

An Insight into Asian Trade Regionalism: Japan's Double Membership in the Exclusive Games of TPP, and RCEP.

Sebastian Bobowski*

Abstract

The paper is studying a phenomenon of trade regionalism in East Asia, basing on currently emerging mega-regional trade projects of TPP and RCEP. An author attempts to shed some light on Japan's approach towards membership in regional trade frameworks, pointing out the context of both intra- and extra-regional rivalry with China and the United States. The substance of the analysis has been drawn as *an exclusive game*, underlying evolution of Tokyo's trade diplomacy in recent years to challenge rapidly changing political and economic landscape of the Asia-Pacific region. An issue of membership is utilized to analyze the exclusive dimension of trade diplomacy. Author delivers an assumption of Japan's prioritization of dominating position within regional frameworks, therefore, tendency towards exclusion of the other influential states, perceived as potential rivals over leadership in a given framework. When studying TPP, author raise the question of China's exclusion – emerging regional rival of both Japan and the United States, while, in the context of RCEP, backed by Association of Southeast Asian Nations (ASEAN), however, intensively pushed by China – the question of exclusion of the United States. Therefore, author regards the way Japan is playing *China card* in TPP talks, so as *the US card* in RCEP talks to build its regional position.

Keywords: Free Trade Agreements (FTAs), Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), membership, exclusion
JEL Classification: F13, F15, F53

I. Introduction

Japan has been found as regional leader in terms of economic policy and development for decades, however, acceleration of the globalization in the 90s transformed political and economic landscape. Traditionally, Japan used to provide regional frameworks or engage in such, proposed by third countries, that excluded the United States, in order to secure its dominant position, however, rapidly growing China posed new kind of challenge, both in terms of intra- and extra-regional influences, to Tokyo. Then, Japan started to perceive trade coalition with the United States as an effective instrument of balancing China's rising hegemony due to consistency of Washington's and Tokyo's

* Wroclaw University of Economics

perception in this matter.

An idea behind balancing by Japan was to counter the United States' and China's political and economic expansion through provision of regional frameworks, built in favorable manner, both in terms of membership, so as agenda. It should be noted, however, that Japan hasn't been extremely active in regional trade diplomacy through the years, especially because of the aversion to full liberalization of agriculture sector, while insisting on harmonization of standards and trade promotion. Then, Japan tend to provide Economic Partnership Agreements (EPAs) recently – the most advanced form of trade regionalism, to compete with less comprehensive Regional Trade Arrangements (RTAs), especially Free Trade Agreements (FTAs), that induced domino effect in the Asian region, while securing exclusion of the most sensitive sectors from liberalization.

The Trans-Pacific Partnership (TPP) – mega-regional project led by the United States, however, originated in the early 90s, encouraged by trilateral free trade talks engaging New Zealand, Singapore and Chile, attracted a lot of attention recently, among others, due to exclusion of China, while involving Japan, ASEAN-4¹, Australia, New Zealand, Canada, Mexico, Chile and Peru. Japan, joining TPP talks in 2013 as the *latecomer*, potentially limited its influence within agenda setting process, while being evaluated by the other participants as a candidate. Abovementioned raised the concerns of Japan's lobbies representing sensitive sectors, with special regard to agriculture, being afraid of too-far reaching compromise at the expense of national economic interests, while questioning the strenght of Tokyo's voice in the pact led by the United States.

Meanwhile, Japan engaged deeply in intra-regional dialogue centered around ASEAN Plus Three (APT)², that inspired mega-regional project of Regional Comprehensive Economic Partnership (RCEP) led by China, however, originally backed by ASEAN-10 trade diplomacy. RCEP has been found by many observers as counter-pact to US-led TPP, then, exclusion of the United States seemed to be a logic consequence of providing competitive agreement excluding China. Japan is the most powerful and influential state that represent subgrouping of partially overlapping mega-regional pacts - namely, Japan, ASEAN-4, Australia and New Zealand. In this context, Japan as a *latecomer*, not an initiator of any of those trade frameworks, is expected to play dual-track game to use *China card* in TPP talks, while using *US card* in RCEP talks. Potentially, the status of common denominator of two competitive trade pacts may strengthen Tokyo's influences and its bargaining power in both trade talks.

II. Theoretical frameworks of Asian regionalism

Regionalism as a phenomenon tend to gain massive interest of policy makers, and academic representing political sciences, economics or spatial economy. It seems that

¹ Association of Southeast Asian Nations (ASEAN): Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam; ASEAN-4: Brunei, Malaysia, Singapore, Viet Nam.

² ASEAN Plus Three (APT): ASEAN Plus China, Japan, and the Republic of Korea.

geographical dimension of regionalism, so as the regions, has become one of core issues discussed by theorists. Nye assumed that “regionalism in the descriptive sense is the formation of interstate associations or groupings on the basis of regions; and in doctrinal sense, the advocacy of such formations” [Nye, 1968, vii, xii]. However, contemporary regionalism seems to lack spatial limitations, therefore, may expand beyond regions in geographical terms towards regions in socio-political terms. Katzenstein questioned spatial context of the region, perceiving it as a social construction [Katzenstein, 2000, 354]. Following Mack, and Ravenhill, regional institution building comes down to political process. Regions, as social constructions, are determined by involvement of states in the regional institutions, while the states located in the region activate through such regional forums [Mack, and Ravenhill, 1995, 7].

According to Gamble, and Payne, regionalism is a state-governed process of reorganization of a given regional space under agreed economic, and political assumptions, and rules [Gamble, and Payne, 1996, 2]. Noteworthy, both theorists pointed out the importance of non-state actors in contemporary regionalism, confirming Mack’s and Ravenhill’s statement as to the political character of regionalism, enabling, among others, reorganization of regions, therefore, establishment of many regions that differ both in economic, and political terms. Then, it is justified to claim, that regionalism embraces inter-governmental and non-governmental processes, conducting at state level. The latter, however, locate regionalism around the institution of state, as the major actor able to influence on agenda setting. In case of non-governmental, as it was stated by Woods, diplomatic dimension, including membership, is a subject of “radiation” by different kind of state and inter-state political structures [Woods, 1993, 6]. When studying regional institutions, however, only non-governmental initiatives that gained political legitimacy at the state level.

The concept of regionalism seems to manifest some analogies with international organizations building, both forum organizations and service organizations. Many regional forums that tend to lack organization frameworks, however, shouldn’t be neglected or undervalued. As Acharya argued, regular expert and minister-level consultations, as observed in the Asian region, reflect gradualism of inter-governmental cooperation [Acharya, 1997, 319-346]. Such forums, as low-profile organizations, are expected to evolve through the years towards more advanced frameworks, that cannot be established in the short-term.

Many theorists of regionalism equalize terms of international or regional institutions with frameworks. For instance, Bhagwati defined free trade areas as regional frameworks [Bhagwati, 1993, 31]. It should be noted that regional framework as a term may be assigned to both institutionalized and non-institutionalized regional forums, and agreements.

Then, when finding regionalism as a process, regional framework may be defined as its product. Intensification of inter-state connections may, in the mid- or long-term, induce institutionalization of such forums to improve efficiency, or broaden agenda. Involvement of regional states do not determine institutional character of a given

forum, however, assign those actors a status of potential members of a future more institutionalized regional structure.

Regionalist policy, associated with regionalism as a process, may be understood as a policy focused on provision of regional frameworks, designed in the most favored manner in the context of interests of potential member states, including benefits, and costs of future membership [Hamanaka, 2010, 5]. Unquestioned challenge faced by regionalist policy is the response to potentially unfavorable regional frameworks proposed by other states, so as the exclusion from such a structure. Exclusion of a given state doesn't have to be, however, synonymous with isolation or marginalization, at most reconfiguration of bilateral relations. Such an ambiguous approach has been manifested by Japan for decades in the context of the United States' regional presence – while attempting to exclude Washington from many regional frameworks, Tokyo tend to maintain strong bilateral relations.

Moreover, it should be noted, that the names of regional frameworks do not necessarily reflect the agenda of cooperation or geographical scope of a given structure. For instance, regional trade frameworks may address labor market or security issues, while “Asia-Pacific” term does not exclude the possibility of membership of New Zealand or the United States.

Asian regionalism, however, has emerged under different circumstances than the European, therefore, many theoretical concepts on the boundaries of disciplines of international relations and economics seem to be inconsistent to Asian experiences because of generalizations originated in the past empirical evidences of western hemisphere. Among crucial challenges in studying the role of Japan in the East Asian trade regionalism is to explain, among others, Tokyo's stance towards the United States' inclusion in regional frameworks, following the leading concepts of the discipline, namely realism, neoliberal institutionalism, and constructivism. Following Hamanaka, author decided to broaden theoretical basis by addressing hegemonic stability theory, that deals with supply side of the process of institution building.

Balancing theory as the dominant realist theory, assumes creation of state coalitions to face external threat of both economic, and political character. Such a grouping, according to Hurrell, attract mainly weaker states, willing to pool potentials, strengthen bargaining power, so as benefit from economies of scale [Hurrell, 1995, 47]. However, when identifying incentives to build institutions, then, demand side of a process, balancing theory does not consider various attributes of such frameworks, such as membership. Forming regional coalitions enable to challenge current, and potential threats, such as expansion of communist China, and Viet Nam in the context of establishing Association of Southeast Asian Nations (ASEAN), expansion of Iran in the context of establishing Gulf Cooperation Council (GCC), expansion of the Soviet Union in the context of establishing European Communities, relatively strong bargaining power of the European Union at the General Agreement on Tariffs and Trade (GATT) forum during Uruguay Round in the context of establishing Asia-Pacific Economic Cooperation (APEC).

However, as mentioned above, balancing theory does not address the membership in regional frameworks. It should be assumed, that a source of a threat to other states in the region should be excluded from such a coalition, moreover, it is crucial to engage appropriately strong actors able to face the enemy, then, to protect weaker and smaller neighbours. In this context, it is hard to conceptualize Japan's attempts to exclude the United States from regional frameworks, when facing, among others, security and economic pressure of rapidly integrating Western Europe. Indeed, when analyzing Japan's regionalist policy through decades, it appears that the United States has become a subject of a policy of exclusion by Tokyo due to economic threat, notwithstanding, establishing regional coalition with Southeast Asian states couldn't have been found as effective counterbalance to American economic expansion.

Following Schweller, another important regionalist context of regionalism is engagement, related to "socializing the dissatisfied power", for instance, through placement of Germany – former aggressor – in the core of the European integration project [Schweller, 1999, 14]. Engagement theory represent demand approach to regional institution building, namely, a threat needs to be engaged, and "cornered", however, an issue of membership remains unsolved. According to engagement theory, powers engaged in a given structure should be strong enough to engage the "dissatisfied one". The problem in this context is that the inclusion of the United States appears to be logic due to perspective of successive engagement of China.

Then, following realist theories, in a face of a common threat, both external (balancing) or internal (engagement), a kind of coalition or a framework should be established, involving states able to challenge the situation. Therefore, realism does not provide rationalist explanations to Japan's regionalist policy of exclusion of the United States.

Neoliberal institutionalists address the process of institution building pointing out selfish interest of individual states, with special regard to absolute gains resulted of establishing regional framework, namely, economies of scale, reduction of transaction costs, and uncertainty, coordination of political activities, division of "rents". Although economic, and social regionalization may proceed, so as inter-state linkages, however, regionalism as a process is found crucial in regards of managing various externalities induced by lack of international coordination of national policies *ex ante*.

However, as pointed out by Hamanaka, institutionalists, including Keohane, tend to neglect supply side of regionalism, assuming that even significant changes in the balance of power, resulting of the collapse of hegemon, do not threaten the existence of institutions [Hamanaka, 2010, 13-14]. Then, demand approach to regionalism has been exposed by neoliberal institutionalism. Furthermore, institutionalists address the issue of membership, stating, that it is the matter of economic interconnections among the states. Facing common challenges, and problems, as Värnyen argued, encouraged by material interests, may cross the spatial borders, and limitations [Värnyen, 2003, 34]. However, when dealing with membership, institutionalists do not analyze the premises of exclusion from membership of concrete countries in details, so as the sources of institutional

erosion, mainly due to strong emphasis put on the demand aspect of institutions.

Following Keohane, institutionalism failed in the fields of determining evolutionary paths of already established institutions, so as projecting benefits from institutional projects that haven't come into effect so far [Keohane, 1984, 79]. Consequently, demand approach is focused on expected economic gains, while marginalizing the context of institution-supplier, able to influence on agenda, and the membership. Abovementioned justifies questioning of neoliberal institutionalist theories' utility in terms of explaining Japan's motives of exclusion of the United States from regional frameworks, when considering considerably strong bilateral economic ties.

Constructivism, stating that the major aspects of international relations are historically and socially constructed, perceived regionalism through the prism of identity. According to Anderson, forming community cannot be done without existence of "the others", while nation, and nationalism should be treated as manifestation of consciousness [Anderson, 1991, 7]. Acharya equated the concepts of nationalism, and regionalism, recognizing – in the context of the latter – the importance of identification of "ours" and "theirs" in the process of regional community building [Acharya, 1999, 74]. In contrast to previously studied concepts of realism and institutionalism, constructivism pointed out intangible aspects such as consciousness and identity, while treating material premises of institutionalization as secondary. Therefore, demand, so as supply components of regionalism are neglected, meanwhile, regional identity is perceived in terms of a trigger of regionalism. It should be noted, however, that constructivism consider regions, and regional identity *post hoc*, as pointed out by Hamanaka, therefore, possibility of establishing community engaging the United States, and Japan cannot be studied due to lack of such a framework in practice [Hamanaka, 2010, 16]. As mentioned above, constructivism hasn't addressed supply aspects of regionalism, whilst regional identity, consciousness may become an instrument in hands of policymakers, willing to manipulate it in order to reach dominating position within a given regional framework, or exclude the other state from the structure to maintain the status of hegemon.

Hegemonic stability theory, deeply rooted in studies by Kindleberger, provides an assumption as to necessity of existence of stabilizer, a hegemon state that is powerful enough to deliver international shared goods such as international organizations (World Bank, GATT etc.) or economic order [Kindleberger, 1973, 305]. As it was argued by Russett, the essence of hegemony comes down to control over effects than concentration of material potential by the leading state, thus, tangible wealth of a country cannot be found as an explicit premise for international institution building [Russett, 1985, 207-231]. Furthermore, hegemonic stability theory provides valuable point of reference for studying supply aspects of regionalism, explaining motives of institution-suppliers such as desire to gain a dominant position within the framework. While Kindleberger assumed that hegemonic state is expected to act in the name of noble reasons when establishing international institution, Snidal stated, that hegemon may act on its own behalf, treating regional frameworks as a private property subordinated to its interests, not international shared good [Snidal, 1985, 582]. However, as already mentioned Russett claimed, both

benefits, and costs for hegemon, resulting of establishment of a new international institution, should be considered.

According to critics of hegemonic stability theory, hegemon may utilize institution to boost its own material potential, while dictating the rules to the other states, imposing quasi-taxes such as national contribution of individual members. For instance, World Trade Organization (WTO) used to perceive through the prism of domination of economic interests of “Big Three”, namely The United States, the European Union, and Japan, while International Monetary Fund (IMF) used to be criticized for subordination to the United States’ political, economic, and financial interests, manifested, among others, through quota shares, and effective veto rights assigned to Washington. Hegemon’s abilities to induce a pressure or execute a given way of acting of the other state is the matter of discussion, however, as Snidal claimed, cannot be questioned even under anarchic international system.

On the other hand, however, advocates of the theory take into consideration various costs of hegemon resulted of establishing international institution, starting with economics. Hegemon, as the leading state within the framework, is expected to open its borders to imports of member states’ surpluses, so as providing short-, mid-, and long-term capital in the form of loans, swap lines, and foreign investments. Therefore, any kind of trade or financial regionalism is expected to impose concrete, tangible economic and financial liabilities on hegemonic state, that cannot be ignored by critics.

Following Hamanaka, one of the crucial intangible aspects of hegemonic position is prestige gained by dominating state [Hamanaka, 2010, 18]. As Kindleberger stated, accumulated material potential used to be a source of prestige, however, the latter may be strengthened through political instruments when economic attributes seem to be inadequate [Kindleberger, 1986, 845]. Prestige has been found as important trigger of institution building process, while inducing sense of power, and international influences. In this context, -Kratochwil, and Ruggie opted for shaping prestige in accordance to country’s material potential to build balanced trans-border interactions [Kratochwil, and Ruggie, 1986, 756]. Following Morgenthau, establishing international institutions, organizing and hosting summits, and official meetings, strengthen hegemon’s prestige, so as economic contribution, thus, prestige gains are not necessarily accompanied by material gains of a hegemon [Morgenthau, 1978, Chapter 6].

Hamanaka’s translation of hegemonic stability theory at the regional level enables to identify hegemon within regional framework, however, in contrast to original studies by Kindleberger and others, regional system possesses surrounding, therefore, both benefits, and costs, may be affected by various externalities. As pointed out by Ravenhill, in case of regional frameworks there is a problem of free riders, then, third countries that may benefit from trade liberalization or financial arrangements within regional framework without any formal contribution [Ravenhill, 2001, 11]. For instance, rescue packages, repo lines or any kind of balance of payment facilities may benefit indirectly external partners of beneficiaries operating within a given regional framework. It is said, that hegemon’s impact on the smaller member states is expected to supersede influences

of external parties. For instance, Trans-Pacific Partnership (TPP) may potentially affect World Trade Organization's (WTO) performance within Asia-Pacific region, so as project of Asian Monetary Fund (AMF) may potentially displace International Monetary Fund (IMF) within Asian region – in both cases reducing influences of international organization's hegemonic states.

It should be noted, however, that regional hegemons, acting on the behalf of the other member states at the international level, gain additional prestige. When considering political interests, leaders of trade regionalism benefit to a lesser extent than hegemons within regional diplomatic frameworks, mainly due to economic costs. In case of financial regionalism, costs of acting as stabilizer might be partially shared with the other members through national contributions to regional support facilities, reserve funds etc.

Summing up, hegemonic position in the regional trade framework seems to deliver relatively modest prestige, when compared to two other types of regionalism. As Hamanaka argued, hegemon's benefits results of individual account of both expanding influences on the smaller regional states, and costs associated with opening hegemon's borders to surplus production imported from the other member states [Hamanaka, 2010, 20].

Trade regionalism

In the literature there are usually four types of trade regionalism distinguished, namely regional trade forum, regional trade cooperation not sanctioned by treaty, regional trade arrangements (RTAs) sanctioned by treaty, and economic partnership arrangements (EPAs).

The first type, then, regional trade forums, or regular meetings, used to be less formal, therefore, less costly for potential leader, however, tend to evolve towards more advanced forms of trade regionalism due to interests of participants.

Regional trade cooperation, lacking treaty formula, may embrace various fields of international economic relations, such as industrial, and skills development, promotion of trade. Thus, depending on the content of agenda of economic cooperation, spectrum of decisions, and challenges to be faced, potential costs of hegemon may vary significantly.

Another type of trade regionalism mentioned above is regional trade arrangement sanctioned by treaty, usually taking form of free trade arrangement (FTAs), that assumes reduction or elimination of tariff barriers. According to Article XXIV of GATT, such an agreement should cover “substantially all trade” among signatory parties. Moreover, there shouldn't be any negative externalities for the third countries [Bobowski, 2011, 30]. Noteworthy, developing countries, including least developed countries (LDCs), as stated by Enabling Clause agreed during Tokyo Negotiation Round in 1979, are not required to follow even a little discipline of Article XXIV when designing FTAs, however, shouldn't “raise barriers to or create undue difficulties for the trade of any other contracting parties” and shall not constitute an impediment to the reduction or elimination of tariffs and other barriers on a most-favoured-nation basis [Ravenhill, 2003, 299-317; Hamanaka, 2008, 75-77]. Therefore, political attractiveness of such agreements is relatively high.

What might be a source of concern, as pointed out by Hamanaka, is a lack of definition of “developing country” in WTO regulation, thus, nearly all Asian countries, including China, with the exception of Japan, Republic of Korea and maybe Singapore, used to design FTAs excluding sensitive sectors such as agriculture, textiles or automotive industry, basing on Enabling Clause [Hamanaka, 2010, 125]. Furthermore, most FTAs based on Enabling Clause, although reciprocal, provide a space for manipulating costs of the leading signatory party, related mainly to opening domestic market for imports of FTA partners. Then, dominating country may offer asymmetrical preferences to the other signatories, while maintaining protection of sensitive industries, that cannot take place under Article XXIV.

Next to FTAs, developed GATT member states used to sign RTAs in the form of preferential trade arrangements (PTAs) with developing partners, assuming lack of reciprocity. An example of such agreement is Lomé Convention, under which European countries provide preferences to their former colonies without mutuality.

Finally, trade regionalism may manifest itself in the advanced form of economic partnership arrangements (EPAs). Such an agreement does not only encompass tariff reduction or elimination, but also, among others, harmonization of standards. From the perspective of hegemon, EPA may be beneficial due to internationalization of its own norms and standards within trade framework.

III. Competing mega-regional trade blocks

The Trans-Pacific Partnership (TPP) project has been found by some observers as an instrument of balancing Chinese influences within Asia-Pacific region by the United States. Consequently, the Regional Comprehensive Economic Partnership (RCEP) used to be perceived as Beijing’s response to American-led TPP. When studying exclusive aspects of both mega-regional projects, major feature of TPP is the exclusion of China, RCEP – exclusion of the United States [Aziz, 2013, 29-36; Petri, 2013, 333-359]. However, both multilateral partnerships embrace the third largest economy in the world in nominal terms, namely, Japan. Partially overlapping memberships of TPP and RCEP cover seven states to date, namely ASEAN-4 (Brunei Darussalam, Malaysia, Singapore, Viet Nam,) Oceania (Australia, New Zealand), and Japan (see Figure 1 for details).

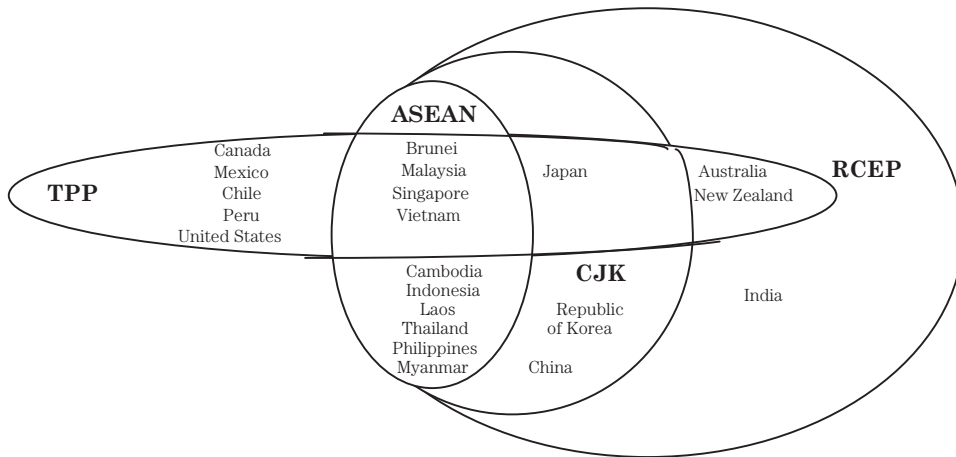


Figure 1. Overlapping memberships of TPP and RCEP.

Notes: **Association of Southeast Asian Nations (ASEAN)**: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam; **CJK**: China – Japan – Republic of Korea; **Regional Comprehensive Economic Partnership (RCEP)**: ASEAN + China, Japan, Republic of Korea, India, Australia, New Zealand; **Trans-Pacific Partnership (TPP)**: Singapore, Viet Nam, Brunei Darussalam, Malaysia, Japan, Australia, New Zealand, United States, Canada, Mexico, Peru, Chile.
Source: own elaboration based on: [Bobowski, 2014, 267].

As for now, Japan is the most powerful country attending both trade talks, however, “standing astride” may be pretty risky, mainly due contradictory interests of potential hegemony within competitive mega-regional frameworks, namely the United States (TPP), and China (RCEP). On the other hand, acting as a “common denominator” of TPP, and RCEP, may help to bridge two trade blocks, and, probably “socialize” China. As mentioned above, Tokyo’s double membership can be found as strategic game with *US card* (by the RCEP negotiation table) and *China card* (by the TPP negotiation table), then, not a sign of disorientation or confusion, but conscious response to US-Sino rivalry over leadership in Asian regionalism.

Author assumes, that Japan cannot dominate any mega-regional trade block in Asia-Pacific, due to *latecomer* status in TPP and RCEP, however, both the United States, and China – anticipated hegemony, were, actually, *latecomers* too. Therefore, paradoxically, Japan acting as a “bridge state” may benefit from both projects, the question is how potential, to date pretty uncertain, inclusion of China by TPP will affect Japan’s bargaining power, and geostrategic position. Abstract vision of merging TPP, and RCEP under US-Sino co-leadership may significantly undermine Tokyo’s aspirations.

The Trans-Pacific Partnership (TPP)

As it was argued by Hamanaka, Trans-Pacific Partnership (TPP) is a product of evolutionary Asian trade regionalism since the 1990s [Hamanaka, 2014, 169]. Following Salazar, process started with bilateral free trade talks between Chile and New Zealand in the early 90s, however, without success [Salazar, 2005]. On the threshold of the new millennium, a FTA between Singapore, and New Zealand was signed, inspiring announcement of the “P3” project involving Singapore, New Zealand, and Chile during Asia-Pacific Economic Cooperation (APEC) Leaders Meeting in Brunei Darussalam in 2000 [Pakpahan, 2012]. Very soon, Australia, and the United States declared the willingness to enter “P5” talks within expanded formula of P3, howeverm it appeared to be too ambitious at that time. Consequently, Brunei Darussalam decided to join, in order to form “P4” under the name of Trans-Pacific Strategic Economic Partnership (TPSEP), that was formally signed in 2005, and entered into force a year later. In 2008, when investment and financial services’s chapters of TPSEP agenda were negotiated, the United States applied for inclusion in trade talks. In this context, current TPP talks may be found as an extension of P5 (TPSEP) grouping, however, this translates into *latecomer* status of the United States, thus, Washington rather opted for a new trade agreement covering twelve states instead of “TPSEP Plus”. Accordingly, accession clause of the latter appeared to be ambiguous:

“This Agreement is open to accession on terms to be agreed among the Parties, by any APEC Economy or other State. The terms of such accession shall take into account the circumstances of that APEC Economy or other State, in particular with respect to timetables for liberalisation” [Hamanaka, 2014, 169].

As confirmed by Lewis, United States Trade Representative (USTR) official made it clear in remarks at the American Society of International Laws Annual Meeting that the United States were reluctant to enter TPSEP due to necessity of assuming leadership through enforcement of completely new trade agreement (TPP) [Lewis, 2011, 27-52].

As a consequence of the United States’ engagement in trade talks, Australia, and Peru, followed by Viet Nam, declared their participation in the negotiations. On 14 November 2009, during visit in Japan, new US president – Barack Obama announced engagement in TPP trade talks. In March 2010 negotiations were launched in Melbourne, involving P4 countries, the United States, Australia, Peru, and Viet Nam. In the followig months, other countries, among others, Canada, Mexico, and Malaysia, expressed interest in TPP membership. However, *newcomers* were expected to gain acceptance of existing member states. It should be noted, that Viet Nam decided to enter TPP talks following the United States that avoided *latecomer* status, whereas Malaysia expressed interest in membership in July 2010 due to dissapointing results of bilateral FTA talks with Washington. Consequently, Malaysia joined the second round of TPP talks in October 2010.

During APEC Leaders Meeting in November 2011, Canada, Japan, and Mexico declared their willingness to join TPP. Noteworthy, *newcomers* were provided with

pretty limited margin of flexibility in terms of negotiating agenda. Nine TPP members assumed that potential new members are not allowed to open already agreed chapters, so as to use veto right. Therefore, it was obvious that TPP members during trade talks in parallel with abovementioned APEC Leaders Meeting in 2011 tried to close as many chapters as possible before extension of membership. Interestingly, it appeared to be significantly important in the face of Japan's accession, due to concerns of, among others, New Zealand regarding Tokyo's bargaining power. As Stephens stated, both Canada, and Japan's membership were problematic, and deliberately prolonged, with special regard to the latter [Stephens, 2013].

Controversial issue in the context of TPP enlargement was a wide spectrum of preconditions imposed bilaterally by the United States on the *newcomers*, that effectively replaced accession criteria of "in-progress" mega-regional trade block. For instance, Mexico was obliged to sign Anti-Counterfeiting Trade Agreement (ACTA) [maquilaportal, 2014], Canada agreed on the phase-out of supply management control of dairy and agricultural products. According to Kelsey, extremely long list of prerequisites has been designed by Washington to affect the position of Japan, including, among others, sensitive sectors such as agriculture, and automobiles, so as medical devices, drugs, and insurances [japandailynews, 2014; Kelsey, 2011, Drysdale, and Ishigaki, 2001, 6]. Whereas Canada, and Mexico membership has been accepted by TPP members in June 2012, Japan had to wait till March 2013, and finally attended 18th meeting in Kota Kinabalu in July 2013.

Considering the United States' strategy in TPP talks it appeared that the only way to challenge American hegemon by any country is to propose/enter competitive trade framework, excluding Washington's influences. It should be noted, that TPP is not designed as regional-wide agreement, but, in fact, a set of bilateral FTAs. However, the United States tend to avoid re-opening of already established bilateral FTAs, attempting to negotiate separately tariff schedules with each TPP partner [Lewis, 2011]. As a consequence, future members of TPP are required not only to negotiate its own concessions, but also existing concession of all the member states at bilateral basis, that potentially inflate entry barrier. Thus, further enlargement of TPP appears to be uncertain, reducing possibility of balancing hegemonic position of the United States.

Summing up, TPP has been found as strategically important for the United States because of a few matters [Bobowski, 2014, 267]:

First, TPP may enhance the building of competitive regional trading architecture, moreover, superseding sluggish WTO Doha round negotiations.

Second, TPP may induce export promotion and competition between TPP and non-TPP members for US market. It is so because of the hybrid approach of US negotiators – on the one hand, concessions already guaranteed by bilateral FTAs are secured through avoidance of reopening of those documents, on the other hand – consultations on new tariff reduction and barrier removal with the countries without the "FTA link" with the United States proceed [Fergusson, Vaughn, 2010]. Then, the United States attempted to follow high standards imposed previously by P4 states as a *latecomer* only if convenient,

while imposing own rules within some fields as the most powerful party.

Third, through TPP potential political US alliance may be broadened, including more Asia – Pacific partners without previous closer trade relations materializing as bilateral FTA, ie Viet Nam, Malaysia, and New Zealand.

As it was mentioned before, TPP does not engage Beijing, at least for several reasons, ie difficulty in reaching agreements, escalating competition in rule – making and interference in regional production chains.

Namely, TPP encourages rule – making competition with the United States in terms of the degree of liberalization and integration. It must emphasized, that TPP is a high standard trade agreement of 26 chapters covering, next to the characteristic for ASEAN Plus FTAs customs border issues, WTO-plus elements such as environment, labor, intellectual property rights, and government procurement. Such kind of “competitive liberalization”, as it was termed by Bergsten, may discourage China from sitting by the multilateral negotiation table, also because of the restrictive clause addressing state – owned and state - supported enterprises [Bergsten, 1996]. Furthermore, it can be assumed, that TPP may enhance dynamic competition for the US market between China and TPP members and affect Chinese outward FDI performance, especially in Mexico – top host location in the Latin America, and Viet Nam, deeply engaged in vertical division of labor with China [Tso, 2012].

Therefore, the entry barrier is relatively high for China, however, there is still some room for change. When studying Chinese strategy towards TPP it appears that as for now they stand aside but not behind. Several important steps were already taken. First, sectoral – level dialogue between China and ASEAN was launched in July 2011 to cover a broad range of industries [Nan, 2010]. Second, China concluded the Foreign Investment Protection Agreement with Canada in February 2012 [Kosich, 2012]. Third, China proceeds with FTA talks with Australia [Dobell, 2011]. Last but not least, China – Republic of Korea and CJK FTA talks were initiated.

Admittedly, none of those initiatives were undertaken as a direct response to the TPP, notwithstanding, contemporary multilateral context has assigned them an extra importance and new meaning.

The Regional Comprehensive Economic Partnership (RCEP)

RCEP project has originated in intra-regional rivalry between China, and Japan over dominance, hence, influences within core regional institution, namely, ASEAN. According to Rapkin, Japan’s proposal of establishing an Asian Monetary Fund (1997) in the face of regional financial crisis, has been found as manifestation of hegemonic aspirations of Tokyo. However, the United States effectively blocked this initiative, preventing institutional competition with International Monetary Fund, dominated by Washington [Rapkin, 2001, 373-410]. Noteworthy, China maintained passive stance, in fact supporting American resistance.

Next to financial regionalism, trade regionalism has become a stage of Sino-Japanese rivalry, however, that time, Beijing’s regional diplomacy provoked Tokyo’s response. In

November 2000 China proposed free trade agreement to ASEAN, a year later, during ASEAN-China Summit, as a consequence of joint studies, parties agreed to establish FTA till 2010. According to Terada, China has made a policy turnaround then, manifesting serious commitment to regional trade diplomacy. The United States, followed by Japan, Singapore, and Indonesia, were truly concerned about rising position of Beijing within ASEAN Plus Three grouping [Terada, 2009, Okamoto, 2003, 246]. As a result, Tokyo proposed Comprehensive Economic Partnership (CEP) to ASEAN in January 2002. Two aspects seem to be obvious in this regard. First, Japan's proposal was a direct reaction to China's initiative. Second, CEP appeared to be much more ambitious, advanced, and comprehensive agreement than ASEAN-China FTA covering trade in goods. From the perspective of ASEAN, it was crucial to maintain a balance between two Northeast Asian neighbours, therefore, both initiatives were welcomed in favorable manner.

In the following years, direct competition between China, and Japan concentrated on trade regionalism, both in terms of membership, and agenda. In April 2005, at the initiative of China, joint studies on East Asia Free Trade Agreement (EAFTA) were launched. First results of joint studies were discussed at the ASEAN Plus Three Economic Ministers Meeting (APT EMM) in August 2006, further analysis were recommended. Meanwhile, at the ASEAN Plus Six Economic Ministers Meeting (APS EMM), Japan proposed joint studies on Comprehensive Economic Partnership in East Asia (CEPEA). Noteworthy, both multilateral projects were analyzed in parallel – second phase of EAFTA studies was concluded only a month before two phases of CEPEA studies (Phase I: June 2007-June 2008; Phase II: November 2008-July 2009, respectively). Consequently, both reports were presented in August 2009, albeit EAFTA was discussed among ASEAN Plus Three states, while CEPEA – among ASEAN Plus Six states.

When considering attributes of both projects, membership issues seem to be as crucial as agendas. Firstly, EAFTA, promoted by China, assumed narrower membership, excluding Australia – an important ally of Washington, so as India, able to challenge Beijing's dominance, while Tokyo's idea of CEPEA engaged both abovementioned states with obvious intention to offset China's influences, that consequently secured Japan's hegemonic position. Secondly, CEPEA's agenda appeared to be much more ambitious, going beyond trade in goods, basically covering intellectual property, and investment, that would transform China's policy into more defensive directions, in contrast to EAFTA, favoring China with rapidly growing domestic market. Strictly speaking, both China, and Japan submitted competitive proposals of regional trade frameworks ensuring own hegemonic position while attenuating rival's advantages.

As already mentioned, ASEAN supported both projects to reduce tensions between Tokyo, and Beijing. Compromise solution to that moment was to establish four ASEAN Plus Working Groups responsible, respectively, for: rules of origin, tariff nomenclature, customs procedures, and economic cooperation. As it turned out very soon, both Beijing, and Tokyo were dissatisfied with ASEAN's strategy, the first due to usage of "ASEAN Plus" formula that potentially favors Japan's vision of extended membership, while the

second because of omission of intellectual property, and investment from agenda that potentially favors China's domestic market potential.

Important breakthrough has taken place in August 2011, when China, and Japan submitted joint proposal on East Asian economic cooperation to ASEAN, suggesting creation of three working groups working on EAFTA, and CEPEA, covering, as follows: trade in goods, trade in services, and investment. Moreover, it was agreed that future trade framework should be centred around ASEAN, thus, involving only ASEAN Plus FTA Partners. In November 2011, at the 19th ASEAN Summit in Bali, RCEP has been announced, resulting in only a short comment by East Asia Summit (EAS) taking place two days later. Noteworthy, EAS engaged the United States, that might attempt to block this exclusive regional trade framework. Following August the first ASEAN Economic Ministers Plus FTA Partners consultations were organized, engaging representatives of sixteen states, while excluding the United States. In November 2012, at the 20th ASEAN Summit parties agreed to launch formal negotiations on RCEP with six FTA Partners. Thus, establishing FTA with ASEAN has become a prerequisite to enter RCEP talks. According to Guiding Principles and Objectives for Negotiating RCEP:

“Any ASEAN FTA Partner that did not participate in the RCEP negotiations at the outset would be allowed to join the negotiations, subject to terms and conditions that would be agreed with all other participating countries (Principle 6)” [Hamanaka, 2014, 176].

Noteworthy, as Pakpahan pointed out, RCEP assumed deeper economic cooperation than the existing ASEAN Plus FTA agreements, namely, it will open up more trade in goods and services, eliminate trade barriers, and gradually liberalise services and provide for greater foreign direct investment in ASEAN and its external trading partners [Pakpahan, 2012]. On the other hand, as Sally argued, RCEP:

“(...) will have weak disciplines on non-tariff regulatory barriers that are the biggest obstacles to trade in the region. It might end up agglomerating the noodle-bowl of FTAs among members rather than ironing out distortions among them. In such a scenario, RCEP will create little new trade and investment, and cause extra complications for global supply chains” [Sally, 2014].

It should be noted, however, that tripartite FTA talks between China, Japan, and Republic of Korea were formally launched in parallel as a consequence of decisions of trilateral summit held in November 2012.

Moreover, parallel to the consultation on the RCEP (third round of negotiations took place in January 2014 in Malaysia) and the tripartite FTA, China and Republic of Korea conduct negotiations regarding a bilateral free trade agreement (since May 2012, there were eight rounds of negotiations), and may potentially direct further tripartite talks involving Japan. During the eighth round of bilateral talks in November 2013 the list of sensitive agricultural assortments was agreed, while the statements concerning the

flow of services, investments, intellectual property rights, competition, environment and employment were exchanged. It is worth mentioning that the bilateral free trade agreement Japan-Republic of Korea was negotiated in years 2003 - 2004, however, the following years brought deadlock— finally, in 2008, a consultation process was relaunched to provide more favorable climate for further talks. As it was announced by the South Korean Ministry of Foreign Affairs, the second and the last negotiation round so far at the general level took place in May 2011 [Bobowski, 2014, 268-269].

On the other hand, it should be emphasized, that trade negotiations are accompanied by mutual distrust and political tensions, concerning, among others, territorial disputes around the Senkaku/Diaoyu islands of the South China Sea between Beijing and Tokyo and Dokdo/Takeshima islets in the Sea of Japan between Tokyo and Seoul, as well as the “tolerant” stance of Beijing towards North Korean nuclear program [Buckley, and Jones, 2012]. Particularly strong animosities are observed between Beijing and Tokyo, being - as the second and third world largest economy in terms of nominal GDP, the natural competitors for leadership in the region [Haggard, 2011, p. 17].

Whereas, Japan has decided to enter TPP membership negotiations, perceiving such kind of trade pact as an opportunity to challenge deflation and stagnation of economic growth through export expansion [BusinessKorea, 2013]. Following official statement of prime minister Abe’s administration, joining the TPP negotiations has become an integral part of the growth strategy. In fact, the first Abe administration of 2006–07 also emphasised the importance of making progress on Economic Partnership Agreements with other countries in East Asia in order to bolster economic growth in Japan by inducing overseas demand for goods, and services [Mulgan, 2013a].

In this context, the interest of Beijing— standing aside the US-led project - in tripartite agreement has increased, in order to counterbalance the potential impact of multilateral block, involving, around the negotiating table, next to Japan, Australia, Brunei, Chile, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam [Global Post, 2013].

In this respect, joint statement of China, and Japan on East Asian economic cooperation addressing ASEAN in 2011 deserved extra attention. Beijing trade diplomacy’s perspective was heavily focused on membership, therefore, RCEP excluding American rival gained interest even though negotiation agenda covered, among others, investment. As Hamanaka suggested, China was more confident as to its economic potential, when compared to EAFTA proposal in 2004, therefore, agreed on partially disadvantageous agenda, finally ready to challenge Japan. On the other hand, Japan could have used RCEP talks as an argument in TPP negotiations, namely, to use *China card* in order to soften the United States’ restrictive stance towards its membership. Assuming, that initiation of RCEP talks at a critical moment of TPP negotiations was not a coincidence, it is obvious, that China was willing to create a counterbalance to TPP, while Japan seek for strong argument to gain US’ approval for joining TPP talks. However, the latter condition has been already met.

Regarding RCEP membership, it should be noted, that future mega-regional trade

framework is expected to possess accession clause, while limiting potential spectrum of member states to FTA Partners of ASEAN. Furthermore, RCEP's Guiding Principles stated, that:

“Taking into consideration the different levels of development of the participating countries, the RCEP will include appropriate forms of flexibility including provision for special and differential treatment, plus additional flexibility to the least-developed ASEAN Member States” [Hamanaka, 2014, 177].

Thus, developing countries – *latecomers*, may benefit from favorable treatment.

IV. Japan's strategy towards TPP and RCEP – what's the name of the game

While studying Tokyo's strategy towards two mega-regional trade projects, it is important, however, to start from the context of US-Sino rivalry. As written above, TPP is found as US-led project, while RCEP appears to be China-led, albeit centred around ASEAN. Furthermore, *latecomer* status of Japan by TPP table cannot be treated as a point of reference to RCEP process, mainly due currently blurred leadership shared by Beijing, and Tokyo, and even, to some extent, ASEAN³.

The United States skilfully entered TPSEP trade talks avoiding *latecomer* status to determine restrictive accession clause, discouraging potential new entrants. As many observers claimed, an idea behind TPP was to attract anyone, except China, frustrated with rule-competition, on the one hand, potentially threatening American hegemony, on the other. Thus, Washington was willing to secure its dominating position, excluding major rival within Asia-Pacific region.

Whereas, China attempted to establish regional framework excluding the United States, in order to secure its hegemonic position. Then, Japan hasn't been perceived as an important rival anymore, mainly due rising economic power of Beijing, however, when accompanied by India, still challenging. Therefore, China's hegemonic position in RCEP has been secured through accession guidelines, limiting the scope of membership to ASEAN Plus FTA Partners, that naturally excluded American competitor. Initially,

³ However, ASEAN-centric concept seems to be ambiguous, when considering its bargaining power in RCEP when confronted with China, and Japan, potentially also India [Kassim, 2012; Cheong and Tongzon, 2013, 144-168]. Following Pakpahan, TPP membership of ASEAN-4 will profoundly influence the centrality of ASEAN. ASEAN aims to preserve its centrality to economic cooperation within Southeast and East Asia through initiatives such as the East Asia Summit and ASEAN Plus Three. If ASEAN does not respond effectively to any potential competition between the TPP and RCEP, ASEAN's role as a driving force in the various regional arrangements is more likely to decline. The rivalry between the US and China could also undermine the crucial role that ASEAN plays [Pakpahan, 2012]. When considering ASEAN's strategy towards TPP, and RCEP, Sally opted for “ambitious agreements” with maximum sectoral coverage, and restrictive discipline assigned, whereas indicating the importance of simplifying the rules of origin, and open accession clauses for non-members. Furthermore, author opted for accelerating progress of the ASEAN Economic Community (AEC) and strengthening provisions in existing FTAs to benefit from both trade, and investment flows within ASEAN [Sally, 2014].

Beijing insisted on ASEAN Plus Three formula to weaken Tokyo-led coalition, potentially supported by India, and close US allies, namely Australia, and New Zealand, all sharing democratic values [Terada, 2009]. Providing flexible treatment to developing countries, less ambitious, *goods-centric* agenda, open doors for Japan, distinguished this project from American project while minimizing the risk of failure. Moreover, rapid progress of TPP talks encouraged Beijing to accept extension of negotiation agenda under the pressure of Tokyo, with special regard to investment, and intellectual property. While Japan seemed to play *US card* to redesign RCEP agenda in favorable manner, China could have realized that advancing agenda with WTO-Plus elements will not strengthen Tokyo's position at unexpected scale to challenge China's hegemony. Alike TPP project, RCEP officially do not exclude the possibility of future coexistence of China, and the United States within a given trade framework, however, this would possibly lead to merger of both mega-regional projects. As Huang stated, emergence of two competitive mega-regional projects reflects the scale of mutual misunderstanding and mistrust between Washington, and Beijing [Drysdale, 2014], therefore, consolidation into the single trade regime is pretty unlikely in the following years. Unquestionably, the TPP created the impetus for China, and Japan to compromise on the exact membership of regional cooperation. Following Huang, China should activate the strategic bilateral relationship with the United States to seek membership of the TPP. The TPP is only one area, as he stated, "(...) where China and the US can work together closely to develop a new major-power relationship. The two countries are already negotiating a bilateral investment treaty, successful conclusion of which could pave way for China's TPP accession. The two governments may also want to consider the possibility of establishing a bilateral free trade agreement (...)" [Drysdale, 2014]. However, as Drysdale argued, such a vision is still very far ahead, thus, the main goal as for now for China is to complete RCEP. According to Sally:

"President Obama's leadership is needed to conclude a 'high-quality, twenty-first century' TPP — and open the door to eventual Chinese membership. But Obama has conspicuously failed to lead on international trade. Similarly, the Chinese leadership has been defensive on trade policy for almost a decade. But there are signs that China is becoming interested again in regional and global trade liberalisation. It will take Chinese leadership to inject more ambition into RCEP" [Sally, 2014].

Author is raising the question whether Japan might be a good loser, or, consciously, play a card game to consume future double membership in mutually competing mega-regional trade blocks. As mentioned above, Japan decided to join China's trade diplomats to announce new concept of East Asian economic cooperation – consequently leading to RCEP project - in August 2011, when TPP's table seemed to be still unreachable for Tokyo. Three months later, at the APEC Leaders Meeting in Honolulu on 13 November, Japan formally expressed its will to join TPP talks, afterwards, on 17 November, during ASEAN Summit, supported proposal of RCEP. Last but not least, on 19 November, East

Asia Summit, including the United States, delivered a short, neutral comment, and three Northeast Asian countries, namely, China, Japan, and Republic of Korea, agreed to start tripartite FTA talks. Such unprecedented scale of diplomatic dynamism, including Japan's vital engagement, undoubtedly challenged US' optics. Interestingly, on 20 November 2012, when RCEP talks were formally launched, prime minister Noda lobbied for US president Obama's support for Japan's TPP membership. Prime minister Abe's announcement of late February 2013 as to participation in TPP talks on 15 March, that completely surprised Japan Agriculture Organization, representing domestic farm lobby, confirmed unprecedented rush of the Japanese government induced by rapid progress of US-led trade talks [Mulgan, 2013; Mulgan, 2013b]. According to joint statement by Abe, and Obama:

“The two Governments confirm that should Japan participate in the TPP negotiations, all goods would be subject to negotiation’ and that ‘as the final outcome will be determined during the negotiations, it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations” [Mulgan, 2013a].

Following events confirmed effective usage of *China card* by Japan to secure its inclusion in TPP, however, as February 2014 proved, Tokyo has been using argument of Sino-Japanese coalition as a threat to reduce pressure on tariff reductions within sensitive product lines from the side of major agricultural exporters, namely the United States, Canada, New Zealand, and Australia. Thus, while acting as *latecomer* by TPP table, Japan is playing *China card* to win as much as possible in “concession war”. Following joint statement of bilateral summit organized on 23-25 April 2014 in Tokyo, Abe, and Obama declared, that they “have identified a path forward on important bilateral TPP issues (...) and this marks a key milestone in the TPP negotiations” [Togo, 2014]. However, the role of hegemon in this game has been already cast by the “US director”. Noteworthy, due to Washington's pressure imposed on Tokyo to rebuild confidence in relations with Seoul, in March 2014 trilateral summit the United States – Japan – Republic of Korea was organized, so as bilateral talks between two Northeast Asian states.

It should be noted, however, that Japan's membership in TPP embraces both political, and economic costs. As Mulgan stated, Japan hasn't signed any FTAs with major trading partners, and developed countries, except for Switzerland in 2009, mainly due aversion to agricultural trade liberalization, thus, entering TPP, involving agricultural exporting powers such as the United States, and Australia, has raised justified concerns domestically. In fact, TPP is an extreme FTA, under which all tariffs are expected to be abolished within 10 years, with a very broad template that has implications for a host of Japanese regulatory systems including investment, competition policy, intellectual property, financial services and government procurement. Consequently, excluding “Your Party”, all national political forces in Japan tend to perceive TPP mainly through the prism of costs, and losses for a country [Mulgan, 2012]. Critics have indicated the

problem of external pressure of the United States, defining TPP as “radical bilateral FTA”, while questioning prime minister Noda’s statement that TPP is opening Japan to the world – as a matter of fact, scope of membership does not reflect the world coverage, so as Asian, due to exclusion of major regional trading partners of Japan, namely, China, Republic of Korea, Indonesia, Thailand, and the Philippines. Noteworthy, in 2014 Japan has signed Economic Partnership Agreement (EPA) with Australia, providing – for the first time in the history at such a scale - important concessions on some key agricultural products, such as beef. Importantly, this has been assessed as a source of pressure imposed on the United States to find a compromise in the field of agricultural concessions by TPP table.

Meanwhile, Japan is playing RCEP game, challenging China’s hegemonic ambitions with *US card*. Redefining agenda of RCEP to extend it much beyond trade in goods issues obviously disadvantaged China, however, intensified significantly after US acceptance for Japan’s membership in TPP. For instance, in January 2014, during the third RCEP meeting, Japan pushed through the proposal of establishing new Working Groups, namely: on competition, intellectual property, economic and technical cooperation, and dispute settlement. Consequently, strict discipline in the fields of investment, and intellectual property – Tokyo’s objective advantages over Beijing in trade policies – will be a subject of dispute settlement mechanisms instead of case-by-case political bargaining, as Hamanaka stated. Again, Japan tend to use its double membership deliberately to challenge “self-appointed” hegemons in both trade frameworks. However, according to author, hegemonic position of Beijing in RCEP is not a matter of political power, and legitimacy, like in case of Washington’s domination in TPP, but economic power, that can be challenged by Tokyo-led coalition including India, and Oceania, potentially also some ASEAN states engaged in TPP, with special regard to Singapore. Importantly, abovementioned Japan – Australia EPA has been accompanied by bilateral Australia – Republic of Korea FTA signed in April 2014, while China is still out of the game in Oceania [Terada, 2014].

V. Conclusion

Japan hasn’t retreat from regional rivalry over leadership, however, recent years have dramatically changed its position, mainly due rising China’s hegemony, and accelerating integration within ASEAN towards economic community, so as internal problems, regarding demography, unefficient domestic demand, and reindustrialisation.

When studying Asian trade regionalism through the prism of two mega-regional projects, namely TPP, and RCEP, Tokyo’s stance appears to be reactive, however, dual in its nature. It seems that China, Japan, and the United States faced the problem of rapidly integrating, and expanding ASEAN, that, in fact, inspired “Plus Three”, and “Plus Six” cooperation formulas, so as TPSEP. Consequently, Beijing submitted EAFTA proposal, Tokyo – CEPEA project, both expanding former bilateral ties through, respectively, FTA,

and EPA, with ASEAN, whereas Washington utilized its bargaining power to redefine and develop P4 grouping. Thus, three states manifesting hegemonic ambitions within Asia-Pacific region reacted to East Asian trade regionalism centred around ASEAN, in order to secure its dominating position. From its perspective, ASEAN tend to bridge Northeast Asian neighbours to seek for midpoint between EAFTA, and CEPEA, while being aware of intensifying Sino-Japanese race.

As mentioned before, both Beijing, and Tokyo were reluctant to intrusive US-led trade frameworks, however, an example of competition between TPP, and RCEP situated Tokyo in a very complicated position. On the one side, the United States attracted ASEAN-4, and Oceania into TPP trade talks, interfering East Asian trade regime, on the other, China responded through progressing RCEP talks to counterbalance American trade framework. Importantly, Japan wasn't able to react offensively through submission of its own trade framework that exclude both China, and the United States to secure hegemonic position. It was obvious, that intra-regional situation doesn't favor Tokyo's leadership ambitions, therefore, it was critical to locate itself as best as possible in *an exclusive game* already played by Beijing, and Washington. *The golden mean* has been found in double membership, that might disadvantage, at least to some extent, both China, and the United States, locked within separate, competitive frameworks. In other words, TPP membership of the most powerful regional rival cannot be neglected by China informally leading RCEP, so as Japan's activism within single framework with China cannot be ignored by the United States under TPP.

However, hegemonic position of the United States within TPP cannot be referred to China's position in RCEP talks. When comparing two mega-regional projects, TPP has been found as more restrictive, and advanced in terms of agenda, while providing no preferential treatment to developing countries. Meanwhile, RCEP appeared to be less ambitious in terms of agenda, moreover, flexible in respect of interests of developing signatory parties. Commonalities are numerous, though. Firstly, both TPP, and RCEP will perspectivevely, according to author, take the shape of a set of bilateral agreements, as it was already observed in TPP talks, and "ASEAN Plus" agreements indicated, instead of single, multilateral pact - "one size fits all" in the manner of the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) wouldn't attract developing states. Secondly, both frameworks are expected to be exclusive in terms of membership, although this seems to address, most of all, potential China's inclusion in TPP, and the United States' inclusion in RCEP. Thirdly, both China by RCEP table, and the United States by TPP table, are said to provide Japan's negotiators with new concessions, and exclusions, facing informal pressure resulted of Tokyo's parallel engagement in both mega-regional projects. The Japan - Australia EPA disadvantaged China in Oceania, while strengthening position of Tokyo in trilateral Northeast Asian trade talks engaging the Republic of Korea, already linked through FTA with Australia. Agricultural concessions provided by Japan under bilateral EPA would potentially soften Washington's stance regarding sensitive products under TPP, so as the progress of trilateral China - Japan

– Republic of Korea FTA, and RCEP talks under Sino-Japanese co-leadership⁴ [Yunling, 2010, 225-226]. As it was manifested in case of Chiang Mai Initiative Multilateralization (CMIM) in 2009, Beijing, and Tokyo are able to overcome mutual resentments through equal contribution to regional financial facilities. In case of RCEP, China agreed on extension of agenda with WTO Plus elements that favors Tokyo's trade standards, and practices. Noteworthy, Sino-Japanese co-leadership is desirable from the perspective of ASEAN, willing to extend formula of regional trade framework in favor of Japan's optics, namely "ASEAN Plus Six", rejecting narrower China's concept of EAFTA. Japan-led coalition, potentially involving, among others, India, and Australia, so as a part of ASEAN, provide a counterbalance to China's rising hegemony, that is perceived as a threat by regional emerging markets. Meanwhile, Japan forced to operate within wider spectrum of regional actors is, to some extent, balanced, in terms of leadership ambitions, that are unwelcomed regionally though. However, according to author, in case of Japan it is hard to think in terms of socializing under equal terms to China, due to current political, and socioeconomic determinants of both regional powers. Then, RCEP, according to ASEAN, is expected to tame, and manage Japan's, but especially China's hegemonic aspirations.

Summing up, double membership makes Japan critical for success of both mega-regional projects due to rivalry among two hegemon – China, and the United States, willing to rule the membership and agenda of, respectively, RCEP, and TPP. As stated by Mulgan:

"(...) without Japan the TPP would be much less significant. Japan's participation amplifies both the economic and strategic importance of the TPP for the US. Japan's involvement enables the TPP to effectively compete with the China-led Regional Comprehensive Economic Partnership (RCEP), which involves Japan but not the US. Absent Japan, the TPP becomes a bit of a sideshow in the US strategic game against China and hardly the vehicle to facilitate the US rebalancing to Asia that America would like it to be. Hence threats to expel Japan from the TPP negotiations carry little weight" [Mulgan, 2014].

When studying Tokyo's trade diplomatic strategy, it seemed to be oriented on, as Rix argued, "leading from behind" [Green, 2003, 225-227], instead of forceful assertive actions. Following former prime minister Takeshita:

"it is the role of the leader today not to pull people along, it is to get consensus of the people" [Maswood, 2011, 22].

However, when following recent developments of both TPP, and RCEP, Japan seems to behave more as reactive state, however, assigned to the concept of consensual leadership

⁴ Following Dent, Sino-Japanese relations may provide various outcomes, namely: contested leadership, division of labour, general co-leadership, alternative co-leadership, coalitional leadership, group consensus leadership, matrix or combination of the above simultaneously, null leadership [for further studies see: Dent, 2008, 23-24]

in favor of socializing, and balancing China within East Asian regionalism, while playing TPP game at the expense of China's influences within Asia-Pacific regionalism. According to author, notable risk faced by Tokyo's trade diplomats contemporarily is the potential US-Sino consensus that may result in consolidation of TPP, and RCEP – then, Japan's advantages resulting of double membership fade away, and the new rules of the game will be set by "G2"⁵. However, as long as two hegemonic states compete, the third one, namely Japan, has still much to win in mega-regional *exclusive game*.

References

- Acharya A., 1997, "Ideas, Identity, and Institution-building: From the 'ASEAN Way' to the 'Asia-Pacific Way'?", *The Pacific Review*, no. 10(3)
- Acharya A., 1999, "Imagined Proximities: The Making and Unmaking of Southeast Asia as a Region", *Southeast Asian Journal of Social Science*, no. 27(1)
- Anderson B., 1991, *Imagined Communities: Reflection of the Origin, and Spread of Nationalism*, Revised Edition, Verso
- Aziz I., 2013, "Trade Pacts in a "Second Best" World," *Strategic Review*, vol. 3, no. 4
- Bergsten F., 1996, *Competitive Liberalization and Global Free Trade: A Vision for the Early 21st Century*, Working Paper 96-15, Peterson Institute of International Economics
- Bhagwati J., 1993, "Regionalism and Multilateralism: An Overview", [in:] Melo J. D., and Panagariya A. (eds.), *New Dimensions in Regional Integration*, Cambridge University Press, Cambridge
- Bobowski S., 2011, *Baldwin' "domino theory" of regionalism – its sources and implications for East Asian states*, [in:] *Faces of Competitiveness in Asia Pacific*, Skulska B., Jankowiak A. H. (eds.), Research Papers of Wroclaw University of Economics, No. 191, Publishing House of Wroclaw University of Economics, Wroclaw
- Bobowski S., 2014, *Multilateral context of the project of trilateral China – Japan – Republic Of Korea Free Trade Agreement*, [in:] *International Business and Global Economy*, Research Papers of University of Gdansk, No. 33, Publishing House of University of Gdansk, Gdansk
- Buckley Ch., Jones T. Y., 2012, "East Asian powers set to push trade pact talks", *Reuters*, 12 May; <http://www.reuters.com/article/2012/05/13/us-china-summit-idUSBRE84C00V20120513>
- BusinessKorea, 2013, "Korea-China FTA. Latest Round of Talks Includes Liberalization of Some Farm Products, Noted Controversies", *BusinessKorea*, 25 November; <http://www.businesskorea.co.kr/article/2267/korea-china-fta-latest-round-talks-includes-liberalization-some-farm-products-noted>
- Cheong, I. and Tongzon J., 2013, "Comparing the Economic Impact of the Trans-

⁵ G2 acronym indicates grouping that involves China, and the United States.

- Pacific Partnership and the Regional Comprehensive Economic Partnership”, *Asian Economic Papers*, vol. 12, no. 2
- Dent Ch. M., 2008, *What region to lead? Developments in East Asian regionalism and questions of regional leadership*, [in:] Dent Ch. M. (ed.), *China, Japan, and Regional Leadership in East Asia*, Edward Elgar Publishing, Inc., Massachusetts
- Dobell G., 2011, “A trade deal without China”, *The Interpreter*, 21 December; <http://www.lowyinterpreter.org/post/2011/12/21/A-trade-deal-without-China.aspx>
- Drysdale P. and Ishigaki K., 2001, *East Asian trade and financial integration: New issues*, Asia-Pacific Press, Canberra
- Drysdale P., 2014, “China and the future of Asia Pacific trade”, *East Asia Forum*, 20 January; <http://www.eastasiaforum.org/2014/01/20/china-and-the-future-of-asia-pacific-trade/>
- Fergusson I. F., Vaughn B., 2010, *The Trans-Pacific Partnership Agreement, CRS Report for Congress*, 25 June; <http://fpc.state.gov/documents/organization/145583.pdf>
- Gamble A., and Payne A., 1996, “Introduction: The Political Economy of Regionalism and World Order”, [in:] Gamble A., and Payne A. (eds.) *Regionalism and World Order*, Macmillan, Basingstoke
- Global Post, 2013, *China, Japan, S. Korea conclude first round trade talks*, Agence France – Presse, 28 March; <http://www.globalpost.com/dispatch/news/afp/130328/china-japan-s-korea-conclude-first-round-trade-talks>
- Green M. J., 2003, *Japan’s Reluctant Realism. Foreign Policy Challenges in an Era of Uncertain Power*, Palgrave Macmillian, New York
- Haggard S., 2011, “The Organizational Architecture of the Asia–Pacific: Insights from the New Institutionalism”, *ADB Working Paper Series on Regional Economic Integration*, No. 71, January
- Hamanaka S., 2008, *Comparing summitry, financial, and trade regionalisms in East Asia: from the Japanese perspective*, [in:] Dent Ch. M. (ed.), *China, Japan, and Regional Leadership in East Asia*, Edward Elgar Publishing, Inc., Massachusetts
- Hamanaka S., 2010, *Asian Regionalism and Japan*, Routledge, London and New York
- Hamanaka S., 2014, “TPP versus RCEP: Control of Membership and Agenda Setting”, *Journal of East Asian Economic Integration*, Vol. 18, No. 2
- Hurrell, A., 1995, *Regionalism in Theoretical Perspective* [in:] Fawcett L. and A. Hurrell (eds.) *Regionalism in World Politics: Regional Organization and International Order*, Oxford University Press, Oxford
- Japan Daily Press, 2014, “Japan to ease regulations on US beef imports”, 15 January; <http://japandailynews.com/japan-to-ease-regulations-on-us-beef-imports-2221968/>
- Kassim, Y. R., 2012, “East Asian Regionalism: End of ASEAN Centrality?,” *Eurasia Review*; <http://hdl.handle.net/10220/8674>
- Katzenstein P., 2000, “Regionalism and Asia”, *New Political Economy*, no. 5(3)
- Kelsey, J., 2011, “TPP and US Anti-China Strategy,” “Scoop” *World Independent News*; <http://www.scoop.co.nz/stories/WO1111/S00589/tpp-andus-anti-china-strategy-conclusions.htm>

- Keohane. R., 1984, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton University Press, Princeton
- Kindleberger Ch., 1973, *The World in Depression, 1929-1939*, Allen Lane, London
- Kindleberger Ch., 1986, "Hierarchy Versus Inertial Cooperation", *International Organization*, no. 40(4)
- Kosich D., 2012, "Historic Canada-China trade agreements benefit both mining sectors", *Mineweb*, 9 February; <http://www.mineweb.com/mineweb/view/mineweb/en/page72068?oid=145108&sn=Detail>
- Kratochwil F., and Ruggie J. G., 1986, "International Organization: A State of the Art on Art of the State", *International Organization*, no. 40(4)
- Lewis, M. K., 2011, "The Trans-Pacific Partnership: New Paradigm or Wolf in Sheep's Clothing?," *Boston College International and Comparative Law Review*, vol. 34, issue 1
- Mack A., and Ravenhill J., 1995, *Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Region*, Allen & Unwin, St Leonards
- Maquila Portal, 2014, "Mexico pressed to sign ACTA", *Maquila Portal*, 16 January; <http://www.maquilaportal.com/index.php/blog/show/Mexico-pressed-to-sign-ACTA.html>
- Maswood S. J., 2001, *Japanese foreign policy and regionalism*, [in:] Maswood S. J. (ed.), *Japan and East Asian Regionalism*, Routledge, London and New York
- Morgenthau H., 1978, *Politics among Nations: The Struggle for Power and Peace*, Third Edition, Alfred A. Knopf, New York
- Mulgan A. G., 2012, "Why Japan is lagging on the TPP", *East Asia Forum*, 30 May; <http://www.eastasiaforum.org/2012/05/30/why-japan-is-lagging-on-the-tpp/>
- Mulgan A. G., 2013, "Japan's TPP 'shock'", *East Asia Forum*, 8 April; <http://www.eastasiaforum.org/2013/04/08/japans-tpp-shock/>
- Mulgan A. G., 2013a, "Will Prime Minister Abe's TPP strategy be successful?", *East Asia Forum*, 1 March; <http://www.eastasiaforum.org/2013/03/01/will-prime-minister-abes-tpp-strategy-be-successful/>
- Mulgan A. G., 2013b, "What can we expect from Japan's Prime Minister Abe on the TPP?", *East Asia Forum*, 1 January; <http://www.eastasiaforum.org/2013/01/15/what-can-we-expect-from-japans-prime-minister-abe-on-the-tpp/>
- Mulgan A. G., 2014, "Why the US struggles against Japan in TPP negotiations", *East Asia Forum*, 27 August; <http://www.eastasiaforum.org/2014/08/27/why-the-us-struggles-against-japan-in-tpp-negotiations/>
- Nan H., 2010, "Conference strengthens cooperation in commerce", *China Daily*, 8 September; http://www.chinadaily.com.cn/regional/2010-09/18/content_11321859.htm
- Nye J. S., 1968, *International Regionalism*, Little Brown and Co., Boston
- Okamoto J. (ed.), 2003, *Whither Free Trade Arrangements? Proliferation, Evaluation and Multilateralization*, Institute of Developing Economies (IDE) Development Perspective Series
- Pakpahan B., 2012, "Will RCEP compete with the TPP?", *East Asia Forum*, 28 November; <http://www.eastasiaforum.org/2012/11/28/will-rcep-compete-with-the-tpp/>

- Petri, P. A., 2013, "The New Landscape of Trade Policy and Korea's Choices," *Journal of East Asian Economic Integration*, vol. 17, no. 4
- Rapkin, D., 2001, "The United States, Japan, and the Power to Block: The APEC and AMF Cases," *The Pacific Review*, vol. 14, no. 3
- Ravenhill J., 2001, *APEC and the Construction of Pacific Rim Regionalism*, Cambridge University Press, Cambridge
- Ravenhill J., 2003, "The New Bilateralism in the Asia-Pacific", *Third World Quarterly* 24
- Russett B., 1985, "The Mysterious Case of Vanishing Hegemony; or, Is Mark Twain Really Dead?", *International Organizations*, no. 39(2)
- Salazar J., 2005, "A Chile-New Zealand CEP? The Concept of Coopetition and The Politics of Trade Liberalization," Lecture at Political Science and International Relations Programme of Victoria University of Wellington, Wellington, 15 March
- Sally R., 2014, "Is bigger better for ASEAN in a mega-regional world?", *East Asia Forum*, 10 September; <http://www.eastasiaforum.org/2014/09/10/is-bigger-better-for-asean-in-a-mega-regional-world/>
- Schweller R. I., 1999, "Rise of Great Powers: History and Theory", [in:] Johnson A. I., and Ross R. (eds.), *Engaging China: the Management of an Emerging Power*, Routledge, London
- Snidal D., 1985, "Limits of Hegemonic Stability Theory", *International Organization*, no. 39(4)
- Stephens H., 2013, "Canada and the TPP: Short Term Tactics and Long Term Strategy," Paper presented at CNCPEC Seminar: New Development & Future Direction of Asia Pacific Regional Economic Integration, Beijing, 14-15 November
- Terada T., 2009, "The rise of China: the impetus behind Japanese regionalism", *East Asia Forum*, 26 July; <http://www.eastasiaforum.org/2009/07/26/the-rise-of-china-the-impetus-behind-japanese-regionalism/>
- Terada T., 2014, "Australia, Japan take a 'domino approach' to regional integration", *East Asia Forum*, 30 July; <http://www.eastasiaforum.org/2014/07/30/australia-japan-take-a-domino-approach-to-regional-integration/>
- Togo K., 2014, "Obama visit fails to strengthen US-Japan trust", *East Asia Forum*, 7 May; <http://www.eastasiaforum.org/2014/05/07/obama-visit-fails-to-strengthen-us-japan-trust/>
- Tso Ch. - D., 2012, "Trans-Pacific Partnership and China-Japan-Korea FTA: Implications for Taiwan", *National Taiwan University*, 12 December; http://www.stimson.org/images/uploads/Trans_Pacific_Partnership_and_China_Japan_Korea_FTA.pdf
- Yunling Z., 2010, *China and Asian Regionalism*, World Scientific Publishing Co. Pte. Ltd., Singapore
- Värynen R., 2003, "Regionalism: Old and New", *International Studies Review*, no. 5(1)
- Woods L., 1993, *Asia-Pacific Diplomacy: Nongovernmental Organizations and International Relations*, UBC Press, Vancouver