

MIZUHO RESEARCH PAPER

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*Japan's strategy on the
regional economic integration
of the Asia-Pacific region:
its role as a bridge between
the "Asia-Pacific" and "East Asia"*

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Published by
Mizuho Research Institute
Tokyo, February 2013

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Summary

1. In recent years, the Asia–Pacific region including the countries of Japan, the US and China, has been progressing toward regional economic integration focusing upon Free Trade Agreements (FTAs). Currently, these movements are progressing in two main pathways referred to as the “Asia–Pacific Track” covering the entire Asia–Pacific region and the “East Asia Track” in East Asia including Japan, China and the countries of the Association of Southeast Asian Nations (ASEAN).
2. During the past two decades, the movements of the Asia–Pacific Track and the East Asia Track have taken alternate turns in the limelight. During the decade from the end of the 1980s, the Asia–Pacific Track led by the Asia–Pacific Economic Cooperation (APEC) progressed in contrast to the relative inactivity of the East Asia Track which came against opposition by the US and failed to gather support among the countries of the region.
3. From the end of the 1990s, developments in the Asia–Pacific Track lost momentum in contrast to the acceleration of the East Asia Track. Amid the rise of expectations toward regional economic integration in “East Asia” triggered by the Asian financial crisis, the countries of the East Asia region expressed their growing enthusiasm in the form of FTAs. However, along with formation of a FTA network centering around the ASEAN as the hub in the 2000s, and the shift of attention toward the creation of a wide–area FTA throughout “East Asia”, the pace of development slowed down due to conflicting interests among the countries of East Asia such as Japan and China.
4. From 2010 onward, there has been a change in pattern of development thus far. Instead of the two tracks taking turns in gaining momentum, developments in both the Asia–Pacific Track and the East Asia Track are picking up. The Asia–Pacific Track is gathering momentum through the Free Trade Area of Asia–Pacific (FTAAP) initiative and the start of negotiations on the Trans–

Pacific Partnership Agreement (TPP). On the other hand, the East Asia Track was also stimulated by these movements, leading to developments in initiatives such as the Japan–China–Republic of Korea (ROK) FTA and the Regional Comprehensive Economic Partnership (RCEP) led by the ASEAN. Both tracks are expected to accelerate through their mutual stimulation and competition.

5. Amid these developments, Japan must act as a “bridge” between the Asia–Pacific and East Asia tracks in a bid to facilitate development in both tracks and to seek its own national interest. The word “bridge” is not meant as a bridge to connect two separate entities but rather as the assumption of the role of leader to converge the two tracks by keeping a solid footing in both tracks. To do so, Japan must participate in the TPP negotiations as soon as possible, in addition to the Japan–China–ROK FTA and RCEP. By acting as a “bridge”, Japan must seek to build a regional framework in the Asia–Pacific region which is desirable in the light of its interests.

1. Introduction

“Among the major issues in Japan’s diplomatic agenda, there are three issues which are friendly relations with the neighboring countries of Asia, economic diplomacy and adjustment of relations with the United States of America.” This is a passage in the *Diplomatic Bluebook (Gaiko Seisho)* No. 1, an annual report on Japan’s foreign policy and activities issued in 1957. Despite differences in the historical context, the passage provides us with reconfirmation of the unwavering importance of “Asia”, “the economy” and “U.S. relations” in Japan’s diplomacy in the post–WWII period.

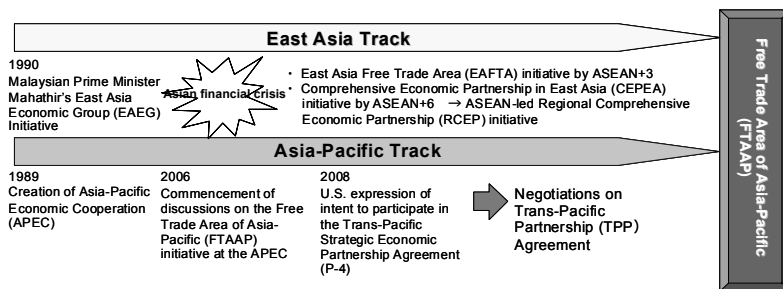
Participation in the Trans–Pacific Partnership Agreement (TPP) negotiations – a major agenda facing Japan today – is a challenge involving all three of these issues. How should Japan deal with

relations with the countries of Asia and the U.S. in its conclusion of Economic Partnership Agreements (EPA) which is an important pillar of Japan's economic diplomacy and its participation in regional economic integration? Participation in the TPP poses a question toward the people of Japan not only on the direction of Japan's economic diplomacy but also on Japan's domestic reforms in various sectors such as the farm sector.

In particular, this question is evident in the quest for regional economic integration in the Asia-Pacific region which encompasses both the countries of Asia including Japan and China as well as the U.S. According to Shiraishi (2011), "the year 2010 will be remembered as a major turning point in the history of regional integration of East Asia and the Asia-Pacific region. The creation of the Asia-Pacific Economic Cooperation (APEC) in 1989 ushered in an age of regional cooperation with the Asia-Pacific region as the framework. Subsequently, the Asian financial crisis triggered the convention of the ASEAN Plus Three Summit in 1997, which includes the Association of Southeast Asian Nations (ASEAN) and the three countries of Japan, China and the Republic of Korea (ROK). This was the start of regional cooperation in East Asia, replacing the regional cooperation framework of the Asia-Pacific region. However, the pendulum swung in the opposite direction in 2011, shifting the main stream of Asia's regional cooperation to the Asia-Pacific region." The TPP negotiations – participated by 11 countries of the Asia-Pacific region – are precisely a manifestation of the "reverse swing of the pendulum".

As described vividly by the foregoing quote, the countries of East Asia including Japan have vacillated between the "East Asia Track" which places emphasis upon intra-regional cooperation and economic integration in East Asia and the "Asia-Pacific Track" which strives for regional cooperation and economic integration in the entire Asia-Pacific region including the U.S. (**Chart 1**). We are now witnessing a clash of interests among the countries of the Asia-Pacific region regarding the future direction of the "pendulum".

Chart 1: Two pathways to the Asia-Pacific free trade area



Sources: Made by MHRl.

Given the reversal of the pendulum in the direction of the Asia-Pacific track in the form of the progress of TPP negotiations, note that there are movements to push back the pendulum to the East Asia track. Will these movements serve to mutually stimulate the East Asia Track and the Asia-Pacific Track, leading to the progress of both initiatives? Or, on the contrary, will the competition between the two tracks lead to a division among the countries of the region? There are widely differing views among scholars with respect to this question.

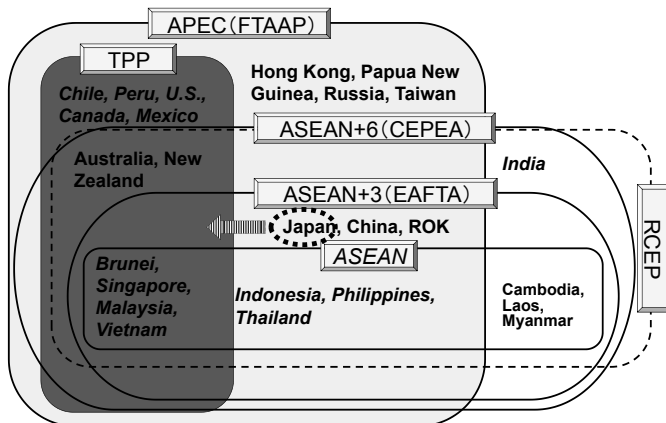
The purpose of this paper is to provide a perspective view on the developments of the East Asia Track and the Asia-Pacific Track during the past two decades, focusing mainly upon the conclusion of Free Trade Agreements (FTA), and to provide an outlook toward the future. In this process, this paper shall also discuss the strategy which should be taken by Japan.

2. The two main currents of regional economic integration in the Asia-Pacific region

(1) The Asia-Pacific Track

“First of all, note that the concept of an Asia-Pacific region did not initially exist, since it is comprised of entirely different areas – Asia, North America, South America and Oceania” (Ministry of International Trade and Industry (1997)). A movement conceptualizing the foregoing geographically-diverse region (including Japan) as a single “region” and promoting regional cooperation and policy coordination had existed already in the first half of the 20th century (Oba (2010a)). While this movement branched out in different directions, the Asia-Pacific Economic Cooperation (APEC) may be deemed as the starting point of the current movement toward regional cooperation and regional economic integration in the Asia-Pacific region (**Chart 2**) (note 1).

Chart 2: Asia-Pacific wide-area FTA initiative



Notes: The countries in italics are countries which have concluded EPAs with Japan.
Source: Made by MHRI.

The APEC was created under the leadership of Japan and Australia. In the background to Japan's aspiration to establish the APEC were various factors stemming from the international affairs and circumstances faced by Japan at the time (note 2). Among these factors, one factor possessing critical importance even today and which is stressed by a number of scholars and experts, is Japan's emphasis upon the Asia-Pacific as a region connecting the U.S. with "Asia" (which includes Japan) and the use of APEC as a framework to actualize Japan's motive. Given (i) the transformation of the Cold War structure and changes in perception among policy-makers, (ii) the relative decline of U.S. power, and (iii) the economic growth of Asia (including China) and the progress of intra-regional economic interdependence, one of the purposes of the establishment of APEC was to shift part of the economic role assumed thus far by the U.S. to the countries of Asia including Japan, and "to seek the region's economic stability by keeping the U.S. from losing its interest in East Asia" (Yamamoto (2010)) , (Ministry of International Trade and Industry (1997), Oyane (2012a)).

Since its establishment, the APEC progressed as a regional framework. China joined in 1991, the APEC Secretariat was established in 1992, and annual APEC Economic Leaders' Meetings started from 1993. In 1994, the APEC adopted the Bogor Goals that aim for "free and open trade and investment in the Asia-Pacific by 2010 for developed economies and 2020 for developing economies." In the following year in 1995, the APEC annual meeting chaired by Japan adopted the Osaka Action Agenda (OAA) to realize the Bogor Goals.

However, tensions arose among the member countries regarding the way in which free trade should be pursued, serving to derail the movement toward free and open trade and investment under the APEC. In the stage of actualizing the Bogor Goals and the OAA – that is the realization of free and open trade and investment – the countries eager to promote regional trade and investment liberalization (such as the U.S., Australia and New Zealand) pressed forward for the Early Voluntary Sectoral Liberalization (EVSL) proposal. The EVSL was an initiative "to identify sectors which would

have a positive impact on trade, investment, and economic growth” and to realize “early voluntary liberalization” (APEC 1996 Economic Leaders’ Meeting – Subic Philippines, “1996 Economic Leaders’ Declaration”). While the APEC agreed upon the so-called “first nine sectors” for EVSL in 1997, the U.S. pressed for a comprehensive liberalization for the “first nine sectors”. The strongest objection to this U.S. proposal was voiced by Japan. Japan, on its part, took the view that it was up to each country to decide which sectors it chooses to liberalize. Accordingly, Japan could not agree to a comprehensive liberalization of the “first nine sectors” which includes “forest products” and “fish and fish products”. As a result of the tensions which arose between Japan and the U.S., the EVSL negotiations effectively reached a stalemate in 1998 (note 3).

The assertions set forth by countries pressing for liberalization (the “pro-liberalization countries”) such as the U.S. in the EVSL negotiations were viewed as a deviation from APEC’s “voluntary” and “non-binding” principles by Japan and many of the countries of Asia (Oyane (2012b), Okamoto (2001)). While the EVSL was an attempt to transcend the APEC’s limitations on the part of the pro-liberalization countries such as the U.S., this attempt ended in failure (note 4). Hence, discussions on trade and investment liberalization in the APEC fell into the doldrums.

Meanwhile, the collapse of the EVSL negotiations led to a new development among the pro-liberalization countries in the APEC. By the end of 1998, Australia, Chile, New Zealand, Singapore and the U.S. which started to lose hope on trade liberalization by the APEC as a whole started to hold informal talks on the possibility of FTAs among the five countries. Despite the breakdown of this initiative due to differences in domestic circumstances and strategies (note 5), FTA negotiations started in 2002 among Chile, New Zealand and Singapore. With the addition of Brunei in 2005, the Trans-Pacific Strategic Economic Partnership Agreement (dubbed “P-4” or the “Pacific 4”) took effect among the four countries in 2006 (Scollay (2010)). The P-4 subsequently developed to form the foundation of the TPP negotiations.

(2) The East Asia Track

It is said that “East Asia” – as a regional concept combining Northeast Asia and Southeast Asia – was first set forth in official diplomatic policy in the East Asia Economic Group (EAEG) initiative proposed by former prime minister Mahathir bin Mohammed of Malaysia (Terada (2011)). The EAEG initiative aimed to form a trade bloc among the countries of East Asia including the ASEAN countries, Japan, China and ROK in view of the lack of progress in the GATT Uruguay Round negotiations due to tensions among the developed countries in contrast to the progress of regional integration in Europe and North America. Given the opposition by the countries of ASEAN such as Indonesia, this initiative later evolved in name and nature to the East Asia Economic Caucus (EAEC) in 1991 as a forum for dialogue and cooperation among the countries of East Asia (Munakata (2006), Terada (2011)).

The recognition of “East Asia” as a single region at this point in history may be considered a natural development in reflection of (i) the growing economic interdependence within the region due to active trade and investment, and (ii) the contrast with North America and Europe posed in the light of the progress of regional integration. (note 6) However, the idea of creating a group was met with objections from both within and outside of the region due to its character as a “trade bloc” excluding countries outside of the region. In particular, the U.S. which was excluded from the EAEG initiative objected strongly to the EAEG as a dividing factor in the Asia–Pacific region. Due in part to strong U.S. pressures, Japan continued to take a passive stance despite expectations that it would play a leading role in the EAEG (note 7). In the end, the EAEG and the subsequent EAEC initiative broke down due to the absence of strong support by the countries of the region.

It was the Asian financial crisis in the summer of 1997 which triggered the re–emergence of the concept of “East Asia”. Admittedly, movements for dialogue and cooperation within the framework of East Asia existed prior to the Asian financial crisis (note

8). Although the meeting of the leaders of ASEAN Plus Three (Japan, China and ROK) was held in December 1997 after the Asian financial crisis, the convention of the meeting was agreed to before the crisis (Munakata (2006), Oba (2001)). However, it was the Asian financial crisis and the subsequent recovery process that led to the strong perception of the concept of East Asia as a single region and the necessity for regional cooperation (note 9).

Shortly after the Asian financial crisis, Japan proposed the idea of an Asian Monetary Fund (AMF) as a mechanism to address financial crises. This initiative to create an Asian version of the International Monetary Fund (IMF) among Japan, China, ROK and the ASEAN countries did not materialize due to strong opposition by the U.S. which was excluded from the initiative and the lack of support by China due to concerns regarding a Japan-led initiative (Oba (2001), Terada (2011)). Nevertheless, the failure of the U.S. to provide the expected support at the time of crisis and the political and economic turmoil among the countries of Asia stemming from the IMF's prescription of measures led to a rising awareness that problems in East Asia should be solved through cooperation among the countries of the region. This led to the rise of expectations toward regional economic integration in East Asia after the crisis (Kikuchi (2005), Mizuho Research Institute (2010)).

One of the results of the rise of expectations was the establishment of the ASEAN Plus Three (Japan, China and ROK) framework. The ASEAN Plus Three Summit held in December 1997 was regularized from the meeting next year in December 1998. The U.S. did not oppose this framework which started out as a forum for regional cooperation for recovery from the Asian financial crisis (note 10).

As shown by the premature breakdown of the EAEG and AMF, the attempts toward regional cooperation in East Asia (or, in other words East Asian regionalism) in the 1990s failed to bear fruit, mainly due to strong opposition expressed by the U.S. which was excluded from the initiative. Even among the countries within the region, there was a lack of consensus to build an East Asia

framework, in contrast to the progress of the Asia–Pacific (APEC) and Southeast Asia (ASEAN) frameworks. The Asian financial crisis served as a major turning point to shift the stance toward East Asian regionalism among the U.S. and the countries of the region. At the same time, the breakdown of the EVSL negotiations at the APEC led to a dramatic swing of the “pendulum” of regional integration from the Asia–Pacific to East Asia.

3. Interactions between the “Asia–Pacific” and “East Asia”

(1) The progress and stagnation of the East Asia Track

Prior to the millenium, the East Asia region (ASEAN Plus Japan, China and ROK) entered the age of FTAs. Given the World Trade Organization’s (WTO) failure to launch a new round of trade negotiations at its Ministerial Conference in 1999 in Seattle, and the breakdown of EVSL negotiations in the trade and investment liberalization movement under the APEC, the countries of East Asia adopted FTAs which were used as policy tools for the promotion of regional economic integration in the U.S. and Europe (note 11).

Up until then, East Asia was referred to as an FTA vacuum due to the lack of FTAs with the exception of the ASEAN Free Trade Area (AFTA). However, from the end of the 1990s, Japan, China and ROK all started to take an active stance toward the use of FTAs as a policy tool in a reversal of their former stance. As a result, the East Asia region was transformed into an area most active in FTAs (Mizuho Research Institute (2010), Sugawara (2005)).

By the end of the 2000s, an FTA network centering upon the ASEAN was constructed within the East Asia region due to the promotion of FTA strategies by each of the three countries of Japan, China and ROK. However, the movement toward a wide–area FTA within the region subsequently lost momentum due to tensions

among Japan, China and ROK.

Japan considered the conclusion of FTAs as the foremost tool for regional economic integration in the East Asia region. In 2002, Junichiro Koizumi, who was prime minister at the time, delivered a policy speech in his visit to the ASEAN countries. In this speech “Japan and ASEAN in East Asia – A Sincere and Open Partnership”, Junichiro Koizumi proposed a “Japan–Asia Comprehensive Economic Partnership” and appealed for the creation of a “community that acts together and advances together” to make the best use of the ASEAN Plus Three framework (note 12).

According to *Japan’s FTA Strategy* drafted by the Ministry of Foreign Affairs in October 2002, “East Asia lags Europe and the U.S. in the development of a regional system despite its deepening political and diplomatic interdependence” and that “there is no doubt regarding the importance of the construction and development of a regional economic system under Japan’s leadership for the stable development of Japan and the East Asia region. Furthermore, from an economic perspective, the priority of East Asia is self-evident.” Accordingly, *Japan’s FTA Strategy* sets forth “Economic partnership in East Asia revolving around Japan, ROK and China, plus ASEAN” as “the top priority strategic target”. Based upon this strategy, Japan promoted the conclusion of bilateral FTAs with the countries of the ASEAN in the 2000s, and a the Japan–ASEAN Comprehensive Economic Partnership Agreement took effect in December 2008.

China also started to take steps in view of East Asia regionalism after the Asian financial crisis. Placing the ASEAN Plus Three framework as the basis of regional cooperation in East Asia, China started to promote relations with the ASEAN as the key partner of the region (Mori (2010), Tran and Matsumoto (2007)). Subsequent to its ascension to the WTO in December 2001, China concluded the “Framework Agreement on Comprehensive Economic Co-operation between the ASEAN and the People’s Republic of China” in November 2002 as a precursor to the FTA with the ASEAN, and concluded an FTA on the basis of this agreement in November 2004. This was the first FTA for both the ASEAN and China. On China’s

part, this FTA served as a tool to dispel rising fears toward China. As for the ASEAN, the FTA had an important meaning as a means to link the rapidly growing Chinese economy with its own economic growth (Mizuho Research Institute (2010), Sugawara (2005)).

The need for the neighboring countries of China to cope with China's rapid growth, and China's adoption of a more active stance toward East Asia regional cooperation in a bid to dispel fears of a rising China served as a significant driving force for East Asia's regional economic integration. The active promotion of FTAs was one of the solutions set forth by each of the countries of East Asia in a bid to survive in competition with China, and to link China's growth with its own growth, which coincided with China's motive to achieve its "peaceful rise to power" (Sugawara (2010)).

Meanwhile, the ROK pursued its own FTA strategy. As exemplified by former ROK President Kim Dae Jung's proposal for establishment of the East Asia Vision Group (EAVG) (note 13) and the East Asia Study Group (EASG) (note 14), the ROK took the initiative for the promotion of regional cooperation in East Asia and also adopted an all-round stance toward the conclusion of FTAs without limiting itself to the East Asia region (note 15). The ROK's FTA strategy was reinforced under the subsequent presidency of former President Roh Moo Hyun. The "FTA Roadmap" compiled in September 2003 set forth its strategy to promote "multiple and simultaneous" FTAs with "bridgehead" countries of each of the continents of the world, thereby serving to leverage its FTAs with large economic zones (Okuda (2010)). The ROK is promoting FTAs with Chile, Singapore and the European Free Trade Association (EFTA), and has concluded FTAs with the ASEAN, European Union (EU) and the U.S.

In recent years, the ROK is taking steps ahead of its competitors such as Japan in the conclusion of FTAs with large markets in a bid to achieve a "pre-emptive domination of markets" to build a superior position for itself in the market. At the same time, the ROK is also promoting the conclusion of FTAs with countries around the world in a bid to develop into an FTA hub. Despite the ROK's conclusion of an FTA with the ASEAN, as concluded by Japan and China, its FTA

strategy is not based upon East Asia regionalism.

In addition to the ROK's unique FTA strategy, the differences in interests between Japan and China are serving as a drag upon the progress of regional economic integration in East Asia. The differences between Japan and China became most prominent regarding the character of the East Asia Summit (EAS).

The EAS initiative started with the proposal to step up the ASEAN Plus Three Summit to the EAS (EAVG (2001)). However, there were differences in opinions regarding the member countries and character of EAS among the countries of the region such as Japan and China. Regarding membership, countries such as Japan, Singapore and Indonesia proposed the expansion of the EAS' membership in view of relations with the U.S. and concerns regarding the rise of China's influence. On the other hand, countries such as China and Malaysia asserted that the EAS should be held by the thirteen countries of the ASEAN Plus Three framework. (National Diet Library (2006)) (note 16). In the end, the members agreed to hold the EAS among the 16 countries including the ASEAN Plus Three, Australia, New Zealand and India (ASEAN Plus Six).

Opinions also diverged regarding the nature of the EAS, in particular, its position in the economic integration of the East Asia region. In the end, at the Ninth ASEAN Plus Three Summit and the First EAS in December 2005 it was deemed that the ASEAN Plus Three Summit would "continue to be the main vehicle" and that the EAS "could play a significant role" in the long-term goal to form an East Asia community (Sugawara (2006(a))).

Henceforth, these two paths in East Asia regionalism – the ASEAN Plus Three and the ASEAN Plus Six – developed side by side. In particular, it appears that the members took care in the conclusion of FTAs so as to avoid a gap in progress in either of the two paths (Oyane (2012a)). The idea of an FTA based upon the ASEAN Plus Three framework (East Asia Free Trade Area (EAFTA)) was already floated at the fourth ASEAN Plus Three Summit in November 2000. Subsequently, a joint study group was formed under China's proposal at the ASEAN Plus Three Summit

held in November 2004, which led to the submission of a final report in August 2009. On the other hand, the formation of an FTA within the ASEAN Plus Six framework (Comprehensive Economic Partnership in East Asia (CEPEA)) was proposed by Japan in April 2006, and an agreement on the commencement of private-sector study was reached at the second EAS in January 2007. Likewise, as in the EAFTA initiative, a final report was presented in August 2009. In October 2009, it was agreed among the relevant parties that both initiatives would be stepped up to government-level discussions (Ministry of Economy, Trade and Industry, *Higashi Ajia Keizai Togo no Torikumi* (Steps toward East Asia economic integration)).

As shown above, discussions regarding these two initiatives developed competitively alongside each other. Furthermore, government-level talks continued to be held. The lack of cooperation among Japan, China and the ROK was thought to be a major factor dragging down the talks for commencement of negotiations of both initiatives. The parallel development of the two initiatives was also considered the result of both Japan and China's distaste toward either of the initiatives to have priority, given China's preference for the EAFTA initiative and Japan's desire to promote the CEPEA initiative (note 17). The ASEAN also did not commit itself to either of the initiatives led by Japan and China.

The largest problem was that conditions among Japan, China and the ROK were still premature for the conclusion of an FTA amongst the three countries despite the necessity of all three countries to participate in the case of both the EAFTA and CEPEA initiatives. In particular, the ROK's passive stance to date toward the conclusion of an FTA with Japan is serving as an obstacle. Even though Japan-ROK EPA negotiations started in December 2003 on a bilateral level, the negotiations have been discontinued since November 2004. While talks are currently being held for resumption, there are no signs that negotiations will be started. The ROK is also taking a cautious stance toward a Japan-China-ROK FTA even within the framework of the three countries. Although private-sector joint study on the Japan-China-ROK FTA started in 2003 has produced reports and proposals,

negotiations had not commenced as of the end of the 2000s (note 18).

Amid the lack of agreement among Japan, China and the ROK, Australia, New Zealand and India have followed Japan, China and the ROK to conclude FTAs with the ASEAN in the East Asia region. As a result, an FTA network centering around the ASEAN as the hub was tentatively completed in 2010 among the ASEAN Plus Three and the ASEAN Plus Six forums. However, the development into the EAFTA and CEPEA had been a slow process (note 19). The flurry of FTAs in the East Asia region in the 2000s had stopped short of a wide-area FTA initiative at the end of the 2000s.

(2) Acceleration of the Asia-Pacific Track

After the failure of the EVSL initiative, developments for trade and investment liberalization at the APEC faltered, due in part to agreement on the start of the Doha Round of negotiations under the WTO at the end of 2001. It was only until 2006 that the initiative for trade and investment liberalization in the Asia-Pacific Track subsequently picked up. It was the U.S. that pulled the trigger.

The U.S. embarked on the conclusion of FTAs on the basis of “competitive liberalization” once the administration of George W. Bush obtained the Trade Promotion Authority (TPA) in August 2002 (note 20). In the Asia-Pacific region, the U.S. started with the conclusion of FTAs with Chile, Australia and the ROK, while taking account of national security concerns. Furthermore, in its stance toward the ASEAN, the U.S. launched the Enterprise for ASEAN Initiative (EAI) at the APEC Leaders’ Meeting in October 2002 and proceeded to negotiate with Singapore, Thailand and Malaysia for the conclusion of FTAs (note 21).

However, along with the development of regional economic integration in the East Asia region excluding the U.S. such as the EAS in the mid-2000s and discussions on the EAFTA and CEPEA initiatives, the U.S. started to take a competitive stance with the East Asia Track through its active engagement in the Asia-Pacific Track. The starting point of this trend up to this day was the U.S. expression

of positive support for the Free Trade Area of the Asia-Pacific (FTAAP) at the 14th APEC Leaders' Meeting held in November 2006 (note 22).

Discussions regarding the FTAAP initiative at the APEC date back to the proposal of the APEC Business Advisory Council (ABAC) in 2004. In contrast to the slow progress of the WTO Doha Round negotiations and doubts regarding the achievement of the Bogor Goals, the emergence of a tangled web of FTAs in the APEC due to the rise of FTAs among the countries of East Asia led to strong concerns in the private sector of the APEC. The private sector called for the achievement of the Bogor Goals through the realization of the FTAAP and dissolution of the "spaghetti bowl" (note 23) of FTAs through the unification of its tangled web.

Given the ABAC proposal, the APEC leaders first took a cautious stance toward the FTAAP initiative. As a free trade agreement (FTA), the FTAAP pledges liberalization on a reciprocal basis and the pledge possessing legal binding effect only benefits the member countries. This would significantly alter the APEC's fundamental character of voluntary, non-binding and "open regionalism" (note 24). Furthermore, it goes beyond mention that it would take considerable time for the 21 diverse economies of the APEC to converge in a single FTA. The cautious stance among the APEC leaders toward the FTAAP initiative may be interpreted as a realistic decision at the time rather than a negative stance toward liberalization. In spite of the ABAC's proposal, discussions on the FTAAP initiative were not held at the APEC meetings in 2004 and 2005.

However, the U.S. expressed its positive support to the FTAAP initiative in 2006. As a result, the APEC Leaders' Meeting in 2006 agreed to consider ways and means to promote regional economic integration including the FTAAP as a "long-term prospect" (14th APEC Economic Leaders' Meeting, Hanoi Declaration).

While there are several plausible factors in the background to the U.S. policy shift in favor of the FTAAP initiative, the countries of East Asia interpreted it as an expression of the U.S.'s intention that it will not keep the regional economic integration of East Asia from

excluding the U.S. (Mizuho Research Institute (2010)). While the U.S. expressed its opposition to the EAEG and AMF initiatives, it may have taken a countermeasure in the case of the EAFTA and CEPEA initiatives in the form of the promotion of a broader regional initiative including itself.

Furthermore, the U.S. expressed its participation in the Trans-Pacific Strategic Economic Partnership (the “Pacific 4” or “P-4”) Agreement as a means to realize the FTAAP. The P-4, which came into force in May 2006 among the four countries of Brunei, Chile, New Zealand and Singapore, was scheduled to commence negotiations on the liberalization of financial services and investment in March 2008, on the basis of a commitment in its agreement that negotiations on the two areas would be started within two years of the date it came into force. Prior to commencement of negotiations, the U.S. stated that it would join the negotiations. Subsequently, in September of the same year, the U.S. stated expressly that it would join in the full P-4 agreement (note 25). In its participation in the P-4, the U.S. placed emphasis upon the two following points: (1) the reinforcement of economic relations with the Asia-Pacific region is vital for the U.S. and that the future expansion of P-4 is expected, and (2) the P-4 is comprised of like-minded countries committed to high-standard liberalization for regional economic integration in the Asia-Pacific (USTR (2008a), USTR 2008b)). The expanded negotiations of the P-4 developed into the present-day TPP negotiations. While the TPP negotiations take the form of an enlarged P-4, it is actually a process of drawing up a new agreement under U.S. leadership.

The TPP negotiations, which started in March 2010, after the transition of U.S. political power, appear to be progressing along its interests as far as the two foregoing points are concerned. Immediately after the U.S. expressed its intention to participate, Australia, Peru and Vietnam (note 26), and subsequently Malaysia followed suit. Negotiations are currently proceeding among 11 countries, with the participation of Canada and Mexico from the 15th TPP negotiations in December 2012. Other countries including Japan

and Thailand are also exploring the possibility of participation in the negotiations. Regarding the contents of the negotiations, the parties are discussing high-level liberalization and discipline regarding advanced domestic regulations (Sugawara (2012b)).

As shown above, developments in the Asia-Pacific Track accelerated rapidly in the second half of the 2000s. In contrast to the stagnation of the East Asia Track and the EAFTA and CEPEA still in a fledgling state at the end of the 2000s, negotiations have already started with respect to the TPP which is participated by the majority of APEC member countries and regions. It should be noted that the acceleration of the Asia-Pacific Track stems from the progress of the East Asia Track.

The Asia-Pacific Track which slowed down after the collapse of the EVSL, accelerated as a result of the FTAAP initiative which was launched in response to the rapid progress of the East Asia Track and TPP negotiations which are a means to realize the FTAAP. It was the U.S. which took the initiative to speed up the process.

The U.S. strategy of counterbalancing the East Asia Track by promoting the Asia-Pacific Track has been taken before. At the time of the EAEG initiative, the U.S. took the strategy of hampering the realization of the initiative and achieving success at the APEC at the same time (note 27). This strategy taken by the U.S. served as a major factor giving rise to a cross-interaction between the Asia-Pacific Track and the East Asia Track.

(3) The progress of the TPP negotiations and resurgence of the East Asia Track

Since the late 1980s, the Asia-Pacific Track and the East Asia Track have been progressing by mutual interaction. Up until the end of the 2000s, the progress of the East Asia Track had a greater effect, leading to the acceleration of the Asia-Pacific Track. Moreover, from the end of the 1990s, the progress of the East Asia Track stemmed partially from the stagnation of the Asia-Pacific Track. In summary, the progress of the Asia-Pacific Track had never stimulated the East

Asia Track up until then. The pattern of interaction between the two tracks appears to have gone through a dramatic transformation from the end of the 2000s. From 2010 onward, the progress of the Asia-Pacific Track has been stimulating the East Asia Track. A large factor in the background is most likely Japan's policy shift – its expression of intent to consider participation in the TPP negotiations.

On October 1, 2010, Naoto Kan, who was prime minister at the time, said in his policy speech that “we will look into participating in such negotiations as those for the Trans-Pacific Partnership agreement and will aim to build a Free Trade Area of the Asia-Pacific” (Prime Minister of Japan and His Cabinet, “Policy Speech by Prime Minister Naoto Kan at the 176th Extraordinary Session of the Diet”). Since it was widely believed that the possibility of Japan's participation in the TPP negotiations is low, given the difficult negotiations regarding the EPA between Japan and Australia and strong domestic opposition to the FTA between Japan and the U.S., the statement that Japan would look into participating in TPP negotiations had a reverberating impact both within Japan and overseas (note 28).

The following month, the 18th APEC Economic Leaders' Meeting chaired by then-Prime Minister Naoto Kan declared that “an FTAAP should be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings, such as ASEAN Plus Three, ASEAN Plus Six, and the Trans-Pacific Partnership, among others” (“The 18th APEC Economic Leaders' Meeting, ‘The Yokohama Vision – Bogor and Beyond’”). As a result of this declaration, the TPP acquired an equal footing with the EAFTA and the CEPEA as an undertaking for realization of the FTAAP.

At this point in time, the TPP had already held three meetings for negotiations. In contrast, the EAFTA and CEPEA initiatives were progressing at a slower pace. Having shifted into government-level talks from 2010, it was decided that the EAFTA and CEPEA will progress in parallel fashion. More specifically, discussions proceeded in joint working groups – the “ASEAN Plus Working Groups” – established with respect to the four following fields: rule of origin,

tariff nomenclature, custom procedures, and economic cooperation. Although the three fields excluding economic cooperation are important in the utilization of FTAs, they need to be examined from a technical and practical perspective. Its intent, most likely, was to keep differences in opinions among countries from emerging by discussing matters in these fields in advance.

It was China that took action to break through the stalemate. In August 2011, Japan and China proposed a joint “Initiative on Speeding up the Establishment of EAFTA and CEPEA”. It is said that China was the one to first propose the initiative to Japan. According to the Ministry of Economy, Trade and Industry (METI) (2011), Japan and China had proposed the initiative jointly “in a bid to speed up the discussions toward commencement of negotiations” on the basis of its perception that developments toward the commencement of negotiations were stalled despite the “start of discussions by working groups for trade facilitation (in the areas of customs procedures, tariff nomenclature, rule of origin, economic cooperation)”. The METI’s document commends the initiative for “Japan and China making a joint proposal for the first time upon overcoming differences between the Plus Three and Plus Six frameworks”

The joint proposal calls for the establishment of “new working groups in goods, services and investment”. In contrast to the four working groups established the previous year that were “working groups for trade facilitation”, trade and investment liberalization is a central agenda for FTAs. It is extremely meaningful that Japan and China jointly proposed such a working group. The three working groups established by the joint proposal agreed upon at the ASEAN Plus Three Summit and EAS in November 2011.

China also took a positive stance toward the commencement of negotiations of an FTA among Japan, China and the ROK. At the Japan–China–ROK Summit in May 2012, it was agreed under the chairmanship of China that negotiations would start during the year despite the ROK’s cautious stance (note 29). In November 2012, the three countries agreed to start negotiations for a Japan–China–ROK

FTA even as Sino–Japanese relations deteriorated due to political tensions.

The shift in China’s stance stems most likely from its concerns toward the progress of TPP negotiations and the prospects of a wider participation of countries leading to a larger possibility of a wide–area FTA initiative in the Asia–Pacific under the leadership of the U.S. (Zhang (2011)) (note 30). Such a shift in China’s stance is a welcome development for Japan, given its wish to promote Asia’s wide–area FTA initiative and its expectations toward an FTA as an outcome of the progress of TPP negotiations.

Given these developments among Japan, China and the ROK, the ASEAN also started to engage in active movements toward a wide–area FTA initiative in East Asia. The ASEAN has strived to maintain the ASEAN’s centrality and unity in the regional economic integration of East Asia. “Centrality” refers to ASEAN’s leadership role in East Asia regional economic integration, and is expressed as ASEAN “sitting in the driver’s seat”. However, the recent developments of Japan and China would lead to their leadership, thus possessing the potential to jeopardize the ASEAN’s centrality (note 31).

Furthermore, countries such as Indonesia have voiced their concerns regarding the progress of TPP negotiations as a threat toward the ASEAN’s unity. The ASEAN is currently promoting its intra–region integration toward the establishment of an ASEAN Economic Community in 2015. In view of the fact that four of the 10 member countries of the ASEAN are participating in the TPP negotiations, there is the possibility of a fissure of the ASEAN into participants and non–participants to the TPP.

The ASEAN launched the Regional Comprehensive Economic Partnership (RCEP) initiative to counterbalance the development of TPP negotiations and the actions of Japan and China stimulated by the TPP which have the potential to jeopardize the ASEAN’s centrality and unity in the regional economic integration of East Asia (note 32). The RCEP is a wide–area FTA open to all countries without limiting the number of member countries given the integration of the ASEAN Plus Three and the ASEAN Plus Six (ASEAN Secretariat,

“ASEAN Framework for Regional Comprehensive Economic Partnership”). The RCEP is an initiative to facilitate a wide-area FTA in East Asia by overcoming differences in frameworks such as the ASEAN Plus Three (EAFTA) and the ASEAN Plus Six (CEPEA) and differences among the countries of the region such as Japan and China reflected in these frameworks. While this was intended to coincide with Japan and China’s joint proposal, it was also a means to maintain the ASEAN’s centrality and unity. At the ASEAN Summit in April 2012, it was agreed that the parties would aim to commence negotiations on the RCEP by the end of the year (ASEAN Secretariat, “Chairman’s Statement of the 20th ASEAN Summit”). At the Japan–China–ROK Summit the following month, it was agreed that the three countries would cooperate to speed up discussions toward the commencement of negotiations (Ministry of Foreign Affairs, “Fifth Japan–China–ROK Trilateral Summit (Summary)”).

Hence, it was decided that the discussions which had proceeded within the EAFTA and CEPEA frameworks would be realized under the RCEP initiative. In August 2012, the ASEAN10 and the six countries which have already concluded FTAs with the ASEAN, in other words the 16 countries of the ASEAN Plus Six convened the “First ASEAN Economic Minister Plus ASEAN FTA Partners Consultations”. Subsequently, in November, the leaders of the 16 countries of the ASEAN Plus Six declared that they would start negotiations of the RCEP in early 2013 and strive to reach an agreement by the end of 2015.

Given the acceleration of East Asia regional economic integration due to the progress of the TPP negotiation, Terada (2012) concludes that “the driving force of East Asia integration will not come from within the region, and that external pressure such as the progress of the Trans–Pacific Partnership negotiations led by the U.S. will play a vital role” (p. 44). Indeed, the slow progress of the East Asia Track from the end of the 2000s reveals that it stems from the diverse interests among the countries of the region and domestic affairs among the countries such as the farm sector issue in Japan, and that it was unlikely that a driving force to overcome such obstacles would

come forth from within at least over the short-term horizon (note 33). Putting aside the question of whether this should be referred to as “external pressure” (*gaiatsu*), it is undeniable that developments on the side of the Asia-Pacific Track in the form of the progress of TPP negotiations were the largest factor behind the progress of the East Asia Track at this point in time (note 34).

4. The FTAAP and Japan’s strategy

(1) Competition and mutual stimulation between the two tracks

As indicated by Shiraishi (2011) at the beginning of this paper, the Asia-Pacific Track and the East Asia Tracks since the end of the 1980s have progressed in swinging movements like that of a pendulum, with one track making significant progress while the other track stagnates. Today, the two tracks are moving in an unprecedented pattern, with both gaining momentum through mutual stimulation. If the two tracks continue to progress in this way, will this lead to the FTAAP as set forth in the declaration of the APEC Economic Leaders’ Meeting in 2010?

In the event the Asia-Pacific Track and the East Asia Track both progress, and each agree to wide-area FTAs, leading to the expansion of member countries, the construction of the FTAAP would only be possible by either one of the tracks being merged by the other or by creating an FTAAP as a new agreement on the basis of the agreements among the member countries of each track. In either of these cases, the problem would be differences in the level of liberalization and rules regulating domestic regulations. Petri & Plummer (2012) refers to this as a “contest of templates”. A contest will occur between the two tracks regarding the levels of

liberalization and rules which will form the template of the FTAAP.

Note that common templates do not exist yet in either of the two tracks. In the East Asia Track, there are differences in what are desirable for Japan and for China. The difficulties faced in TPP negotiations also stem from the fact that the U.S.-led template is not agreeable for the other countries participating in negotiations. Among the various FTA templates in the Asia-Pacific area, the U.S. and the ASEAN-China templates would pose the widest difference. Despite differences in each of the components of FTAs (areas and chapters), the U.S. template is generally stricter and provides a higher hurdle for participation. In contrast, the hurdles for participation are relatively lower in the ASEAN-China template (note 35).

The strong awareness of the “contest of templates” in the U.S.’ promotion of the Asia-Pacific Track is clear from its reason it decided to join the P-4 (refer to 3. (2)). When the Obama administration notified congress that it would join the TPP negotiations, it said that the TPP would “create a potential platform for economic integration across the Asia-Pacific region”, setting forth that it would have “high standard, 21st century agreement” (U.S. Trade Representative Ron Kirk’s letters to House of Representatives and Senate, December 14, 2009).

The template the U.S. is pushing for in the TPP negotiations is referred to as the “platinum standard” (Solis (2012), Bergsten & Schott (2010)). In the FTA negotiations thus far, the U.S. has aimed for a “gold standard” exceeding the WTO agreement. In the TPP, the U.S. is trying to create a platinum standard surpassing the gold standard to achieve “high standard 21st century agreement”. The platinum standard includes new provisions such as regulatory coherence and disciplines on state-owned enterprises (“SOEs”), as well as higher levels of existing provisions such as intellectual property rights, environment and labor.

These ambitious provisions have stirred opposition from countries such as Australia and New Zealand in the TPP negotiations. Complete acceptance by China and the ASEAN countries is unlikely,

at least in the near future. For the U.S., low-level standards would not provide incentive for concluding an FTA, making it difficult to obtain domestic support. However, if the standards are too high, it would require more time for agreement and also limit the number of participants. The U.S. would face a delicate task of seeking the point of compromise.

Nevertheless, this does not imply the superiority of the ASEAN-China template. Given the existence of an FTA network with the ASEAN as the hub in the East Asia region, there would have to be an incentive for its expansion into a wide-area FTA. The ASEAN-China template's "lower hurdle for participation" to an FTA provides not only a smaller demerit due to participation, but also a smaller merit by participation. The absence of a certain level of agreement – namely the provision of conditions above those provided by the ASEAN-China template ("A-C Plus") – would decrease the merits for Japan's participation. Having said so, agreement on the "A-C Plus" would require considerable time (note 36).

The FTAAP template will be shaped, most likely, through a tug-of-war between the U.S. platinum standard and the ASEAN-China template. In shaping process, the progress of both the Asia-Pacific Track and the East Asia Track through their mutual interaction is indispensable.

In the event the progress of the East Asia Track acts as "pressure", it would serve as a factor to stimulate U.S. efforts to seek a compromise. Moreover, the stimulus from the Asia-Pacific Track in the form of the progress of TPP negotiations would raise the incentive among the countries of East Asia to agree to the "A-C Plus" template.

(2) Japan as the "bridge" to connect the two pathways

The two pathways – the Asia-Pacific Track and the East Asia Track – will develop through mutual stimulation and contest each other over the FTAAP template. In the course of such developments, what would be the most desirable strategy for Japan?

In the event there are two different groups, the traditional rhetoric of Japan's diplomatic policy has been to act as a "bridge" between the two. During the Cold War, Japan's mission was to act as a bridge between the East and West, and as a bridge between the North and South after Japan grew into a developed country. "On the New Growth Strategy" (Cabinet Decision of June 2010), decided by the administration of Naoto Kan in June 2010, sets forth "Japan: Growing as a bridge nation" as its "Asian economic strategy". Although this paper shall not discuss the success or failure of these strategies, we can still say that Japan currently sits in an ideal position to serve as a "bridge" between the Asia-Pacific Track and the East Asia Track.

However, it should be noted that the term "bridge" is not used in its conventional meaning. For example, Yoshino (2012) states that "it would no longer be necessary for Japan to act as a bridge in the event relations between Asia and the U.S. become as close as they are at present, in particular where the U.S. negotiates directly with the ASEAN, and the U.S. and the ASEAN would join a wide economic zone such as the FTAAP" (p. 11). Moreover, while Funabashi (1995) commends Japan's role as a "bridge" to a certain extent, he also claims that Japan should strive to transcend its bridging role since "such a strategy taken by Japan tends to be viewed as opportunistic – as a 'simple addition of the two and halving the result'" (p. 380).

In the current Asia-Pacific region, a bridging role in the meaning of a link between two separated groups would no longer be necessary. Furthermore, Japan would not be able to gain the confidence of the relevant countries just by "adding together" the templates of the Asia-Pacific Track and the East Asia Track and "halving the result". Yamasawa (2012) cites the difficulty to converge the two templates of the two tracks into the FTAAP, and that Japan should "declare its leadership role" to direct the two tracks toward convergence (p. 188). Indeed, Japan should set its foot in both tracks and lead the convergence of the templates. This would be the true meaning of a "bridge" between both tracks (note 37).

Not only would this provide Japan with the chance to contribute

to the regional economic integration in the Asia-Pacific region, but would also serve as a means for Japan to pursue its national interests in the Asia-Pacific region which has entered a “G2” era of the U.S. and China. For example, Japan could (1) try to mitigate the excessively ambitious contents in the platinum standard and lift the level of the ASEAN-China template through the addition of “A-C Plus” contents, (2) design templates for the various areas in cooperation with other countries participating in both tracks, and (3) facilitate the “mutual learning process” between both tracks through work on FTAs progressing in the APEC.

To fulfill its role as a “bridge”, Japan must first join the TPP negotiations as soon as possible. Its participation in both the Asia-Pacific and East Asia tracks will enable Japan to facilitate the development of both tracks through their mutual stimulation and play a leadership role in the convergence of the templates of both tracks. At the same time, Japan will be able to strengthen its bargaining power by using the progress of negotiations in one of the tracks as a lever in negotiations in the other track.

As far as China’s participation is unlikely anytime soon, unless Japan joins in the TPP negotiations, the countries of the region such as the ASEAN countries will forego their early participation and retreat to the sidelines in the TPP negotiations on the basis of their view that the TPP’s expansion into the FTAAP will be a time-consuming process. If it becomes difficult to expand the TPP’s membership, the stimulus from the Asia-Pacific Track to the East Asia Track will weaken and may even hamper the progress of the Japan-China-ROK FTA and the RCEP. It would be difficult for Japan’s efforts to add “A-C Plus” contents to the ASEAN-China template to bear fruit without the progress of the Asia-Pacific Track. On the other hand, the progress of the East Asia Track through the stimulation of the Asia-Pacific Track would strengthen Japan’s position toward the U.S. which is not a party to the East Asia Track and hence serve to boost Japan’s influence in the TPP negotiations.

It may appear to some that the stagnation of both tracks due to Japan’s non-participation in the TPP negotiations would provide

Japan with more time to develop its future strategy. I disagree with this point of view. The Asia–Pacific region is currently in the course of a major transition with the relative decline of U.S. power, the prolonged economic stagnation of Japan, the rise of China, and the regional integration of the ASEAN. The search for a new order and rules is under way amid these transformations. The “contest of templates” between the Asia–Pacific and East Asia tracks is just one of the facets. To be able to pursue its national interests as a “bridge” in such a contest, Japan must possess commensurate power. Even if Japan is able to maintain its current level of power as it maintains the status quo, the ongoing growth of China and the Asian economies would lead to the relative decline of Japan’s power. U.S. Republican presidential nominee Mitt Romney’s downbeat comments during the election campaign in 2012 on Japan’s future and then–ROK President Lee Myung–bak’s comments that “Japan’s influence in the international community is not what it used to be” are still fresh in memory.

Kikuchi (2011) says that “Japan should make an effort to regain its dynamism, and at the same time, facilitate the construction of a regional system in Asia which is desirable for Japan while Japan still possesses power” before difficult conditions arise for Japan (note 38). The “Comprehensive Strategy for the Rebirth of Japan” (Cabinet Decision of July 31, 2012) states expressly that “Japan may have boasted of being an outstanding economic power in the world and enjoyed the status of being the only developed country in Asia, but such an era ended long ago”. Japan must cast away its past glory as “the second largest economy in the world” and consider measures to build a regional framework desirable for Japan in the Asia–Pacific region which has entered a U.S.–Sino G2 era. FTAs such as the FTAAP will serve as a pillar in such framework from an economic perspective.

Furthermore, in order to carry out these measures, it would be absolutely necessary to engage in “efforts to regain the Japanese economy’s vitality” at the same time. Japan’s diplomacy rests upon the foundation of stable politics and attractive economy. We must not

forget that the construction of a regional framework desirable for Japan would not be possible without efforts for domestic reforms.

Reference: Movements in regional economic integration in the Asia-Pacific region

Asia-Pacific Track	Year	East Asia Track
1 st APEC Ministerial Meeting	1989	
	1990	EAEG initiative
	1991	EAEC initiative
APEC Bogor Goals	1994	
APEC Osaka Action Agenda	1995	
	1997	Asian Financial Crisis AMF initiative 1 st ASEAN Plus Three Summit
<i>De facto</i> stalemate of EVSL	1998	
	2001	China's accession to WTO
	2002	Prime Minister Junichiro Koizumi, policy speech on Asia ASEAN-China Framework Agreement on Comprehensive Economic Co-operation
Proposal of ABAC, FTAAP initiatives	2004	Conclusion of ASEAN-China FTA Establishment of EAFTA research group by China's proposal
	2005	1 st EAS
P-4 takes effect	2006	Japan's proposal of CEPEA initiative
APEC's support of FTAAP initiative		
U.S. expression of intent to join P-4	2008	Japan-ASEAN comprehensive economic partnership agreement takes effect
	2009	Final report of EAFTA and CEPEA
Commencement of TPP negotiations	2010	Completion of FTA network with ASEAN as the hub
APEC – The Yokohama Vision		Prime Minister Naoto Kan's expression of intent to consider participation in TPP negotiations
	2011	Japan-China joint proposal ASEAN, RCEP initiative

Note: The table above only includes events referred to in the paper.

Source: Made by MHRI.

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(Endnotes)

- 1 There may be objections toward this view. For example, the Ministry of International Trade and Industry (1997) explains that “the concept of an Asia–Pacific region was first launched at the time of the establishment of an industrial group called the Pacific Basin Economic Council (PBEC) in 1967”. There are different views on the continuity between the establishment of APEC and events up till then (Yamazawa (2001), Oba (2004), Oyane (2012)). Although I shall not discuss whether its continuity is justifiable, I have defined the starting point of the movement to the present as the establishment of APEC due to the difference in meaning of “Asia–Pacific” before and after its establishment, and the fact that the APEC is an inter-governmental framework unlike the PBEC.
- 2 For example, Funabashi (1995) indicates that the following factors provided incentive for the member economies of APEC including Japan: (1) the facilitation of an agreement on the Uruguay Round negotiations under the General Agreement on Tariffs and Trade (GATT), (2) attempts to keep trade blocs from forming in North America, Europe and Asia, (3) the stability of the Asia–Pacific area through the alleviation of economic frictions between Japan and the U.S., (4) the need to counterbalance the rise of China, (5) the need to secure the continuation of U.S. commitment to the Asia–Pacific area from both the perspectives of security and economy, and (6) political merits due to participation in the APEC (pp. 156–157).
- 3 The *Diplomatic Bluebook* 1999 states that “[I]n terms of the Early Voluntary Sectoral Liberalization (EVSL), the position of those economies wanting to push ahead actively with intra–regional liberalization conflicted with Japan’s position, which was that APEC liberalization should be grounded in the accumulation of voluntary actions based on a spirit of community. Ministers ultimately affirmed that EVSL would be implemented in APEC based on the principle of voluntary action”.
- 4 Munakata (2006) commends the U.S. attempt in the EVSL as an effort to “change voluntary actions accompanied by peer pressure into negotiations based upon the principle of mutuality” (p. 87). She also indicates that the failure to bridge the fundamental difference between the U.S.–led progressive liberalists and Asia’s gradual liberalists served as a reason for the Asia–Pacific area’s failure to develop its “sense as a single area” (p. 91).
- 5 As one reason for the U.S. lack of support toward this initiative, Scollay (2010) cites that the Clinton Administration at the time did not possess the Trade Promotion Authority (TPA). Regarding this point, Munakata (2006) poses a different view by presenting an interview with the relevant parties. She concluded that the administration placed more emphasis upon multilateral negotiations and that the initiative did not include countries such as Japan and ROK.
- 6 According to Yamazawa (1992), “it is undeniable that the Mahathir initiative is based upon the reality of Asia–Pacific region”, and thus “its motive is understandable” in view of the economic growth of the Asian countries and antagonism toward “the U.S.’ high–handed negotiating stance” (p. 18).

- 7 For example, Michio Watanabe who was Deputy Prime Minister and Minister of Foreign Affairs at the time, commented at the House of Representatives Budget Committee at the 123rd Diet Session on February 21, 1992 that “considering the discomfort felt by the United States of America toward the EAEC, it would be undesirable for Asia to group together on its own. It must be open. Given the APEC which already exists in the Asia-Pacific region, it would not be appropriate for Japan to involve in something excluding the United States of America and Canada. In short, since we already have the APEC, our position is that we should try to develop together in this framework and that we cannot consent to something which is exclusive”.
- 8 Munakata (2006) and Oba (2001) both shed light upon the significance of the Asia-Europe Meeting (ASEM). According to Munakata and Oba, the first meeting of the ASEM held in March 1996 provided the opportunity for “East Asia” to be perceived as a counterpart of dialogue with Europe. The preparatory meeting of ASEM attended by the countries of Asia participating in the ASEM (Japan-China-ROK and the ASEAN countries) was purportedly reported as “the *de facto* EAEC summit meeting”.
- 9 The Ministry of Foreign Affairs provided explanations on the background to the convention of the ASEAN Plus Three Summit, citing “the strong awareness of the need for regional cooperation among the countries of Asia including Japan triggered by the Asian currency and financial crisis starting in the summer of 1997” (Ministry of Foreign Affairs, “On ASEAN Plus Three (Japan, China, ROK) cooperation” December 9, 2002).
- 10 Munakata (2006) indicated that after the Asian financial crisis, U.S. interest shifted away from the Asian market to China’s WTO ascension negotiations (p. 105).
- 11 Munakata (2006) analyzed that the Asian financial crisis served to dispel two taboos in East Asia, which were the FTA and the formation of a forum constituted only of the countries of East Asia (pp. 102–105).
- 12 In the speech, Junichiro Koizumi also said that he “looks forward to the countries of Japan, ASEAN, China, the ROK, Australia and New Zealand to play a leading role in such a community”. Furthermore, this “community” should not be exclusive in nature, and that “the U.S.’ role is indispensable in the light of contribution to the security of the region and the magnitude of economic interdependence with this region”.
- 13 The EAVG is a group of key intellectuals and scholars in the private sector established by a proposal by then-ROK President Kim Dae Jung at the ASEAN Plus Three Summit in December 1998. The group holds consultations on the possibility and methods for East Asia’s future cooperation on a wide area of fields, and made proposals on various areas such as the economy, finance, politics & national security, environment & energy, society, culture, and education (Ministry of Foreign Affairs, *Diplomatic Bluebook* 2002).
- 14 The EASG is a group comprised mainly of government officials established by a proposal by then-ROK President Kim Dae Jung at the ASEAN Plus Three Summit of

- 2000 (same as the previous note).
- 15 Fukagawa (2009) said that “geographic proximity” was ignored in its terms for the ROK’s selection of FTA (counterparties) (p. 227).
 - 16 Japan also proposed the participation of the U.S. to the EAS as an observer (Nikkei Shimbun, May 26, 2005).
 - 17 According to Stallings and Katada (2010), “the rivalry between Japan and China is hampering the emergence of an integrated regional trade agreement in East Asia”.
 - 18 Although it was agreed at the Japan–China–ROK Summit in May 2012 that negotiations on the Japan–China–ROK FTA would commence during the year, this agreement is said to be a compromise between Japan which called for the prompt commencement of negotiations and the ROK which objected (Nikkei Shimbun, May 10, 2012). Prior to this agreement, negotiations started on the China–ROK FTA. In view of the ROK’s strategy of early market entry and development as an FTA hub, the odds are high that they would place priority on their negotiations with China even if Japan–China–ROK negotiations are started. Regarding the Japan–China–ROK FTA, then–ROK President Lee Myung–bak indicated his priority upon the China–ROK FTA negotiations, commenting that “since Japan would join in the framework when an agreement is concluded on the China–ROK FTA, [an agreement between China and the ROK] would probably take place prior to an agreement between the three countries” (Nikkei Shimbun, May 27, 2012).
 - 19 Although Japan is pushing for the CEPEA initiative rather than the EAFTA initiative, it has not been able to conclude EPAs with Australia and New Zealand which are the CEPEA’s constituent members. Even though negotiations on a bilateral EPA with Australia was started in April 2007, the talks are still proceeding with difficulties. Japan has also continued to take a negative stance toward New Zealand’s calls for commencement of EPA negotiations.
 - 20 “Competitive liberalization” is a strategy espoused by United States Trade Representative Robert Zoellick, which is to (1) promote negotiations for liberalization on the global, regional and bilateral levels, and to (2) facilitate the progress of liberalization by forming a competitive state of liberalization (Zoellick (2002)).
 - 21 However, negotiations with Singapore commenced in December 2000, before the announcement of the EAI initiative. Moreover, negotiations with Thailand and Malaysia were subsequently cancelled. Malaysia is currently participating in the TPP negotiations to which the U.S. is a party.
 - 22 The background leading to the FTAAP initiative and its support by the U.S. is based upon Sugawara (2006b).
 - 23 “Spaghetti bowl” refers to a state in which the conclusion of numerous FTAs with different rules such as the rule of origin might have a negative impact such as the rise of costs for application of FTAs.
 - 24 “Open regionalism” refers to the application of the fruits of trade & investment liberalization achieved within a region to areas outside of such region. Refer to Sugawara (2005).

- 25 The P-4 provides open accession to members and non-members of APEC (Article 20.6). This is a characteristic of the the P-4 which is not seen in conventional FTAs. As evident from the events leading to the conclusion of the P-4 explained in 2. (1), the P-4 had envisioned its expansion within the APEC from the beginning (Sugawara (2005)).
- 26 Vietnam initially participated as an observer and joined formally in December 2010.
- 27 The APEC's progress in the first half of the 1990s is said to be "a result of a stronger commitment by the U.S. to the APEC in a bid to contest the EAEC" (Yamazawa (1992)).
- 28 Refer to Sugawara (2012a) for its domestic impact within Japan. For its external impact, Umada (2012) says that "Japan's statement of its participation in the TPP is changing the dynamics of the Asia-Pacific region".
- 29 Refer to Note 18.
- 30 According to Zhang (2011), although China is currently taking a "wait-and-see" stance toward the TPP, China is expected to take a more active stance toward the Japan-China-ROK FTA. He also says that "in the event a Japan-China-ROK FTA is concluded in addition to an ASEAN-China FTA, it would become difficult to isolate China economically even if the U.S. dominates the TPP.
- 31 Both Japan and China are aware of and take heed of this point. The ASEAN Plus Three Economic Ministers Meeting and the ASEAN Plus Six (EAS) Economic Ministers Meeting in August 2011 both stated expressly that "we reaffirmed our support for ASEAN centrality in the evolving regional architecture" (Ministry of Economy, Trade and Industry, "The 14th ASEAN Plus Three Summit" and the Informal Summit of Economic Ministers of the Participating Countries of the East Asia Summit).
- 32 Sukekawa (2012) cites "the view that the RCEP was launched more or less in a forceful manner in order to maintain 'ASEAN's centrality' amid the nascent shift of the external environment in the Asia-Pacific in 2011", and an Indonesian government official's view that "[the RCEP] will most likely be an initiative competing with the U.S.-led TPP".
- 33 For example, Dent (2010) said that it is "quite possible" that it would take "many years" for negotiations on these initiatives to start (p. 238). For a similar view, refer to Note 17.
- 34 Shimizu (2011) attributes the surge of activity on East Asia economic integration at this point in time to the global financial crisis starting in 2008. The shift of the economic environment after the global financial crisis led to the U.S. participation in the TPP and that the anomalies in the U.S. economy and progress of the TPP served as pressures toward the achievement of economic integration in East Asia (pp. 5-7). Furthermore, while Ishikawa (2011) points out that "movements on the EAFTA, CEPEA, and Japan-China-ROK FTA are rising due to the TPP", he also indicates the magnitude of the "TPP effect" in the Asia-Pacific region beyond East Asia (p. 17).
- 35 Petri & Plummer (2012) compares the U.S. template and the ASEAN template (which is more or less the same as the ASEAN-China template in this paper) in 21

fields. According to this analysis, the U.S. template provides higher levels than the ASEAN template in 16 fields such as “tariffs” and “non-tariff barriers”. The ASEAN template provided higher levels than the U.S. template in five fields such as “sanitary and phytosanitary measures” and “cooperation”.

- 36 For example, since the parties could not agree upon investment liberalization in the Japan–China–ROK Trilateral Investment Agreement concluded in May 2012 after five years of negotiations, and postponed it to the Japan–China–ROK FTA negotiations (Sugawara (2012c)).
- 37 In other words, the ASEAN would sit in the “driver’s seat” while Japan would sit in the “navigator’s seat”. In the East Asia Track – as in the RCEP initiative – the ASEAN would continue to sit in the driver’s seat and China would serve as the engine. In the Asia–Pacific Track, the U.S. serves as both the driver and engine. Japan would serve as navigator to guide both tracks safely to the FTAAP, the destination in both cases.
- 38 Kikuchi (2011) indicates that “it would take considerable time for Asia–Pacific’s regional structure to take shape, and that in the foreseeable future, it would be a multi-layered structure made up of diverse regional systems”. Furthermore, “in the deliberation of a regional architecture to support Asia’s peace and economic development, [the parties would consider] a way in which a “bundle” of regional systems made by a combination of diverse systems promote economic interaction, mutually restrain political and military action, facilitate self-control among each of the countries and ease conflict”.

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