

BOOK REVIEWS

Japan and East Asian Integration: Trade and Domestic Politics

Jemma Kim

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With multiple economic forums vying for institutional space, East Asian integration keeps attracting the scholarly minds. This book is one of the latest efforts of such kind with a focus on the domestic politics of Japan.

Over the past two decades, the lack of formal regional institutions in East Asia has been replaced by the abundance of such forums including bilateral free trade agreements (FTAs) as well as mega-FTAs as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). As the author of this book argues, however, institutional contours of East Asian regionalism remain in flux. A tangle of regional institutions raises the question of how these arrangements can be nested and harmonized within a broad-based economic architecture. Analyzing Japanese experience will help us answer the question.

At the core of keeping the momentum of international trade within and beyond East Asia lies a close and cooperative Sino–US relationship, particularly during a time when the role of the United States as a

market of last resort continues to wane. While the America's approach to economic integration of East Asia is zig-zagging, China is gaining its neighbors' consent for building an exclusively Asian trade bloc. In sharp contrast to US President Donald Trump's unilateral move toward protectionism, Chinese President Xi Jinping highlights the importance of maintaining an open and free trade order, but in an implicit move to deter American domination within East Asia. Indeed making a breakthrough in stalemated trade negotiations both inside and outside the region will depend on how to end the impasse between the United States and China.

Beneath the surface of East Asian regional integration, the real, albeit shy, driver behind the wheel has been Japan. Japan was one of the few early adopters of intra- and cross-regional trade deals in East Asia. The conclusion of the first Asian-only trade deal with Singapore in 2001 and the cross-Pacific agreement with Mexico in 2003 represented a striking break with its past approach to trade liberalization centered at the broad-based global trade regime (See Chapters 2 and 3). Japanese sudden move sparked the proliferation of bilateral FTAs across the region. Japan's proposal of the Association of Southeast Asian Nations (ASEAN) + 6 framework as an expanded East Asian regional concept has also evolved into the launch of East Asia Summit (EAS) in December 2005. Most notably, Japan successfully lobbied for the rescue mission for the TPP or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as the first cross-regional mega-FTA.

Yet, Japan's track records have been mixed as its appetite for regional integration has widely fluctuated to the point where it became ambivalent.

Against this backdrop, this book takes both the second image and second-image reversed perspectives to account for the rise and fall (and re-surge) of Japan's regional initiatives. As the author points out, the heart of the problem is a profound uncertainty about Japan's conservative political economy or dualist economy consisting of heavily protected import substitute industries and globally competitive firms. As economic troubles aggravated, winners and losers emerged within oncesustainable Japanese society. The domestic political economy has become much more complicated than before since the tsunami disaster of

March 2011. It is no wonder that the political cost of liberalizing inefficient domestic sectors has become prohibitively high.

Within this fluid domestic political economy, the author aptly notes that the Japanese government has pursued regional integration with ambivalent identities and diffuse interests. For Japan, greater access to foreign export markets has been a principal economic motivation. Japan's FTA policy is also intended for catalyzing overdue structural reforms. Yet it is equally evident that the protectionist legacy continues to stay intact.

Given the scale of Japan's economic troubles, any further endorsement of regional institutions for comprehensive trade liberalization would unlikely come from the Japanese veto groups. As with their counterparts elsewhere in the world, Japanese politicians and bureaucrats have sought to minimize the negative impact of trade reforms on politically powerful domestic groups, while hoping that gains from trade would outweigh these political costs. As a result, Japan has preferred semi-legally binding agreements that are limited in issue scope with its trading partners, leaving many politically sensitive items outside those agreements. For Japan, the TPP negotiation was the exception rather than the norm. It is not clear whether such an agreement would be made possible again without the strong political leadership of Prime Minister Shinzo Abe. This book needs to be updated in this regard.

Besides strong opposition from the agricultural lobby, particularly the Central Union of Agricultural Cooperatives (*JA-Zenchu*), Japan's multi-layered FTA policymaking structure has prevented the government from negotiating comprehensive FTAs until recently. Government bureaucracy lacked coordination due to diverse institutional and organizational interests. The so-called four-ministry system consisting of the Ministry of Foreign Affairs (MOFA), the Ministry of Economy, Trade and Industry (METI), the Ministry of Finance (MOF), and the Ministry of Agriculture, Forestry and Fisheries (MAFF) required time-consuming consultations and coordination processes as they represent different client groups. With each ministry holding veto power, no single agency could dominate the decision-making process, although the empowerment of the Cabinet Office under the Abe administration eased the problem to some extent. Among others, the MAFF or the 'agricultural sub-government' remains a gigantic barrier to

comprehensive FTAs, as shown during the last stage of TPP negotiations. The author indicates that the government's best hope is to maintain domestic harmony by supporting globally competitive sectors while excluding inefficient industries as much as possible from future negotiations.

In the meantime, the chapter for South Korean case is useful and informative. Its inclusion would have been much more timely and relevant if other major countries—particularly China—had also been attended.

In sum, this book offers a rich account for the evolution of Japanese trade policy centered at FTAs. It is a nice introduction to those who are not familiar with this topic. At the same time, this book provides in-depth case studies useful for those who have encountered this issue before.

Min Gyo Koo

Seoul National University
Email: mgkoo@snu.ac.kr

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Renegotiating the World Order: Institutional Change in International Relations

Phillip Y. Lipsky
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International prestige is impermanent and underlying state power, transitory. Within this somewhat volatile order, international institutions reside. The central question of this book is why some institutions succeed in preserving the status quo, while others confer commensurate