial cooperation has developed among East Asian countries, such as currency swap agreements (known as the Chiang Mai Initiative). Thus, according to the social constructivists, their views can be relevant even in the economic realm, which has been dominated by neoliberal institutionalists.

However, missing from arguments advanced by the domino theory and the social constructivists is a discussion of factors that hinder regional economic cooperation. Thus, they were unable to explain Tokyo’s hesitation to develop economic regionalism, even though the movement of economic regionalism in other parts of the world has been proliferating and the Prime Minister was ostensibly highly eager to follow the global trend. Because their arguments were based on teleology—regionalism progresses as time passes—they failed to present causal relationships in the reversed direction. If social constructivists argued that the lack of regionalism could be attributed to a lack of a regional norm, their argument would not be falsifiable. In this regard, critics of constructivist arguments insist that East Asian economic cooperation/integration has not progressed much and that what exists in actuality is inconsistent with political rhetoric and constructivist bias.¹⁸

In order to explain Japan’s hesitation to promote the forging of EPAs during the

Collective Identity, Regionalism, and the Origins of Multilateralism”, *International Organization*, Vol.56, No.3, 2002.

¹⁷ Nabers, Dirk, “The Social Construction of International Institutions: The Case of ASEAN+3”, *International Relations of the Asia-Pacific*, Vol.3, No.1, 2003; Lee, Yong Woo “Japan and the Asian Monetary Fund: An Identity–Intention Approach”, *International Studies Quarterly*, Vol.50, 2006.

¹⁸ Jones, David Martin and Michael L. R. Smith “Construction Communities: The Curious Case of East Asian Regionalism,” *Review of International Studies*, Vol.33, No.1, 2007; Webber, Douglas, “The regional integration that didn’t happen: cooperation without integration in early twenty-first century East Asia,” *Pacific Review*, Vol.23, No.3, 2010.

DPJ's administration, I shall narrow the scope of my focus to the events which took place in Japan's domestic political scene. The influence of domestic social organizations on regionalism has been modeled and theorized by some distinguished scholars.¹⁹ In a similar vein, I illuminate the preferences of Japan's influential interest groups with regard to regional economic cooperation and their relationships with the ruling government. Moreover, I analyze the extent to which the policy shift occurred as a result of partisan control of the government. In the United States, for example, Democrats as well as Republicans can sometimes set into motion big policy shifts over trade.²⁰ Thus, in democratic countries, a change in the government can conceivably change a state's basic foreign policy. Given that societal interests are hard to change, if a general election brings about a change in the government while the existing economic organizations' support for parties remains unchanged, a big foreign economic policy change could occur. Since the new government need not pay attention to groups that support previously implemented policies and the erstwhile ruling parties, it is able to shape the new nation's basic policies while going along with its traditional supporters. On the contrary, if certain social groups shift their support from a ruling party to an opposition party and a change in the government follows, the new government cannot easily change foreign economic policies that the former government had implemented. The new government has to consider the interests of its new supporters, who support old policies. Thus, as Figure 1 shows below, whether a change in the government will also bring about a shift in basic foreign economic policies depends on how many existing social organizations shift their support to different parties.

Figure 1 appears here

¹⁹ Grossman, Gene M. and Elhanan Helpman, "The Politics of Free-Trade Agreement", *American Economic Review*, Vol. 85, No. 4, 1995; Milner, Helen V., "Industries, Governments, and Regional Trade Blocs", in Mansfield, Edward D., and Helen V. Milner eds, *The Political Economy of Regionalism* (New York: Columbia University Press, 1997); Chase, Kerry A., "Economic Interests and Regional Trading Arrangements: The Case of NAFTA", *International Organization*, Vol. 57, No.1, 2003.

²⁰ Keech, William R and Kyoungsan Pak, "Partisanship, Institutions, and Change in American Trade Politics", *The Journal of Politics*, Vol. 57, No.4, 1995; Hiscox, Michael J., *International Trade and Political Conflict: Commerce, Coalitions, and Mobility* (Princeton: Princeton University Press, 2002).

Recent studies have asserted that foreign policies in democratic countries tend to be consistent and credible for other democracies even if government changes occur. Various reasons for this have been explored by scholars of international relations, such as the existence of veto players, which makes policy change difficult, the necessity for a new government to acquire broader electoral supports, and the existence of domestic audience cost, which prevents leaders from backing down from their previous pledge.²¹ Are these arguments appropriate for explaining Japan's government change and its economic regionalism? The answer is both yes and no. Some interest groups who switched from the LDP to the DPJ in fact contributed to policy continuity. Furthermore, groups that supported the DPJ in the 2009 general elections were mainly those that had opposed signing EPAs with East Asian countries, whereas groups that did not support the DPJ had been in favor of it. Japan's economic regionalism during the DPJ's administration was influenced to a large extent, by the interests of these existing organizations; as well as their ties with the new administration. I will explore those points in greater detail later.

Theoretically, societal interests can influence regional economic integration either positively, that is, by expressing views in favor of it, or negatively, that is, by expressing views against it. First of all, export industries that have markets in East Asia will demand the government to build a trade liberation framework. This sector wants other countries to reduce their tariffs and other trade barriers by creating a formal regional economic arrangement, namely an "East Asian Community." Nippon Keidanren (Japan Business Federation, hereafter Keidanren) represents this interest. Keidanren's membership comprises approximately 1,300 leading firms and 130 major industrial organizations. Keidanren in fact has advocated to conclude EPAs with other East Asian states and to

²¹ Fearon, James, "Domestic Political Audiences and the Escalation of International Disputes", *The American Political Science Review*, Vol.88, No.3, 1994; Gaubatz, Kurt Taylor, "Democratic States and Commitment in International Relations", *International Organization*, Vol. 50, No. 1, 1996; Mansfield, Edward D., Helen V. Milner and B. Peter Rosendorff, "Why Democracies Cooperate More: Electoral Control and International Trade Agreements", *International Organization*, Vol. 56, No. 3, 2002; McGillivray, Fiona and Alastair Smith, "The Impact of Leadership Turnover on Trading Relations Between States", *International Organization*, Vol. 58, No.3, 2004.

open Japan's labor market.²²

On the other hand, domestic firms, which have to compete with foreign firms, are predictably opposed to regional economic integration. Firms in developed countries are less cost competitive than their rivals located in developing countries. Therefore, they often have a strong incentive to demand the government to keep tariffs high, in order to protect their own profits. Japan's textile and apparel industries should be a typical case because exceptionally high tariffs have been maintained for non-agricultural products. However, textile products were included in EPAs with Southeast Asian countries. Therefore, contrary to speculation, Japanese textile and apparel industries have already made concession to reduce tariffs on products imported from developing countries in Southeast Asia. The largest textile industry group, the Japan Textile Federation, for example, states that "constructive utilization of FTA/EPA and reinforcing collaboration with Asia" is one of their main objectives.²³ The Japanese textile industry appears to have already shifted from a protection policy to a more aggressive one in order to survive in the global economy.

However, the Japanese textile industry has never compromised in one area: the "two-process" rule of origin. This rule stipulates that for a textile product to be recognized as having been made in one of the EPA countries, both the fabric and threads of the product should be made in the same country²⁴. Thanks to this rule, textile products made in Vietnam but using Chinese threads are not admitted as goods made in Vietnam, and hence, tariffs on those products are not reduced. Since a division of labor between China and Southeast Asia has been pervasive in the textile industry, it is a wise policy for the Japanese textile industry not to import cheap products blindly. Furthermore, this fact also implies that the Japanese textile and apparel industries would surely oppose signing an EPA with China.

²² Keidanren, Higashi Ajia Keizai Tōgō no Arikata ni Kansuru Kangae Kata [Our View on Economic Integration in East Asia], 2009, <<http://www.keidanren.or.jp/japanese/policy/2009/006/honbun.pdf>>, accessed June 5, 2013.

²³ Japan Textile Federation, Action Policy for fiscal 2011, January 18, 2011, p. iv, <<http://www.jtf-net.com/english/annai/2011ActionPolicy.pdf>>, accessed March 8, 2011.

²⁴ Interview with an official of Ministry of Economy, Trade and Industry (METI), conducted on June 14, 2011.

Nevertheless, the situation of the Japanese textile industry is a rather rare exception. The Japan Chamber of Commerce and Industry, comprising Japan's small- to medium-size firms, is in fact officially in favor of promoting EPAs.²⁵ Except the textile industry, Japanese firms as a whole—whether big, medium, or small—basically support East Asian economic regionalism.

In contrast, domestic groups that have opposed regional economic integration come from agriculture and organized labor. Because Japan is less endowed with land, the agriculture sector is predictably opposed to the liberalization of its market. Indeed, well-organized Japanese agriculture groups have a notorious history of negatively influencing Japan's trade policy in the post-war history. Because one of the LDP's main supporters has traditionally come from rural areas, the LDP government continued to protect agricultural products.²⁶ This policy did not change in the case of EPAs with East Asian countries, the majority of which export a number of agricultural products. Negotiations with Australia, for example, did not progress smoothly because Japan failed to concede to any terms of negotiation which required bringing about a heightened level of openness for its agriculture market.²⁷ In regard to EPAs with other East Asian countries, the largest farmers' group, Japan Agricultural Cooperatives (JA or Nokyo), and its directive organization, Central Union of Agricultural Co-operative (JA Zenchu), have requested to establish an "exceptional measure," so that the Japanese agriculture sector can "avoid being sacrificed one-sidedly".²⁸ Their persistence succeeded in securing exemption of sensitive products such as rice, wheat, and dairy products from trade agreements. Moreover, JA strongly opposes

²⁵ Japan Chamber of Commerce and Industry, Keizai Renkei Kyōtei no Suishin ni Kansuru Yōbō [Our demand for promoting EPAs], October 28, 2010, <<http://www.jcci.or.jp/international/request/20101028.pdf>>, accessed June 5, 2013.

²⁶ Davis, Christina L., *Food fights over free trade: how international institutions promote agricultural trade liberalization* (Princeton NJ: Princeton University Press, 2003); George Mulgan, *Aurelia, Japan's agricultural policy regime* (London: Routledge, 2006).

²⁷ Capling, Ann, "Preferential Trade Agreements as Instruments of Foreign Policy: An Australia-Japan Free Trade Agreement and Its Implications for the Asia Pacific Region", *The Pacific Review*, Vol.21, No.1, 2008. pp. 27-43.

²⁸ JA Zenchu, Kankoku, Tai, Firipin, Mareshia, Indoneshia tona Jiyuu Boueki Kyoutei ni Kansuru JA Guruupu no Kihonteki Kangaekata [Our basic viewpoint on FTAs with South Korea, Thailand, the Philippines, Malaysia, and Indonesia], February, 2004, pp.2-4, <<http://www.zenchu-ja.or.jp/food/wto/16-2.pdf>>, accessed March 10, 2011.

participation in the Trans-Pacific Strategic Economic Partnership Agreement (TPP), which includes Australia, New Zealand, and the United States.²⁹ Thus, the Japanese government has been facing strong opposition from the agricultural sector in its efforts to achieve East Asian economic integration.

Organized labor may also oppose EPAs with East Asian countries. The preferences of this sector can be derived theoretically. First, an increase in foreign direct investment (FDI) into East Asian countries by Japanese firms would reduce domestic employment. Therefore, organized labor will oppose agreements that make FDI easier—namely BITs. Moreover, various factors including labor cost, currency rate, and country risk, influence the volume of FDI. Among them, eliminating a country's tariffs will constrain FDI because FDI is an alternative for multinational firms to selling their products to high-tariff countries. Therefore, if tariffs among consenting countries are reduced to zero, FDI may slow down. Consequently, organized labor may favor FTAs, which will increase domestic employment by reducing FDI, but they may oppose BITs, which will increase FDI. Nevertheless, this contradiction is not a source of apprehension for Japanese organized labor probably because it is highly technical. For Japanese organized labor, liberalizing labor mobility is most critical because cheap labor from labor-rich countries will reduce employment of Japanese workers. For example, Japan's biggest labor union, the Japanese Trade Union Confederation (Rengo in Japanese), has officially objected to increasing the number of foreign workers through EPAs.³⁰ As organized labor's inclination to protect the weak and the poor is well known³¹, its concerns about job loss of low-paid workers are understandable.

²⁹ JA Zenchu, TPP Koushou eno Sanka ni Hantai shi Nihon no Shoku wo Mamoru Kinkyuu Zenkoku Shukai: Mogi Mamoru JA Zenchu Kaicho Kaikai Aisatsu (Youshi) [A nationwide meeting to raise objections to TPP negotiations and protect Japanese foods: President Mamoru Mogi's opening speech (summary)], 2011, <<http://www.zenchu-ja.or.jp/food/pdf/1289547455.pdf>>, accessed March 10, 2011. Formal decision to participate in TPP was indeed made by the new Abe (LDP) government on March 15, 2013.

³⁰ Rengo, Seisaku, Seido Yokyu to Teigen [Some reform demands and suggestions made with regard to policies and institutions from July 2009 to June 2011], 2009, p.63 <http://www.jtuc-rengo.or.jp/kurashi/seisaku/yokyu_teigen2009.pdf>, accessed June 10, 2013.

³¹ Kume, Ikuo, Roudo Seiji: Sengo Seiji no Nakano Roudo Kumiai [Labor Politics: Labor Unions in post-war Japan], (Tokyo: Chuo Koron sha, 2005), p.123.

Thus far, I have examined the preferences of Japanese societal actors. Businesses are generally in favor of EPAs whether they are multinational or domestic, the textile industry being the rare exception. On the other hand, both the agriculture sector and the organized labor publicly oppose EPAs. How have these actors influenced Japan's economic regionalism? The next section examines these societal organizations' relationships with the DPJ and the LDP governments.

3 Japan's government change and tree type of societal organizations

Agriculture

It is widely known that the so-called "agricultural iron triangle," which consists of LDP's zoku giin (tribe Diet members); the Ministry of Agriculture, Forestry, and Fisheries (MAFF); and an agricultural organization (namely JA), had played a crucial role in protecting Japan's agricultural market.³² Traditionally, farmers and the LDP government depended on each other: the former had voted for the LDP, and the latter protected the agriculture market in return. The MAFF also played an important role in upholding the vested interests of the agricultural sector. Did the power shift that followed the 2009 general elections change this tie and Japan's agricultural policy by destroying the triangle?

The answer is "no." The DPJ government has continued the same agricultural policy that it inherited from the previous government. Moreover, there was little possibility that this trend would change during the DPJ's era. The reason is that a certain number of farmers' votes flowed from the LDP toward the DPJ during the 2009 election.³³ The LDP no longer enjoyed total support from the agriculture sector and the DPJ had to consider agricultural interests in order to remain in power.

³² George Mulgan, *Japan's agricultural policy regime*, chap. 5.

³³ Taniguchi, Naoko, "2009 Nen Seiken Kotai no Chokiteki, Tankiteki Haikai" [The Short-and Long-Term Contexts of the Japanese Power Shift in 2009], *Senkyo Kenkyu* [Japanese Journal of Electoral Studies], Vol. 26. No. 2, 2010.

First of all, as Figure 2 shows, votes for the LDP by farmers who had traditionally been LDP's fixed supporters reduced greatly in the 2005 election. The leader of the LDP in the election was Jun'ichirō Koizumi, who was not popular within the agriculture sector owing to his "structural reform" policy and its violation of vested interests of the agricultural sector. Although farmer votes increased again in the 2009 election, they did not reach level of the 2003 election because a certain number went to the DPJ. Second, we see that in non-urban areas, where many people engage in primary industries and where LDP finds its traditional source of supporters the DPJ also expanded its supporter base and went ahead of the LDP in the 2009 election (Figure 3). Third, some agriculture groups shifted their exclusive support from the LDP to the DPJ. For example, one of JA's political organizations Noseiren in Aomori prefecture decided not to vote exclusively for the LDP in the 2009 general election. Similar movements were seen in Oita, Nagano, Yamagata, and Saga prefectures, all of which are regarded as a rural area.³⁴ The shift in agricultural support was accelerated after the change in the government. For instance, the JA decided in October 2009 that they would approach not only the LDP, but also the DPJ government in order to pursue agriculture interests. At the same time, one of leaders of the JA Zenchu suggested that they might support the ruling party rather than the LDP.³⁵ This shift in farmer support from the LDP to the DPJ was partly explained by the DPJ's proposal on the creation of "Individual (household) income support for the agriculture system"³⁶ According to the DPJ Manifest, this measure would provide individual (household) income support for commercial farming households on the basis of the difference between production costs and market prices for agricultural and livestock products. This strategy on the part of the DPJ succeeded in gaining a certain number of farmer votes.

³⁴ Asahi Shimbun, August 20, 25 (evening edition), 2009; Yomiuri Shimbun, August 16, 2009.

³⁵ Asahi Shimbun, October 9, 2009.

³⁶ Kawamura, Kazunori, "2009 Nen Sousenkyo ni okeru Inasaku Nouka no Seiji Ishiki to Tohyo Koudou: Jimintou Nosei no Ninaitetachi ni taisuru Kanjou ni Chumoku Shite" [Political Attitudes and Voting Behavior of Farmers in the 2009 Japanese General Election], *Senkyo Kenkyu* [Japanese Journal of Electoral Studies], Vol. 26. No. 2, 2010.

Figure2 appears here

Figure3 appears here

Therefore, nationwide, this shift led the DPJ to protect the vested interests of the agriculture sector. In the 2005 Manifesto, the DPJ stated that in order to build an “East Asian Community,” they would promote the conclusion of EPAs, “thereby strengthening ties and cooperation with each country and region of Asia... in agricultural trade and other trade areas”.³⁷ This implies that the DPJ recognized the necessity of liberalizing Japan’s agriculture market as of 2005. It is understandable that agriculture votes did not go to the DPJ in the 2005 general election, in which the LDP lost agriculture support to a great extent (Figure 2). DPJ’s above policy changed in the 2009 Manifesto, which stated that it would take “positive measures to promote the conclusion of EPAs and FTAs with countries of the Asia-Pacific region,” but also mentions a change in the terms of the policy:

“The measures will not include any which are detrimental to the safety and stable supply of food, increasing Japan’s food self-sufficiency ratio, and the development of Japan’s agricultural industry and its farming villages.”

This is the first time the DPJ took into consideration agricultural trade interests in their Manifesto.³⁸ In fact, the initial draft of the Manifesto included a sentence stating the need to “conclude FTAs with the United States.” However, right after the DPJ released the draft, this sentence repelled agriculture groups, and the DPJ was forced to modify its policy terms and add the sentence cited above.³⁹ Thus, after depriving the LDP of a large number of agriculture votes, the DPJ was forced to consider the interests of the agriculture sector in

³⁷ DPJ, Manifesto for the 2005, p.23.

³⁸ DPJ, Change of Government, p.28.

³⁹ Asahi Shimbun, August 8, 2009

order to secure its position in power. This fact predicts that DPJ's trade policy will not be different from the one that previous governments had implemented: namely, protection of agricultural products. Kan cabinet's Minister of the MAFF, Masahiko Yamada, accepted an interview with a newspaper in August 2010 and stated that "although EPAs should be promoted, liberalizing the agriculture market should be done with careful deliberation. We have to be careful not to compromise the interests of farming and fishing villages".⁴⁰ This statement indicates that the "agricultural iron triangle" has been maintained even under the DPJ government. In fact, when Prime Minister Noda suggested joining the TPP, a number of DPJ members strongly opposed his suggestion. This objection resulted, eventually, in eleven party members leaving the party, just before the general elections of 2012.⁴¹

Therefore, we can easily conjecture that EPA negotiation with China did not start under the DPJ governments because of strong opposition from the agriculture sector. EPA with New Zealand was also a remarkable example. Since New Zealand's Prime Minister, John Key, visited Japan in October 2009, he had requested EPA negotiation with the Japanese government (Hatoyama was the Prime Minister of Japan when Key came to Tokyo for the first time). But the DPJ government had refused to even sit down at the bargaining table.⁴² Likewise, problems with the agriculture sector had decelerated the pace of EPA negotiations with Australia. At the time when the DPJ government was replaced by the LDP in December 2012, almost four years had passed since negotiations concerning the EPA began. It is notable that during this phase of time, as many as eleven formal meetings were held. This was the third longest negotiation after those with South Korea and the Philippines and one with the second largest number of meeting after that with India⁴³. This slow pace of negotiation clearly reflected the strong opposition shown by agriculture groups against liberalizing four products: beef, wheat, dairy products, and sugar,

⁴⁰ Nihon Keizai Shimbun, August 25, 2010.

⁴¹ Yomiuri Shimbun, November 20, 2012.

⁴² Asahi Shimbun, October 31, 2009, November 12, 2010.

⁴³ Negotiation with South Korea has been deadlocked since 2004 primarily owing to Korean domestic problems. EPA with the Philippines took a long time because of the Philippines' delayed ratification.

all of which the Australian government has requested. Concluding EPAs with agricultural countries such as Australia, China, and New Zealand was not acceptable by agricultural groups.⁴⁴

Labor

Japanese Labor Unions have traditionally been main supporters of opposition parties, including the DPJ, under the LDP administrations. As Figure 2 indicates, the DPJ had always received more labor union votes than has the LDP, with the 2005 election being the only exception (see figure 2). This trend became evident in 2009. Individual labor unions such as the General Federation of Private Railway & Bus Workers' Union Japan shifted support from the Social Democratic Party (SDP) to the DPJ at this time.⁴⁵ Moreover, three Ministers (Minister of Education, Culture, Sports, Science and Technology, METI, and Chief Cabinet Secretary) out of 18 were originally from labor unions and seven were officially supported by labor unions in the first Hatoyama cabinet (Table 2). This was unprecedented in Japan's history.

Table2 appears here

In the past, Japan's labor unions implemented indirect strategies such as appealing to public sentiments through mass media and had more time to contact with opposition parties.⁴⁶ But it is reasonable to infer that this tendency changed after the regime shift of 2009. In fact, a "long honeymoon" between the DPJ government and Rengo was often reported.⁴⁷ No direct evidence has been found so far to prove that labor unions such as Rengo interrupted Japan's trade policy-making and negotiation. But the DPJ

⁴⁴ EPA with Australia eventually entered in force in June 2015 under the LDP government.

⁴⁵ Yomiuri Shimbun, September 10, 2009.

⁴⁶ Yamamoto, Hidehiro, "Rieki Dantai no Robiingu" [Interest Groups' Lobbying], in Tsujinaka, Yutaka and Hiroki Mori eds., *Gendai Shakai Shudan no Seiji Kinou* [Political Functions of Social Organizations in Contemporary Japan: Faces of Interest Group and those of Civil Society], (Tokyo: Bokutakusha, 2010).

⁴⁷ Nihon Keizai Shimbun, October 10, November 11, 2009, and February 18, 2010.

government's hesitation to accept foreign labors may be explained by the strong link between the DPJ and labor unions. For example, Thailand had demanded from Japan to renegotiate admission of nurses and careworkers, which was granted to Indonesia and the Philippines. The DPJ government, however, did not make any concessions. Negotiation on this issue was suspended⁴⁸ and never actualized during the DPJ's administration. India also requested Japan to accept a certain number of nurses and careworkers; however, DPJ government did not compromise on either.⁴⁹ Thus the DPJ government made no more concession than the previous LDP government did with regard to acceptance of foreign labors.

In fact, any agreement that would lead to the influx of cheap labor to Japan was met with fierce resistance from organized labor groups. This served as a major obstacle to the DPJ administration, in terms of its EPA negotiations with China. As mentioned in the first section, the Japanese government adapted unique FTAs—namely EPAs—which include not only normal FTAs but also “new issues” such as BITs, cooperation in technology and transfer, and liberalization of labor mobility. One of the main reasons behind this policy is to improve domestic institutional problems of ASEAN countries by utilizing EPAs as leverage for domestic reforms so that their economic ties with Japan can be strengthened and deepened.⁵⁰ Nonetheless, another motive also exists, which the Japanese government cannot acknowledge officially or publicly: Japan can cover the fact of not liberalizing agricultural market by offering various economic cooperation options⁵¹. It is ironic, however, that it was precisely the Japanese government's reliance on such a strategy, which undermined the likelihood of any form of EPAs being concluded under the previous DPJ government.

⁴⁸ Ministry of Foreign Affairs, *Nichi Tai Keizai Renkei Kyotei ni Motozuku Shizenjin no Idou ni Kansuru Tsuikateki na Koushou (Dai 5 Kai Kaigou Gaiyou)* [An additional negotiation on entry/exit of a natural person based on Japan–Thailand EPA (summary of the 5th meeting)], December 22, 2009, <http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/thailand/shizen_kaigo5.html>, accessed June 6, 2013.

⁴⁹ *Asahi Shimbun*, September 10, 2010.

⁵⁰ Aoki, Maki, “New Issues in FTAs: The Case of Economic Partnership Agreements between Japan and ASEAN Countries”, IDE APEC Study Center Working Paper Series, 03/04 -No.8, 2004.

⁵¹ Interview with a METI official conducted on June 14, 2011

Business

Traditionally, business federations such as Keidanren and individual large firms have kept close ties with the LDP. They have become more vocal and active since around 2000, making recommendations to the government on where the nation should go.⁵² EPAs with Mexico are a case in point: due to pressure from automobile and electronics firms that were afraid of being left behind vis-à-vis the EU and the United States, the Japanese government had to open its beef market.⁵³ This indicates the business groups' strong influence.⁵⁴

The voice of business groups, however, diminished as a result of the regime shift. One of the main reasons is DPJ's decision to "ban political donations by corporations and other organizations" in order to "end public distrust of politics".⁵⁵ This is to say that because the DPJ has tried to escape dependency on political donations from big businesses or business federations, the link between the DPJ government and business groups became weak after 2009. Table 3 below shows the amount of political donations contributed by big firms and business organizations in 2010. Although some firms have made political donations to the DPJ, they are not comparable to what the LDP has received. Exporting corporations and federations, such as Toyota, Panasonic, and the Japan Iron and Steel Federation continued to make political donations to the LDP even when the LDP was an

⁵² Muramatsu, Michio, *Seikan Sukuramu Gata no Ridashippu no Hokai* [Collapse of Leadership in a Scrum of Politicians and Bureaucrats], (Tokyo: Toyo Keizai Shinposha, 2010), pp.148, 156-157.

⁵³ For detail of Japan's EPA with Mexico, see Solís, Mireya and Saori N. Katada, "The Japan-Mexico FTA: a Cross-Regional Step in the Path towards Asian Regionalism," *Pacific Affairs*, Vol. 80, No. 2, 2007. For the role of Keidanren on EPAs negotiations, see Yoshimatsu, Hidetaka, "Japan's Keidanren and Free Trade Agreements: Societal Interests and Trade Policy," *Asian Survey*, Vol. 45, No.2, 2005.

⁵⁴ On the other hand, METI official Yoichi Sekizawa, who participated in an EPA negotiation, points out that business lobby to the METI was very weak. His argument is very interesting in terms of which model is more appropriate for accounting Japan's EPA policy: an interest group model or the developmental state model. More empirical investigations are needed to reach a conclusion. Sekizawa, however, did not mention the link between industrial groups and politicians. Interest groups usually lobby bureaucrats such as the METI or the MAFF, but where big trade policy decisions such as the one concerned with the Japan-Mexico EPA are at stake, industrial groups may lobby political leaders directly. Hence, we cannot reject the possibility that political leaders exert pressure on the agriculture lobby to make concessions. As I will mention below, this government-business link became tenuous after the DPJ came into power. Sekizawa, Yoichi, "Nihon no FTA Sisaku: Sono Seiji Katei no Bunseki" [Japan's FTA Policy: An Analysis of its Political Process], ISS Research Series, No. 26, Tokyo: University of Tokyo Institute of Social Science, 2008.

⁵⁵ DPJ, *Change of Government, detailed policies* 3.

opposition party.

Table 3 appears here

In addition, the disconnection between the Hatoyama cabinet and business federations and the latter's complaint was frequently reported.⁵⁶ For example, it took two months for Prime Minister Hatoyama and the Chair of the Keidanren to meet for the first time, and it took another five months for them to meet the second time.⁵⁷ It was reported that a meeting between METI Minister Naoshima and the then Keidanren Chair Fujio Mitarai (ex-CEO of Canon) was canceled because of opposition from some DPJ leaders.⁵⁸ These relationships contrast remarkably to the ones between Rengo and the government: Rengo's President Nobuaki Koga and Hatoyama agreed to meet three or four times a year immediately after the 2009 election.

Weakening links between the government and business interests implies that it will be hard for business interests to influence Japan's EPA policy. If exporting firms and agriculture sectors have a clash of interests, as observed in the EPA with Mexico, the DPJ government is likely to protect the latter's interests⁵⁹. Figure 4 illustrates the relationships among the three social actors under both the LDP and the DPJ governments. It clearly indicates that groups having strong ties with the DPJ tend to have negative reactions against EPAs. Thus, conditions for promoting East Asian regionalism by the DPJ government were weaker compared to those experienced by the preceding LDP government. Borrowing from the terminology of Robert Putnam, the size of "win sets"

⁵⁶ Nihon Keizai Shimbun, 11 November, 2009, January 6, 2010, and February 18, 2010.

⁵⁷ Mainichi Shimbun, March 16, 2010.

⁵⁸ Yomiuri Shimbun, January 28, 2010.

⁵⁹ However, it should be noted that the Kan government, which organized a cabinet after Hatoyama resigned in June 2010, tried to connect with business interests. In addition to the fact that the DPJ decided to resume accepting political donation in October 2010 (Nihon Keizai Shimbun, October 27, 2010), Prime Minister Kan himself expressed his will to restore the relationship with industry sectors (Nihon Keizai Shimbun, June 19, July 6, 2010). Ironically, the conditions for promoting EPAs were much more favorable and satisfied under the Kan cabinet, which nonetheless lost its zeal for East Asian regionalism.

shrunk significantly --and almost became negligible with respects to the government's capacity to conduct negotiations-- after the change in government in 2009. This severely limited the extent by which Tokyo was able to advance offers at EPA negotiations.⁶⁰ Even though the Prime Minister strongly advocates the building of East Asian regionalism, as long as DPJ's supporters oppose it, the efforts made by the ruling party remain constrained. This is the reality that the DPJ government had been facing.

Figure 4 appears here

Conclusion

On June 2, 2009, Prime Minister Hatoyama resigned after accepting blame for his personal monetary problems and the deterioration of the US–Japan relationship. As mentioned in the introduction, his two successors, Prime Minister Kan and Prime Minister Noda did not take any initiative to further promote the building of an “East Asian Community”. While Hatoyama later criticized Kan's lack of initiative with regards to the promotion of EPAs, --in saying that “the message of [building an] East Asian Community has disappeared”⁶¹ --it is in fact he himself, who ought to bear the brunt of responsibility for having failed to take any concrete measures with respects to this initiative.

The phrase “One Asia” seems to sound attractive to some segments of the Japanese population. Even after WWII, after the dream of building the so-called “Greater East Asian Co-Prosperity Sphere” had failed, Japanese leaders sought to create regional arrangements in Asia including Japan and Southeast Asia.⁶² Hatoyama might have tried to attract more support by reviving the romanticism of advocating an “East Asian Community.” Nonetheless, as I have argued, the DPJ government had no substantial support base for this policy. As Walter Mattli pointed out, the supply of as well as the demand for integration

⁶⁰ Putnum, Robert D., “Diplomacy and Domestic Politics: The Logic of Two-Level Games”, *International Organization*, Vol. 42, No.3, 1988.

⁶¹ *Mainichi Shimbun*, January 21, 2011.

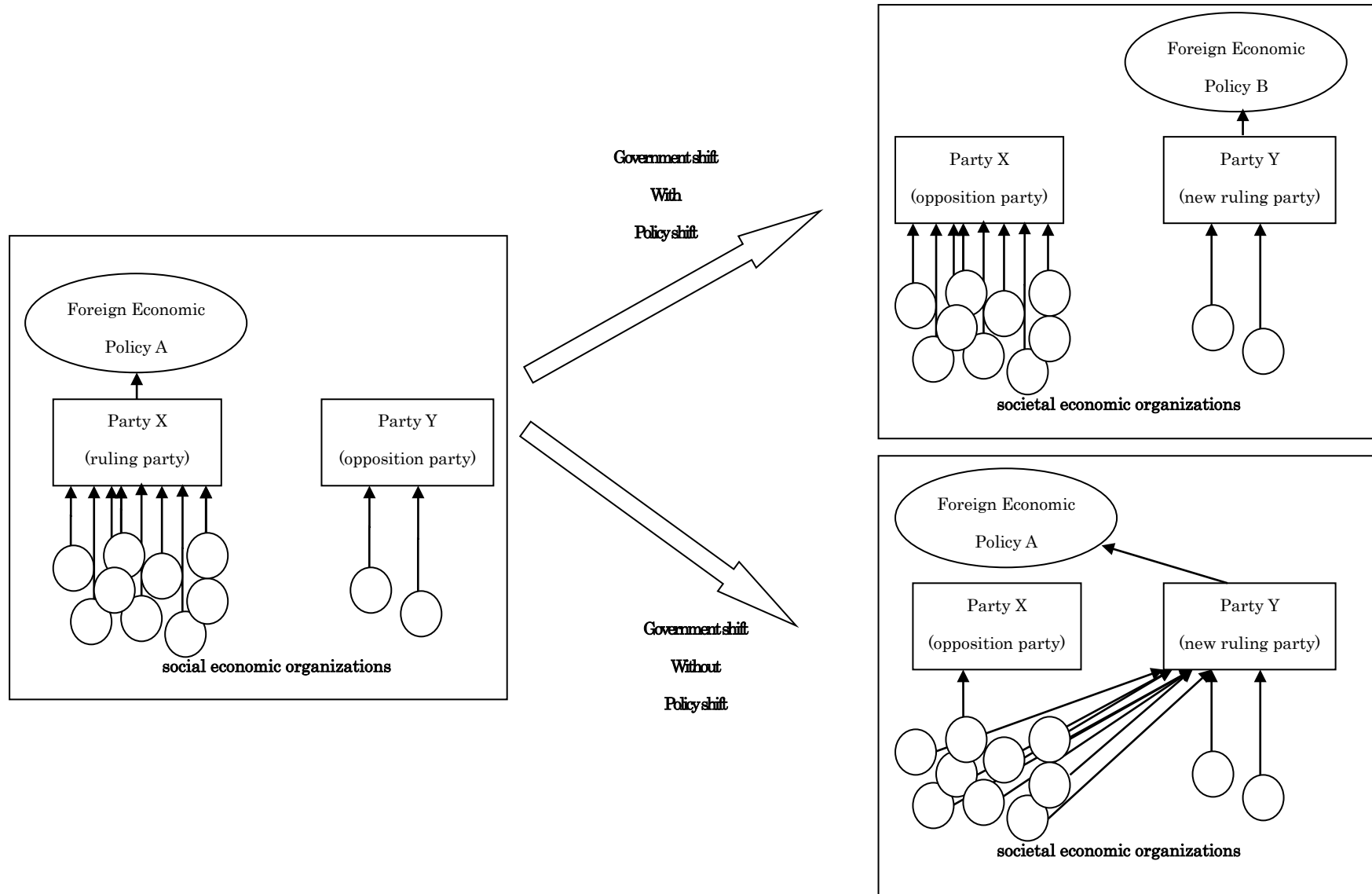
⁶² Hoshiro, Hiroyuki, “Co-Prosperity Sphere Again?: United States Foreign Policy and Japan's ‘First’ Regionalism in the 1950s”, *Pacific Affairs*, Vol. 82, No.3, 2009.

is a condition necessary for creating and maintaining regional arrangements.⁶³ The Hatoyama cabinet and its supporters clearly lacked both the will (demand) for and the readiness to concede (supply) to create a regional economic framework. This is why no initiative was taken by Japan toward building an “East Asian Community” under the DPJ administration.

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⁶³ Mattli, Walter, *The Logic of Regional Integration: Europe and Beyond*, Cambridge (UK: New York, US: Cambridge University Press, 1999).

Figure 1: the relations between policy shift, government shift, and societal economic organizations support shift



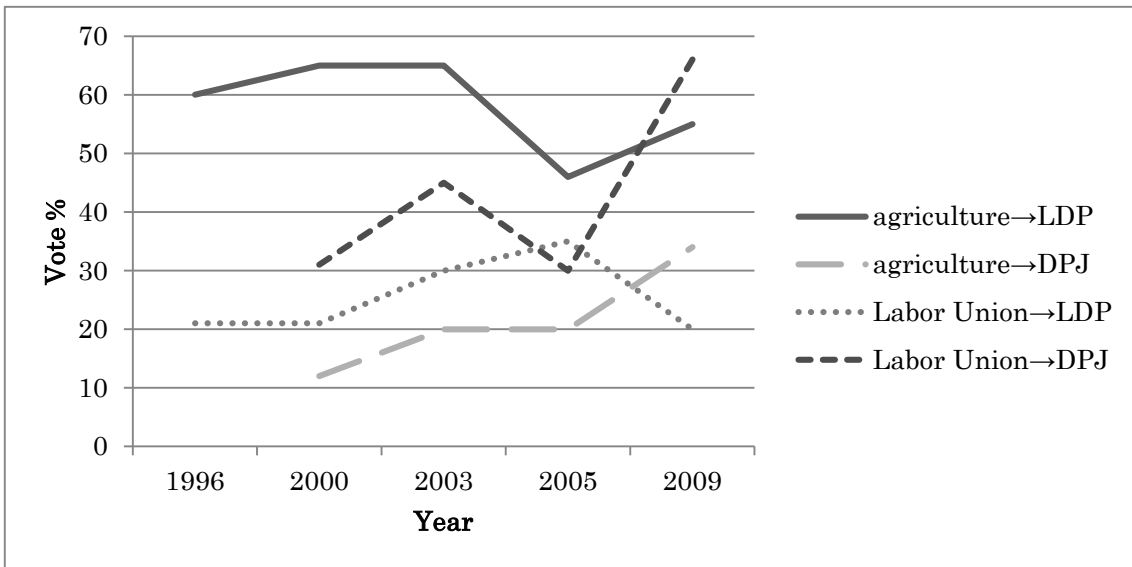


Figure2: Vote % to the LDP and the DPJ by Farmers and Labor Unions

Source: Taniguchi (2010)

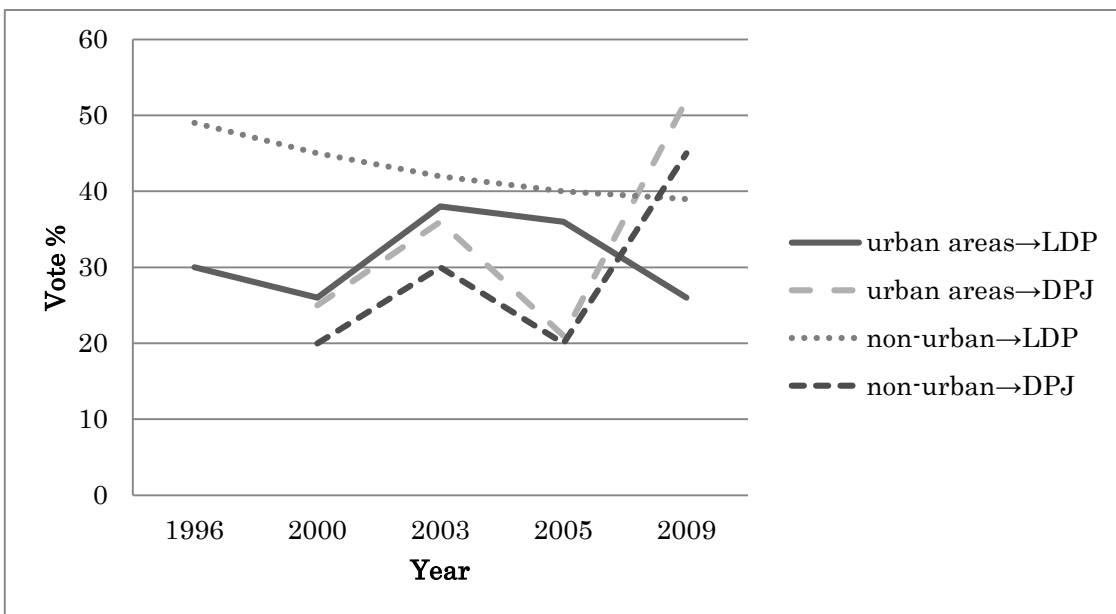


Figure3: Vote % to LDP and DPJ by people from urban and non-urban areas

“urban area” is defined as a city that has more than 100,000 people

Source: Taniguchi (2010)

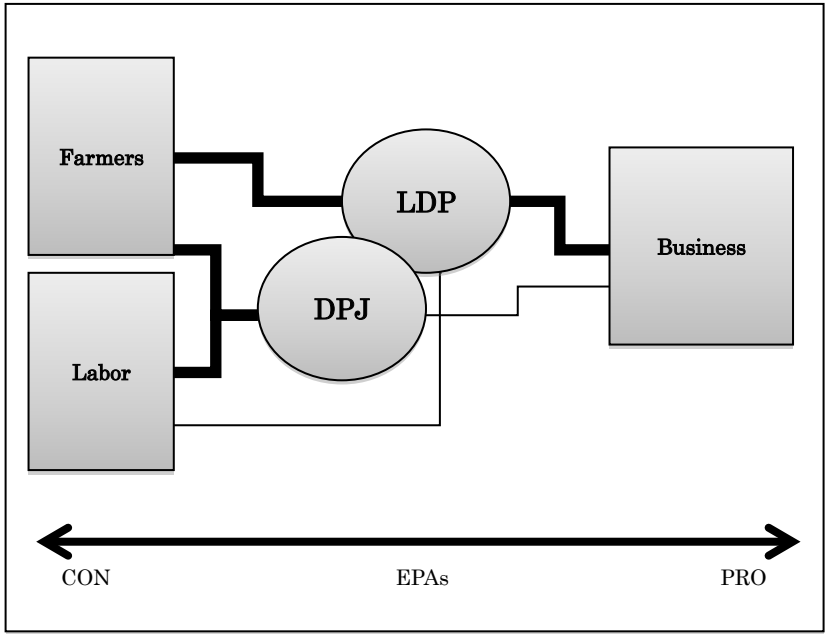


Figure4: Preferences of Japan's societal actors over EPA with East Asia and their relations with the two parties

Year	LDP									DPJ				LDP		
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009	2010	2011	2012	2013	2014	
Singapore	→						Amended									
Malaysia				→												
Thailand				→												
Indonesia					→											
Brunei						→										
Philippines				→												
ASEAN					→											
Vietnam							→									
India							→									
Australia								→								
South Korea				→											cont.	
New Zealand																
China (PRC)																

Table 1 Current States of Japan's EPA with the East Asia Countries

(The start dates are the time negotiations begin)

Source: Ministry of Foreign Affairs of Japan (MOFA) website

Ministers	Labor Unions
Tatsuo Kawabata (Ministry of Education, Culture, Sports, Science and Technology)	UI Zensen (Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions)
Hiroataka Akamatsu (Ministry of Agriculture, Forestry and Fisheries)	All Japan Federation of Transport Workers' Unions Japan Postal Group Union
Masayuki Naoshima (Ministry of Economy, Trade and Industry)	Confederation of Japan Automobile Workers' Unions
Sakihito Ozawa (Ministry of the Environment)	Japan Postal Group Union
Hirofumi Hirano (Chief Cabinet Secretary)	Japanese Electrical Electronic & Information Union
Hiroshi Nakai (National Public Safety Commission)	Japan Postal Group Union
Yoshito Sengoku (Government Revitalization Unit)	JICHIRO (All-Japan Prefectural and Municipal Workers Union)

Table2: Ministers and their supporter labor unions in the first Hatoyama Cabinet

Source: Yomiuri Shinbun 2 November 2009.

	Total Amount of Political Donations	To DPJ	To LDP
Firms			
Toyota	6,440	0	6,440
Canon	5,000	0	5,000
Panasonic	3,850	0	3,850
Toshiba	3,850	0	3,850
Hitachi	3,850	0	3,850
Sumitomo Chemical	3,700	100	3,600
Nissan	2,900	0	2,900
Takeda Pharmaceutical Company	2,781	481	2,300
Mitsubishi Electric	2,520	0	2,520
Honda	2,500	0	2,500
Daiwa Securities	2,300	100	2,200
Industry Organizations			
Japan Automobile Manufacturers Association	8,470	430	8,040
Japan Iron and Steel Federation	8,000	0	8,000
Japan Electrical Manufacturers' Association	8,000	500	7,500
Petroleum Association of Japan	8,000	0	8,000
The Real Estate Companies Association of Japan	3,700	0	3,700
Japan Mining Industry Association	2,130	30	2,100

Table3: The amount of political donations made more than ¥20 million by Business firms and organizations in 2010 (Unit ¥10,000).

Source: Nihon Keizai Shinbun 1 December 2010.