

# Research on The Role of Trust and Optimization Strategies in America-Japan Negotiation

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**Abstract.** In the dynamic and diverse global economy, understanding the nuances of cross-cultural negotiations is crucial, particularly in trade relations between major economic powers such as the US and Japan. Cultural missteps and inappropriate approaches can significantly impact negotiation strategies and trust-building efforts. This research paper highlights cultural barriers and the importance of adapting strategies in the evolving US-Japan trade relationship, framed by the comprehensive US-Japan trade agreement. Key issues identified include limited market access for US agricultural products and asymmetrical digital trade standards. The report proposes solutions such as revisiting tariffs, enhancing bilateral agricultural cooperation, harmonizing data protection regulations, and engaging the private sector. Additionally, it recommends broader policy considerations, such as exploring comprehensive FTA agreements and fostering people-to-people exchanges. These strategies aim to stimulate economic growth, strengthen diplomatic ties, and promote long-term global peace and stability. However, the study notes its reliance on secondary data and suggests future research incorporate primary data for more detailed insights. Overall, this research offers valuable guidelines for optimizing US-Japan trade strategies.

**Keywords:** Cross-Cultural Negotiations; US-Japan Trade; Tariff Reductions; Digital Trade Standards; Bilateral Cooperation.

## 1. Introduction

### 1.1. Research Background

In a fast-changing global economy, the negotiations between different countries' companies have become a prominent factor that matters in the corporate world. An essential element that underlines the whole negotiation is inconclusiveness when it comes to the perception of trust and the tactics a party uses to advance its interests. Therefore, it is important to understand and bridge these cultural gaps. The United States and Japan represent huge economic powerhouses, with Japan ranked number three in terms of economies and emphasis on technology, automotive, and investment industries. As of 2021, the US is one of its primary trading partners, Japan, but this is only one of many examples of the bilateral relations between the US and Japan, which mutually thrive in the stimulation of their economies.

The necessity to analyze negotiation strategy and relationship-building in this regard is highlighted because of the idiosyncrasies involved in cross-cultural negotiations, where, for instance, misunderstanding can be caused by differences in communication, style of decision-making, and business etiquette. As there are huge volumes of trade and foreign investment between the two powerful countries, a blueprint for negotiation works greatly in the interests of commercial purposes, but it also fortifies the diplomatic and cultural relations, therefore leading to the constant economic growth of the world and the lastingly sustained global stability.

### 1.2. Literature Review

The latest investigations have brought to the fore different ways and challenges in business negotiations within the international field, particularly between culturally contrasting organizations



like the USA and Japan. Khakhar & Rammalshed light on how bicultural people can patch cracks in disputes by using their dual cultural knowledge to bolster adaptability and brilliance during international business negotiations [1]. From a strategic perspective, Kęstutis Peleckis designed a game theoretical model that is used for bargaining power assessment to make negotiating strategies upon occurrences of uncertainty and cultural dynamics diversity. In addition to this, cognizant of the work and personal life adjustments that are undertaken by Japanese expatriates in the US, one understands the management of the transition needs to make for effective negotiations and business practices, highlighting the ongoing process of learning about other cultures and integrating effectively in a different environment [2,3].

Conversely, the part of reliance and its diversity between the American and Japanese companies' inward foundations are introduced with the example of how various conceptions and practices of trust and transparency in business interactions among them could not influence the outcomes of negotiation [4]. These studies serve as evidence of the intricate negotiations across cultures, which set the stage for the need for enhanced cultural intelligence, strategic thinking, and bicultural competencies in the international business environment.

### **1.3. Research Gap**

Despite the broad research and insights concerning cross-cultural negotiations and the underlying differences of negotiating from one culture to another, little attention has been paid to the intended integration of optimization strategies, which will, from the two unique business environments' perspectives. A major approach of researchers is to look at the fundamental cultural differences between parties and their impacts on the negotiation results; however, without taking the strategic adaptation of the respective cultural values as the key approach. On the contrary, a limited amount of research concentrates on special trust-building tools that have been culturally experienced by the parties and which may be purposely injected into negotiations for the sake of their process and outcomes. This research aims to perform this mission by crafting strategies that adapt cultural specificity to build trust and strategies that exist in business negotiations directly at the international level.

### **1.4. Research Framework**

Firstly, the research gap will be taken into consideration, and the research structure will be offered in this study. It will take a twofold scenario. The sociological side of the coin will be analyzed using case studies of US and Japanese companies using fairy-tale interviews and surveys. Another effort will be to identify trust as a critical element of negotiation and understand its role in shaping negotiation strategies and results by associating theories with some case studies. Next, this report is intended to develop a maximum-extent model after considering the formulations, which can help build a strong basis of trust for negotiation practices that are, in such a genuine sense, complex while conducting activities between US and Japanese companies, and thus, optimal outcomes can be achieved.

## **2. Case Description**

The US-Japan trade relationship is a complex web of commercial interactions between the world's two largest economies, and it has evolved. Despite the lack of a comprehensive Free Trade Agreement (FTA) between the .S.The US government and its Japanese counterpart maintain robust economic ties through limited agreements such as the US-Japan Trade Agreement (USJTA) and the US-Japan Digital Trade Agreement [5]. This ambitious agreement, slated to take effect in 2020, aimed to reduce tariffs, expand quotas, and establish digital trade rules. However, the completion and implementation of this agreement imply progress toward a larger trade framework that has not yet been established.

The US and Japan, haunted by the limitations of the 2018 agreement, are working on the enhancement of their trade partnership, yet without them. A staple of the US-Japan Trade Agreement (USJTA) is

commitments on industrial goods and selected agricultural products, mainly which are to be observed by US exporters to improve market access and demolish barriers hindering mostly Japan's highly protected agricultural sector [6]. For example, the United States is negotiating an agreement to abolish or diminish tariffs on 241 industrial product lines, while Japan has committed to pulling down or partially reducing 600 agricultural tariffs. Such actions are framed to create balance in trade and eliminate the gap between the global producers and Japan, which has signed the integral FTAs with the European Union and the CPTPP agreement that covers all their member countries.

Analogous to these advancements, the digital trade agreement sets new high-standard rules preventing digital commerce discrimination, banning data localization steps, and safeguarding data flow across borders. The adoption of these strategies in some regional deals, such as the United States-Mexico-Canada Agreement (USMCA), strengthens the general push toward making economies digital. Although these pacts have laid the groundwork on many trade fronts, there is still a need to find a satisfactory resolution for many outstanding trade issues, necessitating further dialogue into new initiatives like the Indo-Pacific Economic Framework for Prosperity (IPEF) [7]. This framework, backed by the Biden administration, markets the regional economy without making direct tariff reductions. It focuses on clean energy, supply chains, transportation, and fair business practices. The IPEF is a strategic turn in favor of American economic policy in Asia, replacing the TPP, which was the initiative meant to challenge the rise of China in the region.

### **3. Analysis of the Problem**

The US-Japan commercial entanglement forms the cornerstone in the context of the global economy and security environment, which further contests their trade dynamics induced by broader strategic implications. The examination of the main trade factors contributing to the defense partnership and key pressing problems of trade activity is among the issues that require resolution to achieve more prosperous economic relations.

#### **3.1. Influence Factors Identified of the US-Japan Trade Agreements**

##### **3.1.1. Influence of Non-Tariff Barriers and Trade Deficits**

The NTBs and trade deficits represent a very important factor in the US-Japan trade, one of the leading global economies in the field of economic cooperation. Analogous to past experiences, the US confronted significant difficulties in accessing Japan's markets as a result of different NTBs, such as strict requirements to be met and technical standards that were related to foreign companies and burdened them far worse [8]. These barriers always quantify a pro-domestic course that is almost unnoticeable and intended to keep foreign trade out of the border. The US underpinnings in the field of automotive, where Japan does not impose any tariffs on US cars, make up the trade imbalance mostly of non-tariff barriers [9]. This indicates a very complex set of discriminatory regulations that basically favor domestic producers. The United States is still a heavy loser in the trade balance, particularly in the latter part of the 20th century, resulting in the strain of relations, with the trade deficit of goods going to \$63 billion in favor of Japan as of 2023 [10]. This economic challenge suggests the need for more appropriate trade rules and cutting down the non-tariff barriers with reference to the goal of establishing well-balanced trade relationships between the US and Japan.

##### **3.1.2. Influence of Regional Comprehensive Economic Partnerships**

The active engagement of Japan in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) determines the relationship with US-Japan trade dynamics [11]. These accords involve diverse groups of Asian economies but do not feature the US; hence, their members are granted special access to markets and reduced tariffs, which puts American exporters at a disadvantage [12]. The original purpose of the TPP, which was a US-sponsored initiative, was to be a multilateral agreement led by the US. However, after the US withdrew in 2017, the agreement continued without the US and turned into a regional deal. Thus, they have been able to deepen and further establish themselves in Japan and other Asian

countries, while American businesses may struggle due to growing commitments and the constant appearance of several other companies.

Furthermore, Japan's participation in the RCEP strengthens its economic relationships with Asian states like China, which, of course, causes trouble for the strategic interests of the US within the region. These will not only foster trade interaction between Japan and Asian countries but also have one possible side effect: economies of these countries in the region will be tied together, and it might create new trading blocs that share the same rules and standards, which may not comply with US trade policies [13]. The combined gains from these bonds exemplify a compelling story of the paramount role of regional economic tie-ups regarding global trade decisions and the US economic, strategic agenda in Asia.

## **3.2. Problem Identification Analysis**

### **3.2.1. Problem of Inadequate Market Access for Agricultural Products**

Though the US-Japan Trade Agreement (USJTA) emphasized market opening, especially for the agricultural sector in Japan, which was very restrictive for American product lines, there is still a great number of hindrances that already exist, and others are emerging that affect American product groups. Yet despite that, it is still notable that sectors, in particular dairy and rice, keep asking for ample provisions on new market access so that they can join the market more freely in Japan [14]. Although the limited extent of tariff reductions in farming and the minimal expansion of quotas in some sectors of the USJTA hold the evaluation of these sectors, there were high expectations in this realm. As a result, incomplete access to these markets severely limits the ability of US agricultural exporters to expand in these huge markets and affects US agricultural suppliers who rely on those markets as highly profitable ones.

This issue underscores a fundamental problem in the trade agreement: the principle is its reluctance to open the Japanese market to eliminate the barriers that remain, which put domestic production of agricultural products among the most protected sectors in the world. The persistence of major hindrances further implies that what it takes for the pact's goals to be achieved is a set of more stringent and comprehensive policies to avoid their recurrence [15]. A schism in those same sectors generates deficits that ultimately dissuade the growth of this economic activity and, in turn, undermines the efficiency of the USJTA, thereby reviving doubts about the ability of the treaty to create a truly fair and balanced trade relationship between the United States and Japan.

### **3.2.2. Problem of Asymmetric Digital Trade Standards**

The US-Japan Digital Trade Agreement is acknowledged far and wide for being a trailblazer in online trade and building an unfair trade environment that hampers the flow of data across borders and is against data localization [16]. However, the deeper aspect underlying this is the difference in digital trade standards and activities between the two member nations. As digital commerce widens the sphere of influence in making decisions about trade, inconsistent regulatory procedures may become the source of many disputes. America is becoming more and more in favor of entry into force safe and new measures of data privacy and cybersecurity due to the changing cyber threats environment and consumer privacy concerns. Countries often take advantage of this, which can go beyond the Japanese set of rules when they have stricter and more comprehensive standards.

This regulatory difference between the countries could be a potential obstacle that comes in the way of smooth digital trade between the US and Japan. While the agreement will assist businesses in concluding digital transactions, the US and Japan's different approaches to the issue of data protection and security may result in complications in complying and enforcing compliance [17]. As a result, compliance may constructively create operational problems for businesses engaged in trans-Pacific digital trade. These discrepancies may even require the signatory parties to hold additional negotiations or make some amendments to the agreement to address those new challenges and ensure that digital trade thrives without any interference from a lack of harmonization in regulations.

## **4. Suggestions**

### **4.1. Formulation of Strategies for Addressing Inadequate Market Access for Agricultural Products**

The US agricultural products' inadequacy to gain market access in Japan, even after the implementation of the US-Japan Trade Agreement (USJTA), is an obstacle that needs to be targeted with specific strategies to overcome the existing barriers with Japan and reduce trade imbalances. The following solutions are proposed:

#### **4.1.1. Negotiation for Enhanced Tariff Reductions and Quotas**

The US should conduct another round of negotiations with Japan in order to secure a better reduction of tariffs and the expansion of key Agri-products. Some of them are dairy, rice, beef, and pork. Pioneering the benefits attained from the improvement of the agricultural trade to cater to both countries could be the possible focus of the attention to the credence of Japan [18].

#### **4.1.2. Strengthening Bilateral Agricultural Cooperation:**

Create a bilateral agricultural commission devoted to the formulation of trade agreements, the progress of sustainable agricultural technologies, and the reduction of food insecurity. This can, in turn, produce a coordinated effort to allow US products to enter Japan's market with reduced hassle [19].

#### **4.1.3. Leveraging Multilateral Trade Forums**

The WTO provides a forum where nations can open discussions on unfair trade activities and possibly get to a resolution regarding non-tariff barriers (NTBs). The US wants to present those issues in formal multilateral organizations so that it gets support from other countries, thereby putting more pressure on Japan to comply with the rules of fair trading [20].

### **4.2. Formulation of Strategies for Addressing Asymmetric Digital Trade Standards**

The differences in digital trade standards between the US and Japan present significant challenges to seamless digital commerce. To address these issues, the following strategies are suggested:

#### **4.2.1. Harmonization of Data Protection Regulations:**

The two parties should take on an initiative in the form of bilateral talks so that data protection regulations and security measures are exactly alike in both countries. The consistency of data privacy practices and frameworks can help level the ground for regulation issues and set things for free digital trade [21].

#### **4.2.2. Establishing Joint Cybersecurity Initiatives**

Set the foundation of collaborative plans with a cybersecurity focus by enhancing the degree of trust and collaboration in cyberspace. This can be done through finding the best framework, organizing joint cyber drills, and establishing a joint cybersecurity incident response team.

#### **4.2.3. Development of a Digital Trade Agreement Supplement**

The US-Japan Digital Trade Agreement Annex could be drafted to include artificial intelligence, blockchain technology, and information flows across borders. This guideline must be to design a future-proof approach that respects technological progressions and regulatory transformations [22].

### **1.4. Enhancing Overall US-Japan Trade Relations**

To further solidify the trade relationship between the US and Japan, broader strategies beyond specific sectoral issues should be considered:

#### **4.2.4. Comprehensive Free Trade Agreement (FTA) Negotiations**

Proceed to the negotiation table with the aim of arriving at a comprehensive FTA deal covering all major sectors, including services, intellectual property, and investments. At the same time, a comprehensive approach is able to deal with several problems simultaneously, such as cutting tariffs, healthier access to markets, and better harmonization of regulatory processes, in turn creating a more balanced and mutually benefiting trading landscape. The future of the FTA is positioned to significantly deepen economic integration, lower trade barriers, and propel competitive and harmonious bilateral economic development [23].

#### **4.2.5. Promoting People-to-People Exchanges**

Apply cultural and education exchanges to promote mutual understanding and life-long friendship between the people in the two countries. Activities like student exchange programs, professional training, and cultural exhibitions will be involved in strengthening the bilateral relations at the people level. Such interactions emerge as the waters of long-term individual and professional relationships, spreading an opportunity for students to respect diversity and lay the ground for collaboration and friendship with people with different cultural backgrounds. With individual-to-individual exchange being promoted, the two states can facilitate the emergence of new generations that are truly acquainted with each other's cultures and dedicated to the development of solid bilateral relations.

### **5. Conclusion**

The analysis of US-Japan trade relations reveals a complex web of challenges and opportunities that characterize their economic engagements. One of the most pressing issues is the limited market access for American agricultural products, compounded by asymmetrical digital trade regulations. These barriers hinder smooth bilateral trade. To address these concerns, the report suggests several actionable steps, including negotiating reduced tariffs, enhancing bilateral agricultural partnerships, standardizing international data protection regulations, and bolstering private sector cooperation. Furthermore, it is crucial for the US to reinvigorate the free trade agreement (FTA) negotiations and promote people-to-people exchanges to foster a balanced and prosperous partnership.

This investigation underscores the importance of understanding and addressing the multifaceted nature of US-Japan commerce. By identifying critical issues and proposing practical solutions, the study provides valuable insights for policymakers and business leaders. The suggested strategies aim to remove trade barriers and promote mid-term cooperation, facilitating the balanced development of industries in both countries, economic collaboration with mutual benefits, and deeper bilateral relationships through joint research. The study highlights the need to adapt strategies to cultural diversity and trust-building mechanisms in international negotiations, thereby paving the way for a balanced and effective global partnership. It also demonstrates the alignment of these strategies with international legal standards.

However, the study primarily relies on secondary data, which limits the depth of its findings. The lack of primary sources, such as direct experiences and observations, creates gaps in the analysis. Future research should incorporate primary data from surveys, interviews, and case studies to address the specific nuances of US-Japan trade relations more effectively. Long-term studies examining the implementation and impact of these strategies over time would provide a comprehensive understanding of their effectiveness. Additionally, expanding the research scope to include other major trade partners and regional economic agreements would offer a more holistic view of the global trade environment. These advancements would enhance the foundation for optimizing international trade strategies, contributing to sustainable economic growth.

In conclusion, the paper presents a thorough analysis of the US-Japan trade relationship, identifying key obstacles and proposing viable solutions to enhance bilateral trade. While the reliance on secondary data presents limitations, the study offers a strategic framework that policymakers can use to foster economic growth, strengthen diplomatic ties, and ensure long-term global stability. Future

research incorporating primary data and broader trade contexts will provide deeper insights, ultimately helping to refine and optimize international trade strategies for a sustainable economic future.

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