

EU-JAPAN ECONOMIC RELATIONS TODAY

When it comes to economic relations-trade and investment-Japan and the EU are strangers. Despite being two of the largest and most important economies in the world, there is surprisingly little contact between Japan and the EU. In part, the EU tries to keep Japan out of Europe and shows very little interest in Japan. In part, Japan's priorities-both trade and political-are elsewhere (for example, Asia and America).

Japan's opinion of its economic relations with the EU is that the EU is open for EU countries only, so the EU should become more open. The EU has a similar opinion of Japan. The EU's opinion of its economic relations with Japan is that Japan is closed, so Japan should become more open. So in one sense we see that in trade relations, Japan and the EU are talking past one another.

The reason why there is trade friction between Japan and the EU has happened is because of the EU has a large trade deficit with Japan. Between 1993 and 1998, Japan's imports and exports with the EU increased. Nevertheless, Japan's trade is mainly with America and Asia. And the EU's trade is mainly with Europe and America. So, ties between Japan and Europe have been considered relatively weak compared to those between Japan and the US or between the US

and Europe.

One reason why Japan and the EU have weak relationship with each other is that each has relatively little investment in the other's economy. Of all Japanese direct investment in foreign countries, only 15% is in the EU. Almost all of Japan's investment in Europe is in Britain (70%) and Holland (15%). And compared to the US, the EU has very little investment in Japan.

Therefore, despite of being two of the world's largest economies, there is relatively little trade between Japan and the EU. So EU-Japan economic relations today are relatively weak.