

EU/JAPAN: JEEPA deepens economic and political ties amid tensions with the US

- Japanese Prime Minister Shinzo Abe met European Union (EU) leaders Donald Tusk and Jean-Claude Juncker in Tokyo on 17 July to sign the Japan-EU Economic Partnership Agreement (JEEPA) and a separate Strategic Partnership Agreement (SPA).
- While both agreements have been under negotiation since 2013, the upgrading of economic and political ties between Japan and the EU comes amidst rising tensions with the United States due to the Trump administration's protectionist policies.
- This piece takes a closer look at Japan-EU cooperation in light of growing tensions with the US; a follow-up piece will focus on both economies' developing relations with China.

Concluding a megadeal

While Japan and the EU already have dense trade and investment ties, JEEPA removes remaining barriers in both directions. Japan agreed to lower many of its barriers to agricultural products – and, crucially, recognize more than 200 European Geographical Indications (GI) – in exchange for the elimination of European tariff barriers on automobiles, some auto parts and electronics, and some Japanese high-value-added food products. JEEPA may have a greater impact on Japanese agricultural producers than the Trans-Pacific Partnership (TPP) agreement negotiated with the US was [expected to have](#).

In exchange for the EU's eliminating its 10% tariff on automobiles after seven years, Japan agreed to eliminate a significant number of non-tariff barriers (NTBs) on automobile imports. In total, the EU eliminates tariffs on 99% of tariff lines and 100% of imports, while Japan eliminates tariffs on 97% of tariff lines and 99% of imports, although Japan agreed to raise quotas and partially lower barriers on some sensitive agricultural products. Japan and the EU also concluded a separate agreement on data flows on Tuesday, in which Japan and the EU would be recognized as having "equivalent" data protection regimes pending Japanese regulatory changes. Negotiations for a separate agreement on investment rules, including whether to replace the now-standard Investor-State

Dispute Settlement (ISDS) mechanism with the EU's preferred investment court system (ICS) model, are still ongoing.

Both parties concurred on aiming to bring the agreement in to force – which will require ratification by the Japanese Diet and the European Parliament but not by Europe's national or sub-national parliaments – by April 2019. The Abe government will submit the agreement for ratification in the autumn extraordinary session.

Geostrategic significance

Ultimately, JEEPA is an important component in both the EU's and Japan's strategies for coping with the Trump administration. The Abe administration has used the [CPTPP](#) and JEEPA to increase its leverage vis-à-vis the US: both agreements give privileged access to Japan's market to major competitors of the US, particularly in agriculture. Having completed these large trade pacts, the Abe administration hopes that they will at least enable Japan to resist pressure from the US for a bilateral free trade agreement and, more unlikely, convince the US to rejoin TPP. Having concluded the JEEPA, the Abe government may be better able to resist US demands heading into the so-called "[free, fair, and reciprocal](#)" (FFR) [bilateral trade talks](#) with the US in late July. Japan, as the de facto leader of the TPP-11, will also turn its attention to [admitting new members](#) to the bloc. To this end, the TPP-11 lead negotiators are meeting in Japan this week from 17-19 July to discuss the next steps in the agreement's growth. Colombia recently became the first country to formally declare its interest in joining, while Thailand, South Korea, and the United Kingdom have also signaled their interest in membership.

The EU, meanwhile, is pursuing its own strategy of trade diplomacy with industrialized and high-performing developing economies. Having now concluded agreements with Canada and Japan, as well as Singapore, South Korea, and Vietnam, Brussels is now pursuing agreements with Australia, New Zealand, and Mercosur, and is seeking to upgrade its existing agreement with Mexico. This trade strategy will not only

strengthen the position of European producers relative to the US, but also advances an EU ruleset for global economic integration. Like Japan, the EU will hope that this will better enable it to weather the storm emanating from widening transatlantic trade friction. Commission President Jean-Claude Juncker will travel to Washington on 25 July, where he is expected to propose joint action to reform the WTO by tackling issues such as intellectual property rights and technology transfers, as well as increasing the effectiveness and transparency of dispute settlement. Juncker may also revisit a proposal for a zero-tariff deal on industrial goods among all advanced economies made at the recent G7 summit.

Will Trump change?

However, neither Tokyo nor Brussels appears to be particularly hopeful that Trump can be persuaded to change direction. Juncker will use his US trip to reach out to Congress and industry in the US to encourage US political and economic actors to speak up against Trump. The bloc's retaliatory measures against the steel tariffs were already designed in that fashion, targeting specific US congressional districts. Japan has preferred to avoid open confrontation with the US – its [response](#) to steel tariffs was considerably more muted than Europe's, for example – and has used bilateral talks to deflect US demands for trade negotiations.

Japan's approach could change if the Trump administration were to impose auto tariffs. On the EU side, Germany will likely continue its push for an EU initiative to reduce auto tariffs globally. This, however, is unlikely to receive broad support within the EU, as several member states feel that Trump is right to criticize Germany's current account surplus as excessive. The appetite for further boosting the engine behind these imbalances (the German auto industry) is therefore likely to remain lukewarm in Europe. The resulting EU consensus will therefore likely consist of WTO proceedings and retaliatory measures (as advanced by Paris) but with a careful focus on preventing further escalation (as favored in Berlin, and not unlike Japan).

In light of ongoing economic diplomacy between both Japan and the EU with China, we will look at the developing relations with Beijing in a follow-up piece later this week.

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