

The Japan-Mexico EPA

How does a cross-regional initiative affect the future of Japan's regionalism?

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Research Questions

- Why is Japan now willing to negotiate bilateral or minilateral FTAs?
- What kind of FTAs is Japan pursuing? Is Japan prepared to go for deeper integration with developing nations or not?
- What will be consequences for East Asia and the multilateral trading system of the Japanese government's decision to "trade preferences" on market access with a few selected partners?

Conventional explanations of Japanese FTA policy

1. Regional crisis, leadership response
2. Disenchantment with APEC
3. Rule-making in international trade and investment

Problems with conventional explanations

1. Link between financial crisis and trade liberalization not entirely clear, irrelevant for JMEPA
2. If Japan lost interest in APEC because of disagreement with US over the benefits of binding liberalization commitments in regional forums, why does it endorse that approach in its FTAs?
3. FTA partners rarely present unified front in WTO

Political economy explanations of Japanese FTA policy

- Trade concentration
- Trade diversion
- Rent-seeking domestic lobbying
- Liberal inter-governmentalism

Highlights of the Japan-Mexico negotiation

Stage 1. The initiative flops because of agriculture (1998-1999)

Stage 2. Reactivation of talks: failure of BIT negotiations and lessons from Mexico-EU FTA (2000-2001)

Stage 3. Breaking the impasse: the “five fingers” compromise (2002-2004)

Obstacles to overcome in the negotiation

- Government procurement (J)
- Opening of the Mexican steel market (J)
- Automobile sector (difference over heavy vehicles (J)
- The “five fingers” (pork, beef, chicken, orange, and orange juice) (M)

Note: J= Japan interest, M= Mexican interest

A political economy understanding of the JMEPA

- × Trade concentration: modest volume of trade
- ✓ Trade diversion: NAFTA's rules of origin and phase out of maquiladoras
- ✓ Domestic lobbying: Accommodation of sensitive agricultural sectors essential
- × Summitry-led integration: Fox and Koizumi were unable to close a deal

Implications of the JMEPA for the future of Japan's regionalism

- A cross-regional bridge eases fear of inward-looking Asian bloc
- Moderate developmental focus
- Limited agricultural liberalization

Comparing FTA agricultural deals

	Mexico-UE	Mexico-Japan
Volume of trade covered	95%	99.6%
Tariff lines covered		Only 43%
Liberalization	Immediate (8) Medium, 3 to 8 years (8) Long, 10 years (10)	Immediate (33, but only five had high tariff over 15%) Medium, 5 years (19) Long, 7 years (14)
Quota items	Eggs, honey, flowers, peas, asparagus, avocado, strawberry, orange and pineapple juices	Bananas , (quota of 20 thousand for 10 years), honey tomato, pork, beef, chicken, orange, orange juice
Exclusion or renegotiation	<i>Milk products, meats, corn, wheat (Mexico requested)</i> Bananas , sugar, potatoes, apple, peach	Rice, sugar, apple, pineapple, wheat, nectarines, potatoes, sausages