

The Noda Cabinet's Announcement for Participating in the TPP Negotiations and Japan's Future Course: An Observation from Studies of the U.S.'s New Asia-Pacific Strategy and the ASEAN's New Proposal of RCEP (Regional Comprehensive Economic Partnership)

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Abstract

The purpose of this paper is to discuss the future course that Japan should take concerning regional cooperation in Asia-Pacific and East Asia. In other words, which Japan should choose the U.S.-led TPP or the ASEAN-led RCEP is the main theme of this paper. Firstly, I describe the Noda Cabinet's participation in the TPP negotiations and its impact. Secondly, I pick up the 19th APEC Summit in which the U.S.-led TPP was discussed under the strong leadership of President Barack Obama. Thirdly, I focus on the critical speech of the U.S. President Obama in the Australian parliament ("Obama doctrine") along with a paper published by U.S. Secretary of State Hillary Clinton, with a view to examine the U.S.'s new Asian-Pacific strategy. Fourthly, I pay special attention to a series of ASEAN meeting in which the ASEAN-led RCEP was presented in order to cope with the U.S.-led TPP. Lastly, I try to draw the conclusion from the result of the preceding deliberation that Japan is now standing at a crossroad to choose the U.S.-led TPP or the ASEAN-led RCEP, and that Japan should prefer to the latter if Japan wants to play a leading role in regional cooperation in East Asia.

Key words: Noda Cabinet, TPP (Trans-Pacific Partnership), APEC (Asia-Pacific Cooperation), "Obama Doctrine", ASEAN (Association of Southeast Asian Nations), RCEP (Regional Comprehensive Economic Partnership)

I. Introduction

This paper is intended to be the sequel to my previous paper entitled "An East Asian Community or an APEC community: Regional cooperation in the Asia-Pacific region and the course Japan should take" (Ritsumeikan Economic Review, Vol.60, No.3, September 2011).

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Just as the previous paper was drawn up on the basis of an analysis of a series of meetings associated with the ASEAN that were held in October 2010 in Hanoi, Vietnam – namely, the 17th ASEAN Summit, the 13th “ASEAN Plus Three” Summit and the 5th East Asia Summit – this paper also focuses on a series of the ASEAN-related meetings held in November 2011 on Bali Island, Indonesia (the 18th ASEAN Summit, the 14th “ASEAN Plus Three” Summit and the 6th East Asia Summit). I have had a close look at those meetings from a standpoint of understanding them as a whole, taking into account the mutual connections between events that preceded them: 1) the announcement by the Noda cabinet, which was established following the resignation of Naoto Kan’s cabinet (August 30, 2011), to participate in the TPP negotiations (November 11, 2011); 2) the 19th APEC Summit (November 12 to 13, 2011 in Honolulu, U.S.) and; 3) a series of the ASEAN meetings that have already been mentioned (November 17 to 19, 2011).

The paper has the following structure: the next section describes the Noda cabinet’s participation in the TPP negotiations and its impact; the third section talks about the 19th APEC Summit; then in the fourth section, the focus is placed on a critical speech that was given immediately thereafter by U.S. President Barack Obama in the Australian parliament (also dubbed the “Obama doctrine”) along with a paper published by U.S. Secretary of State Hillary Clinton, with a view to examine the U.S.’s new Asian-Pacific strategy. The fifth section describes what was discussed in a series of the ASEAN meetings and the last section represents an attempt to draw a conclusion from the results of the preceding deliberation, by way of a suggestion for cooperation in the Asia-Pacific region and what course Japan should take in the future.

II . The Noda Cabinet’s Announcement for Participating in the TPP Negotiations and Its Impact

1 . Main Details of the Announcement for Participating in the TPP Negotiations

Prime Minister Yoshihiko Noda’s announcement for participating in the TPP negotiations was issued under adverse circumstances represented by a split public opinion, with intense objections coming not only from the side of opposition parties but also from within the ruling Democratic Party of Japan. The main details of the announcement can be summed up to the following two points:

1) Bearing in mind that there are strong objections across the nation and within the ruling as well as opposition parties in the areas of agriculture, healthcare, etc., care is expressed in it: “I ensure the firm protection of Japan’s world-renowned healthcare system, our traditional culture, and our beautiful farming villages. Thus, I determine my mind to reconstruct a stable society that is bolstered by a robust middle-class.”

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2) On the other hand, however, he does emphasize the significance of participating in the negotiations by stating that "as a trading nation, in order to develop our society into one with vigor, we must incorporate the economic growth of the Asia-Pacific region."

There is probably no need to say that his real intention lies in the latter of the above two points. While, on a related note, there were a great deal of criticisms that this announcement for participating in the TPP negotiations came out hastily without the government fulfilling its accountability to explain itself, hardly giving out any information about the negotiations, there was a reason why it had to be done hastily. This was precisely because the Japanese government was faced with a pressing need to express its intention to join the negotiations to U.S. President Obama at the 19th APEC Summit, which was to be held on the day immediately following the announcement and which Prime Minister Noda was to attend.

As it was pointed out in my previous paper, the TPP is doubtless one type of FTA but is quite different from any FTAs or EPAs that Japan has concluded in the past. The rates of liberalization under the FTAs and EPAs that Japan has concluded in the past are between 84 and 88%, which is a low level by international standards. The number of product categories that Japan has never removed tariffs on is approximately 940, a good majority of which are agricultural, forestry and fishery products. The general rule under the TPP is to eliminate tariffs with no exceptions (100%); it is 99% under the U.S.-Australia FTA. If the U.S.-Australia FTA becomes the standard, Japan will have approximately 90 product categories exempted since 90 are 1% of the approximately 9,000 product categories that Japan should calculate its rate of liberalization. Joining the TPP means that a large number of product categories that Japan has previously never removed tariffs on will be exposed to competition with products from overseas. Naturally, the TPP is not only about trade liberalization. Since it comes with negotiations that await in as many as 21 areas, including financial services, environment, labor and government procurement, it has serious implications that would result in a structural transformation of the very way Japan's economy and society operate. Therefore, it was a matter of course that the hasty announcement for participating in the negotiations drew intense criticisms.

2. Impact of the Announcement for Participating in the TPP Negotiations

Just as the *Asahi Newspaper* published an article entitled "TPP Shakes Asia" (November 10, 2011) in anticipation that the Japanese government would announce its intention to participate in the TPP negotiations, the announcement indeed subsequently brought a huge impact on regional cooperation in East Asia.

In terms of institutions for regional cooperation in the Asia-Pacific region, the TPP stands on one hand, which is led by the U.S. (the objective of which is to create an "APEC

community” by building on the FTAAP [Free Trade Area of the Asia-Pacific]), while on the other are the “ASEAN Plus Three,” a vision China pushes forward, and the East Asia Summit (or “ASEAN Plus Six”), which Japan supports. It is the EAFTA (East Asia Free Trade Area) in the case of “ASEAN Plus Three” and the CEPEA (Comprehensive Economic Partnership for East Asia) in the case of “ASEAN Plus Six” that is envisioned to build an “East Asian Community” on, and the power struggle for leadership between Japan and China is related with these moves..

According to the *Japan Economic Newspaper* (November 13, 2011), Japan’s announcement for participating in the TPP negotiations has impacted on China’s strategy and a change is forming in the existing landscape characterized by China pushing forward “ASEAN Plus Three” and Japan supporting “ASEAN Plus Six,” respectively, each in an attempt to establish an East Asian community. In other words, this is an argument that a sign of change can be seen in China’s strategy, one in the direction of propelling an economic alliance in East Asia, thus shelving the struggle that China and Japan have engaged in so far – “ASEAN Plus Three” versus “ASEAN Plus Six” – in order to “bring Japan, which is leaning toward the U.S. in its TPP stance, closer to China.” Whether observations in Japanese journalism, such as those of the *Asahi Newspaper* and the *Nihon Economic Newspaper*, are correct or not will be discussed once again when the details of a series of ASEAN meetings are examined.

III. Main Details of the 19th APEC Summit

1. An Expanded TPP Favored at the 19th APEC Summit

Prime Minister Noda officially announced his intention to participate in the TPP negotiations on November 13, 2011 on the occasion of the 19th APEC Summit, and President Obama welcomed it. What President Obama welcomed, however, was not only Japan’s announcement for participating in the negotiations but also Canada’s and Mexico’s proclaimed decisions to join the negotiations, and the Philippines and Papua New Guinea are also said to show interest in taking part. This is an indication that an expanded TPP is appearing on the horizon.

As the *Nihon Economic Newspaper’s* article “TPP Negotiating Countries and Sizes of Their Respective Economies” (November 15, 2011) shows, the percentage that P4 – the TPP’s predecessor – occupied in the global economy (in GDP terms) was merely 0.9%, while the nine TPP negotiating nations make up 27%, which means that if Japan, Canada and Mexico join the TPP, an economic bloc that accounts for as much as approximately 40% (39%) will become reality. This substantially outnumbers the equivalent figures for “ASEAN Plus Three” (23%) or “ASEAN Plus Six” (27%), or the E.U. (26%).

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2. Agreement on the Broad TPP Outlines and the "Honolulu Declaration"

During the 19th APEC Summit, the nine nations that were in the process of negotiating on the TPP reached an "agreement on the broad outlines of the TPP." This contributes to making the basic vision and direction of the TPP clear, while it also presents a policy of allowing limited exceptions in services, government procurement and other packages.

The main details of the talks during the 19th APEC Summit are described in the "Honolulu Declaration - Toward a Seamless Regional Economy" (Honolulu, Hawaii, USA, November 13, 2011, http://www.apec.org/Meeting-Papers/Leaders-Declaration/2011/2011_aelm.apex). They can be summarized into the following five points.

- 1) The Asia-Pacific region is now the vanguard for global growth, and this is a status that has been achieved through a steady commitment to the APEC mission of regional economic integration and to the Bogor Goals of free and open trade and investment.
- 2) The APEC's core mission continues to be further integration of its members' economies and expansion of trade among the members.
- 3) The APEC promotes green growth to address both the Asia-Pacific region's economic and environmental challenges in a way that enhances energy security and creates new sources of economic growth and employment.
- 4) Regulatory reform, including eliminating unjustifiably burdensome and outdated regulations, can boost productivity and promote job creation, while also protecting the environment and public health, safety, and security. In addition, as trade and investment flows become more globalized, greater alignment in regulatory approaches, including to international standards, is necessary to prevent needless barriers to trade from stifling economic growth and employment.
- 5) APEC's work toward a truly seamless regional economy is only in the beginning stages. We carry forward this work and strengthen the economic foundation of our shared Asia-Pacific community.

IV. The U.S.'s New Asia-Pacific Strategy

1. "Obama Doctrine"

After hosting the 19th APEC Summit, President Obama was to attend the 6th East Asia Summit (November 19, 2011), making his debut in this forum, but just before this event, on November 17, 2011, he gave a critical speech in the Australian parliament that was eventually dubbed the "Obama Doctrine" ("Remarks by President Obama to Australian Parliament", The White House Office of the Secretary, November 17, 2011, <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama->

australian-parliament). Below are the main details of his speech.

- 1) It was a speech given to commemorate the 60th anniversary of the military alliance between the U.S. and Australia.
- 2) After the wars in Iraq and Afghanistan came to an end, the U.S. is making a major move to turn its attention to the vast potential of the Asia-Pacific region. The U.S. has been, and always will be, a Pacific nation. As the world's fastest-growing region, the Asia-Pacific is critical to achieving my highest priority and that is creating jobs and opportunity for the American people.
- 3) During the wars in Iraq and Afghanistan in the past decade, there was an extraordinary increase in our military budgets. As we end today's wars, I view the Asia-Pacific region as the most important region for our security. While we are reducing our defense spending, we will allocate the resources necessary to maintain our strong military presence in the Asia-Pacific region. The U.S. is a Pacific power, and we are here [in the Asia-Pacific region] to stay.

It is obvious that this speech articulates a major change that the U.S. is making following the withdrawal of U.S. troops from Iraq and Afghanistan: giving a top priority to the Asia-Pacific region in its security strategy in the future. In order to implement this strategy, President Obama mentioned, in the same speech, the strengthened alliances with Japan, South Korea, Australia, the Philippines, Thailand, etc. in the area of security.

What is obviously behind this major change that the U.S. is making in its security strategy is its desire to keep China in check, a nation with increasing power in the Asia-Pacific region in both economic and military terms. China reacted immediately. On November 17, 2011, Xinhua News Agency issued a review article denouncing the U.S.: "It will do harm to the region if the U.S. wields its leadership, acting like a "leader" or mediator" still locked in a Cold War mindset, and engages in an "arson" or "fireworks" that would violate another nation's core interest". What is referred to here as "core interest" is presumably claims of sovereignty involving the South China Sea, an issue that in fact turned out to be the focal point of the discussion during the 6th East Asia Summit (EAS). Apparently, the intention of the U.S. was to mark the EAS as the "topmost venue" for discussing security in the Asia-Pacific region and, in all likelihood, President Obama gave this critical speech as a preamble to it.

Thus, the U.S.'s Asia-Pacific strategy has a two-wheel structure: one wheel to address economic issues with the TPP and the other to attend to security issues with the EAS.

2. The U.S. Secretary of State Clinton's Paper: "America's Pacific Century"

What can be regarded to have given President Obama's speech a more systematic

The Noda Cabinet's Announcement for Participating in the TPP Negotiations and Japan's Future Course and detailed form is "America's Pacific Century," a paper written by Secretary of State Hillary Clinton. The paper is based on the speech that she gave on November 10, 2011 at the East-West Center in Hawaii, which was later published in *Foreign Policy* (Hillary Clinton, "America's Pacific Century: The Future of Geopolitics will be decided in Asia, not in Afghanistan or Iraq, and the United States should be right at the Center of the Action", *Foreign Policy*, November 2011).

The main details of Clinton's paper can be summarized in the following 11 points.

- 1) Now that the wars in Iraq and Afghanistan have ended, the U.S. stands at a pivot point. Over the last ten years, we have allocated immense resources to Iraq and Afghanistan. One of the most important tasks of American statecraft over the next decade will be to lock in a substantially increased investment - diplomatic, economic, strategic, and otherwise - in the Asia-Pacific region. The Asia-Pacific has become a key driver of global politics.
- 2) Harnessing Asia's growth and dynamism is central to American economic and strategic interests.
- 3) Just as Asia is critical to America's future, an engaged America is vital to Asia's future. We are the only power with a network of strong alliances in the region. Along with our allies, we have underwritten regional security for decades and that in turn has helped create the conditions for economic growth.
- 4) The U.S. applies "forward-deployed" diplomacy and proceeds along the following six lines of action:
 - (1) Strengthening bilateral security alliances
 - (2) Deepening our working relationships with emerging powers, including with China
 - (3) Engaging with regional multilateral institutions
 - (4) Expanding trade and investment
 - (5) Forging a broad-based military presence
 - (6) Advancing democracy and human rights
- 5) Our treaty alliances with five nations (Japan, South Korea, Australia, the Philippines, and Thailand) are the fulcrum for our strategic turn to the Asia-Pacific.
- 6) Some in our country see China's progress as a threat to the U.S.; some in China worry that America seeks to constrain China's growth. We reject both of these views. The fact is that a thriving America is good for China and a thriving China is good for America.
- 7) We are committed to cementing APEC as the Asia-Pacific's premier regional economic institution. APEC helps expand U.S. exports and create and support high-quality jobs in the U.S., while fostering growth throughout the region.
- 8) President Obama has set a goal of doubling exports by 2015 and, last year, American

exports to the Pacific Rim totaled \$320 billion, supporting 850,000 American jobs. I know how important it is for the United States to expand our exports and our investment opportunities in Asia's dynamic markets.

- 9) The TPP will bring together economies from across the Pacific - developed and developing alike - into a single trading community.
- 10) Asia's remarkable economic growth over the past decade and its potential for continued growth in the future depend on the security and stability that has long been guaranteed by the U.S. military.
- 11) What is even more significant rather than our military might or the size of our economy is the power of our values - in particular, our firm support for democracy and human rights.

The gist of Clinton's paper is quite clear-cut: (1) The reason why the U.S. is applying the new Asia-Pacific strategy is that the region carries critical importance for their economic interest and security, and the U.S. will continue to be engaged in the region; (2) the U.S. applies "forward-deployed" diplomacy in the Asia-Pacific and the alliances with five Asian nations are the fulcrum of their strategy, and; (3) on the other hand, they will strengthen the APEC by using the TPP as leverage so that it should become the premier economic institution in the region. Thus, as with President Obama, Secretary of State Clinton also considers the economy and security as integrated issues and therefore states that the U.S. will wield its leadership and continue to be engaged in the Asia-Pacific region.

3. Comments on the U.S.'s New Asia-Pacific Strategy

The U.S.'s new Asia-Pacific strategy that President Obama and Secretary of State Clinton articulated have already attracted interesting comments.

Akihiko Yasui [2012] points out that this is not the first time that American diplomacy makes a shift to the Asia-Pacific. In the 1990s, Yasui argues, the Clinton administration diverted its diplomatic resources to the Asia-Pacific, including the first APEC Summit and the normalization of diplomatic ties with Vietnam, and now the U.S. appears to be going back to the path that it once chose in the 1990s, leaving behind the long detour defined by the fights in Iraq and Afghanistan. I myself share this view; but I am also astonished by the similarity of a paper written by former U.S. Assistant Secretary of Defense Joseph Nye, who advanced his East Asian strategy in the Clinton administration - the so-called "Nye Initiative" (Joseph S. Nye, Jr., "The Case for Deep Engagement", *Foreign Affairs*, Vol.74, No.4, July/August 1995) - to the recent paper by Secretary of State Clinton.

Nye's paper first pointed out that politics and economics were combined and

The Noda Cabinet's Announcement for Participating in the TPP Negotiations and Japan's Future Course international economic systems relied on the international political order. He argued that East Asia's remarkable economic growth depended on security supported by the U.S.'s alliances with East Asian nations and by forward deployment of U.S. troops, which reflected his view that economy and security were integrated. He then presented five options for an American security strategy in East Asia in the wake of the Cold War: (i) a strategy of withdrawing from East Asia and pursuing alliances in the Western hemisphere or the Atlantic Ocean only; (ii) a strategy of dissolving its alliances with Asian nations on the grounds that the Cold War ended; (iii) a strategy of forming a more modest regional institution in place of the series of alliances that it had with East Asian nations; (iv) a strategy of creating a NATO-type regional alliance in East Asia, however, he dismissed all four, and; (v) a strategy for the U.S. to exert its leadership as it had done in the past, which he concluded to be the best option for both the U.S. and East Asian nations. He summed up his argument by stating, "from the standpoint of American interests, we would need to be further engaged in East Asia".

Naturally, what lies between the 1990s in the wake of the Cold War and the present time, which has just witnessed the wars in Iraq and Afghanistan end, is not just similarities. Presumably, there are at least two major differences from the U.S. strategy perspective: one is the increasing power of emerging nations, especially China, and the other is the slipping rank of the U.S. economy in the arena of the global economy.

The U.S. is intending to adopt a strategy for addressing China's advance southward, represented by an attempt to make inroads into the Indian Ocean through the South China Sea and Myanmar. For example, Hirotsugu Aida [2011] points out that it is true that President Obama's speech defines the U.S. to be a "Pacific nation" but his administration's new Asia-Pacific strategy brings the Indian Ocean into view as well, an indication that the vast region referred to as the "Indo-Pacific" is becoming the key to its strategy. In fact, India has developed a strategy coined the "necklace of diamonds," which counters China's naval strategy that encircles the Indian subcontinent ("the string of pearls"), envisioning a coalition against China by partnering with the U.S. and the U.S.'s allies in the Asia-Pacific region.

An observation by Yoichi Kato [2012] takes into account the lowering rank of the U.S. economy that lies behind the Obama administration's new Asia-Pacific strategy. Kato calls this a "dilemma of double dependence" for East Asia. The "dilemma of double dependence" refers to the situation where dependence on the U.S. continues in the area of security, while "dependence" in the economic and trade spheres is gradually shifting from the U.S. to China and thus changing its nature. In the days of the Cold War, the nations that belonged to the Western bloc relied on the U.S. in terms of both economy and security. Their largest trading partner was the U.S., and they were protected by the U.S.'s

umbrella of nuclear deterrence. The U.S. boasted unshakable dominance. This mono-polar dominance of the U.S. is now in the process of collapsing due to China's increasing power. Kato's argument is founded on his conviction that this has caused a structure of "double dependence" – on China for economy and on the U.S. for security – to come into being.

V. Main Details of ASEAN Meetings

In November 2011, a series of ASEAN meetings were held on Bali Island, Indonesia: the 19th ASEAN Summit (November 17), the 14th "ASEAN Plus Three" Summit (November 18) and the 6th East Asia Summit (November 19). Our focus is placed on the discussions during the 19th ASEAN Summit and the 6th East Asia Summit.

1. Details of the Discussion at the 19th ASEAN Summit

The main feature of this ASEAN Summit, which the ten ASEAN member nations attended, was "Bali Concord III," or the Declaration on ASEAN Community in a Global Community of Nations (<http://www.aseansec.org/>). "Bali Concord III" presented ASEAN's new proposal of RCEP (Regional Comprehensive Economic Partnership) whose membership would consist of 16 nations of ASEAN Plus Six to cope with the American-led TPP.

A special correspondent who covered the APEC and ASEAN meetings on site reported: *"It was at the APEC meeting that was held in Hawaii a week ago: Canada and Mexico followed suit of Japan, which had announced its intention to participate in the negotiations on the Trans-Pacific Strategic Economic Partnership Agreement (TPP), an initiative led by the U.S. Mr. Obama proudly remarked, 'The TPP has the potential to be a model for the world' There was even an air of finality that a trend had now been set. Once the stage shifted to Bali Island, Indonesia, however, a dramatic change took place since it transpired that the TPP was met with a new competitor: the ASEAN-led vision for a 'broader free trade area' was set into motion"* (*The Asahi Newspaper*, November 20, 2011).

According to the JETRO (Japan External Trade Organization) report, "East Asia Summit, Related Meetings and How Nations Reacted" (December 22, 2011), ASEAN's new proposal of RCEP refers to the formation of "ASEAN Plus One FTAs" – in other words, an idea of establishing a region-wide FTA centered around ASEAN that encompasses ASEAN Plus One FTAs with Japan, China, South Korea, Australia, New Zealand and India.

This proposal by ASEAN led to a decision made at the 14th "ASEAN Plus Three" Summit and the 6th East Asia Summit to set up working groups proposed jointly by China

The Noda Cabinet's Announcement for Participating in the TPP Negotiations and Japan's Future Course and Japan – on (i) liberalization of trade in goods, (ii) liberalization of trade in services and (iii) investment rules – and substantial progress was thus made in the path to bring greater Asian economic integration into reality (Chairman's Statement of the 14th ASEAN Plus Three Summit, Bali, Indonesia, 18 November, 2011, and Chairman Statement of the 6th East Asian Summit, Bali, Indonesia, 19 November 2011, <http://www.aseansec.org>). What lay behind the ASEAN's move to propose RCEP during the recent summit meeting was a strong motive of the ASEAN, triggered by Japan's decision to participate in the TPP negotiations, to take the initiative in having China come aboard to create a new framework for regional cooperation. This represents a turn of events where the ASEAN, for fear that the U.S. would carry off a leadership position in regional cooperation in Asia, managed to strike an agreement by succeeding in getting over disagreements between Singapore and Indonesia, with the former welcoming TPP-driven liberalization of trade and the latter feeling apprehensive about possible increases in imported goods. It was the ASEAN's cohesion and sense of crisis that spurred to develop the new proposal of RCEP.

In the meantime, the ASEAN's proposal was well-received by China, which then eased its previous persistence to "ASEAN Plus Three" and made a shift to the direction of compromising on RCEP, an idea that is none other than the "ASEAN Plus Six" scheme that Japan had been supporting. This can be viewed as a reflection of China's ulterior motive to strengthen its partnership with ASEAN.

2. Details of the Discussion at the 6th East Asia Summit

There were two focal points in the discussion at the recent East Asia Summit: one related to greater Asian economic integration that has already been described and the other was the issue of maritime security in the South China Sea.

Claims of sovereignty over the Spratly Islands and the Paracel Islands in the South China Sea have been issues of dispute between China and four ASEAN nations (Brunei, Malaysia, the Philippines and Vietnam).

It is said that during the Summit, 16 out of the 18 attending nations made a reference to maritime security, and a majority of the talks was focused on the South China Sea issue. Of particular note, President Obama, who attended the East Asia Summit for the first time, stated from a standpoint of the new Asia-Pacific strategy that he had just announced that "as a Pacific nation, the U.S. has a significant interest in the solution of the South China Sea issue". He proceeded to argue for compliance with "freedom of navigation" – a principle of international law – and other matters on the subject of the South China Sea. In the meantime, Prime Minister Wen Jiabao of China, who long considered the South China Sea to be China's core interest, and maintained a policy of solving the issues through bilateral negotiations, said that "The East Asia Summit is not an appropriate venue for

discussing the South China Sea issue.”

That President Obama’s argument had its way as a result of the discussion is evident from the fact that the following passages were put in the “Declaration of the East Asia Summit on the Principles for Mutually Beneficial Relations” (Bali, Indonesia, November 19, 2011, <http://www.aseansec.org>); (i) recognizing that the international law of the sea contains crucial norms that contribute to the maintenance of peace and stability in the region; (ii) keeping with the principles of equality, partnership, consultation, and mutual respect and; (iii) the participating countries are guided by the principles of respect for international law, non-interference in the internal affairs of another country, renunciation of the threat of use of force or use of force, settlement of differences and disputes by peaceful means, etc.

The U.S. successfully formed a majority on the South China Sea issue, while China reportedly showed a willingness to compromise on the development of a legally-binding “Code of Conduct in the South China Sea” that is requested by the ASEAN nations, leaving behind the “Declaration on the Conduct of Parties in the South China Sea,” which was concluded in 2003 but is not legally-binding.

VI. Concluding Remarks

Having been motivated by the announcement by the Japanese government (Noda cabinet) for participating in the negotiations on the American-led TPP, this paper has examined the 19th APEC Summit, the U.S.’s new Asia-Pacific strategy that President Obama articulated immediately thereafter, and a series of ASEAN meetings, in that order. It will now be concluded with a look into what kind of impact Japan’s participation in the TPP negotiations will have on its future course.

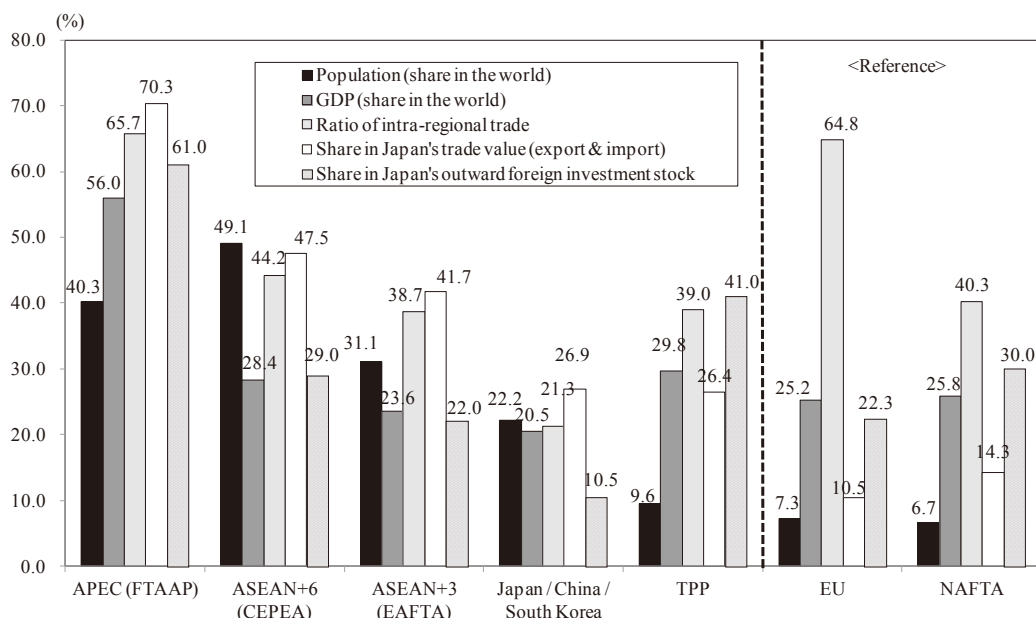
The announcement for Japan’s participation in the TPP negotiations has, as has been examined, indeed brought about a huge impact on regional cooperation in East Asia, which can be discerned from the fact that the *Asahi Shimbun* published an article entitled “TPP Shakes Asia” and that an article of a similar nature came out in the *Nihon Keizai Shimbun* as well. As it is obvious from what our examination of the discussion at a series of ASEAN meetings has brought to light, however, this was not at all a result of any proactive prompting on the side of Japan but the fact is rather that the ASEAN, which had developed a sense of crisis in the face of the potential American-led formation of a regional cooperation framework, took the initiative in creating a vision for new regional cooperation by having China come aboard, i.e., RCEP.. On top of that, as ironic as it may seem, this idea of RCEP is precisely what “ASEAN Plus Six” is all about, a scheme that Japan has been supporting in rivalry with China’s “ASEAN Plus Three.”

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This has resulted in Japan's adopting a "peculiar" stance in the area of regional cooperation in the Asia-Pacific region, as it announced its intention to participate in the negotiations on the U.S.-led TPP on one hand and agreed to support the ASEAN's new proposal of RCEP as well on the other. What I refer to as a "peculiar" stance here is Japan's move to take part in both the TPP and the RCEP, while the U.S. is involved in the TPP only and China, South Korea and ASEAN nations such as Indonesia and Thailand, are in for the latter vision only.

It is true that, as has already been mentioned in "TPP Negotiating Countries and Sizes of Their Respective Economies" (the *Nihon Economic Newspaper*, November 15, 2011) shows that the percentage relative to the global economy (in GDP terms; 2010) is 27% in the case of "ASEAN Plus Six" in contrast to a substantially larger figure - approximately 40% (39%) - in the case of the "nine TPP negotiating countries plus Japan, Canada and Mexico." However, Chart 1 "Position of wide-area FTA schemes in the world" shows that the share in Japan's trade value (export & import, 2011) in the case of "ASEAN Plus Six" (47.5%) is much more larger than that of the TPP (26.5%).

Chart 1 : Position of wide-area FTA schemes in the world



Notes: (1) The world population is the sum of 181 countries. (2) Regarding the balance of outward FDI from Japan, due to statistical constraints, 1. Brunei and Papua New Guinea are excluded; 2. Local statistics were used for Chile and Peru. (3) TPP includes the current nine negotiating countries plus Canada and Mexico. (Source): JETRO (Japan External Trade Organization) [2012], *2012 JETRO Global Trade and Investment Report-Firms and people move forwards globalization*, JETRO, p.34.

According to a quantitative prediction by Kenichi Kawasaki [2011] (Chart 2: "Impacts of regional trade liberalization on real GDP"), the magnitude of impact that "ASEAN Plus Six" would have on Japan's real GDP is 1.10%, substantially more than the 0.54% in the case of the TPP, although it is outshined by the FTAAP joined by all 21 APEC member countries/regions (1.36%). A comparison between "ASEAN Plus Six" and the TPP in terms of their impacts shows that other countries would be affected much more than Japan would be. As additional information, "ASEAN Plus Six" would bring about a major positive impact on China (3.43%), South Korea (6.34%), Indonesia (3.69%) and Thailand (17.03%), while the TPP would work as a negative effect on China (-0.30%), South Korea (-0.33%), Indonesia (-0.36%) and Thailand (-0.89%).

Chart 2 : Impact of regional trade liberalization on real GDP

| | Worldwide | FTAAP | ASEAN+6 | ASEAN+3 | Japan, China and Korea | TPP |
|------------------|-----------|-------|---------|---------|------------------------------|-------|
| Japan | 1.25 | 1.36 | 1.10 | 1.04 | 0.74 | 0.54 |
| China | 7.35 | 5.83 | 3.43 | 3.16 | 2.27 | -0.30 |
| Korea | 8.68 | 7.10 | 6.34 | 5.94 | 4.53 | -0.33 |
| Hong Kong, China | 3.19 | 2.65 | -0.24 | -0.10 | -0.30 | -0.22 |
| Chinese Taipei | 7.51 | 6.44 | -1.88 | -1.73 | -1.18 | -0.33 |
| Singapore | 3.53 | 2.42 | 3.15 | 2.71 | -0.42 | 0.97 |
| Indonesia | 4.71 | 3.64 | 3.69 | 3.00 | -0.32 | -0.36 |
| Malaysia | 12.34 | 9.43 | 8.27 | 7.53 | -0.52 | 4.57 |
| Philippines | 6.00 | 6.07 | 4.60 | 4.42 | -0.75 | -0.39 |
| Thailand | 26.35 | 20.24 | 17.03 | 16.31 | -1.19 | -0.89 |
| Vietnam | 37.50 | 34.75 | 23.42 | 23.13 | -0.50 | 12.81 |
| LCM | 12.95 | -1.78 | 9.21 | 9.04 | -0.23 | -0.35 |
| India | 8.39 | -0.91 | 2.99 | -0.29 | -0.16 | -0.22 |
| Australia | 2.46 | 2.08 | 2.44 | -0.04 | -0.11 | 1.16 |
| New Zealand | 4.86 | 3.80 | 2.29 | -0.19 | -0.24 | 2.15 |
| U.S. | 0.35 | 0.26 | -0.07 | -0.03 | -0.05 | 0.09 |
| Canada | 0.71 | 0.71 | -0.02 | 0.03 | -0.02 | -0.24 |
| Mexico | 4.46 | 3.03 | -0.10 | -0.07 | -0.08 | -0.42 |
| Chile | 1.57 | 1.35 | -0.13 | -0.02 | -0.13 | 0.40 |
| Peru | 1.88 | 0.94 | -0.05 | -0.02 | -0.04 | 0.64 |
| Russia | 5.45 | 1.50 | -0.05 | 0.06 | -0.08 | -0.17 |
| EU | 0.87 | -0.31 | -0.12 | -0.05 | -0.09 | -0.14 |
| Switzerland | 2.30 | -0.10 | -0.09 | 0.01 | -0.04 | -0.08 |

(Source) Kawasaki, Kenichi [2011], "Determining Priority Among EPAs: Which trading partner has the greatest economic impact? [Http://www.rieti.go.jp/columns/a01_0318.html](http://www.rieti.go.jp/columns/a01_0318.html).

The Noda Cabinet's Announcement for Participating in the TPP Negotiations and Japan's Future Course

Asked about Japan's "peculiar" stance described above, Prime Minister Noda replied, "We will proceed with both schemes brought into view," which suggests that Japan's stance is to perform a balancing act between the TPP and the RCEP. However, it would not be easy to have both ways – the U.S.-led TPP and the ASEAN-led RCEP that involves China. I have to predict that Japan's performing the "balancing act" would actually be extremely difficult. An editorial of the *Yomiuri Shimbun* (November 20, 2011) brought up this point, arguing that Japan should give central attention to the TPP and also work on striking an FTA between Japan, China and South Korea or on strengthening its partnership with the ASEAN. Likewise stating that the combination of the TPP and East Asia is not a simple "balancing act" but represents a growth strategy for the Asia-Pacific founded on the Japan-U.S. alliance, the *Nihon Keizai Shimbun* made its standpoint clear, which is to staunchly adhere to emphasis on the Japan-U.S. alliance in relation to regional coordination in the Asia-Pacific. By no means will such an attitude be conducive to Japan playing a leading role in bringing East Asian economic cooperation into reality.

As it was also stressed in my previous paper, Japan should choose a course in which it joins Asia in its growth, contributes to it, and together enjoys the fruits of prosperity in the 21st century. Sticking to the TPP and to the mindset emphasizing the Japan-U.S. alliance will be highly likely to result in the leadership in achieving East Asian economic cooperation being exerted for the most part by the ASEAN and China, a prospect that makes us deeply concerned: Japan might end up lagging behind a growing, and prospering Asia.

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