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**Japan's Economic Diplomacy towards East Asia:
Fragmented Realism and Naïve Liberalism**

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ABSTRACT

With stronger trends towards regionalism in East Asia, Japan began to show clearer measures and ideas to promote regional economic integration and cooperation. Japan's economic diplomacy incorporates two distinctive orientations: strategic reaction and benign cooperation. The strategic reaction is characterized as "fragmented realism" in that Japan has not formulated the reaction under the cohesive grand design with concerted efforts by government agencies. The benign cooperation is characterized as "naïve liberalism" in that Japan has failed to develop regional institutions and utilize specific norms as linchpins to maintain influence in East Asia. This paper identifies these two orientations in Japan's trade policy, commitments to the East Asia summit, and functional cooperation in information technology and agricultural fields.

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Japan's Economic Diplomacy towards East Asia: Fragmented Realism and Naïve Liberalism

Introduction

After the late 1990s, notable developments began to evolve in regional cooperation in East Asia. The three major Northeast Asian countries and the members of the Association of Southeast Asian Nations (ASEAN) held the first ASEAN Plus Three (ASEAN+3) summit in December 1997. Cooperation under the ASEAN+3 framework covered a wide range, from major policy areas to functional issue areas. Ministerial meetings of finance, economic cooperation, and foreign affairs were institutionalized, and cooperative programmes have been expanding in agriculture, information technology, tourism, and the environments. While the ASEAN+3 evolved into a feasible regional grouping, regionalism in East Asia gradually became more complicated. ASEAN members have developed ASEAN+1 relations (ASEAN+China, ASEAN+Japan, and ASEAN+Korea), and searched for tighter economic links by forming a free trade agreement (FTA) and other arrangements. Equally importantly, another vehicle for regionalism—the East Asia summit (EAS)—was launched as an attempt to deepen political dialogues on various issues pertinent to East Asia.

In this growing trend towards stronger regional consolidation in East Asia, Japan is forced to show clearer ideas and measures to promote regional unity, and ultimately the formation of the East Asian community. Japan, as an economic great power, holds strong financial and technological capabilities to sustain various regional projects. Moreover, Tokyo is qualified to lead the building of regional institutions with its experiences as a member of the developed nation club.

This article seeks to examine Japan's economic diplomacy towards East Asia, aiming to articulate major characteristics in it. Three sets of argument are presented. First, Japan's economic diplomacy towards East Asia incorporates two distinctive orientations: strategic reaction and benign cooperation. Second, strategic reaction is characterized as "fragmented realism" in that Japan has not formulated the reaction under the cohesive grand design with concerted efforts by government agencies. Third, benign cooperation is characterized as "naïve liberalism" in that Japan has failed to develop regional institutions and utilize specific norms as linchpins to maintain influence in East Asia.

In the following section, theoretical perspectives underpinning Japan's regional economic diplomacy are explored. The third section articulates a strategic orientation in the economic diplomacy and examines problems and limitations in the orientation. The fourth section highlights benign nature in functional cooperation and identifies problems in such cooperation, followed by a section that analyses Japan's adherence to liberal norms.

International Relations Theories and Japan's Regional Diplomacy

How is Japan's regional diplomacy after the late 1990s explicable by major international relations (IR) theories? The realist perspective provides a useful framework for explaining it in terms of geopolitics and geo-economics. Japan's economic capability declined with the burst of the bubble economy during the 1990s. In contrast, China, Japan's rival in East Asia, has raised its capabilities as a political and economic power with robust economic might and growing commercial linkages with other East Asian countries. The most critical issue for Japan's regional diplomacy after the late 1990s is how to maintain its influence in East Asia in the face of China's ascent.

One realist-oriented concept that is likely to account for Japan's regional policy is bandwagoning. Japan's social structure and history after the Meiji era indicate its propensity for bandwagoning. Japanese society is characterized by hierarchical order in which vertical structure is formed in various kinds of groups and organizations (Nakane, 1970).¹ The analogy of the domestic model to international relations leads to Japan's favour for bilateral relations in hierarchical structure (Ikenberry and Inoguchi 2003: 10). This propensity explains Japan's three major alliances for bandwagoning from the Meiji era (Tsuchiyama, 2004: 307–10; Schweller, 1994: 97).²

Some recent studies have regarded Japan's growing bilateral trade and investment linkages as the key evidence of its bandwagoning with China (Kang, 2003: 69–70, 78–79). However, more nuanced consideration is necessary in evaluating implications of Japan's growing commercial links with China. It is necessary to distinguish the business logic of profit maximization and the political logic of power manipulation (Inoguchi,

¹ A typical example is vertical *keiretsu* relations that are formed between large manufacturing firms and small subcontracting firms. The large firms provide small firms with financial and technical support in order to preserve their competitiveness.

2005: 143–44). Private companies seek to expand business linkages to a state with a fastest growing market, and their state supports such activities in order to achieve self-interested motivations of increasing economic gains. However, such state behaviour does not necessarily mean political bandwagoning action. As Acharya (2003/04: 151–52) correctly points out, Japan’s pursuit for tighter economic ties with China is a result of the rationalist, absolute gain logic.

Another realist-oriented concept that is pertinent to Japan’s reactions to the China ascent is balancing. In order to meet challenges from China’s growing economic might, Japan needs to formulate mature policies designed to maintain its grip in East Asia as well as to maintain its industrial and technological capabilities. Equally importantly, Japan is likely to strengthen political and security linkages with the United States, the most critical state balancing China outside the region. In the regional context, Japan needs to strengthen political and economic linkages with Southeast Asian countries to forge counterbalance against China. Southeast Asia has been an important region for Japan given that the tight relationship with the Association of Southeast Asian Nations (ASEAN) was regarded as one of the outstanding achievements of the post-war Japanese diplomacy (Curtis, 1994: 222). Balancing through close alignment with ASEAN is an effective and feasible strategy to secure influence in East Asia.

Neoliberal perspective also provides meaningful insights to explain Japan’s regional diplomacy. Japan stands at an advantageous position in promoting institution-building in East Asia. As a member of the developed nation club, Japan has been deeply involved in talks and negotiations with other advanced countries through multilateral institutions such as the Group of Seven (G-7), Organisation for Economic Cooperation and Development (OECD), General Agreement on Tariffs and Trade (GATT)/ World Trade Organization (WTO), and International Monetary Fund (IMF). While Japan was not an active player in these institutions, it has gradually strengthened commitments to rule-making in several multilateral institutions.³ These experiences should have raised

² The three alliances are the Anglo-Japan Alliance in 1902, the Tripartite Pact with Germany and Italy in 1940, and the US-Japan Alliance during the postwar period.

³ Several examples are antidumping rule formation at WTO and constructive roles in drafting resolutions at disarmament conferences (Inoguchi 2005: 239–40).

Japan's perception of the effectiveness of multilateral institutions as well as its capabilities to coordinate interstate interests for common objectives there.

Importantly, the Japanese government has gradually intensified commitments to equity and social justice by paying consideration to poverty alleviation, social development, and economic disparity. This change was apparent in the Official Development Assistance (ODA) Charter. In the old ODA Charter published in 1992, the term "poverty reduction" was not used. The revised ODA Charter adopted in August 2003 raises poverty reduction as the "first" priority issue, stating that "poverty reduction is a key development goal shared by the international community, and is also essential for eliminating terrorism and other causes of instability in the world".⁴ The Japanese government had adopted a series of policies in line with this new orientation. A notable initiative was the establishment of the Japan Fund for Poverty Reduction (JFPR) within the ADB in May 2000 with the initial contribution of US\$90 million.⁵ The Japanese government also set up a similar fund, the Japan Social Development Fund (JSDF) in June 2000, which is administered by the World Bank.⁶

Japan's experiences in multilateral institutions mixed with its preferences for social development should have affected Japan's regional diplomacy. The Japanese government is supposed to take the lead in promoting functional cooperation in East Asia through the development of institutions whose objectives are to improve social and economic conditions and contribute to stable social order. Such leadership for providing regional public goods to reduce poverty alleviation and encourage social development is conducive to the maintenance of Japan's influence in East Asia.

In committing to the creation of regional institutions, norms might play a supplementary role. Hurrell (2006: 6–7) argues that "institutions may play an important role in the diffusion of norms and in the patterns of socialization and internalization".

⁴ "Revision of Japan's Official Development Assistance Charter". Available at < www.mofa.go.jp/policy/oda/reform/revision0307.html>.

⁵ JFPR aimed to support well-targeted activities for poverty reduction and social development and to stimulate the self-help capacity of the poor and broad stakeholder participation at the community level. As of May 2004, approved JFPR grants amounted to US\$123 million with a total of 39 projects. The JFPR has been used for various projects for improvement in social development and poverty eradication. For the details of the JFPR, see < www.adb.org/Documents/Brochures/JFPR/default.asp>.

⁶ The JSDF aimed to support innovative programmes which directly respond to the needs of the poorest and most vulnerable groups in society. As of March 2005, the Japanese government had provided

Reversely, it might be held that norms may play an important role in the evolution of institutions and in the patterns of socialization and internalization. Norms can become basic principles in creating and developing particular forms of institutions and focal points in the process towards forming institutional designs and mechanisms. Japan can take advantage of norms in promoting regional institution building. When Japan shows strong adherence to particular norms as focal points, these norms work as guiding principles for other regional states for regional cooperation. Moreover, particular norms will legitimate Japan's diplomatic postures when they have strong appeals to other states.

In brief, this article explores tangible measures, orientations and problems in Japan's economic diplomacy towards East Asia. In so doing, it highlights two kinds of policy orientation. The first is strategic reaction designed to counter China's regional influence through closer linkages with ASEAN. The second is benign cooperation designed to promote functional cooperation through institution building to provide public goods in developing social and economic conditions.

Fragmented Realism in Strategic Policy

Strategic orientation in trade policy

Japan has gradually intensified its involvement in the development of regional cooperation in East Asia. Policy fields that Japan has made substantial commitments expanded from trade, financial/monetary management, food security, to information technology (IT) and environmental protection. Such an involvement has contributed to the development of mechanisms to manage common issues in East Asia.

Some of Japan's regional policies had a "strategic" orientation, which sought to counter China's growing influence in East Asia. This orientation gradually became apparent in Japan's regional diplomacy, being typically shown in its approach to the East Asia summit (EAS). In holding the first EAS meeting in December 2005, the participation of Australia, New Zealand and India became a critical issue. China and Malaysia opposed expanding the participation of the summit beyond the ASEAN+3 members. Japan asserted the participation of the three countries, and its Ministry of

over US\$250 million to the JSDF and over 160 grants, amounting to more than US\$180 million, had been approved.

Foreign Affairs (MOFA) encouraged other governments to realize an “open summit” admitting new participants.⁷ Japan aimed to mitigate China’s growing leverage in East Asia under the ASEAN+3 framework as well as reduce the suspicion of the United States about the closed nature of East Asian groupings.⁸

The debates on participants influenced discussions over the division of labour for creating the East Asian community between ASEAN+3 and EAS. China and Malaysia considered that the ASEAN+3 would remain the main body for discussing the future East Asian community, making the EAS as a venue for dialogues on a broad range of issues among leaders from countries that are pertinent to East Asia. Japan supported an idea that the EAS should become a venue to discuss the East Asian community as well.⁹ Japan aimed to reduce the position of the ASEAN+3 in which China retained growing influence.¹⁰ At the second EAS meeting in January 2007, Japanese Prime Minister Shinzo Abe proposed the Cooperation Initiative for Clean Energy and Sustainable Growth. This initiative aimed to foster the EAS as a body to implement concrete measures for regional cooperation.

The strategic orientation has been exhibited more sharply in Japan’s trade policy in the new millennium. Japan originally took the lead in FTA formation in East Asia by agreeing on the bilateral FTA with Singapore, and indicated the value of FTAs to China. For instance, when Noboru Hatakeyama, Chairman of the Japan External Trade Organization (JETRO), had a meeting with Shi Guangsheng, Chinese Minister of Foreign Trade and Economic Cooperation, in August 2000, Hatakeyama referred to implications of FTAs to Chinese officials (Yamada, 2002: 19). Although their direct responses were not keen, the Chinese government proposed the formation of an FTA with ASEAN only three month later. Swift moves towards the agreement on the “Framework Agreement on Comprehensive Economic Cooperation between ASEAN

⁷ *Asahi Shimbun*, 31 March 2005.

⁸ When an informal ASEAN+3 Foreign Ministers meeting was held in May 2005, Japanese Foreign Minister Machimura strongly asserted the participation of the three countries, and even suggested the invitation of the United States to the summit as an observer (*Nihon Keizai Shimbun*, 7 May 2005; *Asahi Shimbun*, 7 May 2005).

⁹ *Asahi Shimbun*, 4 December 2005.

¹⁰ Eventually, a phrase that “the East Asia Summit could play a significant role in community building in this region” was added in the final declaration, and the ASEAN+3 was positioned as the “main vehicle” for the building of an East Asian community.

and China” in November 2002 were received by Japanese officials and politicians with great surprise.

After China and ASEAN signed the Framework Agreement, Japan chased China by advancing negotiations on the ASEAN-Japan Comprehensive Economic Partnership (AJCEP). When Prime Minister Koizumi made a formal visit to Southeast Asia in January 2002, he proposed an initiative for the AJCEP. The leaders of ASEAN and Japan signed the Framework for the AJCEP during the Bali Summit in October 2003. Japan and ASEAN commenced formal negotiations on the AJCEP in April 2005, and reached a general agreement on merchandise trade in August 2007 after nine rounds of negotiations.

Although Japan was forced to follow the route that China and ASEAN had already traced, it has sought to take the lead in the FTA formation in East Asia through three methods. The first was the formation of “comprehensive” FTAs with Southeast Asian countries. Japan aimed to formulate an economic partnership agreement (EPA), which covers investment rules, trade facilitation measures, competition policy, as well as cooperation in technology transfer and intellectual property, in addition to conventional tariff cuts. Japan’s EPA strategy aimed partly to differentiate its approach from the Chinese one. MOFA’s EPA document entitled *Japan’s EPA Negotiations: Current States and Problems* clearly indicated this orientation. Under the title of “Japan’s EPAs in the ASEAN region”, MOFA characterized Japan’s EPAs as: working on comprehensively not applying only to border measures such as tariffs and investment regulations; aiming to create the environments that are conducive to both Japan and ASEAN incorporating cooperative elements; and undertaking negotiations on each item for trade in goods in pursuit of a high-level agreement. This document contrasted these characteristics to China’s FTA approach to ASEAN (MOFA, 2007: 16).

The second was the establishment of bilateral networks with each ASEAN member. Even before beginning negotiations with ASEAN as a whole, Japan made strong commitments to a bilateral FTA with Southeast Asian countries, signing the first EPA with Singapore in January 2002. Tokyo accelerated negotiations with Southeast Asian countries after early 2004 by beginning formal negotiations with Malaysia, the Philippines and Thailand (Table 8.1). By August 2007, Japan signed an EPA with Singapore, Malaysia, the Philippines, Thailand, Indonesia, and Brunei. In January 2007, Japan started formal negotiations on an EPA with Vietnam and on an Investment

Agreement with Cambodia. Thus, Japan has committed to bilateral trade pacts with almost all Southeast Asian countries, aiming to formulate substantial EPA networks with ASEAN members, and “steal a march” on China (Desker, 2004: 13).

Table 8.1: Japan’s Commitments to FTAs

Partner	Negotiations	Signature	Effective
Singapore	1/01–10/01	1/02	11/02
Mexico	11/02–3/04	9/04	4/05
South Korea	12/03–	—	—
Malaysia	1/04–5/05	12/05	7/06
Philippines	2/04–11/04	9/06	—
Thailand	2/04–9/05	4/07	—
ASEAN	4/05–8/07	—	—
Indonesia	7/05–11/06	8/07	—
Chile	2/06–9/06	3/07	9/07
Brunei	6/06–12/06	6/07	—
GCC	9/06–	—	—
Vietnam	1/07–	—	—
India	1/07–	—	—
Australia	4/07–	—	—
Switzerland	5/07–	—	—

Note: The date is as of September 2007. GCC denotes Gulf Cooperation Council.

Source: METI (2007b: 32).

Importantly, Japan’s commitments to FTAs with Southeast Asian countries were sustained by political will. As China has increased economic might and influence in East Asia, senior Liberal Democratic Party (LDP) politicians became apprehensive about the relative decline of Japan’s regional leverage. The party’s key members who were involved in foreign relations had strong preferences for advancing FTAs with Southeast Asian countries as a way to maintain Japan’s national interest against China’s

growing presence.¹¹ These politicians took the lead in formulating the party's basic policy, "Promotion of EPA/ FTA Strategy", in February 2004, which showed the party's will to promote FTAs proactively. This basic policy was formulated despite strong objection from politicians who had long worked for opposing market liberalization in the farm market (Yoshimatsu, 2006: 494–95).

The third was the advocacy of the Comprehensive Economic Partnership Agreement in East Asia (CEPEA). This initiative, proposed formally in METI's report called *Global Economic Strategy* in April 2006, intended to create an EPA among ASEAN+6 including India, Australia and New Zealand. This report proposed starting negotiations on this EPA in 2008, as all FTA negotiations centred on ASEAN would likely be concluded in 2007 (METI, 2006). At the ASEAN+3 Economic Ministers meeting in August 2006, Japanese METI Minister proposed the start of an informal study of the CEPEA. At the second EAS meeting in January 2007, Japanese Prime Minister Shinzo Abe formally proposed the idea of seeking a 16-nation EPA, and the leaders endorsed an agreement to begin private-level works to explore the idea. The CEPEA aimed to reduce the relative importance of China-initiated ASEAN+3 FTA. A senior METI official explained the objective of the concept, stating that "China will take the lead in +3 negotiations. We should promote "+6 negotiations "ahead of the curve".¹² Japan's CEPEA proposal was an attempt to balance China's growing influence and show the leadership in East Asia.¹³

Fragmented realism in strategic reaction

Japan's manoeuvring in trade policy fits into the realist perspective to maintain the national interest in the evolving regional context. Japan sought to counter China's FTA initiatives—ASEAN-China FTA and ASEAN+3 FTA—by pursuing a "sandwich"

¹¹ Fukushima Nukaga, the first chairman of the party's Select Commission on FTAs, stated at a meeting with the executives of the Japan Business Federation that "it is necessary to conclude broad linkages with ASEAN countries in order to secure Japan's national interest in a balanced manner" (*Keidanren Kippu*, 23 April 2004). Yoshio Yatsu, who succeeded to the chairmanship, also stated at an interview that "if Japan lags behind China in the EPA formation, we will suffer serious economic damage. I would like to work positively in an EPA with ASEAN" (*Nihon Nogyo Shimbun*, 6 November 2004).

¹² *Asahi Shimbun*, 27 August 2006.

¹³ METI prepared for the pair proposal to the CEPEA: the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA). This proposal aimed to show Japan's leadership role in guiding regional economic affairs.

strategy: to forge virtual FTA networks in East Asia through a bilateral FTA with each ASEAN member and a broader ASEAN+6 FTA. However, Japan’s realist strategies are qualified by the term “fragmented”. They were often formulated and implemented by individual government agencies under weak grand designs.

The fragmented element was seen in all three strategies regarding trade policy. First, Japan’s advocacy of pursuing the high-level, comprehensive EPAs has been rhetoric rather than substance. Some scholars argue that the name EPA is an euphemism for a weak and partial FTA (Sally, 2006: 315). In fact, Japan’s offer of tariff concession in EPAs with Southeast Asian countries was lower than the reverse offer by its partners (Table 8.2). Japan got roughly 5 per cent higher offer from Singapore, Malaysia, the Philippines and Thailand. The offer of cooperative measures in the comprehensive EPA was compensation for filling in this gap. Moreover, the government itself was forced to depart from the “EPA” approach. In March 2006, the government adopted three new tactics to accelerate EPA negotiations. One of them was to diversify negotiation style by pursuing an FTA that targets trade in goods and services alone instead of an EPA that covers a wide range of issues (Yasui, 2006: 33–34). Japan was located in a dilemma between “inclusiveness” and “quickness”, and was forced to shift to the latter.

Table 8.2: The trade liberalization ratio in Japan’s FTAs

Partner	Japan’s offer	Data source	Partner’s offer	Data source
Malaysia	94 %	2004	99 %	2003
Philippines	92 %	2003	97 %	2003
Thailand	92 %	2004	97 %	2003
Indonesia	93 %	from May 2004- April 2005	90 %	from May 2004- April 2005
Brunei	99.99 %	2005	99.94 %	2005
Singapore	95 %	2005	100 %	2000

Source: Compiled by the author from data on JETRO website.

Second, there was an uneasy demarcation between bilateral and regional approaches to Southeast Asia. As already explained, the Japanese government put

emphasis on the bilateral approach towards Southeast Asia. However, this posture was not necessarily welcomed by the ASEAN side. For instance, Ong Keng Yong, the ASEAN Secretary-General, stated at an interview that:

Japan might be pressing a wrong button in EPA negotiations. ASEAN members are aware that collective, rather than individual, economic diplomacy raises bargaining power against a large state. This is the reason why they attach importance to an FTA between the ten ASEAN members and Japan.¹⁴

The Japanese government was gradually forced to give equal emphasis to the region-based approach after mid 2006. Japan took considerable time in finalizing the AJCEP negotiations after the conclusion of the Framework for the AJCEP in October 2003. In the meantime, South Korea caught up with Japan by signing the Framework Agreement on Comprehensive Economic Cooperation with ASEAN in December 2005, and did the Agreement on Trade in Goods eight months later. This move put Japanese firms into a disadvantageous position against their Korean rivals. The Korean firms could export final products that were manufactured in one ASEAN country assembling intermediate inputs from Korea to another ASEAN country without tariffs due to the FTA with ASEAN. In particular, Japanese electronics firms, which were in severe competition against their Korean rivals in Southeast Asia, intensified their lobbying of accelerating negotiations on the AJCEP.¹⁵ METI strengthened an argument that the early conclusion of AJCEP was a pressing issue given the necessity of supporting Japanese firms that established production networks in East Asia.

Third, the advocacy of the CEPEA was not based on due policy coordination within the government. ASEAN members reiterated the need to expeditiously conclude the AJCEP as the basis for the CEPEA when they agreed to Japan's proposal for the study of the CEPEA at the Japan-ASEAN Economic Ministers meeting in August 2006. The ASEAN side was sceptical about the feasibility of the CEPEA. For instance, a Malaysian official commented that "expectations for expansion to a 16-nation

¹⁴ *Nihon Keizai Shimbun*, 20 November 2006.

¹⁵ Interview, METI, March 2007, Tokyo. One newspaper reported that a driving force that led to the general agreement on the AJCEP in August 2007 was Japan's sense of crisis against South Korea that acted on the offensive in the electronics sector (*Asahi Shimbun*, 26 August 2007). On the same day when

framework are overly optimistic given the difficulty of an agreement between ASEAN and Japan (due to the agricultural issue)”, when Japanese Prime Minister Abe formally proposed this concept in January 2007.¹⁶

Given the bold nature of the CEPEA, sufficient policy coordination within the government was indispensable. However, METI, the initiator of the concept, did not undertake due prior consultation with MOFA, the Ministry of Agriculture, Forestry and Fisheries (MAFF), and Ministry of Finance. Accordingly, other ministries showed chilly postures towards it. Just after the announcement of the concept in April 2006, MAFF Minister Shoichi Nakagawa stated at the press conference that “we heard about the CEPEA from newspaper reports”, and commented that “it is reasonable to make prior consultation before proposing at the formal governmental venue”.¹⁷ Japan’s lukewarm postures in FTA policy stemmed from a desire to protect the domestic agricultural market, and MAFF was the guardian of the farm sector. MAFF, which had adopted passive postures towards FTAs with Thailand, Mexico or even Singapore, was apprehensive about the unfavourable influence of an EPA with Australia and New Zealand on the agricultural sector.

Although MOFA and METI adopted a concerted stance over the necessity of market opening and structural reform in internationally weak sectors like agriculture, the two ministries did not harmonize their approaches to CEPEA. This fact is illustrated in the aforementioned MOFA’s EPA document (MOFA, 2007). This document explained Japan’s EPA strategies comprehensively in terms of the basic principles and policies, EPA negotiations with East Asian countries, and even FTA approaches adopted by other major countries. However, it did not mention the CEPEA. MOFA was sceptical about the CEPEA concept from the viewpoint of the relationship with the United States, which was excluded from the concept, and coordination with the ongoing bilateral FTA negotiations.

Given the growing perception of FTA’s importance in Japan’s external economic diplomacy, each government agency has shown strong commitments to FTA policy.

the agreement was reached, the Japan Electronics and Information Technology Industries Association issued a formal comment, welcoming the agreement and expressing appreciation for the government.

¹⁶ *Nikkei Weekly*, 22 January 2007.

While MOFA, METI, and MAFF set up basic guidelines for FTA policy, they strengthened internal organizations dealing with FTA issues.¹⁸ However, how to coordinate the policies and interests of these ministries under a grand, national strategy and to set up cohesive and persistent trade policies have remained critical problems. In this respect, there were two notable developments. The first was the establishment of the Council of Ministers on the Promotion of Economic Partnership. The ministers from 15 government agencies held the first meeting in March 2004, and discussed the overall FTA policy at the second meeting in September and the third in December. At the third meeting, the council formulated “*the Basic Policy towards Further Promotion of Economic Partnership Agreements (EPAs)*”.¹⁹ Afterwards, the task of the council was succeeded by an *ad hoc* consultation among six FTA-related ministers.²⁰ This consultation did not perform discernable activities, although Japan’s commitments to FTAs were accelerated. The consultation meeting was organized only twice between January 2005 and October 2006. Largely given these situations, the LDP and Japan Business Federation (JBF) proposed, in their FTA-related recommendations, the establishment of a new government body to deal with external economic strategy.²¹ However, the ministries were passive about the creation of an administrative body that had independent authorities to give command and guidance on their policy management.

¹⁷ “Press Conference by Shoichi Nakagawa, Minister of Agriculture, Forestry and Fisheries, 7 April 2006”. Available at < www.kanbou.maff.go.jp/kouhou/060407daijin.htm>.

¹⁸ In November 2003, MAFF established its FTA Headquarters for formulating strategies for FTA negotiations. Under the headquarters, five country-specific teams were organized. In August 2004, MOFA reorganized its FTA/EPA Office into the Regional Economic Partnership Division, increasing the number of staff from 30 to 40. METI also established its Economic Partnership Division with some 80 staff.

¹⁹ The policy identified the values of EPAs in the development of Japan’s foreign relations, the attainment of its economic interests and the promotion of structural reforms, and positioned EPAs as a mechanism to complement the multilateral free trade system centring on the WTO. The policy was accompanied by criteria on identifying countries and regions to negotiate with on the EPAs.

²⁰ The consultation comprises ministers from MOFA, METI, MAFF, MOF, Ministry of Health, Labour, and Welfare as well as Chief Cabinet Secretary.

²¹ In a policy proposal entitled *Pushing forwards Economic Partnership Negotiations* issued in February 2006, the LDP referred to the drastic strength of command and adjust functions of the government by revising the form of the Council of Ministers on the Promotion of Economic Partnership. The JBF recommended the creation of the Strategic External Economic Policy Headquarters in its policy paper, *Towards Broader and Deeper Economic Partnership Agreements*, issued in October 2006.

The second is the role of the Council on Economic and Fiscal Policy (CEFP).²² The CEFP has gradually paid attention to the FTA policy. In May 2006, the council formulated the “Strategy in the Globalising Economy”, in which the council members stressed the importance of EPAs in East Asia for the Japanese people and Japanese firms that have constructed production networks in the region.²³ A distinctive in this policy was the attachment of the country-based EPA Timetable, showing the prospect that trade with countries having concluded EPAs with Japan count for 25 per cent or more of Japan’s total trade volume by 2010. The expansion of partners for EPA negotiations after 2006 was stimulated by this commitment. The council also set up an EPA/Agriculture working group in January 2007 in order to deliberate on agricultural reform in reference to more involvement in EPA and WTO. The CEFP’s commitments to FTA could be recognized as the leadership of the Prime Minister and the cabinet, but it is uncertain to what extent this council could coordinate the policies and interests of major ministries.

Naïve Liberalism in Benign Functional Cooperation

Benign cooperation policy in the IT and agricultural fields

The Japanese government recognized the values of the functional approach in promoting interstate cooperation in East Asia. This recognition was apparently shown in the *Issue Papers* that the government formulated in June 2004 in order to consider the implications of East Asian cooperation and to create a political momentum for the East Asian community.²⁴ One of three pillars in this paper was “functional cooperation”, and it was argued that functional cooperation facilitates closer interdependence among countries and makes the people realize the enormous potential of regional cooperation. The functional approach has been utilized in actual external economic policies. For instance, in the ASEAN-Japan Plan of Action issued at the Japan-ASEAN summit in

²² The CEFP was established in January 2001 within the Cabinet Office as a consultative body to facilitate the Prime Minister’s leadership in economic and fiscal policy formation. The Council comprises the Chief Cabinet Secretary, the Minister of State for Economic and Fiscal Policy, other relevant ministers (Ministers for Internal Affairs and Communications, Finance, and Economy, Trade and Industry), the head of relevant institution (Governor of the Bank of Japan), and four private-sector experts.

²³ Council on Economic and Fiscal Policy, “Strategy in Globalising Economy”. Available at < www.keizai-shimon.go.jp/english/publication/pdf/060530global.pdf>.

December 2003, the Japanese government identified a wide range of areas for functional cooperation: thirteen in economic, financial and monetary cooperation, fourteen in the foundation for economic development and prosperity, and seven in human resource development, exchanges and social and culture cooperation.²⁵

Japan's functional cooperation incorporated a "benign" orientation: to develop institutions to improve economic and social conditions of developing Asian countries. An example of this orientation was seen in the agricultural sector. In this sector, East Asian countries have gradually developed institutions designed to improve food security in the region. The formal initiative for this objective was launched at the first meeting of the ASEAN Ministers on Agriculture and Forestry (AMAF) +3 in October 2001. At that meeting, the ministers agreed to begin studying specific cooperation to alleviate poverty and strengthen food security in East Asia, and to commission Thailand to coordinate a study of the East Asian rice reserve system.²⁶ Two months later, a study team on the rice reserve system began to conduct the review on rice reserve in the ASEAN+3 countries. The results of the study were discussed at the Technical Meeting on Rice Reserve (TMRR), a gathering of director-generals of relevant government agencies, which were held three times between April and October 2002. The action plan for the establishment of the East Asia Emergency Rice Reserve (EAERR) was formulated through discussions at the TMRR. The EAERR aimed to establish rice reserve through both earmarked and physical stocks.²⁷ The action plan recommended that a three-year pilot project be implemented prior to the establishment of the EAERR. The proposal to conduct the pilot project was approved at the third AMAF+3 meeting in October 2003, and the pilot project began in April 2004.

The Japanese government has sustained efforts to establish the feasible food security system from its initial stage. Although a formal agreement to consider the rice reserve system was reached at the AMAF+3 meeting in October 2001, prior

²⁴ For the *Issue Papers*, see < www.mofa.go.jp/mofaj/area/asia/e_asia/index.html>.

²⁵ "The Japan-ASEAN Plan of Action". Available at < www.mofa.go.jp/region/asia-paci/asean/year2003/summit/action.pdf>.

²⁶ "The Joint Press Statement of the First Meeting of the ASEAN Agriculture and Forestry Ministers and the Ministers of the People's Republic of China, Japan and Republic of Korea (AMAF Plus Three), 5 October 2001, Medan, North Sumatra, Indonesia". Available at www.aseansec.org/547.htm.

consultation was conducted under Japan's initiative. In April 2001, cooperation on rice reserve was discussed at a senior officials' meeting of the AMAF+3, and the Thai government reported the state and problems of rice reserve in East Asia. Three months later, the ASEAN Workshop on Food Security Cooperation was held in Thailand. The participants recommended that a feasibility study should be made on setting up a new rice reserve system in East Asia to improve and reinforce the ASEAN Emergency Rice Reserve framework. This workshop was held with Japan's financial contributions. The Japanese government had the recognition through internal discussions that cooperation to strengthen the ASEAN Emergency Rice Reserve framework would be the first step towards the comprehensive stockholding scheme in East Asia (Oba, 2004: 33).

After the AMAF Plus Three meeting decided on a study of the East Asia rice reserve system, the Japanese government extended cooperation with Thailand through the Japan International Cooperation Agency (JICA). JICA commenced a survey on project research in January 2002, and conducted the Development Study on East Asia/ASEAN Rice Reserve System through May to November 2002. The discussions at the TMRR had been undertaken in accordance with the progress of the study (Pacific Consultant International, 2002: 1–4). JICA also provided Thailand with personnel and technical assistance in organizing the TMRR. The mechanisms for the EAERR reflected recommendations in the final report of the survey. Japan's intensive support continued after the pilot project began in April 2004. Japanese MAFF provided assistance for the pilot project and the holding of the meeting of the EAERR Project Steering Committee, the main decision-making body after the start of the pilot project. Moreover, Japan conducted the pilot experiment by providing 1,000 tons reserved rice for the Philippines in 2006.

Another example of Japan's benign cooperation was found in the information technology (IT) sector. A pillar for Japan's IT policy for Asia was the Asia Broadband Program (ABP). In the "e-Japan Priority Policy Program 2002" issued in June 2002, the IT Strategic Headquarters showed a prospect that the ABP should be formulated within 2002 as one of the concrete measures towards the realization of an internationally-balanced IT society in Asia. The following month, the Ministry of Internal Affairs and

²⁷ The member countries pledged a earmarked emergency rice reserve and voluntarily pledge their contribution for stockpiled emergency rice.

Communications (MIC) began deliberation on the programme and formally launched the ABP in March 2003. The ABP aimed to bridge the digital divide among respective Asian countries and between urban and rural areas, and enable all people in Asia to benefit from information and communication technology (ICT) and encourage further socio-economic and cultural development of Asia by encouraging deployment and widespread use of broadband platforms.

The Japanese government has implemented various projects under the banner of ABP. The first was the preparation of network infrastructure as a base for broadband platforms. Several Asian countries have advanced a large infrastructural project by securing Japan's ODA funds under the ABP. For instance, Vietnam gained 19.4 billion yen loans in 2003 for the North-South Submarine Fibre Optic Cable Link project. In the same year, Japan provided Laos with a grant aid of 220 million yen for the project for Implementation of International Telephone Switching System. The second was to assist development in human resource in the IT sector. Between 2003 and 2005, some 1,400 trainees participated in various training seminars and workshops organized by JICA, MIC and other organizations. The third set of measures aimed to advance applications, content and common platforms. Japan and Singapore implemented joint experiments regarding large-scale multicast technology and dynamic band allocation and management technology. Moreover, Japan and China undertook practical application test programmes for international communications system and for joint international remote content development system.

Naïve liberalism in benign cooperation

Japan's cooperative programmes in the agricultural and IT fields aimed to provide public goods for the entire East Asia, which would lead to the formation of institutions in functional areas. Such institutions were expected to raise economic and social conditions in developing Asian countries. In this sense, Japan's cooperative programmes incorporated major elements in the liberal IR theories such as functionalism and institutionalism. However, they might be characterized as "naïve" liberalism. Despite clear objectives of boosting economic and social conditions and initiating the development of new institutions, actual progress for attaining the objectives was slow and outcomes were meagre in both IT and agricultural cases.

As the ABP's objective indicates, the Japanese government had a strong willingness to make the programme Japan's comprehensive cooperative plan for Asia. Although the programme was prepared and formulated by the MIC, it was announced under the name of six ministries. Moreover, the programme's deliberation process indicated its strong East Asian orientation. In preparation for the ABP, the MIC organized the Strategic Council on Asia Broadband in July 2002, whose objective was to deliberate on basic guidelines and specific contents for the programme as well as linkages with other countries in implementing the programme. The council comprised 18 members from the industrial and academic circles. Importantly, seven out of 18 members were foreign representatives from China, Korea, Singapore, Thailand and Malaysia.²⁸ It was extremely exceptional that so many foreign representatives joined a Japanese advisory council as members.

Almost one year after the formulation of the ABP, the Japanese government delivered it to East Asian countries. At an ASEAN+3 Telecommunications and IT Senior Officials meeting in September 2003, MIC introduced an idea of the ABP to officials, and got their agreement to work in conjunction with ASEAN countries to promote the ABP. At the same time, an agreement was reached to hold an ASEAN+3 Telecommunications and IT Ministers Meeting (TELMIN+3) the following year.²⁹ The first TELMIN+3 was held in Bangkok in August 2004. At the meeting, the Japanese delegates formally presented the ABP, and discussions were made on measures for promoting the preparation of broadband platforms and capacity building. Then, the ministers reached a common recognition that cooperation between ASEAN and the three Northeast Asian countries should be further strengthened. In the second TELMIN+3 in September 2005, the Japanese government outlined cooperation based on the ABP and indicated three priority areas for future collaboration: maintenance of ICT infrastructure, introduction of application using ICT, and development of human resources.³⁰ Thus, the ABP was the key agenda for the TELMIN+3 in 2004 and 2005.

²⁸ "The publication of Chair's summary of the Strategic Council on the Asia Broadband and Report of the Study Group for the Asia Broadband Program", 16 December 2002. Available at < www.soumu.go.jp/s-news/2002/021216_5.html>.

²⁹ ASEAN began the Telecommunications and IT Ministers Meeting (TELMIN) in 2001. The TELMIN+3 would be held back-to-back to TELMIN.

³⁰ "Database on the Cooperation Progressing in the ASEAN Plus Three and ASEAN Plus One Cooperation Framework: As of 17 October 2006", 38.

When the sixth TELMIN was organized in September 2006, the third TELMIN+3 did not take place. Instead, a TELMIN+1 session was organized with Japan, China, and South Korea, respectively. This fact implied that the Japanese government failed to develop an institution covering ASEAN and three Northeast Asian countries on the basis of the ABP. By this time, the ABP was marginalized as a cooperative scheme between Japan and ASEAN. The Joint Media Statement of the sixth TELMIN stated that “the Ministers looked forward to the implementation of the cooperation work plans with China (Plan of Action to Implement the Beijing Declaration on ASEAN-China ICT Cooperative Partnership for Common Development), Korea (ICT Cooperation for Co-Prosperty in East Asia 2007–2011), and Japan (Asia Broadband Programme: ICT Cooperation with ASEAN)”.³¹ Thus, the ABP did not develop as a grand scheme to be implemented for the entire Asia drawing cooperation from China and South Korea, being positioned as one programme for ASEAN in parallel to those provided by China and South Korea.

Japan’s agricultural cooperation produced more substantive outcomes in terms of institution-building. Japan’s financial cooperation led to the formation of the EAEER, and its secretariat was set up in Bangkok in 2004. While Japan provided some 40 million yen for secretariat’s administrative costs, Thailand offered the administrative office. The EAERR has conducted activities to support the people who experienced food shortage due to national disaster or man-made calamity. For instance, during 2006, the EAERR provided rice aid for the people affected by flood, volcano eruptions, typhoon, or oil spillage in Indonesia and the Philippines. The EAERR has also committed to poverty alleviation in the member countries. In December 2004, EAERR began the Cooperation Project on Poverty Alleviation and Malnourishment Eradication in Laos. This project aimed to improve rice production areas by the refurbishment of irrigation canals as well as household food security by the provision of nutritious food and clean water.

Despite its various activities, the EAEER remained a primitive body as an institution. The average number of staff since its establishment was six including a coordinator from JICA. The two managers handling trade issues and IT issues were

³¹ “Joint Media Statement: Sixth ASEAN Telecommunications & IT Ministers Meeting”, 18-19 September 2006, Brunei Darussalam. Available at < www.aseansec.org/18853.htm>.

often vacant.³² Despite the rather long history of the programme, discussions on the EAERR's institutional nature remained unstable. At the AMAF+3 meeting in September 2005, the ministers "agreed to emphasize the importance of converting the EAERR into a permanent scheme on a voluntary basis".³³ However, the ministers decided to extend the pilot project one year and postponed the decision on the future form of the EAERR at the following year's AMAF+3 meeting. The Japanese government, which had a strong desire to make the EAERR a permanent institution for the full-fledged rice reserve system, encouraged other countries to convert the EAERR into a permanent scheme. However, Japan failed to coordinate interests among the members who would become a recipient or provider of rice or a rice exporter. Thailand—a rice exporter—and China made reservations to discuss the EAERR's institutional nature.³⁴

China and South Korea have not made substantial commitments to agricultural cooperation. Most of the EAERR programmes have been conducted mainly with Japan's financial funds and Thai's material contributions, and China and South Korea were not deeply involved in the development of the EAERR. This was typically shown in their involvements in the EAERR Project Steering Committee. The fourth committee meeting in March 2005 was important because the Guidelines for Release of EAERR stock and the implementation plan for the second year of the pilot project were approved at the meeting. At the meeting, the member countries were also expected to report commitments to the earmarked stock for EAERR.³⁵ The delegates from China and South Korea did not attend this important meeting, and the proposed commitment to the earmarked stock was Japan's 250,000 tons and ASEAN's 87,000 tons.

Japan's naïve liberalism in the IT and agricultural fields derived largely from the gap between policy objectives and measures to achieve them. Indeed, MIC and MAFF had a policy objective of developing a regional institution in East Asia and contributed

³² Interview, Ministry of Agriculture, Forestry and Fisheries, March 2007, Tokyo.

³³ "Joint Press Statement of the Fifth Meeting of the ASEAN Agriculture and Forestry Ministers and the Ministers of the People's Republic of China, Japan and Republic of Korea (5th AMAF Plus Three)", Tagaytay City, Philippines, 30 September 2005, Available at < www.aseansec.org/17806.htm>.

³⁴ Interview, Ministry of Agriculture, Forestry and Fisheries, March 2007, Tokyo.

³⁵ EAERR Homepage, Current Issues on EAERR, "4th Project Steering Committee EAERR Meeting has successfully conducted". Available at < www.eaerr.org/current_popup.php?point=37&year=2005&month=04> (accessed on 21 March 2007).

financial resources to attain the objective. However, the Japanese government did not prepare for flexible mechanisms to implement concrete measures. The Strategic Council on the Asia Broadband issued the chair's summary in December 2002, which outlined the ABP's basic recognitions and recommendations. One of the recommendations stipulated that "when considering the significance that networks link Asian countries/economies, Japan should actively offer ODA to multiple countries/economies, currently being treated as a few exceptions".³⁶ Despite this recommendation, most of programmes under the ABP were bilateral-based. The huge amount of ODA funds was used, through bilateral contracts, to develop ICT infrastructure in a recipient country. After the announcement of the ABP, MIC concluded a memorandum of understanding or adopted a joint statement with eight Asian countries. These commitments whose major objective was to diffuse the ABP in each Asian country were bilateral-based and do not bring regional countries to be assembled into a new programme. The programmes for multiple countries were almost nothing. Japan's commitments to the EAERR were also made through the bilateral base: the offer of funds to Thailand. Indeed, the Japanese government adopted a new ODA approach called "the regional cooperation project", which covers multiple countries in a specific region in a single scheme (Watanabe, 2004). However, this new approach has remained an exception and most of the ODA projects were still undertaken on the bilateral base.

An additional factor that led to naïve liberalism was weak incorporation of norms in promoting concrete programmes. The Japanese government has put emphasis on "human security" as a vital perspective to be considered in implementing external assistance. For instance, the new ODA Charter adopted in 2003 raised "perspective of human security" as one of the five basic policies. Moreover, a JICA report on assistance to Southeast Asia stated that "the perspective of human security will be further secured by assisting ASEAN integration and working on trans-boundary issues" (JICA, 2006: 63). However, MIC and MAFF did not put particular norms including human security in promoting the ABP and support for the EAERR. In the plan for ABP, "the significance of ICT in terms of social development and economic growth" was mentioned, but did not refer to specific norms. With respect to the EAERR, "food security" is the key

³⁶ MPHPT Communications News, Vol. 13, No. 18. Available at <
www.soumu.go.jp/joho_tsusin/eng/Releases/NewsLetter/Vol13/Vol13_18/Vol13_18.pdf>.

concept, but additional norms were not considered despite the fact that this scheme implements programmes for poverty alleviation in rural areas. The lack of reference to specific norms to be pursued through cooperation might weaken the legitimacy of the programmes and result in a failure to get positive commitments from other countries.

Lastly, the Japanese government did not set up close networks for communications with China and South Korea, which would become the base for smooth implementation of the ABP and EAERR. The ABP's initiators recognized the importance of collaboration with China and South Korea in advancing the programme. The members of the Strategic Council on the Asia Broadband recommended that "upon implementation of the 'Asia Broadband Program', international promotion schemes should be prepared, including utilization of the existing schemes, such as the Japan-China-Korea ICT Ministerial Meetings, ASEAN+3, Asia Pacific Telecommunity (APT), Asian-Pacific Economic Cooperation (APEC), and the Asian Information Communications Council (AIC)".³⁷ Japan, China and South Korea had institutionalized trilateral IT ministers' meeting in 2002 and the three countries agreed to establish the ASEAN+3 linkages in the ICT field at the first meeting. The ABP should have become one of the major schemes for this objective. However, the ABP was not raised as an agenda at the following trilateral IT ministers' meetings. It was in the fourth IT Ministers' meeting in March 2006 that the ministers agreed to set up a programme for human resource development for ASEAN countries.

In the agricultural field, Japan, China, and South Korea began Track II cooperation by launching the Forum for Agricultural Policy Research in Northeast Asia in October 2003.³⁸ The forum has contributed to the exchange of information about agriculture-related issues and problems in each country by organizing an international symposium annually. However, the major items for discussions at the forum have been policy coordination among the three countries, not cooperation under the broader East Asian framework. Moreover, this Track II collaboration has not developed into regular talks at the Track I level. The agricultural agencies of the three governments have had

³⁷ MPHPT Communications News, Vol. 13, No. 18. Available at < www.soumu.go.jp/joho_tsusin/eng/Releases/NewsLetter/Vol13/Vol13_18/Vol13_18.pdf>.

³⁸ The forum was established by the Policy Research Institute under the Ministry of Agriculture, Forestry and Fisheries of Japan, the Korea Rural Economic Institute, and the Chinese Academy of Agricultural Sciences. For details of the forum, see its homepage, < www.fanea.org/>.

difficulties in developing close communications and frank talks largely because of sensitivity in agricultural trade issues.³⁹

Naïve Liberalism in the Advocacy of Liberal Norms

For a long time, the Japanese government did not pay attention to incorporating particular norms in implementing regional diplomacy. However, this stance gradually changed in the new millennium. This change was shown in MOFA's official documents. The aforementioned *Issue Papers* admitted difficulty in creating a shared identity based on common values and principles, stating that "even on universally recognized principles, like democracy and human rights, our position sometimes differ". However, MOFA raised universal values such as democracy and human rights as guiding principles for promoting the East Asian community. MOFA showed, in the 2005 Diplomatic Bluebook, three pillars for promoting the East Asian community: to accumulate functional cooperation rather than to construct the institutional frameworks; to secure openness, inclusiveness and transparency as "open regionalism"; and to promote regional cooperation along the lines of universal rules and values such as democracy, human rights, market economy, and WTO rules (MOFA, 2005: 67).

The stress on universal values derived from two factors. First, it reflected Japan's close policy links with the United States. While the US-Japan alliance has been the major pillar in Japan's diplomacy, the Japanese government tried to show its ties with Washington by common norms. When Prime Minister Koizumi visited Washington in June 2006, Koizumi and Bush issued a joint statement, *The Japan-U.S. Alliance of the New Century*. The first item in the declaration was "the U.S.-Japan Alliance Based on Universal Values and Common Interests", in which it was stressed that both states stand for the advancement of core universal values such as freedom, human dignity and human rights, democracy, market economy, and rule of law.⁴⁰ Japan's support for

³⁹ China and South Korea had a trade war in 2000 on Korea's adoption of safeguard measures against imports of garlic from China. The following year, Japan had a similar trade dispute with China over imports of three agricultural products. A critical impediment to progressing FTA negotiations between Japan and South Korea was Japan's reluctance to open the fishery market.

⁴⁰ "Japan-U.S. Summit Meeting: The Japan-U.S. Alliance of the New Century". Available at < www.mofa.go.jp/region/n-america/us/summit0606.html>.

universal values was crucial for the Bush administration that was under strong criticism of the Iraq War.

Second, state leaders gave importance to universal norms. During the Abe administration that lasted for one year from September 2006, both Prime Minister Shinzo Abe and Foreign Minister Taro Aso stressed the value of universal norms in Japan's diplomacy. Abe published a book that spelled out his ideas about Japanese public policy two months before he assumed the Prime Ministership. Abe used the phrase "freedom, democracy, basic human rights, and rule of law" four times in a short chapter "Japan, Asia and China" in this book (Abe, 2006: 146–61). Aso located universal values in Japan's overall diplomatic policy. When Aso made a speech in November 2006, he presented a concept of "value-oriented diplomacy", which "involves placing emphasis on the 'universal values' such as democracy, freedom, human rights, the rule of law, and the market economy" in advancing Japan's diplomatic endeavours. Aso also stressed the necessity of building an "arc of freedom and prosperity" around the outer rim of the Eurasian continent through diplomacy that emphasizes these universal values.⁴¹

Japan's adherence to democracy, human rights and rule of law influenced regional affairs in East Asia. The ideas of universal values were incorporated in the Kuala Lumpur Declaration at the first EAS meeting in December 2005. The declaration contained a phrase that "the East Asia Summit will be an open, inclusive, transparent and outward-looking forum in which we strive to strengthen global norms and universally recognized values".⁴² The inclusion of global norms and universally recognized values reflected Japan's assertion.⁴³ The universal values were also adopted as guidelines for Japan's concrete policy towards East Asia. For instance, when Japan announced the Japan-Mekong Region Partnership Programme at the Japan-Cambodia, Laos, and Vietnam Foreign Ministers' meeting in January 2007, "the sharing of

⁴¹ Speech by Mr. Taro Aso, Minister for Foreign Affairs, on the Occasion of the Japan Institute of International Affairs Seminar, "Arc of Freedom and Prosperity: Japan's Expanding Diplomatic Horizons". Available at < www.mofa.go.jp/announce/fm/aso/speech0611.html >.

⁴² "Kuala Lumpur Declaration on the East Asia Summit" Kuala Lumpur, 14 December 2005. available at < www.aseansec.org/18098.htm >.

⁴³ *Asahi Shimbun*, 11 December 2005.

common values and engagement in common policies in the region” became one of the three guiding principles.

The guarantee of democracy and human rights is surely important and desirable for community building in East Asia. Even Southeast Asian countries—some of which adopted undemocratic political system—have given more importance to the values of democracy and the protection of human rights. For instance, the Report of the Eminent Persons Group on the ASEAN Charter, adopted in December 2006, recommended that the Charter should include “the strengthening of democratic values, ensuring good governance, upholding the rule of law, respect for human rights and international humanitarian law, and achieving sustainable development”.⁴⁴

However, strong emphasis on democracy, human rights and rule of law might have unfavourable influences on regionalism in East Asia at least in the short term. In East Asia, democracy of any sort has long been the exception rather than the norm, and civil society has been underdeveloped (Beeson, 2007: 140). In particular, it is unrealistic to expect that China and Myanmar will show notable progress in guaranteeing democracy and human rights in a short time span. The outright stress on these values raises concern about possible cracks between states with the democratic political system and those under the authoritarian regime, and undermines regional cohesion and commitments to regional cooperation. This concern appeared in a formal statement at a summit. Chinese Premier stated at the second EAS meeting in January 2007 that “China will respect, as always, the diverse nature of cultures, religions and values in East Asia and promote both dialogue on an equal footing among civilizations and cultures and exchanges among them”.⁴⁵ The stress on the diverse nature of regional cultures and values was apparently China’s answer to Japan’s advocacy of universal values.

In most East Asian countries, sizable middle classes that have a lot in common in their lifestyle and professional lives have emerged (Shiraishi, 2006). This phenomenon contributed to the development of civil society in the long term. Quite a few countries

⁴⁴ “The Report of the Eminent Persons Group on the ASEAN Charter”. Available at < www.aseansec.org/19247.pdf>.

⁴⁵ “Be Open and Inclusive and Achieve Mutual Benefit and Common Progress”, Premier Wen Jiabao, The First East Asia Summit, Kuala Lumpur, Malaysia, 14 December 2005. Available at < www.fmprc.gov.cn/eng/topics/zgcydyhz/ninthasean/t230642.htm>.

including China have gradually intensified commitments of civil society for governance formation (Curley, 2006; Shindo, 2007: 129–32). The form of and elements in democracy are complicated and ways to realize the democratic society are diverse, and East Asian countries pursue the realization of democracy in an incremental manner. The stubborn advocacy of democracy, human rights and rule of law might put cold water over countries' efforts to raise the democratic elements in their society by their own ways.

Conclusion

This article described concrete programmes in advancing Japan's regional economic diplomacy, identified orientations in them, and explained problems and limitations in the orientations. It identified two distinctive orientations in the diplomacy. The first was a strategic orientation designed to counter China's growing influence in East Asia. This policy was apparent in trade policy. Japan was behind in promoting an FTA with ASEAN, but sought to create virtual FTA networks in advance by concluding a bilateral FTA with each ASEAN member. Japan also tried to advance the CEPEA as a way to undermine the influence of China-initiated ASEAN+3 FTA. Thus, Japan aimed to create the FTA structure of balancing against China by pushing forwards the sandwich (bilateral and ASEAN+6) strategy.

Japan's strategic reaction can be characterized as fragmented realism. Indeed, Japan has surely implemented strategic policies to balance China's influence in the trade field. However, these policies have not been formulated and implemented with concerted efforts by government agencies under the explicit grand design. This was shown in the diverse policy stance adopted by individual ministries. MAFF, which was keen to protect the domestic agricultural market, showed passive attitudes towards FTAs with agriculture-exporting countries. METI was aggressive in promoting FTAs that would facilitate business operations of Japanese manufacturing firms under its jurisdiction. METI also advocated the CEPEA covering ASEAN+6 member states. Although MOFA supported the position to promote FTAs, it showed chilly attitudes towards METI-initiated CEPEA. These diverse ministerial stances implied weak coordination under the leadership of the Prime Minister and the lack of a grand design for the overall trade policy.

The second was a benign orientation designed to develop institutions for providing public goods. This orientation was apparent in Japan's commitments in functional cooperation in East Asia. MAFF has taken the lead in establishing the rice reserve system for emergency in East Asia. MIC also sought to advance the Asian broadband programme, which intended to bridge the digital divide and encourage socio-economic development in Asia.

Japan's benign orientation can be characterized as naïve liberalism. Japan's policies in the IT and agricultural fields were accompanied by the spending of considerable financial funds that would lead to the elevation of social conditions in recipient countries. However, the Japanese government was less successful in developing a practical institution in the IT and agricultural fields. It extended financial support by taking advantage of the ASEAN+3 framework. However, a failure to get positive commitments from China and South Korea, combined with inflexible use of development assistance funds hindered Japan from constructing a workable institution for providing regional public goods.

Importantly, the Japanese government began to use liberal norms as a means to strengthen its position in regional affairs. In discussions towards the first EAS meeting, it strongly advocated the inclusion of universal values: democracy, human rights, and market economy. However, some of East Asian countries adopt political systems that are not compatible with these norms, making it difficult to guarantee democracy and human rights in a short time span. Japan's stubborn adherence to the universal norms might risk creating cracks among countries with different political systems in East Asia.

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