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## Advancing the EU-Japan strategic partnership in a transforming global environment: challenges, opportunities and prospects

*Andrea Frontini*

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### BACKGROUND

The European Union (EU) and Japan are natural partners, but their cooperation has to be further nurtured in the near future if the two sides want to make it a truly strategic asset to address the challenges, and seize the opportunities, of the rapidly evolving landscape of international politics.

Since the end of World War II (WWII), (Western) Europe and Japan have been bound by their common belonging to the 'wider West'. They have served as two reliable strongholds of a fairly cohesive politico-economic bloc led by the United States (US) and coalesced around shared values such as democracy, human rights (with the only notable exception of different views on the death penalty), rule of law, market economy (with varying degrees of external openness), and a genuinely interested attachment to an essentially Liberal world order.

Admittedly, some low points in Euro-Japanese cooperation did occur in the decades following WWII, but these were successfully overcome. The 'trade wars' between the (then) European Economic Community (EEC) and Japan in the 1970s and 1980s due to the former's trade deficit with the latter, have resulted in a reverse trend nowadays. The same applied to the inherent challenge of ensuring seamless strategic convergence between the two players at the opposite sides of a boundless and ideologically divided Eurasia, not least due to fears by either party that the American security blanket could shrink following Washington's occasional but limited *détente* towards Moscow and Beijing.

The fall of the Iron Curtain seemed to inaugurate an era of security and prosperity both in Europe and East Asia, although some immediate effects of the end of bipolarism clearly differed in the two regions. While Central and Eastern Europe promptly embraced Western-styled models of statehood, 'relics' of ideological and territorial division persisted in the Korean Peninsula and the Taiwan Strait. Yet, large sectors of the European and Japanese political leaderships looked at the end of the US-Soviet Union showdown as a precious opportunity to benefit from its expected 'peace dividends' and progressively 'normalise' their respective neighbourhoods.

Compared to the high hopes of *Pax Americana* in the early 1990s, the past two decades have confronted Europe and Japan with a more mixed picture. While the two still rank highly in the evolving hierarchy of global power, a number of 'macro-factors' are significantly affecting their international roles.

At the global level, these include an uncertain transition to a multi-polar world order, pervasive interdependence entailed by a multi-dimensional globalisation process, transnational challenges such as economic and financial instability, widening socio-economic disparities and persisting underdevelopment, climate change, resource scarcity and environmental degradation, emerging security threats like international terrorism, failing states, proliferation of weapons of mass destruction (WMD) and state and non-state capture of global commons such as

the high seas, outer space and cyberspace, as well as risks of an increasing failure of classic multilateral institutions in ensuring global governance.

Regionally, the current arc of instability surrounding Europe, which includes ISIL/Daesh's 'sovereign terrorism' in the Middle East, Russia's aggressive posture in the ongoing crisis in Ukraine and its hazardous involvement in Syria, China's assertive stance in Eastern Asia, including in several pending maritime disputes in the South and East China Seas, North Korea's risky nuclear gambling, and the US's strategic pivot towards the Asia-Pacific, all impact, although differently, upon the concrete interests of Europe and Japan.

Domestic trends have also been shaping the two parties' overall positioning in a fairly comparable way. Both Europe and Japan find themselves in the similar (uncomfortable) position of juggling between sluggish economic growth, post-industrial productive re-conversion and demographically ageing societies, albeit in sharply distinct politico-institutional contexts. The EU has strived to navigate through the troubled waters of its 'Lisbon Treaty era', including in its attempts to deepen economic and financial integration and forge a real Common Foreign and Security Policy (CFSP), but is experiencing an unprecedented and multi-faceted crisis of the 'European dream'. Meanwhile, Japan seems to be progressively recovering from its 'lost decade' of economic stagnation and recent political instability. The coming into office of Prime Minister Shinzo Abe in December 2012, and his re-election two years later, provided Japan with a (finally) stable and ambitious leadership, which focussed its political priorities on two key policy areas. These are boosting the national economy via the "three arrows" of the Abenomics recipe, i.e., fiscal stimulus, monetary easing and structural reforms, and reviewing the country's security policy in order to make Japan an increasingly 'normal' international actor, including via the creation of a National Security Council (NSC), the first-ever National Security Strategy (NSS), a historic re-interpretation of Article 9 of the country's Constitution so to allow Japan to enter into collective self-defence arrangements, and the recent approval by the Japanese Diet of a new "Legislation for Peace and Security".

These manifold factors are also set to concretely influence the current state of play and the future prospects of EU-Japan relations.

## STATE OF PLAY

Since their formal establishment in the mid-1970s, EU-Japan relations have progressively evolved into a truly multi-dimensional cooperation. Following the landmark 1991 "Hague Joint Declaration", Euro-Japanese collaboration has expanded much beyond their original focus on trade and investment and generated a number of *ad hoc* sectoral dialogues in a wide variety of policy areas, from peace and security to global and societal challenges, all the way to people-to-people dialogue, which were first encapsulated in the 2001 "Action Plan for EU-Japan Cooperation" and matured in a decade and a half of continuing collaboration, symbolically upgraded into a fully-fledged "strategic partnership" soon afterwards. The on-going bilateral negotiations over a "Free Trade/Economic Partnership Agreement" (FTA/EPA) and a "Strategic Partnership Agreement" (SPA) clearly reflect the growing and fruitful complexity of EU-Japan relations.

Japan remains the EU's second biggest trading partner in Asia after China, and a major investor in Europe, whereas the EU's exports to Japan represent an important source of revenues for European businesses, particularly in the areas of motor vehicles, machinery, pharmaceuticals, optical and medical instruments, and electrical machinery. The expected benefits of stronger trade and investment exchanges between the two parties are significant, but remain poorly developed due to the persisting effects of the economic slowdown on their domestic demands, the rise of new centres of 'economic gravity' in Asia as well as restrictive trade policies, mainly in the form of tariff barriers by the EU and non-tariff measures by Japan. FTA/EPA negotiations were therefore launched in March 2013, with the aim of concluding an "ambitious and mutually beneficial" deal whose effects, according to an Assessment Report by Copenhagen Economics from 2009, could raise the EU's aggregated gross domestic product (GDP) by 0.8% and that of Japan's by 0.7%. In addition to such bilateral benefits, the EU-Japan FTA/EPA can contribute as a 'building block' to the long-term advancement of world trade and investment liberalisation, indirectly helping the struggling Doha Round of the World Trade Organisation (WTO). This could also happen thanks to the compelling effects that increased EU-Japan economic convergence, including via parallel regulatory cooperation, might produce towards 'outsiders' like China. Moreover, by potentially linking up with the recently-concluded Trans-Pacific Partnership (TPP) and the under-negotiation Transatlantic Trade and Investment Partnership (TTIP), the FTA/EPA would also bring closer Europe-Japan-US integration, with pervasive global geo-economic impacts. Yet, ongoing negotiations remain beset by a number of technical and political challenges, including the substantial asymmetry (i.e., tariffs *versus* non-tariffs) of the concessions involved, the EU's delicate balancing of its 28 member states' domestic economic interests, the rise of anti-free trade movements across Europe, and concrete concerns

among European counterparts that, given the current uncertainty looming over the US's own ratification of TPP, Japan might still hesitate before 'walking the extra mile' and striking the domestic compromises needed to conclude the FTA/EPA by 2016, as called for by Prime Minister Abe and the European Commission President Jean-Claude Juncker at the Antalya G-20 Summit last November.

The current scope of EU-Japan cooperation also encompasses many dossiers in the wider external action domain. The two parties have been cooperating closely, but sometimes not visibly enough, on issues of common concern such as stabilisation and post-war reconstruction in the Western Balkans, Iraq and Afghanistan, coordinating their autonomous involvements in operational theatres such as the Gulf of Aden, Mali, Niger, the Democratic Republic of Congo, and South Sudan, swiftly adopting economic sanctions against Russia following its intervention in Ukraine, keeping regular and close consultation over politico-security developments in the Korean Peninsula, favouring the strengthening of the Association of South-Eastern Asian Nations (ASEAN) as a key regional organisation, and being active in advancing global action on multilateral development aid, disaster risk reduction and climate change diplomacy. The current SPA negotiations are expected to provide a standardised and legally-binding cooperation framework and allow further policy prioritisation of around 30 different areas of joint work, including in external policy, roughly along the lines of the Framework Agreement (FA) that the EU has concluded with South Korea, and the SPA it is negotiating with Canada. However, political and legal questions lie ahead, including, among others, the exact formulation of a standard but sensitive 'suspension clause' which might be triggered by a (highly hypothetical) breach in areas like human rights or WMD proliferation, the still unresolved issue of the legal status of a future SPA *vis-à-vis* EU and member state competences, and the fact that, since the EPA/FTA and SPA are conceived by the EU as 'twin agreements', delays in concluding the former will impact on the expected timescale of the latter.

## PROSPECTS

Overall, EU-Japan cooperation provides an encouraging instance of principled like-mindedness and practical teamwork on several policy areas of shared interest. Yet, the political fundamentals of EU-Japan relations remain to be better expressed and fully developed through a realistic but ambitious upgrade of the present partnership. To that effect, some fundamental challenges and potential opportunities should be carefully assessed by the two partners.

On the European side, political readiness to forge stronger ties with Japan might well be curbed by concrete risks of continental self-retrenchment due to issues like Brexit, the rise of populism and migratory pressures. A conflicting set of geographic priorities for the EU's foreign and security policy is also likely to favour a turbulent Southern and Eastern neighbourhood to the detriment of other 'geopolitical crossroads' such as the Asia-Pacific. Moreover, the EU's unique features of a hybrid, normative and somewhat 'post-modern' actor in international relations, in addition to what is sometimes perceived by Tokyo as a far too accommodating European approach towards Beijing, might result in limited appeal for Japan's renewed reliance on 'hard power', as shown by the (revised) 2015 "Guidelines for Japan-US Defense Cooperation", and further demonstrated by brand-new or strengthened bilateral security partnerships with India, Australia, the UK, and France.

Some constraints for the desirable upgrade of EU-Japan relations may also come from some of Tokyo's current policies. Clearly, and despite the high degree of mutual economic interdependence, widespread concern over China's geopolitical rise and military build-up is driving much of Japan's external policies nowadays, and shaping many of its domestic debates. This makes the maintenance of the overall 'strategic balance' in the Asia-Pacific a dominant focus in Japan's policy horizon, with comparatively smaller political capital being invested in fostering relations with the EU. This is further reinforced by Japan's considerable geo-economic focus on the Asia-Pacific, and by a strong regional component of its strengthened security posture. Moreover, the EU's present existential crisis is arguably fuelling some scepticism in Tokyo over Brussels's general 'resilience' as a long-term global partner.

Despite such challenging realities, some valuable opportunities for making the EU-Japan relationship a truly strategic one should be seized. These include the EU's growing commercial projection towards the Asia-Pacific, recently reiterated in its 2015 "Trade for All" Strategy, of which the FTA/EPA would represent a major achievement, and the delivery of a "Global Strategy for Foreign and Security Policy" during this year, which provides the EU with a key opportunity to better reflect on what kind of distinctive role it can and should play in that region. Further chances are given by Japan's recent agreement with South Korea over the politically sensitive issue of WWII's 'comfort women' and the encouraging ice-breaking meetings held by Prime Minister Abe and Chinese President Xi Jinping in the past few months, which might partially attenuate the prevailing 'Asia-centric' drivers of Japanese policies to the benefit of increased political attention towards Europe. Japan's current and forthcoming international activism, given its (record) eleventh election as a non-permanent member of the United Nations

(UN) Security Council last October and its role as host of the May G7 Summit in Ise-Shima, also present a valuable opportunity for closer EU-Japan teamwork in those *fora*.

In light of this, the EU and Japan should put forth a consensual but effective agenda of strategic cooperation, based on re-assertion of shared principles and the implementation of concrete actions. Firstly, the EU-Japan strategic partnership should keep building on its overarching and deep-rooted commitment to a rules-based, cooperative and open system of politico-economic relations, best expressed by global and regional multilateralism and aimed at countering ruthless 'power politics' in their respective neighbourhoods and beyond. This is, ultimately, what can make the EU-Japan partnership genuinely strategic, reaching far beyond purely bilateral matters and further cementing foreign policy consensus between the two parties, and among EU member states.

Secondly, and beyond a hopefully rapid conclusion of the FTA/EPA negotiations, tangible EU-Japan cooperation should include the finalisation of a Framework Participation Agreement (FPA) enabling Japan's involvement in the EU's Common Security and Defence Policy (CSDP) civilian missions and military operations, and contributing to ever stronger synergies on the security-development nexus between Japan's 'human security' and the EU's 'comprehensive approach' strategies towards crises and conflicts in priority regions like the Middle East, North and Sub-Saharan Africa and South-Eastern Asia. It could also reinforce rule-making collaboration on traditional and 'post-industrial' security *dossiers* like counter-terrorism, maritime security, resource (including water, food, energy and raw materials) management and outer space security, pandemics and natural or man-made disasters, cyber-defence, arms control and counter-WMD, and bilateral coordination in the implementation of the Paris Climate Change Agreement, the UN Sustainable Development Goals (SDGs), and the UN Sendai Framework for Disaster Risk Reduction.

EU-Japan teamwork might also focus on stronger political and financial support to the ASEAN Secretariat, exchange of best practice on regional confidence-building and 'deep' political re-conciliation in Europe and East Asia, and on better coalition-building in promoting an overdue reform of the leading *fora* of multilateral cooperation, including the UN and the 'Bretton Woods institutions', also in order to persuade and smartly co-opt emerging powers to set (and respect) the revised rules of global governance for the 21<sup>st</sup> century. This could perhaps start with regular consultations on the further development of the much-discussed, China-led Asian Infrastructure Investment Bank (AIIB). Greater investment in people-to-people contacts, educational and cultural dialogue, building on the encouraging experience of the "EU Institute(s) in Japan", and (reciprocal) public diplomacy would also be key to promoting deeper awareness and greater recognition of Euro-Japanese cooperation in their respective societies.

Such strengthened partnership should be reflected in the future SPA and further moulded via enhanced dialogue at the highest political level in the next few years.

***Andrea Frontini is a Policy Analyst at the European Policy Centre (EPC).***

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European Policy Centre ■ 14-16 rue du Trône, 1000 Brussels, Belgium  
Tel: +32 (0)2 231 03 40 ■ Fax: +32 (0)2 231 07 04 ■ Email: [info@epc.eu](mailto:info@epc.eu) ■ Twitter: [@epc\\_eu](https://twitter.com/epc_eu) ■ Website: [www.epc.eu](http://www.epc.eu)



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