

US–Japan Negotiations on the Trans-Pacific Partnership

Domestic Societal Interests and International Power Developments

ABSTRACT

This article explores which factors influenced the process of US–Japan negotiations on the Trans-Pacific Partnership. It argues that while pressures from major societal groups and legislative members hampered progress of bilateral negotiations, state leaders' preferences for reacting strategically to geopolitical and geo-economic developments played a catalytic role in propelling the negotiations.

KEYWORDS: Trans-Pacific Partnership, trade negotiations, United States, Japan, interest group

INTRODUCTION

The formation of free trade agreements (FTAs) became an increasingly important issue in the world economy and international politics as major countries exhibited renewed interest in the so-called mega-FTAs. The Trans-Pacific Partnership (TPP) agreement, in parallel with the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP), is a representative mega-FTA whose 12 members represent 40% of world trade.

The TPP is expected to be a model for the twenty-first century FTA. Not only does it pursue high-level market opening, with a 98% or higher liberalization rate,¹ but it also covers a wide range of issue areas, from value chains

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1. The liberalization rate is the proportion of tariff lines (compared to the total number of tariff lines) that will become zero within 10 years.

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and e-commerce to intellectual property and state-owned enterprises. Formal negotiations on the TPP began in March 2010 among eight members and gained momentum by attracting four additional participants in the negotiation process. The members reached a broad agreement in October 2015 after five and a half years of negotiations.

In the TPP negotiation process, particularly important were the bilateral talks between the United States and Japan, which together accounted for 80% of members' combined GDP. Because of the two countries' dominant economic and political positions, after Japan's decision to join the TPP talks in March 2013, other members viewed the progress of bilateral negotiations as the largest concern for the entire TPP talks.

This article seeks to address the question of what factors influenced the process of US–Japan negotiations on the TPP by focusing on political forces at the domestic level and power developments at the regional level. I argue that while pressures from major societal groups and legislative members in both countries hampered the progress of bilateral negotiations, state leaders' preferences for reacting strategically to geopolitical and geo-economic developments played a catalytic role in overcoming stumbling blocks and propelling the negotiations. Before delving into the concrete process of US–Japan negotiations, the following section explains the analytical framework in which the arguments are explored.

TRADE POLICY, DOMESTIC POLITICAL FORCES, AND INTERNATIONAL POWER DEVELOPMENTS

As the TPP emerged as a key institution for achieving free trade in the Asia-Pacific region, quite a few scholars have undertaken research on the accord from a political standpoint. Some scholars have examined the TPP's implications in relation to the RCEP, a competing FTA in the Asia-Pacific.² Others have explored individual states' political positions in and relation to the TPP,

2. Shintaro Hamanaka, "TPP versus RCEP: Control of Membership and Agenda Setting," *Journal of East Asian Economic Integration* 18:2 (June 2014), pp. 163–186; Jeffrey D. Wilson, "Mega-Regional Trade Deals in the Asia-Pacific: Choosing between the TPP and RCEP?" *Journal of Contemporary Asia* 45:2 (2015), pp. 345–353.

focusing on the US,³ Japan,⁴ or China.⁵ As the TPP negotiators reached a broad agreement in October 2015, several studies have examined possible impacts of the agreement on geopolitical conditions in the Asia-Pacific.⁶ However, these studies are insufficient in exploring how complicated domestic and international forces influenced members' interests and positions in the negotiations, and how key members' political commitments paved the way for agreement. In this context, particularly important are the bilateral negotiations between the US and Japan, the two dominant countries whose negotiations determined the overall progress of all the TPP talks.

This article seeks to analyze US–Japan negotiations over the TPP from the international political economy perspective. In so doing, it sets up an analytical framework that comprises two kinds of variables, reflecting political forces at the domestic level and evolving power configurations at the regional level. The first and primary framework is related to the representation of varying interests in domestic politics. Here, a primary concern derives from a “bottom-up” view of politics in which the demands of individuals and societal groups are treated as analytically prior to politics.⁷ In particular, organized societal groups act as the providers of information favorable to their policy positions and as pressure groups that shape the preferences of public officials in the executive and legislative branches.⁸ The trade

3. Tun-jen Cheng and Peter C. Y. Chow, “The TPP and the Pivot: Economic and Security Nexus,” in *The US Strategic Pivot to Asia and Cross-Strait Relations: Economic and Security Dynamics*, ed. Peter C. Y. Chow (Basingstoke, U.K.: Palgrave Macmillan, 2014); David Hundt, “Free Trade Agreements and US Foreign Policy,” *Pacific Focus* 30:2 (2015), pp. 151–172.

4. Michael Auslin, “Getting It Right: Japan and Trans-Pacific Partnership,” *Asia-Pacific Review* 19:1 (2012), pp. 21–36; Aurelia George Mulgan, “To TPP or Not TPP: Interest Groups and Trade Policy,” in *The Political Economy of Japanese Trade Policy*, ed. Aurelia George Mulgan and Masayoshi Honma (Basingstoke, UK: Palgrave Macmillan, 2015).

5. Ming Du, “Explaining China’s Tripartite Strategy toward the Trans-Pacific Partnership Agreement,” *Journal of International Economic Law* 18:2 (2015), pp. 407–432; Chen-Dong Tso, “China’s About-Face to the TPP: Economic and Security Accounts Compared,” *Journal of Contemporary China* 25:100 (2016), pp. 613–627.

6. Michael J. Green and Matthew P. Goodman, “After TPP: The Geopolitics of Asia and the Pacific,” *Washington Quarterly*, 38:4 (2015), pp. 19–34.

7. Andrew Moravcsik, “Taking Preferences Seriously: A Liberal Theory of International Politics,” *International Organization* 51:4 (Autumn, 1997), p. 517.

8. Robert E. Baldwin, “The Political Economy of Trade Policy: Integrating the Perspectives of Economists and Political Scientists,” in *The Political Economy of Trade Policy: Papers in Honor of Jagdish Bhagwati*, ed. Robert C. Feenstra, Gene M. Grossman, and Douglas A. Irwin (Cambridge, MA: MIT Press, 1996), pp. 161–162; Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton, NJ: Princeton University Press, 1997), p. 60.

negotiators seek favorable conditions to protect the interests of major industrial sectors, and such interests are closely linked to the concentrated interests of and demands from the societal groups in the sectors.

The preferences of major societal groups depend on how the opportunities and challenges that a trade policy creates impinge on the expected profits of the groups. Solís articulates the lobbying incentives of major industrial groups in the context of FTA negotiations. The industrial groups that might benefit from preferential market access, economies of scale, or WTO-plus benefits support FTA negotiations.⁹ In contrast, the groups fearing losses from increasing import pressure or inflows of sensitive products undertake activities opposing FTA negotiations.¹⁰

The interests of major societal groups influence the political activities of legislative members. The politicians in the legislature are expected to work to maximize the social welfare of the entire nation, but are constrained to a great extent by the possibility of losing political power if they follow their own public policy preferences.¹¹ In this respect, the relationship between politicians and organized societal groups is important. Politicians whose ultimate goal is to remain in office by being re-elected need to collect campaign contributions and get voters out to vote at election time. The organized interest groups employ funds effectively to lobby for their preferred trade policies by disseminating information favorable to their preferences and by providing politicians with campaign funds.¹² Under such conditions, the politicians tend to work for these groups by sometimes putting specific interests of the groups ahead of the public interest. Since politicians in the legislature have the authority to ratify international agreements and can thereby influence international trade negotiations, trade negotiators have to communicate with legislative members and pay due attention to their demands.

A crucial question is how trade negotiators constrain the demands and pressures from societal groups and legislative members enough to reach an

9. 'WTO-plus' refers to commitments like government procurement, competition policy, and environmental and labor standards, which go beyond the requirements of WTO agreements.

10. Mireya Solís, "Can FTAs Deliver Market Liberalization in Japan? A Study on Domestic Political Determinants," *Review of International Political Economy* 17:2 (May 2010), pp. 215–218.

11. Baldwin, "Political Economy of Trade Policy," pp. 159–160.

12. Robert E. Baldwin, *The Political Economy of U.S. Import Policy* (Cambridge, MA: MIT Press, 1985).

international agreement successfully. The chief negotiators need flexible postures from the domestic actors in order to expand the scope to accommodate an international agreement. On the one hand, they seek to persuade domestic hardliners of the value and necessity of an international agreement, sometimes utilizing side payments in this effort. On the other hand, they may threaten societal actors who stubbornly oppose an agreement by hinting at the removal of existing benefits or the imposition of new regulations.¹³

Consideration of domestic political variables is surely important in examining key issues in the international political economy such as the state's trade policy choices. However, the neglect of international or macro processes generates biased inferences about the role that domestic politics plays in foreign economic policy.¹⁴ This article assumes that international factors affect a specific domestic variable, and that this variable in turn influences the government's choices in external economic policy. Thus, the second and supplementary variable is state leaders' preferences under constraints imposed by developments at the regional level. Like legislative members, state leaders—presidents and prime ministers—are confronted with pressures and demands from interest groups. However, they have greater autonomy to follow their public policy preferences because their positions are sustained by broad constituencies, and their responsibilities for public policies, including external ones, are broadly recognized.¹⁵

The state leaders set up specific diplomatic objectives that derive from consideration of geopolitical and geo-economic developments in international settings, taking advantage of international trade cooperation to achieve such objectives. More concretely, they evaluate threats resulting from a rival state's growing power or specific diplomatic behavior, and regard trade policy as one of key policy tools to counter such threats. They seek to conclude trade agreements to strengthen political links with allies or create political coalitions with states that stand in a similar diplomatic position or hold similar political values.

The importance of trade policy for achieving political and diplomatic objectives emerges in the formation of FTAs. Past studies have argued that FTAs are a crucial means to maintain a state's security interests and establish

13. Sachio Nakato, *Nichibei Tsusho Masatsu no Seiji Keizai Gaku* [The political economy of Japan–US trade friction] (Tokyo: Mineruba Shobo, 2003), pp. 38–39.

14. Thomas Oatley, "The Reductionist Gamble: Open Economy Politics in the Global Economy," *International Organization*, 65:2 (2011), pp. 311–341.

15. Baldwin, *Political Economy of U.S. Import Policy*, pp. 14–15.

closer political links with other states. FTAs are sometimes concluded to enhance the state's security position in evolving global and regional politics.¹⁶ Resource-importing countries take advantage of FTAs to improve "resource security," in which they can enjoy the continuous availability of necessary natural resources at reasonable prices.¹⁷ Moreover, states can strengthen political and military links with an ally through the formation of an FTA. The FTA allows the parties to enjoy efficiency gains and the growth of national incomes and thereby bolster the alliance's overall political-military capacity.¹⁸ The "economic security" nature of FTAs implies that the state leaders develop specific preferences for an FTA by taking into account its political-military impacts on other states or regional regimes.

The trade negotiators are appointed by state leaders, who have a strong desire to take advantage of trade policy to enhance the state's political and security interests. The negotiators, as the agents, take into account the preferences of the state leaders as the principals. The state leaders' preferences in responding to new developments in the global economy and regional politics function as a catalyst in changing the mode of negotiations; they constitute a "critical juncture" to upgrade the level of the negotiators' commitments and produce a new momentum in negotiations.

In brief, this study employs a two-dimensional framework to analyze trade negotiations: the primary framework, where trade negotiators take into account the interests and demands of major societal groups and politicians in the legislature; and the supplementary framework, where trade negotiators take note of state leaders' preferences for maintaining political and security stakes in evolving geo-economic and geopolitical conditions. The following sections examine the process of US–Japan negotiations on the TPP across two and half years, from Japan's decision to join the negotiations in March 2013 until a broad agreement in October 2015.

16. Vinod K. Aggarwal, "Linking Traditional and Non-Traditional Security in Bilateral Free Trade Agreements: The US Approach," in *Linking Trade and Security: Evolving Institutions and Strategies in Asia, Europe, and the United States*, ed. Vinod K. Aggarwal and Kristi Govella (New York: Springer, 2013); Min Gyo Koo, "Security Implications of Free Trade Agreements for South Korea," in *The Economy-Security Nexus in Northeast Asia*, ed. T. J. Pempel (London: Routledge, 2013).

17. Jeffrey D. Wilson, "Resource Security: A New Motivation for Free Trade Agreements in the Asia-Pacific Region," *Pacific Review* 25:4 (2012), pp. 429–453.

18. Edward D. Mansfield and Helen V. Milner, *Votes, Vetoes, and the Political Economy of International Trade Agreements* (Princeton, NJ: Princeton University Press, 2012), pp. 76–77.

BILATERAL TALKS BEFORE JAPAN'S FORMAL ENTRY

The TPP reflects lofty ideals about achieving comprehensive trade liberalization. Such ideals were revealed in the Honolulu Declaration in November 2011, which presented a clear goal to “establish a comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st-century challenges.”¹⁹ The US was the key player eager to pursue a high-standard trade agreement with the introduction of a host of new “horizontal areas” such as regulatory coherence, competitiveness, and supply chains, as well as labor rights, intellectual property protection, and investments.²⁰

For the US, Japan's participation in the TPP talks was desirable for expanding the member base, pushing forward common policy agendas at the negotiation table, and achieving better access to the Japanese market.²¹ The cabinets under the Democratic Party of Japan (DPJ) administration gradually leaned toward participating, but were unable to make a final decision. Though the party's cabinet under Noda Yoshihiko in November 2011 paved the way for joining the TPP talks, a formal decision on participation was passed to the subsequent Liberal Democratic Party (LDP) cabinet.

The LDP's platform for the 2012 Lower House election pledged to “oppose joining the TPP talks as long as they are premised on eliminating tariffs without exceptions.” Prime Minister Abe Shinzo gradually strengthened his efforts to seek TPP participation without challenging this basic position. At their summit meeting in February 2013, Abe and US President Barack Obama issued a joint statement stipulating that “it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations.”²² This wording implied that all items would be put on the negotiating table but a final decision to eliminate tariffs would depend on the actual negotiations. Thus, the agreement did not contradict the LDP's election promise. The following month, Abe formally announced Japan's

19. “Trans-Pacific Partnership Leaders Statement,” Office of the Press Secretary, The White House, <<https://www.whitehouse.gov/the-press-office/2011/11/12/trans-pacific-partnership-leaders-statement>>, accessed October 15, 2015.

20. Mireya Solís, “The Trans-Pacific Partnership: Can the United States Lead the Way in Asia-Pacific Integration?” *Pacific Focus* 27:3 (2012), pp. 319–341.

21. Noboru Hatakeyama, *Keizai Togo no Shin Seiki* [Economic integration in the new century] (Tokyo: Toyo Keizai Shinposha, 2015).

22. Ministry of Foreign Affairs, “Japan-US Summit Meeting: Summary, February 22, 2013,” <http://www.mofa.go.jp/mofaj/kaidan/s_abe2/vti_t302/us.html>, accessed November 10, 2015.

participation in the TPP talks. The government then established a TPP task force comprising some 70 high-powered bureaucrats from a range of ministries such as the Ministry of Economy, Trade and Industry; Ministry of Foreign Affairs; Ministry of Agriculture, Forestry and Fisheries; and Ministry of Internal Affairs and Communications.

Two days before Abe's announcement, the LDP's TPP Affairs Committee, under the Headquarters for Regional Diplomatic and Economic Partnership, adopted a resolution to approve Abe's decision while requiring that top priority be given to preserving five "sacred" categories of farm products (rice, wheat, and barley; beef and pork; dairy products; sugar; and starch crops), with Japan pulling out of the negotiations unless it could retain tariffs on these products. In mid-April 2013, the Standing Committees on Agriculture, Forestry and Fisheries of the Diet's two chambers issued resolutions seeking to defend tariffs at all costs, demanding that sensitive agricultural products be exempt from negotiations or taken for renegotiation in order to maintain substantial domestic production.

Indeed, quite a few societal groups, including the Japan Medical Association and the Consumers Union of Japan, adopted an anti-TPP stance and undertook various activities against participation. However, the most vociferous was the Japan Agricultural Cooperatives (JA), with JA-Zenchu (Central Union of Agricultural Cooperatives) as the leading farm body.²³ The LDP members whose constituencies were in rural areas and who relied on voting support from agricultural groups were forced to pay due attention to the groups' opposition to TPP participation. In fact, the agricultural groups exercised strong pressure upon the LDP not to consider joining TPP negotiations. For instance, Banzai Akira, chairman of JA-Zenchu, issued a warning to the newly formed LDP government, stating that the government could forget about the farm lobby's support if it committed Japan to joining TPP negotiations.²⁴ Furthermore, in March 2013, JA-Zenchu organized an emergency meeting against participation in the TPP talks with some 4,000 participants, including 184 National Diet members.²⁵ The union was in a position to exercise political leverage because the LDP needed its support for the

23. Mulgan, "To TPP or Not TPP".

24. *Nihon Keizai Shimbun* [Japan Economic News], December 29, 2012.

25. JA-Zenchu, "TPP Kosho Sanka Danko Hantai Kinkyu Zenkoku Shukai Kaisai no Gohokoku" [A report on an emergent national session opposing participation in TPP negotiations], March 12, 2013, <http://www.zenchu-ja.or.jp/pdf/press/130313_tpp_release.pdf>, accessed May 12, 2015.

Upper House election in July 2013, in which 31 single-seat districts lay in rural areas. But even under these politically severe conditions, Abe made a firm resolution to join TPP negotiations.

Abe's resolve had much to do with geo-economic and geopolitical conditions in relation to China. Geo-economically, Abe hoped through the TPP to strengthen links with countries that shared similar values in the context of China's growing economic weight, which is being translated into political influence. At the ASEAN Ministerial Meeting (AMM) in July 2012, ASEAN foreign ministers were unable to issue a joint statement for the first time in the AMM's 45-year history. China had used its economic power to encourage some ASEAN members to hold up a move to adopt an AMM statement that referred to disputes in the South China Sea. Abe's hope to strengthen links with countries that shared similar values was clearly shown in a press conference in March 2013 to express his decision to join TPP negotiations. Abe explained that Japan, in collaboration with the US, would establish new rules in the Asia-Pacific region with the countries that share the "universal" values of freedom, democracy, basic human rights, and the rule of law.²⁶ Abe regarded the TPP as a crucial foundation to advance collective action against countries that did not share those values, especially China.²⁷

Geopolitically, Abe felt a strong need to forge closer political links with the US in light of growing Chinese threats to Japan's maritime security. The diplomatic relationship with China had deteriorated, particularly after the Japanese nationalization of the Senkaku/Diaoyu Islands in September 2012. Tension in the waters around the islands had escalated when a Chinese navy ship locked its fire-control radar on a Japan Maritime Self-Defense Force destroyer in January 2013. Under such conditions, Tokyo needed to strengthen political and military links with Washington in order to urge Beijing to exercise self-restraint in its approach to disputes over maritime territory. Abe sought to participate in the US-led TPP talks as a cornerstone of Tokyo's alliance policy with Washington.

Before joining TPP negotiations formally, Japan had preliminary talks with the US. Through bilateral consultations, both governments confirmed interests in two main areas: motor vehicles and agricultural products. The

26. "Press Conference by Prime Minister Abe, March 15, 2013," <http://www.kantei.go.jp/jp/96_abe/statement/2013/0315kaiken.html>, accessed October 18, 2015.

27. Takashi Terada, "The Abe Effect and Domestic Politics," *Asian Perspective* 39:3 (2015), p. 384.

reference to motor vehicles in a letter of confirmation issued in April 2013 was concrete: “U.S. tariffs on motor vehicles will be phased out in accordance with the longest staging period in the TPP negotiations and will be back-loaded to the maximum extent.”²⁸ (This meant that the period of tariff reduction would be longer than five years for passenger cars and 10 years for trucks, as agreed in the US–Korea FTA.) The reference to agricultural products was simple: “Both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the United States.” There was no reference to the possibility of exempting agricultural items from tariff elimination or their being renegotiated separately. This agreement indicated US preferences to pursue the removal of all tariffs without exception and to accommodate both countries’ sensitivities by admitting a longer process for achieving tariff removal.

Japan’s basic plan in the preliminary talks was that once it accepted the US demand to keep tariffs on motor vehicles, it would be able to get concessions on designating rice and other farm products as exceptions to tariff elimination. However, Japan failed to realize this plan. Not only did it give in totally to the US demand on automobiles, losing its best leverage, but it was also unable to gain explicit references to the sensitivity of Japanese agricultural products. The acceptance of this disadvantage resulted from Japan’s desire to achieve formal entry into TPP negotiations as soon as possible.

Importantly, US demands in the preliminary talks reflected the interests of major societal actors and politicians sympathetic to them. The US auto manufacturers and trade unions fought hard to keep Japan out of the TPP, and lawmakers from Michigan, the traditional heart of the automobile sector, such as Dave Camp and Sandy Levin, expressed strong concerns about Japan’s entry into the pact without preconditions.²⁹ In June 2013 the American Automotive Policy Council, which represents major auto manufacturers, released a statement claiming that Japan had the most closed auto market in the developed world due to the manipulation of exchange rates. The Council demanded that “U.S. tariffs on imports of Japanese motor vehicles . . . be

28. Letter from Ambassador (and acting US Trade Representative) Demetrios Marantis to Ambassador Kenichiro Sasae, April 12, 2013, <<https://ustr.gov/sites/default/files/AmbMarantisLetter4-12-13.pdf>>, accessed October 17, 2015.

29. Kaori Kaneko and Doug Palmer, “Japan, U.S. Agree on Tokyo Joining Trans-Pacific Trade Talks,” Reuters, April 12, 2013.

phased out over a sufficient length of time, no less than 25–30 years.”³⁰ US agricultural groups such as the American Farm Bureau Federation and the USA Rice Federation issued statements welcoming Japan’s participation in TPP talks. However, they did not accept Japan’s unconditional entry, requiring that individual sectors not be excluded from the target of negotiations, as the TPP is a comprehensive trade agreement.³¹

OBAMA’S VISIT TO TOKYO IN APRIL 2014

Japan formally joined the 18th round of TPP negotiations, in Kota Kinabalu, Malaysia, in July 2013. The first round of US–Japan negotiations took place in Tokyo, in August. The two governments took up various issues such as market liberalization for automobiles, non-tariff barriers in insurance, postal services, and sanitary and phytosanitary measures.³² However, the most controversial issue was the elimination of tariffs on agricultural products in Japan. The Japanese government intended to keep the five “sacred” categories as exceptions to tariff elimination. The five categories consisted of 586 tariff lines, accounting for 6.5% of all traded products (9,018 lines).³³ If all these items were exempted from liberalization, the overall liberalization rate would reach only 93.5%. As already explained, the LDP and the two Diet chambers adopted resolutions to protect these five categories of farm products, and thereby the removal of tariffs on them became the major agenda in US–Japan negotiations.

The Japanese government showed some flexibility on the five “sacred” farm categories. In fact, before Amari Akira, state minister in charge of TPP issues, met with US Trade Representative Michael Froman in early December 2013, he prepared a secret compromise proposal to raise the liberalization rate to 95% by accepting tariff cuts on some products in the five categories at

30. American Automotive Policy Council, “AAPC USTR Submission on Japan Joining the TPP,” <<http://americanautocouncil.org/content/aapc-ustr-submission-japan-joining-tp>>, accessed December 2, 2015.

31. Takahiro Tsuchiya and Manami Ueno, “Beikoku ni Okeru TPP Rongi” [Debates on the TPP in the United States], Research Report, Daiwa Institute of Research, Tokyo, May 14, 2013, p. 9, <http://www.dir.co.jp/research/report/overseas/usa/20130514_007161.html>, accessed January 13, 2016.

32. Sanitary and phytosanitary measures are basic rules for human or animal life or health and plant life or health, respectively.

33. The individual numbers of items are 58 (rice), 109 (wheat), 131 (sugar and starch), 188 (dairy products) and 100 (meat), for a total of 586.

Tokyo's discretion. However, Froman rejected the proposal, stating that the US interest lay in the lifting of all tariffs. During talks in Singapore December 7–10, Oe Hiroshi, Japan's deputy chief negotiator and Wendy Cutler, acting deputy US trade representative, sought compromises between the two governments, but Froman overrode Cutler's suggested agreement to a Japanese proposal.³⁴ During a TPP ministerial meeting in February 2014, Froman and Amari held bilateral talks. They were unable to narrow their differences on the tariff issue: Froman reiterated the demand to scrap tariffs on all products.

In late April 2014, President Obama visited Japan as a state guest, the first American president to do so in 18 years. This visit was regarded as a valuable opportunity to break the impasse in bilateral negotiations. Importantly, negotiations were concluded on the Japan–Australia Economic Partnership Agreement on April 7. The major accord in this FTA was that Japan would lower its tariffs from 38.5% to 19.5% on frozen beef over 18 years and from 38.5% to 23.5% on chilled beef over 15 years, with a safeguard clause that would allow Japan to restore the original tariff in the event of a big surge in imports. This agreement meant that Australian beef would get a price advantage against the US product in the Japanese market, and Japan expected the US to exhibit some flexibility in the negotiations so as to avoid this disadvantage. In order to set the stage for a broad agreement at the summit meeting, ministerial meetings were held in Tokyo April 9–10 and in Washington April 17–18. Despite intensive negotiations, Froman and Amari were unable to resolve their differences during these talks prior to the summit meeting.

Obama had a strong desire to reach a broad agreement during his visit because he hoped to use a TPP agreement as a major diplomatic achievement before the midterm congressional elections scheduled for November. During a no-necktie dinner at a sushi bar, Obama repeated the phrase “Now is the time”; Abe countered his request for concessions with “Compromise is required on both sides. Let's ask the two to negotiate some more.”³⁵ In response, Amari and Froman held another round of negotiations. Despite Japanese expectations that the US would compromise, Froman submitted a list of demanded tariff cuts on several hundred items—more than on the previous day.³⁶

34. *Nihon Keizai Shimbun*, January 4, 2014.

35. *Asahi Shimbun*, April 29, 2014.

36. *Ibid.*

The two governments made some progress in ministerial talks for nearly 40 hours in April. While Japanese negotiators showed a willingness to lower tariffs on imported beef, their US counterparts were inclined to accept Tokyo's demand that duties be maintained on the majority of major items in rice, wheat, and sweetener resources. However, the two governments still had differences on the level of tariffs on imported pork, the so-called gate price system, and the relaxation of safety standards on imported US cars.³⁷ Eventually, the TPP portion of the summit's joint statement stated only that the two governments "have identified a path forward on important bilateral TPP issues," which "marks a key milestone in the TPP negotiations and will inject fresh momentum into the broader talks," omitting any details of the accord, the future negotiation process, or the deadline of negotiations.

A major factor that impeded progress in negotiations on this occasion was strong pressure from societal groups on both sides of the Pacific. During arduous talks before the summit meeting, the LDP's influential *norin zoku* ("agricultural tribe") placed pressure on the Japanese negotiators to keep the resolutions adopted by the Diet and the party.³⁸ The party's joint meeting regarding TPP negotiations on April 11 adopted a renewed resolution that the tariff rate reached in the Japan–Australia Economic Partnership Agreement was the redline. The party members' moves were sustained by agricultural groups. On April 14, Banzai Akira held a meeting with Ishiba Shigeru, the LDP's secretary-general, asking to keep the Diet's resolution to exempt major agricultural products from tariff elimination.³⁹ Furthermore, just before the summit meeting, JA-Zenchu organized a TPP emergency national assembly where some 700 presidents of local agricultural cooperatives gathered, and members of the *norin zoku* such as Nishikawa Koya, chairman of the TPP Affairs Committee, and Moriyama Hiroshi, chairman of the Agriculture, Forestry and Fisheries Trade Affairs Committee, made speeches in which they demanded that the government maintain Japan's basic position in negotiations with the US.⁴⁰

37. The gate price system allows the government to impose tariffs based on price differences between standard domestic pork and imported pork to control pork prices in the domestic market.

38. The *norin zoku* is a group of politicians who have strong interests in agricultural affairs and seek to maintain the interests of agricultural groups.

39. *Nihon Nogyo Shimbun* [Japan Agricultural News], April 15, 2014.

40. *Nihon Nogyo Shimbun*, April 22, 2014.

The LDP executives were concerned about a by-election in the House of Representatives Kagoshima Constituency No. 2, a seat in an agricultural prefecture, on April 27. Just before the ministerial talks on April 24, Ishiba called Amari to the secretary-general's office and warned him, "If Japan is unable to keep the tariff sanctuaries of crucial five agricultural products, we will have to withdraw from TPP negotiations," referring to the LDP's promises in the 2013 Upper House election and the Diet resolution.⁴¹ Strategically, Ishiba considered the TPP necessary for food security: Japan would need to avoid relying on Japan-US links in the military and Japan-China links in food.⁴² However, as the LDP's secretary-general, he had to play the role of observing whether Japanese negotiators kept the promise that the party had made to the nation.

In the US, as in Japan, societal groups and politicians exerted strong pressure on the government. In March 2014, Nicholas D. Giordano, vice president of the National Pork Producers Council, appealed to Froman, "Do not downgrade our political clout. You will lose your post if you make odd compromises with Japan."⁴³ Just before Obama's visit to Japan, a group of 63 US House members from Nebraska, Wisconsin, and other livestock-producing states in the Midwest sent a letter to Agriculture Secretary Tom Vilsack and Froman, pointing out that acquiescing to Japan's demands would be inconsistent with US requests in previous trade deals and "could undermine the careful balance of concessions the other eleven economies have achieved. If Japan is allowed exemptions, other TPP countries could demand similar treatment, and the entire agreement would be at risk of unraveling."⁴⁴

A MINISTERIAL MEETING IN SEPTEMBER 2014

The two governments were unable to announce a broad agreement on the occasion of the summit meeting in April 2014. Yet, they reached an accord on the method of negotiations regarding Japanese agricultural products: to take into account the degree and period of tariff phase-out as well as the

41. *Yomiuri Shimbun*, May 6, 2014.

42. *Ibid.*

43. *Nihon Keizai Shimbun*, April 16, 2014.

44. National Pork Producers Council, "House Lawmakers Want Japan to Eliminate Tariffs," <<http://www.nppc.org/2014/04/house-lawmakers-want-japan-to-eliminate-tariffs/>>, accessed November 5, 2015.

introduction of safeguard systems and tariff quotas.⁴⁵ This “formula method” of using multiple parameters meant that the two governments would undertake negotiations by taking into account not only the tariff rate but also border measures such as safeguard and quota systems. The adoption of this method implied that the US government had taken up a realistic posture by abandoning the elimination of tariffs on all products. In fact, Froman stated at a TPP ministerial meeting in Singapore on May 19–20 that the US had been working with Japan to “ensure that TPP achieves meaningful, improved, early, ongoing market access that is commercially relevant.”⁴⁶

The two governments hoped to begin working-level talks on the basis of the formula method in early May. However, this schedule was not realized because the US agricultural groups, after hearing about the accord on the formula method, intensified their opposition to further negotiations. Five major agricultural associations, including the National Pork Producers Council, the International Dairy Foods Association, and the USA Rice Federation, issued a statement on the TPP negotiations on May 28, which referred to Amari’s statement that none of Japan’s sensitive agricultural items would be fully liberalized as a signal of the end of hopes for making the TPP a truly comprehensive and forward-looking agreement. The associations demanded the suspension of negotiations with Japan unless the country agreed to provide significant market access to agricultural products.⁴⁷

The working-level talks resumed on May 29–30 on the basis of the formula method, but negotiations made no substantial progress for several months. During working-level negotiations on August 4–5, US negotiators referred to the “severe domestic climate” represented by the Congress’s hardline posture.⁴⁸ Under these conditions, the US government required the holding of a ministerial meeting, largely because Obama had formally announced that he would like to see the TPP completed by the end of the year, hoping to

45. *Nihon Nogyo Shimbun*, May 2, 2014.

46. “Froman Says U.S. Wants ‘Commercially Relevant’ Market Access in Japan,” *Inside U.S. Trade*, May 23, 2014.

47. National Pork Producers Council, “Agriculture Groups Urge TPP Deal Without Japan”, May 28, 2014, <<http://nppc.org/agriculture-groups-urge-tpp-deal-without-japan/>>, accessed October 12, 2016.

48. *Nihon Nogyo Shimbun*, August 14, 2014.

have a document that could be made public by the time of the G20 (Group of Twenty) summit in November.⁴⁹

The ministerial talks took place in Washington on September 23–24 and ended with no progress. The breakdown is interpreted differently on the US and Japanese sides. As Amari showed his determination to make this chance “the last cabinet-level meeting,” the Japanese negotiators regarded the meeting as a place for political compromise regarding safeguard measures against US imports of beef and pork. After the Japanese side accepted further reduction of import tariffs, they considered more flexibility regarding safeguard clauses that would favor US beef and pork exporters. However, the US negotiators posed tougher requirements regarding safeguard conditions than those admitted at the April meeting. Furthermore, the US reversed its previous position on auto parts, notifying Japan that it would take 20–30 years to abolish a 2.5% tariff. Since the Japanese government had already allowed a long period of tariff removal for motor vehicles, it was intent on an immediate withdrawal of tariffs on auto parts. Amari was angered by Froman’s sudden reversal and left midway through the second day and did not come back. The US negotiators regarded Japan’s new flexibility as minimal—not even meeting their demands halfway.⁵⁰ The position on auto parts was a direct response to this; the US side regarded the Japanese agricultural offer as “not serious” on the grounds that the offer of the US market to Japanese exports had always been contingent on Japan’s providing meaningful market access to the US for sensitive farm goods.⁵¹

Amari’s rather flexible position in negotiations derived from the Abe cabinet’s successful commitment to tamping down opposition from agricultural groups and their sympathetic politicians. The cabinet adopted a tactic of taking advantage of key *norin zoku* to restrain other *zoku*, appointing, for instance, Nishikawa Koya chairman of the LDP’s TPP Affairs Committee. Nishikawa made efforts to form a consensus on TPP-related issues within the LDP, even visiting TPP member countries to hear their views. Moriyama Hiroshi, another influential *norin zoku*, changed party post from chairman of

49. Radio New Zealand, “Key Hopeful on Free Trade Deal,” June 21, 2014, <<http://www.radionz.co.nz/news/national/247810/key-hopeful-on-free-trade-deal>>, accessed November 10, 2015.

50. “U.S., Japan Signal Stalemate in Bilateral TPP Talks after Froman-Amari Meeting,” *Inside U.S. Trade*, September 26, 2014.

51. “U.S. Auto Parts Tariff Emerges as Flashpoint in U.S.-Japan TPP Talks,” *Inside U.S. Trade*, October 3, 2014.

the Agriculture, Forestry and Fisheries Trade Affairs Committee to chairman of the TPP Affairs Committee after Nishikawa was appointed minister of agriculture, forestry and fisheries in the cabinet reshuffling of early September 2014. Moriyama had become cooperative with the cabinet's agricultural reform plan, surprising the audience at a meeting of agricultural groups in Kagoshima on August 1 by asserting, "I think JA-Zenchu should end its political activities."⁵²

As for the handling of JA-Zenchu, the Regulatory Reform Council, an advisory body to the prime minister, published a proposal on agricultural reform in May 2014 which included the abolition of the centralized system of agricultural cooperatives. The *norin zoku* criticized the radical content of the reform plan, but did not exert power to scrap it. Nishikawa, who was irritated with JA-Zenchu for its continuous opposition to the TPP, gradually intensified a realistic view that JA reforms were necessary to gain international competitiveness in the agricultural sector. The influential *norin zoku* made efforts to find a compromise to realize the essence of the council's reform plan by maintaining the JA group's autonomy.⁵³ Thus, the Abe cabinet's tactics to entrap key *zoku* members into a party post and make a threat against agricultural groups expanded Amari's autonomy to undertake trade negotiations.

Unlike the Abe cabinet, the Obama administration was confronted with continuous fierce opposition from interest groups and their sympathetic politicians. With the midterm election of November 4 approaching, societal groups and members of Congress intensified their demands for market opening in Japan. For instance, on July 30, 140 House lawmakers, including 23 members of the Ways and Means Committee and 33 of the Agriculture Committee, sent a letter asking Obama to exclude Japan from TPP negotiations if it was unwilling to open its agricultural markets in accordance with high standards.⁵⁴ On August 14, the National Pork Producers Council sent a letter to Vilsack and Froman to demand that "a final TPP Agreement is conditioned on the elimination of all tariff and non-tariff barriers to U.S. pork exports in each of the TPP nations, including the elimination of the

52. *Nihon Keizai Shimbun*, August 14, 2014.

53. Ryunosuke Uchida, "TPP Koshō to Nosei Kaikaku" [TPP negotiations and agricultural policy reform], *Seisaku Sozo Kenkyū* 9 (March, 2015), p. 248.

54. "Nearly One Third of House Urges Obama to Press Japan on Tariffs," *Inside U.S. Trade*, August 1, 2014.

Gate Price in Japan.”⁵⁵ The US auto companies and their associations delivered their demands regarding the TPP to the US trade representative. The American Automotive Policy Council continuously demanded the inclusion of a currency-manipulation clause in the TPP. Ford Motor Company urged the US trade representative to include a provision in any auto deal with Japan that would allow the US to “stop the clock” on phasing out its auto tariffs if Japan moves to impose new non-tariff measures that restrict US auto exports.⁵⁶ Given these political circumstances, if the US compromised on the Japanese requirements, the Obama administration would lose support from major societal groups. In particular, the administration had to take into account demands from the automobile industry, a traditional support base for the Republican Party. Accordingly, Froman had to take a hardline stance on the auto-parts issue.

TOWARD A BROAD AGREEMENT IN OCTOBER 2015

The Abe cabinet consolidated its political position with a landslide victory in the Lower House election in December 2014. However, the cabinet’s willingness to promote the JA reforms prompted a backlash from agricultural groups. In particular, the result of the Saga Prefecture gubernatorial election in January 2015 demonstrated the agricultural groups’ voting power when the JA-backed anti-reform candidate defeated the candidate endorsed by the ruling coalition. This result was serious for the LDP because nationwide local elections were scheduled for April, which was “a perfect opportunity to launch a counterattack” against the government’s JA reforms.⁵⁷ However, the LDP gained massive support in the local elections, becoming the leading party in 40 out of 41 prefectural assemblies.⁵⁸ The results of the elections reflected the nation’s overall support for the government’s agricultural reforms. In a public survey regarding agricultural reforms conducted by *Yomiuri Shimbun* in June 2014, 76% of respondents supported a reform plan

55. National Pork Producers Council, “NPPC Calls on Japan to Nix ‘Gate Price’ on Pork,” <<http://www.nppc.org/2014/08/nppc-calls-on-japan-to-nix-gate-price-on-pork/>>, accessed December 6, 2015.

56. “Ford Seeks to Freeze Tariff Phase-Out under TPP if Japan Imposes New Barriers,” *Inside U.S. Trade*, August 1, 2014.

57. Aurelia George Mulgan, “The Empire Strikes Back: Reforming Japan’s Agricultural Co-ops and the Local Elections,” *East Asia Forum*, April 9, 2015.

58. Terada, “Abe Effect,” p. 399.

to abolish the central union's supervision of local cooperatives; only 11% opposed it.⁵⁹

There were significant changes in political conditions on the US side. The Democratic Party lost in the midterm congressional elections in November. This result was surely significant damage to Obama's ruling party but reduced opposition to the TPP through the defeat of the party that depended on strong support from the labor unions, which opposed free trade. The Republican Party and agricultural groups took a tough approach to TPP negotiations with Japan, but they basically supported free trade, aiming to gain better access to the Japanese market through TPP negotiations.

Obama needed fast-track negotiating authority, officially known as trade promotion authority (TPA), which limits the power of Congress in trade agreements to simple approval or rejection, but which had expired in 2007. The Obama administration needed the TPA in order to convince other TPP members that it was negotiating in good faith and would bring any deal before the full Congress without its members making alterations.⁶⁰ The TPA became a component of a trade package with Trade Adjustment Assistance, which aimed at helping US workers who would lose their jobs as a result of trade deals. The trade package was denied, as House Democrats joined Republicans in voting against Trade Adjustment Assistance. However, Speaker of the House John Boehner reintroduced just the TPA portion of the trade package as an independent bill, and it was passed by the House on June 18, 2015, and then by the Senate on June 24.⁶¹ The passage of the TPA strengthened the Obama administration's negotiating hand because some lawmakers had used its passage as an exchange condition to draw concessions from the administration. For instance, Aaron Schock, a member of the Ways and Means Committee, had stated, "If the administration goes forward with excluding certain lines within agriculture [in negotiations with Japan], I think that [TPA] bill will be dead on arrival in the House of Representatives."⁶²

The evolving domestic conditions in both Japan and the US had positive effects on the progress of the bilateral talks. During a ministerial meeting in

59. *Yomiuri Shimbun*, July 14, 2014.

60. Michael J. Green, "US-Japan Relations: Strategic Alignment," *Comparative Connections*, May, 2015, p. 19.

61. *Ibid.*

62. "Schock Says Without Full Ag Tariff Elimination, TPP Will Be Unacceptable to House," *Inside U.S. Trade*, June 10, 2014.

April 2015, the negotiations on beef and pork bore fruit: Japan would reduce its 38.5% duty on beef to 9% in 15 years, and would slash the tariff on pork from a maximum of 482 yen (\$3.97) per kilogram to around 50 yen (\$0.41) in 10 years. The remaining issues were expanding the import quota for rice and the removal of the tariff on auto parts. The representatives of both governments had negotiations in July, and reached substantial agreement. Japan agreed to expand the quota for US rice to 50,000 tons annually for the first three years, and then to 70,000 tons in stages over 10 years; and the US agreed to immediately abolish more than 80% of the 2.5% tariff on auto parts.

Overall, TPP negotiations among the 12 members should have been completed at a ministerial meeting in Hawaii in late July. However, the members were unable to reach a broad agreement because New Zealand demanded that Japan, the US, and Canada increase imports of its dairy products, and the US and other members, including Australia and New Zealand, split over the data protection period for biopharmaceuticals. Eventually, after six days of talks in Atlanta, Georgia, a broad agreement was achieved on October 5.

As already explained, improved domestic political conditions in both the US and Japan contributed to progress in the bilateral negotiations. At the same time, China's new diplomatic posture also had significant effects. Chinese President Xi Jinping announced the establishment of the Asian Infrastructure Investment Bank (AIIB) in fall 2013. The AIIB aimed at providing funds for the development of infrastructure and other productive sectors in Asia, and membership was extended to countries in all of Eurasia. Despite discouragement from the US, the United Kingdom announced participation in the bank in March 2015, and Germany and France, as well as key US regional allies such as Australia and South Korea, followed suit. Eventually, 57 countries joined the AIIB as founding members. The AIIB initiative partly derived from China's frustration with the principles and management of development assistance by the Asian Development Bank, which has been under Japanese and US leadership.

In March 2015, the Chinese National People's Congress formally announced the One Belt, One Road initiative. The initiative, which comprises the Maritime Silk Road and the Silk Road Economic Belt, aims to develop economic-oriented practical cooperation and foster trustworthy relationships by relying on the distinctive values and ideas of the ancient Silk Road. Importantly, these diplomatic actions were sustained by the determined political will of the Chinese leadership. During the Central

Conference on Work Relating to Foreign Affairs in November 2014, Xi Jinping stressed the need to “advance multilateral diplomacy, work to reform the international system and global governance, and increase the representation and say of China and other developing countries,” and characterized the Maritime Silk Road and Silk Road Economic Belt as part of multilateral diplomacy.⁶³ Chinese leaders, who raised concerns about US-led trade rule formation through the TPP, attempted to forge a cooperative group of countries by stressing a pragmatic approach to yield visible outcomes in infrastructure development.

Given China’s proactive diplomacy to strengthen its geo-economic position in Eurasia, political leaders of the US and Japan raised their concern that these Chinese alternatives might dilute key principles of the open capitalist system such as transparency, fair rules, and governance. They had a strong desire to conclude negotiations on the TPP in order to retain the initiative in creating the rules of economic management in the Asia-Pacific region. In an interview on US television on April 21, 2015, Obama exhibited his eagerness to wrap up the trade talks, stating: “If we don’t get this done, if we’re not the ones engaged out there writing the rules, and China is writing the rules in the fast-growing [Asia-Pacific] market . . . we’re going to be locked out.”⁶⁴ Abe also, in an article he contributed to CNN on June 5, stressed the need to promote investment in high-quality infrastructure that is more cost-effective and more environmentally friendly by promoting collaboration between the Japan International Cooperation Agency and the Asian Development Bank through co-financing of Asian public-private partnership infrastructure projects.⁶⁵

In the security dimension, China’s new actions raised tensions in the South China Sea. It was revealed that Beijing was building artificial islands at an unprecedented pace to bolster its territorial claims in the Spratly Islands. China’s actions, which included the building of harbors, radar towers, and other facilities on these artificial islands, coupled with other actions,

63. “The Central Conference on Work Relating to Foreign Affairs Was Held in Beijing: Xi Jinping Delivered an Important Address at the Conference,” Ministry of Foreign Affairs, People’s Republic of China, November 29, 2014, <http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t12135680.shtml>, accessed June 21, 2016.

64. *Yomiuri Shimbun*, April 26, 2015.

65. “Prime Minister Shinzo Abe’s Article Contributed to CNN on 5 June 2015,” <http://www.mofa.go.jp/p_pd/ip/page4e_000283.html>, accessed October 17, 2015.

including intensified maritime patrols and energy exploration in disputed waters, increased US concerns about instability in the South China Sea and the growing potential for conflict among territorial claimants.

The US and Japanese leaders recognized the value of the TPP for national security. US Secretary of Defense Ashton Carter, during his visit to Tokyo April 7–9, 2015, stated: “I never forget that military strength ultimately rests on the foundation of the economy,” adding, “That’s one reason why the Trans-Pacific Partnership or TPP is so important for both our countries and probably one of the most important parts of America’s rebalance.” This view was expressed with the involvement of the White House.⁶⁶

Prime Minister Abe echoed Carter’s statement during his visit to Washington two weeks later. In a speech at a joint session of Congress, Abe stressed the strategic importance of the TPP, stating: “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.”⁶⁷ The two main outcomes of this April summit were the strengthening of the alliance’s deterrence and response capability under the new Guidelines for US-Japan Defense Cooperation, and a joint will to lead other TPP members to a prompt and successful conclusion of the talks. The two leaders regarded the TPP and strength in military alliance as a dual strategy that Washington and Tokyo pushed forward against Beijing’s increasingly assertive security postures.

CONCLUSIONS

This article has examined the development of TPP talks by focusing on the US and Japan’s interests and positions in their bilateral negotiations. It analyzed how the interests and demands expressed at the domestic level and political leaders’ preferences for responding to developments seen at the regional level shaped the two states’ positions on and commitments to TPP negotiations.

The Japanese negotiators were confronted with strong pressures from agricultural groups, and from LDP politicians sympathetic to them, to

66. “Defense Secretary Touts TPP Completion as U.S. National Security Goal,” *Inside U.S. Trade*, April 9, 2015.

67. “‘Toward an Alliance of Hope’—Address to a Joint Meeting of the U.S. Congress by Prime Minister Shinzo Abe,” April 29, 2015, <http://japan.kantei.go.jp/97_abe/statement/201504/uscongress.html>, accessed October 19, 2015.

exclude major farm products from liberalization under the TPP. The Abe cabinet eclipsed the pressure base by appointing influential *norin zoku* to major administrative posts in the party and government. Officials also promoted agricultural reforms that undermined the political power of JA-Zenchu. The relatively stable political conditions created by such tactics allowed the negotiators to keep their basic positions to make necessary concessions by protecting core interests. The US negotiators also faced continuous pressure from interest groups in the meat and automobile industries, and their supporters in the Congress, to open up the closed Japanese market and postpone tariff removal in the US market. The negotiators occupied a weak position toward such demands until the Obama administration gained TPA after the defeat of the Democratic Party, whose members were generally passive about trade liberalization, in the midterm congressional elections.

For both the US and Japan, weighing domestic politics over interests in politically sensitive industrial sectors constituted the overall mode in bilateral negotiations. At the same time, state leaders' perception of the need to respond strategically to developments in the international arena became a catalyst in changing the two states' commitments to TPP talks. Prime Minister Abe's decision to join TPP talks in March 2013 was influenced by China's escalating moves in the East China Sea. Abe found strategic value in the TPP as a linchpin to forge closer political links with the US. The bilateral negotiations toward a broad agreement in October 2015 were accelerated by President Obama's growing concern about China's proactive regional economic diplomacy and its aggressive postures in the South China Sea. Obama felt the need to conclude TPP negotiations swiftly to consolidate partnership among the joining members and make the agreement a milestone to write the rules for the global economy. Thus, China's diplomatic behavior constituted a critical juncture to intensify the US and Japan's commitments to trade negotiations.