

Research Report

TPP and Japan: The U.S Retreat & its Renegotiation

by

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September 2019

Research Report Presented to

Ritsumeikan Asia Pacific University

In Partial Fulfillment of the Requirements for the Degree of

Master of Science in International Relations

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CERTIFICATION PAGE

I, GAYARY Rikhi Arindam (Student ID 51117604) hereby declare that the contents of this Research Report are original and true and have not been submitted at any other university or educational institution for the award of degree or diploma. All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

GAYARY Rikhi Arindam

2019/06/14

ACKNOWLEDGEMENTS

I would first like to thank my advisor Dr. Utpal Vyas for his constant inputs and overseeing my work throughout the entire duration of this research. He consistently allowed this paper to be my own work but steered me in the right the direction whenever he thought I needed it.

I thank Dr. Hidetaka Yoshimatsu Sensei for his valuable feedback. His suggestions helped me improve the quality of my research.

I would also like to thank Professor HEO Emilia S. for her critical assessment during the initial stage of the research. Her input was a valuable addition to my work.

I would also like to acknowledge my friend Liu Mengwei for constantly pushing me to work and reminding me that no amount of reading is ever enough. Also, my sincere gratitude to Kanika Bimrah for proof-reading this work of mine and for her unfailing emotional and continuous support throughout my years of study.

Finally, I must express my very profound gratitude to my parents. They are always supportive of my decisions and made me who I am today. This accomplishment would not have been possible without them. Thank you.

ABSTRACT

Trans-Pacific Partnership (TPP) is an agreement that was reached by the United States and the Asian based countries to benefit mutually from trade and business. However, the agreement would not last long after the U.S through Trump's administration announced its sudden pull out citing distortion. Therefore, the paper focused to determine the impact of the U.S retreat to the TPP member country Japan and its motives to move forward with CPTPP. To achieve the objectives, the study employed qualitative research. The analysis from a qualitative approach centered on articles, books, news outlets and statements made by prominent figures and think tanks. From quantitative analysis, the findings indicated that U.S withdrawal from TPP had affected Japan's economy. And based from the hypothetical analysis, the findings indicated that retreat of the U.S from TPP has both the element of positivity and negativity and various geopolitical motives for the re-negotiation.

Part I: Introduction

1. Background of the Study

Trans-Pacific-Partnership (TPP) was an agreement reached upon by various countries purposely to promote mutual trade benefits. Initially, the agreement took place on 5 October 2015 but later signed into effect by Asian and non-Asian countries on 4 February 2016 (McLymont, 2016). Some of the Asian countries include Japan, Singapore, Malaysia, Vietnam and Brunei while non-Asian countries comprised of United States (U.S), New Zealand, Australia, Chile, and Mexico. Studies indicate that the TPP countries contribute close to 40% of the world's Gross Domestic Product (GDP) with at least 2.1% increase in the growth rates annually (Cheong I & Tongzon, 2015). Therefore, after the inception, the TPP initiative have largely provided coherence, mutual understanding and of course efficiency in trade arrangement among member countries. Besides, some proponents of the move argue in favor of the trend and project a positive future increase in the number of member countries.

Withdrawal of U.S from TPP on 23 January 2017 had more consequences than benefits to the rest member countries due to its associated economic influences. Above all, Japan is working hard, putting efforts in upholding international systems and networks. Japan on 8th March 2018 pushed forward the re-envisioned TPP called Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also known as TPP11 or TPP-11. In fact, given its close association to CPTPP, studies indicate that with this important cooperation, it is such a milestone to the growth and

development of Japan and other giant Asian countries without the influence of U.S (McLymont, 2016). By coincidence, the withdrawal of U.S, and the continued existence of CPTPP, Japan has greater opportunity to realize its potential and ambitions of achieving Asian culture, economic, western freedom (Shiraev & Zubok, 2015). However, for many days, Japan's primary objective in joining trade agreements was to engage prominent nations of the world including the U.S and of course Asia. Therefore, critics of this withdrawal strategy by the U.S argue in favor of the consequences related to the failure in businesses due to reduced markets and investment opportunities.

2. Conceptual Framework

The research will first derive some key international trade ideologies that shape a country's macroeconomic interests from the perspective of liberalism and realism. Realism is also given much importance as Japan surely has some realist approaches when talking about FTA commitments given the elements of geopolitics such as the responses to the China rise and the Trump administration's protectionism. In the following part, literature will be collected that relates to both aforementioned concepts and try to understand the political school of thought that shaped the renegotiation of TPP. This will be done by understanding and reviewing the timeline of TPP until the renegotiation of CPTPP

3. Problem Statement and Research Questions

Despite the withdrawal of the US from the pact, Japan has been pushing for the formation of TPP with the remaining member countries. This determination of Japan

to revive the pact raises one important question. What led to its renegotiation? To answer this question, the research will focus to answer the following sub-questions: -

- What impacts did the US withdrawal have on Japan?
- Which factors influenced Japan to carry on with the CPTPP despite the withdrawal of the United States?

4. Significance of the Study

This study contributes to the understanding of global economic alignments advanced by key players worldwide. In this dawning era of highly contested international order, countries have tightened their economic standpoint each focusing on policies that will be beneficial to them. Countries are obliged to respect international trade laws but consequently adhere to the solution of disputes in a mutually beneficial manner that will not render such economic disputes more intractable and volatile. Such economic contests have formed the basis for withdrawal of the US from TPP and consequently rendered the pact inadmissible without alteration (Auslin, 2012). This study is vital in understanding the economic implications that the world-trade will experience since the TPP was formed by countries who are world-trade leaders. The study illustrates the need for a solid policy framework that safeguards national interests and advances mutual benefits to all players. Trade policy features underlying unavoidable tension between domestic and diplomatic economic purposes.

Secondly, this study will illustrate the implications of economic alignments and trade policies and their disenchantment with the promises of economic globalization.

These trade policies such as the formation of CPTPP will have major consequences on trade blocks in the foreseen future. Withdrawal of the US will also affect the global trade since the country is a key partner in bilateral trade. There will be the formation of economic blocks in future, which focuses on economic integration between member countries with similar interests. The comprehensive nature of TPP and its bearing of liberalization of reciprocal investment and trade between members will be detrimental to the US. Through investment and trade between the member countries, there will be an increase in national income as well, thereby leaving the US out of the deal.

Finally, this study will also highlight the self-positioning of Japan as a global leader in trade and its ability to position itself strategically in the Asian Pacific region. The adopted trade strategies of the remaining countries portray the cohesion and Asian regionalism during turbulent economic times. This study highlights these implications outlined herein as well as the advancements made by the remaining countries to go on with TPP without the US.

5. Hypothesis

Since the renegotiation of CPTPP, Japan will get both domestic and international benefits from pursuing CPTPP. Also, it is expected that the CPTPP will produce an extra \$147 billion for the signatory members (Petri P. A., Plummer, Urata, & Zhai, 2017), which thus stimulates Japan's economy development and GDP. Furthermore, the CPTPP has standardized new trade rules for the Asia-Pacific region. In this manner, the CPTPP enables Japan to invigorate and exhibit presence in the Asia-Pacific region, setting up a strong toehold in the worldwide economy and diplomacy.

The CPTPP additionally enables Japan to manage U.S. strain to pursue a U.S.-Japan FTA. Since late 2017, President Trump has pushed Japan to sign a bilateral FTA which gives advantage to the United States by improving its entrance to Japanese markets. The recent development where Japan was excluded from the exempted list of countries from U.S. levies on steel further strengthens this implication – an instance of *gaiatsu*¹, outside pressure – to sign an FTA.

When talking about capitalist democracy like Japan, it had worked closely with ADB (Asian Development Bank) to create a transparent, labor, and environmental standard. Nevertheless, in recent years, the Chinese dominance in the Asia Pacific region cannot be ignored especially the gains with the development of AIIB (Asian Infrastructure Investment Bank). To step up the game and sustain the economic presence of Japan in the Asia Pacific region, TPP is a crucial bet.

To answer the first question, the paper will mainly focus on the economic and political aspects both from the domestic and international forefront.

As for the second question, following hypotheses are formed: -

1. Japan is trying to enhance its economic development and GDP
2. CPTPP is a way to deal with US pressure to forge a US-Japan FTA
3. CPTPP helps Japan contain a rising China

Case A: #1 or #2 or #3 is true

¹ *Gaiatsu* (外圧)—the Japanese term for “foreign pressure”—is the idea that the only way to get Japan to do something that it doesn’t want to do is for foreign partners to apply enough pressure so that eventually Japanese decisionmakers relent.

Case B: #1 and #2 is true

Case C: #1 and #3 is true

Case D: All are true

The first case reflects a liberal side of Japan and other two inclines more towards the realist side. Part of the study will also derive important points regarding these two IR theories concerning International trade. The objective is also to understand the interaction between these three aspects, one domestic and two international.

Part II: Methodology

The primary objective of the study was to determine the impact of U.S withdrawal from TPP to Japan and what led to its re-negotiation. Therefore, the section offered an opportunity for the researcher to explore the design used, data collection methods and analysis directives. The section also outlined the possible limitation of the study especially in achieving its objectives.

1. Research Design

The study employed the use of qualitative analysis. Qualitatively, the study focused on newspapers, academic journals, books, and public opinion and think tank reports found on the internet. It also relied heavily on the ongoing CPTPP and TPP negotiation to help achieve the relevant conclusion. With the use of qualitative information, the study achieved the indented objective.

2. Data Collection Process and analysis

In this process, and having designed the tools necessary for data collection, the researcher collected various literatures in the form of reports, statements, observations etc. for analysis. To ensure the maximum outcome, various kinds of evidence ranging from low to high reliability were looked for as mentioned below in Fig 1. Finally, these data were accumulated as to find evidences to support the hypotheses.

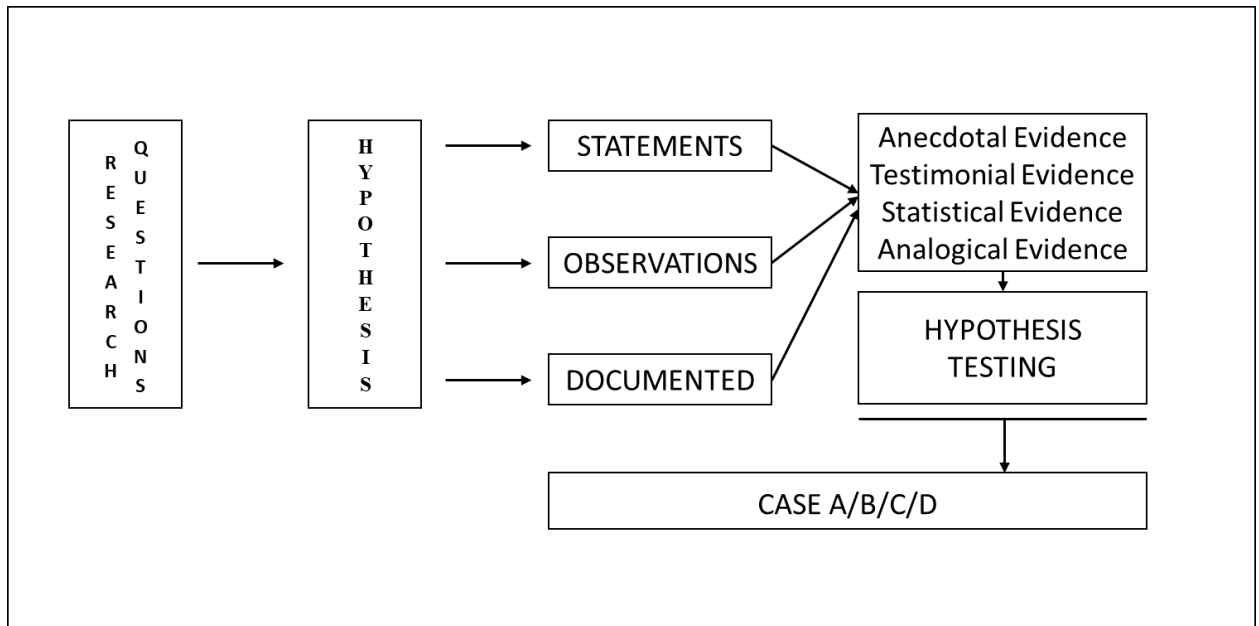


Figure 1. Summary of Research Methodology Chart

3. Limitation of the Study

The limitation of the study ranges from the issues of knowledge, time to financial resources. In this case, the project faced challenges of obtaining information that were up to date as the research is based on an ongoing negotiation. Every institution has different policies regarding sharing and access to information such as books, journals etc. With these limitations, the outcome may not certainly reliable by other researchers in the same field. Also, as a pact that is yet to come into full force, some of the data are based on speculations but with concrete evidences from reliable and reputable sources.

Part III: Literature Review

In this section, the paper deals with various theories and empirical literature to explore the relationship between TPP and Japan. With this, it was easier to understand the ethical obligation requirement for effective trade across the globe.

1. Theoretical Review

As stated before, TPP is a trade framework that allows mutual relationship among countries. To address the scope of the study effectively, the concepts of realism and liberalization played a major role to help understand ethical obligations related to countries.

1.1. Liberalism Theory

Liberalism is an important concept in the world of international business. It brings the idea of freeness and democracy, especially during the decision-making process. According to Auslin (2012), the ideal concept of liberalization or liberalism has such an expensive meaning that requires deeper analysis for easier understanding. Based on its structural framework and objectives, studies indicated that it has a close resemblance to an institution, entity, and or families defined by certain principles, characters and values (Grieco, 1990). In the interpretation of trade, characters and values tend to address issues of human and property rights, as well as access to equal opportunities in life.

The primary role of liberalism is to regulate the political powers through policies and decisions. It, therefore, works solely by allowing freedom of ownership, association, speech among others. This provides many opportunities for business to thrive within a particular economy.

In the context of international relation and trade, the concept of liberalism plays an important role. Most scholars around the world tend to link the relationship between equality, freedom success etc. and of course the sustainability and intra-state relationship (Winters & Martuscelli, 2014). In the context of political systems, human reasoning and state interactions, Caplin (2011, p. 45) say “liberal are thinkers that believe in the world to be very different other than it is, but they have complete faith in the reasoning of human actions”. Conversely, liberalism provides a broad spectrum of understanding the world always perceived as stagnant. With this believe, studies have also associated liberalism in providing principles and suggestions that tend to foresee and explain the possible interstate relationship (Auslin, 2012). According to Backer (2014), several qualitative and quantitative studies test the liberal hypothesis in IR than with the realistic studies.

In addition, another and important fundamental role of liberals are the ideal principles of international trade. According to international economists, liberal concept gives the opportunity for rationalism and independent thinking (Doyle, 1986). Unlike the perceived collective approach for businesses across the world, liberal theory appreciates the need for microeconomics or rather individual or unit based decision-making process. Liberalization principle allows freedom of trade among

businesspeople. It is therefore also a conceded view that most economists do not associate this pact as an alternative for war but a mutual engagement. According to Walker & Morton (2015), implementation of a liberal system creates a conducive business environment through increased market and investment opportunities. Most of the countries within the pact tend to enjoy efficient access to capital goods, increased imports and exports, as well as productivity. Besides, with economic stability; less currency fluctuation and enhanced terms of trade, the associated country tends to benefit through increased economic growth.

According to Fergusson (2010), the concept of liberalism is the stepping-stone to the success of international trade. With its successful implementation, there is a high level of prosperity, minimized conflicts, reduced costs and improved trade efficiency throughout the entire process. Besides, Walker & Morton (2015) explored this thought of liberalization by advocating free markets and non-political interference for economic growth and efficiency. In fact, with liberalism, it is far much easier to create and implement a market-centric economy.

Liberals are pro supporters of benefits of free market and trade and their most significant endowment is the idea that all members in a trade and free markets are beneficiaries. (Cohen, 2008)

1.2. Realism Theory

Apart from liberalism, realism is another important concept that tends to explain issues of international trade. In fact, realism is one of the main schools of

thought that address the interstate relationship. Indeed, a concept that will help address role of TPP in speeding up the process on the conclusion of trade agreements between Japan and other countries. However, and contrary to the international trade objectives, realism tend to appreciate and advocate nothing but the pursuit of self-interest. In this case, it is evident that by virtue of U.S retreat from TPP, it employs this theory. Proponents argue that with realism, the ideal principles of liberalism still prevail (Petri P. A., 2012). In this case, people, businesses etc. have their independent rationality to engage in activities of their interest. People have the ultimate freedom to do or practice any type of trade without interference from the state authorities.

In this regard, the theory requires that despite the self-interest objectives, to achieve individual goals, there is a need to consider the role of interstate relationship. Every state party must consider sharing of ideas and opportunities to provide a clear successful framework in future (Walker & Morton, 2015). It is also to the best interest to the TPP member countries particularly Japan through auto industry productivity and growth globally. Theorists such as Thoma Hobbes think that human beings are egocentric and only work hard to achieve power and selfish needs. The approach of such theorist continues to enforce beliefs towards the foreign policies.

With this idea of self-interest, realist tends to coincide with Walker & Morton (2015) and Backer (2014) who argued that politics is simply a power-struggle among rivals with similar ambitions. However, it contradicts with the liberalists view of mutual benefits but not war. In fact, Doyle (1986) asserted that, with realist, most state authorities appreciate anarchy. In this case, state authorities do not have the obligation

to control or prevent any threat to violence, “individual struggle is the core insight of realism concerning international politics” (Cheong & Tongzon, 2015, p. 28). Lack of central power and authority to help protect states against rivalry continues to provide a policy framework for international relation. With unwavering conflicts, many countries work hard and objectively just to strengthen their security borders and shields themselves from any possible assaults (Cohen, 2008).

At the point when each state relies upon itself to deal with its own security, it stresses over its relative power versus different states. Since there is no authority to keep states from exploiting each other, and since states cannot be certain about their intentions, they tend to construct their foreign policy on power calculations instead of ideational components. Basically, they cannot base their foreign policy with respect to ideology or culture: this would put their survival in danger. Realism advocates for the inapplicability of ethics in international politics (Torraco, 1997). Countries are concerned with their own self-interest when advancing such multilateral agreements. Achievement of ethical obligations in international forums is made technically impossible without a kind of superior power to enforce an order. If we are to understand interstate relations from realists Point of View (POV), we need to understand the international conditions for foreign policymaking.

From a realist point of view, the state plays an important role in the international platform, while for liberals it is the individual. Liberals view the interference of the state in the market as a hindrance and advocate for self-governance of the market. It allows opportunities for countries to address their growth concerns in relation to other

state parties. Through trade liberalization and flexible rules and regulations, Japan has been expanding its growth globally over the past years. Realists, on the contrary, believe that there is nothing normal about markets. They are artificially embedded within the social contract of each state, and whose functions need to be overseen by a higher authority.

1.3. Conclusion

With the separate discussion, both realism and liberalism are completely different from each other. However, they vividly tend to address most of the concerns affecting Japan. Indeed, and in the purview of international theories (IR), realism and liberalism contradict against each other especially in the pursuit of interstate relationship through bodies such as TPP, CPTPP and many more. Liberalism suggests that international trade is a way to negate the chances of war or conflict and in turn promotes growth and advocates for foreign policies that promote free market. With this, it is clear to state that the first hypothesis to the second question indeed seems to be true. Trade liberalization and flexible rules and regulations will enhance the expansion and growth of Japan in all sectors of its economy. Realism is turn suggests that interstate relations such as TPP are just means to fulfil some political goals. In this regard, the geopolitics being played by Japan aligns very well with the idea that Chinese dominance is indeed a hinderance for Japan. As for US, the TPP retreat also falls in line with the fact that US is more interested in the pursuit of self-interest. Also, the advocacy of protectionism by Trump administration further reassures these assumptions. Table 1 hence summarizes the main concepts explored in the paper.

INTERNATIONAL TRADE	
LIBERALISM	REALISM
Promotes growth and advocates for foreign policies that promote free market.	Interstate relations such as TPP are just means to fulfil some political goals
Trade liberalization and flexible rules and regulations will enhance the expansion and growth of Japan in all sectors of its economy	-Chinese dominance is a hinderance for Japan trying to establish presence in the Asia-Pacific market. -US-Japan FTA will give US freer access to Japanese market, something Japan is not willing to give

Table 1:Trade ideologies of Liberalism and Realism

2. Empirical Review

2.1. US and TPP

According to Cheong (2013), the success of TPP strategy across the world depended on nothing but each country's willingness. Studies indicate that until 2016, just before the inauguration of President Trump in the U.S, the initiative on TPP worked

objectively to achieve the bilateral trade benefits. However, immediately after the inauguration in 2016, Trump's policies on trade negatively affected the mutual relationship that existed before among the countries. The movement towards a consolidated Free Trade Area (FTA) that allowed effective trade agreements from all parties received a big blow when Trump's administration proposed the withdrawal of US from the TPP treaty.

Consequently, the effective non-cooperation of the U.S from TPP caused hiccups, mayhem, and of course confusion to the prospects and existing member countries across the globe. Initially, the signing of the TPP agreement by the 12 countries had an objective to address economic issues of trade in Asian countries. In the context of the U.S, the country had a necessity and pressure to strengthen support on trade. Also, by joining the TPP, the U.S through the initiative aimed to achieve and understand its leadership roles in Asian based countries. According to Backer (2014), the umbrella of TPP had an essential role in enhancing the U.S strength and authority in leadership portrayed from the Asian countries.

In this regard, the TPP helped to enhance the U.S reputation across the world by doing among other things complementing its diplomatic abilities, military strength, shore up economic influences premised on businesses and individual values, as well as strengthening partnership with countries such as Japan and Vietnam. Therefore, the withdrawal of the U.S from TPP not only affected the member countries but also but also caused major economic retrogression to the country. According to a report published by Congressional Research Service, disregard to the economic agreement

and the subsequent none cooperation by the U.S with the TPP member states, it was highly unlikely for the country to achieve its supposed ambitious programs². Nonetheless, the withdrawal led to the formation of a Comprehensive and Progressive Agreement for the Trans-Pacific Partnership CPTPP. With CPTPP headquarter in Santiago, Chile, the body purposely sought to address the multilateral Free Trade Agreements (FTAs) through improving trading terms between the remaining member countries. Through CPTPP, the associated countries had to adjust their tariff structures and other related barriers of trade.

2.2. The US Withdrawal

Regardless of the benefits associated with the pact (TPP), Trump's administration perceived it in a contrary view. To justify the assertion, and from the policy approach, Trump argued against Free Trade Agreement (FTA), terming it as exploitative and a total disregard to the country's economic interest (Backer, 2014). With Trump's assertions, FTA ironically caused more harm than benefits through constant economic and job losses. A study by Peterson Institute for International Economics projected a rise of annual real income by 0.5% (Peter A. Petri, 2016) and a similar study by United States International Trade Commission projected it to be 0.23% (Signoret & Bloodgood, 2016). It also subjected the country to economic blackmail, security risks, and currency fluctuations. Withdrawal from the pact as wells creates nothing but a pull of implications and costs to the U.S citizens and the remaining TPP

² “*The Trans-Pacific Partnership (TPP): Key Provisions and Issues for Congress*” published by Congressional Research Service on June 14th, 2016. Author's name has been redacted.

groups. Apart from the structural change and the subsequent formation of CPTPP, both U.S and the partial CPTPP group had to adopt new economic and business outlook. However, despite the consequences, the U.S administration may not think of TPP any time soon hence maintaining a distant relation with Japan Australia and other Asian countries. Besides, Japan and Australia work at the forefront to champion the interest of CPTPP without the cooperation of the U.S.

2.3. Japan & TPP

Trade is an important factor that tends to bring countries, entities or individuals with similar economic interest together for mutual benefits (Capling, 2011). In this case, trade from a long time ago forms the mutual interest and tension between Japan and the U.S. It has continued to provide avenues for strategic growth, economic visions and bilateral engagement. During and after the post-war, the U.S initiated a strong interest that directly affected Japan's development and economic agenda. Besides, the U.S influenced and re-energized Japan's decision to return to the comity of different nations (Francois, 2008).

The U.S and Japan strong ties in trade deserve recognition from all parts of the world. In fact, the two nations have had many difficulties but continued to work together in the interest of mutual benefits. Along the way, however, trade between the two countries surged due to perceived Japanese miracles that introduced friction, problems, confusion and misunderstanding. According to (Doyle, 1986) one of the major signs for the friction ahead of the cooperation of the two nations was evident

through Nixon³ administration. In this case, Nixon administration adamantly threatened among other things to link Okinawan territory's security talks to Japan over the textile negotiations. This had a negative implication notwithstanding the long historical ties. Notably, the first trade agreement championed by Mike Mansfield in 1980s aimed to address issues of intra-trade differences between the two countries (Smith, El-Anis, & Farrands, 2017). However, this effort was not directly fruitful as US had concerns with Japan related to industrial espionage (Tasker, 2018). A prominent event in 1982 where few businessmen from now big Japanese firms Hitachi and Mitsubishi were arrested and charged for procuring intellectual property from IBM America (Gerth, 1982). Finally, these complications were eventually settled and US-JAPAN both came to a calm mainly after some accommodations and concessions from the Japanese side (Tasker, 2018). Since then the Japanese export to the west, and particularly US was ever strong. Yen continued to stay strong and was set to rise by the 1990.

³ Referring to Richard Nixon. He was the 37th President of the United states

Year	Japan's Trade Surplus with US (Unit: million yen)	Percentage of US in Total Export Value A	Percentage of US in Total Import Value B	A-B
1977	1,934,824	24.4%	17.5%	6.9%
1978	2,150,306	25.6%	18.6%	7.0%
1979	1,315,897	25.6%	18.4%	7.2%
1980	1,559,956	24.2%	17.4%	6.9%
1981	2,966,483	25.5%	17.6%	7.8%
1982	3,024,634	26.2%	18.3%	7.8%
1983	4,323,246	29.2%	19.5%	9.6%
1984	7,857,636	35.3%	19.7%	15.6%
1985	9,369,335	37.1%	20.0%	17.2%
1986	8,645,809	38.4%	22.8%	15.6%
1987	7,566,095	36.5%	21.1%	15.4%
1988	6,099,125	33.8%	22.4%	11.4%
1989	6,183,550	33.9%	22.9%	11.0%
1990	5,470,694	31.5%	22.4%	9.1%
1991	5,133,282	29.1%	22.5%	6.6%
1992	5,498,902	28.2%	22.4%	5.8%
1993	5,572,546	29.2%	23.0%	6.2%
1994	5,611,396	29.7%	22.9%	6.9%
1995	4,256,548	27.3%	22.4%	4.9%
1996	3,546,143	27.2%	22.7%	4.5%
1997	5,019,659	27.8%	22.3%	5.5%
1998	6,691,887	30.5%	23.9%	6.6%
1999	6,965,805	30.7%	21.7%	9.1%
2000	7,577,006	29.7%	19.0%	10.7%

Figure 2: Presence of Japan in US trade, Source: Survey of Foreign Trade, Japan Tariff Association

During the 1989 Japan entered the period of economic bubble where assets like real estate and stocks were overvalued (Watkins, n.d.). This bubble was short lived and by the end of 1991, the bubble burst, and followed by the accumulation of non-performing assets loans and rise in Japan's annual price of land. This would continue for a decade and would be known as the "Lost Decade" (Hayashi & Prescott, 2003).

To combat this deflation, the Japanese Government would introduce reduced interest rates, almost nearing zero as part of their "quantitative easing policy". But these efforts were in vain. Japan would carry on with this policy until 2008 following which

it was abandoned. The following year in 2009, the Japanese government increased Tobacco and green taxes and reduced rates for small and medium sizes industries (Economic Survey of Japan 2008, 2008).

It was in November of 2011 where former Japanese Prime Minister Yoshihiko Noda expressed his interest to enter Trans-Pacific Strategic Economic Partnership Agreement ⁴(TPSEP or T4) dialogue (Fukue, 2011). He expressed that Japan should utilize the ever-expanding Asia Pacific market and move towards a future where Japan excels as a trade nation.

On 4th February 2016, the now defunct TPP, which is an expansion of TPSEP was signed by twelve countries including Brunei, Australia, Chile, Malaysia, Peru, New Zealand, Singapore, Canada, and Mexico (Cheong I & Tongzon, 2015). On the contrary, with strong diversity in politics, economic characteristics and geographical region, both U.S and Vietnam indicated some reluctance to join the deal (Kazuhito, 2017). Precisely, just after the U.S showed interests in the year 2009 to enter the negotiation deal, Japan had not indicated any such similar interest. Besides, the U.S had built skepticism against Japan joining the trade agreements. To justify this, research showed that strong resistance of Japan to liberalize both agriculture and trade sector as well as the perceived trade deficit that exists with the U.S led to high level of skepticism by the latter (Williams, 2013).

⁴ The Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) is a trade agreement between four Pacific Rim (Brunei, Chile, Singapore, New Zealand) countries concerning a variety of matters of economic policy

Apart from the pressure from the U.S to join the trade agreements, Japan had also a bigger role of enlarging the network of members into the agreement. According to (Lasswell, 1950), after relentless efforts by the U.S government, it was high time for Japan to take its role seriously and convince other members of its status on liberalization. It had also to make it clear on whether it had joined the trade agreement or not. In fact, the question on whether Japan would join the TPP or not came to limelight in the year 2010 when the Democratic Party of Japan (DPJ) had just taken the reign of government. This was evident from the speech by Naota Kan the prime minister then declaring the status of interest in trade agreement negotiations. Fortunately, this would then be actualized by the TPP planned Asia-Pacific Economic Cooperation (APEC) meeting hosted by Japan in October. During this time, it was noted that the government had already engaged other countries particularly Australia in promoting its agenda. In the process, there was an overlap of interests; the terms of trade could not match for the two countries. Notably, with Australian's strong interests in agriculture and exports, there was a direct confrontation of roles and objectives (Walker & Morton, 2005). with this trade engagement, Japan's government realized jeopardy especially in the implementation of its protectionist policies as Prime Minister Kan said, "I believe that continued engagement with Australia will cause more harm than benefits to Japan" (Cheong I & Tongzon, 2015).

2.4. The new TPP: CPTPP

The reformed pact which came to be known as CPTPP is a deal signed by 11 countries on 8th March 2018 immediately after the withdrawal of the U.S from the Free

Trade Area (FTA). In this case, the deal as opposed to TPP comprised the partnership of countries such as Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. On the contrary, the negotiation simply emphasized a unique and separate treaty that includes important provision from the initial TPP. As such, the CPTPP member countries have nothing but shared objective and interest to achieve both economic and social standards. Importantly, for Japan and Australia, and despite the U.S inexistence, most of their negotiation sought to retain the values and provisions envisaged in the initial TPP package. In this case, and just like the predecessor, CPTPP centered most of its discussions on enhancing unity, expanding economic benefits, enlargement of business markets, embracing and compromising of the foreign trade policies, and appreciating the respective political differences (Smith, El-Anis, & Farrands, 2017). Besides, (Peter A. Petri, 2016) projected that with successful implementation of CPTPP, Japan will benefit from investment, import and exports, large market, and innovation and growth opportunities. In addition, the CPTPP provisions allow mutual benefits in international businesses; where investors across member countries engage mutually to realize their potential. Ultimately, the supposed outcome or impact of the CPTPP still maintains the larger scope, ambitions, interest and quality standards and as envisioned by the initial provisions of the TPP.

Finally, trade negotiation, particularly from the CPTPP member countries, created a major impact in promoting several talks across the world. Most of the negotiation works to consolidate the interested of the members to remain within the pact of trade agreements. However, based on the CPTPP framework, there is still the

need to compromise or simply to condense some of the previous policies, rules and conditions applied by TPP for each member country in helping accommodate the U.S again. Notably, and following the impact of the retreat, U.S has continued to show effort and willingness to re-enter the agreement but on a new platform. Nevertheless, the difference between TPP and CPTPP emulate through policy issues of data exclusivity and protection (Goodman, From TPP to CPTPP, 2018). According to Gilpin (1996), the suspension of certain provisions of initial trade agreements (TPP) such as data exclusivity and drug protection take the center of agreement and implementation solely for the CPTPP members countries. In fact, passing of the TPP framework has always remained the focus of Japan. With this in mind, Japan led the delegation of interested countries in the signing of the agreement. A report written by Plummer (2012) affirms Japanese mutual engagement through the Prime Minister that proceeded with subsequent signing of CPTPP on the remaining 11 countries after the U.S retreat on March 8, 2018 (Petri & Plummer, 2012). Therefore, following the understanding of the two trade agreements, the paper focused on determining the impact and the subsequent withdrawal of U.S to Japan.

Part IV: Data Analysis

This section will be analyzing two aspects of the paper. First, the impact of US retreat from TPP focusing Japan's perspective and second, to obtain evidences as to supplement the hypothesis testing. Notably, many researchers across the world did tremendous work in explaining the existing relationship between TPP and countries such as the U.S, Japan and China. In particular, this section focused on the impact of the U.S retreat from TPP to the Japanese economy, politics and leadership. Also, a small section tried to gather specific evidences for the mentioned hypothesis.

1. Impact of U.S withdrawal from TPP on Japan

The U.S withdrawal from TPP created a major impact on the progress of Japan's economy. Japan is an aggressive country with very high ambitions of growth especially in the industrial sector (Capling, 2011). Indeed, with the existence of TPP, the country would have benefited from the access to a larger network of markets across the world. According to Backer (2014), TPP member country shares economic benefits in terms of technology and innovation. Sharing of this variables and ideas gives the country an opportunity to prosper among other nations in the world.

Withdrawal of U.S from TPP had more consequences than benefits to the rest member countries due to its associated economic influences. Above all, Japan is working hard, putting efforts in upholding international systems and networks. Ironically, despite the economic and political impact linked with TPP, the link of Japan on 8 March to the Comprehensive and Progressive Agreement for the effective Trans-Pacific Agreement (CPTPP), though less than the original TPP (1/3rd to 1/4th), still offers a boost to its

future economy (Petri P. A., Plummer, Urata, & Zhai, 2017). In fact, given its close association to CPTPP, studies indicate that with this important cooperation, it is such a milestone to the growth and development of Japan and other giant Asian countries without the influence of U.S (McLymont, 2016). By coincidence, the withdrawal of U.S, and the continued existence of CPTPP, Japan still has an opportunity to realize its potential and ambitions of achieving Asian culture, economic, western freedom. This is also evident by looking at the Policy Simulation results generated by (Petri P. A., Plummer, Urata, & Zhai, 2017) which was done using the Computable General Equilibrium method. However, for many days, Japan's primary objective in joining trade agreements was to engage prominent nations of the world including the U.S and of course Asia. Therefore, critics of this withdrawal strategy by the U.S argue in favor of the consequences related to the failure in businesses due to reduced markets and investment opportunities.

Immediately, after the end of the war, Japan embraced the ideal principles of Asian-Pacific Fusion (APF), a framework that addresses issues and concerns of the regional countries such as the U.S. The guiding principle for the framework worked towards containing and matching the interests of U.S with Asians. On the contrary, following the subsequent inception, CPTPP bolstered Japan with new structures, framework and policies to address Japan's take on East Asian market. With this approach, the government of Japan is still hopeful even without the inclusion of U.S to achieve the objectives of Asian-Pacific Fusion (APF). According to Cheong & Tongzon (2015), Asian-Pacific Fusion promotes cooperation, social engagement, and economic consultation among Asian countries. Therefore, by joining CPTPP, Japan had a clear

interest to preserve and sustain positive economic and social trend, and of course the social and regional interrelation.

1.1. Impact on the Economy

Immediately after the proposal and the subsequent retreat of the U.S from the trade agreement, Japan was bound to face some challenges regarding its economic performance. Technically, and unless proper efforts and strategies were put in place, most sectors in Japan would be affected. According to (Cooper, 2014) as one of the third largest economy in the world, Japan relies heavily on the growth policies and decisions made by the U.S and other giant countries such as China. With TPP in place, Japan enjoyed high export benefits in both auto and farming industry. On the contrary and based on the study conducted by (Noland, 2018) particularly on the U.S economic policy outlook in Trump's administration showed that with its high protectionism, many countries across the world were likely to face consequences of economic degradation.

In contradictory approach, the fact that Trump's policy would act as a success to Japan and even help in boosting the U.S economic growth, many studies put concerns on Japan's over-reliance and dependence on exports. In this case, (Noland, 2018) argued that despite the revenue benefits associated with exports, stringent fiscal and protection policies as portrayed by Trump's administration tend to pose growth uncertainty among many countries. Similarly, and in fact, despite its world image, it operates under the mercy of the giant nations such as the U.S and China. The latest studies conducted on the international trade agreements showed that the move by the

U.S to withdraw from the TPP had an adversarial impact on Japan growth performance (Goodman, From TPP to CPTPP, 2018). The studies also raised concerns of the U.S unwavering plan to slap import duty on China and Mexico but also Japan (Williams, 2013).

Currency trend is another important fact that determines the direction and growth of any country operates in international markets. Obviously, with TPP and CPTPP, all member countries have the opportunity to trade successfully. However, according to some studies on the Factors Affecting the Strength of Currency, close to 68% of the respondents stated that most government policies tend to affect the trend and performance (Capling & Ravenhill, 2011). In this case, Auslin (2012) argued that any restrictive policies on trade tend to affect the terms of engagement hence promoting low investment attractiveness to the respective countries. With this, in fact, Japan had a high chance to increase and speed up trade agreement processes to enhance its operation. Besides, most of the investments and attractiveness for countries to transact businesses create a platform for currency depreciation that concurs with low export and slow economic growth (Grieco, 1990). As such, with the U.S strategy to withdraw from the pact (TPP), the Japanese yen remained on the reversal trend, thereby influencing negatively on the future economic prospects of the country. However, just like other countries with U.S ties, both international and domestic policymakers made predetermined efforts to counter the consequential effects.

Japan's economy is ranked among the third in the world after the U.S and China respectively. Some studies also indicated that Japan is an industrial country that

continues to create attention for the world investor's (Fergusson & Vaughn, 2010). Just like any other country, technology has also taken the center of every operation, especially in the latest motor vehicle departments. With TPP, therefore Japan enjoyed numerous opportunities of trade, especially with the U.S and China. (Grieco, 1990) argued that the success of Japan over the years have constantly dependent on the stability of the U.S currency as well as the growing rate of innovation. According to the United Nation Report on the growing potential of Japan by the year 2020, it was clear that with the U.S retreat from TPP, the country's economic growth and employment rate would fall by a margin of 0.12% and 0.3% respectively (Auslin, 2012). (Urata, 2014) mentioned that with U.S retreat and subsequent policy on protectionism, the country faced both economic and political risks. With this, Japan has experienced very high contraction in the global trade as Takeshi Minami, a researcher from Norinchukin Institute says, "the uncertainty of Trump's policy on trade will probably impact negatively on Japanese major companies (Kaneko, 2016)"

On a contrary view, a study conducted immediately after Trump's announcement on 29 November, a majority of the responded close to 73% found out that with cuts in corporation taxes and massive infrastructure investments, Japan was likely to benefit from the resulting exports (Backer, 2014). However, following the U.S withdrawal from the pact, Japan's economy grew downward by 1.3% for the subsequent years due to reduced inventories and capital expenditure.

1.2. Impact on Leadership

From various studies across the world, Japan is working hard to try to achieve international standards of leadership. In this regard, and following the subsequent retreat of the U.S from TPP, there was a high level of internal restructuring primarily to conform to the new CPTPP platform of trade ("CPTPP suspensions explained", 2019). The Japanese strong leadership ambition to achieve the necessary requirement of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) referred to as the CPTPP was put on test through the withdrawal of the U.S from the initial pact. From the historical perspective, and especially after the World War II, Japan had very strong ambitions of promoting economic unity across nations, Asian culture, freedom and freeness from the control of western powers, and many more. In fact, most of these values prompted the need for Japan to join the TPP. Until the U.S. sudden pullout of the TPP, Japan's leadership strategy was nothing but to reconcile Asian countries and the U.S.

Immediately, after opening its market due to constant pressure from international countries, Japan made a concerted effort to help recover the image of TPP. Obviously, many people had doubts about the ability and practicability of Japan to succeed. The element of financial resources, political will, and of course, human recourses played an important role. Nevertheless, Japan among other CPTPP nations took the spirited effort and soldiered on. Despite having understood the costs involved in the matter of domestic and diplomatic reforms, The Japanese Prime Minister Abe took the forefront to ensure a successful implementation of the TPP. According to

(Urata, 2014) following the U.S pressure, by accepting to join the TPP, Japan not only increased its world image but also enhanced market liberalization. The approach also provided synergy for Japan to start engaging other mutual agreement of economic partnership.

From its normal operations, TPP made Japan go through various odd phases. At first, Japan had to act quickly in adopting various trade agreements from the U.S. On the other hand, just before the end of the assimilation process, U.S suddenly withdrew from the pact. Obviously, the move by the U.S government created a vacuum, disorientation, as well as confusion among the member countries. Unexpectedly, Japan did not back-out instead it enhanced its effort of negotiation but on CPTPP a new and different platform. However, despite the move by the U.S to withdraw from the initial pact (TPP), the new platform CPTPP still included specifics that would give a second chance for any country interested. The commitment by Japan despite the sudden withdrawal by the U.S clearly shows its mediation role among its member countries. In addition, the persistence of Japan to economic negotiations, market liberalization, political and domestic reforms demonstrated its objective to achieve free trade agreements.

The retreat of the U.S from the pact (TPP) provided opportunities for other member countries to demonstrate their leadership worth in trade affairs. To justify the assertion, withdrawal of U.S meant it had relinquished its international roles as a champion of trade agreements. In fact, this was nothing but an opportunity for Japan being one of the best-ranked countries in the world on the issues of economic growth

and development (Inkyo & Jose, 2013). The primary role for Japan to join TPP was to enhance unity and form a reconciliation framework for both Asian-pacific nations and the United States.

Yes, the withdrawal might have curtailed some of its objectives, but largely it offered a platform for Japan to achieve trade liberalization objectives. Studies indicate that with effective liberalization, it is easier to create new markets, opportunities and a high level of cohesion among countries (Allegret, Courbis, & Dulbecco, 2003). Therefore, following the subsequent formation of CPTPP, Japan took the mantle to ensure effective leadership in addressing issues of trade among members. In most cases, and before the dissolution of the TPP, Japan was highly associated with the passive rule with low ambitions. Conversely, CPTPP as a trading platform revived the image of Japan from the public perception. Despite the sensitivity in agricultural liberalization, Japan continues to show resilience and defensive negotiations for bilateral trade talks (Howard, 1978).

In a press conference on 15th March 2013, the Japanese Prime Minister Shinzo Abe had this to say regarding the intention to join TPP- “This is our last chance and If we miss this opportunity, this would mean that Japan will be left out as a nation who would establish rules and regulation in the Asia-pacific region. I want to establish an Asia-Pacific century and Japan must take the front row seat⁵” (Press Conference, 2013). From this statement, Prime minister Abe’s motives were clear. Japan was committed to this vision of establishing leadership in the Asia Pacific region and this

⁵ Translated by the Author. The original language was Japanese.

was their strategy for economic growth. Even after the US retreat, Japan was committed in the negotiations for EPA (Economic Partnership Agreement) with the EU, perhaps as a way to show US its commitment regarding such deals.

In fact, as a sign of resilience and commitment, after the retreat by the U.S, Japan took the initiative to lead the CPTPP members. However, Backer (2014) argue that by virtue of the U.S withdrawing from the pact, Japan would unlikely achieve some of its essential goals in the new platform. In the previous arrangement, Japan worked hard to bridge the gap between the U.S and Asian countries by eliminating possible divisive trade agreements. With the U.S presence, it was much easier for Japan to anchor it as the regional architecture of liberal trade following the power shift to China (Wyne, 2018). Just like other member countries, most Japan conferred with the rational principle for CPTPP to survive given the existing opportunities. According to Walker & Morton (2015), Japan's policy framework worked against the rising trend of protectionism purposely to promote the interests of global business strategies. Japan also played the central role of bridging the gap that the U.S left by providing not only alternative options from China but also economic integration programs.

As far as economic benefits were concerned, other pacts, for instance the RCEP was supposed to generate more revenue than the TPP (Lee, 2014), which makes us believe that Japan was not looking for an instant economic boom for the country. This

refers to the Abe Administrations intention to have a strategic alliance with US in which Japan could have decided the trade rules, one of the growth strategies of Abenomics⁶.

1.3. Conclusion

It is clear from the above discussion that though TPP would have rewarded Japan with huge economic boost, a global economic revenue of 491 billion USD, out of which 131 billion USD from US alone. Going from TPP to CPTPP cuts the global economic revenue from 491 billion USD to 147 billion USD which is a substantial cut (Petri P. A., Plummer, Urata, & Zhai, 2017). The revenue boost is certainly taking a beat here.

Talking about the political impacts, the US retreat is certainly taking a toll in its political ambition of having a strategic relationship with the US that goes in line with the concept of Abenomics and making TPP less interesting for any potential partner nations. Its intention to create a framework for the Asia Pacific trade with US was disturbed. But it was Japan's resilience and commitment in establishing order in the region that led to the successful renegotiation of CPTPP.

2. What led to the renegotiation of TPP?

2.1. The "CHINA" Agenda

Since the introduction of Belt and Road Initiative (BRI) by China in 2013, its neighbors were in a state of concern and for a very good reason. It was clear that China was looking to expand its dominance in terms of trade capacity and military expansion over

⁶ Abenomics (アベノミクス, 安倍ノミクス Abenomikusu) refers to the economic policies advocated by Shinzō Abe

the Asia Pacific region (Chatzky & McBride, 2019). The recent event where Sri Lanka handed over the port of Hambantota to China to pay off its debt further reaffirms this concern.

The then US President Barack Obama also had this to say regarding the Chinese dominance in Asia-Pacific region, *“If we do not help to shape the rules so that our businesses and our workers can compete in those [Asian-Pacific] markets, then China will set up rules that advantage Chinese workers and Chinese businesses”* (Obama warns TPP failure would let China write trade rules, 2014). TPP itself doesn't pose a great economic threat to China. A study by Peter A. Petri, Michael G. Plummer, and Fan Zhai shows that in the absence to China from TPP, its overall GDP would take a hit of 0.09% from the base GDP by 2025 (Petri, Plummer, & Zhai, 2011). But Chinese scholars believe that it is a part of US's encirclement plan (Song & Yuan, 2012).

The Japanese Prime Minister during an addressing to the US Congress on April 29th, 2015 had this to say, *“the TPP goes far beyond just economic benefits. It is also about our security. Long-term, its strategic value is awesome. We should never forget that”* (Address by Prime Minister Shinzo Abe to a Joint Meeting of the U.S. Congress, 2015). Aurelia George Mulgan, a professor at University of New South Wales tried to understand the scrutinization of TPP in Japanese politics. Her policy discourse analysis on the addressing revealed 7 security benefits. The article later points that each of them seeks to balance a rising China (Mulgan, 2016)

Japan, stuck with United States under President Donald Trump with its protectionism mindset, ended up taking the main role in pushing back against China's

ambition to broaden its impact all through Asia and into Europe. To achieve those, Tokyo is constantly getting together with different nations and particularly India, pushing forward a \$200 billion infrastructure plan, and further bolstering its military efforts in the more extensive Indian Ocean area which can be seen as a deliberate attempt to counter Beijing's developing haul. Céline PAJON mentioned that “Abe has been very active in proposing an alternative to China in general and the Belt and Road in particular” (Ekman & Pajon, 2015).

Chinese President Xi Jinping stated that China would turn into the new leaders of free trade. The announcement brought a wave of uncertainty in Japan that the administrative vacuum in the Asia-Pacific free trade bloc made after the United States' "America First" approach may be filled by the Chinese economy. Thus, the vacuum filled by China would undermine Japan's future political and economic presence in the Asia-Pacific as mentioned by Junichi Sugawara, a senior research officer for trade at the Mizuho Research Institute, a Tokyo-based think tank (CPTPP now a reality, raises bar for Japan's multiparty approach, 2018). By setting the CPTPP, Japan has made a framework that works within its own order and exclusion of China from CPTPP affirms Japan that the Chinese influence over the East Asian market is limited or at least conditioned (Mulgan, 2016) . But even if China decides to join this new formed pact, it is certain that they would be governed by the same framework that Japan help to create (Mulgan, 2014). Also, medium-sized nations in the CPTPP can coordinate and expand their voices as even China thinks that it is important to mirror their own advantages in the economy of the Asia-Pacific.

The threat i.e. China as perceived by the Japanese Administration is very much prominent when looking at the country's National Security Strategy document published in 2013 in which Abe also had an active role in the drafting. The document mentions that, *“the maintenance and protection of international order based on rules and universal values, such as freedom is fundamental to Japan's national interest. But these principles have been affected by a shift in the balance of power”*. The document further reads, *“risks that can impede the utilization of and free access to global commons (such as the sea and cyberspace) have been spreading and becoming more serious”* (NSS, 2013).

Also, after the 2008 Lehman Shock⁷, it is safe to say that China is indeed a superpower in the making. This is further asserted by the fact that China is a permanent member of the UN and has enormous reign on its political and military capacity. Its intention to dominate the Asia-Pacific region is also further bolstered by the fact that China signed the ASEAN+1 FTA and ASEAN's Treaty of Amity and Cooperation even before any other country from the same region came forward (Terada, Forming an East Asian Community: A site for Japan–China power struggles, 2006).

Multilateralism efforts by US and also Japan points to their efforts in trying to contain China. While US is focused more in its US-CHINA regional competition, Japan's interest in multilateralism in the region regarding foreign policies seems to be all these structural changes in the region (Terada, 2014).

⁷ Refers to the incident of September 2008 where Lehman Brothers, the fourth-largest U.S. investment bank and with a history that extended over 150 years, collapsed, setting off the worst global financial crisis in over half a century

2.2. Economic Benefits of TPP

TPP is an important platform not only for trade but also for other rest member countries. According to Kimura (2012), with the presence of TPP, the countries enjoy can easily enjoy fair trade to boost their economic zones. In this regard, Elise (2016) also argued that TPP provide over 40% of the world economy a fair playground in trade engagement that enjoys reduced regulations and tariffs for other new countries to enter the deal. (Chow, Sheldon, & McGuire, 2018) also stated that the TPP trade agreement is nothing but the best opportunity for U.S and its trade partners such as China and Japan among others to help counter the dynamism of the world economy. With this outfit, China among other countries have greatly benefited through the establishment of Asia Infrastructure Investment Bank (AIIB) that provide it opportunity address economic issues on trade. However, riding on the back of China, U.S and Japan are indifferent to the strategy citing issues of possible dilutions, lack of transparency and a disregard to the Asian Development Bank (ADB) rules and regulations of labor standards. To counter strategy by China and avoid any possible fall, Japan decided to solder a head. Nonetheless, apart from strategic benefits, Japan greatly benefit from the TPP agreement. Most of the foreign regulations have been relaxed creating new markets for Japan to increase its economic projections (Auslin, 2012). therefore, with this reasoning and in connection to the hypothesis, most literature show that it is clear for Japan to expand overseas.

Apart from other products, Japan also takes interest in agriculture and farming. To realize this potential globally, TPP brought many opportunities in Japan through

expanded market. Regarding domestic consumers, TPP enhance reduced cost of production through cheap capital import from China and other countries thus lowering the prices of most products. According to Fergusson (2010), the application of tariffs on farm products especially in Japan appreciates the partial concept of reduction and elimination. However, most of the opponents to the TPP implementation feel aggrieved especially when their farms produce experience undercuts by cheaper imports. Alternatively, this strategy can also be achieved by farmers through creation of alliances with consumer groups in the country due to the perception that Japan have very strict laws and regulations on food safety (Backer, 2014). This is also an illustration to why Japan has been for decades associated with high level of protectionism. However, in order to realize the value of their domestic market and achieve fairness and equality through government intervention, it is important for the farmers to increase their efficiency to counter increased imports.

Japan is an industrial country dealing in automotive production and assembly. Yes, TPP provides opportunity for Japan to expose its worth on the world market. Consequently, (Takashi, 2018) argues that with TPP trade agreement, the country will enjoy the benefits of tariff reduction due to exports. In fact, with this fair tariff structure, Japan will have great opportunity to increase its market share through and not only limited to the TPP members but also to other countries of the world. According to Kimura (2012), the primary rules of trade requires that only 45% of auto products to be produced within the TPP zones while 62.5% is a requirement for NAFTA. As such, Japanese auto industry enjoys privileges of cheaper imports and selling to countries such as U.S with reduced tariffs.

The TPP has numerous economic benefits for the members and the world in general. It stands out and associates indeed with the highest attributes of the best trade agreements to occur across the globe. According to some proponents of TPP, by embracing and implementing its role, values, and attributes promotes trade discipline, possible investment strategies, a comprehensive tariff structure and liberalization, as well as other important World Trade Organization (WTO) rules. In joining this fray, the two countries U.S and Japan still contributes significantly to promoting required standards of trade. According to Caplin (2011), Japan tends to have a mixed ideology of trade that supports commitments to the rules and low tariffs to the members while U.S works to champion for liberalization by implementing Preferential Trade Agreements (PTA). In fact, by enhancing and restructuring the standards of trade, it is easier to promote business efficiency and growth of markets. According to some international economist, the original TPP-12 before the U.S withdrawal had a greater boost to the Japans economy in terms of growth of Gross Domestic Product (GDP) and operational efficiency. From 2013 statistical release by the Japan Cabinet Office, the country indicated a positive increase in GDP and per capita income with 2.6% and 1.5% respectively (Backer, 2014). With this, Japan had the opportunity to meet its revenue goals by the end of the year by 600 trillion yen.

The Japanese gains from TPP and indeed other member countries go beyond the access as most of the predecessors suggested. From Kan's view, any business-related agreement matters so much for prosperity in a particular country due to its unique economic role (Auslin, 2012). In this regard, some studies show that countries with effective social engagement and negotiation have a greater chance to spur its

economy (Backer, 2014). With fruitful talks, countries can exchange ideas, policies and programs that eventually help to achieve growth objectives markets and opportunities. Trade agreements in Japan (e.g., TPP), and with channels such as Foreign Direct Investments (FDI) spurred innovation, technology, investment through protection of property rights, improved culture and many more.

With associated economic benefits, the government of Japan supports various provisions of TPP that includes labor, a state-owned enterprise, and the one-commerce initiatives. From this, it can be clearly seen that Japan adopted similar strategies as used by the U.S government. Some of the shared priorities that spurred Japan's economy include the resistance of discriminatory tariffs for the members, predetermined transfers of codes, and the requirement of location servers. According to the World Bank Economic Report of 2012, most of the TPP income gains accrued from market and tariff liberalization contrary to the anticipated traditional market access. Following the progress, the report projected a future massive support of Japan to join trade agreement from various industries such as manufacturing, electronics and many more. Undoubtedly, the new strategy of negotiation, social engagement and exchange of ideas play a critical role in championing of economic progress.

2.3. Other Trade Agreements

According to (Mitsuyo & Fukunari, 2012), competitive strategy of Japan by the rest of the members in TPP gives it a high advantage to finalize trade agreements. For instance, Japan concerted efforts to negotiate with the countries such as China, EU based countries and U.S may speed up the process through their desire not to abandon

the deal. (Cohen, 2008) also stated that with the free trade negotiations provides opportunities attractive to other countries. Japan among other countries enjoys the benefits of fair-trade regulations that act avenues for agreements.

2.4. US-Japan FTA

US has been pushing Japan to sign an FTA that would allow freer access to the Japanese market and obviously it's a more advantageous option for US given the President Trump's trade agendas. As discussed earlier, US has weaponized its economic power to pressure the Japanese government to forge an FTA. The Deputy Prime Minister of Japan Taro Aso also stated that multilateralism is inherently easier to sell domestically because "losses" in terms of allowing greater market access in sensitive areas can be made up for by "gains" in a range of other markets, rather than in a single market such as the United States. Aso has also openly admitted that "Japan has less room to compromise with the United States under a bilateral trade deal than under a multilateral agreement like the TPP" (Mulgan, 2017). He was very vocal against U.S. attempts to apply *gaiatsu* on Japan to open its markets and to initiate bilateral FTA negotiations. Japan's take on FTA during Trump's visit to Japan on 5TH November 2017 was that 日本は「TPP以上の譲歩はできない」 which translates to "the concession above TPP cannot be made" ("Sankei News", 2017). Given the strong unwillingness of Japan to go with an FTA, CPTPP helps Japan counter the negotiation as they are adamant about the fact that negotiations beyond CPTPP is out of question.

3. Summary

In this section, the paper explored vividly the views of other writers, scholars and think tanks regarding the impact of U.S retreat from TPP to Japan. Most importantly, the section focused on assessing the viability of the proposed hypothesis. From the analysis, it was clear that TPP had a major role of fostering unity and prosperity among the member countries which resonates with the liberalist point of view. With this, Japan and probably other member countries would expand their network overseas, increase farm productivity for export. The withdrawal of the U.S led to the formation of CPTPP also referred to as TPP-11 but almost with similar provisions as the initial platform. However, this would not act as a good indicator according to some researchers in terms of the need to speed up trade agreements due to perceived disappointments. With the successful dissolution, Japan was affected immensely through leadership and politics, as well as the economic outlook. Many researchers indicated that due to restrictive policy implementation, the country's economic performance grew downwards. There was an immediate fluctuation of currency and slow rate of growth following the announcement by the U.S to retreat from the pact. In terms of politics and leadership, most studies indicated a positive impact on the country to increase its opportunity globally. In fact, in relation to study findings, Japan showed strong resilience and willingness trade concerns among the member countries. Further from a realist point of view, the proposition that CPTPP is an answer to America's protectionism and China's rising dominance in the Asia-Pacific region is clearly a valid point to make as Japan in a way is very reluctant to counter these onslaughts.

This section sought to explain the findings to help address various questions and hypothesis of the study. Inferences were extracted from the discussion of the previous section and was used to verify/test the hypothesis.

4. Hypothesis Testing

1. Japan is trying to enhance its economic development and GDP

As discussed previously Japan's economy grew downward by 1.3% for the subsequent years due to reduced inventories and capital expenditure. With new platform (CPTPP) and the announcement of the U.S to re-join the pact, about 40 economists in Japan projected a positive outlook of 1.0% rise in economic growth which is a fair anecdotal evidence that the Japanese economy will see a rise following the CPTPP. CPTPP also reaffirms the benefits for the auto and farming industry and given how Japan is trying to come out of the protectionist mindset to promote trade liberalization in the Asia-Pacific region further proves as a testimonial evidence that Japan sees an enhanced economy out of it.

2. CPTPP is a way to deal with US pressure to forge a US-Japan FTA

As seen from various reports, think tank interviews and news extracts it can be clearly seen that CPTPP is a way to combat the US pressure to form an FTA. Japan is totally against the idea of bilateralism and supports multilateralism as stated by Japan's Deputy Prime Minister Taro Aso himself which serve as strong testimonial evidence for the hypothesis ("Sankei News", 2017). The statement made by Japan after the 5th

November 2017 meeting with the US President Trump further provides anecdotal evidence as to Japan's unwillingness towards FTA.

3. CPTPP helps Japan contain a rising China

Similar evidences can also be found that bolster the fact that CPTPP helps Japan counter the Chinese dominance in the Asia Pacific region. As mentioned by Celine Pajon, Prime Minister Abe is very much active in looking into ways to counter China's BRI. Looking at the policy discourse analysis (Mulgan, 2016) points out a very strong sense of insecurity towards China. Also, Aso clearly states that Japan fears that the void created by US in the Asia Pacific region will be filled by China and Japan is rushed to conclude the CPTPP negotiations. Japan clearly is against the economic principle of China and its low trade quality and want to contain its dominance.

Part V: Discussions & Conclusions

From the hypothesis testing, it is clear that CASE#D is fulfilling the criteria. The very discussion since the beginning of the paper bolstered the fact that Japan demonstrates both a liberal point of view and as well as a realist view with its idea of trade.

In summary, the agenda of Trans-Pacific Partnership were to promote trade and relationship among different countries in the world. As such, TPP was formed with 12 member countries that had almost similar interest of trade. Upon its inception, many countries including Japan, Australia, U.S, had huge economic prospects given the increased exports and imports due to the enlarged market with fair trading environment. However, following the U.S withdrawal, the deal could not last. Japan took the forefront following the U.S vacancy to ensure that the vacuum is not seized by China and the trade framework that Japan has worked so hard to form is not crippled by China. CPTPP formed again but with similar objectives from the predecessor. Therefore, the focus was to explore the impact of the U.S retreat from TPP to Japan and what led to its renegotiation.

Table 2 below summarizes the three hypotheses and attempts to establish a connection between both the liberal and realist perspective.

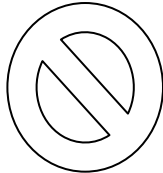
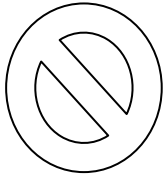
	HYPOTHESIS	DOMESTIC	INTERNATIONAL
LIBERALISM	Japan is trying to enhance its economic development and GDP	-To enhance overall economic growth of the country	-To build/maintain a strong economic presence in the Asia Pacific market and promote multilateralism
REALISM	CPTPP is a way to deal with US pressure to forge a US-Japan FTA	-Safeguard domestic industry from exploitation and freer access.	
	CPTPP helps Japan contain a rising China		-To reject Chinese trade framework -Safeguard Asia Pacific trade framework that Japan has developed.

Table 2: Interaction between Domestic and International dimensions

The interaction between the various IR perspective in terms of both domestic and international suggest that Japan adheres to a liberal perspective when talking about

its economic growth. It is evident that though Japan is trying to enhance its domestic output, it is also forging a mutual benefit on the international playground and advocating for a free and regulated trade in the region.

Moving towards the realist perspective, the China agenda inclines more towards the international platform and suggests an international concern and not necessarily domestic. This is something that Japan is trying to deal not alone but with other nations with similar principles as mentioned in the National Security Strategy document 2013.

A more domestic concern in this regard is that of the bilateral US-Japan FTA that Japan is reluctant to forge. This concerns the Japan's disagreement in giving US free access to the Japanese market and safeguarding its domestic industries.

Both realist and liberal vision exists within the administration and not necessarily divided by domestic and international affairs, as the two political perspectives seem to appear in both dimensions.

The study tried to explain the impact of the U.S withdrawal to Japan and the new CPTPP. From various findings, it was clear that U.S withdrawal from the deal had some form of positivity as well as negativity on economic growth through trade and exports. Also, opinions of various researchers and think tanks seem to be divided at this moment, and the implications of CPTPP is yet to be seen. Similarly, the hypothesis developed at the beginning of the paper seems to be valid and signifies the objectives of Japanese Administration behind the pursuit of the reformed TPP i.e. CPTPP.

RECOMMENDATIONS

Issues of trade are of economic importance to any country. Similarly, just like any other country, enjoys and make greater opportunities through trade arrangement. This study, however, focused its analysis on speculative statements and data that disregarded the dynamic nature of the CPTPP since it is still an ongoing process. With this, most of the findings can act as inference in making critical decisions in the economy. In my opinion, therefore, to understand more on the possible impact of both TPP and CPTPP on Japan and the motives behind the re-negotiation, there is need for further research. In this case, it would be wise to include more actors and variable to address the greater aspect of Japanese economy.

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