

Japan and the Trans-Pacific Partnership (TPP): Rule Setter or Follower?

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This article aims to examine the nature of Japanese government's trade policy in the current climate of economic downturn after the tsunami disaster of March 2011. Consistent with its earlier policies promoting regional economic integration, the Japanese government has actively and strategically been pursuing bilateral free trade agreements (FTAs) with its trade partners. Recently, however, Tokyo also announced its interest in joining the Trans-Pacific Partnership Agreement (TPP) negotiation. Since the agreement requires complete elimination of tariffs including those applicable to agricultural products which are highly protected in the country, the Japanese government had been "not ready yet" to enter the grouping. However, Prime Minister Yoshihiko Noda publicly announced Japan's interests in joining TPP negotiation at the APEC Summit in Honolulu in 2011. Given the circumstances, several questions arise: Why has Japan been pursuing regional trade strategies centered on the FTA/TPP instead of relying solely on bilateral FTAs? What are the factors that promote or hinder Japanese participation in the TPP? How will the likely development of the TPP change the contours of regional cooperation in the near future? In what follows, I address these questions and make suggestions regarding the Japanese government's trade policy to cope with the economic downturn after the tsunami disaster of March 2011.

Key words: TPP, agricultural subgovernment, FTAAP

1. Introduction

In August 2009, the Democratic Party of Japan (DPJ) gained a majority in the lower house, resulting in the first prime minister from the DPJ in postwar history. With much fanfare in Japan, the DPJ administration launched a coalition government with the Social Democratic Party and the People's New Party. Needless to say, this was a regime change of historical significance in Japan's party politics. However, with a succession of leaders, it failed to keep its mandate and lost public support, leading to the Liberal Democratic Party (LDP)'s victory—earning 294 seats out of 480 in total in the general election for the Japanese House of Representatives held in December 2012. As a result, the LDP returned to power in Japan's party politics. LDP leader Shinzo Abe came back, getting a second chance after his failure as prime minister from 2006 to 2007. Abe promises harsh reforms to achieve a goal of "making a strong Japan." In the midst of such political transformation, among the contested issues in Japanese politics, the Trans-Pacific Partnership Agreement (TPP),¹ the multilateral high-level free trade agreement (FTA), is one of the most essential topics. Whether Japan should participate in the TPP negotia-

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tions has been a key issue in how to revitalize the economy. How will the LDP's comeback to power affect future trajectories of the TPP?

Regarding FTAs, since the 1990s, the number of bilateral or regional FTAs that have been signed has increased dramatically. In the Asia-Pacific region, for instance, countries such as the United States, Canada, Mexico, and Chile have pursued FTAs as one of their trade policy options since the early 1990s. Dent (2003, 2) has called the sudden proliferation of regional bilateral FTAs “one of the most important recent developments in the Asia-Pacific regional political economy.” Baldwin (1995) points to the existence of a “domino effect” from the second to the early third wave of FTA creation. Similarly, Mansfield and Milner (1997, 1999) identify a “contagion effect.” While the number of FTA agreements has also surged on a global level since the early 1990s, the rapid increase in FTAs in the Asia-Pacific is particularly noteworthy given the relative dearth of such arrangements in the region before the 1990s.

Despite the diffusion of FTAs, the East Asian region was for the most part characterized by a near absence of formal FTAs and regional institutions. However, currently East Asian countries are pursuing greater formal economic institutionalization, linking existing bilateral and minilateral FTAs and creating new ones as well. The ASEAN+3 (Japan, China, and South Korea) has held regular meetings, and the East Asia Summit (EAS) brings together an additional three countries—India, Australia, and New Zealand—with the United States and Russia joining the summit in 2011.

In particular, among East Asian countries, Japan pursued a single-track approach for almost fifty years, focusing its trade negotiation efforts exclusively on the World Trade Organization (WTO), which emphasized multilateral trade liberalization based on the most favored nation principle and shunned regionalism as harmful to the GATT/WTO² system. However, the Japanese government today is also aggressively promoting FTAs with its trade partners. Currently, Japan has put a total of thirteen FTAs into effect—twelve bilateral FTAs with partner countries, and one regional FTA with ASEAN—and is carrying out negotiations for FTAs with five more countries (see Figure 1). FTAs represent a policy of preferential trade agreements between specific countries aimed at eliminating tariff and nontariff barriers, contrary to the most favored nation treatment that is the basic principle of the WTO. With this in mind, Japan's active and sustained engagement in FTAs in recent years can be interpreted as a significant shift in its trade policy (Urata 2011; Kim 2008).

Furthermore, the Japanese government also recently announced its interest in joining the TPP negotiations. Because the agreement requires complete elimination of tariffs, including those applicable to agricultural products, which are highly protected in the country, the Japanese government had been “not ready yet” to enter the grouping. However, Yoshihiko Noda publicly announced Japan's interests

¹ The TPP is unlikely to be the defining issue for many Japanese voters. According to NHK News 7 on November 26, 31 percent of voters are in favor of Japan participating in the TPP, 16 percent are against, and 44 percent do not hold a strong view either way. Voters rate other issues as far more important, including the economy, social security, and nuclear power.

² Regional trade agreements (RTAs), which violate one of the GATT/WTO's basic principles of nondiscrimination, are permitted under GATT Article XXIV with several conditions. That includes liberalization of substantially all the trade of the members, not increasing trade barriers on nonmembers, and completing the RTA process within ten years.

Figure 1 Japanese Current FTAs

(as of June 2013)

Implemented		Under negotiation	Under study
Singapore	November 2002	Korea	ASEAN+3
Mexico	April 2005	GCC	
Malaysia	July 2006	Australia	RCEP
Chile	September 2007	Mongolia	TPP
Thailand	November 2007	Canada	
Indonesia	July 2008		Turkey
Brunei	July 2008	Colombia	
Philippines	December 2008	China, Japan, Korea	
ASEAN	December 2008	EU	
Switzerland	September 2009		
Vietnam	October 2009		
India	August 2011		
Peru	March 2012		

(Source: Author)

in joining TPP negotiations at the Asia Pacific Economic Cooperation (APEC) Summit in Honolulu in 2011. Currently, the new LDP administration is opposed to joining the TPP negotiations as long as they are premised on tariff abolition without exceptions, while Abe has once claimed that the “LDP has sufficient negotiating power to break through tariff abolition without exceptions,” implying the possibility of joining in the negotiations. Despite this controversial situation, it seems that the TPP debate dominates the center of Japanese politics and will go on.

Given the circumstances, several questions arise: Why has Japan been pursuing regional trade strategies centered on the FTA/TPP instead of relying solely on bilateral FTAs? What are the factors that promote or hinder Japanese participation in the TPP? How will the likely development of the TPP change the contours of regional cooperation in the near future? In what follows, I address these questions and make suggestions regarding the Japanese government’s trade policy to cope with the economic downturn after the tsunami disaster of March 2011.

2. The TPP and Japan

What then is the TPP? The TPP is perceived as a “great historical transformation as much as important as an industrial revolution and Renaissance.” From a historical perspective, it is also perceived as taking the Asia-Pacific region “beyond the end of cold war.”³ It is a comprehensive agreement known as a high-standard “21st-century trade agreement,” which attempts to promote trade liberalization, including the elimination of tariffs and expansion of service trades beyond the existing framework of the

WTO. The TPP member states are aiming to establish new rules for service trade, investment, competition, government procurement, intellectual property, and labor. Regarding trade, it sets principles to abolish immediate or gradual abolition of tariffs on all items including agricultural products within ten years. Thus it aims to advance the process of multilateralizing the “noodle bowl” of bilateral RTAs in the Asia-Pacific region and it will be open to future accessions.

The TPP is currently being negotiated by eleven countries at different stages of development from four different continents in the Asia-Pacific region. Originally, the TPP came into effect in 2006 with four relatively small countries: Singapore, Brunei, Chile, and New Zealand. The United States did not promote trade liberalization within the APEC framework in the late 1990s but began to advance a Free Trade Area of the Asia-Pacific (FTAAP) under the auspices of APEC in 2005. After the United States decided to participate in the TPP in 2009,⁴ Australia, Peru, and Vietnam committed themselves to join the TPP, followed by Malaysia, Mexico and Canada. Given that the current members and those that are participating in the negotiations are small economies except for the United States, it is widely believed that the TPP will become a de facto FTA between Japan and the United States if Japan becomes a member.⁵

Until recently, the Japanese government had not paid much attention to the TPP but focused instead on bilateral FTA activities in parallel with its policy for Asian economic integration.⁶ The Japanese government has long been an advocate of regionalism. For instance, in 2002, Junichiro Koizumi gave a policy speech in Singapore titled “Japan and ASEAN in East Asia,” expressing his vision of a “community that acts together and advances together.” Yukio Hatoyama also advocated an “East Asian Community” that is based upon an East Asian FTA. In 2006, Japan proposed and promoted strongly a Comprehensive Economic Partnership in East Asia (CEPEA: ASEAN+6 FTA).⁷ CEPEA is an economic integration proposal that considers trade liberalization and economic cooperation as the two pillars, and also ASEAN as the center or hub (METI 2011). The Japanese government regards the CEPEA as not contradictory to the TPP and as being organically connected with the TPP as a building block of the FTAAP.⁸

On October 1, 2010, in his policy platform delivered to the Japanese Diet, Naoto Kan indicated the

³ *Nihon Keizai Shimbun*, December 27, 2010.

⁴ In the case of the United States, President Barack Obama decided to participate in the TPP to expand its products export and job creation. Kirik, Rosnald (2009), *Speech at United States House of Representatives and United States Senate*, Executive Office of the President (Office of the US Trade Representative), December 14.

⁵ *Nihon Keizai Shimbun*, November 10, 2010.

⁶ According to *Trade White Paper 2001*, the Japanese government noted clearly it would adopt an FTA strategy instead of the WTO’s multilateral trade liberalization and mentioned “FTA/EPA is one form of regional integration.”

⁷ The idea of CEPEA is rather different from the former organization in the aspect of the range to be covered and the areas to be enlarged. The original range of “East Asian community” was ASEAN and East Asian countries, that is, Japan, China, and South Korea. This concept is regarded as a narrow East Asian community. However, the new idea of CEPEA includes Oceanic countries of Australia and New Zealand and the South Asian country of India besides ASEAN+3. It can be regarded as a wider or “expanded concept of “East Asian Community.”

⁸ Interview with Professor Shujiro Urata, Waseda University, September 7, 2012.

government's intention to participate in the TPP as the pathway to build an FTAAP, which is a goal of the APEC, for the first time.⁹ Furthermore, one week later in a New Growth Strategy Conference he indicated that the "EPA/FTA is significant to make a condition to share the growth and prosperity with Asia-Pacific nations such as US, South Korea, China, and ASEAN. As part of this, we are going to consider the participation in TPP and will decide the main principle of Japanese FTA aiming the achievement of FTAAP, until the APEC Summit."

However, on March 11, 2011, the Great East Japan Earthquake struck the Tohoku area, leading to a calamitous meltdown of the Fukushima nuclear power plant. The World Bank estimated direct and indirect economic losses at \$235 billion, the most expensive natural disaster in Japanese history. Numerous private relief efforts were quickly launched and the government announced its own relief plan costing 23 trillion yen or more over the ten-year reconstruction period. In order to cope with the accident at the Fukushima nuclear power plant, the Ministry of Economy, Trade and Industry (METI) sent many TPP-related officials to the Nuclear and Industrial Safety Agency, including Hidehiko Nishiyama, deputy director-general for international trade policy.¹⁰ Due to this tragic disaster, the government had postponed its discussion of participation in the TPP negotiation.

Succeeding Kan as prime minister, Yoshihiko Noda publicly and dramatically announced Japan's interests in joining TPP negotiations at the APEC Summit in Honolulu on November 11, 2011. His decision was made possible by the institutional change from isolation of bureaucrats from the policymaking process toward cooperation between politicians and bureaucrats. Noda also resumed the meeting of administrative vice-ministers, which had been abolished in the former administration. In particular, he appointed Seiji Maehara as chair of the Policy Research Council and established the new project team (PT) for promoting the TPP, which set Yoshio Hachiro, former minister of METI, as chair. Under the Noda administration, the pro-TPP politicians, such as former minister of foreign affairs Katsuya Okada and DPJ Secretary General Azuma Koshiishi, played an important role in supporting Noda's decision to join TPP negotiations.¹¹

3. The Background of Japan's TPP Proposal

Despite the significance of the TPP, the Japanese government has been unable to even start the negotiation process. The reason, I argue, is that the Japanese government could not come up with an appropriate policy in the face of strong opposition from the agriculture sector in Japan.

Kan likened the TPP to "the third *kaikoku* (opening of Japan to the world), following the Meiji Res-

⁹ Prime Minister Cabinet 2010, "...As part of this, we will look into participating in such negotiations as those for the Trans-Pacific Partnership agreement and will aim to build a Free Trade Area of the Asia-Pacific. With a view toward making the East Asian Community a reality, I want to open our country to the outside world and move forward with concrete steps of negotiations as much as possible." "Policy Speech delivered by Kan at the 176th Extraordinary Session of the Diet," http://www.kantei.go.jp/foreign/kan/statement/201010/01syosin_e.html

¹⁰ *Nikkei Shimbun*, March 23, 2011.

¹¹ Interview with DPJ politician, PT member, Tokyo, September 7, 2012.

toration of 1868 and defeat in World War II.”¹² For the Japanese government, the significance of the TPP is to participate in building the economic order of Asia-Pacific under the new international environment, such as the economic and military emergence of China, the United States’ return to Asia, and Japan’s lowered presence. This means that it will create an opening toward an FTA with the United States, for the purpose of responding to the request of Japan’s export industry to catch up with South Korea’s “simultaneous FTA strategy.” In other words, to solve the Japanese economy’s problem, which has been referred to as the “lost 20 years,” the TPP was regarded as an opportunity for new demand and job creation, and as a growth-stimulating policy. Therefore, participation in the TPP means an active FTA strategy to develop the Japanese economy¹³ by incorporating the high growth of the Asia-Pacific and maintaining the Japanese industry’s global competitiveness.

Kan’s speech on the “TPP consideration” was driven by three main reasons. The first is the Japan-US relations factor. The United States has consistently demanded that Japan open its agricultural market (Urata 2011, 102). At the same time, both sides attempted to strengthen the Japan-US alliance by fixing the earlier discord between Japan and the United States (Kimura 2011; Terada 2011). The Hatoyama administration had put an emphasis on Japan-China relations and asserted the desirability of an East Asian Community. Moreover, the harshly contested Okinawa Futenma issue between Japan and the United States led to the worsening of the bilateral relationship. As Defense Secretary Akihisa Nagasima said, “Since the U.S. has an idea that they don’t have to keep Japan-US bilateral alliance anymore, Japan should make an effort to keep it.” The TPP was understood as one policy option to promote US engagement in the Japan-US alliance relationship through Japan-US market integration. For example, some Japanese media reported that the conclusion of the TPP would strengthen Japan-US relations and reduce Chinese power in Asia.¹⁴

Second, there was a business group request trying to expand their export market as a response to the US request. Since many countries of Asia-Pacific, including the United States, who had not participated in the FTA proposal are participating in the TPP, and aiming for high-level trade liberalization, the TPP rule has been highly considered as a possible de facto regulatory institution in the Asia-Pacific (Umada 2011; Watanabe 2012; Ishikawa 2011). Keidanren has pointed out the significance of rule-making and urged early on that Japan join the TPP. Given the recognition that Japanese participation is inevitable, Keidanren asserts the need of Japan’s early participation, saying, “Even if Japan finally participates in TPP in the future, the rule has been already set up, and it urges Japan to passively accept it without its consent. Japan should lead a rule-making of Asia-Pacific region, and make a contribution to regional economic growth and job creation” (Keidanren 2011).

The third factor is South Korea. The South Korean government concluded its FTA negotiation with

¹² *Ashahi Shimbun*, October 15, 2010.

¹³ According to the Cabinet Office, regarding the macro effect of the TPP in Japan, it is estimated that the minus effect would occur on the domestic production of Japanese-sensitive sector, while the plus effect of other sectors would surpass it. It also estimates the increase of Japanese substantial GDP at 1.23 percent–1.62 percent (\approx 6.1–8.0 trillion yen).

¹⁴ *Nikkei Weekly*, November 15, 2010.

the United States in 2007, signed with the EU in 2010, and declared the start of its FTA negotiation with China. Given this situation, it is apparent that South Korea is actively promoting its FTAs with the United States, EU, and China, the three main export markets for Japan. To the Japanese government, already fearful of its being left out of the FTA competition in East Asia, South Korea's recent push toward FTAs heightened the sense of crisis about Japan's economic and diplomatic disadvantage (Okuda 2010; Kim 2011).¹⁵ It is worth noting that at the first conference of the Economic Partnership Agreement (EPA) project team, Yoshio Hachio, the former minister of METI, touched upon "South Korea" and expressed his worries about Japan's falling behind Korea, saying that Japan was facing a turning point in dealing with the TPP substantially because the U.S. Congress ratified the KORUS FTA (Kim 2012).¹⁶

4. The Strong Agricultural "Subgovernment" as a Barrier to the TPP

On the other hand, strong domestic opposition exists against TPP participation, especially from the agriculture sector. The first indicator of strong interest-group mobilization is the existence of informal political meetings called the "Meeting for Careful Consideration of TPP." This group was initiated by about 140 members, one-third of DPJ politicians, and supported by JA-Zenchu. It held meetings with agriculture groups opposing the FTA and hosted lectures by anti-FTA scholars. The TPP was touted as a big problem that might entirely change the nation's architecture by making zero in terms of not only tariff but also finance, insurance, medical, and service. Yamada Masahiko, a former minister of Ministry of Agriculture, Forestry, and Fisheries (MAFF), strongly opposed the TPP and regarded it as the "black ship (*kurobune*)" that would propel the complete collapse of Japanese agriculture.¹⁷

To cope with this anti-FTA movement, the DPJ launched the "APEC, EPA and FTA Project Team (EPA PT)" as a project team about the FTA under the Policy Research Council and started to review arguments for and against the TPP. The majority of members were skeptical about the TPP.¹⁸ The chair, Sou Yamaguchi, presented the EPA PT's understanding that it was difficult to coordinate participation in the TPP because there were both supporters and skeptics in the party.¹⁹ Due to huge opposition against the TPP within the DPJ, Kan and his cabinet could not approve participation in the TPP in the Basic Policy on Comprehensive Economic Partnership on November 9, despite Kan's own personal efforts to promote the TPP. It was agreed that Japan would start consulting with TPP-participating nations to gather information.²⁰

Second, there was also the existence of the Central Union of Agricultural Cooperatives (Zenkoku

¹⁵ Interview with DPJ politician, PT member, Tokyo, September 7, 2012.

¹⁶ *Chung-An Ilbo*, October 15, 2011.

¹⁷ *Newsweek*, October 28, 2010.

¹⁸ *Nihon Keizai Shimbun*, October 29, 2010.

¹⁹ *Bloomberg*, October 28, 2010.

²⁰ Prime Minister's Office (2010), "Basic Policy for Comprehensive Economic Partnership."

²¹ Interview with DPJ politician/PT member, Tokyo, September 7, 2012

Nōgyō-kyōdō-kumiai Chuōkai), in short, JA-Zenchu, which was opposed to the strengthening of “individual income support allowance for farmers” (side payment).²¹ JA-Zenchu’s major activities include its role as a comprehensive advisory organization of agricultural administration as well as lobbying and appealing to government and parliament officials. For instance, in October 2011, JA-Zenchu submitted a request to the parliament opposing participation in TPP negotiations. A strong “agricultural policy subgovernment” (Mulgan 2008, 172) led by JA-Zenchu, agricultural tribes (farm politicians in the ruling LDP), and MAFF bureaucrats, who shared strong common interests in promoting and protecting domestic agriculture, has played a primary role in establishing agricultural trade policy and hindered agricultural liberalization. Honma (2010) points out there had been close relationships between this “agricultural policy triangle” (Yamashita 2009) and the LDP, making it possible to conduct pro-agricultural policy through party policy councils such as the LDP’s Agricultural Committee before the parliamentary negotiation process. It is significant that 80 percent of LDP politicians agreed to the anti-TPP parliamentary appeal. In other words, Japan’s trade policy making process was influenced by informal institutions involving various agricultural groups, including JA-Zenchu and politicians.

To sell future participation in the TPP, Kan had to weaken the opposition from the agricultural sector by establishing the Headquarters for the Revitalization for Japan’s Food, Agriculture, Forestry and Fisheries and started to review the two billion agricultural support measures based upon the strengthening of side payments, which had been at the center of DPJ’s agricultural policy.²² Side payments for farmers had been encouraged by the GATT system for developed countries to use as direct payment instead of a tariff. The United States and EU have provided side payments to farmers, while in Japan JA-Zenchu hampered it because they could get an income commission, which is determined by price.²³

JA-Zenchu launched a campaign against the TPP, asserting that the TPP would seriously damage not only agriculture but also the insurance sector, and recruited the Japan Medical Association to its side (Yamashita 2012, 184). For instance, JA-Zenchu held a massive demonstration by farmers against the TPP. It also collected 11 million signatures against the TPP,²⁴ instead urging the government to protect their livelihoods.²⁵ They also insisted that Japanese consumers would not be able to eat Japan’s safe agricultural products anymore and mobilized support from consumers.²⁶ Furthermore, at the New Growth Strategy Conference held in October 2010, JA-Zenchu announced its strong opposition to Japan’s participation in the TPP, asserting that the TPP would not be able to match Japan’s standards for food security.²⁷ In addition, it also provoked a TPP opposition movement, asserting that the TPP

²² *Sankei Shimbun*, October 24, 2010.

²³ Interview with DPJ politician/PT member, Tokyo, September 7, 2012.

²⁴ *Asahi Shimbun*, October 24, 2011.

²⁵ *Yomiuri Shimbun*, November 9, 2011.

²⁶ Interview with DPJ politician/ PT member, Tokyo, September 7, 2012.

²⁷ Regarding the JA-Zenchu’s principal idea, see the report of Headquarters for the Revitalization of Japan’s Food, Agriculture, Forestry and Fisheries, August 2, 2011. *Issihoni kangaemasenka TPP to nihon no nougyou kurasi: TPP nado ni kansuru JA gurūpu no kihonnteki kangaekata*.

would bring about clear damages to Japan's agriculture sector, but the Japanese government's aim in TPP participation is unclear (Okabe 2011). The DPJ EPA PT also highlights the fact that "regarding TPP, a concrete and substantial merit is very vague" (DPJ 2011).

Ultimately, the opposition from agricultural interests such as JA-Zenchu and the agricultural groups in government makes it difficult for the Japanese government to participate in the TPP.²⁸ Because agricultural groups have traditionally maintained strong policy channels within the governmental policy-making process through the connection with Zoku-giin and MAFF, Japan's participation in the TPP faces difficult prospects.

5. Conclusion

Internationally, the impact of Noda's statement of de facto participation in the TPP was enormous. Mostly, it seems that Japanese government incorporates strategic calculations in pushing for the TPP, believing that it will be an effective means to contain rising China. Apparently, the United States hopes that the TPP will help to counterbalance Chinese economic and political influence in the region, and regards Japan's joining in the TPP is key to achieving its purpose. From the viewpoint of China, the TPP has become a US-driven initiative that would create an Asia-Pacific free trade zone but exclude China. China is suspicious of the TPP, regarding it as a form of US containment, especially when viewed in the context of the larger Asian "pivot" (Auslin 2012, 30). For instance, according to Cai Penghong of the Shanghai Institute for International Studies, the Chinese have considered that the US' focus on the TPP could be interpreted as part of its regional repositioning strategy, which covers diplomatic and military deployments (Cai 2011).

Facing Japanese interest in joining the TPP, China, which had been focused on the ASEAN+3 framework, softened its attitude flexibly toward Japan's Regional Comprehensive Economic Partnership (RCEP) proposal (Okabe 2012, 100). China wants Japan and South Korea to be the key members of an ASEAN+3 FTA. In the past, Japan showed a half-hearted attitude toward this initiative, clearly concerned about Chinese dominance, and has proposed to include India. Recently, as the opposite pull of the TPP, China seems to have complied with Indian participation. Specifically, it affected the East Asian regional integration movement, which had been centered on ASEAN. For instance, in the informal ASEAN+6 conference 2011, China and Japan declared to establish a workshop for the liberalization of trade, investment, and service regardless of their favored integration framework. Since it is difficult for both Japan and China to participate in the TPP under the current situation, they finally decided to proceed with the East Asian integration negotiation process despite their competitive strategies thus far (Terada 2011, 103).

As Auslin (2012) said, the TPP should be used to balance, rather than to contain, China. Indeed, its strategic importance cannot be overlooked. China is already the largest trading partner to Japan, South

²⁸ Interview with DPJ politician/PT member, Tokyo, September 7, 2012.

Korea, and ASEAN countries, and its economic influence will be more severe in the coming decades. It is important for Japan to balance China on the intra-Asian trade, because despite its weakness, Japan is the only Asian counterweight to China economically. This is not to mention that the US–Japan alliance is a stabilizing force in the Asia-Pacific region. In cooperation with the United States, Japan can lead the way in strategic trust among Asia-Pacific nations.

How, then, will the development of the TPP influence South Korea's FTA policy as well as regional strategy? Since South Korea has already signed FTAs with seven countries and is negotiating with another four among the TPP-participating countries, there is no immediate incentive to join the TPP. As with Japan, there is a concern that South Korea's agriculture will also be seriously affected by the TPP and, furthermore, most effects of the FTAs that it has worked hard to conclude can be damaged severely. I argue, despite this, that South Korea may have to be prepared to join the TPP in the long term. Judging from the tendency of regional development, the Asia-Pacific economic integration is sure to be realized. Given that the Asia-Pacific is where the majority of the country's economic activities take place, there is no reason it should not participate in possibly an entire regional FTA in the coming decade. South Korea's decision to join the TPP will depend on careful consideration of factors such as regionalism regarding China and Japan, progress in the trilateral FTA negotiations, and participation by other countries in the Asia-Pacific.

The TPP would be an example of a bottom-up approach to achieving the APEC goal of an FTAAP. The growing number of FTAs, and now the TPP, would be a stepping-stone toward regional and global economic integration. Japan needs to link its economy firmly with the strong growth track of an emerging Asia and its rapidly growing middle class. It needs to promote greater economic links with the rest of Asia, including moves toward an East Asian FTA and support for the TPP given that it could eventually develop into an FTAAP. A wide FTA could bring substantial benefits to the Japanese economy. In that sense, it is essential to join high-level FTAs such as the TPP for restoration of the earthquake damage and recovery of Japan's long-lasting economic recession.

It seems that the current LDP administration stopped clarifying its position on the pros and cons of Japan's participation in the TPP. Rather, the LDP administration is apparently attempting to put more emphasis on diplomacy, security, and education—policy measures on which Abe places importance—in an attempt to appeal to the Japanese public. It seems likely that LDP-led Japan will continue to face difficulties in participating in the TPP. If Abe does proceed with the TPP negotiation process, compensation measures for noncompetitive sectors will be crucial. For example, strengthening side payments for farmers could lessen the opposition from agriculture. In addition, it is also important for sectors that benefit from Japan's participation in the TPP to have a strong voice in the policymaking process. Furthermore, the LDP administration needs to persuade public opinion and to maintain a firm bedrock of stable government.

If the LDP administration joins the ongoing trade negotiations through the TPP, it can attempt to have its national interests reflected in the rules of the TPP and present these to the WTO. Hence, Japan

can incorporate its national interests into a set of global norms and rules as well. To this end, it is necessary to join the TPP at an early stage in the negotiations. Even if Japan joins the TPP immediately before the participating countries reach an agreement, it will not be able to derive much benefit from the new trade agreement. An aging population and shrinking labor force will constrain its economic growth. For Japan, the key to long-term economic vitality is economic restructuring, including the agricultural sector since the “lost decade” of the 1990s. From this point of view, the TPP is significant. But it is a long process.

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