

ERIA Discussion Paper Series**No. 461****Japan and the Regional Comprehensive
Economic Partnership (RCEP)**

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Abstract: *This paper aims to clarify the role of Japan in the process leading up to the establishment of the Regional Comprehensive Economic Partnership (RCEP). While emphasising that respect for the centrality of the Association of Southeast Asian Nations (ASEAN) was a principle of RCEP, Japan played a leading role in the process of RCEP negotiations. For Japan, RCEP is one of the fruits of its strategy in East Asia/Asia-Pacific that began the mid-1990s to protect and increase the interests and advantages of Japanese business and retain Japan's political leverage in the region.*

When substantial negotiations for RCEP began in 2013, its importance for Japan was secondary to other free trade agreements (FTAs) including the Trans-Pacific Partnership, China–Japan–Korea FTA, and Japan–European Union FTA. However, the Government of Japan and the business community had set a lot of economic and strategic goals in promoting RCEP. After the withdrawal of the United States (US) from the Trans-Pacific Partnership, RCEP was seen as an essential framework for establishing a rules-based regional order in the Indo-Pacific region. Although it was after India's withdrawal from the RCEP negotiations, Japan further emphasised the importance of RCEP as the measure to sustain and foster the rule-based regional order and simultaneously pursued the conclusion of negotiations and the establishment of high-level rules, achieving some success. Ultimately, the havoc brought about by the coronavirus disease (COVID-19) pandemic and the sense of crisis in the traditional liberal international order caused by the intensifying strategic competition between the US and China, drove the conclusion of RCEP.

RCEP will be increasingly important for economic order in Japan and Asia in the coming years. Ironically, as the strategic competition between the US and China escalates and leads to a surge in protectionism, the economic and strategic importance of RCEP – an FTA that incorporates China – is becoming more significant as a measure to counter unilateralism and protectionism. In addition, RCEP needs elements that address globalisation's adverse effects and pitfalls, in areas such as the environment, labour rights, and a reduction in the disparity between the rich and poor.

Keywords: Japan; RCEP; TPP; CJK FTA; Rule-based order; Regionalism

JEL Classification: F15; F53; F55

1. Introduction

Sixteen countries – the 10 Association of Southeast Asian Nations (ASEAN) Member States, Japan, China, the Republic of Korea (hereafter, Korea), Australia, New Zealand, and India – announced the start of the Regional Comprehensive Economic Partnership (RCEP) negotiations in November 2012. The initial aim was to conclude the agreement by 2015, but the negotiations were complex, and their conclusion was repeatedly postponed. In addition, India withdrew from the negotiations in November 2019. At the end of 2020, RCEP was signed by 15 countries, excluding India. Subsequently, Japan, China, Brunei Darussalam, Cambodia, the Lao People’s Democratic Republic, Singapore, Thailand, and Viet Nam completed their ratification. RCEP entered into force in January 2022.

Despite India’s withdrawal, RCEP is a free trade agreement (FTA) of a scale that stands out from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union (EU)–Japan Economic Partnership Agreement. The member countries of RCEP have a combined population of 2.27 billion (about 30% of the world’s population) and gross domestic product (GDP) of \$25.8 trillion (just under 30% of the world’s GDP). It is also attracting attention as the first FTA concluded by Japan, China, and Korea.

RCEP is part of an ASEAN-centred architecture – a framework for the ASEAN-centred economic integration of the six partner countries that had concluded ASEAN+1 bilateral FTAs in the 2000s and ASEAN. Negotiations were also conducted under the principle of ‘ASEAN centrality’, with the representative of the ASEAN Member States (AMS) always serving as chair (Fukunaga, 2014; Drysdale and Armstrong, 2021). With respect to ASEAN centrality, Japan played a leading role in developing discussions on East Asian regional integration in the RCEP negotiations. Moreover, Japan greatly influenced the direction of the negotiations.

This paper aims to clarify the role of Japan in the process leading up to the establishment of RCEP. Section 2 discusses what and how Japan’s strategy in East Asia/Asia-Pacific has changed since the end of the 1990s and depicts how changes in Japan’s strategy led to Japan’s active posture to take a principal role in the launch of the RCEP negotiations. Section 3 clarifies the transformation of Japan’s trade policy and policies towards Asia, which made Japan engage proactively in the

regional FTAs. This section focuses on the complex situations in which several regional FTAs have been discussed and examined since the mid-2000s, and how and why Japan was involved in them. Section 4 clarifies Japan's initial goals, which it wanted to accomplish in RCEP, while considering Japan's involvement in other regional integration frameworks, including the Trans-Pacific Partnership (TPP) and Japan–China–Korea FTA (CJK FTA). Section 5 reviews the RCEP negotiations over 8 years and clarifies Japan's involvement in them. This section also indicates how the importance of RCEP for Japan and other participant countries changed after the withdrawal of the United States (US) from the TPP, and how Japan had a strong influence on certain changes in the characteristics of RCEP. The final section clarifies what Japan accomplished through the RCEP negotiations. It also outlines tentative prospects as to how RCEP can and will shape the regional order in East Asia/Indo-Pacific.

2. Japan's Policy Shift Towards East Asian Regional Integration

Japan has been a unique Asian power. It is the only country to have been an imperial power before and during World War I, and to have invaded and expanded its imperial domain in East Asia. This negative historical legacy often became an obstacle to stable relations between Japan and its neighbouring Asian countries in the post-war era. Severe issues remain between Japan and China, and Korea. On the other hand, Japan has had a substantial economic presence, particularly as the second-largest economic power since the end of the 1960s, and used its economic advantages to expand its political leverage in East Asia, including China, Korea, and Southeast Asian countries. In addition, the Plaza Accord in 1985 accelerated Japan's foreign direct investment (FDI) in East Asia, and regional economic integration was further driven by Japanese multinational corporations (Hatch and Yamagata, 1996).

While Japan's economic presence in Asia and the resulting political influence was significant, Japan's policy towards Asia was limited to bilateral forms such as the promotion of trade and investment in and development assistance towards individual countries – without a region-wide vision – except for some cases like the Asia Pacific Cooperation proposal, which led to the establishment of the Asia-Pacific Economic Community (APEC) in November 1989. In addition, the Government of

Japan supported trade liberalisation on a global scale using the General Agreement on Tariffs and Trade (GATT). It retained a reluctant attitude towards regional integration with formal schemes such as the European Community. While Japan had supported and enjoyed the liberal international economic order sustained by the US since the late 1940s, the government did not indicate its intention to be proactive in maintaining and constructing the regional and international order.¹

However, Japanese policies towards its Asian neighbours have changed since the late 1990s.² First, Japan began pursuing the conclusion of FTAs (Munakata, 2001). Until the end of the 1990s, Japan's trade policy pillar was to engage global liberalisation through the GATT/World Trade Organization (WTO). However, Japan changed its trade policy in the late 1990s. It positioned the promotion of the FTAs as a pillar of its trade policy in the late 1990s and began initiating negotiations with several countries. The conclusion of the Japan–Singapore FTA in 2002 was the first fruit of the policy change. After that, Japan concluded FTAs with Southeast Asian and Latin American countries during the 2000s.

Two main factors pushed Japan to change its policy regarding FTAs. First, accelerating economic globalisation forced Japan to construct a new trade policy to achieve economic development. After the collapse of the 'bubble economy' in the early 1990s, Japan faced a severe issue – how to revitalise its economy. As globalisation brought countries' economies closer together, Japan needed to liberalise trade and investment to revive its economy. As Baldwin (2016) argued, the revolution of information and communication technology (ICT) transformed globalisation into the 'new globalisation' in which the 'second unbundling' occurred.³ Under the new globalisation, Japan had to search for a new strategy to revitalise its economy. The reduction and elimination of tariff and non-tariff barriers could impose sweeping restructuring of the Japanese economy, which was indispensable for its revitalisation.

¹ In the post-war era, some Japanese leaders, policymakers, and intellectuals proposed regionalism and regional grouping ideas, with an orientation towards building a new regional order. See Oba (2004).

² For details on the transformation of Japan's trade policy towards Asia, see Solis (2017), Chapter 8; Katada (2020).

³ For details on the concept of a 'new globalization' and the 'second unbundling,' see Baldwin (2016).

Second, trade liberalisation negotiations in the WTO were difficult due to disagreements amongst member countries on many issues, especially between developed and developing countries. On the other hand, FTAs, whose membership was limited, could be appropriate tools for Japan to reduce and eliminate tariff and non-tariff barriers. Besides, creating rules to facilitate FDI was significant to keep and expand the production networks led by Japan's multinational corporations in East Asia. Against this backdrop, Japan eagerly promoted the negotiation of FTAs while retaining its support for global trade liberalisation by the WTO.

The second change in Japan's policy towards Asia is that Japan began promoting East Asian regionalism. The embryonic orientation of East Asian regionalism emerged in the early 1990s. The East Asian Economic Group proposal by Malaysia's Prime Minister Mahathir Mohamad is the most obvious example. After the Asian financial crisis in 1997, the movement for East Asian regionalism gained momentum. Japan played a leading role in advancing this momentum, such as by proposing an Asian Monetary Fund in 1997 and the new Miyazawa Initiative in 1998. These efforts resulted in regional financial cooperation being formalised in bodies such as the Chiang Mai Initiative, as part of the ASEAN+3.⁴

The East Asia Vision Group (EAVG), which was agreed to be established at the Second ASEAN+3 Summit, proposed an East Asian community concept in its final report in 2001 (EAVG, 2001). The report also proposed the East Asian Free Trade Area (EAFTA) and the East Asia Summit (EAS) as concrete and long-term measures to realise an East Asian Community. In January 2002, Prime Minister Junichiro Koizumi proposed the ASEAN–Japan Comprehensive Economic Partnership and the concept of an 'expanded' East Asian Community that would include Australia and New Zealand as members of ASEAN+3 in his policy speech in Singapore (Koizumi, 2002). While ASEAN+3 had already showed the idea of an East Asian community comprising Japan, Korea, China, and 10 AMS, Japan reiterated a broader regional community vision, which Koizumi's speech had indicated.

Increased discussion about an East Asian Community and the promotion of cooperation in the region led to the establishment of the EAS in 2005, whose members were Japan, China, Korea, Australia, New Zealand, India, and the 10 AMS.

⁴ For more on this process, see Oba (2014).

Japan engaged deeply in the debates on launching this new regional framework and the vision of an East Asian Community concept.

Third, Japan's FTA policy became deeply connected with the promotion of East Asian regionalism. In the first few years after it started pushing for FTAs, Japan promoted bilateral FTAs mainly with Latin American countries and AMS. The FTAs with Latin American countries were motivated by purely economic interests – primarily, the expansion of market access. On the other hand, Japan's motivation for FTAs with Southeast Asian countries was a mixture of economic and strategic considerations. The economic consideration was mainly to keep and expand the cross-border production networks led by Japanese multinational corporations in Southeast Asia. Japan's promotion of FTAs with Southeast Asian countries also contained the strategic motivation to keep and expand its political leverage over this region and East Asia.

In addition, the conclusion of an FTA with ASEAN became a critical issue for Japan. China, Korea, Australia, New Zealand, and India also sought to conclude an FTA with ASEAN. Japan proceeded to negotiate individual bilateral EPAs with AMS and an FTA with ASEAN as a whole in parallel.⁵ Following the FTAs with Singapore, Japan concluded bilateral FTAs with other AMS such as Malaysia, Thailand, Indonesia, Brunei, the Philippines, and Viet Nam. In addition, negotiations for the ASEAN–Japan Comprehensive Economic Partnership started in April 2005 and the agreement was signed in 2008.

Furthermore, Japan's Ministry of Economy, Trade and Industry (METI) proposed the concept of the Comprehensive Economic Partnership for East Asia (CEPEA) at the EAS Economic Ministers' Meeting in August 2006. The vision of CEPEA indicated that East Asian regional integration should include the ASEAN+3 and an additional three countries, such as Australia, New Zealand, and India. The members of this envisioned group were the same countries that later participated in the launch of the RCEP negotiations. This proposal also indicated that Japan began

⁵ Within Japan, however, the line on concluding an FTA/EPA with ASEAN was divided. The Ministry of Foreign Affairs (MOFA) argued that bilateral EPAs with individual AMS was desirable. The Ministry of Economy, Trade and Industry (METI) insisted on an EPA with ASEAN as a whole. MOFA emphasised traditional bilateral diplomatic relations, while METI had been developing industrial cooperation with ASEAN as a whole since the 1990s and had an orientation towards economic integration and development region-wide. Solís (2009).

seriously encouraging regional integration with a formal scheme like FTAs, rather than purely private sector-led economic interdependence in East Asia.

Three factors were pushing Japan to change its policy towards Asia. First, globalisation had deepened, expanded, and become more complex since the early 1990s. The end of the Cold War expanded the market-driven economy to cover the world, including the former Soviet Union and Eastern European countries, which had planned economies under communist regimes. As Baldwin (2016) argued, the information technology revolution brought about a new globalisation, in which economies of all nations, including developed and developing countries, had been deeply connected through the increasing inflow of goods, capital, and people.⁶

Japan's METI was especially conscious of how the Japanese economy could regain vitality and survive amid the new globalisation. Japan could take the initiative to expand and deepen regional economic integration in East Asia. The Global Economic Strategy, released in April 2006, is an excellent example of this concern within METI (2006). This report argued that East Asia is becoming a global growth centre, increasing its presence as a production base, market, and investment destination. Based on the premise that economic integration driven by direct investment is developing in the region, this report proposed the idea of the East Asia EPA as a framework to expand and deepen such integration and realise 'seamless economic integration'.

Second, regionalism in Europe and North America had been activating since the 1980s in the form of the EC's revitalisation and the beginning of a movement towards the North American Free Trade Agreement (NAFTA). After the end of the Cold War, regionalism and regional economic integration with formal schemes like FTAs increased worldwide. Such situations moved Asian countries, including Japan, to examine the feasibility and benefits of FTAs and regional economic integration with formal schemes.

Third, the power structure shaping the geopolitical situation in East Asia had changed since the late 1990s and advanced in the 2000s. This change led to the transformation of the characteristics of Japan's policy towards this region. The most

⁶ For details on the information technology revolution and the rapid advancement of globalisation, see Baldwin (2016).

prominent cause of the transformation of the power structure was the rise of China, which had a high economic growth rate almost every year from the early 1980s, and its GDP reached \$1.21 trillion in 2000. This figure was about one-third of that of Japan (\$4.97 trillion) in the same year, while China's GDP had been just \$360.86 billion (about 12% of Japan's GDP of \$3.13 trillion) in 1990⁷. The size of the gap between these two economies had been rapidly diminishing. In addition, China began translating its economic power into expanded political influence in East Asia. It attempted to enhance its ties with ASEAN through the China–ASEAN FTA and by signing the Treaty of Amity and Cooperation in Southeast Asia.

Against this background, the competition between Japan and China for leadership in East Asia became apparent around 2000, and the growing importance of the 'China factor' in Japanese diplomacy, in general, became a significant motivation for concluding EPAs with ASEAN. In particular, the agreement reached between China and ASEAN on the conclusion of an FTA within the next 10 years had a significant impact on Japanese government officials. In addition, Japan's proposal of an expanded East Asian Community attempted to balance China's influence. By bringing in Australia, New Zealand, and India, democratic countries that shared values such as democracy and the rule of law, Japan hoped to make a regional community in East Asia based on more universal values. Later, as establishing the EAS to build an East Asian Community became a political agenda in the region, Japan tried to bring Australia, New Zealand, and India into the +6 membership.⁸ While China and Malaysia supported holding the summit as +3, Indonesia and Singapore were sympathetic to the Japanese side. The EAS was finally held with the +6 members in December 2005.

During the Clinton and Bush administrations in the US in the 1990s and 2000s, the US–China relationship was relatively stable. Although some sparks of confrontation existed, the Clinton administration maintained 'engagement' with China and treated China as a 'strategic partner'. The Bush administration defined China as a 'strategic competitor', not a 'partner', at the start of its administration. Still, after the terrorist attacks in the US in September 2001, it emphasised the

⁷ This paper uses GDP data from World Bank Open Data, <https://data.worldbank.org>.

⁸ Regarding the background of Japan's proposal for the +6 membership, see Oba (2007, 2017) and Terada (2010).

importance of collaboration with China. The orientation of engagement with China was more influential in the government than the ‘China threat’ argument.

Furthermore, after the terrorist attacks, the Bush administration focused more on the Middle East and less on Asia. Against this backdrop, Japan needed to strengthen its relationship with the US to gain an advantage in the strategic competition with China and to attract US attention to Asia even more so than before. On the other hand, Japan’s proactive engagement in East Asian economic integration through CEPEA seemed partly led by the intention to retain US economic and strategic interest and attention in East Asia.

In addition, Japan’s METI regarded US engagement in Asia as crucial because the US market was critical for absorbing exports from East Asia, which had accelerated the economic development of the region. It also regarded economic partnership with the US as essential to encourage Japan’s technological innovation, which is indispensable for the revitalisation of the Japanese economy.

3. Japan and the Movement Towards the Realisation of Regional FTAs

CEPEA, or ASEAN+6, proposed by Japan, was one of several regional integration frameworks that emerged in the 2000s. As mentioned above, the EAFTA or ASEAN+3 had already been proposed, and China and Korea supported it. In addition, the discussion of regional economic integration within the APEC forum in 2003 and the APEC Business Advisory Council (ABAC) proposed the idea of a Free Trade Area of the Asia-Pacific (FTAAP) in November 2004. The FTAAP aimed at regional integration of all APEC member economies, which looked like a long-term goal. On the other hand, four APEC member countries (Singapore, New Zealand, Chile, and Brunei) concluded the Trans-Pacific Strategic Economic Partnership (P4) in June 2005, which entered into effect in November 2006. The P4 aimed at accomplishing high-standard and comprehensive trade liberalisation. Although it comprised only small countries, the conclusion of the P4 stimulated the movement to promote regional FTAs in Asia.

With China pushing for the EAFTA and Japan pushing for CEPEA, the confrontation between the two countries over promoting East Asian regional

economic integration continued for several years. The ASEAN+3 Economic Ministers Meeting (AEM+3) set up a joint expert group for a feasibility study on the EAFTA. The group, initiated by China, had its first meeting in April 2005 in Beijing and announced its final report at the AEM+3 in August 2006. A Phase II Study on the EAFTA was set up and announced its final report in June 2009.

In reaction to the advancement of an examination of the feasibility of the EAFTA by a joint expert group, Japan, which had proposed CEPEA in June 2006, suggested a Track Two Study Group on CEPEA in August 2006 (METI, Trade Policy Bureau, Economic Partnership Division, 2008). Due to Japan's strong support, setting up the Track Two Study Group on CEPEA was agreed upon at the EAS Summit in January 2007. The final report of the group was reported to the Fourth EAS on 8 November. Phase II of the study group began in November 2008 and submitted its final report in July 2009 (Track Two Study Group on CEPEA, 2009). In 2009, it was agreed to start government-level consultations between CEPEA and the EAFTA in parallel, and the talks began in 2010.

The controversy between pro-EAFTA countries, such as China and Korea, and pro-CEPEA countries, led by Japan, was reflected in the Sino-Japanese competition over leadership for constructing a new economic order in East Asia. However, while disagreeing on membership, policymakers in Japan and China were becoming increasingly aware of the need for some form of regional FTA during the heating-up argument over these competing concepts.

It should be noted that China, Japan, and Korea had been examining the feasibility of a CJK FTA since the early 2000s at the non-governmental level, in parallel with the controversy over the EAFTA and CEPEA. The representative institutes of these three countries started an informal joint study in 2003 to examine the feasibility of the CJK FTA. At the trilateral summit in October 2009, the final report of the informal study was published and the countries' leaders agreed to set up a formal study at the governmental level, which began in May 2010. The CJK FTA studies indicated that policymakers in Japan and China considered that a framework that included them was necessary to enhance regional integration in East Asia.

The advancement of the examination of regional integration in East Asia, such as the EAFTA, CEPEA, and CJK FTA, brought about a change in US policy towards

the regional multilateral trade framework because the Bush administration was concerned about being excluded from regional economic integration in East Asia. The Bush administration began to show an interest in the FTAAP, discussed at APEC in 2006. In addition, it began to hint at its intention to join the original TPP (P4 Agreement).

The Obama Administration carried over Bush's policy of joining the TPP. In March 2009, President Obama announced that the US would officially join the TPP. Negotiations for the TPP were launched in 2010 by the US, P4 members, Australia, Viet Nam, and Peru. Malaysia, Canada, and Mexico subsequently joined.

Japan considers that the US should have shown a commitment to deepening its involvement in East Asia through the TPP. As argued in the previous section, Japan needed to strengthen its relationship with the US. The more Japan became aware of China's rising power, the more it recognised the importance of the US as an ally in checking it. In addition, some officials of the METI preferred the idea of formulating more advanced rules through an arrangement with the US and other developed countries, aimed at upgrading Japanese industries and the innovation required for this. From this point of view, the promotion of East Asian regional integration did not fully fulfill this purpose. It mainly aimed to provide assistance to developing countries in their economic development. While CEPEA aimed to deepen the production networks already in place, originally it was not so expected to achieve the kind of progressive liberalisation and rule-making that would stimulate innovation in Japan.⁹

Some voices in the Japanese government believed that Japan should be encouraged to join the TPP, allowing Japan to conclude an economic agreement with the US. However, it was judged to be politically very difficult given the strong opposition from the agricultural sector.

Several FTAs were examined and sought to be realised; Japan had made its policy clear to seek involvement in all these FTAs. In November 2010, the Kan Naoto administration adopted the Basic Policy on Comprehensive Economic Partnership as a cabinet decision (Government of Japan, 2010). The basic policy regarded Japan's involvement in the various FTAs as critical concrete measures to cope with the decline of Japan's status in the structural transformation of the world economy due

⁹ Interview with a former METI government official, 15 November 2021.

to the rise of emerging countries, and insisted that Japan had to open its economy and undertake domestic reform to revitalise its economy. It positioned Japan's involvement in the examination on the various FTAs – bilateral FTAs with Australia, Peru, and Korea; and regional FTAs, including the CJK FTA, EAFTA, and CEPEA – while mentioning the realisation of the FTAAP as a long-term goal (ibid.).

On the other hand, the launch of the expanded TPP negotiations raised concerns, mainly in China and AMS. China was alarmed by the progress of the TPP negotiations – a high-level and comprehensive economic liberalisation in which it would be challenging to participate. AMS feared that the participation of some AMS in the TPP negotiations would dilute the ASEAN centrality. They were also increasingly concerned about advancing trilateral cooperation, including the CJK FTA. At least in the early years, the Hatoyama administration was seen as trying to promote the building of an East Asian Community in a way in which Japan, China, and Korea took leading roles.¹⁰ In addition, as mentioned earlier in this paper, the examination of the CJK FTA advanced from the informal to the formal/governmental level. ASEAN was inclined to interpret the advancement of the trilateral cooperation as a potential threat to its centrality.

China's concerns led to a softening of its stance towards Japan. In addition, tension between Japan and China due to the Chinese fishing boat collision incident in 2010 had been relaxed in 2011. Against this backdrop, the two countries agreed to unify their East Asian economic integration ideas substantially. Following that agreement, in August 2011, Japan and China proposed the Joint initiative to accelerate the building of an EAFTA and CEPEA. The joint initiative included the establishment of new working groups in the three areas of goods, services, and investment; the reporting of the results of their deliberations to the Leaders' Meeting in 2012; and the considerations to be conducted by ASEAN+6 members.

From ASEAN's standpoint, a regional FTA with the +6 members would have been a desirable situation. Already in the process of establishing the EAS, some AMS (Singapore and Indonesia) preferred the +6 members' East Asia. Singapore supported Japan's insistence on the +6 from the standpoint of emphasising economic ties with

¹⁰ When I met several ASEAN diplomats in September 2009, they expressed their concern about Hatoyama's stance of seeking the trilateral country-led East Asian Community.

India, while Indonesia supported the +6 from the perspective of relativising the presence of China. In addition, the ASEAN–India FTA and ASEAN–CER (Common Economic Region) FTA entered into effect in January 2010¹¹. Against the backdrop, the +6 members’ FTA became more ‘natural’ than the +3. So, after the compromise between Japan and China on the membership issue in August 2011, ASEAN began to promote a regional ASEAN+6 FTA.

The ASEAN Economic Ministers’ Meeting in November 2011 formed an ASEAN+6 regional economic bloc. The 19th ASEAN Summit finalised the decision and agreed to establish working groups in the above three fields. ASEAN proposed a new framework, known as RCEP, for promoting East Asian economic integration. It was also affirmed that ASEAN would lead the RCEP negotiations. In November 2012, the leaders of ASEAN and the six partner countries declared the start of RCEP negotiations.

While examining regional FTAs, Japan adopted a policy to engage in and promote them. For example, Prime Minister Noda said in his policy speech in October 2012, around the declaration of the start of the RCEP negotiations, that

The goal of realising the Free Trade Area of the Asia-Pacific (FTAAP) is one that is already held in common both within Japan and Overseas. We will continue to promote high-level economic partnerships as free trade and investment bring abundance to each country and exert leadership in formulating new rules that will strengthen our mutually beneficial relationships in the region’ (Noda, 2012).

To achieve this goal, he said that Japan should promote various FTAs like the TPP, CJK FTA, RCEP, Japan–Australia FTA, and Japan–EU FTA (ibid.). In short, he regarded the FTAs as measures to construct a new order by making common rules on trade and investment amongst regional powers.

¹¹ The CER is composed of Australia and New Zealand.

4. Japan's Initial Goals in RCEP

The start of TPP negotiations and the advancement of trilateral cooperation, including the CJK FTA, functioned as a catalyst, and the situation rapidly developed into the beginning of RCEP negotiations. Representatives from the 16 member countries held the first RCEP negotiation meeting in May 2013. In addition to the plenary session, they launched talks on goods, services, and investment at the working groups. The second Abe administration of the Liberal Democratic Party started due to the outcome of the lower house election at the end of 2012 as the RCEP negotiations began to take shape.

The second Abe administration continued the policy of participating in RCEP, aiming to join the TPP, and seeking to advance Japan's involvement in regional FTAs. It announced the Japan Revitalization Strategy in June 2013 (Government of Japan, 2013), which indicated a concrete roadmap to reform Japan's economy and strengthen its international competitiveness. The Japan Revitalization Strategy mentioned the promotion of various FTAs as a critical measure to undertake the strategy of growth outreach, one of the pillars of the Strategy. The strategy of growth outreach aims to stimulate the Japanese economy through aggressive expansion of Japanese companies into global markets and an increase in inward direct investment, based on the recognition that the global market is undergoing significant change and competition is intensifying due to the rise of emerging economies. To achieve this goal, the plan called for removing institutional barriers to cross-border business through the conclusion and expansion of FTAs and investment agreements, Japan's globalisation, and creating a business environment conducive to international deployment. The strategy set the goal of increasing the FTA ratio of trade from 19% at that time to 70% by 2018. From this point of view, the strategy positioned the promotion of the TPP, RCEP, CJK FTA, Japan–EU FTA, and other FTAs with major powers in the world as critical instruments.

The Abe administration achieved Japan's participation in the TPP negotiations in July 2013. It prioritised the TPP over RCEP.¹² One of the reasons why Japan

¹² While in opposition, the Liberal Democratic Party had vehemently opposed Japan's participation in the TPP, which the Democratic Party of Japan administrations were trying to promote. However, they switched their stance towards the TPP and eagerly attempted to join the TPP negotiations.

prioritised the TPP was that it aimed to create a high-level, comprehensive set of rules for trade and investment liberalisation and facilitation, which would more directly contribute to Japan's economic recovery and technological innovation. For this, Japan prioritised such an FTA as a coalition of like-minded countries led by developed countries. The preference for the TPP was also in line with revitalising and expanding the Japanese economy under Abenomics. Japan's emphasis on FTAs with developed countries is also reflected in its efforts to promote an FTA with the EU. The start of negotiations for an FTA between the EU and Japan was agreed at the EU–Japan teleconference in March 2013. Another reason was that the TPP required political sophistication and prudence in domestic politics because of its more politically sensitive content, particularly considering the liberalisation of agricultural products.

In addition, some elements of Japan's Abe administration and policy circles stressed the strategic significance of the TPP, which the US joined. Further expansion of the Chinese economy, its political leverage, and the deterioration of the Sino–Japanese relationship over the Senkaku Islands/Diaoyutai Qundao pushed Japan to try to strengthen the tie with the US to balance China. Furthermore, the Xi Jinping regime began in earnest in China in 2013. It announced various initiatives that could lead to establishing a new order, such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB). China's presence in the region was more visualised than before. In Japan's diplomacy in general, how to deal with China had become increasingly troublesome. At least in the early years of the Abe administration, foreign policy was strongly tinged with checks and balances against China. Against this backdrop, the TPP had a strategic meaning for some of Japan's policymakers and intellectuals to tighten the US–Japan relationship to keep and enhance the liberal international order while balancing China.

Even if the TPP had been a higher priority, RCEP was an essential framework for Japan to achieve some of its goals. First, Japan intended to integrate the ASEAN+1 FTAs that ASEAN has already concluded with Japan, China, India, Korea, Australia, and New Zealand into one FTA – not only by eliminating tariffs but also by harmonising rules and procedures. This would promote the liberalisation and facilitation of trade and investment, and further deepen regional economic integration

in East Asia, where Japanese multinational corporations already deployed supply chain networks (METI, 2013: 64). Japanese business communities, especially the manufacturing sector, regarded RCEP as essential to maintain and expand their supply chains in the region. So, Japan's manufacturing sector tried to encourage RCEP. The Japan Business Federation (Keidanren) announced a policy proposal calling for the early realisation of a high-quality CJK FTA and RCEP in May 2013, and listed the topics RCEP should contain trade in goods, rules of origin, customs procedures, trade remedies, investment and trade in services, intellectual property rights, and others (Keidanren, 2013b).

Second, RCEP could provide an FTA with China and Korea for Japan. While these three economies had been deeply interdependent through trade and investment, their economic interests did not always coincide. For example, Japan and Korea had industrial competitiveness in similar manufacturing sectors such as automobiles and electronics (Yoshimatsu, 2016). In addition, Japan, on the one hand, and China and Korea, on the other hand, had historical and territorial issues. Negotiations for the CJK FTA started in March 2013, but talks were slow.

Despite this background, Japan's METI regarded an FTA with China and Korea as beneficial because it could expand the market access of Japanese industries and facilitate the environment for Japanese FDI, which could secure and expand the supply chains led by Japan's multinational corporations in East Asia. In addition, Japan's business community had higher expectations for a CJK FTA than for RCEP as a framework that would benefit them more directly in terms of market access and enable broad rule-making. The policy proposal by Keidanren in 2013 mentioned above indicated their high expectations for the CJK FTA. It listed the topics the CJK FTA should cover as domestic regulation, competition policy, energy and mineral resources, and environment, in addition to the topics listed for RCEP (Keidanren, 2013b).

Japan had already concluded or started negotiating FTAs with members of RCEP other than China and Korea. It had concluded FTAs with India and ASEAN, and the FTA with Australia was under negotiation at the time of the RCEP negotiations.¹³ New Zealand and Japan participated in the TPP negotiations. Despite

¹³ Japan began negotiations with Australia in 2007 and the FTA was concluded in 2014.

the severe political tensions with China and Korea, Japanese industrial sectors eagerly desired an FTA with these countries.

Third, RCEP is vital to create an environment for Japanese companies to expand into emerging markets in East Asia. Japanese firms had already been expanding into East Asia, especially China and ASEAN, establishing industrial clusters and deploying supply chains. As their economies continued to develop, Japan expected China and the ASEAN region to become even more promising as production bases and consumer markets (METI, 2013). RCEP was also in line with METI's intention.¹⁴

Fourth, the inclusion of India in the regional FTA lived up to the expectation of the Japanese industrial sector. The Japan–India FTA had entered into force in August 2011. The Japanese business community had high expectations for India as a market and for its potential as a future investment destination to expand its supply chains, and was eager to tighten economic cooperation through the Japan–India FTA (Keidanren, 2013a). Under the Modi administration, which took office in 2013, India announced the Make in India policy to attract FDI to India to develop its manufacturing industries and welcomed the expanding cooperation with Japan. The India–Japan Business Forum, which comprised businesspersons from both countries, agreed that RCEP would ‘contribute toward the expansion of production networks and strengthen supply chains in the region through liberalization of trade in goods and services and investment and standardization of rules of origin (ROO)’ (Keidanren, 2014).

For Japan, RCEP is part of its strategy towards ASEAN. In addition to these economic goals, as mentioned above, RCEP contained strategic goals from Japan's point of view. First, RCEP was a measure to expand Japan's leverage in East Asia. At the same time, the transformation of the regional power structure was more visible due to the change in the balance of power between the US and China in the 2010s. As well as promoting the TPP negotiations, tightening relations with ASEAN and India was critical. Securing a solid partnership with ASEAN has been emphasised by significant countries in the region since the 2000s from the perspective of exerting political influence in East Asia, and governments have sought to strengthen

¹⁴ Interview with a former METI official, 15 November 2021.

cooperation with ASEAN through the signing of the Treaty of Amity and Cooperation in Southeast Asia, ASEAN+1 FTAs, and the establishment of strategic partnerships.

In addition, many people in Japan's policy circles regarded India's joining RCEP as of further strategic significance because they expected India to dilute China's leverage in East Asia. They tended to expect India to be a partner to balance China. From the mid-2000s, Japan and India had enhanced security cooperation, intertwined with economic cooperation such as the promotion of the India–Japan FTA.

Deeply related to setting economic and strategic goals, Japan also had normative goals in promoting RCEP. From the 2000s, Japan's diplomacy began to seek normative goals by mentioning the importance of liberal values and norms like democracy, the protection of human rights, good governance, the rule of law, and the market economy; and to behave as a 'proactive promoter' in building a new regional order.¹⁵ Concerns about the rise of China and the prospect of transformation of the regional order pushed Japan to act as a proactive player, instead of a passive player which had just enjoyed the existing order sustained by the US hegemony. The 'Arc of Freedom and Prosperity' and 'Expanding Asia' concepts proposed by the first Abe administration in 2007 showed the transformation of Japan's diplomacy into value orientation that sought to secure rules-based order. From this point of view, CEPEA was not merely an economic framework but a normative tool to construct an appropriate order in East Asia.

5. RCEP Negotiations and Japan

The RCEP negotiations were not concluded and signed until November 2020, 8 years after the talks began. The goals to be achieved in Japan's RCEP negotiations, listed in the previous section, were maintained until the conclusion of the discussions. However, the degree to which Japan emphasised them and the importance of RCEP itself changed over the 8 years. What brought about changes in the degree of significance of RCEP for Japan were the weakening of the TPP following the US withdrawal in January 2017 and the rise of protectionism in the world. In the face of

¹⁵ For the value-oriented elements of Japan's diplomacy since the 2000s, see Jinbo (2018).

these events, Japan's policy circles and business community recognized the importance of RCEP as a framework to sustain the free and open economic order. In addition, the deepening of the conflict between the US and China during that period, and its exposure under the Trump administration, complicated the position of RCEP – an FTA that includes China – in Japan's foreign policy.

The characteristics of the RCEP negotiations from Japan's viewpoint

China's Xi Jinping administration came to power in 2013. Xi Jinping's will to form a new regional order became even more apparent as he promoted an aggressive foreign strategy, advocating such initiatives as the BRI and the AIIB. As a result, the argument that the TPP was a US-led framework while RCEP was a China-led one became prevalent in the media and elsewhere. This oversimplified the complex realities around the multilateral talks, especially regarding RCEP, as the RCEP negotiations were being conducted based on the centrality of ASEAN (Fukunaga, 2014; Oba, 2016). With respect to ASEAN centrality, Japan sought to make efforts to promote the RCEP negotiations.

The RCEP negotiations provided Japan with a type of 'two-level game'.¹⁶ Japan's scheme for RCEP negotiations was a four-ministry structure – the Ministry of Foreign Affairs (MOFA); METI; the Ministry of Finance; and the Ministry of Agriculture, Forestry, and Fisheries. Each of these four ministries sent a trade negotiation committee lead (TNC lead) to the TNC, which conducted negotiations with each member country's TNC lead. The ministerial representative of Japan was the Minister of Trade and Industry. Still, Japan's negotiation scheme was plural and bottom-up in contrast with the TPP negotiation scheme, in which a TPP Headquarters at the Cabinet Secretariat Office was set up to promote the negotiations through top-down political leadership. While the involvement of these four ministries in the talks was necessary for FTAs to facilitate negotiations in a wide range of fields, the facilitation amongst the ministries on RCEP matters was sometimes time-consuming and labour-intensive in the absence of top-down coordination as in the TPP negotiation scheme.¹⁷

¹⁶ For two-level games, see Putnam (1988).

¹⁷ Shinoda (2022). For Japan's scheme for the TPP, see Terada (2019: 1050).

On the other hand, the impact of the RCEP negotiations on domestic politics was not so strong because none of the member countries expected to achieve high-level liberalisation in RCEP. So, Japan's agricultural sector, which had vehemently opposed the TPP, did not take a hard attitude towards RCEP. In addition, manufacturing industries encouraged the RCEP negotiations, as indicated by Keidanren's proposal in 2013.

The difficulties and stagnation of the negotiations

Nevertheless, negotiations amongst RCEP member countries proved difficult and protracted. Initially, the goal was to complete the talks by the end of 2015, but it took almost 2 years to agree on the modality for the initial trade in goods offer (METI, 2014). During this process, there was a confrontation between Japan, which aimed to liberalise at the highest possible level based on the five ASEAN+1 FTAs, and China, which wanted to conclude the negotiations as soon as possible with a lower level of liberalisation.¹⁸ Furthermore, India took an extremely conservative attitude towards the liberalisation of trade in goods from the beginning. As mentioned above, India's participation in RCEP was critical to Japan's economic and strategic goals. However, India was an extremely troublesome presence in the negotiations.

As a result of the complex negotiations, member countries announced that they agreed on the level of the initial offer for trade in goods at the third RCEP ministerial meeting in August 2015. Specific negotiations in the three areas – trade in goods, trade in services, and investment – began in October 2015 (METI, 2016). In addition to these areas, the RCEP negotiations started discussions on intellectual property, competition, economic and technical cooperation, legal and institutional matters, electronic commerce (e-commerce), technical barriers to trade, phytosanitary quarantine, rules of origin, trade facilitation, finance, and telecommunications. There were also growing expectations amongst the Japanese business community for RCEP to improve market access, including liberalisation and facilitation of trade in goods and investment, as well as for RCEP to establish rules in various areas related to economic activities, including competition policy and e-commerce. Keidanren's new policy proposal for the CJK FTA and RCEP, announced in May 2016, indicated such

¹⁸ Interview with a former METI government official, December 27, 2021.

expectations from the Japanese business community (Keidanren, 2016). However, the negotiations were not concluded by the end of 2016, and the conclusion deadline was postponed

On the other hand, the TPP negotiations reached a significant agreement at the end of 2015, and 12 member countries signed it in February 2016. The signing of the TPP brought about high-quality liberalisation and rule formation in a wide range of fields. In addition, the bilateral FTA between China and Korea reached an agreement in 2014 and entered into effect in December 2015. Amid these developments, RCEP negotiations appeared to be stalled. The Japanese government continued negotiating RCEP, and the business community continued to set out its expectations and desires.

Change of direction of RCEP and Japan

In the mid-2010s, the rise in protectionism and unilateralism, with its attendant exclusionism, became apparent worldwide. A referendum in the United Kingdom resulted in a victory for those who wanted to leave the EU. In continental Europe, far-right anti-immigration parties emerged, and anti-globalisation and the anti-EU movement became more prominent. Moreover, in the US presidential election, Donald Trump made one of his pledges to withdraw the US from the TPP. Initially seen as a bubble candidate, Trump became the Republican candidate and won the election. The sequence of events in Europe indicated that the liberal international order was on the verge of a crisis.

At the end of 2016, there was concern in Japan and other countries as to whether Trump would carry out his campaign promise to withdraw from the TPP. In effect, he undertook the US withdrawal from the TPP as soon as he took office. This greatly shocked the Japanese government and business community. At first, the government tried to convince the Trump administration to return to the TPP. After determining that this was impossible, at least in the short term, it initially tried to dismiss the TPP without the US as meaningless. Later, however, Japan changed its stance, saying that the TPP was necessary to maintain a free and open economic order even in the absence of the US. After that, Japan showed leadership in leading the renegotiation of the TPP without the US. Japan's leadership led to the signing of TPP11, or CPTPP, in March 2018, which entered into force in December 2018.

Very significantly, Japan's assessment of RCEP also changed as it faced challenges to the free and open economic order in the region. With the future of the TPP uncertain, many in the Japanese government and business community recognised RCEP as a more critical measure to sustain and enhance a free and open economic system, which was one of the main pillars of the liberal international order. The improvement in Japan–China relations since the spring of 2017 also encouraged Japan to play a role in advancing the RCEP negotiations. (RCEP, 2017).

Notably, Japan took the initiative to transform RCEP into a higher level of rules beyond market access. At the RCEP Intersessional Ministerial Meeting in Viet Nam, Minister of Trade and Industry Seko Hiroshige proposed starting to identify critical elements that would contribute to well-balanced progress of the overall negotiations – not only in market access but also on rules such as e-commerce and customs procedures (Nagai, 2020). As the US left the TPP, which had established a high level of rules in various fields, and its centripetal force was declining, there was growing awareness that RCEP should play an alternative role, even if it was not wholly possible. The RCEP participants endorsed the inclusion of critical elements in the RCEP negotiations at the ministerial meeting in September 2017. In November 2017, the RCEP summit was held and a joint statement was announced (RCEP, 2017: para. 4). The joint statement made three pillars of the RCEP negotiations transparent: market access, rules, and cooperation. It then outlined the characteristics of RCEP by indicating 18 areas in which talks were under way.

The business community also supported the transformation of RCEP. As seen in the Keidanren proposal in 2017 mentioned above, Japan made clear its role in the RCEP negotiation as a 'driving force' of the creation of rule-setting for a free and fair economy in the region.

The Growth Strategy 2018, approved by Cabinet in June 2018, emphasised the importance of creating rules for a new regional order through regional FTAs including RCEP, and Japan's responsibility as a driving force to accomplish them:

In order to expand a free and fair markets not only in Asia-Pacific region, but across the world, the Government makes efforts to the early entry into force of TPP 11 signed on March 8 this year and furthers the discussion on expansion of its member countries/regions. Moreover, the

Government aims at early signing and entry into force of the Japan-EU EPA whose negotiations were concluded in December last year. The Government promotes strategically and expeditiously the economic partnership negotiations including RCEP and Japan-China-Republic of Korea FTA. Playing central roles in building such wide-area new economic order, Japan, as the standard-bearer of free trade, aims to take the lead in establishing comprehensive, balanced, and high-level global rules. (Government of Japan, 2018: 129–30).

The relationship between RCEP and the Free and Open Indo-Pacific (FOIP) in Japan's economic diplomacy was complex. The FOIP, proposed by Prime Minister Abe in August 2016 in Nairobi, Kenya, was regarded as the ideal balance against China. Gradually, Japan's MOFA and Prime Minister Abe suggested the possibility of cooperation with China's BRI initiative rather than balancing China, as Japan-China relations had been improving since about May 2017 when which Nikai Toshio, Secretary General of Liberal Democratic Party, participated in the 1st One Belt One Road Forum held in Beijing. However, most documents published by Japan's MOFA did not mention the promotion of the RCEP negotiations in the context of the FOIP, as it posited the TPP/CPTPP negotiations as the critical measure to sustain and enhance the rules-based international economic order in the Indo-Pacific.¹⁹

Conclusion of the RCEP Agreement

The RCEP Leaders' Meeting in November 2018 announced that negotiations had reached agreement in seven chapters, including customs procedures, trade facilitation, and government procurement (RCEP, 2018). However, negotiations on the other chapters, like market access for goods, service, intellectual property rights, and e-commerce, were still difficult to conclude.

India's withdrawal from the RCEP negotiations in November 2019 shocked governments and business communities in the other member countries. As India's domestic economy cooled down, there was growing criticism from domestic

¹⁹ *Gaiko Seisho 2021 (Diplomatic Bluebook 2021)* posited RCEP in Japan's substantial efforts to promote the FOIP. It mentions RCEP as one of the efforts 'Jiyuu de Kosei na keizaiken wo hirogeru tameno ruru dukuri (rule-making to expand free and fair economic area)' (MOFA, 2021: 27).

manufacturers and others that India's trade deficit with RCEP negotiating countries, including trade with China, was increasing. The Modi administration could not ignore such criticism.

The Joint Leaders' Statement on RCEP just after the RCEP Summit in November 2019 said the 15 RCEP participating countries (not 16) had concluded text-based negotiations for all 20 chapters and all market access issues (RCEP, 2019). This phrase indicated that negotiations had advanced but could not be finalised and extended again.

Japan desperately tried to stave off India's withdrawal. The Minister of Trade and Industry, Kajiyama Hiroshi, visited India in December 2019 and met with Shri Piyush Goyal, the Minister of Commerce and Industry, and exchanged views on the possibility of India's participation. However, on the same day as the meeting with Minister Kajiyama, Minister Goyal clearly said in the Indian Parliament that India would not join RCEP due to the swelling trade deficit with some member countries (Nikkei Shinbun, 2019). After that, the Japanese government tried to persuade India to return to RCEP, but Japan's efforts did not succeed, and the Modi administration did not change its decision to withdraw from RCEP.

What ultimately brought about the conclusion of RCEP was the economic fallout from the coronavirus disease (COVID-19) epidemic and the parallel escalation of the US–China confrontation, which further clouded the regional picture. The global spread of COVID-19, which started at the end of 2019 and went into full swing in 2020, blocked the movement of people and triggered self-centredness and protectionism in many countries. The escalation of Sino–US strategic competition created concerns about the decoupling. In the midst of all this, Japan and other countries perceived that the free and open economic order was further upset and were concerned about its negative impact. This concern provided a tailwind to encourage the conclusion of the RCEP negotiations. Finally, in November 2020, the talks were concluded, and RCEP was signed and entered into effect in January 2022.

6. Conclusion

For Japan, RCEP is one of the fruits of its strategy in East Asia/Asia-Pacific since the mid-1990s to protect and increase the interests and advantages of Japanese business and retain Japan's political leverage in this region. Under the strategy, Japan has taken a regional approach in addition to a bilateral approach. Simultaneously, Japan has prioritised the rule-setting approach and demonstrated its commitment to contribute to preserving and enhancing the rules-based liberal economic order in the region. As mentioned above, the importance of RCEP for Japan had been secondary to that of the TPP. However, after the US withdrawal from the TPP, RCEP was seen as an essential framework for establishing a rules-based regional order in the Indo-Pacific region. Although it was after India's withdrawal from emphasising the maintenance of order, Japan simultaneously pursued the conclusion of negotiations and the establishment of high-level rules, achieving some success. Ultimately, the havoc brought about by the pandemic and the sense of crisis in the traditional liberal international order caused by the intensifying strategic competition between the US and China drove the conclusion of RCEP.

Japan accomplished its initial goals for RCEP. According to Petri and Plummer (2020), Japan will derive tremendous economic benefits from RCEP. RCEP provides FTA ties amongst Japan, China, and Korea, while the CJK FTA negotiations have not yet been concluded. Further, the RCEP negotiations brought about a higher level and more comprehensive rules on economic activities than Japan had expected at the beginning of the talks. RCEP contains a broader range of rules than Japan's circle of policymakers and business community had initially expected.

The importance of RCEP will grow for Japan and Asia's economic order. First, emerging and developing economies such as China and ASEAN are gaining more weight in the world economy. Beyond market access, RCEP is critical because it sets rules for various areas of economic activity for its member countries. Second, the prospect of the CPTPP is ambiguous. Given its current domestic political situation, the return of the US to the TPP is unlikely. Besides, both China and Taiwan are applying to join. With the escalation of the China-US rivalry, the participants in the CPTPP are facing a difficult decision. Instead, RCEP, which emphasises inclusiveness, will take a role in sustaining free and rules-based economic order in

the region.

Related to this point, the US and China are seeking to enhance the resilience of their supply chains through protectionism, including tightening export controls. Ironically, as the strategic competition between the US and China escalates and leads to a surge in protectionism, the economic and strategic importance of RCEP – an FTA that incorporates China – is becoming more significant as a measure to counter unilateralism and protectionism.

Finally, this means that RCEP requires elements that address globalisation's adverse effects and pitfalls, in areas such as the environment, labour rights, and reducing the disparity between the rich and poor. Coping with these issues is necessary not only for RCEP but also for other FTAs, WTO negotiations, and future rule-making regarding trade and other economic activities. The first RCEP joint committee, held in April 2022, established four committees on goods, services and investment, sustainable growth, and the business environment. RCEP member countries should continuously review and improve the rules set in RCEP, and Japan should take the initiative in this process.

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