

Japan in the Driver's Seat?
Reshaping the Regional Trade Order
without the United States

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On January 28, 2018 representatives from eleven countries, following the strong leadership of Japan, agreed to a modified version of the Trans-Pacific Partnership (TPP).¹ This new pact—renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP), or TPP-11—was formally signed in Chile on March 8. The treaty will take effect once ratified by at least six member countries. Japan is planning to push the treaty through the Diet within 2018 and anticipating that it will come into force sometime in 2019. The agreement represented a major recovery by the eleven countries following initial expectations that TPP was dead after the election of Donald Trump.

Trump, as an early follow through on his xenophobic and unilateral campaign promises, signed an executive order pulling the United States out of the TPP within one hundred hours of his inauguration.² With that stroke of his pen, Trump wiped out 10 years of work on the so-called “Pacific” route to regional trade integration, anchored on the U.S. market. It also defied multiple analyses demonstrating the strong economic benefits that TPP would provide for the United States. Turmoil immediately prevailed among the remaining eleven signatories.

Japanese prime minister Abe, for example, only weeks after Trump’s election announced, “TPP is meaningless without the U.S.”³ Singaporean prime minister Lee Hsien Loong argued, “if the TPP does not go ahead, it would be a great loss for the rest of the member economies.”⁴ *The National Interest* was typical in its skepticism about both the survival of TPP and the long-term implications for the Asia-Pacific. In an article entitled “TPP is Dead; Now What?” it observed: “The United States’ withdrawal not only throws away the potential for a trade agreement but may cause countries that expended significant political capital for the TPP to retreat from free trade for the foreseeable future.” That China will be the primary beneficiary of Trump’s withdrawal was a widespread conclusion.⁵ In fact, as the signing of the CPTTP indicated, all eleven countries were prepared to recommit themselves to the deal and to continue to advance the goals of a liberal trading order in the region.

An Evolving Asia-Pacific Order

The stable economic and security order that prevailed in the Asia-Pacific from the early 1980s until the early 2010s is currently facing multiple challenges.⁶ Many have been festering with varying degrees of acceleration and deceleration since the bipolarity that had previously provided the region’s structuring architecture began to topple in the 1970s. Nevertheless, for a roughly thirty-year period until the mid-2000s, the regional order was defined primarily by increased economic interdependence, rising institutional multilateralism, and the absence of state-to-state military conflicts. It is not that challenges to that tranquil order were absent, but most pale in significance to the far more potent challenges to both intra-regional economic and security stability that have emerged in the last decade or so. No such challenge is potentially more upending of past patterns than the American pull-back from regional engagement since the Trump administration took office.

During the Cold War, the prevailing regional order had been stark and bipolar. Prior to the Nixon and Tanaka visits to China (1972) and Deng’s subsequent and sweeping reforms of the Chinese economy (1978) the regional order was characterized by stringent isolation and ongoing confrontation between two hostile and mutually exclusive blocs. These blocs contended with one another in the overlapping and reinforcing spheres of economics

and security. America and its friends and allies stood on one side of the abyss while the communist countries occupied the other. Intra-bloc economic and security interests were mutually reinforcing; security partners traded preponderantly with one another, economic bridges across the security divide were narrow, shaky, and far apart.

This bipolarity in the Asia-Pacific order reflected the broader global architecture set up by the United States in the aftermath of World War II. A dense web of institutions fostered the global international order that has largely prevailed until today. The bulk of the institutions forged in the economic and financial arena were *global* in nature. Key examples include the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) along with its successor the World Trade Organization (WTO). In the security arena, by way of contrast, the U.S. architectural approach was *region-specific*. In some parts of the world, it opted to forge multilateral regional security bodies such as NATO; however, in East Asia America relied on a patchwork of bilateral hub-and-spoke alliances. When the Cold War ended, the most prominent security challenges justifying American-led alliances had disappeared, leaving the United States as the unquestioned global and regional hegemon, enjoying what Barry Posen (2003) called unchallenged “command of the commons.”⁸ From this powerful perch, however, it had few incentives to alter the existing regional architecture. Instead, it strengthened, rather than scrapped, its bilateral alliances while continuing to rely on global economic institutions. The Asia-Pacific’s post-Cold War institutional inheritance thus involved a mixture of global trade and financial institutions and a patchwork of bilateral security alliances.

As the rigidities of the bipolar division began to blur in the late 1970s and early 1980s, military tensions faded while cross-border economic interdependence climbed. National leaders across the region began to downplay their countries’ military prowess in favor of prioritizing economic development. An avalanche of international capital investment swept across the region during the 1980s and 1990s. The result was the well-explicated “Asian miracle” with its increase in cross-border trade and investment, rising economic and financial interdependence, and a surge in the number and range of activities undertaken by regional economic institutions.⁹

Japan was a major contributor to this onrush of investment and trade interdependence. In particular, Japan unleashed a massive combination of official aid, trade, and investment throughout the region, including with China, the latter constituting a vital component in China’s economic take-off. As Japan’s economic ties with Asia expanded, congruent with the expansion of intra-Asian production networks involving Japanese firms, the country found itself facing increased tension between the economic pulls of Asia and the diplomatic and foreign policy focus that kept Japan unshakably anchored to the United States through its bilateral security alliance. This tension became increasingly acute as Japan’s economic interdependence with China ballooned, even as security tensions between the two countries mounted. Thus Sino-Japanese trade totaled \$270 billion in 2016, and China emerged as Japan’s leading trade partner while Japan was China’s second-largest trading partner. Japanese investment in China followed a similar trajectory, with investments totaling more than \$109 billion by the end of 2016, making Japan the leading source of foreign investment for China and accounting for 8 percent of Japan’s total outward investment (plus an additional 2 percent invested in Hong Kong).¹⁰ East Asia as a whole accounted for 51 percent of Japan’s exports and 49 percent of its imports as of December 2016.¹¹

Japan continually sought to bridge these competing pulls between its economic and its security interests. Thus, when the United States was considering a reduction of its military presence in East Asia during the 1980s, Japan along with Australia, actively helped to create and promote the Asia-Pacific Economic Cooperation forum (APEC) and the ASEAN Regional Forum (ARF). Both countries then worked tirelessly to urge the United States to join both institutions as a way of keeping it deeply engaged in the region not only militarily but also through trade and economic interdependence. Japan, with its insistence that new regional institutions such as APEC and the ARF represent the “Asia-Pacific,” and not just “Asia,” also helped ward off the kind of division that U.S. secretary of state James Baker once called “a line down the middle of the Pacific.” For much of the 1990s—largely until the Asian Financial Crisis (AFC) of 1997-98—the two governments collaborated actively with other APEC members to lay the groundwork for an interwoven nexus of policies aimed at enhancing Asia-Pacific economic cooperation, particularly through trade liberalization.¹²

The AFC triggered a major rethinking of the institutional architecture among leaders throughout Asia. The surging ebb and flow of “hot money” that accompanied financial globalization devastated a number of East Asian economies along with their underlying developmental models.¹³ In response, governments across East Asia came to the conclusion that their financial and economic interests were at odds with the global ideology of comprehensive trade, financial liberalization, and deregulation fostered by the United States, the IMF, and the WTO (not to mention the interests of hedge fund operators, currency manipulators, and other largely non-Asians.) Hamilton-Hart summarized that view as demanding greater “market-based, competitive, and internationally open financial systems.”¹⁴

The Asian response was to seek collective regional protection, particularly in the area of finance. Indeed, Japan went so far as to propose an Asian Monetary Fund (AMF) that would be region-specific and would allow for intra-Asian assistance in such crises devoid of U.S. or IMF oversight. Those two plus China, however, quickly shot down Japan’s proposal. Asian governments did however collectively cut back on domestic demand, enhanced foreign reserve holdings, created tougher financial firewalls, engaged in closer monitoring of short-term capital flows, made regulatory systems more sophisticated, and forged a series of new institutional arrangements. These regional multilateral bodies including the ASEAN+3 (APT), Chiang Mai Initiative (CMI) which later became the CMI Multilateralization (CMIM), two Asian bond markets, and the East Asia Summit (EAS) were initially “for Asians only.”¹⁵ Furthermore, in response to the stalemated Doha Round in WTO trade negotiations, starting around 2001-2002 numerous East Asian countries moved aggressively to forge a latticework of FTAs and other mini-lateral agreements on trade. All served as instruments of institutional intermediation between Asian economies and the broader global trade and financial markets. In all of these ways, countries in East Asia moved collectively to minimize the chances for any repeat of the devastation unleashed on their economic development by the AFC.

Japan’s engagement with these trends was not without complications. In addition to proposing the AMF noted above, Tokyo sought to respond to the trade and investment interests of its major banks and manufacturers, as well as to assert its financial leadership of the region. Thus, Japan actively supported the formation of most of the new regional

bodies. Japan's shifting trade patterns also fostered deeper engagement with Asia. The high trade interdependence between Japan and the United States that had begun in the Cold War had been eroding for decades while trade with Asia was ratcheting up. During the latter half of the 1980s, approximately 11 percent of all U.S. exports went to Japan while 20 percent of total imports came from Japan. In turn, it received 36 to 39 percent of Japan's exports and accounted for about 23 percent of Japan's total imports. By 2010 Japan was taking only 4.8 percent of total U.S. exports and accounting for only 4.1 percent of America's total imports.¹⁶ The U.S. share of Japan's exports had fallen to only 16 percent of its total while the United States accounted for only 11 percent of Japan's imports. Meanwhile, Asia was absorbing 56 percent of Japan's exports and providing 43 percent of its imports. Such figures make clear the dramatic reduction in U.S.-Japan trade linkages over the last two decades or so.

Nevertheless, the Japanese government's official embrace of an Asian tilt was less than fulsome. Despite its early aid to China and the growing economic interdependence between their two economies, Japan became increasingly wary of the economic challenges and military reach of China, of demonstrations against China-based Japanese companies, and of China's wariness about strong sanctions against North Korean nuclear and missile programs. In response, Japan sought to expand its diplomatic horizons to selective countries that were equally worried about China, in the hope of forging an "arc of freedom and prosperity."¹⁷ This arc involved among other things, promoting the inclusion of democracies like Australia, New Zealand, and India in regional bodies such as the EAS. Japan's enhanced embrace of East Asian multilateral institutions was also constrained by its reluctance to reduce its close security alliance with the United States, even when this required expanded bilateral military cooperation that was politically sensitive among Japan's voters. Japan continually sought to avoid making any painful choices between its ties to the United States and those to East Asia, and the competing pulls of its economic and hard security interests.

Equally constraining were domestic electoral concerns. These had a particularly strong impact on Japan's embrace of the emerging regional trade regime. Core constituents of the ruling Liberal Democratic Party (LDP) such as agriculture, small and medium-sized businesses, and the auto industry for example, caused Japan to be rather sclerotic in joining the burgeoning wave of bilateral and multilateral FTAs.¹⁸ Before Japan agreed to join TPP, the country had few FTAs and the rate of coverage of its trade was low. As late as 2011, Japan had signed only twelve such bilateral agreements, and most were with countries where the trading relationship was economically minimal. The result was a very low ratio of coverage for Japan's total trade. The EU coverage ratio through FTAs was 73.8 percent, Singapore's was 62.7 percent, ASEAN's was 60 percent, the United States' was 38.8 percent, and South Korea's was 34 percent. Japan in contrast had a coverage ratio of only 18.6 percent.¹⁹ Negotiation of any more comprehensive agreements would have required substantial liberalization of key sectors of its domestic economy and the goring of numerous politically sacred cows. Nonetheless, in a break with prior reluctance, and in contradiction to his prior criticisms of the then-ruling Democratic Party of Japan (DPJ) for even considering TPP, on March 15, 2013, less than three months after taking office, Abe announced that Japan would enter TPP negotiations. The move represented a sharp break with Japan's prior hesitation on trade.

Japan, TPP, and the Regional Trade Order

The TPP grew out of an APEC failure in the late 1990s to create a large-scale economic free trade area. As it had evolved by 2015-16, TPP promised monumental changes to the existing Asia-Pacific trade regime in four central ways. First, as the most comprehensive and ambitious regional trade agreement the United States had ever concluded, it was to serve as the centerpiece in the Obama administration's multidimensional "pivot" or "repositioning toward Asia." Obama promoted TPP as the most prominent manifestation of America's re-prioritizing of the Asia-Pacific. Second, TPP represented a monumental shift by the Japanese government in pushing back against domestic political protectionism and embracing extensive trade liberalization measures the country had long opposed. Third, TPP promised "high quality" and "ambitious" "21st Century standards" for trade relations, even as those terms remained undefined.²⁰ TPP was designed to reach well "behind the border" in ways that traditional tariff reductions do not. Provisions included harmonization of domestic regulations, stronger agricultural and food sanitary- and phyto-sanitary (SPS) regulations, extensive labor and climate protections, and requirements that state-owned enterprises (SOEs) operate in a commercially credible manner. In principle, TPP would also ensure that all goods, services, and investments in any TPP participant country would be available to other TPP members.²¹ Fourth and finally, though less often the lead item in TPP press releases, the trade pact sought to address many of the geostrategic interests of the signatories. The TPP explicitly excluded China, convincing both the United States and Japan that the trade pact had not just commercial, but also security benefits. At a minimum, it would require China to reconfigure its domestic economy if it wished to join or even to compete effectively against TPP members. Alternatively, it would provide a powerful economic counterweight to China's rising economic influence. In all of these ways TPP promised Japan a multipronged vehicle by which to retain close economic and security ties with the United States to embrace many of its key trading and diplomatic partners in East Asia; and to gain a leg up on China's regional influence.

The Obama administration took office convinced that America's wars in Iraq and Afghanistan mistakenly focused on non-existential threats that deflected both Treasury resources and senior policymakers' attention away from the more strategically and economically critical Asia-Pacific. Indeed, when Obama took office in 2009 the economic center of the globe was unquestionably Asia, which at the time accounted for 60 percent of global GDP and nearly half of the world's international trade.²² Consequently, Obama moved to reengage assertively with the Asia-Pacific and its multilateral institutions. That East Asia had emerged from the global financial crisis far less economically scathed than the United States or Europe offered added incentives for American engagement.²³

The administration committed to a "repositioning" or "pivot" toward Asia, a policy posture first articulated in a November 2011 speech Obama made in Canberra, Australia. Secretary of State Hillary Clinton's November 2011 *Foreign Policy* article elaborated on the major principles. Among other things, the Obama administration strengthened and linked its bilateral alliances; it expanded the frequency of visits to Asia by top U.S. leaders; it signed the ASEAN Treaty of Amity and Cooperation (TAC); it appointed an American ambassador to ASEAN; and it worked behind-the-scenes to encourage regime change in Myanmar. America also reinvigorated top-level participation in the ARF, APEC, and the Shangri-La Dialogue. In short, it began a multipronged and multilateral regional engagement.

Congruent with all of these measures and arguably its capstone was the Obama administration's strong efforts on behalf of the TPP. The George W. Bush administration had initiated negotiations over what eventually became the TPP; however, it was Obama in November 2009 who advanced the visibility and expanded the membership of TPP. It was advanced as part of the White House's argument for free trade more generally: "Ninety-five percent of the world's consumers live outside our borders. Our Made-in-America products and services are in demand, making American exports a vital pillar of our 21st century economy. In fact, exports played an indispensable role in America's resurgence from the Great Recession."²⁵ Not at all coincidentally, it would be to America's distinct advantage to structure the major trade architecture of the Asia-Pacific. As Obama wrote in *Washington Post*, defending TPP: "The world has changed. The rules are changing with it. The United States, not countries like China, should write them. Let's seize this opportunity, pass the Trans-Pacific Partnership and make sure America isn't holding the bag, but holding the pen."²⁶

Furthermore, if Japan joined the trade pact, TPP's economic and security impact would be substantially magnified. Japanese political leaders had been ambivalent about TPP for the first several years of its negotiation. Not until November 2011 under a DPJ government, and at the strong urging of the United States, did Prime Minister Noda announce that Japan would begin internal discussions about whether or not to join TPP negotiations. Doing so left him facing withering criticism from the opposition LDP, only recently toppled from its electorally-dominant perch, which contended the pact would be devastating to core sectors, most importantly agriculture and fisheries.

Yet, less than three months after taking office, on March 15, 2013, Abe announced that Japan would indeed commit to joining TPP negotiations. The TPP talks had made little progress during Obama's first term, but the speed accelerated dramatically shortly after Japan joined the negotiations, timing that corresponded with Michael Froman becoming the U.S. Trade Representative. In little more than two years, negotiations concluded in October 2015, with all 12 countries signing formally on February 5, 2016.²⁷ As negotiated, the original deal, if implemented, would have encompassed 40 percent of global trade. Forecasters projected that the TPP would increase Japan's real GDP by 3.2 trillion yen, or 0.66 percent. Under Abe, Japan became a full-throated proponent of the trade pact by the time negotiations were completed and Japan became the first nation to give parliamentary approval to the final deal in November 2016.²⁸

Abe's calculations were complex. A longstanding critic of what he perceived to be Japan's long-term passivity in foreign policy, Abe saw TPP as dovetailing with his extensive globetrotting mission to expand Japan's global diplomatic activism and influence. Equally, Abe was anxious to bolster Japan's longstanding relationship with the United States while including Japan in TPP had by then become a high priority for the Obama administration. Abe shared the Obama view that extending the liberal trade order across Asia would bolster the economies of both countries and solidify their bilateral ties.

In addition, domestically Abe had committed the country to "Abenomics," his eponymous mix of economic policy changes designed to catapult Japan out of its two decades of slow growth and torpor. Abe envisioned TPP as providing him with a cudgel with which to break open some of the closed sectors of the Japanese economy without immediately

severing ties with the LDP's agricultural supporters. Furthermore, by lowering barriers to the import of foreign foods and agricultural goods, TPP would ultimately lower prices in Japan, delivering a boon to Japanese consumers and, in the process, repositioning the LDP to make a stronger electoral appeal to the rising numbers of urban consumers, who have traditionally been more skeptical of the party. As Tanaka Akihiko summarized the situation: "Despite the LDP's unrelenting opposition to the Trans-Pacific Partnership when the DPJ was in power, Abe was convinced that the proposed trade agreement among Pacific Rim countries was absolutely necessary to buttress Abenomics. Abe worked on drafting an LDP electoral platform that would leave open the possibility of entering TPP but the most critical phrase was "the LDP opposes participation in these negotiations, if the government enters them on the assumption of 'tariff elimination without sanctuary' (seiki naki kanzei teppai)"²⁹ This last phrase was an escape clause designed to permit Japan to retain some protections for politically difficult sectors, most notably agriculture. Bilateral negotiations between Japan and the United States eventually gave Abe his essential fig leaf.

After TPP was signed in Atlanta in October 2015, Abe hailed the accomplishment, saying, "This is a significant achievement not only for Japan, but also for the future of the whole Asia-Pacific region." He also praised the agreement by describing it as "a farsighted policy for all participating countries that share the values and try to build a free and fair economic zone."

What had been developing as a fulsome attempt by both Japan and the United States to reinforce the liberal trade order within the Asia-Pacific was upended by the election of Donald Trump, who ran a campaign of full-throated white nativist populism, a central component of which was antagonism to the global liberal order and multilateral agreements, represented among other things in TPP. Trump's opposition flew in the face of the undeniable benefits that financial and trade liberalization had long provided to the United States and its Asia-Pacific allies. Of particular centrality to Trump's antagonism were bilateral trade deficits. Since at least the 1980s he had portrayed such bilateral balances in starkly Manichean and transactional business terms: America was "winning" when its exports to any single country were greater than its imports from that country; if the equation was reversed, it was "losing." America's bilateral trade balance with most countries had long been negative (in goods, though often not in services, a distinction critical to the changing character of the U.S. economy, but one he and his supporters conveniently ignored). Consequently, he argued, the global trading system as organized under the WTO and most multilateral trade agreements such as NAFTA, KORUS, and TPP, was collectively "taking advantage of the United States." So too were the majority of America's trading partners. China came in for blistering criticisms in this regard, but Trumpian criticisms fell strongly as well on trade partners with which the United States maintained security alliances such as Japan, Korea, and Australia. Not only did most of them enjoy positive trade balances with the United States, "they" were not paying their "fair share" of the costs for their national defense. Thus, he argued, America's security structure was also working to disadvantage the American economy. His solution was to demand "a better deal for America" by challenging all existing multilateral arrangements and/or shifting to their replacement by renegotiated bilateral trade deals.

Even though the Trump perspective on trade, alliance commitments, and multilateralism was uniformly hostile, the new administration saw no merit in challenging the primacy of the U.S. military and its global role. A key component of Trump's promise to "make America

great again” involved a big boost to America’s military budget and a more robust militarily-centric confrontation with overseas adversaries such as North Korea, Iran, ISIS, and the Taliban (while minimizing potential security confrontations with China or Russia. In fairness, in December 2017, after a year in office, the Trump administration’s National Security Strategy did express concerns about both countries as potential challengers).³⁰

Once in office, the Trump administration backed off very few of its campaign threats on trade, as shown in its 2017 Trade Policy Agenda.³¹ Indeed, on March 8, 2018, Trump announced that he was applying tariffs of 25 percent on imported steel and 10 percent on imported aluminum, following a forewarning in a March 2nd Twitter claim that “trade wars are good and easy to win.”³² For purposes of this article, the broader orientation of the Trump administration on trade, alliances, the military, and multilateralism is valuable as the logical backdrop for his decision to end American involvement with TPP. Yet it also makes clear that the TPP pullout was just a sliver of the broader mosaic of anti-liberal populism and military muscle-flexing undergirding Trump administration moves to extricate the United States from the nexus of trade and multilateral agreements that had long been pillars of the global liberal order. Populist nationalism also helps explain the administration’s general disdain for engaging in nuanced foreign policy analysis and for the Asia-Pacific as a geographical priority. Thus, after a year in office hundreds of key administration appointments in diplomacy and foreign policy remain unfilled, including key positions dealing with East Asia.³³ The decision to withdraw the United States from TPP represented but one trade specific component of its broader self-isolation from the Asia-Pacific.

Japan and the TPP-11

Trump’s decision to end U.S. participation in TPP was initially crushing to the Japanese government, particularly to Abe. Japan had expended extensive political capital to advance the trade pact. More importantly, Abe envisioned the TPP as fulfilling multiple goals as: an anchor for the bilateral relationship with the United States; a commercially valuable tool to advance Japanese corporate market access to the United States and Asia; a firebreak against rising Chinese regional influence; and a lever with which to dislodge powerful veto groups impeding economic reforms at home. The question of what to do next puzzled Japanese policymakers for several months.

The TPP was by no means the only multilateral trade possibility available to Japan. ASEAN had long been promoting the Regional Comprehensive Economic Partnership agreement (RCEP) following the introduction of the idea during the 19th ASEAN Summit in November 2011. Negotiations on RCEP had been ongoing since 2012 and would involve sixteen members of the EAS (including Japan and China but excluding the United States). In addition, in 2014, APEC members committed to taking a concrete step towards greater regional economic integration by endorsing a roadmap for the Free Trade Area of the Asia-Pacific (FTAAP) to translate this vision into a reality. As a first step, APEC implemented a strategic study on issues related to FTAAP’s realization. Also on the table of potential agreements was a three-country pact among China, Korea, and Japan that had long been stalled despite the fact that the three in May 2012 had signed a joint investment treaty that Japan foresaw as a prerequisite for a three-way trade deal.³⁵ Whether or not a trilateral FTA could gain new energy in a spring summit meeting scheduled for Japan is unclear. Japan of course was eligible for any or all of these approaches to its regional trade relations. Moreover, China had

long been advancing its One Belt, One Road activities (subsequently relabeled the Belt and Road Initiative or BRI). While Japan is not currently involved, it has periodically floated the idea of participating in BRI as well. Moreover, in February 2018, Australia announced that along with Japan, India, and the United States, it was negotiating to create an investment fund to “complement” BRI.³⁶ RCEP was the most comprehensive alternative to TPP. It would cover 3.5 billion people in a roster of countries with a combined gross domestic product of \$22.6 trillion. Its focus has been on cutting import tariffs on goods rather than other aspects of liberalization. Yet, because its standards are so low, Japanese companies would likely gain limited new access to markets in RCEP participant economies. As a result, Japanese leaders have been pressing forward with TPP-11 and seeking to delay movement on RCEP until TPP-11 takes effect.

Without ignoring these other possibilities, Japan, along with Australia and New Zealand has determined that a TPP, even minus the United States, remains its best option to advance regional economic integration in accord with the general principles of the liberal trade order. As Kamiyama Naoki, chief strategist with Nikko Asset Management, phrased it: “The value chain of the global economy is no longer unilateral, so multilateral agreements are a logical approach to international trade.”³⁷ Japan’s effort to salvage the deal also reflected a growing recognition that countries that previously counted on American leadership would have to forge ahead on their own. Takemori Shumpei put it as follows: reopening negotiations allowed Japan and its allies to “show the U.S. administration that we have alternatives.”³⁸ Thus, at a July 2017 meeting in Hakone, Japan led trade negotiators from the 11 countries to resuscitate their prior pact. Negotiations moved quickly; by January 2018, the eleven reached a collective agreement, the essence of which was to keep intact the main provisions negotiated in the original TPP minus twenty-odd chapters and provisions that would have been of specific benefit to the United States and its companies.

The response from Trump was ironic, if not totally inconsistent. As the remaining 11 reached their agreement, Trump announced that the United States might agree to reenter TPP “if we can get a better deal” (with no specification as to what that might mean).³⁹ Japan’s TPP minister Motegi Toshimitsu quickly responded: “The terms of the TPP-11 have already been decided on, and we think our priority is bringing this TPP-11 into force,” while simultaneously “welcoming the fact that the U.S. has recognized the significance of the TPP.” Trade Minister Seko Hiroshige added: “We welcome President Trump’s first display of positive interest [in the pact], even though it comes with various conditions attached.”

Australia’s ambassador to the United States Joe Hockey was more specific: “No one’s going to rule it out, because it’s the United States of America and we want the United States of America in the TPP. We really do...And last I saw, a majority of Americans actually want free trade, and American business surely would want to have cheaper access to the fastest-growing market in the world...The official line is that the architecture is open and transparent, and it accommodates anyone choosing to join...The hard part is, if you were joining a club, it’s very hard to put in your application and try to change the rules at the same time.”⁴⁰

By the time of the April 17-18, 2018 meeting between Trump and Abe at Mar-a-Lago, Trump was again reiterating his opposition to American participation in TPP-11, pushing instead for a bilateral trade deal with Japan. Trump also refused to exempt Japan from his

aluminum and steel tariffs, despite Japan's centrality as an ally. While Abe pushed back strongly against Trump's bilateral pressures, his popularity in Japan had plummeted from 65 percent support in January 2018 to 27-30 percent by April, making it less likely that he could continue to be as effective a champion of the TPP-11 and a bulwark against Trump's systematic attacks on the liberal trade order.

Conclusion

For now, Tokyo has to strike a delicate balance between seeking to engage Trump on trade and maintaining unity among the TPP-11 countries. This will by no means be easy. In the meantime, by taking a leadership role in resuscitating the TPP-11, Japan has shown a renewed commitment to reinforcing the global trade order in the Asia-Pacific, even as the Trump administration seems determined to undermine it by turning inward. In the process, Japan presents a clear alternative to smaller countries in the region, worried that they would find themselves at the mercy of the economic muscularity of China. Japan and TPP offer at least one alternative, and already a number of other countries including South Korea, the Philippines, Indonesia, Thailand, and even post-Brexit Britain have indicated an interest in joining. It is not at all clear how the Trump administration will eventually deal with the new TPP-11 versus its clear preference for bilateral trade arrangements. Nor can we predict how extensive the damage to Asia-Pacific ties and to U.S. soft power in the region will be. However, it should not be surprising that the overall image of the United States as well as trust in its ability to make the right decisions has plummeted.⁴¹ Whether Abe, Japan and others committed to the global liberal trade order can keep it afloat in the face of U.S. withdrawal remains an overarching concern.

Endnotes

- ¹ The eleven are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
- ² Robin Harding, "Trump withdrawal from TPP creates high stakes turmoil," *Financial Times*, May 3, 2017, <https://www.ft.com/content/37f1dcb8-0288-11e7-aa5b-6bb07f5c8e12>.
- ³ Kiyoshi Takenaka, "Japan PM says TPP trade pact meaningless without U.S.," Reuters, November 21, 2016, <https://www.reuters.com/article/us-japan-tpp-abe/japan-pm-says-tpp-trade-pact-meaningless-without-u-s-idUSKBN13G2IK>.
- ⁴ Liyana Othman, "TPP without the US would mean a new agreement, but would be a great loss: PM Lee," *Channel News Asia*, November 21, 2016, <https://www.channelnewsasia.com/news/asiapacific/tpp-without-the-us-would-mean-a-new-agreement-but-would-be-a-gre-7679388>.
- ⁵ See "Why Trump's withdrawal from the TPP is a boon for China," *South China Morning Post*, January 24, 2017, <http://www.scmp.com/news/world/united-states-canada/article/2064927/why-trumps-withdrawal-tpp-boon-china>; Jeffrey H. Bergstrand, "Killing

TPP is bad news for Americans, but great for China,” *CNN*, January 24, 2017, <https://www.cnn.com/2017/01/23/opinions/killing-ttp-great-for-china-bergstrand-opinion/index.html>; and Ami Miyazaki and Tom Westbrook, “Trump sinks Asia trade pact, opening the way for China to lead,” Reuters, November 22, 2016, <https://www.reuters.com/article/us-usa-trump-ttp/trump-sinks-asia-trade-pact-opening-the-way-for-china-to-lead-idUSKBN13H00T>.

⁶ Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013).

⁷ G. John Ikenberry, *After victory: Institutions, strategic restraint, and the rebuilding of order after major wars* (Princeton, NJ: Princeton University Press, 2009).

⁸ Barry R. Posen, “Command of the commons: the military foundation of US hegemony,” *International Security* 28, no. 1 (2003): 5-46.

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- ¹⁸ Of particular political concern in agriculture were Japan's "five sacred areas"—dairy, rice, beef/pork, wheat, and sugar—powerful and essentially off limits from any full liberalization.
- ¹⁹ Urata Shujiro, "Regional Economic Integration in Asia: Challenges and Roles for Japan and India," unpublished data (2013), [www2.jiia.or.jp/pdf / koenkai/2012/121213ep-Urata.pdf](http://www2.jiia.or.jp/pdf/koenkai/2012/121213ep-Urata.pdf).
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- ²⁷ Of particular importance in Japan’s decision to join TPP negotiations and the eventual resolution of Japanese concerns over its five sacred areas of agricultural sensitivity was the willingness of Obama to enter into a side agreement with Abe that exempted these areas from immediate and complete liberalization. See Deborah Elms, “The Origins and Evolution of the Trans-Pacific Partnership Trade Negotiations.”
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- ³⁰ See National Security Strategy of the United States of America, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.
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