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The Origins of ASEAN+6: Japan's Initiatives and the Agent-Structure Framework*

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1. Introduction

The initial impetus behind the development of a 16-nation framework for East Asian cooperation was provided by Japan's Prime Minister, Junichiro Koizumi, who called for the establishment of a “community” in East Asia in his speech in Singapore, in January 2002. In addition to the three Northeast Asian nations – China, Korea and Japan – and the ten members of the Association of Southeast Asian Nations (ASEAN), Koizumi advocated that Australia and New Zealand be included as “core members” in the process towards the creation of an East Asian community. The East Asian regional concept, representing a fusion of Northeast and Southeast Asia, was first formally elaborated in foreign policy terms in the postwar period by Malaysia's Prime Minister Mahathir in his proposal for an East Asia Economic Group (EAEG) in December 1990 (Terada 2003). This was followed by Koizumi's Singapore speech which indicated Japan's intention to proceed with regional cooperation within an “expanded” East Asian regional concept alongside the existing ASEAN+3 framework established in 1997. The importance of this “expanded” East Asian (what Koizumi referred to in Japanese as *kakudai higashi ajia* in Singapore) regional concept – now an ASEAN+6 framework with the inclusion of India which has strengthened economic ties with ASEAN since the early 2000s – lies in the fact that the inaugural East Asian Summit (EAS) in Kuala Lumpur in December 2005 was organised with 16 leaders from ASEAN+6 nations in attendance. Also, in the second EAS in the Philippines in January 2007, Shinzo Abe, Koizumi's successor, garnered support for the establishment of a feasibility study group of 16-nation regional integration; what Japan called the Comprehensive Economic Partnership Agreement in East Asia (CEPEA). This move encouraged the 16-nation framework to expand by encompassing ministerial meetings on foreign affairs, the economy and the energy, which was seen as a progress towards a more functional framework for East Asian cooperation. However, while ASEAN+3 is described as “the main vehicle towards achieving an East Asian community”, EAS is referred to as playing a “complementary” role; according to the chairperson's statement at the second EAS. Consequently, as long as the 16-nation framework continues to coexist with the 13-nation ASEAN+3 framework in East Asia, the argument as to which is the more effective framework for regional cooperation and why it is necessary lingers.

This article explores the reasons behind Japan's interest in the promotion of ASEAN+6 as an “expanded” East Asian regional concept despite the existence of ASEAN+3, which many regional nations, including China, view as a more appropriate regional institution. The article supports the view that the ASEAN+6 regional concept originated

mainly from the concerns of Japan and the US that China's rapid economic growth and its huge market was exerting an overwhelming influence on the political and economic trends in the region. Subsequently, Japan attempted to resist China's growing influence, which was seen as detrimental to the US and Japanese interests, by involving Australia and India who were seen as nations which shared the same basic democratic values and who were useful counterbalances against China. The article applies an agent-structure framework to examine the causal factors behind Japan's advocacy of ASEAN+6, with a focus on the effect of the changes in the US-led structure on Japan. This analysis helps to trace the impact of the US views which were incorporated into the structure on Japan's interest in launching the ASEAN+6 framework. It also seeks to clarify what Japan wanted to achieve through this new regional concept. The structure follows the direction of US foreign policy, since Japan, as a key US ally, was obliged to incorporate the strong US influence at various stages in the policy formulation.

"One cannot understand changes in the "macro" structure of international/regional politics without taking micro level variables into account" (Kauppi and Viotti 1993: 248), and this requires acknowledging the need for domestic level analysis, including the evolution of policy ideas. The Japanese state as an agent is methodologically divided into the principal (Prime Ministers) and subordinate actors (the Ministry of Foreign Affairs (MOFA) and the Ministry of Economy, Trade and Industry (METI)). An understanding of this structure is necessary to elucidate the process by which these two ministries, which are directly involved in the formation of foreign economic policy, came to promote a new regional framework in line with the foreign policy views and stances adopted by Prime Ministers Koizumi and Abe as principal actors under the influence of the changing regional structure. A specific foreign policy can be made and promoted only when the policy direction, created in line with political leaders' ideas or worldviews, is compatible with the characteristics of the international structure. The analytical approach in this article illustrates that the relevant bureaucrats invented ASEAN+6 as a new regional integration framework under both domestic and international structural influences. The article then argues that the development of ASEAN+6 as a more effective regional framework has faced difficulties which stem from the additional changes made to the structure, such as the US proposal for a Free Trade Area in Asia-Pacific (FTAAP) as its competing regional integration framework, and the growing Chinese influence seen in regional financial cooperation due to the global financial crisis. Those structural changes have contributed to APEC and ASEAN+3 emerging as stronger competing regional institutions on trade and financial

cooperation, respectively, and this article concludes that Japan has been compelled to be integral in this transformation, culminating in the growing competition over regional concepts to promote financial and trade cooperation in East Asia.

2. Agent-structure analysis

There has been a great deal of literature on international relations written from a constructivist perspective that explores the relationship between individuals and the state, as well as that between the state and the world. This literature uses an agent-structure framework, an analytical tool that has been mainly developed in sociology (Hollis and Smith 1990, Wendt 1999, and Wight 2006). With regard to the relationship between the agents and the structure, whether the agents determine the form of the structure or whether structure determines the direction in which the agents act – or whether both of these patterns even exist – is open to argument (Rittberger *et al.*: 169). Yet, for any new foreign policy approach to be created, the re-evaluation of policy goals and priorities is necessary, and this largely depends on the values and ideas of the individuals responsible for the policy and whether they find it desirable or necessary to change the standard, direction, or purpose of existing policy. Certainly, transformations in the international structure, such as the end of the Cold War, influence changes in the foreign policies of states and foster increasing economic interdependence among nations. This can in turn have an impact on, say, the emergence of a new regional institution. However, it is the policy elites who perceive the changes in the international structure surrounding their states and who decide how and to what extent the foreign policy of their states needs to be changed, or whether a new policy needs to be created. It is after all individuals who “provide the source of value, and they are the main standard by which to assess the quality of outcomes in international relations” (Adler *et al.* 1991: 12).

Individual input into foreign policy making is affected by the positions and roles of individuals in institutions or organisations and their influence in wider external environments. Actor-focus analysis in the agent-structure framework appears useful in identifying factors which cause states to “react quite differently to similar material circumstances”. This is because policy is formulated and implemented by individuals who have “fundamental differences in normative beliefs about policies’ among themselves” (Goldstein and Keohane 1993: 16). There is another reason to see the analytical focus on policy-elites or their organisations as appropriate in identifying causal factors behind the emergence of the ASEAN+6 framework as a rival to the

existing ASEAN+3 framework; namely, the nature and style of Japanese policy-making. Calder (1988) claimed that Japan is a reactive state because its inertial implementation of foreign economic policy is only promoted by outside pressures, mainly from the US, implying that US influence is deeply embedded in Japanese foreign policymaking system. American's strong influence on Japan's Asian regionalism policy, for instance, can be illustrated by its voluntary abandonment of its participation in the East Asian Economic Caucus (EAEC) in the early 1990s and the proposal of its own Asian Monetary Fund (AMF) in 1997. This patron-client nature in the US-Japan relationship can point to the usefulness of the structural-agent approach in understanding Japan's reactive behaviour in formulating Asian policy.

One important change in the analysis of Japan's Asia policy including regional integration is that the structural pattern impacting on the direction of Japanese policy now includes the China factor as an additional influential source. This has meant the rise of China as a component of the structure, thereby encroaching on a system hitherto dominated by US influence. In fact, the uniforming impacts on some or all of the regional states have been so significant that foreign policy orientations among those countries, including Japan, have converged on China. The top-down analytical approach can help to evaluate the logicality or suitability of this observation, although it can only be intuitively inferred. The bottom-up approach, in contrast, can more precisely identify the actual causations by tracing the perceptions, ideas, or roles of individuals or organisations in domestic politics that appear to have influenced the emergence of the ASEAN+6 framework. Accordingly, to show the rise of China as an independent variable in Japan's proposal of an ASEAN+6 framework, this article begins to analyse the Japanese state which can be divided into two types of actors in terms of different policy-making functions; predominant Prime Ministers and subordinate relevant ministries. This is done in order to specify how these Japanese actors have invented a new regional concept by responding to the rise of China. The article then characterises the transforming regional structure including the rise of China on the basis of the perceptions of these Japanese policy elites.

3. The Japanese state as an agent: Prime Ministers as Principal Actors

Here, the function of the Japanese state as an agent is analysed by shedding light on the role of the principal actors which, in this case, refers to political leaders, especially Prime Ministers, and to the subordinate agents which include the relevant bureaucracy such as the MOFA and the METI.

The US alliance system which originated in the 1951 San Francisco Peace Treaty has permeated the foreign policy-making process as the decisive foreign policy norm, and the relationship with the US has been always of foremost concern among Japanese leaders in the postwar period. Japan has thus tended to try to prevent major disturbances in this bilateral relationship, ultimately driving Japan to follow American interests in the international arena. This foreign policy predisposition, caused by the US-led bipolar structure, is not so radically different from the one observed during the post-Cold War era. It is necessary to discern how the US saw the changing structure in East Asia and to identify how the US perceptions influenced the development of Japanese interest in forming the ASEAN+6 framework.

East Asia has emerged as an increasingly significant region in international politics and economics, and the global acknowledgement of the significance of East Asia, especially in the US, has been mainly attributed to the rise of China (Shirk 2007). Putting it simply, the rise of China has meant that a traditional political power, which used to lack economic prowess, is now emerging as a potential superpower, whose political influence is backed by continuous high economic growth, impacting both political and economic spheres on a global scale. This also means that China's power projection is backed by its economic growth, which has become a growing source of US concern. For instance, the then US Defence Secretary Donald Rumsfeld stated that China's improved ballistic missile system would allow Chinese missiles to "reach targets in many areas of the world . . . Since no nation threatens China, one wonders: Why this growing investment? Why these continuing large and expanding arms purchases?" (*Straits Times* 5 June 2005). This concern over China's increasing military build-up was well reflected in the subsequent Quadrennial Defence Review (Department of Defence, 2006: 29) which declared China as "the greatest potential to compete militarily with the US and field disruptive military technologies that could over time offset traditional U.S. military advantages absent U.S. counter strategies."

Excluded from a growing East Asian regional institution such as ASEAN+3, which China uses "as a shield to avoid other big powers' pressure by the maintenance of good relations with other regional members to avoid containment coalitions with foreign big powers" (Zhang and Tang 2005:54), the US judged China's potential ascendancy in East Asia – in conjunction with its political and economic rise – as being undesirable for its own interests (Christensen 2006). The economic diplomacy that China has been

executing to frustrate the containment that a US coalition might form has involved the process of “knitting together the ‘spokes’ of the US-centred hub-and-spoke security-alliance system, and connecting them more closely with governments less friendly to Washington” (Frost: 2007:98). Consequently, an FTA proposal with ASEAN by China, which had previously been focused on negotiations concerning its accession to the WTO and had opposed discriminatory regional integration approach (*Straits Times*, 22 November 2000), represented a policy turnaround, and symbolised China’s serious commitment to regional commercial diplomacy. The US was worried that China could gain a predominant influence as ASEAN+3 continued to grow, and this was shared by not only Japan, but also by other nations such as Indonesia and Singapore. Singapore, for instance, considered it difficult for any nation including Japan to block China’s predominance within ASEAN+3 and it feared China would be a rule-setter as a result¹. Thus, there emerged a view that a China-centred East Asian community may eventually emerge (Drysdale 2005:15), despite the fact that the original idea was advocated by Koizumi in Singapore.

The Koizumi and Abe period (2001-07) constituted the most responsive and reactive government in history to US regional concerns. During his term in office as Japan’s Prime Minister, Junichiro Koizumi – the first Japanese Prime Minister in almost 20 years to complete the full term as President for the Liberal Democratic Party – expended his greatest energies on the strengthening of the U.S.-Japan alliance based on his personal rapport with US President Bush. To provide support for the US in Afghanistan and Iraq, Koizumi managed to widen the operational scope of the Self Defence Forces (SDFs), which was limited by Constitution Article 9, by enacting special laws to dispatch SDFs to these areas. In this way, Koizumi found a method of fulfilling Japan’s obligation as a US ally in the war against terrorism. The US-Japan alliance was the foundation for shaping his Asian policy, as Koizumi (2006) explained: “The US is the only nation in the world which says that an attack or aggression against Japan is an aggression or attack against their own country … With Japan-US relations as the basis, I will advance our cooperative relations with China, the ROK, and other countries in Asia and the rest of the world”. As a result, the relations between the two nations during the Koizumi era were seen as having been at their most favourable point in the entire postwar period, illustrating the preoccupation of Koizumi’s foreign policy with strengthening the US-Japan alliance. Thus, he tended not to allocate much energy to efforts to improve Japanese relations with China and Korea, which were substantially

¹ Personal interview with senior official in Singapore’s Ministry of Foreign Affairs, 4 April 2008, Tokyo.

strained due mainly to his annual visit to the Yasukuni Shrine.

It was Koizumi who advocated the establishment of an East Asian community by expressing the desire that Australia and New Zealand should be core members of that community. Following this, Japan endeavoured to support Australia's involvement in the region, with the result that Australia's participation in the EAS was realized in Kuala Lumpur in 2005. The inclusion of Australia in East Asia was further promoted by Koizumi through agreeing to set a feasibility study for an FTA between Japan and Australia, and the decision by Koizumi was a form of reward for Australia's decision to increase its troop numbers in Iraq in order to provide support for Japan's SDFs. The increasing awareness of Australia's strategic importance in Japan's foreign policy strategy, as observed in the Japan-Australia Joint Declaration on Security in March 2007, launched by Abe and Howard, was a factor in Japan's proposal of an ASEAN+6 framework that included Australia as a part of East Asia.

While, as Prime Minister, Abe stopped visiting the Yasukuni Shrine with a view to repairing relations with these countries, he initially pursued a highly ideologically-coloured foreign policy, for example, by promoting ties with nations that share common values with Japan, such as the rule of law and democracy. Built on this belief, Abe (2006) insisted on organising a summit meeting among Japan, Australia, the US and India, all of which, he believed, share universal values such as democracy and respect for human rights. The purpose behind this assertion was to discuss the ways of making East Asian countries, including China, accept these values. For instance, in his speech at the Indian Parliament on 22 August 2007, Abe (2007) introduced a new regional concept, a "broader Asia" by stating that "the Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity. A "broader Asia" that broke away geographical boundaries is now beginning to take on a distinct form". Abe's message to India was to promote regional cooperation together within this regional framework, further by incorporating the US and Australia. One purpose behind the proposal was mentioned later in Abe's speech when he revealed that "I feel that it is imperative that the democratic nations located at opposite edges of these seas deepen the friendship among their citizens at every possible level." Why did Abe need to introduce the new concept of a "broader Asia", despite the fact that Australia and India were already members of the EAS, and that they had thus been acknowledged as East Asian nations? One nation which the EAS does not include, but Abe considered to be an essential country in this new regional concept, was the US. In this sense, the

Abe government was more explicit in expressing its desire to promote an exclusive group of democratic nations, centring on the US, than the Koizumi government.

4. Subordinate actors: MOFA and METI

Although MOFA and METI are expected to coordinate the formulation of foreign economic policy in lines with policy or political preferences of their political leaders, it is well known that there has traditionally been a “territorial” conflict between the MOFA and the METI with regard to the formulation of external economic policy (Fukui 1981:296–7). It has often been the case that a policy promoted by one of these ministries has been presented as “national” policy in the absence of any consultation with the other ministry and subsequent revision of the policy. MITI, for example, supported the establishment of APEC in 1989, but MOFA, having previously opposed the new organization, only involved itself at the stage of the Senior Officials’ Meeting (SOM) held directly before the meeting of APEC members (Terada 1999). There has also been insufficient consultation and adjustment of policy between the ministries with regard to the proposal of an ASEAN+6 approach. In fact, when METI announced a proposal for this 16-nation regional integration plan in April 2006 it did not consult MOFA, the ministry responsible for coordinating foreign policy and diplomacy, which did not conceal its dissatisfaction with the way which its rival ministry treated (*Asahi Shimbun*, 28 July 2006).

In general, METI has perceived the 16-nation regional integration framework with the aim of creating a single market in East Asia, while MOFA has viewed it as a comprehensive political framework like the EAS for keeping regional stability, as can be seen in the text of then-Prime Minister Koizumi’s 2002 Singapore address, the drafting of which MOFA had a responsibility. MOFA has sought regional integration in East Asia by means of the ongoing conclusion of numerous bilateral FTAs among various regional countries. While the orientation of the two ministries differs in this way, they are in agreement in their conception of the members of a 16-nation framework. In other words, while their agendas differ, the direction of these rivals in the steering of Japan’s economic policy overlaps in the promotion of an “expanded East Asia” framework, and the promotion of this approach can be understood to represent national policy. This is because this new approach to regional integration has been systematized by the two ministries based on consideration of the foreign policy orientations of the Prime Ministers Koizumi and Abe, as discussed above.

METI initially supported the ASEAN+3 approach. In 2002 the Ministry proposed the “East Asia Free Business Zone Initiative,” the intention of which was to create a systematic framework for cooperative relationships that had developed in practice as Japanese companies expanded into East Asia, in order to ensure markets in the region and to reduce regional trade costs (METI 2003). Therefore, ASEAN’s decision to form a regional economic community by 2015 was a welcome move to METI as this move to the regional community, together with the proliferation of bilateral FTAs among the members, was supposed to promote liberalization and economic reform to increase the attractiveness of the region as a whole to outside investors (Munakata 2001: 21). At the time, the Ministry saw this zone as comprising 13 nations; India and Australia/New Zealand were not considered potential members. In 1999, the year of the first joint declaration by the ASEAN+3 heads of government in Manila, MOFA also regarded the ASEAN+3 Leaders’ Summit as a de facto “East Asian Summit”, and worked to promote the framework. The Ministry believed that ASEAN+3 could play a role in constructively involving China in East Asia and in the system of global governance (Owada 2000). This intention to promote China’s involvement in the region via ASEAN+3 indicates that Japan at the time did not perceive China as having an ambition to predominate in East Asia, indicating the China factor did not influence Japan’s regional integration policy.

China’s proposal of an FTA with ASEAN at the ASEAN+3 Summit held in Singapore in October 2000, as an initial causal factor behind the regional structural change, resulted in a major reversal of this Japanese approach to involvement in East Asia. This proposal was the motivation for MOFA to include Australia in a framework for East Asian cooperation, and its impact also prompted METI to begin to pursue a Japan-ASEAN FTA. China’s FTA with ASEAN, signalling a reversal in the nation’s trade policy, had a significant impact in the region, even, as discussed above, resulting in the proposal for the formation of an East Asian regional FTA, which had been a subject of discussion since the previous year, being positioned as a future goal for ASEAN+3.

According to a MOFA official (personal interview, 9 April 2003, Tokyo), some top senior officials in MOFA believed that Japan would be isolated within an East Asian framework, in which most of the members are developing countries, whereas China could be seen as a representative in this group. MOFA officials believed that Japan would face difficulty in injecting considerations that reflected the perspectives of developed countries. For these reasons, these MOFA officials hoped that Australia

would see the need to join Japan in an attempt to be more committed to creating better relations with Southeast Asia, with which China has also been engaged in making cooperative relations. Hitoshi Tanaka, who, as a Vice-Minister at MOFA, had been responsible for drafting Koizumi's Singapore speech, and represented this school within MOFA commented: "In my heart I truly hope Australia will participate in the East Asia summit . . . We have worked very hard to make it possible. We are doing this not for Australia's sake, but for Japan's sake. We need you . . . I have a very strong feeling about our co-operation with Australia and I have been advocating it for a long time" (*The Australian*, 28 May 2005). It is no exaggeration to say that the Tanaka's strong interest in Australia as a core partner in his proposed idea of an East Asian community was driven as a result of his consideration about the changing regional structure spurred by China.

When China's concessions resulted in the commencement of FTA negotiations between China and ASEAN in November 2001, Japan experienced a deepening sense of frustration. Toshiya Tsugami, then METI senior official, mentioned that "the prospect of an ASEAN-China FTA stunned and shocked Japan" and that Japan feared China would manipulate the FTA to "kick out Japan from the East Asian economic and political circles" (*Business Times* 2 April 2003). Southeast Asia was a region in which Japan developed extensive economic and business relations over the past 30 years in investment, aid, trade, human resource development and technology transfer, and Japan was concerned that this special relationship between itself and Southeast Asia, built up over decades at both business and governmental levels, might fade away with the tie-up between China and ASEAN. Singapore and Indonesia, two of the main members of ASEAN, only established diplomatic relations with China in 1990, and China became a dialogue partner of ASEAN in 1996, more than 20 years after Japan. However, until China's proposal, Japan had not considered the establishment of an FTA with ASEAN as a single economic unit, focusing rather on a bilateral approach advanced chiefly by the MOFA. Japan found it inevitable to follow what China had established and proposed a FTA with ASEAN in 2002, despite the fact that Japan actually did not commence the FTA negotiation with ASEAN until mid-2005 while hastening to complete bilateral FTAs with most of ASEAN individual members, based on its stronger economic and business ties through especially ODA (Terada 2009).

Japan's increasing strategic interest in Australia, stemming from its awareness of China's influence in the region, can be observed not only in relation to the political issue of the EAS, but also in the economic field, in relation to FTAs. ASEAN Senior Economic Officials Meetings were held for the first time in a 16-nation configuration, adding India, Australia and New Zealand to ASEAN+3 nations, in August 2006 in Kuala Lumpur, but Japan, as discussed above, had already proposed the concept of an East Asian FTA based on these 16 nations in April 2006. Japan had previously regarded East Asia as made up of 13 nations, and had promoted regional integration on the basis of this regional framework. However, taking into consideration a number of factors, including India's high level of growth and its huge market and Australia's role as a large natural resource supplier, in addition to the fact that India, Australia and New Zealand had already commenced FTA negotiations with ASEAN, METI proposed the establishment of an FTA within an "expanded East Asian" framework. Japan was in particular highly reliant on Australia as a stable supplier of resources, given that it supplied 60% of the nation's coal and iron ore and 25% of its uranium, and the participation of Australia in a framework for East Asian integration was therefore an important consideration for the nation (DFAT 2005).

In promoting this approach, METI stressed the economic benefits that increased interdependence would bring. For example, the Ministry pointed out the advantages of a "+6" FTA by indicating that the conclusion of an FTA between ASEAN+3 would increase Japan's GDP by approximately 4 trillion yen and the combined GDP of the signatories by approximately 20 trillion yen, while an FTA between ASEAN+6 would increase Japan's GDP by approximately 5 trillion yen and the combined GDP of the signatory nations by approximately 25 trillion yen (METI, 2006). At the same time, METI also launched the proposal of the Economic Research Institute for ASEAN and East Asia (ERIA), which aims to serve as an "East Asian OECD," to formulate policy proposals and coordinating policy research networks towards regional economic integration. METI set up a new division for promoting East Asian economic integration within the International Trade Policy Bureau in October 2006 to efficiently manage ERIA including the budget planning. The 16-nation approach had begun with the EAS, an organization with no full-scale secretariat function. METI's proposal sought to provide a foundation for the promotion of the approach via the creation of an institution for the coordination of relevant policy, and it can be seen as a statement of intent on Japan's part that it sought to exert leadership within the 16-nation framework.

Behind this proposal, however, like MOFA's proposal of the EAS, was the intention to drive a wedge into the 13-nation ASEAN+3 framework advocated by China. This intention was generated by Japan's concern that a China-led approach to regional integration, in which China acted as a representative of the developing nations, would make it difficult to achieve progress in areas in which Japan sought cooperation, such as liberalization of the services sector and protection of intellectual property rights (*Nikkei*, 15 January 2007). Despite the fact that ASEAN voiced no objections to a 16-nation FTA and India, Australia and New Zealand actively supported the proposal, Yi Xiao Zhun, the Vice Minister of China's Ministry of Commerce, opposed the concept, indicating that ASEAN+3 was the main platform for East Asian economic integration and that the effort to realise regional integration should continue to be promoted within the 13-nation framework (*Jiji Press*, 24 August 2006). China further attempted to cement the framework, proposing in September 2004 the establishment of a study group on the 13-nation approach, bringing together scholars in the region, and commencing research on an FTA based on the ASEAN+3 framework. Primer Wen Jiabao (2004) also announced that US\$200,000 would be provided to the ASEAN Secretariat in order to further advance the 10+3 framework. However, these initiatives were interpreted by METI as indicating a strong desire on China's part to take over leadership of the East Asian region, and it recognized the 16-nation approach as an effective countermeasure (*Nikkei*, 28 July 2006). Despite the fact that an FTA between China and Japan will be essential to the success of East Asian integration and China is supposed to be interest in it, Japan has not as yet made any move at the official level towards the realization of an FTA with its largest trading partner, partly illustrating a worrisome impact of China's FTA move on Japan.

5. Structure level of analysis

The article has so far identified Japan's interest in forming the ASEAN+6 framework through the individual and ministerial level of analysis. It then moves to the regional structural level analysis, focusing on what structural features Japan's response to the rise of China created in East Asia. First, China's active East Asian diplomacy mainly through ASEAN and ASEAN+3 and Japan's subsequent response to it through the establishment of ASEAN+6 led to a power struggle between both countries over which would take the lead in the holding of the EAS. The ASEAN-Japan Commemorative Summit, held in Tokyo in December 2003, set a precedent in inviting the ASEAN leaders to a summit meeting outside the Southeast Asian region. Influenced by this,

China announced its desire to hold the first EAS with the participation of the leaders of Japan and South Korea in addition to the ASEAN leaders. The rivalry between the two nations manifested itself in a number of ways. Japan distributed a “concept paper” concerning cooperation in East Asia, including the EAS, to the nations involved; China countered with a “modality paper” concerning the holding of the summit. In addition, Japan opposed China’s proposal to host the second summit, and proposed that Japan should jointly chair the first summit with the host Malaysia. China answered this by stressing that only the host country should act as chair (Terada 2005:4-5). The rivalry between China and Japan over who should take the initiative in organising the first EAS added legitimacy to ASEAN’s claim to take the lead in holding it, with a catchphrase “sit in driver’s seat”. ASEAN was able to set three conditions for participation in the first EAS: that the participant country should (1) be a member of the Treaty of Amity and Cooperation (TAC) or be willing to become a member, (2) be a complete ASEAN Dialogue Partner, and (3) have substantive relations with ASEAN. The contention between China and Japan therefore actually functioned to the organization’s benefit. In fact, neither China’s offer to host the second summit nor Japan’s proposal to act as joint chair of the first summit was realized, as both refrained themselves from pushing their proposals strongly as a result of considering ASEAN’s concern. The China-Japan rivalry was one reason why ASEAN, despite its inferiority to those nations in terms of economic scale and political influence, was able to take the stronger role in the first EAS process.

This ASEAN-centred approach to East Asian cooperation also appears to be employed in the field of FTAs, as seen in the development of ASEAN+1 framework, in which ASEAN has acted as a single collective trading partner for its external regional counties. This is a foundation for METI consider CEPEA by combining five ASEAN+1 FTAs. Importantly, China’s proposal of FTA with ASEAN in 2000 made a large contribution to this movement, because, prior to this, ASEAN had never been regarded as a unit in the East Asian trade structure, and no nations had commenced FTA negotiations with the organization. China’s proposal accelerated the speed of market integration in ASEAN, which had previously lacked unity as a regional organization, especially after the Asian financial crisis, and inspired other nations specially to seek to conclude FTA with the association, and this trend has influenced the present vision of East Asian regional integration with ASEAN as the hub. Yet, given most of ASEAN members chose Japan as its first and only bilateral FTA partner, underscoring Japan’s distinctive status as the most significant trading and investment partner as well as aid giver in Southeast Asia,

the FTA diffusion was also attributed to Japan whose initial FTA strategy, based on those strong economic ties, promoted bilateral rather than ASEAN FTAs, distinguishing its FTA approach from those of China. Most of ASEAN members decided to start FTAs with Japan as a result of the concern about trade diversion to be caused by pre-existing FTAs signed by Japan with other regional countries (Terada 2009).

Second, the only institutional difference between ASEAN+3 and ASEAN+6 lies in the membership; the latter includes India, Australia and New Zealand, additionally, and Japan's interest in ASEAN+6 supported the involvement of these three extra regional countries in East Asia. As mentioned in the domestic analytical level, METI especially found it significant that the deepening involvement of three nations in the region through the conclusion of FTAs with regional countries resulted in an increased regional economic interdependence that encompasses these nations and established the foundation for the development of a 16-nation regional framework. In the case of Australia, the foreign policy priorities of the Howard government, which came into office in 1996, clearly differed from those of the Labor governments of Bob Hawke and Paul Keating (1983-1996), with shifts in focus from economic diplomacy to security issues, from a concentration on relations with East Asia to relations with the US and the UK, and from regionalism to bilateralism.

As a result, in 1999, pressing Indonesia to accept the presence of an international peacekeeping force during the struggle over the independence of East Timor, Prime Minister Howard announced the Howard Doctrine, which would see Australia directly involving itself in regional security as a "deputy sheriff" for the US (Hogue 2000). In 2002, following a bomb attack in Bali, he indicated that he would not rule out pre-emptive strikes by Australia in Southeast Asia in order to prevent terrorism. These statements aroused indignation in Southeast Asia, and clouded relations between Australia and the nations of the region. In addition, as the importance of APEC, which had long been highly valued by Australia under the Labor governments, began to decline, ASEAN+3, from which Australia was excluded, emerged as an influential new regional framework, and Australia found itself lacking an effective foundation for significant involvement in East Asia. The nation's isolation from the region was perceived to deepen.

However, following his election to a fourth term in office in October 2004, John Howard's foreign policy orientation underwent a transition. The government actively

engaged in building closer relationships in East Asia, in particular working to improve relations with Indonesia and Malaysia, which had deteriorated significantly. These efforts resulted in visits to Canberra by the leaders of both nations in May 2005. This represented the first visit to Canberra by a Malaysian prime minister in 23 years, and the fact that progress towards the conclusion of bilateral FTAs could also be observed won praise for the results of Howard's East Asian diplomacy from influential figures who had previously been vocal critics, such as former Prime Minister Paul Keating. The conclusion of bilateral FTAs also proceeded in parallel with the improvement in relations with Southeast Asia, with Australia concluding FTAs with Singapore in 2003 and Thailand in 2005². Australia's effort to be engaged in East Asia was a welcome move to Japan, and Japan tried to convince Australia to sign TAC, a precondition for it to be invited to EAS. Japan had examined the impact and implications of TAC for its foreign policy for it to sign in 2004, and the result of the analysis was delivered to Australia through its Embassy in Tokyo. Foreign Minister Nobutaka Machimura then suggested his counterpart, Alexander Downer, in their meeting in March 2005, that Australia sign the TAC which, Machimura argued, would not cause any serious problem for Australia's foreign policy (Terada 2005: 16). Japan's encouragement played a useful role for Australia's participation in EAS.

India has been pursuing a Look East policy since the mid-1990s, and in line with this has been steadily strengthening its ties with ASEAN. India became a dialogue partner at the ASEAN Summit in 1995, and has rapidly moved closer to Southeast Asia since 2000, being involved in the first ASEAN+1 Summit held in Phnom Penh in 2002, and agreeing to FTA negotiations with ASEAN at the ASEAN+1 Summit held the following year. As was the case of Japan, the impetus for India's desire to strengthen its economic relations with ASEAN was provided by China's proposal for an FTA with the organization in 2000 (Shiino 2005). India's deepening interest in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), participated in by India, Bangladesh, Myanmar, Thailand and Sri Lanka, was also stimulated by its status as a means of responding to China's increasing influence through entrenching regional cooperation with the countries involved (Zhao, 2007: 124).

² Like Australia and India, New Zealand has sought to realize a policy of increased involvement in East Asia via FTAs. New Zealand concluded bilateral FTAs with Singapore in 2001 and Thailand in 2005, and a quadrilateral FTA with Singapore, Chile and Brunei in 2006, and became China's first FTA partner among the developed nations.

As touched upon, these trends on the part of India, which also strengthened strategic relationship with the US like the case of Australia, were encouraging for Japan to form a regional force checking China's increasing influence together. In fact, it was Japan that strongly backed India when the latter offered the strongest objections to China's intention to establish an East Asian community based on a ASEAN+3 basis rather than a 16-nation EAS basis during the first EAS in 2005 (Terada 2005). Furthermore, the commencement for FTA negotiations between Japan and India was agreed upon when Prime Minister Singh's visit to Japan in December 2006, a move that initiated by Koizumi and signed by Abe. Japan's interest in India as a balancer against China was also palpable in strategic arena. For instance, Abe's support for the quadrilateral approach sustained by his emphasis on values such as democracy and human rights came to be strengthened after he met with the US Vice-President Dick Cheney in February 2007. They discussed the idea of India's possible participation in Japan, Australia and the US, to form a quadrilateral grouping among like-minded democratic nations³. This proposal led to an experimental attempt to form the grouping through the organization of an informal meeting in May 2007, participated by representatives from the four nations as a sideline meeting of the ASEAN Regional Forum. China was wary of such a move and issued "formal diplomatic protests to Australia, Japan, and India out of concern that they were forming a security alliance with the US against China" (Chanlett-Avery and Vaughn, 2008:3). Japan's effort to strengthen the strategic relations with India continued even after Abe, as it was chosen as its third nation, after the US and Australia, that launched a joint security declaration in November 2008.

In sum, Japan has at various turns become a follower or a reactive player to China's strategic moves that caused the structural changes in East Asia, but Japan's effort to preclude China's regional predominance partly through the formation of ASEAN+6 served to sustain regional cooperation since ASEAN was more integrated towards a single player and Australia's and India's regional engagement was encouraged.

6. Further structural changes

Whether ASEAN+6 will develop as an effective regional cooperation/integration framework depends on the continuation of global and regional structures that prescribed the conditions which Japanese leaders perceived in formulating this regional integration scheme. Yet, there have been several critical changes in the US-led structure, a

³ <http://www.mofa.go.jp/region/n-america/us/vpv0702.html>.

significant determinant of Japanese international behaviour, which have created a gloomy prospect for the development of ASEAN+6. Firstly, the US itself has pushed for the development FTAAP, as a competing regional integration scheme based on APEC. Secondly, the global financial crisis, which represents both the eroding international influence of the US and the growing international role of China with the world largest foreign reserves, has resulted in increasing calls for financial cooperation rather than trade liberalisation, an area that ASEAN+6 does not entail as a cooperative agenda.

While the US strongly supported the realisation of the EAS involving Australia and India, it was disappointed at having been excluded from market integration schemes such as METI's CEPEA. Partly motivated by what has been dubbed the "Nikai shock" by a US official (named after the then METI Minister), the US decided to push for FTAAP idea utilising APEC (*Nikkei*, 12 November 2006), meaning that there are now three economic superpowers in competition in terms of their different approaches to Asian integration; ASEAN+3, ASEAN+6, and FTAAP. In fact, industry bodies such as the National Association of Manufacturers and the US Chamber of Commerce and Industry have voiced their support of the plan, having feared the exclusion of the US as a result of the rising tide of East Asian regionalism (*Jiji Press* 5 February 2008). It is still unlikely, however, that FTAAP negotiations will commence immediately, although the US announcement to participate in an FTA formed in 2005 among Singapore, Chile, New Zealand and Brunei, called the Trans-Pacific Strategic Economic Partnership (TPP), has paved the way towards the eventual formation of FTAAP. If other countries, as Australia, Peru and Vietnam already did, seek to become involved and if the "TPP plus X" negotiations began; then the critical mass towards the formation of an FTAAP may be reached. Although the US interest behind the decision to participate in TPP was not to secure export markets due to the smaller size of markets in the original four members, the US regarded the TPP as a model for FTAAP because it was a "high-quality" FTA under which tariffs on all products would be eliminated by 2015, as former Assistant US Trade Representative, Wendy Cutler stated (*Nikkei* 20 October 2008).

The US-led FTAAP may make it difficult for Japan to vigorously promote CEPEA since some key members of APEC have developed an interest in FTAAP through their initial participation in TPP. The number of trade negotiators in most of the Asia Pacific governments is not large enough to be engaged in multiple negotiations including both bilateral and regional FTAs at one time. The prospects for CEPEA would become more

uncertain if Japan's rivals like South Korea, which has already signed an FTA with the US and almost completed one with the EU, decided to join TPP. Although China is yet to declare its interest in TPP, President Hu said China was ready to examine the possibility of joining FTAAAP (*China Daily* 25 November 2008). While the expansion of the TPP appears to be perhaps a more practical way of providing the momentum for the formation of an FTAAAP, no such scenario, based on the actual regional FTA situations, can yet be drawn in CEPEA.

While MOFA considered and supported the involvement of Australia as well as India by taking into account the US concern about the rise of China and the nature of ASEAN+3, a process where undemocratic or developing economies dominate and the views of developed or democratic nations would not be easily reflected, METI's interest in the framework was based on India's and Australia's economic role as the fastest growing largest economy and stable energy resource supplier, respectively. In addition, METI was worried that the US had less interest in Asian affairs under President Bush who was too preoccupied with wars in Iraq and Afghanistan. As a senior trade official in METI mentioned, the idea that CEPEA did not include the US was partly to call America's serious attention to Asian affairs, especially East Asian integration in which the US signed a bilateral FTA with Singapore only.⁴ Noboru Hatakeyama (2007) a former Vice-Minister of the Ministry, also indicated that participation by the US would be difficult if an East Asian FTA were to be formed, because the US does not geographically belong in East Asia. Japan invited US interest in the region, but, ironically, it used TPP as a way of eventually realising that FTAAAP which Japan found difficult to join. The comment made at the 2008 Peru summit by Toshihiro Nikai, Japan's Minister of Economy, Trade and Industry, to the effect that he had to hold off on giving direct answers (*Jiji Press* 21 November 2008) suggests that Japan has also received overtures regarding participation in TPP, although Japan is not in a position to support it as potential members in TPP include big agricultural exporters such as Australia and the US (*Nikkei* 19 May 2009).

The second structural change that negatively affected the prospects for ASEAN+6 is the global financial crisis that has helped enhance China's international voice and the financial cooperation which has been seen as a more urgent area to be tackled internationally. Financial cooperation, especially the Chiang Mai Initiative (CMI), a network of bilateral currency swap agreements designed to prevent another Asia

⁴ Personal interview with a senior official of METI, 7 August 2007, Tokyo.

financial crisis, has evolved around the ASEAN+3 framework, and it is the policy turf dominated by the Ministry of Finance (MOF) in Japan that has been hardly involved in the policy formation of ASEAN+6. It was senior officials of MOF such as Eisuke Sakakibara and Haruhiko Kuroda during the 1997 Asian financial crisis that proposed the establishment of an AMF, an Asian version of the IMF, although the scheme was opposed by the US out of concern over moral hazards, in addition to an insufficient explanation of the concept which generated suspicion regarding Japan's true motives in China and other Asian nation (Amyx 2002). As a result, the proposal was not realized, and the ASEAN+3 nations have worked to increase their foreign reserves, as well as to expand their CMI bilateral networks. Yet, CMI's links with the IMF through the 20 percent conditionality made it difficult for East Asian countries to use CMI. This was especially true for Thailand, Indonesia, and Korea; all of whom had traumatic experiences in securing IMF-led rescue packages during the 1997 Asian crisis. In 2008, Korea borrowed directly from the US by extending the bilateral swap agreement (\$30 billion) and increased the amount of reserves in its arrangements with Japan and China to avoid relying on the IMF and the CMI. Korn, the Thai Finance Minister, has stated that there was a widespread perception in East Asia that it was an act of suicide to rely on the IMF in light of domestic politics (*Asahi Shimbun* 27 February 2009).

Yet, the ASEAN+3 Finance Ministers' Meeting, held in Indonesia in May 2009, agreed to expand the total amount of CMI to US\$120 billion from \$84 billion and agreed on the contributions by all of the member states including Hong Kong. It was also decided to establish financial surveillance and monitoring systems, independent from the IMF, and to multilateralise bilateral swap arrangements, thereby encouraging a move towards the de facto realisation of the AMF. Through the multilateralisation of CMI, for instance, the amount of funding could be increased and negotiations could be consolidated; thereby CMI could serve as a regional lender that would be capable of responding in the event of a recurrence of financial crisis in the form of multilateral assistance. Also, as the previous ASEAN+3 Finance Ministers had already indicated in February 2009 by stating that "after the surveillance mechanism becomes fully effective in its function, the *IMF de-linked portion* may be increased from 20 percent", ASEAN+3 is strengthening its position as a more autonomous regional institution.

Importantly, China has been emerging as a leader in regional financial cooperation, a position that used to be predominantly occupied by Japan who played a prominent role in the 1997 Asian financial crisis, and Japanese competition with China over the leading

role in regional financial cooperation is an additional case to the patterned competition illustrated in the aforementioned cases of the FTA and EAS. China's proposal to eventually replace the US dollar as a main reserve currency with the SDR; as explicated by PBC Governor, Zhou, stimulated MOF which saw China's proposal as an attempt to increase the presence of the Renminbi in the payment of trades and investments in East Asia. MOF responded to China's challenge by deciding to offer swap arrangements in yen (\$60 billion US dollar equivalent), in a form separate from CMI. This first kind of proposal was intended to increase the utilisation of the yen in Asian trades and investments, seeing China's interest in using its own currency (*Nikkei*, 3 May 2009). Competition between China and Japan evolved over which should make the greater contribution. For instance, when the first official summit between Japan, Korea, and China was held in December 2008 in Fukuoka, Japan and China decided to increase their financial commitment to their bilateral swaps with Korea – whose currency was substantially devaluated at that time. The issue was heavily contested as to which would provide the larger amount. Both eventually agreed to contribute equally; China increased from \$4 billion to \$30 billion, while Japan increased from \$13 billion to \$30 billion. The battle over "which pays more" was also seen in the abovementioned multilateralisation of CMI in May 2009; again, both agreed to provide equal contributions of \$38.4 billion for the settlement, although the Chinese contribution includes one by Hong Kong. As ASEAN+6 is yet to include financial cooperation on its agenda, the evolution of ASEAN+3 as a regional financial institution, triggered by the global financial crisis, China's increasing engagement in the regional financial cooperation and MOF's growing sense of competition against China, has obstructed Japan's ambition to utilise ASEAN+6 as a dominant regional framework.

7. Conclusion

This article has considered how changes in the US-led structure have influenced Japan as the agent in which regional integration within the ASEAN+6 framework was generated, by focusing on the process by which consideration of a countermeasure to the rise of China led Japan's Ministries – such as MOFA and METI – to propose and advocate the EAS and the CEPEA, respectively. When viewing Japan's policies in relation to East Asian regionalism in the light of its own concerns over China's rise, and also its consideration of the US desire for a response to that rise, it can be asserted that Japan has not moved beyond its traditional status as a "reactive state". Furthermore, in this case the regional structure in which China's challenging behaviour was more directly relevant, can be considered to have exerted a strong influence on the Japanese

state as an agent, but the process can be seen as its own effort to create a regional structure to its favour.

This article also demonstrates the existence of the agent-structure relationship in domestic politics; relevant bureaucracies formulate international policies by taking the policy stances of Prime Ministers and their worldviews into account. For example, Abe strongly initiated a strategic dialogue among Japan, the US, India, and Australia in 2007, and he upgraded the status from bureau chief-level to vice ministerial-level. The Prime Minister's influence on regional policy can also be attributed to the decline of this policy dialogue: Abe, who stepped down as Prime Minister in September 2007 due to his bad health, was replaced by Yasuo Fukuda, who displayed little enthusiasm for continuing with the four-nation strategic dialogue, the stance of which was natural given his greater emphasis on the relationship with China in his foreign policy approach.

This article also demonstrates the more recent changes in the structure, highlighted by the US initiative in the promotion of FTAAP and the re-emergence of ASEAN+3 triggered by the global financial crisis and China's aggressive initiative. It also analyses how these events have dimmed the prospects for ASEAN+6, since these changes meant the transformation of the preconditions behind the birth of ASEAN+6 in Japan. Also, a chief agent at the time of the global crisis was the MOF, which was hardly involved in the ASEAN+6 formation process. Just like MOFA and METI, however, MOF has been engaged in competition with China over the financial cooperation initiatives around ASEAN+3. Although the strengthened financial cooperation in ASEAN+3 appears to have functioned to weaken the ASEAN+6 framework, the continuity of the China-Japan power struggle in East Asian regionalism, having thus far served as a contributor to the proliferation of bilateral FTAs, the signing of TAC, and the organisation of EAS; illustrates the rise of China as a dominant part of a regional structure that, together with the US foreign policy direction, has had a considerable impact on Japan's regionalism policy

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