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## Japan's Agenda for Asian Regionalism

### Industrial Harmonization, Not Free Trade

Until recently, East Asia was viewed as an outlier in a world increasingly characterized by formal-legal institutions designed to reduce barriers to intraregional trade. But the region suddenly seems to be fully engaged in such institution building, as evidenced by a proliferation of proposals for bilateral and plurilateral free trade agreements (FTAs). And Japan is said by many observers, especially Japanese policy makers, academics, and journalists, to be the driving force behind this new trend.

Munakata Naoko, a high-ranking official in the Ministry of Economy, Trade and Industry (METI) who is stationed at the ministry's Research Institute on Economy, Trade, and Industry (RIETI), has written that "Japan's decision to negotiate an FTA with Singapore on October 22, 2000, had an energizing effect in and outside the region."<sup>1</sup> Inspired by this bold move, she writes that the ten-member Association of Southeast Asian Nations (ASEAN), China, and even the United States began to explore similar intraregional or trans-Pacific initiatives. Although he goes back further in time, to 1999, when Japan and South Korea undertook a joint study of a bilateral FTA, Tsugami Toshiya, another METI bureaucrat and RIETI fellow, also sees his country as the catalyst for change. "Japan," he writes, "created the turning point."<sup>2</sup>

I disagree. In this article, I argue that—despite recent progress—Japan has been a follower, not a leader, in the long, slow march toward formal-legal regionalism in Asia. More significantly, I argue that Japan's economic policy making toward the region continues to be dominated by bureaucrats and business executives who care more about something they call "industrial harmonization" than about trade liberalization. Rather than integrating markets through lower trade barriers, they are trying to expand and extend the Japanese domestic political economy into Asia by, for example, exporting Japanese industrial policies and business practices.

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## Historical Background

Defying the multilateral vision of the architects of the General Agreement on Tariffs and Trade (GATT), the international trade regime is increasingly divided into regional groups. In 1970, the GATT acknowledged only six such organizations; and in 1990, it acknowledged thirty-one. By 2003, however, the World Trade Organization (WTO), which succeeded the GATT in 1995, recognized the existence of 184 different regional trade groups.<sup>3</sup> Unlike the regional alliances of the 1930s, these new groups do not, for the most part, function as exclusive blocs diverting more trade than they create. Indeed, most of the agreements are between only two or perhaps three partners, leading one observer to call the result “lattice regionalism.”<sup>4</sup> Although many analysts believe these new agreements represent “stumbling blocks,” diverting political energy from the critical goal of securing multilateral trade liberalization, others view them as “stepping stones” on the path toward an international free trade regime.<sup>5</sup>

The European Union, which can trace its origins all the way back to the coal and steel community of the early 1950s, is the grandfather of all such regional organizations. Members have not only eliminated tariffs on intraregional trade and created a common external tariff, but have adopted common rules regarding everything from product safety to workers’ rights. Most members share a new regional currency, the euro, and are moving to adopt a constitution that would make the European Union (EU) more like a confederation than a forum for intergovernmental bargaining.

With a sprawling bureaucracy in Brussels and an activist court in Luxembourg, the EU is the world’s most highly institutionalized regional group. But it now has company, albeit far weaker company, in nearly every corner of the globe. The United States, Canada, and Mexico have forged a North American Free Trade Agreement (NAFTA) that will eliminate or substantially reduce tariffs on most products traded between the three countries. In South America, Brazil and Argentina head up a four-nation trade pact known as Mercosur. It has its own trade agreements with Bolivia and Chile, and may eventually link up with NAFTA members to form a Free Trade Area of the Americas (FTAA). In Africa, Nigeria leads the sixteen-member Economic Community of West African States (ECOWAS). And India and Pakistan overlooked their mutual animosity long enough to negotiate a South Asia Preferential Trade Agreement with one another and five smaller countries.

Despite efforts to create similar institutions, East Asia has been remarkably slow to jump on the regionalism bandwagon. Consider these ill-fated initiatives:

In 1989, Japan and Australia led efforts to create a metaregional organization known as Asia-Pacific Economic Cooperation (APEC), which expanded over time to include twenty-one countries on both sides of the Pacific, from the United States to Russia. But despite the ambitious agenda of some members, especially the United States, Canada, Australia, and New Zealand, APEC never made much progress

toward trade liberalization. Instead, it adopted a “minimalist” approach, creating working groups to promote economic and technical cooperation among members.

In 1990, the former prime minister of Malaysia, Mahathir Mohamad, called for an East Asian Economic Group (EAEG) to counter the trend toward regionalism in Europe and North America. His proposal, which excluded the “Pacific Rim” states in the Americas, as well as the commonwealth states of Oceania, was designed to build an “Asia for Asians.” But Japan, buckling under pressure from the United States, which attacked the proposal as racially exclusive, reluctantly declined Malaysia’s invitation to lead the group. Mahathir then revised his proposal, creating instead a relatively toothless East Asian Economic Caucus (EAEC).

- In 1992, countries in Southeast Asia established an ASEAN Free Trade Area (AFTA). But it moved on a slow track toward trade liberalization, and was all but derailed after most of Southeast Asia was hit by a massive financial crisis in the late 1990s.

Scholars have offered a number of different explanations for Asia’s reluctance to embrace formal-legal regionalism. Grieco (1997), for example, suggests that regionalism can take root only when there is relative stability in the balance of power between states; Japan’s rapid emergence in the 1970s and 1980s, when it became known as an economic superpower, upset that balance in Asia, thereby undermining prospects for a regional trade agreement. Haggard (1997), meanwhile, notes that the United States promoted regionalism in Europe after World War II, but not in Asia, where it has competed with Japan and China for the role of regional hegemon. And Katzenstein (1997) sees in Asia a distinctive “constitutive identity” that is predisposed to networks; leading political and economic actors in Asia have managed to achieve regional economic integration through informal business ties rather than through formal-legal agreements.

Elsewhere (Hatch and Yamamura 1996), I have weighed in on this debate. Here, however, my purpose is different: I want to understand what appears to be a sudden “about-face” in Asia, and especially Japan’s role in that apparent conversion.

### **Flirting with Regionalism**

Until quite recently, Japan, China, South Korea, and Taiwan were the only WTO members not participating in a regional trade pact. But then Japan signed a so-called economic partnership agreement (not a free trade agreement) with Singapore, and began to negotiate similar bilateral pacts with Mexico and South Korea. After several false starts, it concluded a deal with Mexico in March 2004. China entered negotiations with ASEAN to create an FTA by 2010, and Japan announced that it, too, would like to forge an agreement with ASEAN as a whole or with key members individually. In December 2003, the Japanese Ministry of Foreign Affairs went farther down this road by stating that it would launch bilateral negotiations with Thailand, Malaysia, and the Philippines; the goal for each of these talks, however, was an economic partnership agreement, not a free trade agreement.

South Korea concluded a preferential trade deal with Chile, and signaled its interest in pursuing deals with Mexico, the United States, and China. Taiwan, meanwhile, began to study the possibility of forging an agreement with the United States, and signaled its interest in pursuing deals with Japan, Singapore, and New Zealand.

To what should we attribute this sudden interest in regionalism in Asia?

### **Japan: A Change of Heart?**

One cannot dispute the fact that Tokyo has revised its position on formal-legal regionalism. After stubbornly hewing to a one-track policy of promoting multilateralism, Japanese officials began in the late 1990s to acknowledge the possible benefits of regionalism and to advocate a “multilayered” policy that allows them to consider bilateral and plurilateral trade deals. The first indication of what might seem like a change of heart came in the Ministry of International Trade and Industry’s (MITI) 1999 white paper on international trade:

To supplement the multilateral trading system, Japan should seek to deepen intra-regional exchange and understanding in Northeast Asia, the only area in the world which has shown little interest in regional integration. Japan should apply itself with greater vigor to the development of regional cohesion and present a model which will contribute positively to the strengthening of the multilateral trade system.

Japan’s apparent conversion followed two important findings. First, MITI came to recognize that Japan’s leading exporters were losing global market share by not participating in major regional groupings. For example, Japanese goods had occupied 6.1 percent of Mexico’s total imports in 1994, when NAFTA began to privilege U.S. and Canadian products; six years later, in 2000, Japanese goods occupied only 3.7 percent of Mexico’s total imports.<sup>6</sup> The new approach was thus motivated in part by a “defensive” interest, according to one METI official. “If we do not participate in these FTAs, our firms could be hurt badly as they become less and less competitive in the world.”<sup>7</sup>

In addition, however, Keidanren (Japan’s big business lobby) pushed the government to embrace regionalism because it knew that some of its most important members, especially automobile and electronics firms operating as multinational corporations (MNCs), could benefit from “deeper integration” that allowed them to operate more freely in host countries, and that—in some cases—treated them as national firms, even allowing them to bring their own technical standards with them. In this case, the new approach represented an offensive strategy of capitalizing on home-grown advantages.<sup>8</sup>

It is also true, of course, that Japan’s apparent change of heart led Japanese officials to actively pursue and secure a trade deal with Singapore, and that similar initiatives by Chinese, Korean, and Taiwanese officials soon followed. But if one considers only the chronology of events, one might just as well conclude that Singapore was the catalyst behind Asia’s new regionalism. Indeed, after the failure

of AFTA, Singapore struck a deal not only with Japan, but also with New Zealand, the United States, and the members of the European Free Trade Association (Switzerland, Iceland, Liechtenstein, and Norway). Japan has been far less aggressive in pursuing such pacts.

### **Considering the Evidence**

In this section, I carefully examine Japan's role in different sets of discussions, studies, and negotiations over regional trade liberalization. The evidence suggests that Tokyo has not blazed the trail toward formal-legal regionalism in Asia; indeed, its overall strategy toward the region has not changed dramatically in recent years.

#### ***APEC's "Voluntary" Liberalization***

As recently as 1997, Japan scuttled U.S.- and Canadian-led efforts to revitalize APEC by identifying a limited number of products for "Early Voluntary Sectoral Liberalization" (EVSL). Under the EVSL program, APEC members signaled their intent to reduce tariffs on fish and wood products—until Tokyo pulled away from its initial, albeit tentative, commitment, reminding advocates of liberalization that the program was voluntary.

This action confirmed Tokyo's longstanding position on the proper role of APEC: The organization should be a forum for sharing ideas on development and implementing industrial policies, not a vehicle for promoting trade liberalization. Indeed, in 1995, Kubota Isao, a senior official in the Ministry of Finance, had proclaimed: "The Americans are wrong to regard APEC as being primarily about trade."<sup>9</sup>

#### ***The "Koizumi Doctrine"***

In January 2002, Prime Minister Koizumi traveled to Southeast Asia to promote closer ties with members of ASEAN. Japan and ASEAN, already longtime allies, should "act together and advance together," the premier declared in what came to be called "The Koizumi Doctrine" toward Southeast Asia. But the doctrine rang hollow for at least two reasons. First, Koizumi issued his pledge more than a year after China had proposed an FTA with ASEAN, and two months after China and ASEAN had agreed to begin negotiations over an actual plan that included an "early harvest" of tariff reductions by China on specific products—primarily agricultural goods—of interest to many members of ASEAN. Thus, Japan appeared only to be chasing China's tail.<sup>10</sup>

Second, the prime minister's proposal was vague. Koizumi called for a broadly conceived "Comprehensive Economic Partnership," not a more narrowly focused trade deal. And he later suggested that the partnership should include not only

Japan and ASEAN but also the two other Northeast Asian members of the so-called ASEAN + 3 (China and South Korea), as well as Australia and New Zealand. Thus, instead of a concrete plan for a Japan-ASEAN FTA, the Koizumi doctrine became a grand “vision” for a pan-Asian economic community.

The effect was, to say the least, underwhelming—especially in Southeast Asia, where government and business elites had expected more from Japan. “In contrast with the ASEAN-China (agreement), the ASEAN-Japan (proposal) is at the initial stage and lacks details and a program of implementation,” remarked Hank Lim, research director at the Singapore Institute of International Affairs, at an April 2003 symposium in Tokyo.<sup>11</sup> Even the Japanese press that covered Koizumi’s tour of Southeast Asia in January 2002 was unimpressed. An Asahi reporter described the prime minister’s speech as a “departure from his usual straight talk,” one that drifted “into the realm of diplomatic platitude.”<sup>12</sup>

### *Japan-Korea FTA Negotiations*

While Japan has considered a number of bilateral trade deals, the first one it contemplated seriously was with South Korea. Seoul introduced the idea in November 1998, just a month after then-President Kim Dae-Jung’s historic visit to Japan in which he called for forgiveness and reconciliation. Korean trade minister Han Duck-Soo approached his Japanese counterpart at an APEC meeting in Kuala Lumpur and proposed a joint study of Japan-Korea economic relations, including an analysis of the effects of a possible FTA.<sup>13</sup> Facing pressure from interest groups in both countries (but especially in South Korea, which suffers a large and chronic trade deficit with Japan), Seoul and Tokyo agreed to proceed slowly, contracting with think tanks in each country.

In March 2002, the two sides did reach agreement on a bilateral investment treaty that guarantees national treatment to Japanese MNCs in the Republic of Korea and Korean MNCs in Japan. (The annual flow of Japanese FDI into Korea is 10-20 times the size of Korean foreign direct investment [FDI] in Japan.) But the two sides still had not even begun to talk about trade liberalization. Those official negotiations finally commenced in December 2003—five years after South Korea first broached the issue of an FTA with Japan.<sup>14</sup> An agreement by 2005, the timetable set by Seoul and Tokyo, thus seems like a long shot.

### *Japan-Taiwan FTA Study*

Officials in Taipei watched with great interest as first South Korea and then Singapore courted Japan over a possible trade deal. In October 2001, economic minister Lin Hsin-i suggested to his Japanese counterpart that each side hire a think tank to conduct a feasibility study of a Japan-Taiwan FTA.<sup>15</sup> But Tokyo, especially the Ministry of Foreign Affairs, was extraordinarily cautious, fearing a political backlash not only from domestic interest groups but also from Beijing.<sup>16</sup>

Indeed, by December, 2002, Japan appeared to be backing away from any such pact. Akio Kasai, vice president of Keidanren and the leader of the Japanese delegation to the East Asia Economic Conference in Tokyo, told reporters the time was not right for the Japanese government to negotiate with Taiwan over trade liberalization. While his Taiwanese counterpart called for concerted effort to further the process, Kasai called for additional study and reflection.<sup>17</sup>

### *Japan-Singapore Economic Partnership Agreement*

The Japan-Singapore Economic Partnership Agreement (JSEPA), signed by Prime Minister Koizumi during his trip to Southeast Asia in January 2002, was the first regional trade pact Japan managed to negotiate to conclusion. Japan was able to reach an agreement with Singapore in large part because the latter has a miniscule agricultural industry (0.1 percent of Singapore's GDP) that exports very little to the rest of the world. Thus, Singapore represents almost no threat to Japanese farmers, a powerful and protected interest group in Japan's political economy. Even so, Tokyo insisted on excluding from the JSEPA those few primary products in which Singapore actually competes with Japan. Thus, Japan maintained its tariffs on tropical fish, cut flowers, and a few other primary products imported from Singapore.

In fact, the JSEPA achieved little in the way of trade liberalization. Even before the agreement, 84 percent of Singapore's exports to Japan and nearly 100 percent of Japan's exports to Singapore were exempt from duties.<sup>18</sup> (After the agreement, market access will continue to be skewed in Japan's favor: While 94 percent of the current value of Singapore's exports to Japan will be duty-free, all of Japan's exports to Singapore will enjoy such unrestricted access. This inequity will prevail in spite of the fact that the value of Japanese exports to Singapore is, on average, three times the value of its imports from Singapore.)

But the JSEPA was not, in the first place, principally about trade liberalization. Indeed, the agreement is, technically, not an FTA at all. Although Singapore initially approached Japan in October 1999 to explore the possibility of reaching such an agreement, Japan expressed disinterest in what one Japanese insider calls "a legal template."<sup>19</sup> Instead, Tokyo pushed for a "more holistic approach"<sup>20</sup> that emphasized the cross-border flow of labor, capital, and information, not just goods. And that is what it got—an agreement that discusses trade liberalization but, in fact, really revolves around broader issues of "economic cooperation" such as sharing information on financial services, technology, and human resources, offering technical assistance, promoting small and medium-sized enterprises, and so on.<sup>21</sup> This approach was presaged in a 1999 report commissioned by the Obuchi administration, which called on Japan to promote the freer movement of various resources, especially human resources, in Asia as a means of revitalizing the regional economy.

The movement of people, goods, money and information is mutually

complementary; if one of them stops, it creates large distortions in the others. But it is human resources that hold a particularly important place.<sup>22</sup>

In the final analysis, then, the JSEPA represents no sea change in Japanese economic foreign policy toward East Asia. Indeed, by focusing on the broad issue of “economic cooperation” as much or more than the issue of trade liberalization, the agreement reflects continuity in Japan’s strategy for the region.

### *Japan-Mexico FTA Negotiations*

Mexico sits at the center of a thick web of more than thirty different trade liberalization agreements; not only is it part of NAFTA, it has forged an FTA with the European Union, as well as bilateral deals with numerous Central and South American countries. In November 1998, just as his country was preparing to negotiate with the EU, then-Mexican President Zedillo reached out to Japan and encouraged it to enter into parallel negotiations over an FTA. The government in Tokyo did not jump at the offer, but big business did. Japanese MNCs desperately want the national treatment that U.S. and European MNCs already enjoy in Mexico, but they cannot acquire this status without Japan first becoming one of Mexico’s free trade partners. So Keidanren set up a working group to study and then lobby for a Japan-Mexico FTA.<sup>23</sup> And METI, in turn, ultimately came to champion the cause.

In October 2003, a Japan-Mexico FTA appeared within reach, and Mexican President Fox arrived in Tokyo expecting to sign the deal. At the last minute, however, Japan’s Ministry of Agriculture, Forestry, and Fisheries (MAFF) dug in its heels, refusing to budge on provisions that would have liberalized trade in pork and orange juice. Mexico’s economic minister, Fernando Canales, threatened to call off negotiations for good unless the two sides struck a deal by the end of March 2004. Facing this deadline, as well as heightened pressure from manufacturing interests at home, METI officials leaned on their counterparts at MAFF to give some ground.

MAFF did just that; it gave a little ground by agreeing to apply low tariffs on Mexican pork, but only if such imports do not exceed 85,000 tons a year; and by agreeing to apply low tariffs on Mexican orange juice, but only if those imports do not exceed 6,500 tons a year. Japanese manufacturers emerged as the beneficiaries of this deal as Mexico agreed in turn to phase out tariffs on Japanese automobiles over the next seven years, and Japanese steel over the next ten years.<sup>24</sup>

Both sides gave enough to allow them to announce on March 12 that they had reached a joint understanding for an “economic partnership agreement,” which is—as in the case of the JSEPA—something other than an FTA. Significantly, the accord includes more language on “industrial harmonization” than on trade liberalization. Both sides pledge to cooperate more closely in nine fields, including industrial policies to promote small and medium-sized firms in Mexico, especially parts manufacturers (including parts producers from Japan). This was a major concern of Nippon Keidanren, which in October 2003 had issued a joint statement

with its Mexican counterpart, Comce, urging Mexico to “provide incentives to Japanese companies, especially medium-sized ones, to entice them to become an integral part of the so-called supporting industry for the large Japanese concerns already operating in Mexico.” The statement concluded with this: “Financial support by Japan as well as Mexico is essential to strengthening supporting industries.”<sup>25</sup>

### **Industrial Harmonization: Defending the Status Quo**

The preceding empirical analysis begs a question: If not trade liberalization per se, what precisely is Japan’s fundamental objective in East Asia? The answer lies in a term often used by government officials and business executives: “harmonization” (*kyōtsu-ka*), or the coordination—via industrial policies—of otherwise conflicting rules, institutions, and systems.

For many years, Japan has pursued industrial harmonization in Asia. This was the goal of the brand-to-brand complementation (BBC) scheme of the late 1980s, as well as the Asian Industrial Cooperation (AICO) scheme of the 1990s, which encouraged automakers (in the former case) or manufacturers more generally (in the latter case) to set up cohesive production networks in the region. MITI tried to foster these schemes by providing what it called “local guidance” to both Japanese MNCs and to host governments. The New Asian Industries Development (New AID) plan, unveiled in 1989, was perhaps MITI’s most ambitious effort to achieve regional harmonization. Under that scheme, Tokyo identified specific industries for each host state in the region to target, and offered capital (via Official Development Assistance, or ODA; and via foreign direct investment, or FDI) to help each state succeed.

Although MITI, faced with criticism at home and abroad, agreed to shelve the New AID plan sometime in the mid-1990s, it has continued to play a coordinating role in East Asia. This is evident in the agency’s work in setting up, staffing, and funding the ASEAN-METI Economic and Industrial Cooperation Committee (AMEICC), which is trying to build “soft infrastructure,” primarily human resource management and parts supply networks, in one of the poorest areas of East Asia—the Greater Mekong Area. The Ministry of Finance (MOF) also has tried to play such a role in Asia. In 1998, then-Finance Minister Miyazawa offered a \$30 billion plan to help bail out cash-strapped Asian economies by, among other things, providing loans to Japanese parts manufacturers in the region.

Tokyo remains committed to the goal of harmonizing production activities in East Asia by establishing a division of labor between economies in the region, and by helping to coordinate that division. This is spelled out in various government documents.

For example, a June 2003 report by METI and two smaller ministries called on Japan to “share manufacturing roles with China and ASEAN by capitalizing on the advantages of each area.”<sup>26</sup> And a July 2003 report by a METI study group called for the “establishment of mutually beneficial economic institutions and

systems” by developing common standards, by dispatching to Asia both young, unemployed technicians and older, retired technicians, by trying to replicate Japanese-made institutions such as keiretsu and “supply chain management,” and by using industrial policies to promote such industrial linkages, especially linkages between the manufacturers of key components and the assemblers of finished goods such as automobiles or electronics.<sup>27</sup> Hara Yonosuke, who chaired the study group, wrote that Japan is striving to promote regional economic integration through a number of initiatives, which include “not only the promotion of trade, but also the establishment of harmonized, intraregional institutions to promote domestic and international investment, as well as cooperation in sectors such as finance, science and technology, development of human resources, and development of small and medium-sized enterprises.”<sup>28</sup>

In addition, METI’s working paper on economic partnership includes a schematic drawing of a regional production network for the Japanese automobile industry. Japan is identified as the producer of “high-tech goods such as engine parts,” and is pictured at the apex of a vertically organized web of business ties with Thailand (a producer of diesel engines and air conditioners); Indonesia (gasoline engines); Malaysia (condensers); and the Philippines (transmissions). Although the ministry now refers to a horizontal rather than a vertical division of labor in East Asia, and although it no longer vocally champions a “flying geese” pattern of development for East Asia, the schematic drawing reveals that METI officials continue to view Japan as the “lead goose” in an orchestrated movement of economic growth.

## Conclusion

The evidence suggests rather clearly that Japan has not been a driving force behind Asia’s recent move into legal-formal regionalism. Indeed, it has continued to promote “harmonization” more than trade liberalization, as evidenced by the nature of its two “economic partnership agreements” with Singapore and Mexico. Tokyo is eager to promote deeper ties with East and Southeast Asia, but primarily through a deepening of the existing business ties that hold the region together.

This is in large measure a function of domestic politics. Japan’s pro-protection ministries, especially the Ministry of Agriculture, Forestry, and Fisheries, have shown tenacity in resisting regionalism schemes that include aggressive trade liberalization. The Japan-Singapore Economic Partnership Agreement, for example, emerged out of a political context in which agricultural liberalization was all but taboo. And it is equally true that Japan’s pro-liberalization ministries, METI and MOF, have promoted some regionalism schemes in an effort to advance domestic policy reform (and to enhance their own clout in the bureaucratic turf wars of Kasumigaseki). Most agree, however, that Japanese corporations, especially large manufacturing interests, constitute the “driving force” behind regional economic integration, and that their leadership in developing a Japanese strategy for regionalism helps to foster “cooperation between related ministries.”<sup>29</sup>

Japan's agenda for regionalism enjoys widespread support at home. And for this reason, it tends to reflect continuity, not change.

## Notes

1. Munakata (2002: 14).
2. Tsugami (2003).
3. Regional trade pacts would seem to violate the nondiscrimination principle of the GATT (and now the WTO), but have been allowed under a loophole (Article 24) that requires such agreements to liberalize "substantially all trade" between participating economies.
4. Dent (2002–3).
5. For a pessimistic account of the effects of regionalism, see Bhagwati (1990); for an optimistic account, see Lawrence (1996).
6. METI (2003).
7. Interview, Tokyo, October 10, 2003.
8. Ravenhill (2002). He relies heavily on a MITI study ("The Economic Foundations of Japanese Trade Policy: Promoting a Multi-Layered Approach") conducted in 2000.
9. Quoted in the *Economist*, November 11, 1995, 31.
10. "The China-ASEAN FTA proposal changed everything," according to a METI official I interviewed in Tokyo on October 7, 2003. "We realized we really had to get busy."
11. *Japan Times*, "Tokyo Under Pressure to Do More to Upgrade ASEAN State Economies," April 25, 2003.
12. *Asahi Shinbun*, "Asian Initiative Empty Without Free Trade," January 16, 2002.
13. Munakata (2001: 15).
14. *Korea Times*, December 21, 2003.
15. Kyodo News Service, October 18, 2001.
16. Kazumi Sato, "Give Free-Trade Agreements Time," *Taipei Times*, November 11, 2002, p. 8.
17. *Taipei Times*, December 11, 2002, 1.
18. Ravenhill (2002: 7).
19. Munakata (2001: 25).
20. Ibid.
21. JSEPA is not the only trade pact to consider nontrade issues. NAFTA certainly does.
22. Mission for the Revitalization of the Asian Economy (1999).
23. Working Group on Japan-Mexico Bilateral Treaties, Japan-Mexico Economic Committee, Keidanren, "Report on the Possible Effects of a Japan-Mexico Free Trade Agreement on Japanese Industry," April 20, 1999.; available at [www.keidanren.or.jp/english/policy/pol099.html](http://www.keidanren.or.jp/english/policy/pol099.html).
24. *Asahi*, March 11, 2004.
25. See Nippon Keidanren Web site at [www.keidanren.or.jp](http://www.keidanren.or.jp).
26. "Foundations for Production," *Japan Times*, June 14, 2003.
27. METI Study Group on Technical Cooperation (2003).
28. Ibid., 4.
29. Ibid., 20.

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