

2015 Summer Semester  
Case Study (International Political Economy)  
Professor Nobuhiro HITAWARI  
Final Paper

**A Study on the Causes of Deadlock of Korea-Japan FTA  
- Research on the Overall Assessment (Economic & Political) of KJFTA -**

July 29<sup>nd</sup>, 2015

Graduate School of Public Policy (GrasPP)  
University of Tokyo  
Campus Asia Program

#51-158105  
Ahram Han

# A Table of Contents

1. Introduction
2. Background of Korea-Japan FTA
  - 2-1. Current progress & past discontinuation
  - 2-2. Each government's national strategy
3. Existing Analyses on Korea-Japan FTA
  - 3-1. Theories of international political economy
  - 3-2. Economic benefits and losses
4. Determinants to the Achievement of Korea-Japan FTA
  - 4-1. Constraints on international political & economic environments
  - 4-2. Japan's domestic constraints
    - 1) Conflicting issue on agriculture sector in Japan
    - 2) Japan's FTA policymaking process: Continuity of "iron triangle"
      - (1) *Political Party: Liberal Democratic Party (LDP)–the Principal-Agent model & Particularism*
      - (2) *Bureaucrats –Diffused coordination of the cabinet & Vertical alliance of sub-governments*
      - (3) *Interest groups –The Pork-Barrel Politics*
5. Connection Points of Domestic Obstacles and FTA Politics
  - 5-1. Japanese domestic political tasks
    - 1) A new crisis and compensation politics
    - 2) Corporatism in Japanese political economic issues
    - 3) Most conflicting issues: Connection point of agricultural sector and Japanese FTA politics
    - 4) Pragmatism of Japan's FTA politics
6. Conclusion

References

Appendix

**A Study on the Causes of Deadlock of Korea-Japan FTA  
- Research on the Overall Assessment (Economic & Political) of KJFTA -**

University of Tokyo, GrasPP  
#51-158105 Ahram Han

**Abstract:** Even though Japan recently has been strengthening the drive force for economic liberalization into the global market, Korean-Japan FTA has not come to an agreement yet since the negotiations have started in 2003. This paper aims to examine what kind of issues has been problematic in the case of KJFTA, whether it is resulted from international or domestic constraints. I would like to investigate this deadlock more focusing on the domestic sides, particularly on domestic political environments, which has been creating obstacles to the agreement of KJFTA. Among the issues of conflicting economic and political aspects, agricultural sector and a mechanism of Japanese domestic FTA politics, which can be understood as a “triple alliance” or “iron triangle” relationships of the political party, bureaucrats and diverse interest groups, have been one of the most problematic domestic obstacles on each negotiation of Korea-Japan FTA. What could be the impact of the relationship between Japanese parties, bureaucrats and interest groups on the process of Korea-Japan FTA negotiations? In order to solve these difficulties, understanding of Japanese domestic policymaking process signifies a crucial political importance. This paper has a significance to bring the issue of Japanese domestic politics related to the issue of KJFTA and analyze it together which has been rarely analyzed yet. In sum, it is too impatient to conclude that the future of KJFTA is too bleak in spite of domestic political constraints in Japan and Korea.

**Keywords:** International political economy, FTA politics, Korea-Japan FTA, Korea-China-Japan FTA, Domestic policy-making process, Iron Triangle, LDP, Bureaucrats, Interest Groups, Compensation politics, Corporatism, Pork-Barrel politics, Agriculture issue.

## **1. Introduction**

Since the early 2000s, Northeast Asian countries have been pursuing in bilateral and trilateral FTAs within the region. In 1998, “*The Action Agenda for the Partnership of Japan and Korea toward the 21<sup>st</sup> century*” was the first to propose a broad range of cooperation and policy coordination between Japan and

Korea, including economy, cultural exchange and security (Ito, 2005). Then, the actual starting point of Korea-Japan Free Trade Agreement (KJFTA) was started in December, 2002. Afterwards, the Korea-Japan summit was held in Seoul and President Kim Dae-Jung and Prime Minister Koizumi Junichiro had a talk for Korea-Japan economic alliance. As the outcome of talks, they agreed with setting up a Korea-Japan joint study group consists of industrial, bureaucratic, and academic fields of economic experts. Both countries aimed at finishing up the talks by 2005 at first. However, the negotiation came to a standstill after the six-round on November, 2004. Surprisingly, this goal has not been realized until now in 2015.

By contrast, the effort in order to achieve Korea-China FTA came to fruition in last 2014. The practical Korea-China FTA negotiations started in 2012 and it has been steadily strengthening and finally reached its agreement in two years. On the basis of the most recent conclusion of Korea-China FTA, Korea-China relationship is expected to be gradually deepening its relations economically as well as politically. Moreover, with the deepening of regional economic integration in East Asia like as the European regional community, the issue of trilateral trade agreement among Korea, Japan and China also has been progressing well. The joint research on the Korea-China-Japan FTA has been progressing since the Chinese Premier Zhu Rongji proposed the study on the possibility of Northeast Asian FTA in 2002. Most recently, three countries had the 8th business working level consultations on last July 20<sup>th</sup> in Beijing.

Then, how could the Korea-China FTA conclude its achievement so rapidly, but why did that not happen in the case of Korea-Japan FTA yet? What are the key points for negotiations and different characteristics of both FTAs? The analyses on economic effects of both FTAs are already fully analyzed throughout whole economic sectors. Now it seems that the negotiations of Korea-Japan FTA have been proceeding with political difficulties more rather than a matter of economic concerns. This research paper aims to explore this unsolved puzzle from the perspective of international diplomatic struggles and Japanese domestic politics.

My motive for this research is originated from unsolved and continuous political conflicts from the past between two countries, Korea and Japan. In addition, China, as new global power, has consolidated its position within and without East Asian region, competing with Japan and the United States. Currently, three countries show their relationships as friends as well as enemies depending on the situations. Personally, I have a close interest to find a way to break through current deadlocks and develop further cooperation in many ways between two or three countries. With this point of view, I would like to apply one international cooperation theory into current situation in East Asia region in order to find out a better way to cooperate the relations. Liberal-institutionalist theory explains on the importance of economic cooperation in international politics. The theory focuses on domestic decision-making structure. It also emphasizes that developing economic cooperation would be easier way to lead further cooperation between countries than any type of cooperation, such as political or diplomatic one. Consequently, I decided to research more about economic way of cooperation between three countries. Then, one serious issue came into my mind and the Korea-Japan FTA has been struggling more than 10 years, showing no remarkable progress compared to other cases.

In brief, puzzles for my studies are: Despite a case of Korea-China FTA also had similar political and

diplomatic conflicts between two states, however, it has concluded in last December, 2014. How could the Korea-China FTA reach an agreement so quickly beyond on-going political unsolved issues since its negotiations started in 2012? Why could not the Korea-Japan case follow the successful route? Is this due to economic reason or political reason? What is the real problem in the case of Korea-Japan FTA? In my research, I would like to shed more lights on domestic constraints, particularly on domestic political tasks of Japan which is creating complexities of policy-making process and strong opposition forces against the KJFTA.

## 2. Background of Korea-Japan FTA

### 2-1. Current progress

From the viewpoint of geographic closeness and cultural similarities, for almost 30 years, since the normalization of diplomatic ties, current bilateral relations have fallen short of expectations due to various issues acting as barriers. These include the disputes over the Dokdo Islands, historical issues, the prohibition of the importation of Japanese cultural products, and Korea’s huge trade deficit with Japan due to its high degree of economic dependency. However, in view of economic ties, Korea and Japan have been actively seeking to pursue a bilateral FTA. Talks on a Korea-Japan FTA started in 1998 when President Kim Dae Jung and then Japanese Prime Minister Keizo Obuchi proposed the Action Plans for a New Korea-Japan Partnership for the 21st Century. The Action Plans suggested the promotion of trade, investment, and cultural exchanges as the main subjects of cooperation. As the first concrete step, the two governments agreed to conduct joint studies on the economic effects of a Korea-Japan FTA at the private sector level in October 1998.

Table 1 shows past schedule for the negotiations of KJFTA in detail. In overall, for about 17 years, the negotiations had largely discontinued twice: 1) One period was between 2005-2008, and 2) next period is between 2012-until now. From the past experiences of KJFTA, it seems that the negotiations have been stuck in a political deadlock due to a conflict of interests. Domestically, Korean citizens have raised the issue of high level of dependence on trade and the high possibility of trade deficit toward Japan. These concerns have also led to some amount of backlash from interest groups in both countries. For a long time, the people of both Korea and Japan are stimulated negative national feelings due to recent continuous historical and political sensitive issues and its-led antagonistic relationship. Consequently, political parties and civic groups in Korea and Japan continuously raise a voice for the opposition to FTA. Thus, we can assume that this is one of the biggest reasons that block a further progress of internal and external negotiations toward the agreement of Korea-Japan FTA.

Table 1. Past schedule of negotiations of Korea-Japan FTA<sup>1</sup>

June.25, 2012	3 <sup>rd</sup> round of 「Manager-Level Consultation on the Korea-Japan FTA」(Tokyo, Japan)
---------------	--

<sup>1</sup> Source: “FTA-website” (<http://www.fta.go.kr/main/situation/kfta/lov7/jp/1/>), translated by the author.

May. 29~30, 2012	2 <sup>rd</sup> round of 「Manager-Level Consultation on the Korea-Japan FTA」(Seoul, Korea)
Apr. 25~26, 2012	1 <sup>st</sup> round of 「Manager-Level Consultation on the Korea-Japan FTA」(Tokyo, Japan)
May. 9, 2011	2nd round of「Director-General-Level Consultation on the Korea-Japan FTA」(Seoul, Korea)
Sep. 16, 2010	1st round of「Director-General-Level Consultation on the Korea-Japan FTA」(Tokyo, Japan)
Dec. 21. 2009	4th round of Working Level Consultations (Seoul, Korea)
Jul.1, 2009	3rd round of Working Level Consultations (Tokyo, Japan)
Dec.4, 2008	2nd round of Working Level Consultations (Seoul, Korea)
Jun.25, 2008	1st round of Working level consultations to consider and create a favorable environment for the resumption of the Korea-Japan FTA negotiations (hereinafter Working Level Consultations), (Tokyo, Japan)
Nov.1~3, 2004	6th round of the Korea-Japan FTA negotiations (Tokyo, Japan)
Aug.23~25, 2004	5th round of the Korea-Japan FTA negotiations (Kyungju, Korea)
Jun.23~25, 2004	4th round of the Korea-Japan FTA negotiations (Tokyo, Japan)
Apr.26~28, 2004	3rd round of the Korea-Japan FTA negotiations (Seoul, Korea)
Feb.23~25, 2004	2nd round of the Korea-Japan FTA negotiations (Tokyo, Japan)
Dec.22, 2003	1st round of the Korea-Japan FTA negotiations (Seoul, Korea)
Oct.20, 2003	Korea-Japan agree to launch the Korea-Japan FTA negotiations
Jul. 2002~Oct. 2003	Joint Study Group meetings
Mar, 2002	Korea-Japan agree to launch the Joint Study Group for the Korea-Japan FTA
Dec.1998~Apr. 2000	Study group meetings
Nov. 1998	Korea and Japan agree to launch the 21st century Korea-Japan Economic Relations Study Group

In addition, Japan has recently shown much more consolidated political conservative forces after entering the Shinzo Abe's Administration. Fortunately, however, it seems to not make the Japanese political environment harder to resolve the FTA issues, since Prime Minister Abe strongly pushes forward economic cooperation as his one of growth strategies. Japan also has to race for a position of leader with China within East Asia region and also one should not overlook the alliance relation with the United States. Besides, in last December 2014, the Korea-China FTA dramatically reached its agreement during the Asia-Pacific Economic Cooperation (APEC) period. This fact might strongly stimulate Japan for further progress of KJFTA in any ways.

As I mentioned above, the discontinuations during the process of negotiations in the past are closely related with the period of political diplomatic struggles in Korea and Japan. For example, in 2005, "Takeshima

Day” was established by Shimane prefecture in Japan and it resulted in a major conflict throughout Korea. “Japanese prime ministers’ visits to Yasukuni Shrine” also produced fierce protests from Korea as well as China. In particular, Junichiro Koizumi visited the Yasukuni Shrine and paid respects 6 times during his term as Prime Minister of Japan, starting on August 13, 2001. As a result, the heads of the two countries refused to meet with Koizumi, and there were no mutual visits between Chinese and Japanese leaders after October 2001 and between South Korean and Japanese leaders after June 2005. President of South Korea Roh Moo-hyun had suspended all summit talks between South Korea and Japan, until 2008 when he resigned from the office (CSIS, 2004). Recently, current Prime Minister Shinzo Abe has made multiple visits to the Yasukuni Shrine since 2013, one could assume that it causes a huge deadlock to have talks between two countries. That period coincided with a time of discontinuation of KJFTA negotiation process.

Throughout the research, in order to overcome the deadlock, improvement of domestic political environments in both countries should be the foremost condition. Economic divergences such as agricultural sector and job insecurity are inevitable to solve, but political conflicts are probably much more essential to reach the final agreement of Korea-Japan FTA. At the international level, Japan recognizes the necessity of FTA, regardless of domestic oppositions. In contrast, domestic national consensus is not fully built yet. Even though Japan recently has been strengthening a drive force for economic liberalization into global market, the KJFTA still has to overcome many hurdles to reach an agreement. In this sense, I would like to investigate deadlocks on both international and domestic level of struggles and resolve the most difficult part on the issue whether which factor is creating an obstacle to KJFTA as I summarized determinants of the achievement of KJFTA (Table 2). This paper has a meaning to bring the issue of Japanese domestic politics related to the KJFTA and analyze it together which has been rarely analyzed yet.

Table 2. Determinants to achievement of KJFTA

	<b>Domestic</b>	<b>International</b>
<b>Political</b>	Iron Triangle (LDP, bureaucrats, interest group) Negative public opinion	Negative relationship of Japan and Korea (Diplomatic and Political)
<b>Economic</b>	Less beneficiaries group e.g. Agriculture, fisheries, Textiles, ...etc	KC FTA KCJ FTA TPP

## 2-2. Each Government’s National Strategy for FTA

I would like to point out each government’s national strategy and its stance for their FTA politics before addressing the actual issue during the negotiations. For reference, Table 2 shows current status of FTAs in Korea, Japan, and China. According to FTA website of Republic of Korea (Ministry of Trade Industry and

Energy)<sup>2</sup>, since 2003, the Korean government has been aggressively pushed for FTAs having a strategic approach for FTA network in major economic regime in the world. The major characteristic of Korea's FTA strategy is to conclude FTAs in a very short time compared to other countries, aiming the FTA hub in East Asia. In overall, Korea aims for comprehensive and high-level of FTA. As a rational strategy for Korea, it is somehow necessary to position itself at the center of the burgeoning East Asian Regionalism (Choi, 2004). As a middle-income country with little leverage against trading partners, Korea will get the maximum benefits by forming FTA with advanced, powerful economies like Japan and the United States.

Japan, in contrast, was a latecomer to FTA. There was no FTA in Japan until January 2002 when the Japanese-Singapore Economic Partnership Agreement (JSEPA) was concluded. In fact, the White Paper on International Trade in 1999 by the Ministry of Economic and International Trade (METI) was the first official document supporting FTAs. Until then, Japan had remained negative on any bilateral or regional FTA, because the Japanese government was always advocating the concept of global-wide liberalization based on the GATT/WTO rule. However, as FTAs became increasingly popular from the mid-1990s, the Japanese government had to gradually change its trade policy (Yoshida, 2004). With increasing pressure for “competitive liberalization”, Japan could no longer maintain its previous position for ideal of multilateralism and changed into a more pragmatic bilateralism.

According to Japan's FTA strategy by Ministry of Foreign Affairs in Japan<sup>3</sup>, the government will raise its FTA ratio from current 19% to 70% by 2018, by promoting economic partnership as a basis of global economic activities. Therefore, the government will draw up new rules in Asia-Pacific region by working positively on the Trans-Pacific Partnership (TPP) negotiations and use these rules as a basis for discussion of rulemaking for FTAAP, along with wide-range of economic cooperation such as RCEP and Japan-China-Korea FTA. Specifically, for the FTA with Korea, Japan realizes its political importance and deep-level of economic interdependence of KJFTA, so the government announces the negotiation has to start again for firm Japan-Korea relationship as soon as possible. It is also clear that the Japanese government wants to bring the issue of KJFTA with a common vision for East Asia economic community, not just focusing on pushing for a bilateral trade agreement.

Table 2. Current Status of FTAs in Korea, Japan, and China<sup>4</sup>

Country	Concluded a treaty	Negotiating	Under examination
---------	--------------------	-------------	-------------------

<sup>2</sup> Ministry of Trade Industry and Trade in Korea. “Korea's FTA strategy” (<http://www.fta.go.kr/main/situation/kfta/psum/>)

<sup>3</sup> 外務省. “日本のFTA戦略” (October, 2012).

<sup>4</sup> Source: Korea International Trade Association (March, 2015).



<b>Republic of Korea</b>	(Effectivation) Chile FTA, Singapore FTA, EFTA FTA, ASEAN FTA, India CEPA, EU FTA, Peru FTA, USA FTA, Turkey FTA, Australia FTA, Canada FTA	(Negotiating) Korea-China-Japan FTA, RCEP FTA (Creating conditions for a resumption of negotiations)	MERCOSUR, Israel, Central America, Malaysia, Ecuador
	(Agreement) Columbia, <u>China</u> , New Zealand, Vietnam	Indonesia CEPA, <u>Japan</u> , Mexico, GCC	
<b>Japan</b>	(Effectivation) Singapore EPA, Mexico EPA, Malaysia EPA, Chile FTA, Thailand EPA, Indonesia EPA, Brunei EPA, Philippines EPA, ASEAN EPA, Switzerland EPA, Vietnam EPA, India EPA, Peru EPA, Australia EPA	(Negotiating) Canada EPA, Columbia EPA, Korea-China-Japan FTA, RCEP, EU EPA, TPP, Turkey EPA (Creating conditions for a resumption of negotiations)	FTAAP(Free Trade Area of the Asia Pacific), New Zealand FTA
	(Agreement) Mongolia EPA	FTA, GCC FTA	
<b>China</b>	(Effectivation) Thailand FTA, Hong Kong CEPA, Macau CEPA, ASEAN FTA, Chile FTA, Pakistan FTA, New Zealand FTA, Singapore FTA, Peru FTA, Costa Rica FTA, Taiwan ECFA, Iceland FTA, Switzerland FTA	SACU FTA, GCC FTA, Norway FTA, Sri Lanka FTA, Korea-China-Japan FTA, RCEP	India RTA, Columbia FTA, FTAAP, Israel FTA, Shanghai Cooperation Organization FTA, Mongolia FTA
	(Agreement) Korea FTA, Australia FTA		

### 3. Existing Analyses on Economic and Political Benefits and Losses

#### 3-1. Theories of international political economy

The area of international political economy has been addressing the issue of the challenges what they face, such as understanding the simultaneous interaction of domestic and international factors in determining foreign economic policies and international economic outcomes. To begin with, I would like to introduce some papers dealing with the international political economy emphasizing the “domestic politics” to talk trade negotiations with international environment. All three works are suggesting that domestic politics in countries around the world show signs of the impact of the world economy. “*Internalization and Domestic Politics*” (1996) by Robert Keohane and Helen Milner mainly argues that we can no longer understand politics within countries, so called “domestic politics”, without comprehending the nature of the linkages between national economies and the world economy, and changes in such linkages. Since economics and politics are so closely linked, domestic politics in countries around the world show signs of the impact of the world economy (Keohane and Milner, 1996).

Another article, “*International Theories of Cooperation among Nations: Strengths and Weaknesses*” (1992) by Helen Milner, also explains that consideration of domestic politics is essential for understanding international cooperation for some reasons: one of reasons is that domestic politics tells us how preferences are aggregated and national interests constructed, and another one is that domestic politics also help explain the strategies states adopt to realize their goals (Milner, 1992). One more article by Helen Milner and Peter Rosendorff, “*Trade Negotiations, Information and Domestic Politics: the Role of Domestic Groups*” (1996) also argues the same line as domestic politics influences the outcome of international negotiations. On top of that, it sheds more lights on the role of interest groups in the domestic political process and in international negotiations in an environment characterized by uncertainty (Milner and Rosendorff, 1966). To sum up, these works similarly gives some implications that “domestic politics” is crucial when we discuss international level of politics or negotiations and its intertwined characteristics in world politics.

### 3-2. Economic Benefits and Losses of KJFTA

The issue of Korea-Japan FTA has already a lot of proceeding researches in terms of economic benefits of each country. One analysis by Mckibbin, Lee, and Cheong (2004) regarding the effects of KJFTA is based on a new dynamic simulation model, called the Asia-Pacific G-cubed Model. The simulations show that both Korea and Japan benefit from the bilateral FTA. With some studies, including KIEP (2000), IDE (2000), KIET (2000), and Brown et al. (2001) assessed the economic implications of a Korea-Japan FTA. All economic analyses proved that there gains for Korea and Japan from a bilateral free trade agreement. To be specific, the article contains the results for real GDP, private investment and private consumption in Korea. It explains that the reduction in tariffs in Korea and Japan on trade leads to a reallocation of resources in both countries, and in the long run, it raises income in both countries.

Figure 1 shows the sectoral impacts in Korea by KJFTA. Although there is a small contraction in output of the durable manufacturing sector in Korea, production in all other sectors finally expands because of higher income and therefore higher demand for all products. Higher demand stimulated investment and therefore a higher capital stock. The biggest gainer in Korea will be the non-durable manufacturing sector (Mckibbin, Lee, and Cheong, 2004). According to the analysis, the effects on Japan are very similar to those in Korea. Figure 2 is expected outcome of the effect on GDP of KJFTA, showing GDP is slightly smaller for Japan compared with that for Korea. The increase in real GDP is about 0.1% due to the relative size of bilateral trade flows between Korea and Japan. Thus, it can be summarized as trade with Japan is more important for the Korean economy. Still, the study proves that there are gains for Korea and Japan from a bilateral FTA.

Another recent sectoral approach of the KJFTA shows a positive impression by agreeing KJFTA (Nakajima, 2002). Figure 3 shows there is not much change in real GDP in terms of macroeconomic effects in any region in the short-run case, although only Korea shows an increase of 0.29%. In the long run, Korea shows a 1.09% increase while Japan shows only 0.02% increase. However, the article explains that both countries show positive in terms of equivalent variance. The scale is larger in the long-run case. In other

words, an increase in intra-industry trade will enlarge the static effects of the FTA (Nakajima, 2002). The other analysis of the total effects of the FTA in Korea by Inkyo Cheong (2000) contends an expectation of a production expansion for Korea's major industries and a production contraction for its primary industries. In specific, the transport equipment, machinery, electric and electronic, and steel industries will see the most significant gains, with annual growth rates of 5 to 13%. Figure 4 shows for the primary industries, the effects of the FTA will be minimal with only a slight increase of 0.2% for both forestry and fisheries production and a small decline in agricultural production. Unlike serious concerns of economic loss particularly on agricultural, fishery, and textile sectors in both Korea and Japan, it is not too negative to see the benefits from KJFTA. Rather, one can assume that there are enough reasons for having FTA throughout the whole economic sector in times of higher economic interdependence between two countries.

Another study of the expected economic influences of KJFTA in main items by Do-Hyun Kim (2003) introduces each sector's economic effects by FTA. In "textile" sector, the withdrawal of tariff by the FTA will result in a trade surplus in the items of textile, clothing and a trade deficit in the items of fabrics and textile thread. In "semiconductor" sector, comparison to Japan, the unique character of the semiconductor of Korean industry is adherence structure of "Korea-memory part, Japan-non memory-semiconductor material and semiconductor equipment". Therefore, even though the tariff is to be withdrawn the trade between them would not be affected seriously, whereas the value of import from Japan would be increase in semiconductor equipment and non-memory sector. In "automobile" sector, the tariff rate of Korea on the finished car is 8%, on the contrary, Japanese government adopted a duty free policy on that item. So, in the case of abolishment of customs between two countries, the export of Japanese car is expected to increase in accelerative period. Whereas it is strongly expected the influence of that treaty on the export of Korean car to Japan would be feeble. If the non-tariff measures are mitigated or abolished by FTA contractions, there would be a positive influence to some degree on the advancement of Korean automobile into the Japanese market.

In "machinery and electronics" sector, since the average tariff rate on general machinery products of Japan is about zero and there is also no particular non-tariff barrier in Japanese market. It can be expected that the effect upon the exportation to Japanese market of Korean products would be weak regardless of withdrawal of customs and non-tariff barriers. On the other hand, the average tariff rate on the general machinery products of Korea is 7.5% relatively higher than that of Japan. These measures would affect greatly on the importation of Japanese products. The tariff rate of Korea against Japan in electronics sector is 8%. In comparison with this, the rate of Japan's is only 0.8%. Hereby the increasing effect of custom abolishment would be more positive to Japan than Korea. At the same time it is expected that there would be acute price competition at the compete sector.

In "steel and petrochemistry" sector, the average tariff rate of Korea on steel sector is 6% and that of Japan is only 1.2%. WE can expect that the increasing effect of steel exportation by the abolishment of customs in accordance with KJFTA would be feeble because non-tariff on steel products measures implemented by WTO in 2004. By contrast, the import from Japan would be increased centering special steel or steel products of special use. With regard to these circumstances, the abolishment of customs would affect a

negative impact on production and employment of this sector with the weak competitiveness against Japan. It is because of the character of domestic structure of steel industry of which increase of import, due to not from the diversification of importing market, but from the conversion drawn from the substitution by Japanese products consisting of special steel, high value-added products. Though the average tariff rate of Japan is lower than that of Korea in petrochemistry, the effective tariff rate of Korea on items of concern is relatively higher than Japan. Because a part of items like polyethylene, polypropylene, and 2-ethyl-acid are applied to specific duty and some indicators of excess supply in general plastics observed, the increase of export is expected in the case of customs abolishment. On the other hand, the high quality products like the goods of precision chemistry, precision engineering, and precision plastics of which sector have a big technological gap and a big demand are expected to promote the increase of import from Japan.

It is known that Korean concerns reflect the mistrust of Japan as well as strong resistance to market opening among some Korean business sector. Japan is also not free of similar domestic resistances from vested interest group, especially in the fishery, farming, and apparel businesses. However, Ippei Yamazawa, in his article of “*Assessing a Japan-Korea FTA*” asserts that the prediction does not fit the current reality in which intra-industry specialization in the industries between two countries (Yamazawa, 2001). Rather, it is more likely that both Korean and Japanese firms will survive the intensified competition and become globally competitive having intra-industry specialization. Therefore, since closer Japan-Korea relations are needed for both to survive globalization, it should center on intra-industry specialization when discussing the best framework for KJFTA.

On the other hand, there are not many articles insisting on economic losses of Korea-Japan FTA. The reasons can be: first, FTA analysis is usually made by research institutions which are the government-side. Second, many economic sectors actually can benefit from the achievement of FTAs, on the other hand, relatively few sectors would harm by it. One research deals with the most contentious issue of KJFTA, agricultural liberalization in Japan and Korea. Byungil Choi and Jennifer Sejin Oh, in their research of “*Asymmetry in Japan and Korea’s agricultural liberalization in FTA: domestic trade governance perspective*”, pointed out that there are important differences between two countries’ agricultural sector. The Korean government, having cohesive domestic trade governance, supports substantial agricultural liberalization. The Japanese government, on the other hand, having fragmented domestic trade governance is reluctant to abandon from interests even at the risk of undermining its FTAs (Choi and Oh, 2011). According to the author’s argument, it is necessary to have cohesive trade governance that enables governments to pursue agricultural liberalization from the Korea’s past experiences. The Korean government was possible to pursue agricultural liberalization under the broader national agenda for promoting trade through FTAs. In contrast, in Japanese cases, the fragmented domestic trade governance gave disproportionately larger weight to agricultural interests, ultimately allowing agriculture to undermine the success of Japan’s FTAs. It is because the Korean government supports substantial agricultural liberalization, whereas the Japanese government is reluctant to abandon farm interests even at the risk of undermining its FTAs.

#### **4. Determinants to the achievement of Korea-Japan FTA**

##### 4-1. Constraints on international political & economic environments

Surrounding Korea and Japan, there are a lot of international issues are on-going and some are closely interrelated with the issue of Korea-Japan FTA. Since the FTA is not only about economic issue, but more about political or diplomatic exchanges between two countries to some degree, political struggles often tackle into the attainment of further economic cooperation. As Naoko Munataka (2015) suggested in her research of “*Evolution of Japan’s Policy toward Economic Integration*”, Korea and Japan commonly share historical issues with neighboring countries, diplomatic deadlock represented as a halt of the Korea-Japan Summit, multiple ongoing economic relations such as Trans-Pacific Partnership (TPP), Asian Infrastructure Investment Bank (AIIB), Regional Comprehensive Economic Partnership (RCEP), and Korea-China-Japan FTA, and its-led complex relations among economic rivalries. These international political constraints control whether the FTA can be achieved or not, even during the process of FTA. Sometimes, the situation of international politics makes a stimulus to further progress of the achievement of FTA, on the contrary, sometimes it also creates a deadlock to discontinue negotiations like the case of Korea-Japan FTA. In this viewpoint, the author asserts that if Japan aims to actively promote economic integration in Asia, it must resolve its “history problem” with neighboring counties (Munataka, 2015). Therefore, Japanese political leaders have to play a significant role in clarifying the differences in perceptions of history with its neighboring countries and come to a mutual understanding based on these differences.

It is evident that Japan is now Korea’s third largest trading partner after China and the United States while Korea is Japan’s third largest export destination and also become the sixth largest source of imports in recent years (Table 1) (Ahn, 2012). Thus, both countries have a high-level of economic interdependence. However, Japan has faced the “lost two decades” of economic stagnation (Table 2), consequently it ceased to be the second largest economy in 2010 (Ahn, 2012) and yield the position to China. The aftermath of 2008 global financial crisis adversely affected to the Japanese economy, whose economy shrunk by 1.0% and -5.5% in 2008 and 2009, respectively, again far below the growth rates of the United States and the Euro area (Ahn, 2012). Even in the past decade, Japan’s mounting public debt problem worsened with the reason of a rapidly aging society, which contributed to the “lost two decades” as well. To make things worse, the great earthquake in eastern Japan in 2011 and the Fukushima nuclear power plant disaster created other serious hurdles to Japan’s economic recovery. These issues also caused Japan to register a trade deficit amounting to US \$32 billion in 2011 for the first time in the past three decades (Table 3) (Ahn, 2012). To sum up, all these makes Japan’s economy experience in past several years more tough domestic environments for further FTA progress.

##### 4-2. Japan’s Domestic Constraints for Korea-Japan FTA

###### 1) Conflicting Issue on Agriculture Sector in Japan

Korea and Japan have comparative advantages of each different industry. Japan has a strong comparative advantage in automobiles, electronics, and general machinery, but their agricultural and textile industries show relative weaknesses. Korea, on the other hand, has a comparative advantage in electronics,

textiles, and steel, but its advantage is quite low in the agricultural sector (Table 4). Therefore, while Japan has shown more opposition against a trade liberalization of agriculture areas and Korea has raised concerns about a free trade of its automobile and electronics sector. This implies that liberalization of the agricultural sectors is a sensitive issue for both Korea and Japan.

At the first round of negotiation, Japanese officials have expressed their wishes to exclude agricultural products from the FTA in consideration of the sector's special characteristics (Ahn, 2005). The agriculture and fishery sectors are important areas in trade liberalization and free trade agreements in Japan, because of their political importance and its economic effects. Japan excluded the agricultural sector when Japan concluded the Japan-Singapore Economic Partnership Agreement (JSEPA). Korea and Japan also experienced similar problems when they concluded the Japan-Korea Fishery Agreement. Therefore, these two sectors are the most difficult sectors for negotiations on the FTA between Korea and Japan (Song, 2005).

Nonetheless, Japan has experienced more difficulties in the negotiations of KJFTA, because Korea has still a higher comparative advantage in the agricultural sector even if its benefits are not big. Even though the economic role of agricultural sector in Japan is less significant than that of Korea, it contributes to 1.5% of the GDP and 3.9% of employment in 2002 (Table 5). However, its political importance is almost as high as it is in Korea because of Japan's history of protecting its agricultural sector and Japanese farmers show their protection as natural. The average applied tariff is one of the highest one compared with other developed countries (Song, 2005). Korea's agricultural exports to Japan are higher than its imports from Japan and this implies that generally Korean agriculture is more competitive than Japan. These are the reasons why Japanese farmers keep opposing the Korea-Japan FTA due to the fear of losing their domestic market, as its general price level is lower in Korea than in Japan.

Moreover, as the table 6 shows, general tariff rates are set at a high level in the agricultural and food processing sectors, with the highest in the rice sector at 80.35% for all regions in 2003 (Table 6). Consequently, the abolition of tariffs under an FTA would result in a drastic decrease in the price of Japanese agricultural products due to competitive imports (Nakajima, 2002). Thus, to make a balance, Japanese FTAs have had a limitation on agricultural sector although there is some positive effect on agricultural trade liberalization (Ando and Fukunari 2006). A very small number of farmers receive enormous benefits in terms of increased income from agricultural production after FTAs. Accordingly, those few farmers have a strong incentive to engage in rent-seeking behavior to invest time, money and resources in lobbying and influencing politicians in order to maintain agricultural protection. Consumers, on the other hand, are not sufficiently motivated to lobby for the removal of trade distortions because of the relative price benefit of agricultural products from liberalizing market (Mulgan, 2008). Therefore, Japanese politicians, especially regional conservative forces, generally support agricultural protection since they seek to retain power in exchange for materialistic benefits such as votes, monetary donations, and campaign support from farmers and their supporting organizations. Until now, there has been not enough consensus on necessity of trade liberalization on agricultural sector, particularly for KJFTA. In other words, for Japanese farmers, consumers, and politicians, they have little incentives to approve free trade of agricultural sector with the KJFTA.

## 2) Japan's FTA Policymaking Process: *Continuity of "Iron Triangle" in Japan's FTA politics*

Politics has been a primary in Japan for a long time, even in the case of industrial policy. The industrial policy sub-governments consists of bureaucrats from the Ministry of Economy, Trade and Industry (METI) and LDP politicians with close ties to industry and the executives of peak business organizations. They seek to promote the interests of Japanese industry, not only in the domestic market but also markets abroad through trade liberalization. The bureaucrats within these policy sub-governments significantly exercise their policymaking authority and also act as supply-side actors even though they are not same politically self-interested calculus of politicians (Mulgan, 2005).

Japan's FTA politics can be characterized as domestic trade policymaking on the demand side as well as some aspects of the supply side. On the demand side, business groups mobilize even more strongly demand to agricultural protection, while on the supply side, the high value of FTAs for broader state interests are recognized by politician-leaders (Mulgan, 2008). This demand and supply side of Japanese policy making process can be explained by the power elite model arguing that Japan is run by a triple alliance of the Liberal Democratic Party (LDP), the bureaucracy, and big businesses with participation in policy making which are restricted to the members of this cohesive ruling group (Cheng, 1990). Along with this idea, I would like to break down into three supply side of actors, each political party (LDP), bureaucrats (MITI), and interest groups, to see how they have maintained the "iron triangle" in Japanese FTA politics.

### *(1) Political Party: Liberal Democratic Party (LDP)–the Principal-Agent model & Particularism*

Japanese politicians on the supply side are divided between those responding to narrow special interests and those in leadership positions who are more concerned with broader state interests. Since the postwar 1955 system, the LDP has enjoyed its conservative rules for many years, particularly with the reform of the single nontransferable vote (SNTV) and multiple constituency seating. It made the LDP have a more stable and more competitive "political market", thus we can assume that the LDP has been controlling overall Japanese FTA politics as a continuous conservative political party. Within the policy sub-governments, decisions are made by adjusting the opinions and interests of the key political, bureaucratic and interest group actors through a process of consensus decision-making. A key stage in this process is needed for prior scrutiny and approval by the relevant committee of the LDP's Policy Affairs Research Council (PARC) and the party's Executive Council before a policy or bill is passed on to the Cabinet for ratification. The PARC committees, in particular, are the primary locus of policymaking by special interest politicians. The LDP's larger Diet membership is obligated to agree with bills and policies only after approving by the PARC committees and Executive Council, because this approval is subject to unanimous agreement within these bodies. As a result, METI and pro-industry politicians have no choice, but to comply with the intentions of agriculture-related Diet members even on matters concerning WTO and FTA negotiations (Yamashita 2005). One can understand this relation of interest within political party contributed a current deadlock of KJFTA in the negotiations of agricultural sector in Japan.

In addition, the principal-agent model identifies political systems as arenas where people and parties

seek to interact and manipulate each other toward the greatest advantage of “marketplace”. According to Daniel Okimoto, this model is regarding an organizational hierarchy or information asymmetry in political activity: in specific, members of Congress (agents) buy re-elections from voters (principals), on the other hand, voters delegate their profit-making pork to members of Congress as a trust bank deposit, so that members of Congress can earn their own profits (re-elections) through voters payments (votes). Thus, the LDP politicians have had a grand coalition within the sub-governments. First, the LDP receives clientelistic votes from support groups in exchange for favorable legislation, subsidies, generous tax treatment, and other promotional policies from the ministries such as the Ministry of Agriculture, Fishery and Food (MAFF) and Ministry of International Trade and Industry (MITI). Then, the LDP has a reciprocal (pork-barrel) patronage from involved interest groups that include a variety of traditional LDP supporters –local interests, construction, transportation, defense industries (Okimoto, 1989). In here, agricultural-interested group is involved with the clientelistic relations with LDP politicians, and creating opposition forces in agricultural issues. The LDP has had its strongest based of support in rural and semi-urban districts. Being the only party with a broad base of national support places the LDP in a very advantageous position (Okimoto, 1989). However, in the issue of FTA politics, the LDP’s broad base of electoral support makes it difficult to have a consensus since they cover a diverse cross-selection of society from farmers to big business executives and small and medium-sized entrepreneurs.

*(2) Bureaucrats –Diffused coordination of the cabinet & Vertical alliance of sub-governments*

The coordination role of the cabinet is understood as comparatively “weak” because cabinet ministers tend to represent the interests of their ministries within the policy sub-governments. Both Koizumi and Abe administrations, seeking to advance state interests, were highly responsive to the prospect of diffused gains from FTAs across wider areas of the economy and polity (Mulgan, 2008). However, in general, the prime ministerial executive lacks strong top-down authority, central control and inter-sectoral coordination ability in FTA politics. It cannot override the independent policymaking authority of the sub-governments since the vertical alliances they form and the policy stalemates they engender, particularly when the sub-governments firmly oppose the prime minister’s policy (Ito, 2005).

The FTA initiative by bureaucrats of Japan is a stark contrast to the political leadership in Korean case. In Japan, since the Japan-Singapore Economic Partnership Agreement (JSEPA) started, the team of 4 Ministries –Finance, Foreign Affairs, Economy and Trade, and Agriculture, Forestry and Fishery –has formed to arrange the negotiations FTAs. Time to time, coordination among the four ministries began to show a crack, because no one stood above the four ministries to make a definite decision when interests of four ministries conflict each other. So far, following the successful conclusion of the FTA negotiation with Singapore, the team of four has played an important role in defining the character and contents of each FTA and one ministry’s objection has become a crucial veto to a proposal package (Ito, 2005).

The lack of strong top-down authority and inter-sectoral coordination ability by the top layer of government means that special interests tend to prevail over national interests in policymaking (Mulgan,



2008). In consequence, Japan does not have one FTA strategy or policy, in fact it turned out several. Since Japan has no single body producing trade policy, there is nobody capable of coordinating conflicting domestic interests on trade issues. As a result, FTAs make a slow progress because of the clash of interests between agriculture and industry in general. The lack of coordination power of the prime ministerial executive also limits the possibilities for trade off between industry and agriculture. In summary, these bureaucratic characteristics are able to apply the case of Korea-Japan FTA that are having difficulties in combining different interests from diffused coordination of the cabinet and vertical alliances of sub-governments, especially in Japanese agricultural sector.

When we look back upon the past Japanese government, in fact, Prime Minister Junichiro Koizumi actively pursued structural reform of the policymaking system focusing on weakening the role of LDP politicians as representatives of special interests. Koizumi understood that the public was fed up with the old LDP machine, especially wasteful public works spending, and he turned this potential liability into an asset as he vowed to dismantle the system (Vogel, 2006). For example, in March 2004, a new Council of Ministers Concerned with the Japan's FTA politics was established, so that the problem of agricultural trade liberalization Promotion of Economic Partnerships was charged with promoting the formation of FTAs. Furthermore, in December 2004, his administration adopted its first set of basic guidelines for signing FTAs, which called on “*all ministries and agencies to make all-out joint efforts' to realize the early conclusion of . . . EPA and FTA talks with Thailand, Malaysia and South Korea*” (Nikkei Weekly, 27 December 2004-3 January 2005). However, as this structural reform has not succeeded, still a general developmental trend of policymaking has remained in Japanese politics. The proponents of deregulation have been bound to the opponents through common ties to industry associations, government ministries, and the LDP (Vogel, 2006).

Lastly, as Naoko Munakata's article of “*Evolution of Japan's policy toward Economic Integration*” (2001) also explains, the most serious challenge of Japan might be a lack of political leadership, especially for international trade policy. The main cause lies in that fact that Japan's policy toward economic integration has evolved basically by reacting to given situations (Munakata, 2001). While Japan has occasionally contributed to the creation of collective entities such as APEC, it has failed to follow through on the efforts by implementing politically controversial reform and providing momentum to regional initiatives. The articles argues that Japanese political leaders have to play a significant role in clarifying the differences in perceptions of “history” with its neighboring countries and come to a mutual understanding based on these differences, if Japan aims to actively promote economic integration in Asia.

### *(3) Interest Groups –The Pork-Barrel Politics*

The dynamics of LDP interactions with its interest coalition and with the bureaucracy, in turn, supply the essential materials for constructing a typology of the Japanese policy making processes, called segmented political configurations (Okimoto, 1989). In addition to this, Japanese pressure groups, such as the agricultural and small business federations, are quite large and aggressive enough influence to political parties as well as the bureaucracy. In agriculture, for example, there is a massive National Agricultural Cooperative League

(*Zenno*), whose constituent cooperatives have 5 million members. In business sector, The Japan Chamber of Commerce and Industry (*Nissho*, JCCI) is closely allied with many LDP politicians; similarly, the Japan Council for Economic Development (*Keizai Doyukai*, JCED) has its strong cross-party political ties. The two more conservative forces of the business federations, *Keidanren* and *Nikkeiren*, have often been immobilized in the policy formation process by their large size and complex internal decision-making processes (Calder, 1988). Virtually all interests groups in Japan fall under the jurisdiction of a government bureaucracy (Okimoto, 1989). Thus, all these interest groups are closely connected with the LDP politicians and bureaucrats, consequently they can raise their strong voices as political sub-governments.

However, on the FTA issue, the concentrated benefits of FTAs to special business interests and the concentrated costs of not signing them, motivate the Japanese business community to press for FTAs with particular countries and to demand an end to agricultural protection as the chief obstacle to the successful conclusion of these agreements. In fact, Japanese business has been arguing a reform of agricultural structure to lay the groundwork for agricultural trade liberalization. Kitashiro Kakutaro, head of the Japan Association of Corporate Executives (*Keizai Doyukai*) argues, “*FTAs are supposed to ‘prime the promotion of structural reforms in fields such as agriculture’*” (Nikkei Weekly, 15 December 2003).

In opposition to this, in agriculture sector, the bulk of the Agricultural Cooperative Organization (*Nokyo*)'s political representatives are aligned with the LDP and for this reason it has been labeled “*the pressure group within the system*” (Cheng, 1990). As a result, interest groups involved with agricultural sector or further business sector have been affiliated with the LDP politicians who have a power to take their interests. So the only way the farmers can raise their voices is to speak through the government parties. Thus, the LDP and bureaucrats also cannot ignore the power of regional interest groups since they also give significantly important amount of votes and financial aids.

Like this, according to Saori Katada and Mireya Solis’s article of “*Domestic sources of Japanese foreign policy activism: loss avoidance and demand coherence*” (2010), Japan’s active foreign policy is better explained with a look at the domestic lobbying activities of affected interest groups. Conventional view of international political economy explaining that greater economic interdependence creates an incentive for active foreign policy engagement, does not match with the Japanese cases of foreign economic policy. One variable that the authors used shows some significances of the case of KJFTA. The characteristics of “immobilism” in the negotiations with Korea resulted from the clash of interest groups in Japan and the muted lobbying campaign of industry to reap the economic benefits (Katada and Solis, 2010). In this sense, it is essential that both the rationale for mobilization and lobbying capacity are essential elements in understanding the Japanese domestic demand for significant foreign policy departures.

## **5. Connection Points between Domestic obstacles and FTA Politics**

5-1. Japanese domestic political tasks toward the achievement of KJFTA with the relationships of the LDP, bureaucrats, and interest groups

### 1) A New Crisis and Compensation Politics

Dynamic crisis and compensation politics of the LDP in order to be a central party has been a “carrot and the stick” politics to achieve its political and policy related objectives after the postwar period. The pattern of compensation politics also clearly helped to keep the ruling conservatives in power as a politics of reciprocity. Kent Calder, for example, carefully identifies three postwar “crises” for conservative Japanese politicians: 1949-1951, 1959-1963, and 1971-1976. During these years the ruling party faced declining electoral majorities, increasingly successful and assertive opposition parties, and a variety of domestic and international pressures for change (Rosenbluth, 1993). The LDP maintained its conservative superiority through material distributive politics particularly for agriculture, defense, regional development, small business and welfare sector. From 2003 when the KJFTA negotiation have started, the LDP has seized the government in most of terms (Table 4), consequently compensation politics consolidating the LDP’s position might not positively affect to the progress of KJFTA negotiations. Thus, the mobilization of voters in support of specific interest group objectives is relatively easy in terms of compensation politics throughout past conservative years.

Table 4. < Japanese General Election since 2003 >

Japanese General Election				
	2003	2005	2009	2012
<b>Leader</b>	Junichiro Koizumi	Junichiro Koizumi	Yukio Hatoyama	Shinzo Abe
<b>Party</b>	Liberal Democratic	Liberal Democratic	Democratic	Liberal Democratic
<b>Seats won</b>	237	296	308	294
<b>Popular vote</b>	43.85%	47.77%	47.43%	43.01%

Accordingly, in those consequent conservative years, the LDP legislators could target pork-barrel items (such as highways, bridges, or profitable contracts) to their supporters. For this, they extracted financial contributions from the business community, which they could then redistribute to other supporters (Rosenbluth, 1993). Legislators enjoy information superiority, while bureaucrats are manipulated to serve the interests of constituents of LDP politicians through promotion and promise of post career job assignments. These relations prove a “principal-agent relationship” between legislator-bureaucrat relations (Rosenbluth, 1993). Moreover, Japan’s mass interest groups can be a strong force for redistributive compensation in times of crisis and against retrenchment when stability prevails. More specifically, in each case the conservatives responded with policies that redistributed wealth to the organized groups to whom the opposition was trying to appeal. In this sense, we can assume that in the crisis periods of the LDP, there has been not enough power to focus on the issue of FTA negotiations which has still many conflicting issues in Japanese domestic area. Rather, the legislators including the LDP politicians and bureaucrats had to concentrate on making a wealthy nation to overcome financial crises, while distributing compensations to all over the Japan.

One more explanation by Hidetaka Yoshimatus (2007) in regard to interactive relationships of three

actors in domestic politics, there was strong opposition from the two political actors, bureaucrats at the Ministry of Agriculture, Forestry and Fisheries (MAFF) and politicians in the ruling LDP, to market opening in the agriculture sector. He mainly argues that economic linkages and institutional cooperation in East Asia have changed basic interests of MAFF bureaucrats and the LDP politicians and such changes have induced new moves in Japan's FTA policy (Yoshimatus, 2007). Before 2003, the LDP was more stubborn than MAFF concerning the FTA policy, demanding postponing the start of formal negotiations of some FTAs. However, the LDP began to adopt a new approach after the mid-2003 when the negotiation talks of KJFTA just started. In the same year, the LDP set up an internal deliberative body concerning FTAs, making public the party's FTA policy that favored the promotion of FTAs. The LDP also began to show flexible attitudes toward tariff concessions for actual FTA negotiations.

In fact, the party's *norin zoku* had to consider support from the agricultural groups for the election. In 2002 and 2003, the *zoku* members opposed FTAs as a response to demands from agricultural groups, since they redefined their approaches to FTAs from a standpoint of cooperation with Asian farmers and export expansion to East Asia. However, deepened economic linkages with East Asia and the evolution of regional affairs made senior LDP members promote the view that FTAs provides a means for developing closer linkages and influence in the region. Besides, the MAFF has changed its position on FTA negotiations by ministerial rivalry. While other ministries promoted FTAs, arguing that growing economic and political linkages with East Asia was unavoidable, the MAFF only began to show a positive posture in order to secure its position in ministerial competition.

## 2) "Corporatism" in Japanese Political Economic Issues

The iron triangle of Japanese politics are also taken together to make another issue of Japanese politics, the "corporatism". The essence of corporatism is a two-way of relationship between government and interest groups: formal inclusion of groups in the administration for purposes of policy implementation in exchange for a legitimate role in policy making and an institutionalized system of rewards (Cheng, 1990). In consequence, the practice of dual office holding is significantly represented as follows: politicians who occupy leadership positions in interest groups concurrently with Diet office, either as long-serving executives or advisers, providing an instant political connection to the central organs of power. The Japanese farm lobby, for instance, is well represented in the House of Councilors and the House of Representatives by executives from the Agricultural Cooperative Organization (*Nokyo*). In addition, The Agricultural Policy Research Association brings together Diet politicians with connections to the agricultural cooperatives. It contains a mixture of current *Nokyo* executives, past leaders and members, and a broader group of *Nokyo* supporters (Cheng, 1990).

Therefore, the corporatism well characterizes Japanese political economy with the term "*Japan, Incorporated*" by Daniel Okimoto. In this sense, Japanese bureaucrats play a political role in packaging bargains between societal groups. This biases policy toward slow and elaborate compromises and gives ministry officials the leeway to insert their own agenda into policy outcomes. In practice, the ministries and

the LDP negotiate closely with each other, even though one cannot easily conclude which really dominates the policymaking process (Vogel, 2006). Furthermore, when economic plans are concrete or industrially specific and based on a consensus between MITI and industry, they are able to gather supporting actors in the private and public sectors moving in the same direction (Okimito, 1989). In sum, the triple alliance relationships of the politicians (the Diet), bureaucracy, and interest groups have created the corporatism in Japanese politics on the issues of political economy like FTAs.

In addition to the characteristics of corporatism, Japan's FTA policy exhibits a "bottom-up policymaking pattern", whereby strong policy sub-governments and weak bureaucratic coordination. It gives clout to interest groups and generates a cumbersome negotiation strategy as the conflicting interests of internationalized business sectors and agriculture must be reconciled (Solis, 2008). This domestic political constraint, therefore, has delayed Japan's FTA with larger trading partners. The domestic politics of Japanese trade policy are in flux with attempts to centralize policymaking and growing divisions among the members of the peak associations for agriculture and business, *Nokyo* and *Keidanren* respectively (Solis, 2008). According to Solis, one of the most important changes in Japan is the growing politicization of trade policy with the more active intervention of politicians attuned to public opinion trends.

### 3) Most Conflicting Issues: Connection Point of Agricultural Sector and Japanese FTA Politics

An important structural feature of the Japanese policymaking system, which largely determines the delivery of public policy outcomes on FTAs, is vertical segmentation along with sectoral lines that represents each different interest. This means that for industry and agriculture, demand and supply of side actors in each sector operate together within conventionally closed policy networks or sub-governments. In the case of agriculture, farm politicians in the ruling Liberal Democratic Party (LDP), the MAFF bureaucrats, and key industry representatives such as the executives of the main agricultural organizations, who share a strong common interest in promoting and protecting domestic agriculture, form the Japanese agricultural policy sub-governments, which has a primary role in making policy for that sector including agricultural trade policy (Mulgan, 2008). Therefore, cross-sector or horizontal coalitions that spontaneously coalesce on the basis of common interests do not usually emerge in Japan's segmented system.

The institutional analysis of the Japanese policymaking process, however, reveals the existence of structural obstacles to the implementation of such a policy in the form of opposing sectoral sub-governments and a prime ministerial executive exercising insufficient top-down authority or interest coordination power to impose a pro-market solution. Making agricultural trade policy inevitably requires the adjustment of opinions between the sub-governments and the prime ministerial executive, which has become a substantial element of the Japanese policymaking process (Mulgan, 2008). In other words, again the lack of strong top-down authority and inter-sectoral coordination ability by the top layer of government might cause one of obstacles in the process of policymaking, particularly on the conflicting agriculture issues of Korea-Japan FTA. Since these institutional problems demonstrate that special interests tend to prevail over national interests in making progress on policymaking.

#### 4) Pragmatism of Japan's FTA Politics

During the campaign for the general election of 2003, both the Liberal Democratic Party (LDP) and the Democratic Party of Japan (DPJ) which is the largest opposition party in Japan, made the "Manifesto" to the public, but the commitments towards FTAs with Asia were neither ambiguous nor consistent (Ito, 2005). The LDP stated that economic integration with Asia was significant, however, they proposed far specific and detailed program of agricultural reform, never mentioning its relationship with international trade. With lacking serious interests of politicians, the bureaucrats has prepared and discussed the framework based on their fractional structure. Since 2002, government documents in a similar direction but in different interests have started to appear. For example, the White Paper on Trade, METI (2002), similar documents by MOF (2002), MOFA (2002), and Cabinet Office (2001) are included in this category. While wishing a political leadership on decision making, on the other hand, the bureaucrats have sought their own scenarios to lead the politicians intellectually (Ito, 2005). The comprehensive paper by MOFA (2002), followed and confirmed by the paper by Cabinet Office (2004) showed this pragmatism clearly to account for Japan's FTA strategy. According to Ito's analyses, the MOF papers seem to show a certain consensus shaping the bureaucratic pragmatism; first the counterpart should be feasible one, second, it should be a realist one within Japan's time scope and then it is Asia without substantial trade in sensitive items on the top list.

Interestingly, in recent years, Japan's trade liberalization has progressed gradually after several negotiations. However, it did not hold true for the case of Korea-Japan FTA. While first FTA with Singapore (JSEPA) virtually excluded agricultural sector, second FTA with Mexico started to include agriculture, and the coverage of products covered further expanded with ASEAN. In fact, this may support the-later-the-better policy, but FTA negotiations may still in probing stage for Japan (Ito, 2005). In the light of Japan, ASEAN was a better counterpart institutionally at that time in the view of the Japanese bureaucratic pragmatism. Now this pragmatism has been turning to the Trans-Pacific Partnership (TPP) under the United States of economic mechanism or the trilateral FTA with China in the near future. The most important thing for Japan is further integration with East Asia as a whole, but whether there will appear another bureaucratic pragmatism for China, is all very uncertain (Ito, 2005). Japan does want to risk losing their benefits or struggling domestic forces for achievement of the KJFTA, since it is clear that there are serious domestic and international deadlocks surrounding the KJFTA. For these reasons, Japanese political pragmatism as additional domestic environments for FTAs, makes the Korea-Japan FTA have more difficulties in reaching an agreement. More recently, the second Abe administration since 2013, however, strongly aims to raise national growth to get out of long economic stagnation. Accordingly, the FTA issues are re-examined and actively discussed within and out the government. As the case of KJFTA is one of them, one can expect what this changed government position would lead to the outcome of negotiations in the near future.

#### 6. Conclusion

Not only for the Korea-Japan FTA case, but other FTAs are also largely controlled by the combined situations of economic and political issues surrounding complex domestic and international environments.

However, as my research shows, the achievement of FTA is more controlled by domestic political reasons, rather than economic factors. Moreover, from the past experiences of Korea-China FTA case, the strongest push force toward the conclusion of FTA comes from political initiatives by national leaders with domestic and international political incentives.

The past Korea's FTA negotiations with Chile, Japan and the United States convinces us that the real obstacles of the KJFTA are not political, cultural, economic and historical barriers existing in East Asia, but the domestic constraints, stemming from the fierce political reaction of "the losers" in market opening (Ahn, 2006). To be specific, two sectors of agriculture and fishery has been the most difficult issues for negotiations on the FTA between Korea and Japan until now. Since Japan has no comparative advantage on agriculture rather than Korea's goods, thus Japanese farmers and related organizations keep opposing the Korea-Japan FTA for fear of losing their domestic interests. Still there is not an enough consensus on necessity of trade liberalization on agricultural sector, particularly on the KJFTA. Even farmers, consumers, and politicians have little incentives to approve free trade of agricultural sector with the FTA, thus it leads to block further negotiations of KJFTA. Unusually, the negotiations of Korea-Japan FTA have been experiencing more domestic difficulties in both economic and political deadlock due to a conflict of interests. Japan recently has been struggling from economic stagnation, low growth rates, enormous public debts and high trade deficits and all these make Japan have more tough domestic environments to discuss further KJFTA progress.

Japanese domestic FTA politics on policymaking process can be represented by the iron triangle interactions of the Liberal Democratic Party, bureaucrats, and interest groups. This close relationship also causes several problems in Japanese domestic FTA politics: 1) the relationship of the LDP politicians and voters can be seen as the principal-agent model. The LDP's particularism of Japanese domestic politics applies the fact that the LDP has to support their strongest supporters' interests in rural and semi-urban districts; 2) Japanese bureaucrats have weak decision-making power due to diffused coordination of the cabinet and vertical alliances of sub-governments; 3) Lastly, the influence of interest groups such as agricultural and small business federations, are quite large and aggressive enough control to political parties as well as the bureaucracy. The problem is that these interest groups still have serious concerns with the loss of trade liberalization of agricultural sector, thus it blocks to the agreement of KJFTA which would lead no comparative advantage in that sector. For these reasons, one can conclude that Japanese domestic politics has been the biggest obstacle to further progress on negotiations of Korea-Japan FTA.

With such backgrounds of Japanese political structure, one can assume that in the new crisis period of the LDP, no enough power to concentrate on FTA negotiations still having many conflicting issues in Japanese domestic area was formed, since Korea-Japan FTA has started to discuss in 2003. The iron triangle of Japanese politics are also taken together to create the corporatism issue of Japanese politics. Because of the lack of strong top-down authority and inter-sectoral coordination abilities by the top layer of government may cause to an obstacle for policymaking, particularly on the conflicting issue of KJFTA. For the economic concerns, the key to get success in negotiations on agricultural and fishery issues are to seek commodities that have comparative advantages within the sector each other and promote the intra-industry trade (Honma, 2005).

In addition to Japanese case, Korea's past FTAs also demonstrated that the main obstacle to conclude the agreement was to make "domestic consensus" with enough legitimacy. Therefore, the key of future agreement largely depends on how to solve these domestic political tasks in both Japan and Korea.

Although non-economic factors such as past history and diplomatic issues cannot be ignored, however, both countries also should not ignore the number of Koreans who had first-hand experience of Japanese occupation decreases and cultural exchanges with Japan expand, the public perception of Japan has been significantly changing (Ahn, 2005). Besides, it might too obvious to mention about the political benefits of Korea-Japan FTA. If the agreement of KJFTA is achieved, it would lead a much more solid relationship between Korea and Japan. The turbulence-like relationship due to different point of views on diplomatic or historical issues will not wholly control the cooperation between two countries. When the diplomatic or political issues aggravated its relationship, the economic ties will support the cooperative mood to some degree. Furthermore, the negotiation talks of Korea-China-Japan are quite well-going until recently, whichever will stimulate another one to conclude as soon as possible. Consequently, two FTAs would arrange another big economic community in East Asia region. One can cautiously expect that deepening economic cooperation in East Asia would finally reach the level of economic regional community centering on Korea, China, and Japan like as the European Community.

If the values and potentials are to be considered, the Korea-Japan FTA should not be only discussed from the point of "trade imbalance" problem. If Japan is really aware of the total significance of Korea, it should be strongly noted by politicians that they have to pay much attention to diplomatic sensitivity to achieve their strategic interests after overcome domestic political issues. Political leadership is very significant to complement bureaucratic negotiation. Accordingly, both governments should work to resolve these sociopolitical feuds to facilitate negotiations on an FTA. In this sense, Japan and Korea's political leaders should play a crucial role in the conclusion of the bilateral FTA (Ahn, 2005). The roles that the leaders of both countries play will be significant and each government will play an important role in persuading the people and ratifying the agreement after the negotiations in order to reach a Korea-Japan FTA.

It is too impatient to conclude that the future of Korea-Japan FTA is too bleak. The most important thing in my point of view is Korean and Japanese have to see the issue of KJFTA with the idea of separation of politics and economic issue, since this FTA exceptionally is regarded too diplomatic-side of topic and it has been controlled by diplomatic conflicts and domestic political struggles. Rather, it is necessary to use the FTA as a useful tool to improve the bilateral relations. Furthermore, it can be a good stimulus for current on-going issue of KCJFTA. Neo-liberal institutionalist theory suggests that as I mentioned in the earlier part of this paper, economic cooperation can develop further cooperation between countries. I would like to apply this argument into the case of KJFTA in order to expect better environments in near future drawing much higher-level of cooperation as the closest neighboring countries.



## REFERENCES

### Articles

- Ahn, Se Young. "“Domestic Politics of FTAs and Negotiation Strategy for Economic Integration in East Asia: The Korean Perspective.” *Asia-Pacific Economic Association Conference, University of Washington, Seattle*. 2006.
- Cheng, Peter P. "Japanese interest group politics: an institutional framework." *Asian Survey* (1990): 251-265.
- Cheong, Inkyo. "A Korea-Japan FTA: Economic effects and policy implications." *Global Economic Review* 29.3 (2000): 55-68.
- Choi, Byung-il, and Jennifer Sejin Oh. "Asymmetry in Japan and Korea's agricultural liberalization in FTA: domestic trade governance perspective." *The Pacific Review* 24.5 (2011): 505-527.
- Choi, Young Jong. "East Asian Regionalism and South Korea's FTA Strategy." *국제정치논총* 44.5 (2004): 85-108.
- Do-Hyung Kim. "The Economic Effect of Korea-Japan FTA and the Tasks." *Collective Symposium on Korea-Japan FTA* (2003).
- Katada, Saori N., and Mireya Solís. "Domestic sources of Japanese foreign policy activism: loss avoidance and demand coherence." *International Relations of the Asia-Pacific* 10.1 (2010): 129-157.
- Kang, David C. "Improving and Maturing, but Slowly." *Pacific Forum CSIS*. 2004.
- Nakajima, Tomoyoshi. "An analysis of the economic effects of Japan-Korea FTA: Sectoral aspects." *The Journal of Econometric Study of Northeast Asia* 4.1 (2002).
- McKibbin, Warwick J., Jong-Wha Lee, and Inkyo Cheong. "A dynamic analysis of the Korea–Japan free trade area: simulations with the G-cubed Asia–Pacific model." *International Economic Journal* 18.1 (2004): 3-32.
- Mulgan, Aurelia George. "Japan's FTA politics and the problem of agricultural trade liberalisation." *Australian Journal of International Affairs* 62.2 (2008): 164-178.
- Munakata, Naoko. "Evolution of Japan's policy toward economic integration." *Brookings Institution Center for Northeast Asian Policy Studies* (2015).
- Solis, Mireya. *Japan's competitive FTA strategy: Commercial opportunities versus political rivalry*. Waseda University Global COE Program, Global Institute for Asian Regional Integration, 2008.
- Urata, Shujiro. "Free trade agreements: A catalyst for Japan's economic revitalization." *Reviving Japan's economy* (2005): 377-410.
- Yamazawa, Ippei. "ASSESSING A JAPAN-KOREA FREE TRADE AGREEMENT." *The Developing Economies* 39.1 (2001): 3-48.
- Yoshida, Tadahiro. "East Asian Regionalism and Japan." *IDE APEC Study Center Working Paper Series* (2004).
- Yoshimatsu, Hidetaka. "The politics of Japan's free trade agreement." *Journal of Contemporary Asia* 36.4 (2006): 479-499.

## Classical Literatures

Calder, Kent E. *Crisis and compensation: public policy and political stability in Japan, 1949-1986*. Princeton University Press, 1988.

Keohane, Robert O., and Helen V. Milner, eds. *Internationalization and domestic politics*. Cambridge University Press, 1996.

Mansfield, Edward D., and Helen V. Milner. "The new wave of regionalism." *International organization* 53.03 (1999): 589-627.

Milner, Helen. "International theories of cooperation among nations: strengths and weaknesses." *World politics* 44.03 (1992): 466-496.

Milner, Helen V., and B. Peter Rosendorff. "Trade negotiations, information and domestic politics: The role of domestic groups." *Economics & Politics* 8.2 (1996): 145-189.

Okimoto, Daniel I. *Between MITI and the market: Japanese industrial policy for high technology*. Stanford University Press, 1989.

Ramseyer, J. Mark, and Frances McCall Rosenbluth. *Japan's political marketplace*. Harvard University Press, 2009.

Vogel, Steven Kent. *Japan remodeled: How government and industry are reforming Japanese capitalism*. Vol. 224. Ithaca, NY: Cornell University Press, 2006.

## Data & Reports

Korea Institute for International Economic Policy (KIEP): major countries' FTA trends and implications (2012.09.30)

KJFTA Joint Study Group Report

Korea International Trade Association (KITA): Statistical Data of Trade Investment and Personal Exchange (2013.11.8)

Hyungdo, Ahn, Changjae, Lee, and Hongshik, Lee. "ANALYSIS OF A CHINA-JAPAN-KOREA FREE TRADE AREA: A SECTORAL APPROACH." *New paradigms for transpacific collaboration: symposium sponsored by The University of Washington, The Korea Economic Institute, and The Korea Institute for International Economic Policy, October 16-18, 2005*. Korea Economic Institute of America, 2006.

Ito, Takatoshi, and Yukiko Fukagawa. "Political economy of Japan–Korea FTA from Japanese perspective: strategic approach, gains, and implications." *Korea–Japan FTA. Toward a Model Case for East Asian Economic Integration*. Seoul: Institute for International Economic Policy (2005).

Jung, Sung Chun, and Choong Yong Ahn. "Korea-Japan Economic Cooperation Amid a New East Asian Integration." *KIEP Research Paper NO. Policy References-12-04* (2012).

Kei Kono and Miwako Hara. "Japan-Korea Past, Present, and Future: From a Public Awareness Survey." *Broadcasting Culture Research Institute*. Japan Broadcasting Corporation (NHK) Dec, 2011.

[http:// www.nhk.or.jp/bunken/index-e.html](http://www.nhk.or.jp/bunken/index-e.html)

Masayoshi Honma. "Agricultural Issues on Japan-Korea FTA." *KIEP* (2005).

Yooncheul Song. "Liberalization of the Agriculture and Fishery Sectors." *KIEP* (2005).

### **Websites**

Korea International Trade Association, Trade Market Information-Japan:

[http://www.kita.net/WIKI006.R02.cmd?cmd\\_id=WIKI006.R02.cmd&country=asia&countryEngName=japan&nationCategory=invest](http://www.kita.net/WIKI006.R02.cmd?cmd_id=WIKI006.R02.cmd&country=asia&countryEngName=japan&nationCategory=invest)

Ministry of Trade, Industry and Energy, FTA website (Korea-Japan FTA):

[http://www.fta.go.kr/new2/ftakorea/psd.asp?country\\_idx=12](http://www.fta.go.kr/new2/ftakorea/psd.asp?country_idx=12)

Japan External Trade Organization, FTA Research Report of November, 2013:

<http://www.jetro.go.jp/jfile/report/07001524/07001524.pdf>

Ministry of Economy, Trade and Industry (Japan):

[http://www.meti.go.jp/policy/trade\\_policy/epa/country/korea.html](http://www.meti.go.jp/policy/trade_policy/epa/country/korea.html)

Zen-noh (National Federation of Agricultural Cooperative Associations) homepage:

<http://www.zennoh.or.jp/about/index.html>

Keidanren (Japan Federation of Economic Organizations), Policy Proposals for Trade, Investment and EPA/FTA

<http://www.keidanren.or.jp/en/policy/index10.html>

### **News**

Hiroko Tabuchi, *Japan's Farmers Oppose Pacific Free-Trade Talks*, November 11, 2010

[http://www.nytimes.com/2010/11/12/business/global/12yen.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2010/11/12/business/global/12yen.html?pagewanted=all&_r=0)

## APPENDIX

Figure 1.

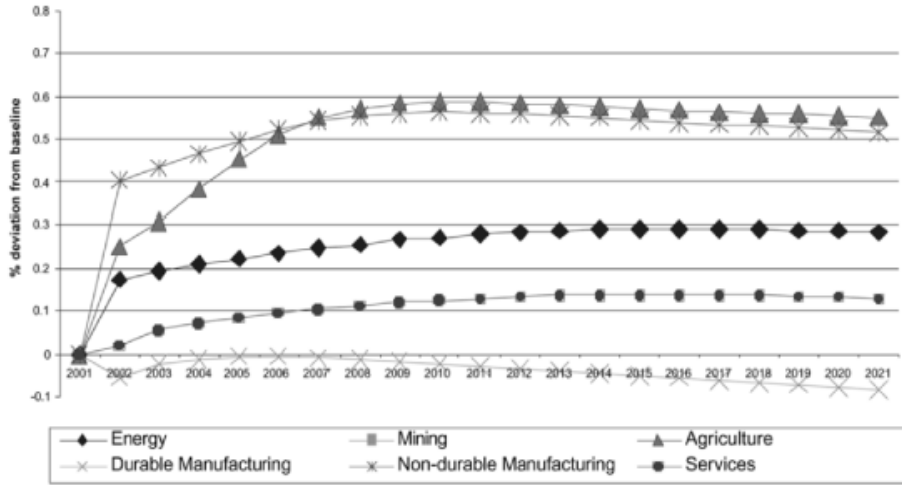


Figure 4. Sectoral effects in Korea of a Korea-Japan FTA

Figure 2.

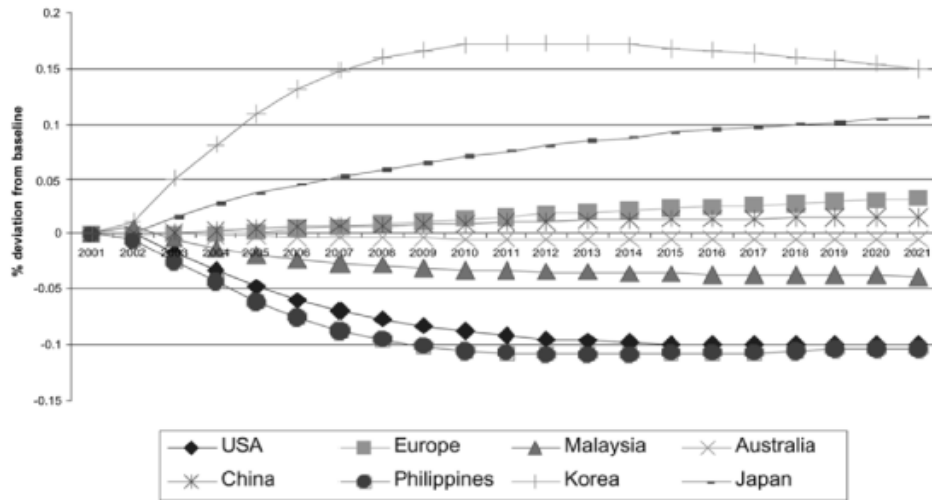


Figure 5. Global GDP effects of a Korea-Japan FTA

Figure 3.

Table 4-1: Macroeconomic Effects (Short-Run)

	Real GDP (%)	Equivalent variance (Million US dollars)	Terms of trade (%)	Trade balance (Million US dollars)
Japan	-0.01	963	0.26	-961
ROK	0.29	1811	0.31	-982
China	-0.01	-340	-0.12	22
ANIES	0.00	-176	-0.05	62
ASEAN	-0.01	-308	-0.09	40
NAFTA	0.00	-469	-0.04	696
EU	0.00	-230	-0.01	467
ROW	0.00	-677	-0.04	656

Table 4-2: Macroeconomic Effects (Long-Run)

	Real GDP (%)	Equivalent variance (Million US dollars)	Terms of trade (%)	Trade balance (Million US dollars)
Japan	0.02	2945	0.23	-277
ROK	1.09	3972	0.06	-301
China	-0.05	-735	-0.10	-23
ANIES	-0.06	-397	-0.04	58
ASEAN	-0.10	-687	-0.06	3
NAFTA	-0.02	-2213	-0.03	316
EU	-0.02	-1560	-0.01	62
ROW	-0.03	-1659	-0.02	162

Figure 4. &lt; Effects of a Korea-Japan FTA on Production by Industries &gt; (Unit: % changes)

	Static Effects	Dynamic Effects	Total
Agriculture	0.15	-0.21	-0.06
Food Processing	1.05	0.19	1.24
Forestry	0.02	0.15	0.17
Fisheries	0.24	-0.01	0.23
Mineral Resource	-0.30	-0.34	-0.64
Non-ferrous Metals	-0.93	0.67	-0.26
Beverages & Tobacco	-2.38	0.91	-1.47
Textiles	0.69	-3.26	-2.57
Apparel	8.75	-4.16	4.59
Leather Goods	9.56	-7.20	2.36
Wood & Pulp	-0.30	0.71	0.41
Paper & Printing	-0.49	0.13	-0.36
Chemical Industry	-0.79	2.68	1.89
Steel Industry	-1.80	6.91	5.11
Metal Goods	-1.14	4.99	3.85
Automobiles	0.68	6.63	7.31
Other Transport Equipment	-1.31	14.67	13.36
Electric & Electronic Industry	-0.65	6.90	6.25
Other Equipment	-1.65	8.23	6.58
Other Manufacturing	-1.86	-3.98	-5.84

Note: Estimates are changes of quantity.

Table 1.

Table 13. Share of Korea's Trade with Japan in Korea's Global Trade

(Unit: US\$ million)

Year	Export			Import			Trade Balance	
	Global	Export to Japan	Ratio %	Total	Import from Japan	Ratio %	Global	With Japan
2007	371,489	26,370	7.1	356,847	56,250	15.8	14,642	-29,880
2008	422,077	28,252	6.7	435,278	60,956	14.0	-13,267	-32,704
2009	363,534	21,771	5.9	323,085	49,428	15.3	40,449	-27,657
2010	466,384	28,176	6.0	425,212	64,296	15.1	41,172	-36,120
2011	537,455	38,618	7.2	508,113	66,294	13.0	29,342	-27,676

Source: KITA yearly Trade Statistics.

Table 2.

Table 5. Annual Percentage Change of Real GDP of Major Economies and Group

(Unit: %)

										Projections			
	1994-2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2017	
<b>Advanced Economies</b>	2.8	3.1	2.6	3	2.8	0.1	-3.5	3	1.6	1.3	1.5	2.6	
United States	3.3	3.5	3.1	2.7	1.9	-0.3	-3.1	2.4	1.8	2.2	2.1	3.3	
Euro Area	2.2	2.2	1.7	3.2	3	0.4	-4.4	2	1.4	-0.4	0.2	1.7	
Japan	0.9	2.4	1.3	1.7	2.2	-1.0	-5.5	4.5	-0.8	2.2	1.2	1.1	
Korea	5.7	4.6	4	5.2	5.1	2.3	0.3	6.3	3.6	2.7	3.6	4	
<b>Developing Asia</b>	7	8.5	9.5	10.3	11.4	7.9	7	9.5	7.8	6.7	7.2	7.7	
China	9.4	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.2	7.8	8.2	8.5	
India	6	7.6	9	9.5	10	6.9	5.9	10.1	6.8	4.9	6	6.9	

Source: IMF (2012), World Economic Outlook: Coping with High Debt and Sluggish Growth. (October)

Table 3.

Year	Export	Import	Trade Balance
2000	480.7	381.1	99.6
2001	405.1	351.0	54.1
2002	415.8	336.8	79.0
2003	469.8	381.5	88.3
2004	565.0	454.6	110.4
2005	598.2	518.6	79.6
2006	647.2	579.2	68.0
2007	712.7	621.0	91.7
2008	775.9	756.0	19.9
2009	580.7	552.2	28.5
2010	767.0	691.4	75.6
2011	820.8	853.1	-32.3

Source: JETRO Trade Statistics.

Table 4.

**Table 1: Revealed Comparative Advantage Index of Industries in China, Japan, and Korea, 2003**

Industries	China	Japan	Korea
Agriculture	0.68	0.07	0.19
Textiles	2.97	0.28	1.37
Electronics	1.45	1.58	2.04
General machinery	1.28	1.35	1.10
Steel	0.80	1.26	1.36
Automobiles	0.18	2.12	1.14
Petrochemicals	0.63	0.92	1.13

Source: UN (2003).

Note: The index is defined by

$$\frac{X_j^k / X_w^k}{X_j / X_w},$$

where  $X$  denotes exports,  $k$  denotes the commodity group classification of exports,  $j$  denotes the particular country in question, and  $w$  refers to the world.

Table 5.

Table 1: Japanes Tariff Rates on Imports from Various East Asian Regions

	Korea	China	Hong Kong	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Rice	80.35	80.35	80.35	80.35	80.35	80.35	80.35	80.35	80.35
Cereal grains	18.01	23.55	57.86	17.22	16.79	16.94	52.78	16.78	16.79
Vegetables and fruits	30.98	30.98	30.98	30.98	30.98	30.98	30.98	30.98	30.98
Other crops	19.34	27.49	18.31	18.19	18.10	20.08	18.11	18.36	19.26
Meat and animal products	15.13	8.71	21.45	9.24	5.90	19.01	7.00	7.89	4.88
Raw milk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Natural fibers	35.26	30.35	2.67	3.68	0.02	0.00	11.12	17.34	0.97
Meat products	36.80	36.80	36.80	36.80	36.80	36.80	36.80	36.80	36.80
Dairy products	74.16	74.16	74.16	74.16	74.16	74.16	74.16	74.16	74.16
Other food products	27.00	27.31	27.52	28.01	14.08	26.33	24.63	32.22	27.59
Forestry	4.53	2.84	1.99	0.60	0.07	4.32	2.35	4.05	1.10
Fishing	6.33	5.21	2.39	3.23	3.68	2.92	2.80	4.05	3.44
Minerals	2.85	-0.58	1.03	-0.51	-0.42	0.37	2.96	1.72	-2.03
Textiles and Apparel	9.40	10.39	11.48	7.68	5.61	10.55	10.23	8.69	10.43
Chemical products	2.49	2.62	2.83	2.43	1.95	2.58	1.92	1.16	3.06
Metals	2.07	1.09	0.34	0.34	1.23	0.25	0.34	0.86	0.29
Machinery	0.08	0.30	0.30	0.18	0.03	0.34	0.02	0.08	0.73
Other manufacturing products	6.95	6.94	3.18	6.54	5.16	3.80	2.45	2.61	5.89

Source: GTAP Database Version 5

Table 6.

&lt;Table 1&gt; Role of Agriculture in Japan and Korea, 1980-2002 (%)

	Country	1980	1990	2000	2002
Share of GDP	Japan	3.7	2.5	1.6	1.5
	Korea	12.6	7.3	3.7	3.2
Share of Employment	Japan	9.2	6.4	4.5	3.9
	Korea	32.4	17.1	10.2	9.0
Share of Rural Population in Total Population	Japan	18.3	14.0	8.3	7.8
	Korea	28.4	15.5	8.6	7.5
Share of Imports	Japan	12.5	12.4	9.7	12.4
	Korea	12.0	6.1	3.6	3.7
Share of Exports	Japan	0.7	0.4	0.3	0.5
	Korea	3.3	1.4	0.7	0.8
Average Tariff Rate Applied to Agricultural Products	Japan	-	-		41.3
	Korea	-	-		63.8

Source: www.maf.go.kr, JETRO White paper(2003)