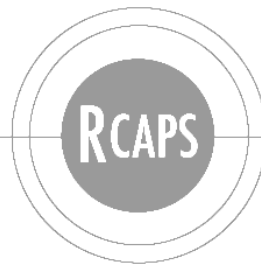


Ritsumeikan Center for Asia Pacific Studies



RCAPS Working Paper Series

RWP-14001

*Trade Politics in Northeast Asia: The Development of the
Trilateral Free Trade Agreement*

December 24, 2014

Hidetaka Yoshimatsu
Graduate School of Asia Pacific Studies,
Ritsumeikan Asia Pacific University, Japan

Trade Politics in Northeast Asia: The Development of the Trilateral Free Trade Agreement

Hidetaka Yoshimatsu

Graduate School of Asia Pacific Studies,
Ritsumeikan Asia Pacific University, Japan

Trade Politics in Northeast Asia: The Development of the Trilateral Free Trade Agreement

Abstract: This article seeks to analyse the development of FTA policies adopted by China, Japan and South Korea with particular interests in the development of the trilateral free trade agreement (FTA). It seeks to address what the determinant factors that have conditioned the development of the trilateral FTA are. While the three governments began the informal joint study of the trilateral FTA in 2003, they pursued diverse FTA strategies that disturbed a shift to formal negotiations. However, China's strategy to hedge against the US influence in East Asia became a catalyst in shifting from the long-lasting study stage to the launching of negotiations. Moreover, Japan's strategy to participate in TPP negotiations as a soft balancing against China through closer political linkages with the United States weakened China and South Korea's willingness to engage in the trilateral FTA positively. Thus, the three countries' commitments to the trilateral FTA were primarily confined by their specific diplomatic objectives responding to the political-economic evolutions in the Asia-Pacific region.

Keywords: China-Japan-Korea FTA, Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), diplomatic objective, soft balancing, hedging

Introduction

After the early 1990s, a growing number of countries found interests in regional trade arrangements largely because of slow progress in market liberalisation under multilateralism. The global wave towards the formation of free trade agreements (FTAs) has a significant impact on trade policy of Northeast Asian countries. China, Japan, and South Korea began to change the basic stance on trade policy in the late 1990s, and committed to the conclusion of bilateral FTAs targeting mainly trade partners in Asia. After 2010, they began to engage in the formation of multilateral FTAs such as the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership Agreement (TPP).

This article seeks to analyse the development of FTA policies adopted by China, Japan and South Korea with particular interests in the trilateral FTA. Since the three countries have the high level of trade interdependence, the formation of the trilateral FTA was expected to produce substantial economic benefits. In fact, representative

research institutes of the three countries began the joint study of the trilateral FTA in 2003, but it took a long time to shift from this informal joint study to a formal one. The formal joint study began in May 2010, and led to the announcement of the launching of formal negotiations two years later. Even after this announcement, various political factors impinged on the process of negotiations on the trilateral FTA.

Given the importance of the three countries in the global economy and world politics, the trilateral FTA has become a target of empirical research. Some studies have analysed economic effects that the trilateral FTA would bring about on trade, gross domestic product (GDP) and industrial structure of each country and the world economy as a whole (Jin, Koo and Sul 2006; Kimura and Ando 2008). Others have examined feasible paths to create a free trade area in Northeast Asia by investigating relative priority between the trilateral FTA and bilateral FTAs among the three countries (Choi 2013; Madhur 2013). Since it took a long time to launch formal negotiations, it was reasonable to undertake the above economics-oriented ‘prospect’ research. However, the trilateral FTA finally reached a stage of formal negotiations in 2012. It is necessary and possible to undertake politics-oriented research that examines what are the determinant factors that condition the progress towards formal negotiations on the trilateral FTA. In this respect, a large number of research on domestic politics of China, Japan and South Korea provide valuable insights on the development of the trilateral FTA, particularly opposition to the FTA from major societal groups that would face growing competition with imported products due to market liberalisation.¹

Since China, Japan and South Korea have been long-time rivals with historical and territorial disputes, the formation of an FTA among the three countries should have been accompanied by political calculations. Moreover, environments surrounding FTAs in the Asia-Pacific region have become extremely complex as various FTA initiatives have created overlapping and nested institutional structures. Under such conditions, China, Japan, and South Korea are likely to commit to the trilateral FTA with strategic calculations on evolving political economic conditions at the systemic level.² This article aims to make contributions to deepening research on the political economy of FTAs in Northeast Asia by articulating impacts of such political factors on the development of the trilateral FTA. It seeks to address following questions. The

comprehensive, main question is what the determinant factors that have conditioned the development of the trilateral FTA are. More concretely, why did it take so long time for the three countries to shift from the stage of an informal joint study to the launching of formal negotiations? Why could the three governments finally reach an agreement to commence negotiations? And, how have the three governments engaged in negotiations on the trilateral FTA by aiming at its early conclusion?

This article assumes that the three countries' commitments to the trilateral FTA were primarily confined by their specific diplomatic objectives responding to the political-economic evolutions in the Asia-Pacific region. Under such conditions, while the three governments began the informal joint study of the trilateral FTA, they pursued diverse FTA strategies that disturbed a shift to formal negotiations. However, China's strategy to hedge against the US influence in East Asia became a catalyst in shifting from the long-lasting study stage to the launching of negotiations. Moreover, Japan's strategy to participate in TPP negotiations as a soft balancing against China through closer political linkages with the United States weakened China and South Korea's willingness to engage in the trilateral FTA positively.

This article is organised as follows. The next section provides insights on the analytical framework. The second section examines the study stage of the trilateral FTA, followed by a section that investigates the transitional period to commence formal negotiations. The fourth section highlights the negotiations process after 2013, and articulates the three parties' diplomatic objectives and interactions.

Diplomatic Objectives in Pursuing FTA Policies

As FTAs emerged as a main vehicle to promote trade liberalisation in the early 1990s, major countries in the world have engaged in the formation of bilateral FTAs with their neighbouring countries or multilateral FTAs in a given region. The FTA formation is primarily aimed at producing economic benefits by removing tariff and non-tariff barriers to trade and facilitating access to larger markets in contracting parties. At the same time, FTAs are 'political architectures' in that political conditions have significant bearings on the agreements' objectives, partner selection, and effect. First, political and strategic aspects often constitute major objectives of FTA conclusion. FTAs are

sometimes concluded to enhance the state's security position in evolving global and regional politics (Aggarwal and Govella 2013; Pempel 2013). The resource-importing countries take advantage of FTAs to improve 'resource security' in which they can enjoy the continuous availability of needed natural resources at reasonable prices (Wilson 2012). Second, political conditions have crucial influences on the selection of FTA partners. Gowa (1994) argues that international trade creates 'security externalities' by increasing the national wealth of any country engaging in it and thereby enhancing its potential military power. Accordingly, a state tends to enhance trade with an ally while it is reluctant to promote trade with an adversary. Several studies find that allies are more likely to negotiate FTAs because they can internalise the gain from economic exchange (Manger 2011: 3). Third, the conclusion of FTAs brings about significant effects in the political domain. Strengthened economic ties through the FTA formation deepen diplomatic relations in the government and social exchanges in the society among the parties, and contribute to creating stable and intimate political relations. Mansfield and Pevehouse (2000) hold that parties to the same preferential trade agreement are less prone to disputes than other states.

The above observation of past research indicates that the objective and development of FTAs are highly influenced by political interests and concerns. Such political factors are particularly important in the formation of FTAs for Northeast Asian countries. China, Japan, and South Korea have political distrust resulting from historical animosities and territorial claims, which have negative impacts on the overall diplomatic relations. China and Japan, the two great powers in East Asia, have competed over regional leadership in East Asia (Dent ed 2008; Nabers 2010). Moreover, the FTA development surrounding the three countries have become increasingly politicised as various FTA initiatives have created overlapping and nested institutional structures (Yoshimatsu 2014). Under such conditions, the trilateral FTA is an important political vehicle through which the three countries pursue specific diplomatic objectives under constraints of evolving political relations at the systemic level.

One of the major assumptions of neorealism is that the state is a unitary, rational actor who pursues national interest. The state calculates, through a cost-benefit analysis, positive and negative effects that intra-regional and extra-regional forces have on the

national interest. The state is capable of identifying diplomatic objectives and strategies to attain them, and determining relative importance among such objectives and strategies. Although the state recognises the need to engage in various forms of arrangements for international cooperation, it seeks to draw maximum benefits from such arrangements by carefully avoiding its sovereignty being surrendered by external forces. In so doing, the states concern about relative gains rather than absolute gains. They give serious attention to the gains of partners because they ‘worry that today’s friend may be tomorrow’s enemy in war, and fear that achievements of joint gains that advantage a friend in the present might produce a more dangerous *potential* foe in the future’ (Grieco 1988: 487).

The above neorealist logic on diplomatic objectives for the national interest is applicable to articulating the three Northeast Asian countries’ commitments to FTAs. China is the great power in Eurasia that shares national borders with fourteen countries including those of East Asia, South Asia and Central Asia. In much of its history, China occupied a dominant position on the globe, and the China-centred, vertical order provided for relatively stable regional order in East Asia for many centuries (Kang 2003/04; 2005). In the new millennium, China regained its long-honoured position as a key global player, and the Chinese people regard it natural to cultivate legitimate recognition as a strong and prominent power in the international society (Deng 2008; Larson and Shevchenko 2010). Thus, China’s commitments to regional political-economic affairs are influenced by the broad geopolitical perspective. Furthermore, China’s growth as a huge production centre and an enormous consumption market consolidated its position as the economic and trade centre in East Asia. China as a transitional hegemony pursues a diplomatic objective to make East Asia a region under its own sphere of influence. In order to attain this diplomatic objective, China employs commercial arrangements as means to maintain its relative political influence in East Asia by ‘hedging’ against the political influence of the United States, the existing global power.³

Despite its still preponderant economic and technological capabilities in the world, Japan is a regional great power whose policy concern is directed towards the maintenance of political and economic influence in East Asia. Japan defines its

geographical position as an ally of the United States to maintain a stable order in East Asia. For more than 40 years from the late 1960s, Japan had been the primary economic power in East Asia. It has formed tight linkages of trade, investment, and financial transactions with East Asian countries, serving as the main source of capital, technologies, and foreign aid. However, its relative economic power has gradually declined since the 1990s as its neighbouring Asian countries have increased their economic capabilities with sound industrial growth. In particular, Japan deepens its concern about the ascendancy of China as a political and economic giant in East Asia. Not only has China's rapid economic growth eclipsed Japan's relative influence in East Asia but the Chinese challenge also proliferated to the security dimension as maritime security tensions over the Senkaku/Diaoyu Islands escalated after 2010. Under such conditions, Japan as a defensive great power in East Asia pursues a diplomatic objective to enhance a political and security position by taking advantage of economic and trade policies. Japan employs commercial arrangements as 'soft-balancing' measures to strengthen linkages with a political ally and contain China into its favoured rules and institutional systems.⁴

The geopolitical location has imposed significant constraints on South Korea's diplomatic objectives. South Korea is in a unique environment surrounded by 'four great powers, each of which considers itself in the top rank and entitled to an assertive regional policy' (Rozman 2007: 199). Accordingly, how to maintain its political and economic presence in such a crucial political environment has been a primary diplomatic challenge for South Korea (Choi 2013: 448). South Korea achieved outstanding industrial and economic advancements with the growth of the *chaebol*, large conglomerated companies. The Korean companies have had a strong global orientation in business operations because the limited domestic market size and scarce natural resources have forced them to rely on exports to external markets. South Korea pursues a diplomatic objective to be a commercial and business hub in Northeast Asia and thereby secure economic resources to sustain its continuous industrial growth (Corning 2014). South Korea pursues the 'first-come' strategy to conclude commercial arrangements with major partners swiftly. This strategy enables South Korea to secure

access to external markets going ahead its economic rivals, and to enjoy sound economic benefits.

In summary, this article assumes that political-economic power transitions in East Asia and the Asia-Pacific have produced specific diplomatic objectives that the three countries pursue, and their FTA policies are embedded into such overall diplomatic objectives. The three parties' purposeful policy behaviour to pursue the diplomatic objectives and political interactions are the key variables that have conditioned the development of the trilateral FTA. The following empirical sections examine how the three parties' trade policies and their interactions have impinged on the process from the joint study to formal negotiations on the trilateral FTA.

Long-term Joint Research on the Trilateral FTA

In November 2002, Chinese Premier Zhu Rongji proposed that a feasibility study should be undertaken on the formation of a free trade zone encompassing China, Japan and South Korea at a trilateral summit. This proposal aimed at helping increase tripartite cooperation in the economy and trade, and having a positive impact on economic cooperation.⁵ In response to China's proposal, the three leaders agreed to launch a joint study of the trilateral FTA. The following year, the Development Research Centre of the State Council of China, the National Institute for Research Advancement of Japan, and the Korea Institute for International Economic Policy undertook joint research on major macroeconomic benefits from the trilateral FTA and its effects on individual industrial sectors. The joint study lasted for seven years until 2009. The study report, issued in 2009, confirmed that the FTA would produce positive effects on the promotion of trade and investment among the three countries and economic growth of each country. At the trilateral summit in October 2009, the three leaders reached an agreement that the joint study of the trilateral FTA would start among government officials, business and academic participants, and the first study meeting was held in Seoul in May 2010.

China took the lead in pushing forwards an idea of the trilateral FTA. However, it did not find serious interests in deepening formal commercial arrangements with its neighbours in Northeast Asia. This is confirmed by its commitments to the trilateral investment pact. At the trilateral summit in October 2003, the three leaders agreed to set

up a joint study group on the possible modalities of the trilateral investment pact. The group comprising representatives from government, academia and business held four meetings between March and September 2004, and summarised the *Report of the Joint Study Group on the Possible Trilateral Investment Arrangements among China, Japan and Korea*. At the trilateral summit in November 2004, the three leaders agreed to establish two intergovernmental consultation mechanisms: trilateral consultations on the possible trilateral legal framework on investment and on the improvement of business environment concerning investment among Japan, China and South Korea. A meeting of these mechanisms was organised five times between May 2005 and April 2006. The three governments held the first formal negotiations in March 2007. The negotiations on the investment pact lasted for a long time largely due to China's reluctance to accept 'national treatment' to handle national and foreign companies equally in government regulations.

When Chinese Premier Zhu proposed a feasibility study of the trilateral FTA in 2002, Japanese Prime Minister Koizumi did not support this proposal, stating that Japan would consider the matter in a medium- and long-term perspective with due respect to the pace at which China would abolish trade barriers under WTO obligations.⁶ Japan did not necessarily find interests in forming formal commercial linkages with China or South Korea. In particular, business groups had strong interests in forming FTAs with China and South Korea. While *Nippon Keidanren* earnestly advocated the early conclusion of the Japan-South Korea FTA by organising the internal committee called the Japan-Korea Industrial Cooperation Committee in January 2001 (Yoshimatsu 2005), its members held strong interests in forming an FTA with China.⁷ However, Japan's major interest was directed towards the early conclusion of an investment pact not an FTA. The Japanese Ministry of Economy, Trade, and Industry (METI) hoped to secure more stable investment environments for the operation of Japanese companies in China through the formation of an investment pact. The importance of stable investment environment for Japanese companies was shown in policy papers issued by *Nippon Keidanren*. In March 2006, the federation issued a position paper entitled *Requests of the Business Circles for Expanding Commercial and Economic Relations between Japan and China*. The first among four requests in the paper were the early conclusion

of the Japan-China-Korea investment pact and the development of the business environments in these countries, followed by the insurance of transparency of laws and regulations, substantive protection of intellectual property rights, and the further liberalisation of the services sectors.

A crucial factor that influenced Japan's commitments to the trilateral FTA was competition with China over the FTA race regarding Southeast Asia. China took the lead in FTA formation with ASEAN by proposing the ASEAN-China FTA (ACFTA) in November 2000. When China first proposed the formation of an FTA with ASEAN, many of the Japanese viewed the proposal as unrealistic lip service and paid little attention to it (Taniguchi 2004: 26). However, China's pre-emptive moves towards the ACFTA astonished Japanese policymakers, who were forced to adopt counter-measures. After China and ASEAN began to consider the ACFTA seriously, Japan traced the route formed by China and ASEAN by advancing talks on the ASEAN-Japan Comprehensive Economic Partnership (AJCEP). When Prime Minister Koizumi made a formal visit to Southeast Asia in January 2002, he proposed an initiative for the AJCEP. The leaders of Japan and ASEAN issued the Joint Declaration on the Comprehensive Economic Partnership on November 5, 2002, just one day after the signing of the ACFTA.⁸ Under such circumstances, Japan did not find interests in promoting the FTA with China.

financial sector, expertise regarding the process of institutionna and Japan, it would draw large economic benefits from the trilateral FTA.⁹ South Korea should be a promoter of FTAs with China and Japan. In fact, in its FTA Promotion Roadmap adopted by the government in August 2003, Japan belonged to the priority group in parallel to Chile, Singapore, and the European Free Trade Association (EFTA) (Lee and Moon 2009: 51). The FTA negotiations with Japan began in December 2003 as one of the earliest attempts to conclude an FTA in East Asia. However, negotiations were suspended after the sixth round in November 2004. This was largely because the Korean side was unable to uncover merits (possible removal of tariff and non-tariff barriers in the Japanese market) in exchange for demerits (likely increases in imports of Japanese parts and components and exacerbating trade deficits) resulting from the FTA. As a consequence, the Roh Moo-hyun administration was forced to reformulate the FTA

strategy and selected major trading partners such as the United States and the European Union as major FTA targets.

Through its global-oriented FTA policy, South Korea could secure market access in its major trading partners ahead of its rival countries. This was particularly important in terms of relationship with Japan because South Korea and Japan had industrial competitiveness in similar manufacturing sectors represented by automobiles and electronics. In fact, South Korea's first-come strategy contributed to enhancing Korean firms' position against their Japanese rivals. For instance, the Korea-EU FTA, which came into effect in July 2011, had significant effects on Korean firms' car sales in the EU market. Hyundai Motor and Kia Motors increased the number of new car registration by 9.4 % and 14.1 % in 2012, compared with the previous year. In contrast, Toyota Motor saw a 3.1 % decrease while Nissan Motor faced a 6.3 % drop.¹⁰

In pursuing the global-oriented FTA strategy, South Korea did not find much interest in FTAs with Japan and China. While China became an important market for the Korean industry, South Korea was cautious about an FTA with China due to concern about a negative impact on the domestic agricultural sector. As the case in Japan, South Korea found interests in concluding a trilateral investment pact that would contribute to Korean firms' smooth operation in the Chinese market.

New Evolutions in 2011-12

The joint study of the trilateral FTA that began in May 2010 was originally planned to last for two years, but three leaders agreed to complete the study within 2011 at the trilateral summit in May 2011. The joint study completed at the seventh meeting in December 2011, and its report was published in March 2012. The three leaders reached an agreement that negotiations on the trilateral FTA would be launched within 2012. A working-level talks concerning the trilateral FTA was held three times between June and September, and economic ministers of the three countries formally declared the launching of negotiations on the trilateral FTA in November 2012. Apparently, the three governments accelerated talks on the trilateral FTA in 2011-12.

The new development was triggered by China's renewed interest in commercial arrangements in East Asia. China converted its attitudes towards the trilateral

commercial arrangements around 2010-11. When Chinese Premier Wen Jiabao attended the trilateral summit in May 2011, he stated that ‘China is ready to do its best and work with Japan and the ROK for concluding the negotiations [on the trilateral investment agreement] before the end of the year’. Wen also referred to the trilateral FTA, proposing that the joint study of the trilateral FTA be concluded within 2011 ahead of the original schedule and formal negotiations would be launched the following year.¹¹ At the following year’s summit, three leaders signed the trilateral investment agreement as the first legal document on trilateral cooperation in the economic field, and reached an agreement that negotiations on the trilateral FTA would be launched within 2012.

In addition to the trilateral FTA, China exhibited the willingness to promote an East Asia-wide FTA. In proceeding with the formation of ASEAN+1 FTA network, the formation of an East Asia-wide FTA was recognised as the subsequent step. This was because such an FTA would yield various economic benefits: to increase market access to goods and services, and thereby facilitate regional production networks and supply chains; to create a larger and integrated market, and thereby stimulate the entry of more FDI; to counter the so-called noodle bowl phenomena; and to reduce vulnerability to extra-regional shocks more effectively (Chia 2010: 33-34). However, East Asian countries were faced with great difficulty in shifting from a line-based FTA to a square-based FTA largely due to confrontation between China and Japan. At the ASEAN+3 summit in October 2003, Chinese Premier Wen Jiabao proposed studying the feasibility of a free trade area in East Asia. On the basis of Wen’s proposal, the ASEAN+3 economic ministers agreed in September 2004 to set up an expert group to conduct a feasibility study of the East Asia Free Trade Area (EAFTA). In addition to the China-initiated EAFTA, Japan proposed an idea for another regional FTA: the CEPEA. This concept intended to create an EPA among ASEAN+3+3 including India, Australia and New Zealand. At the second EAS meeting in January 2007, Japanese Prime Minister Shinzo Abe formally proposed the idea of seeking a 16-nation EPA, and leaders endorsed an agreement to begin a private-level study to explore the idea. The existence of the EAFTA and CEPEA reflected regional power politics. China intended to take the initiative in trade policy by consolidating cooperation under the ASEAN+3 framework. Japan’s proposal for the CEPEA derived from soft-balancing to China’s advocacy of the

trade architecture in East Asia. Both South Korea and ASEAN did not dare to coordinate sharp confrontation over trade politics between the two great powers.

The reengineering of talks on the regional FTA was initiated by China. In August 2011, China and Japan jointly proposed the establishment of three new working groups on trade in goods, trade in services, and investment as a way to form a regional FTA in East Asia at the ASEAN+3 and EAS economic ministers' meetings. Although the proposal was jointly made by Japan and China, it was China that encouraged Japan to make a renewed commitment to the regional FTA. At the fourteenth ASEAN+3 summit in November 2011, Chinese Premier Wen Jiabao encouraged the acceleration of the building of the EAFTA and the CEPEA 'in a pragmatic way on the basis of fully respecting ASEAN's centrality'.¹² This implied that China would not adhere to its previous advocacy of an FTA among ASEAN+3 members, agreeing to give ASEAN a mandate to select possible participants in an East Asia-wide FTA. In fact, the ASEAN-initiated Regional Comprehensive Economic Partnership (RCEP) became a virtually 'ASEAN+6' trade framework that Japan had advocated.

China's new trade initiative was driven by the TPP move. Given the growing presence of the US-inspired TPP as a key trade architecture in the Asia-Pacific, some think-tank researchers stressed the need for joining TPP negotiations. For instance, Wang Li, a researcher at the Chinese Academy of International Trade and Economic Cooperation (CAITEC), asserted that the participation in the TPP would enable China to get advantage from global economic development and raise its voice in the international economy and politics.¹³ However, the Chinese government was cautious about joining the TPP negotiations. This was largely because the TPP pursued high-standard market liberalisation that constituted a high hurdle for the Chinese economy in terms of tariff reductions, intellectual property right, and labour/environmental regulations. Moreover, the government regarded the TPP as Washington's strategic card to achieve a crucial diplomatic objective of rebalancing to Asia. The formation of a US-induced TPP would incur potential political risks that might undermine its political and economic influences in East Asia. Given US strategic objectives, Japan's participation would fuel the US-induced TPP and strengthen US position at the expense of the Chinese influence in East

Asia. Accordingly, China sought to hedge against this move by advancing the formation of a regional FTA in East Asia that excludes the United States.

When China exhibited a new initiative in the trilateral FTA, the Japanese government was reigned by the DPJ. The DPJ cabinets were preoccupied with a specific diplomatic issue: the handling of the Futenma US base in Okinawa. Prime Minister Hatoyama stepped down from his post in June 2010 due to awkward management of the Futenma US base issue. The subsequent DPJ governments were forced to re-establish trustworthy diplomatic relations with Washington. In this policy line, the Kan cabinet began to discuss the possibility of participating TPP negotiations. The US-inspired TPP had a potential to create a ‘critical mass’ as a new economic and trade architecture in the Asia-Pacific region, and there was a possibility that Japan would be left out of this important move. In order to reflect its interests in rule-making in the TPP, Japan needed to join negotiations swiftly. The Kan cabinet initially showed willingness to announce participation in TPP negotiations at the APEC summit in Yokohama. However, the final decision of the basic policy was somewhat vague: ‘to act through gathering further information, and Japan, while moving expeditiously to improve domestic environment, will commence consultations with the TPP member countries’.¹⁴

Thus, the Japanese government under the DPJ did not formulate a clear-cut FTA strategy even for the crucial issue of participating in TPP talks. Under such conditions, Japan just responded to China’s encouragement to shift to formal negotiations on the trilateral FTA.

Even after both China and Japan found interests in forming the trilateral FTA, South Korea did not find keen interests in the trilateral FTA. When the trilateral summit was held in May 2012, it was originally expected to launch FTA negotiations within a couple of months after making a formal agreement at the meeting because they had already reached a preliminary agreement on the early start of negotiations. At working-level talks for the summit, South Korea opposed including a specific time to begin negotiations in a joint statement for the summit.¹⁵ Eventually, the joint statement contains a phrase ‘the trilateral FTA negotiation would be launched within this year’, taking into account Seoul’s preferences.

South Korea's reluctance to enter into the trilateral FTA had much to do with the China-Korea FTA. As already explained, Seoul was cautious about an FTA with Beijing. However, it began to consider the FTA positively after China and Taiwan concluded the Economic Cooperation Framework Agreement (ECFA) in June 2010. The ECFA had the potential of diverting trade from South Korea to Taiwan because the two economies competed in the electronics sector in the Chinese market. Accordingly, the Korean government began to search for the conclusion of an FTA with China. When Korean President Lee Myung-bak made a formal visit to Beijing in January 2012, leaders of both governments agreed to begin negotiations on an FTA, and the first round of negotiations began in May 2012.

South Korea preferred a bilateral FTA with China to the trilateral FTA. This preference was clearly stated by senior government officials. Bark Taeho, Korean Trade Minister, made this point, stating that 'bilateral discussions and agreements should be carried out and reached at first, then the trilateral consensus can be made' and 'compared with the free-trade area among the three countries, the South Korea-China free-trade area is a more "natural" phenomenon'.¹⁶ South Korea's preference for an FTA with China was understandable in terms of growing trade linkages. China's share in Korea's export reached 25 % in 2012 followed by ASEAN, while its share in imports was 16 % ahead of Japan (12 %) and ASEAN (10 %) (Chiang 2013: 206).

South Korea's caution to enter into the trilateral FTA derived from its industrial rivalry against Japan. Seoul's vital commercial interest lies in securing an advantageous position for its manufacturing companies against their Japanese rivals. The attainment of the upper hand in the huge Chinese market through the formation of the bilateral FTA before the trilateral one was expected to make great contributions to this commercial interest.

Tough Negotiations after 2013

Escalating confrontation between Japan, on the one hand and China and South Korea, on the other, over territorial claims and historical disputes raised the possibility of posing a brake on the progress of negotiations on the trilateral FTA. However, the three governments adopted pragmatic postures, holding negotiation meetings regularly. The

first round of negotiations took place in Seoul in March 2013, and participants discussed the establishment of working groups on goods, trade and services as well as the field and method of negotiations. The second round of negotiations was held in Shanghai in July 2013 where it was decided to undertake negotiations in 15 fields including government procurement, environmental protection and food. The third round of negotiations was held in Tokyo in November 2013.

A crucial factor that impinged on the development of the trilateral FTA was a political change in Japan. Shinzo Abe achieved a comeback, forming his second cabinet after the first cabinet terminated within one year in September 2007 as a result of a major setback in an upper house election. The LDP regained power as a result of a landslide victory in the lower house election in December 2012. The LDP pledged in its general election platform to ‘oppose joining the TPP talks as long as they are premised on eliminating tariffs without exceptions’. However, Abe gradually strengthened his efforts to seek the TPP participation in the form of not contradicting this basic position. At the Japan-US summit in February 2013, the two leaders issued a joint statement that included a phrase that ‘it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations’.¹⁷ This phrase implied that all items would be put on a negotiation table but the final decision to eliminate tariffs depends on negotiations. Accordingly, the agreement did not contradict the LDP’s election promise. The following month, Abe formally announced that Japan join the TPP talks. The government formed the TPP taskforce comprising some 70 high-powered bureaucrats from a range of ministries such as METI, Ministry of Foreign Affairs, Ministry of Agriculture, Forestry, and Fisheries, and Ministry Internal Affairs and Communications. Japan joined the eighteenth round of negotiations in Kota Kinabalu, Malaysia in July 2013.

The Japanese government under the LDP leadership pursued the conclusion of FTAs with other trade partners. Japan organised the first round of negotiations on FTAs with Canada in November 2012 and with Columbia the following month. Particularly important were two FTAs. The first was the Japan-Mongolia FTA. In June 2010, Japan and Mongolia began a joint study of an FTA involving the government and private sectors. While its report was submitted in March 2011, it took time to enter into formal

negotiations since Mongolia needed time to prepare for its first FTA. When Prime Minister Yoshihiko Noda and his Mongolian counterpart Sükhbaatar Batbold held in Tokyo a summit meeting in March 2012, they agreed to begin formal negotiations. The first round of negotiations took place in June 2012. The second was an FTA with the European Union (EU). While Japan hoped to begin talks earlier, the EU did not find interests largely because some 70 % of the EU's exports to Japan incurred no tariffs and the EU had huge trade deficits with Japan (Terada 2011: 99). However, Japan's participation in TPP negotiations raised the EU's concern that it might stand in a disadvantageous position against the United States and Australia in trading with Japan when the TPP would come into effect. One week after Abe's formal announcement of TPP participation, European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso, and Abe held a telephone summit during which they agreed to launch FTA talks as soon as possible. The first round of FTA negotiations took place the following month.

Political consideration in promoting FTAs for Japan was soft-balancing against China. The Japan-Mongolia FTA primarily aimed to secure access to minerals and energy resources by creating transparent and stable legal and institutional environments for business activities that were relevant to investment in energy and mineral resources. At the same time, it was a critical measure to strengthen political linkages between the two countries. Political concern was embedded into the Japan-EU FTA. In accordance with FTA talks, the two parties agreed to begin talks on the conclusion of a political accord, which would mitigate Japan's concern that the increasingly friendly ties between the EU and China will prompt the EU to end its ban on the export of weapons to China.¹⁸

Soft-balancing elements are particularly salient in Japan's commitments to the TPP. A critical factor that encouraged Japan to decide on participation in TPP negotiations was a strong need for closer political linkages with the United States in growing Chinese threat in maritime security. Originally, economic benefits for Japan in participating in the TPP were not substantial compared with other East Asia-centred FTAs. The effects on GDP growth was projected to be 0.54 % for the TPP compared with 1.1 % for the ASEAN+6 FTA and 0.74 % for the trilateral FTA (Kawasaki 2011).

While the TPP participation was rationalised to take advantage of the vitality of the emerging Asian economies, the TPP membership did not cover core engines of vitality such as China, India, and Indonesia. However, the Abe cabinet needed the TPP from a geopolitical standpoint. The diplomatic relationship with China became worse especially after the nationalisation of the Senkaku/Diaoyu Islands in September 2012. The tension in the waters surrounding the islands escalated, causing the locking of fire-control radar on the Maritime Self-Defence Force destroyer by a Chinese navy ship in January 2013 and China's imposition of the East China Sea Air Defence Identification Zone in November. Prime Minister Abe repeated that 'the door for dialogue is always open', but a summit meeting between Japan and China had not been held for more than one and half a years after the start of the Abe cabinet. Under such conditions, Tokyo needed to strengthen political and military linkages with Washington in order to urge Beijing to exercise self-restraint in its conduct of sabre-rattling. The Abe cabinet sought participation in the US-inspired TPP talks as a cornerstone of strengthening US-Japan political ties. The importance of the TPP as a linchpin to strengthen the Japan-US alliance to achieve economic prosperity in the Asia-Pacific region in a rules-based and transparent manner is referred to in the National Security Strategy formulated by the government in December 2013.¹⁹

After 2012, Japan's trade policy became comprehensive and straightforward. As the Korean government took in the early 2000s, Japan undertook a simultaneous FTA strategy to pursue multilateral FTAs such as the TPP and RCEP with a combination of bilateral tracks such as FTAs with the EU and Mongolia. Japan raised its position as a pivotal state as it gained credibility to be proactive in international trade negotiations in addition to capability to sustain the FTA initiative with material resources as well as legal and diplomatic clout (Solís and Katada 2014).

In the comprehensive trade strategy, Japan considered the trilateral FTA as a valuable vehicle to achieve several commercial objectives. First, it would contribute to expanding Japan's trade to China. In 2012, tariffs were levied on some 70 % of Japan's exports to China, worth US\$144.8 billion, while some 70 % of Japan's imports from China, worth US\$189 billion, were free from tariffs. Accordingly, improvement in market access to China through the trilateral FTA was important for the Japanese

economy. Second, Japan could incorporate high-standard elements into the trilateral FTA. The TPP was regarded as a useful platform to establish a new trade order in which various WTO-plus elements such as intellectual property rights, environments, labour, and government procurement would be realised. Japan hoped to apply high-standard elements reached at the TPP negotiations to the trilateral FTA. Third, the trilateral FTA would contribute to the strength of production networks and supply chains in East Asia. The three countries would be able to apply common standards and regulations reached at the trilateral FTA to the entire East Asia. It would surely contribute to the smooth formation of production networks and supply chains for Japanese manufacturing companies.

Japan's participation in TPP negotiations had a significant influence on China's trade policy. Beijing intensified its commitments to stronger trade linkages with its Southern neighbours. At the inaugural ceremony of the tenth China-ASEAN Expo in September 2013, Chinese Premier Li Keqiang vowed to further reduce tariffs, initiate service trade negotiations and ease market access in the investment field as crucial means to upgrade the ACFTA.²⁰ When Chinese President Xi Jinping made a formal visit to Malaysia the following month, both governments agreed to launch a 'five-year plan' to increase the volume of bilateral trade from US\$94.8 billion in 2012 to US\$160 billion by 2017. President Xi, in relation to FTA moves in the Asia-Pacific, commented that 'the parties should cherish the principles of openness, inclusiveness and transparency and, in particular, demonstrate flexibility for economies at different development stages, so as to offer more options for integration'.²¹ The phrase, 'flexibility for economies at different development stages' gave support for preferences of Malaysia who was confronted with the United States over agendas on state-owned enterprises and intellectual property rights during TPP negotiations.

China intensified its commitments to promoting the RCEP. China gave priority to the early conclusion of the RCEP, aiming to establish trade arrangements in East Asia that reflect its preferences for looser economic rules and stronger cooperation. In March 2013, China hosted the third RCEP negotiations where participants agreed to establish working committees to accelerate negotiations on trade in goods, services, investment, intellectual property rights, trade competition policies and economic cooperation.

Somkiat Triratpan, deputy director-general of the Trade Negotiations Department of Thailand, admits that China as the meeting's host was very active in making strong commitments to the RCEP and fully supports the advantages of the talks.²²

While China recognised the need to incorporate comprehensive, high-standard elements into the RCEP, it did not necessarily find interest in making the trilateral FTA a high-level trade agreement. During the third round of negotiations in Tokyo in November 2013, Japan proposed to eliminate a 90 % of tariffs under the trilateral FTA. Beijing did not accept this proposal, stating that it would go no higher than 40 %. Given that Beijing and Seoul had already settled on a 90 % tariff reduction in the bilateral FTA, China's reaction raised Japan's suspicions of being excluded.²³

In addition to Japan's participation in the TPP, new FTA moves influenced China's trade strategy. While the Japan-EU FTA negotiations began in April 2013, the US and EU announced the launching of negotiations on the Transatlantic Trade and Investment Partnership (TTIP) in February 2013. Intensive moves to create FTA networks among advanced nations will lead to the formation of the western-led trade order that puts stress on WTO-plus elements. China was forced to accelerate domestic reforms in preparation for the overall trends towards the creation of the transparent market economy through high-standard FTAs.

South Korea formally made commitments to promoting the trilateral FTA. The new roadmap on trade policy, announced in June 2013, clearly states that it will promote the trilateral FTA in order to strengthen existing economic cooperation among the three countries and build the institutional stepping-stone to establish an East Asian community in the mid- and long-term.²⁴ However, Japan's participation in the TPP talks cast a long shadow on South Korea's overall FTA policies including the trilateral FTA.

South Korea adopted a wait-and-see approach towards the TPP, confirming that the country would not join TPP negotiations for the time being in the new roadmap on trade policy.²⁵ Not only was the country sceptical about the smooth development of time-consuming negotiations of this multilateral FTA, but it also found low economic gains in the TPP because it had already concluded FTAs with seven out of twelve members. Moreover, the fatigue from the arduous battle to ratify the Korea-US FTA raised the domestic political hurdle to consider the TPP with more ambitious liberalisation

target (Solís 2013: 15). Given that Seoul had already concluded an FTA with Washington, it did not have an urgent need to consider the TPP participation seriously.

However, Japan's decision to join TPP negotiations forced South Korea to reconsider its TPP policy. Not only was South Korea worried that Japan and the United States would take the lead in formulating trade rules in the Asia-Pacific region through the TPP, but it would also be behind Japan in FTAs with four countries including Mexico and Canada when TPP negotiations reach a conclusion. The Korean government began to deliberate on participation in the TPP talks, but there was an important hurdle. South Korea is a typical country that is entrapped in 'dilemma of dual dependence' in that a state is heavily dependent on the United States for security affairs while it deepens economic linkages with China (Kato 2012: 39-40). Seoul had to formulate and implement prudent diplomacy by balancing the dual relationships with Washington and Beijing, and it was extremely difficult for the Park Geun-hye administration to announce the participation in the US-led TPP in the form of making China isolated. During the China-US summit in June 2013, both governments agreed on the provision of information about TPP negotiations and the acceleration of negotiations on the China-US investment agreement. Moreover, the Chinese and Korean governments advanced talks on the bilateral FTA at negotiations in September 2013, producing the prospect of its conclusion within 2014.²⁶ Given these evolutions, South Korea formally announced that it join the TPP talks in November 2013, and began prior consultations with TPP members.

The participation in TPP talks undermined Seoul's willingness to promote the trilateral FTA. On the one hand, South Korea could form a free trade zone with China through the CKFTA. On the other hand, South Korea could promote trade liberalisation and facilitation with Japan through the TPP. This means that there is less need to engage in the politically sensitive trilateral FTA. Thus, the formation of overlapping and nested FTA structures in the Asia-Pacific region undermined the relative importance of the trilateral FTA in Korean trade strategy.

In summary, Japan's participation in TPP negotiations made FTA strategies adopted by the three parties more complicated and strategic. Japan's participation raised the TPP's relative importance as a key trade architecture in the Asia-Pacific region. Both

China and South Korea were forced to adopt renewed trade strategies in response to Japan's policy, which made the harmonisation of policy stance on the trilateral FTA difficult and the prospect for the early conclusion of the FTA unclear.

Conclusions

In this article, I examined the development of an FTA among China, Japan, and South Korea. The development of the trilateral FTA was influenced by concrete commitments by the three parties who hold specific diplomatic objectives and strategies to reach them. It assumed that specific diplomatic objectives that are formulated in response to power transition in the regional economy and politics have constituted the three countries' FTA policies and their interactions.

While an FTA among China, Japan, and South Korea was expected to produce crucial economic benefits due to their growing economic interdependence, it took a long time to shift from the first initiative to the launching of formal negotiations. The joint study among representative research institutes began in 2003 and lasted for seven years. It was in May 2010 that the formal joint study began and the three governments formally announced the start of negotiations on the trilateral FTA in May 2012. Even after the announcement, various political factors impinged on the process of negotiations.

In the development of the trilateral FTA, the three countries' diplomatic objectives to maintain the national interest have significant influences on their commitments and interactions. Although China proposed a feasibility study of the trilateral FTA, its main interest in regional FTA initiatives was to consolidate its political and economic linkages with ASEAN. As the TPP emerged as a main free trade architecture in the Asia-Pacific region, China sought to retain its political and economic influence in East Asia by advancing commercial arrangements that excluded the United States. The trilateral FTA and the RCEP were two such arrangements for hedging against the US influence in East Asia. Japan's participation in TPP negotiations raised the TPP's relative importance as a key trade architecture in the Asia-Pacific region, and China was forced to reformulate hedging commitments to the growing US influence. China strengthened its trade linkages with Southeast Asia and intensified its commitments to the RCEP. While the trilateral FTA remained a pillar for China's trade strategy, China

carefully avoided making Japan take the initiative in proposing a high-standard arrangement. Thus, China as a transitional hegemony pursues a diplomatic objective to make East Asia a region under its own sphere of influence. In order to attain this diplomatic objective, China regarded the trilateral FTA as a crucial means to maintain its relative political influence in East Asia by hedging against the political influence of the United States.

When China proposed a feasibility study of the trilateral FTA, Japan did not find much interest in the trilateral FTA both because it sought to secure long-honoured diplomatic ties with Southeast Asia in response to China's growing presence and because it adhered to a policy stance to conclude a trilateral investment pact ahead of the trilateral FTA. Even when China encouraged the early start of negotiations on the trilateral FTA, Japan did not have a clear FTA strategy, just responding to China's encouragement. However, Japan's FTA policy became more strategic, which led to its participation in TPP negotiations. Japan's decision to join TPP negotiations aimed to strengthen political ties with the United States as a means to secure comprehensive security especially regarding growing Chinese threat in maritime security. This bold decision enabled Japan to set up the simultaneous FTA strategy: the TPP, RCEP, trilateral FTA, and bilateral FTAs. Japan exhibited positive commitments to the trilateral FTA, locating it as a platform to include high standard elements achieved through the TPP. Japan exhibited positive commitments to the trilateral FTA, locating it as a platform to include high standard elements achieved through the TPP. Clearly, Japan as a defensive great power in East Asia pursues a diplomatic objective to enhance a political and security position by taking advantage of the trilateral FTA, which was used as a soft-balancing measure to strengthen linkages with a political ally and contain China into its favoured rules and institutional systems.

South Korea pursued the global-oriented trade strategy after the suspension of negotiations on an FTA with Japan, and was cautious about the trilateral FTA largely due to its likely negative impacts on the domestic industry. After China and Taiwan forged an FTA, South Korea approached China to seek the conclusion of a bilateral FTA. The CKFTA was necessary to secure economic benefits in the huge Chinese market for Korean manufacturing companies ahead of their Japanese rivals.

Accordingly, South Korea preferred the bilateral FTA to the trilateral FTA. Japan's participation in TPP negotiations forced South Korea to reexamine its FTA strategy. Seoul did not have an urgent need to join TPP negotiations, but announced the participation in order not to be behind Japan in forming FTA networks in the Asia-Pacific region and secure its commercial benefits. Since Seoul would be able to form an FTA with China through the CKFTA and an FTA with Japan through the TPP, its interest in concluding a substantial trilateral FTA declines. South Korea's commitments to the trilateral FTA show its diplomatic objective to be a commercial hub in Northeast Asia and the importance of the first-come strategy to conclude commercial arrangements with major partners swiftly.

Trade relations in Northeast Asia have become increasingly politicised with complicated strategic interactions among the countries and dynamic evolutions of trade architectures in the broader Asia-Pacific region. Political considerations inevitably become crucial elements in the FTA formation because trade is a main vehicle to create a state's economic power. At the same time, an FTA is an economic arrangement designed to remove barriers to economic activities by integrating demands and interests of business actors. How to harmonise these political and economic elements is increasing important for advancing trade and economic arrangements in Northeast Asia.

Notes

¹ There are quite a few studies of domestic politics regarding the FTA policy. For China, see Pearson (2010) and Jiang (2013). For Japan, see Yoshimatsu (2005) and Katada and Solís (2010). For South Korea, see Ahn (2006). Yoshimatsu (2008) examines the involvement of business groups in the development of the trilateral FTA.

² Chiang (2013) analysed economic calculations of the three countries on the trilateral FTA. Corning (2014) examines the three countries' strategic calculations and their interactions over the trilateral investment agreement.

³ The hedging is defined as 'a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality' (Goh 2006: 2). The essence of hedging lies in attention to the elements of uncertainty and risk that a state faces in a given condition, and the state establishes a contingent option in case various possible scenarios emerge (Ciorciari 2009: 168).

⁴ The soft-balancing is defined as a balancing strategy involving non-military tools such as international institutions, economic statecraft and other diplomatic arrangements in order to delay, complicate, or increase the costs of using extraordinary power by a preponderant state (Pape 2005: 17).

⁵ *People's Daily*, November 5, 2002.

- ⁶ *Nihon Keizai Shimbun*, November 5, 2002.
- ⁷ In a questionnaire survey to its members in October 2006, China got the highest mark (62 points) as a desirable partner to conclude an FTA, followed by Association of Southeast Asian Nations (ASEAN) (54 points) and India (39 points) (Nippon Keidanren 2006).
- ⁸ The leaders of ASEAN and Japan signed the Framework for the AJCEP during the Bali Summit in October 2003. The two parties commenced formal negotiations on the AJCEP in April 2005, and reached a general agreement on merchandise trade in August 2007 after nine rounds of negotiations.
- ⁹ A joint study shows that the trilateral FTA will increase China's GDP by 1.1-2.9 %, Japan's GDP by 0.1-0.5 %, and South Korea's GDP by 2.5-3.1 %.
- ¹⁰ *Yomiuri Shimbun*, March 27, 2013.
- ¹¹ 'Remarks by H.E. Wen Jiabao Premier of the State Council of the People's Republic of China at the Lunch Meeting of the Third Trilateral Business Summit'. Available at <<http://www.fmprc.gov.cn/eng/topics/wenzonglichuxizhongrihanhuiyi/t825297.htm>>.
- ¹² 'Wen Jiabao Attends the 14th ASEAN Plus Three Summit and Delivers Speech'. Available at <<http://www.fmprc.gov.cn/eng/topics/wjbdyldrhy/t879362.shtml>>.
- ¹³ *People's Daily*, November 9, 2011.
- ¹⁴ 'Basic Policy on Comprehensive Economic Partnerships', November 9, 2010, Cabinet Decision. Available at <http://www.meti.go.jp/english/policy/external_economy/trade/FTA_EPA/pdf/epa_20101109.pdf>.
- ¹⁵ *Yomiuri Shimbun*, May 15, 2012.
- ¹⁶ *Xinhua News Agency*, November 29, 2012.
- ¹⁷ 'Japan-US summit meeting: summary'. Available at <http://www.mofa.go.jp/mofaj/kaidan/s_abe2/vti_1302/us.html>.
- ¹⁸ *China Daily*, April 2, 2013.
- ¹⁹ 'National Security Strategy'. Available at <http://www.mofa.go.jp/mofaj/gaiko/page22_000407.html>.
- ²⁰ *China Daily*, October 11, 2013. Available at <http://europe.chinadaily.com.cn/business/2013-10/11/content_17023600_2.htm>.
- ²¹ *China Daily*, October 2, 2013. 'Xi's written interview with Indonesian and Malaysian media'. <http://www.chinadaily.com.cn/china/2013xiapec/2013-10/02/content_17007893.htm>.
- ²² *The Nation*, April 17, 2014.
- ²³ *Nihon Keizai Shimbun*, November 16, 2013.
- ²⁴ *JETRO Sensa*, December 2013, p.21.
- ²⁵ *Asahi Shimbun*, September 10, 2013.
- ²⁶ *Nihon Keizai Shimbun*, November 30, 2013.

References

- Aggarwal, Vinod K. and Govella, Kristi. 2013. *Linking Trade and Security: Evolving Institutions and Strategies in Asia, Europe, and the United States*. New York: Springer.
- Ahn, Se Young. 2006. 'Domestic politics of FTAs and negotiation strategy for economic integration in East Asia: The Korean perspective', paper presented at Asia-Pacific Economic Association Conference, University of Washington, Seattle.

- Chia, Siow Yue. 2010. 'Regional trade policy cooperation and architecture in East Asia', ADBI Working Paper Series 191 (February).
- Chiang, Min-Hua. 2013. 'The potential of China-Japan-South Korea Free Trade Agreement', *East Asia: An International Quarterly* 30 (3): 199-216.
- Choi, Youngmi, 2013. 'The optimal path of a China–Japan–Korea FTA: Multilateral path or sequential path?', *Pacific Focus* 28 (3): 435-458.
- Ciorciari, John David. 2009. 'The balance of great-power influence in contemporary Southeast Asia', *International Relations of the Asia-Pacific* 9 (1): 157-196.
- Corning, Gregory P. 2014. 'CJK investment agreements in East Asia: Building a bifurcated investment regime', *Asian Politics & Policy* 6 (2): 285-306.
- Deng, Yong. 2008. *China's Struggle for Status: The Realignment of International Relations*. Cambridge: Cambridge University Press.
- Dent, Christopher M. ed. 2008. *China, Japan, and Regional Leadership in East Asia*. Northampton, MA: Edward Elgar.
- Goh, Evelyn. 2006. "Understanding 'hedging' in Asia-Pacific security", PacNet 43, (August 31).
- Gowa, Joanne. 1994. *Allies, Adversaries, and International Trade*. Princeton N.J.: Princeton University Press.
- Grieco, Joseph M. 1988. 'Anarchy and the limits of cooperation: A realist critique of the newest liberal institutionalism', *International Organization* 42 (2): 485-507.
- Jiang, Yang. 2013. *China's Policymaking for Regional Economic Cooperation*. Basingstoke: Palgrave Macmillan.
- Jin, Hyun Joung, Koo, Won W., and Sul Bongsik. 2006. 'The effects of the free trade agreement among China, Japan and South Korea' *Journal of Economic Development* 31 (2): 55-72.
- Kang, David C. 2003/04. 'Hierarchy, balancing and empirical puzzles in Asian international relations', *International Security* 28 (3): 165-80. Deng 2008
- Kang, David C. 2005. 'Hierarchy in Asian international relations: 1300-1900', *Asian Security* 1 (1): 53-79.
- Kato, Yoichi. 2013. 'Kokusai kankyo no henka no nakano nichibei domei' ['Japan-US Alliance in evolving international environment'] *Kokusai Mondai* 608, 29-44.

- Kawasaki, Kenichi. 2011. 'EPA no yusen juni: Keizai koka no okii boeki aite wa?' [The order of priority for EPA: who is the trading partner with large economic effects?] RIETI Column 318 (May 31). Available at <http://www.rieti.go.jp/jp/columns/a01_0318.html>.
- Kimura, F. and Ando, M. (2008). 'Economic obstacles to a Northeast Asian FTA', in Park, J., Pempel, T.J. and Roland, G. (Eds), *Political Economy of Northeast Asian Regionalism: Political Conflict and Economic Integration*. Cheltenham and Northampton: Edward Elgar.
- Larson, Deborah Welch and Shevchenko, Alexei. 2010. 'Status seekers: Chinese and Russian responses to U.S. primacy', *International Security* 34 (4): 63-95.
- Lee, Seungjoo and Moon, Chung-In. 2009. 'South Korea's regional economic cooperation policy: The evolution of an adaptive strategy' in Vinod K. Aggarwal *et al.* (eds.) *Northeast Asia: Ripe for integration?* Berlin: Springer.
- Madhur, Srinivasa. 2013. 'China-Japan-Korea FTA: A dual track approach to a Trilateral Agreement', *Journal of Economic Integration* 28 (3): 375-392.
- Manger, Mark S. 2011. 'The economic underpinnings of Japanese FTAs in the Asia Pacific'. Paper for presentation at the ISA Asia-Pacific Conference, University of Queensland, 29-30 September.
- Mansfield, Edward D. and Pevehouse, Jon C. 2000. 'Trade blocs, trade flows, and international conflict', *International Organization* 54 (4): 775-808.
- Nabers, Dirk. 2010. 'Power, leadership, and hegemony in international politics: The case of East Asia', *Review of International Studies* 36 (3): 931-49.
- Nippon Keidanren. 2006. *Keizai Renkei Kyotei no Kakudai to Shinka wo Motomeru: Sanko Shiryo* [Towards broader and deeper economic partnership agreements: Reference Data], Tokyo: Nippon Keidanren. Available at <<http://www.keidanren.or.jp/japanese/policy/2006/072/shiryo.pdf>>.
- Pape, Robert A. 2005. 'Soft balancing against the United States', *International Security* 30 (1): 7-45.
- Pearson, Margaret M. 2010. 'Domestic institutional constraints on China's leadership in East Asian economic cooperation mechanisms', *Journal of Contemporary China* 19 (66): 621-33.

- Pempel, T. J. 2013. *The Economy-Security Nexus in Northeast Asia*, London: Routledge.
- Rozman, Gilbert. 2007. 'South Korea and Sino-Japanese rivalry: A middle power's options within the East Asian core triangle', *Pacific Review* 20 (2): 197-220.
- Solís, Mireya and Katada, N. Saori. 2010. 'Domestic sources of Japanese foreign policy activism: Loss avoidance and demand coherence', *International Relations of the Asia-Pacific* 10 (1): 129-157.
- Solís, Mireya and Katada, N. Saori. 2014. 'Unlikely pivotal states in competitive free trade agreement diffusion: The effect of Japan's Trans-Pacific Partnership Participation on Asia-Pacific regional integration', *New Political Economy* (Published online: 31 Jan 2014).
- Solís, Mireya, 2013. 'South Korea's Fateful Decision on the Trans-Pacific Partnership', Foreign Policy at Brookings, Policy Paper 31 (September).
- Taniguchi, Makoto. 2004. *Higashi Ajia Kyodotai [An East Asian community]*. Tokyo: Iwanami Shoten.
- Terada, Takashi. 2011. 'Nihon no APEC senryaku to TPP' [The TPP and Japan's APEC strategy], *Kaigai Jijo* 59 (9): 88-104.
- Wilson, Jeffrey D. 2012. 'Resource security: A new motivation for free trade agreements in the Asia-Pacific region', *Pacific Review* 25 (4): 429-53.
- Yoshimatsu, Hidetaka. 2005. 'Japan's Keidanren and free trade agreements: Societal interest and trade policy', *Asian Survey* 45 (2): 258-78.
- Yoshimatsu, Hidetaka. 2008. *The Political Economy of Regionalism in East Asia: Integrative Explanation for Dynamics and Challenges*. Basingstoke: Palgrave Macmillan.