

If Korea, Why Not Japan? Japan's Institutional Impediments to FTAs

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The Oriental Economist Report

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Brookings Institution**

Dec. 2, 2011

Korea vs. Japan

- Korea has made FTAs with big customer countries (US, EU) that are also big farm exporters
- So far, Japan unable to do so
- Moreover, breadth of farm liberalization is lower in Japanese FTAs than in Korea's (50-60% for typical Japanese FTA/EPA vs. 99% for KORUS and Korea-EU FTA)

A Tale of Two Farm Lobbies

- Korean farmers more dependent on farming for income than in Japan
- Korea's tariffs are higher
- Korea farm lobby should be more resistant than Japanese lobby
- But Korea able to make grand bargain: farmers get more subsidies but can't block FTAs (try as they may)
- Japan gives lots of subsidies, but doesn't get same bargain

Institutions Are Dividing Line

- In Japan, each Ministry has veto power; it negotiates and doesn't serve PM
- Japan practice is custom, not law
- Noda not changing this (despite NPU)
- In Korea, one Ministry (Ministry of Foreign Affairs and Trade) in charge (a Kim Dae Jung reform), and it serves the President
- Japanese urbanites have less power in Diet; will Supreme Court decision change this?

Economics Behind the Politics: Exporters Practice Exit Not Voice

- In all countries, exporters/MNCs, not consumers, lead anti-protection
- Why are Japanese exporters less aggressive in pushing FTAs?
- Easier to exit Japan than change Japan
- For some, Japan is “home sanctuary” (e.g. exclusive car dealerships)
- No longer true in parts of electronics