

Japan: Interest Group Politics, Foreign Policy Linkages, and the TPP *

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1 Introduction

After years of reluctantly opening its markets in the face of pressure from abroad, Japan led the campaign to save the TPP. How did this happen? In a marriage of diplomatic necessity and domestic reform agenda, Prime Minister Abe has taken the lead role to advocate for the TPP. Agreeing to liberalize in response to U.S. pressure has been a standard pathway to opening Japan's markets, and only in the past decade did the Japanese government begin to selectively pursue limited economic partnership agreements. The TPP confronted Japan with the unusual scenario where the United States pushed forward a high level agreement and then unexpectedly withdrew. Instead of backing out or watering down the agreement, the Japanese government led negotiations for the new TPP-11 agreement that preserves the core provisions of the original text and holds open the door for the United States to re-enter the agreement in the future. Japan's commitment to TPP despite the exit of the United States reflects its new role as the broker between East Asia and the United States. Furthermore, the embrace of the liberalizing agreement by the Abe Administration shows how megaregulation can be embedded within domestic political reform agendas.

This paper will assess the agreement from the perspective of Japan to ask why the government chose to join TPP negotiations after years of delays, and why it became one of the first members to ratify the agreement even as U.S. support for the agreement wavered amidst a fraught presidential campaign. Japan had been late to start negotiating free trade agreements at all, and even the thirteen agreements that it had concluded since the year 2000 were with smaller partners and covered only nineteen percent of Japan's exports (Solís and Katada, 2015, p. 156). TPP represents by far the most ambitious free trade agreement undertaken by Japan. It has been subject to tremendous resistance from farm groups and other interests and moderate advocacy from industry. Against this backdrop, the value of the agreement as part of a

geopolitical strategy was essential to Japanese support of TPP. I argue that foreign policy interests were necessary to overcome domestic obstacles to liberalization. But the role of geopolitics in Japanese trade policy has moved beyond reaction to U.S. pressure for liberalization. In the proactive use of economic statecraft, Japan seeks to deepen regional integration in East Asia and balance against China. Changes in the administrative process within the Japanese government and the decision to position the international trade agreement within the framework of policies for domestic economic restructuring further strengthened the resilience of Japanese commitment to the agreement. Section 2 provides an overview of why Japan sought to participate in TPP, and section 3 examines the domestic political process that accompanied the decision to join the negotiations and uphold the commitment in the face of a reversal of U.S. policy. A fourth section briefly discusses the significance of the new TPP-11 agreement for trade in East Asia.

2 The Economic and Geopolitical Roots of Japanese Trade Policy

Trade has long been a source of mutual interest and tension between the United States and Japan on both the strategic and economic sides of the bilateral relationship. As its patron during the post-war Occupation, the United States took a direct interest in the economic development of Japan and its return to the comity of nations. This meant both urging Japan to suspend trade with China after the communist revolution and sponsoring Japanese membership in the General Agreement of Tariffs and Trade over the reluctance of other members. Trade between the U.S. and Japan surged along with the Japanese economic miracle, which introduced new problems with rising trade friction. Signs of the difficult times ahead were apparent when the Nixon administration threatened to link critical security talks over reversion of Okinawan territory to Japan with concessions on textile negotiations. The first proposal for a free trade agreement between Japan and the United States was made by U.S. Ambassador Mike Mansfield in the

late 1980s when the countries were mired in worsening trade disputes (Gordon, 2011). But it would take thirty years for this vision to reach fruition with the Trans-Pacific Partnership. The U.S. pivot toward Asia and Japanese concerns about rising Chinese assertiveness in the region provided critical backdrop to their support for this agreement. In a surprising turn of events, Japan is on the side of advocating deeper trade liberalization while the United States backs away.

The twelve countries that would eventually come to sign TPP in February 2016 – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam – are an unlikely assortment of countries that span wide geographic region as well as diversity in their political and economic characteristics. From a starting point based around talks among Chile, New Zealand, and Singapore, the cooperative enterprise came to include many more than ever anticipated at the outset. In particular, even after the United States announced in December 2009 that it would join the negotiations, there was no expectation for Japan to be a part of the project. Longstanding resistance by Japan to the liberalization of agricultural trade along with the persistent trade deficit between the United States and Japan in auto trade contributed to deep skepticism on the United States side that Japan would engage in a deep free trade agreement. Far from the United States pressuring Japan to join, it was up to the Japanese government to convince others that it was resolved to undertake liberalization and should be allowed to join.

The question of whether Japan would join TPP first arose in 2010 when the Democratic Party of Japan led the government. Prime Minister Naoto Kan declared in an October speech that he would consider whether Japan should join the talks. TPP participants were planning a meeting on the sidelines of the upcoming APEC Summit meeting to be hosted in Japan in November, which would serve as a catalyst for Japan's interest in joining. The government was already negotiating an economic partnership agreement with Australia that represented the most difficult for the country given the strong agricultural

export interests of Australia that directly confronted Japan's protectionist policies in this sector. Prime Minister Kan said the Australia agreement could break Japan's "*sakoku*" (closure) policy for a second reopening.¹ His successor to represent the Democratic Party of Japan (DPJ), Prime Minister Yoshihiko Noda, continued the support for free trade agreements and declared that TPP was one of the three priorities of his administration. Ultimately Noda would be unable to formally join TPP negotiations as he faced fierce resistance from agricultural interest groups and his own Agriculture minister threatened to resign if he entered the negotiations (Sakuyama, 2015, p. 166). Nevertheless, his administration took a critical step that helped to convince the United States that Japan might be able to join TPP when it initiated a review in 2011 of the health-related restrictions on beef imports from the United States that had been a major source of tensions between the countries.² After release of the study finding no health risk, the government began consultations with the United States in November 2012 towards lifting the restrictions. A former USTR official at that time commented, "What turned me around to believe they were serious about TPP – was Japan's agreement to reopen its beef market to cattle below 30 months of age. It showed they were on the right track and willing to tackle tough issues."³ These confidence-building measures helped open the door for Japan's eventual entry into TPP. The DPJ campaigned on a pro-TPP platform during the December 2012 election, which it lost in a landslide defeat that brought the Liberal Democratic Party back to power.

Surprisingly, the change in ruling party did not influence Japan's position on TPP. The incoming LDP government formally accepted the deal with the United States to revise beef market regulations in January 2013, which signaled the continued commitment on this front. The government undertook intense consultations at home about the question of joining TPP, and it received briefings by other par-

¹*Asahi Shimbun* 11 February 2011.

²Following the discovery in 2003 of bovine spongiform encephalopathy (BSE) in a U.S. cow, Japan banned U.S. beef imports completely in 2003. The ban was relaxed in 2006 to allow cattle under 20 months of age, but this remained a major impediment to U.S. beef exports.

³Telephone interview by author, 16 May 2017.

ticipants that outlined the broad contents of the agreement and ongoing issues. When Prime Minister Abe announced the government would join the TPP negotiations in March 2013, his speech emphasized three main points: the importance of the agreement to revitalize Japan's economy, reassurance that the government would support the interests of the agricultural sector in the face of liberalization, and the need for Japan to join with the U.S. as its ally and other countries with shared values to create new rules for the economic order.⁴ He called for Japan and the United States as economic powers to participate in establishing a new economic order. The Liberal Democratic Party statement went even further to emphasize explicitly that the agreement was not only a commercial agreement, but also contributed to national security.⁵ In discussions before the Diet, Prime Minister Abe and others would repeatedly return to the need for the agreement as a matter of national interest on both economic and security dimensions.

2.1 Economic Merits of the Agreement

The TPP stands out as a high quality trade agreement that would open a larger share of foreign markets with comprehensive tariff liberalization and deepening disciplines on trade and investment with WTO-plus rules. The United States has been at the forefront of pushing higher standards of liberalization through preferential trade agreements, while Japan presents a mixed picture with many agreements having less tariff coverage even as the government supports deeper rule commitments (Solis, 2017, p. 21). Upgrading the standards for the trade architecture promise gains in terms of both market access and business efficiency for investment.

The economic studies of the original TPP12 agreement showed positive effects on Japan's economic growth. The Japanese government Cabinet Office study estimated 2.6 percent increase of GDP from the

⁴Official statement of Prime Minister Shinzō Abe issued 15 March 2013. <http://www.kantei.go.jp/jp/headline/tpp2013.html>.

⁵Liberal Democratic Party Official Party Statement on the decision to join TPP, 15 March 2013 available at <https://www.jimin.jp/news/discourse/128489.html>.

2014 level of the annual GDP.⁶ Yasuyuki Todo, an economist at Waseda University, suggested that at an annual per capita rate of GDP increase of 1.5 percent, the gains could accumulate to meet the targeted goal for Japan to achieve nominal GDP of 600 trillion yen (Todo, 2015). Gains go far beyond the traditional emphasis on market access – indeed, auto concessions by the United States had such a long phase-in time that benefits would not have been achieved for decades even if the United States joined the agreement, and other participants already hold preferential trading arrangements with each other such that there is relatively less new access. Todo claims the agreement matters because of its role to spur innovation in Japan through channels such as inward FDI and raise Japan’s exports of technology and cultural goods through improved protection of intellectual property rights in member states. The new provisions of TPP on e-commerce, labor, and state-owned enterprises were supported by the Japanese government. Japan shared the U.S. priority to resist practices such as requiring domestic location of servers, forceable transfer of source code, and discriminatory tariffs on digital trade. World Bank researchers investigation about projected TPP income gains also highlight that larger gains accrue from liberalizing non-tariff measures and services than traditional market access.⁷

Japanese manufacturing industries supported Japan’s decision to join TPP negotiations in 2013. Industry organizations such as Keidanren and the Japan Automobile Manufacturers Association urged the government to quickly conclude negotiations. The Japan Electronics and Information Technology Industries Associate Chairman Ryōji Chūbachi emphasized that for his industry to succeed amidst fierce international competition, the industry needed the government to push forward more free trade agreements with high level standards going beyond tariff reductions to include intellectual property rights

⁶Cabinet Office TPP headquarters, December 24, 2015 available at www.cas.go.jp/jp/tpp/kouka/pdf/151224/151224_tpp_keizaikoukabunnseki02.pdf.

⁷The World Bank estimated that the original TPP would generate an overall lift of 1.1 percent in annual GDP by the year 2030. These studies rely on simulations utilizing the Global Trade Analysis Project (GTAP) model, which is a widely used macroeconomic model that incorporates trade into forecasts of economic growth. Assumptions about key relationships between prices and inputs underly such modeling exercises (*Global Economic Prospects: Spillovers and Weak Growth*, 2016, p. 227).

and investment rules.⁸ Although Japanese firms have not been users of ISDS provisions in investment treaties, they value having these provisions as a source of leverage for better investment conditions (Terada, 2015, p. 396).

Multinational firms favor efforts to consolidate rules. More regulatory coherence would facilitate their investments and lower the costs of complying with rules of origin across multiple overlapping agreements. APEC leaders have advocated the Free Trade Area of the Asia-Pacific (FTAAP) as one solution to the problem. Yet this has not been a primary factor driving TPP, in part because it does not include all countries in the region. Moreover, the weak utilization of earlier preferential trade agreements (PTAs) by firms operating in the Asia Pacific has meant that businesses did not consider it a priority to lobby for their consolidation (Capling and Ravenhill, 2012). Since the participants have not agreed that TPP would replace their existing PTAs, it would simply add on another layer with mixed membership and a new set of procedures for rules of origin. To the extent that regional production chains are deeply embedded in China as well as some of the smaller countries outside of TPP such as Thailand, TPP would be an inadequate tool to achieve full harmonization of rules.

The new provisions of TPP on e-commerce, labor, and state-owned enterprises were supported by the Japanese government. In particular, a Japanese government official gave as an example that there are rules initiated by Japan and incorporated into the electronic commerce chapter.⁹ Japan shared the U.S. priority to resist practices such as requiring domestic location of servers, forceable transfer of source code, and discriminatory tariffs on digital trade. Japanese trade agreements have long included ISDS provisions, and the Japanese negotiators did not face the strong resistance to this section of the rules witnessed in some of the other countries. Japan was largely on the defensive in market access talks where

⁸15 March 2013 Statement available at http://www.jeita.or.jp/japanese/topics/2013/0315/1303XX_TPP.pdf.

⁹Interview by author, Tokyo, 5 July 2017.

it resisted full liberalization of agricultural markets and in turn had to be satisfied with small concessions for its key industries. Notably, auto concessions by the United States had such a long phase-in time that benefits would not have been achieved for decades even if the United States joined the agreement.

Smaller but still significant economic gains remain for TPP11. Petri et al. (2017) estimate that the TPP would have increased global income by \$492 billion, while TPP11 would generate a much reduced annual income gain of \$147 billion.¹⁰ The loss of U.S. participation reduces gains to Japan by almost one-third. Yet enlargement to include the five countries that have indicated they would like to join TPP (Indonesia, Korea, the Philippines, Taiwan, and Thailand) would bring overall global income gains back to nearly the level of the original agreement because many are important countries for regional trade that do not yet have overlapping free trade agreements (Ibid., p. 8). Following U.S. withdrawal, the business community reaffirmed its support for Japan to pursue the TPP11. The chairman of *Keidanren* praised the government efforts to push forward: “Japan is taking leadership in Trans-Pacific Partnership (TPP) talks aimed at creating a TPP11 agreement following the withdrawal of the United States. Prime Minister Abe’s diplomatic initiatives have succeeded in bolstering the presence of Japan in the global economy and international politics, and these achievements should be rated highly.”¹¹ In a January 2018 survey of 121 firms, seventy-five percent reported expectations that TPP11 would have a positive effect on the Japanese economy and eighteen percent said they would seek out new business opportunities as a result of the agreement.¹²

Although TPP promises to deliver economic gains to Japan, they are modest in scope. Alone, they failed to motivate entry over strong domestic opposition by entrenched agricultural interests. Even the

¹⁰This is the high end of estimates for total income gains based on estimates for the year 2030 including both tariff and NTB liberalization. Furusawa, Gilbert and Scollay (Forthcoming) show lower estimates, while noting that many aspects of the expected gains are not calculated in the different modeling scenarios that have been completed.

¹¹Chairman Sakakibara Statements and Comments at press conference, September 25, 2017, available at <http://www.keidanren.or.jp/en/speech/kaiken/2017/0925.html#p5>, accessed 30 October 2017.

¹²Sankei Shimbun 4 January 2018, available at <http://www.sankei.com/economy/news/180104/ecn1801040003-n1.html> accessed 30 March 2018.

business community frames the agreement within its diplomatic context. It is necessary to consider a broader array of interests to get the full picture of Japan's decision.

2.2 China balancing

Proponents of TPP were explicit to emphasize its role as an instrument of foreign policy. This “securitization” of the agreement can be seen in the United States, which has long used PTAs to reinforce its alliances, and indeed lies behind many of the earlier PTAs in the Asia Pacific region (Mansfield and Bronson, 1997; Capling and Ravenhill, 2012). TPP represents an economic partnership that reinforces ties among allies.¹³ Speaking at the ASEAN business and investment summit on November 21st, 2015, President Obama declared, “TPP is more than just a trade pact; it also has important strategic and geopolitical benefits. TPP is a long-term investment in our shared security and in universal human rights.” He went on to emphasize the role of the agreement to build trust among members and deepen U.S. ties to its allies in the region, concluding that the “TPP sends a powerful message across this region – across the Asia Pacific. It says that America’s foreign policy rebalance to the Asia Pacific will continue on every front. It says that the United States will keep its commitments to allies and partners, and that we are here to stay and that you can count on us.”¹⁴

The connection to security interests was equally present in Japan. For Prime Minister Noda, TPP helped foreign policy on two dimensions by strengthening ties with the United States and by responding to Chinese challenges in the region (Sakuyama, 2015, p. 192). The Democratic Party of Japan had poor relations with the United States due to difficulties over the question of the Okinawa military bases. The

¹³The United States has formal alliances with Canada, Australia, and Japan. Capling and Ravenhill (2012) note that Malaysia and Brunei Darussalam have defense arrangements with the United States, and the US military engages in cooperative exercises with New Zealand, Vietnam, and Singapore. Canada, Peru, and Chile engage in U.S. regional cooperation and collective security as part of the Organization of American States. Other allies such as Korea, Taiwan, and the Philippines were not included – geopolitical ties helped some move forward but was not alone enough to bring entry for all allies.

¹⁴Statement available at <https://www.whitehouse.gov/the-press-office/2015/11/20/remarks-president-obama-asean-business-and-investment-summit>.

DPJ had issued an election pledge in 2009 to close the Futenma base and then confronted increasing local hostility when the United States insisted upon the existing relocation plans that are deeply unpopular in Okinawa. Unable to turn the base issue around, the government hoped that supporting TPP talks would appease the U.S. administration. It was especially important to restore good relations with the United States in the face of growing hostility with China. In 2010, Japan confronted a dramatic increase in tensions over the Senkaku/Diaoyu islands off the coast of Okinawa that are claimed as Japanese territory and disputed by China. Following the arrest of a Chinese fishing boat captain, widespread protests in China vandalized Japanese companies and were connected to restrictions on exports of rare earth minerals that are a vital input for some industries in Japan. Nationalization of the islands by the Japanese government in 2012 was interpreted by China as escalation of the dispute, and led to challenges from China through repeated incursions into Japanese territorial waters by both fishing boats and government surveillance ships. Additional confrontations took place in the South China Seas over disputed islands with China taking an aggressive approach that heightened alarm in the region.

These security concerns loomed even larger for the new LDP administration upon election in December 2012. Having lambasted the DPJ for harming diplomatic relations with the United States and neighbors through weak foreign policy, the newly elected Prime Minister Abe needed something to demonstrate an immediate foreign policy success. The U.S. rhetoric about TPP as a strategic agreement to shore up its own commitment to regional partners facing a hostile China reinforced the impression in Japan that security cooperation should naturally lead to economic cooperation, and that Japan joining the TPP was a corollary to supporting the U.S.-Japan alliance.¹⁵ Given his strong security orientation as a policy priority, Abe was naturally inclined to support the linkage between the TPP and national security interests (Akiyama, 2015, p. 49). He made this explicit in his statements to the Diet announcing entry

¹⁵“TPP ha anpo” (TPP is the alliance) *Nihon Keizai Shimbun*, 23 December 2012.

into negotiations, and government officials within the ministries negotiating the agreement acknowledged their perception that the agreement was a strategic tool worth more than the balance of market access concessions.

The trade agreement was integrated within a strategy to build U.S.-Japan relations and counter China's influence in East Asia at both an economic and strategic level. The post-war focus of Japanese foreign policy on close ties with the United States and the priority on achieving economic growth – the Yoshida doctrine – remains the consensus today even as the government calls for taking on a stronger role in the defense arena (Curtis, 2013). The alliance retains high levels of public support with over eighty percent of the Japanese public reporting support for the alliance in a 2012 survey (ibid). Especially for an LDP Prime Minister, support of the U.S.-Japan alliance is a high policy priority. Strategic and economic goals were overlapping to reinforce the interest in balancing against China. As China has grown in economic size and world market shares, so have Japanese fears of Chinese economic competition. TPP would support preferential access to the critical U.S. market as China's manufacturing industry began to develop more domestic capacity in areas of Japanese strength that could emerge as future threats. Furthermore, easing customs procedures and providing higher levels of support to data and intellectual property rights in Southeast Asia would counter the allure of the Chinese market. Terada (2015, p. 383) suggests that the high level rules of TPP were viewed by the government as a way to make markets outside of China attractive to Japanese investors and thereby reduce dependence on China.

The agreement does not exclude China, but rather sets high standards that would be difficult for China to accept in the near term. In particular, the mandate for collective bargaining rights for labor goes beyond anything contained in the WTO to impinge on domestic policies. Provisions on transparency and competition policies with regards to state-owned enterprises would also force changes in sensitive policies in China. The digital trade provisions further strike at issues that have been sources of tensions

in other negotiating fora as the Chinese censorship regime motivates emphasis on domestic server requirement while TPP promotes free flow of data and restricts such data localization requirements. Yet even as these rules challenge China, they are put in place on the premise that China should join someday in the future. As described by a former U.S. government official who was involved in TPP negotiations, “In some respects, having China outside the TPP would be suboptimal because the ideal was to use trade as an enticement for reform and high standards in Asia-Pacific commerce, including in China.”¹⁶ Yet the rhetoric of the U.S. administration has clearly pointed the agreement against China. For example, in his 2016 State of the Union address to Congress, President Obama urged support for TPP: “With TPP, China does not set the rules in that region – we do. You want to show our strength in this new century? Approve this agreement.”¹⁷

Certainly from the Chinese perspective, the agreement has been perceived as hostile to its interests. An editorial in the *China Daily* at the time of Japan’s entry into TPP stated that “TPP has been heavily criticized for its spirit of confrontation and containment, as China, the world’s second-largest economy and a traditional powerhouse in the eastern Pacific, is excluded from the Pacific trade pact. By participating in the talks Japan will further alienate its geographic neighbor and closest economic partner.”¹⁸ Another article by a professor at the China Foreign Affairs University analyzing Japan’s decision to join talks noted that, “At the same time, considering the Japan-US military alliance and its need for political counterbalance against China, the Japanese government has prioritized the US-led TPP, because it believes joint participation by Japan and the US can guarantee future prosperity in the Asia-Pacific region and the development of a framework for a new economic order.”¹⁹ Alongside the warnings of “encir-

¹⁶“Trans-Pacific Partnership: Prospects and Challenges” *The Diplomat* 9 October 2015.

¹⁷State of the Union Speech 2016, available at <http://www.americanrhetoric.com/speeches/stateoftheunion2016.htm>.

¹⁸Hong Cai, “Japan Looks to Board US Black Ship,” *China Daily*, March 28, 2013, http://usa.chinadaily.com.cn/opinion/2013-03/28/content_16351746.htm.

¹⁹Fan Ying, “Bilateral Rewards from New FTA,” *China Daily*, July 22, 2013, http://usa.chinadaily.com.cn/business/2013-07/22/content_16809185.htm.

clement,” many in China also note that it could someday join and benefit from the high standards set in the agreement ²⁰

Japan’s government would welcome future participation by China. It has engaged in TPP negotiations as part of a foreign policy strategy to contain, shape, and entice China toward cooperation. By joining as a founding member in TPP, the government hoped to assure its own role in writing the rules that would set the standard for China to later join. Speaking at a press conference in Tokyo, Japan’s lead TPP negotiator and Minister of Economic Revitalization, Akira Amari, emphasized the importance of setting rules for investment transparency and other critical topics, and holding them out as the entry requirements for the agreement – he commented that many other countries were lining up to enter but would be told they must accept the rules as a condition to join.²¹ The large role of state capitalism and state-owned enterprises competing directly with Japanese firms worry METI officials, but coercing China to moderate its industrial policy would be difficult for any country let alone Japan, given that tense bilateral relations cast a shadow over Sino-Japanese negotiations. Far better for Japan to hold up the TPP rules, leaving the choice to China about whether it will make the necessary reforms to join.

2.3 TPP as stepping stone to FTAAP

TPP is but one of many trade agreements under negotiation in the Asia Pacific region. Over the top of the existing agreements with ASEAN and a web of bilateral agreements, APEC leaders called for a Free Trade Area of the Asia-Pacific (FTAAP) at an APEC meeting in 2010, and ASEAN leaders joined China to initiate Regional Comprehensive Economic Partnership (RCEP). Japan stands in the middle as the pivotal country included in all three of these potential groupings, whereas the United States is outside of

²⁰Qifang Tang, “TPPs High Standards Conflict with Goal of Expanding Membership,” *Global Times*, April 22, 2013, <http://www.globaltimes.cn/content/776655.shtml>..

²¹Akira Amari press conference, 7 October 2015. Available at http://www.cao.go.jp/minister/1412_a_amari/kaiken/2015/1007kaiken-1.html accessed 15 November 2016.

RCEP and China is outside of TPP.

The long term economic interests of Japan encourage further integration with China, which remains the natural trading partner for Japanese business. Kenichi Kawasaki, Senior Fellow of the National Graduate Institute for Policy Studies and former senior economist of the Economic Planning Agency of the Japanese government, conducted a comparative study of gains from different forms of free trade agreements in terms of selection of partners. In the study, he estimates that Japan would gain the most from pursuit of both TPP12 and RCEP agreements (Kawasaki, 2014).²² Whereas many of the income gains to Japan from TPP come from its own contribution of liberalization measures, the RCEP agreement brings additional gains achieved through participation of China.

While the Chinese perception has been that TPP is directed against it, Japan's economic interests make it unable to consider excluding China from its trade strategy. From the beginning, the Japanese government offered assurances that it would pursue multiple strategies with continued interest in RCEP even as it joined TPP. In his March 2013 speech about joining TPP negotiations, Prime Minister Abe explicitly mentioned the hope to see RCEP concluded and eventually a broader Free Trade of the Asia and Pacific Region.²³ Never did he mention China, and the Japanese position has been one of openness to favor deepening trade with China. This comprehensive approach found broad-based support. When business associations endorsed the decision to join TPP, they also explicitly reference RCEP as another goal. Similarly, even while urging the government to protect agricultural interests in the negotiations, the criticism of the government from the Democratic Party Leader Banri Kaieda on 15 March 2013 noted that the Democratic Party of Japan had planned to simultaneously negotiate the TPP, the trilateral agreement between Japan, South Korea, and China, as well as RCEP with the long term objective of

²²See also the work by Kawasaki and others in this volume.

²³Official statement of Prime Minister Shinzō Abe issued 15 March 2013.<http://www.kantei.go.jp/jp/headline/tpp2013.html>.

creating an Asia-Pacific free trade zone.²⁴

TPP itself was seen as launching point for other FTA talks rather than an alternative path. When Prime Minister Noda engaged in preliminary talks about the possibility of joining TPP in November of 2011, it sparked interest by China in the trilateral talks and also triggered engagement by EU to push forward talks with Japan for an EU-Japan FTA (Umada, 2014, p. 231). There are two reasons for this effect. First, Japan's decision to enter TPP negotiations surprised many who had seen the government as only weakly committed to liberalization of trade and investment (Solís and Katada, 2015). From this perspective, Japan looked like a better partner based on the new information about the government intentions. Second, each new agreement can spur others as firms and governments fear trade diversion and losing market access when rival traders pursue new agreements (Chase, 2003; Manger, 2009; Mansfield and Milner, 2015). Here it was the actual threat of deepening integration among TPP members that pushed others to action for their own negotiations to gain access. In an ironic turn of events, Japan and the EU announced the conclusion of their agreement on the eve of the July 2017 summit of G20 leaders in Hamburg as a clear message from Japan and Europe to President Trump that they would continue forward on trade liberalization irrespective of U.S. reluctance.

It remains uncertain whether the alternative agreements in East Asia will eventually come together. The trilateral talks for China, Korea, and Japan have stalled over politics; TPP would offer a back door to circumvent these problems and allow Japan to join a free trade agreement with Korea and eventually China. When only negotiating on its own, political tensions between these countries loom large on both sides. In the context of the larger regional agreements, however, both can portray concessions as part of regional cooperation rather than the zero-sum exchanges. Competitive liberalization may also see talks for approval of TPP push forward RCEP as another intermediary step. With TPP prospects dim, the

²⁴<https://www.dpj.or.jp/article/102149/>

greatest impact of the negotiations may be their effect to have spurred forward these other talks. Some aspects of the rules negotiated as part of TPP may serve as a template in future agreements.

3 Building Support for TPP in Domestic Politics

These foreign policy strategies played an important role at the domestic level to counterbalance resistance to the agreement. Long before the TPP had become a rallying point for political attention in the United States, it was widely discussed in Japan. Indeed, it has been called the 'debate dividing the nation into two' with a close split in public opinion and fierce opposition from farm groups (Naoi and Urata, 2013, p. 326). Any American visiting Japan in 2011 would have been surprised to note that there were more books prominently on display in bookstores and more extensive television commentary offered on the subject in Japan as a non-member considering the agreement than in the United States that had joined years earlier. Yet despite the controversy over the agreement, Japan emerged as one of the most committed advocates of the agreement and among the first to push forward the domestic ratification process. How did Prime Minister Abe overcome the fierce domestic resistance?

First, Abe had the benefit that the prior administration under the Democratic Party of Japan had supported the prospect of joining TPP. In the early rounds of discussion about TPP in the Diet (Figure 1), which were quite extensive in 2011, the DPJ had been on the side promoting the agreement. Tables were reversed for the debate in 2013 around the decision by Prime Minister Abe to join talks. From the opposition party position, DPJ criticism focused on the inconsistency of the LDP, which campaigned in the election with the position that it would oppose any agreement that would erode protection of agriculture and harm national interest. The LDP had to defend the agreement itself on those terms, but not fight a full battle over the merits of free trade or deepening integration with the United States. Moreover, the 2012 election victory assured the LDP in coalition with the Komeito party held two-thirds

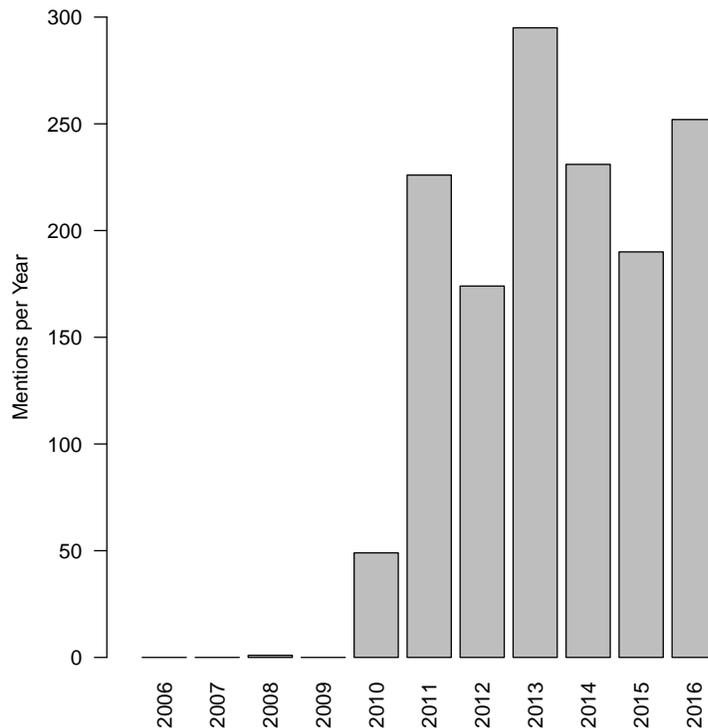


Figure 1: *Diet mentions of TPP*: The figure displays the number of references to TPP in the Japanese Diet from the start of the agreement in 2006 until November 21 2016.

of the seats in the Lower House of the Diet, which would allow it to adopt legislation over the House of Councilors.

Abe was able to make this policy shift appear consistent by his emphasis on the national gains. TPP fit easily into the overall economic growth strategy termed “Abenomics” that has been central to the LDP administration. In the common description, the ‘three arrows’ of the policy consist of monetary easing, fiscal stimulus, and economic restructuring. The third arrow has been highlighted as the most important foundation for a growth strategy and the most difficult to deliver. Abe seized on TPP as the concrete policy that would force competition and globalization on Japanese industries from abroad. This pattern follows a long tradition of Japanese liberalization under foreign pressure, *gaiatsu*, and is consistent with theories of free trade agreements as a domestic commitment device (e.g. Schoppa, 1993; Davis and Oh,

2007; Milner and Mansfield, 2012).

Absent the geopolitical logic of the agreement, however, it is less apparent that this would have emerged as the core policy for economic restructuring. TPP promises only limited economic gains for Japan, with the largest income benefits attributed to Japan's own liberalization of its markets (Kawasaki, 2014). The long transition for US auto concessions delays the gains it can expect from market access while Japanese agricultural concessions are equally gradual in their implementation. The fact that China and Thailand, both critical cogs within Japan's regional production networks, are outside of the agreement, substantially weakens the benefits of harmonization. As a post-hoc rationalization, TPP took on a larger role within Abenomics than might have been expected. While useful in promoting the agreement, this status also makes it more difficult for Abe to simply treat it as another trade agreement to be signed or not signed in light of changing interests of the partners.

From the outset, opposition from Japanese agriculture interest groups formed the major obstacle. The sector has been steadily contracting through a combination of structural factors related to small-scale production and demographic shifts along with liberalization. But it nevertheless continues to win high levels of protection.²⁵ The Japanese agricultural cooperative organization Nogyo criticized the decision to join the negotiations, challenging both the threat to agriculture and warning of incursions on sovereignty and other interests.²⁶ Specific sectoral organizations such as the dairy farmer association and pork farmer association linked their political campaign contributions with TPP policy positions.²⁷ In massive mobilization against the agreement, "agricultural cooperatives collected more than 11 million petitions against Japan's participation in the TPP within a 10-month period since 2011, which constituted more than 10 percent of Japan's total eligible voters" Naoi and Urata (2013, p. 334).

²⁵The Japanese agricultural sector continues to receive generous government assistance with 48 percent of farm income over the years 2013-15 coming from government policies, which stands three times higher than the OECD average (OECD, 2016, p. 96).

²⁶http://www.zenchu-ja.or.jp/pdf/press/130315_tpp_release.pdf

²⁷*Asahi Shimbun*, 29 November 2014.

The primary goal of agricultural groups was resistance to liberalization of the five sensitive commodity groups: rice, wheat/barley, beef, dairy products, and sugar. The protection of these “sanctuaries” was the rallying cry to hold the line against threats to the sectors that held low competitiveness and retained substantial shares of farm employment. Nokyo insisted that all five should be off the table for any negotiation.²⁸ The Diet passed resolutions opposing liberalization of these five important commodity groups. Additional demands related to food production included concerns that country of origin indications and GMO labels preserve food safety regulations in place.

Reflecting this pressure, the government insisted that it could not promise zero tariffs, and Japan preserved 19 percent of its agricultural commodities from any tariff elimination (Solis, 2017, p. 186). Nonetheless, the government accepted major new cuts for agricultural protection in the agreement for the most ambitious liberalization to date. The TPP represents the first of Japan’s preferential trade agreements to reach the WTO standard for liberalization of 90 percent of tariff lines, and this included the immediate elimination of tariffs on 51 percent of agricultural commodities (Solis, 2017, p. 186). This came at a political cost with agricultural groups portraying the tariff cuts on sensitive products as a violation of the Diet resolutions and surveys showing low support for the administration among farm voters (Solis, 2017, p. 208).

Several factors undermined the ability of the agricultural groups to achieve these rigid demands. The demographic shift of an aging sector on top of the 1994 electoral law change emphasized larger size districts and national policy-making interests. Internal dynamics of the agricultural iron triangle also changed with retirement of leading politicians in the hard core *norin zoku* faction of the LDP representatives tied to agricultural interests and the erosion of the JA monopoly through several deregulation measures. Starting with the Koizumi administration, one began to see the government focus more on

²⁸http://www.zenchu-ja.or.jp/pdf/press/130315_tpp_release.pdf

consumer interests. Yet after noting these trends in the long term decline of influence for agricultural interests, Akiyama (2015) points to the importance of the security linkage to place agricultural groups on the defensive. He writes that “the growing importance of the US-Japan alliance associated with the rising anxiety about the security environment in Asia became linked to the TPP and, combined with the conservative beliefs of Prime Minister Abe, created a situation in which opponents had no choice but to recognize that Japan would accept the agreement even if forced to undertake some liberalization of the five critical products.”²⁹ Similar to the Uruguay Round negotiations that ended the ban on rice imports, farm groups came to recognize that compromise was necessary to avoid blame for a major international setback for Japanese national interests.³⁰

Those conservative LDP politicians most likely to support agricultural interests are also susceptible to the appeals for security gains. With the DPJ weakened and on the record as having supported TPP in the past, LDP politicians were safe in the knowledge that angry farm groups had no alternative party to choose. The coalition partner in the LDP administration was a small religion-based party, Komeito, which had a lower-income urban base and historically was the most favorable to agricultural liberalization. Indeed, to the extent that the Komeito party was more supportive of TPP even as it was reluctant on some of the more ambitious security policy reforms planned by Abe, the trade agreement strengthened the policy mix for the coalition.

The Abe administration changed the tone of agricultural liberalization with emphasis on the positive imaging that a strengthened Japanese farm sector could increase agricultural exports and take advantage of the Japanese food culture boom. Some argued that the liberalization of agricultural markets would promote consolidation of land as smaller farmers retire, and a stronger agricultural sector would emerge with lower prices to consumers and direct income compensation by the government to support farmers’

²⁹ Author’s translation from Japanese Akiyama (2015, p. 50)

³⁰ See Davis (2003) for analysis of the domestic politics in Japan related to agricultural liberalization in the Uruguay Round.

living standards (Yamashita, 2014). At the same time, the government has continued the long tradition to use subsidies to ease the transition even at the cost that such policies undercut reform of the sector. Budget allocations for TPP adjustment have targeted the rural sector with public works and subsidies. This strategy successfully diffused the opposition to the agreement. In the October 2017 Lower House election, the TPP was largely absent as an issue.³¹

The United States negotiators also appreciated the importance of the agreement for strategic logic, which had been a major point in the U.S. rationale for the agreement at home. A former USTR official noted the emphasis on regional strategy of rule-making as a theme that was repeatedly underscored in Prime Minister Abe's speeches and something that came up in some of the meetings with Diet members both in Japan and when they visited Washington.³²

The final consideration that facilitated Japan's participation in the TPP negotiations was the greater centralization of policy authority within the Cabinet office. Japan has long been notorious for turf wars among rival ministries. It is not uncommon for the government to send ministers from two or even three ministries as part of the negotiation team. While the Ministry of Foreign Affairs holds the formal role of lead negotiator, Finance, Agriculture, and of course the Ministry of Economy, Trade and Industry (METI) all take strong interest in trade agreements. Even the assessment of the economic impact of the TPP had competing studies issued from different ministries.³³ This ended with the decision by Abe to locate TPP negotiations within the Economic Revitalization Headquarters, which was the Cabinet-level organization established to formulate economic growth strategy. The appointment of Akira Amari in

³¹A comparison of the campaign policy platform of major eight parties reveals a brief mention from LDP about helping rethink agricultural policies to adapt to impact of TPP while the Communist Party urges withdrawal from the agreement, and the six other main opposition parties failed to even mention the deal. See summary of campaign platforms, https://mainichi.jp/senkyo/48shu_koyaku/.

³²Telephone interview by author, 16 May 2017.

³³The Ministry of Agriculture study concluded that the agreement would cause 3.4 million job losses in the agriculture sector, while a METI study instead concluded that the net impact on the economy was positive such that *not joining* would cause 0.8 million lost jobs – and analysis indicates that the choice by a regional government to publish one study over the other correlated highly with opinion toward the agreement by firms in that region (Naoui and Kuno, 2012, p.6).

December 2012 assigned him the role of lead negotiator for the TPP as part of his duties as minister of economic revitalization. He helped to assure that there would be one voice for the Japanese negotiating team and one authoritative Cabinet source to assess the impact of the agreement.³⁴ According to a former USTR official, “The TPP negotiations were completely different than prior negotiations with Japan. In TPP, all of the Ministries were on board and Japan played a leadership role. They were committed to finding creative solutions, and worked hard to bring other countries on board. Moreover, it was important that Minister Amari was reporting straight to Prime Minister Abe and he could see the totality of negotiations, not just through the lens of individual issues affecting one Ministry.”³⁵ If this unified process continues, a lasting legacy of the TPP for Japan could be a more centralized approach to trade negotiations. Dealing with the complexity of megaregional agreements spanning such a range of issue areas and partners forces domestic institutional adaptation in ways that may persist.

The TPP instigated a process within Japan that has entrenched support for the agreement in the government. Linking the agreement to Prime Minister Abe’s center-piece economic reforms and geopolitical strategy made this an irreversable commitment. Attributing economic gains from the deal to domestic structural reforms of the Japanese economy created an economic rationale that was not contingent on market access gains per se. Furthermore, the two-pronged geopolitical role to deepen ties with the region and exercise rule-making authority over economic governance represented a nuanced strategy towards balancing Chinese influence that went beyond the U.S.-Japan alliance. Compensation to losers helps to soften the distributional impact on weak sectors. These factors have made Japan’s support for TPP resilient in the face of the U.S. withdrawal.

³⁴Amari’s resignation in January 2016 over a corruption scandal left a temporary leadership vacuum, but came after the agreement had been signed.

³⁵Interview by author, 16 May 2017.

4 Countering the Anti-TPP Turn in American Politics

While the Japanese government was pushing the agreement through the Diet ratification process, the United States Presidential campaign openly condemned TPP as a bad agreement. After the victory of Donald Trump in the November 8th election, Congressional Republicans said they would not bring the agreement to the floor. At the time, the U.S. House Ways and Means Committee member Rep. Lloyd Doggett (D-TX), “TPP in its current form is dead . . . and the only question is will it come back in some zombie trade agreement to stalk us next year?”³⁶ Nevertheless, the Diet voted to approve the agreement in December 2016, and the Japanese government issued its formal notification of ratification on January 20th, 2017 – the inauguration day for President Donald Trump.³⁷ Fulfilling his campaign promise, President Donald Trump declared the exit of the United States from the agreement as one of his first acts in office.

The decision to bring TPP forward for ratification in the Diet during the fall of 2016 even as the U.S. government turned against the agreement raises important questions. If the primary motive of the agreement was to support US-Japan relations, why did Prime Minister Abe advance the agreement with uncertainty over its ultimate future? Of course, the decisive win in the 2016 July elections gave him a surplus of political capital so that the party was assured of the votes to win passage over opposition. Nevertheless, in a consensus-driven society, ramming through legislation over objections risks negative public reaction and could potentially freeze out cooperation on other issues coming before the legislature. Nonetheless, Prime Minister Abe went ahead with the ratification process in the hopes to encourage other TPP signatories to follow suit. His stated goal was to “send a message about the TPP’s strategic and economic significance of creating a fair economic grouping.”³⁸ Where Japan has often been the

³⁶*Inside U.S. Trade*, 15 November 2016

³⁷“Japan taking final step for TPP ratification Friday,” *Nikkei Asian Review* 20 January 2017.

³⁸“Japan’s ratification of the TPP,” *The Japan Times*, 14 December 2016.

last reluctant party at the table of negotiations and took years to go forward with TPP, it emerges now as the most stalwart defender of the agreement. With remarkable persistence, the Abe administration expresses its commitment to persuade the United States to go forward with the agreement. During a meeting with Vice President Michael Pence in Tokyo on April 18, 2017, Deputy Prime Minister Tarō Asō urged the importance to achieve high standard rules at a regional level as in the TPP.³⁹ In many ways, the geopolitical framing has created a momentum of its own. Having once portrayed the agreement as the lynchpin of U.S.-Japan cooperation against a hostile China, the failure of the TPP is feared to represent a signal of weakening ties. In addition, by choosing to integrate TPP within his Abenomics plan, Abe made it more costly to simply step away from the agreement.

One alternative is to abandon the Trans-Pacific Partnership in favor of a bilateral U.S.-Japan free trade agreement. This was first proposed by Senate Finance Committee Chairman Orrin Hatch (R-UT) and has gained widening support as U.S. industries fear loss of market access in Japan's agreement with Australia and its near completion of a new agreement with the EU.⁴⁰ Negotiating stricter rules of origin for autos and more binding language on currency manipulation would allow Trump to claim he had bargained for a better deal and avoid the challenges of renegotiating with twelve countries while reassuring a close U.S. ally of ongoing commitment. But the geopolitical logic of binding Vietnam, Malaysia and other countries closer to the United States would be shattered with this abrupt differentiation among the partners. From the Japanese perspective, it is unclear if economic gains would remain if the auto industry faces a choice between using regional production networks or a FTA with the United States. This is one reason that Japan insisted on lower regional content requirements in TPP rules of origin.⁴¹ The addition of binding commitments on currency policy would likely meet strong resistance within the Abe administration as a

³⁹*Asahi Shimbun* 19 April 2017.

⁴⁰*Inside U.S. Trade*, 16 November 2016.

⁴¹"Rules of Origin TPP Dispute Blocking Japan-US Auto Deal," *The Japan Times*, 3 April 2015.

challenge to Japanese monetary policy intervention – a policy central to the administration effort to halt deflationary pressures. Moreover, the geopolitical gains for Japan were not only about proximity to the United States but also countering China’s regional leadership, and the rebuff to other TPP participants would push them closer to China. For the limited goals of US-Japan relations, the bilateral option is a realistic solution to the current political problem for both leaders, but it is clearly second best from the Japanese perspective. Deputy Prime Minister Asō stated, “The U.S. will soon realize that it could gain much less from a bilateral FTA with Japan than under the TPP.”⁴²

Japan has instead favored adopting the TPP11 among the remaining parties to the agreement.⁴³ Filling the vacuum left by the United States to bring the agreement to fruition increases Japan’s regional leadership role. A series of bilateral meetings were followed with the December 2017 meeting when negotiators from eleven parties gathered in Tokyo to reach draft an agreement before the upcoming APEC meeting. Japan’s push to conclude the TPP11 holds open the door for the United States to later join. The Japanese government resisted efforts from other governments to change the terms of the agreement, understanding that this would complicate U.S. entry. An official with Japan’s Cabinet Secretariat noted, “The only option is to convince them not to renegotiate,” in response to suggestions that New Zealand would introduce a new restriction on foreign real estate investment and a series of requests from Vietnam on textile tariffs and other matters.⁴⁴ Japan was largely successful in this goal – the parties removed 22 clauses in the original text but retained the core principles and all tariff schedules. The rules on digital trade, state-owned enterprises, environment, and labor have not been changed. Most of the suspended clauses relate to items that had been reluctantly accepted at U.S. insistence such as some aspects in the

⁴²Obe, Mitsuru. “Tokyo to push for TPP without US, says Aso,” *Nikkei Asian Review* 27 April 2017, accessed online at <http://asia.nikkei.com/Politics-Economy/Policy-Politics/Tokyo-to-push-for-TPP-without-US-says-Aso>.

⁴³The terms require that the TPP will go into effect when six original signatories who account for 85 percent of the total member GDP have ratified the agreement, but leaders could lower this threshold if they wanted to go forward in absence of the United States.

⁴⁴29 October 2017, “TPP11 faces new challenges as clock ticks down,” *Nikkei Asian Review*.

investor-state dispute mechanism and specific items related to intellectual property right protection.⁴⁵ In a clever legal maneuver, these provisions have been “suspended” in the TPP11 agreement but could be reinstated if the U.S. later joined the agreement. On March 8th, 2018 in Santiago Chile, the eleven remaining countries signed the TPP11, renamed as the Comprehensive and Progressive Trans-Pacific Partnership.

Now, the TPP11 will induce pressures on the United States to eventually join or face trade diversion. Petri et al. (2017, p. 8) estimate that U.S. gains from joining TPP would have stood at as much as \$ 131 billion in the year 2030 relative to baseline of no agreement, while the United States risks an annual loss of \$2 billion when the agreement among eleven remaining countries goes into effect. Others will not only have preferential market access, they will also gain first-mover advantage for investment and setting product standards. The threat to U.S. interests is especially severe as both TPP11 and the new Japan-EU agreement go into effect. U.S. agricultural exporters have already begun to lobby the government about the expected disadvantage. For example, U.S. beef exports will continue to face a beef tariff rate of 38.5% while Canada and Australia would benefit from the lower 9% rate negotiated under TPP. In a role reversal to practice the art of two-level game diplomacy on the United States, Japanese trade officials were reported to comment, “Tokyo hopes that U.S. meat industry leaders will speak up in favor of rejoining the trade deal.”⁴⁶ Japan’s lead negotiator Kazuyoshi Umemoto affirmed that “Putting the TPP 11 into effect will not only give us an open and free Trans-Pacific trade system, but it will also act as a strong message to the U.S. to return to the trade pact.”⁴⁷ Keidanren chairman Sakakibara stated, “The Japanese business community is anticipating the United States will rejoin in the future.”⁴⁸

Ultimately, Japan could still pursue a bilateral FTA with the United States while simultaneously

⁴⁵See Asian Trade Centre Policy Brief, “CPTPP: Unpacking the Suspended Provisions” available at <http://www.asiantradecentre.org/> accessed 30 March 2018.

⁴⁶“Revived TPP may exclude trade concessions sought by US,” *Nikkei Asian Review*, August 24, 2017.

⁴⁷“TPP 11’ negotiators make headway before crucial summit next week” *Nikkei Asian Review*, November 1, 2017.

⁴⁸Adam Behsudi, *Morning Trade*, Politico (3 November 2017.)

implementing TPP and engaging with the China-led RCEP. Shujiro Urata, who is a leading scholar of Japanese trade policy, advocates that Japan should consider the TPP and broader regional integration agreements as a necessary condition for its bilateral talks with the United States.⁴⁹ Robert Zoellick as USTR coined the term “competitive liberalization” as the administration of President George Bush launched a series of FTA negotiations, and ironically it may be up to other countries to pursue this approach in the hopes of challenging the United States. Yet there are some concerns within the Abe administration that going forward with RCEP could abandon chances for bringing the United States around to join TPP. A METI official was quoted during a round of meetings on RCEP expressing the belief that the government should prioritize the talks with the United States over the RCEP negotiations.⁵⁰ As a fallback position, the TPP will help Japan to achieve the level it would prefer in its bargaining with other states. In its talks with the United States, TPP may deflect bilateral pressure for additional concessions while in RCEP negotiations TPP may push China to accept more ambitious liberalization.

Such pressure on other countries will arise because the TPP rules now form a template for future agreements. When states negotiate free trade agreements, they often start from the terms in their last one. The text of the TPP draws heavily on previous U.S. trade agreements (Allee and Elsig, 2015; Allee and Lugg, 2016). Even without the United States as a member, its preferences remain locked into the draft and may find their way into future agreements negotiated by the other TPP members who now have embraced TPP11 as a new model in their own toolkit of trade agreements. Bringing trade commitments into a common framework eases the cost to business, and from the perspective of domestic ratification, new agreements that hone closely to prior agreements that have already been approved are less likely to raise objections. Using this status of previous agreements as the focal point for future negotiations has

⁴⁹He made the remarks when speaking at a February 27, 2017 event at the Brookings Institute. *Inside U.S. Trade Daily News*, 6 March 2017.

⁵⁰*Asahi Shimbun* 25 February 2017.

been effective to support a progressive trade agenda. Certainly one sees that negotiation of TPP reflected an expectation that the rules on State-owned-enterprises would someday apply to China through either its subsequent entry into TPP or through the SOE chapter of TPP finding itself into an FTAAP deal in the future. One Japanese government official explained that “The terms of the TPP agreement could serve as standards for RCEP. We hope that TPP can raise the level of the RCEP agreement.”⁵¹

The phrase “Same bed, different dreams” has come to characterize U.S.-Japan views on free trade agreements.⁵² The new strategic economic talks are viewed by the Japanese government as a means to manage trade friction and support existing initiatives, including TPP, while the Trump administration sees them as the entry point for its preferred bilateral negotiation strategy to make stronger demands on Japan that would lower its bilateral trade deficit. In an apparent role reversal, Japan aspires for economic interdependence that would lead to a new ordering within East Asia, while the United States seeks immediate returns for industries at home.

5 Conclusion

What are the domestic consequences for the content of an agreement that is motivated and approved on the basis of geopolitical motivations? Will there be reverse impact as the dissatisfaction with low economic returns leads to trade friction harmful of relations? Absence of adjustment assistance could lead to blame shifting, and we see the rhetoric of Trump during the election campaign to blame Japan for U.S. problems and call for more payments to support U.S. military bases. While the linkage between security and trade helps to overcome domestic resistance, it also raises fears in China and ultimately risks sending the wrong signals. Is it possible now to walk back the language about this trade agreement

⁵¹Interview by author, Tokyo, 5 July 2017.

⁵²“*Keizai mondai ha ‘Dōshyō imu* (Economic Problems are “Same bed, different dreams”) was the headline for an article about the first formal summit meeting between Prime Minister Abe and President Trump in the *Asahi Shimbun* 14 February 2017, p. 3.

representing a critical test of alliance relations? The rhetoric issued to rally support for the agreement also raised the costs of its failure.

The experience of negotiating TPP reveals a more complex form of *gaiatsu* as Japan navigates both its relationship with the United States and China. In the past, Japanese liberalization has been largely responsive to U.S. pressures such that one would expect the withdrawal of the United States demands for liberalization to immediately end Japanese participation in the agreement. Instead, Japan became a leader to support the TPP. The nature of the megaregional agreement brought a more comprehensive policy response in Japan that built support for the agreement based on strategies for economic restructuring at home and diplomacy within its region. Even the nature of leadership within the government adapted to accommodate a more centralized approach capable of dealing with the complex negotiations. From Japan to the United States, this agreement has triggered strong responses in favor and in opposition. The process of deciding to join and ratify TPP and then lead in its renegotiation as TPP-11 indicates that changes lie ahead in how Japan approaches globalization and its role in the world.

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