

The Trans-Pacific Strategic Economic Partnership and its Implications for China's Role in East Asia Regional Integration*

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International relations have undergone major transformations since the end of the Cold War. With the collapse of the Soviet Union and retreat of communism, the rise of liberalism pushed the world towards temporary peace while facilitating the spread of global capitalism. The collapse of the iron curtain and developments in technology ushered in the age of globalization, in which states become highly interdependent, and ideological confrontation and military competition have yielded their place to the market and economic cooperation. However, the stagnation of negotiations towards liberalization since the WTO Doha round provided a wakeup call for many states. States no longer simply embrace the ideal of multilateral trade liberalization and begin to adopt a more pragmatic approach towards global trade. Under the conception of “gaining the entry ticket first before upgrading the seat,” states have turned their attention to the formation of regional trading networks, hoping to increase bilateralism before pushing for multilateral and trans-regional linkages.

The development of regionalization in East Asia has lagged far behind the European Union (EU) and the North American Free Trade Area (NAFTA). Regionalization in East Asia only began to take off after the Asian financial crisis, with the political and historical contradictions in the region affecting the delay in regional cooperation. Even though China, Japan and Korea have subsequently proposed schemes for regional cooperation since the early 1990s, territorial disputes and historical conflicts have hindered the realization of regional projects. Currently, regionalization in East Asia is centered on ASEAN. Over the years, ASEAN has expanded from the original ten countries in Southeast Asia to overlapping regional architectures that have different strategic implications such as ASEAN + 3 (China, Japan, Korea), ASEAN + 6 (China, Japan, Korea, India, Australia, New Zealand) and ASEAN + 8 (U.S., Russia, China, Japan, Korea, India, Australia, New Zealand).

Realization of the China-ASEAN Free Trade Area (CAFTA) in 2010 heralded a new era in the development of regional integration in East Asia. The effect of CAFTA was to push Japan and Korea to hasten their footsteps in negotiating for free trade with ASEAN while symbolizing

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the growing political and economic status of China in the region. As the power transition theory predicts, China's growing influence in East Asia is a potential challenge to the U.S., which has served as a dominant stabilizing force in the region since World War II (WWII). The debacles in Iraq and Afghanistan and the 2008 financial crisis have invigorated discussions on the decline of U.S. hegemony, which has sought to re-engage the world in a more open and cordial manner since the inauguration of the Obama administration. The U.S. strategy to "return to Asia" is an important part of Washington's grand strategy, while the Trans-Pacific Strategic Economic Partnership (TPP) is the basic framework through which the U.S. seeks to re-consolidate its position in East Asia.

As an extension of APEC, the TPP once again stimulates the competition between the two wide trends of regional integration in East Asia, namely East Asianism and Asia Pacificism. With trade agreements serving both economic and strategic purposes, the TPP has the potential to change the political and security environment in East Asia. This work addresses the economic and strategic implications of the TPP and China's strategic debate on the TPP, describing the development of regional integration in East Asia, and then examining the potential implications of the TPP on the process and China's strategic debate on the new U.S. initiative.

East Asia Regional Integration

After the outbreak of the financial crisis in Asia in December 1997, states in Southeast Asia initiated the call for regional integration aimed at trade liberalization through cooperation among states in the region. The inaugural "ten plus three" meeting among the ten states of Southeast Asia and China, Japan and Korea (CJK) was held in Malaysia. State leaders exchanged views on the future of regional development and cooperation, and officially established the ASEAN + 3.¹ At the same time, ASEAN initiated individual dialogues with China, Japan and Korea separately, establishing the ASEAN + 1 that parallels the "plus three" mechanism. The establishment of ASEAN + 1 and ASEAN + 3 were the first signs of development towards regional integration in East Asia. Many observers and experts see ASEAN as potentially becoming the third regional bloc after the EU and NAFTA in the near future.

The key to whether regional integration can succeed in East Asia is linked to the related question of whether harmony can be established in Northeast Asia, especially the improvement of relations between China and Japan. Through the ASEAN + 3 mechanism, an informal breakfast meeting among the leaders of CJK was held alongside the 1999 ASEAN Summit. In 2001, the CJK leaders agreed to pursue negotiation and cooperation within the ASEAN framework and establish ministerial meetings in trade.² In the 2003 ASEAN Summit held in Indonesia, the leaders of CJK signed the Joint Declaration on the Promotion of Tripartite Cooperation and agreed on the strengthening of nine categories of cooperation, including trade, investment, energy, technology and tourism. CJK followed up with the signature of the Action Strategy on Trilateral Cooperation in 2004 aimed at realizing the joint declaration.³

The outbreak of global financial crisis in 2008 hastened the footstep towards cooperation in Northeast Asia, a process that was slowed down due to maritime disputes in the region and instability on the Korean peninsula. In December 2008, the first CJK trilateral summit meeting was held in Fukuoka, Japan, with the CJK leaders finally sealing cooperation among the three countries with the signing of the Joint Statement for Tripartite Partnership.⁴ Although the Choenan ship incident, the shelling of Yeonpyeong Island and U.S.-R.O.K. joint military exercise in the Yellow Sea in 2010 disrupted regional stability, CJK managed to agree on the Trilateral Vision

2020 and establish the trilateral cooperation secretariat.⁵ As a result of the earthquake in Japan in March 2011, the range of cooperation between CJK expanded from economic and climate change issues to encompass nuclear safety, disaster management and sustainable growth through the promotion of renewable energy and energy efficiency.⁶

Currently, regional integration in East Asia develops along multiple tracks centered on ASEAN. Even though ASEAN provided an interface for communication and exchange, tensions between China and Japan remain difficult to resolve and often hinder the further progress of regional integration. On the other hand, in order to maintain an independent identity and policy autonomy, ASEAN has adopted a balancing strategy that puts the organization at the center of regional integration while inviting other powers to enter the ASEAN mechanism in an effort to realize balance of power. In 2005, ASEAN expanded to ASEAN + 6 with the participation of Australia, New Zealand and India.⁷ With the U.S. and Russia's participation in the East Asia Summit in 2009, ASEAN once again expanded into the ASEAN + 8, complicating the picture of regional integration in East Asia.⁸

The Trans-Pacific Strategic Economic Partnership

In November 2009, the U.S. Trade Representative (USTR) announced the participation of the U.S. in the "Trans-Pacific Partnership" (TPP) at the annual APEC summit meeting, and brought instant global attention on the previously low profiled "Trans-Pacific Strategic Economic Partnership" or "P-4."⁹ As early as 1998, the U.S., Australia, New Zealand, Singapore and Chile expressed joint interest in establishing a preferential trade arrangement (PTA) for the liberalization of trade in the region. However, the U.S. failed to join the arrangement in the end, leaving only Singapore and New Zealand to establish PTA between them.¹⁰ In 2002, Singapore, New Zealand and Chile announced the initiation of negotiations for closer economic partnership (CEP), establishing the P-3. In 2005, Brunei joined the negotiation and the parties reached an agreement in July of the same year, establishing the P-4.

Since original members of P-4 consist of small trading states, P-4 or the TPP did not gain much attention in the great wave of regional integration in East Asia. The Obama administration's announcement to join the TPP brought new life and spotlight to the henceforth little known P-4 agreement. The TPP is an important part of the Obama administration's "return to Asia" strategy and consists of multiple economic, political and strategic meanings. Since 9/11, the U.S. has invested much of its attention and resources in the anti-terrorist campaign in the Middle East while seeking to maintain a positive relationship with Europe, which leaves Asia to suffer from the "benign neglect" of the U.S.¹¹ Faced with China's rapid rise and prosperous development in Asia that stood in stark contrast with a decrepit domestic economy swept over by the 2008 financial crisis, the Obama administration sought to mitigate the domestic recession at home through improved relations with the fast growing East Asian economies.

February 2009, U.S. Secretary of State Hillary Clinton visited China, Japan, South Korea and Indonesia on her first state visit abroad, setting an unprecedented mark in the track record of inaugural state visits by the U.S. Secretary of State. Clinton's trip to Asia has the effect of highlighting Asia's importance in Obama's global strategy. On the other hand, Obama called on Japan in November and publicly expressed Washington's determination to return to Asia. In his Suntory Hall speech, Obama expressed that "[the U.S.] have a stake in the future of this region, because what happens here has a direct effect on our lives at home," and adding that "as a Asia Pacific nation, the United States expects to be involved in the discussions that shape the future of this region, and to participate fully in appropriate organizations as they are established and

evolve.”¹² In the same address, Obama mentioned the TPP by pointing out that “the United States will also be engaging with the Trans-Pacific Partnership countries with the goal of shaping a regional agreement that will have broad-based membership and the high standards worthy of a 21st century trade agreement.”¹³

With the U.S. expression of interest in joining the TPP, Australia, Peru and Vietnam have subsequently expressed interest in participating in the negotiations, which essentially expands the P-4 to P-8.¹⁴ In October 2010, Malaysia also entered the negotiation, giving rise to the P-8 + 1.¹⁵ Currently, Canada, Japan, Philippine and Taiwan have also expressed interest in the TPP. USTR chief representative Ron Kirk has suggested that the TPP is a good way to expand American trade exports and increasing high quality job opportunities.¹⁶ In terms of the current list of participating states, most are medium and small states with the exception of the U.S. If the U.S. is deemed as the heart of the development of TPP, it is clear that the current participants are neither Washington’s main trading partners, nor the main economies in the Asia-Pacific region. With free trade already established between the U.S. and Singapore, Australia, Peru and Chile, Kirk points out that the benefit of the TPP is that the U.S. may connect with other economies in the Asia-Pacific through the plan, first touching upon neighboring Canada and Mexico before extending its reach to Japan and South Korea.¹⁷

In the Suntory Hall speech in Tokyo, Obama expressed that TPP “will have broad-based membership and the high standards worthy of a 21st century trade agreement.”¹⁸ The statement refers to two important characteristics of the TPP. First, “broad membership” means that the TPP will be “open”; the agreement is open to new memberships in time.¹⁹ The U.S. adopts the so called “open regionalism” strategy, in which members construct their identity around an agreement that expands in membership and scope over time. Second, “high standards” refer to the fact that the TPP will include negotiations on issues such as intellectual property rights, labor standards and environmental protection, aside from traditional trade related issues such as tariff reduction and the elimination of non-trade barriers.²⁰ Besides distinguishing the agreement from traditional trade agreements, the TPP is a response to the growing influence of non-traditional security issues in IR and corresponds to the Obama administration’s policy search for a balance between economic development and environmental protection.

The TPP is essentially an extension of the U.S. conception of regional integration in Asia. Based on the development route of APEC, the TPP’s geographic scope includes the U.S., Canada, Australia, New Zealand, South America and all other countries in the Pan-Pacific area and the main goal of the TPP is to realize free trade in the Asia-Pacific region. The U.S. has expressed support for the establishment of the Free Trade Area of the Asia Pacific (FTAAP), which was followed up by the support of many countries in the region as well.²¹ With the introduction of the TPP, Washington gives new life to the so called Asia-Pacificism in East Asia while the “open” characteristic of TPP directly challenges East Asia’s “closed regionalism.” In contrast to APEC or TPP’s open approach towards new membership, East Asia integration that revolves around ASEAN traditionally adopts a “closed” approach towards new membership, confining the scope of the framework to East Asia (the ASEAN 10 and CJK) and excluding other countries on the far end of the Pacific.

Economic and Strategic Implications of the TPP for China

Current development clearly suggests that the TPP entails both economic and strategic implications for East Asia. In terms of the TPP’s implications for China, the issue may be understood in

the context of a fast-changing East Asian order with Sino-U.S. relations defining many of the changes in the region. Even though Washington has suffered major setbacks in the Middle East that have severely shaken its status in the world²² as the main export market for many East Asian countries, and nevertheless a dominant economic power, although perhaps on the decline, U.S. economic influence continues to be effective in East Asia despite China's rise. On the other hand, as long as China remains an authoritative state with growing military prowess, Washington will continue to have a role as the guardian of regional security in East Asia, and the hub-and-spoke architecture will continue to have its functions. Regardless of the debate on the U.S. declining status, Washington's presence in East Asia cannot be neglected, and the TPP is merely the latest action taken by the superpower.

With the Obama administration making a great effort to re-engage Asia through the TPP, one may notice that Beijing would need to take several important issues into consideration. Strategically, with China finally able to gain some regional support from Southeast Asia through the establishment of the CAFTA and its participation in multilateral institutions, such as ASEAN, it is important for China to secure this support in order to realize its interests of peaceful rise in power and continued economic development. The TPP poses as a potential challenge to China's plans, as renewed U.S. presence in Asia may divide Southeast Asia's support for China. Economically, China is currently in the lead in the regional race for establishing RTAs. Establishment of the CAFTA seems to mark the new center for future economic integration in East Asia, replacing other schemes such as ASEAN plus and APEC, while suggesting a potentially new role for China to take the helm in regional integration. As an extension of APEC, the TPP is bound to challenge China's new regional role and complicate economic integration in East Asia.

Challenges to China-Southeast Asia Relations

Since the Asian financial crisis, China has greatly improved its relations with Southeast Asia. By keeping the *renminbi* from devaluation, China partly alleviated Southeast Asia's economic challenge by placing limits on potential export competition. China's move, which stands in stark contrast with painful structural reforms dealt by the western dominant International Monetary Fund (IMF), caused Southeast Asia's approach towards Beijing to shift from one of caution to arms wide open.²³ China-Southeast Asia relations quickly warmed after the Asian financial crisis, ultimately culminating in an early harvest agreement that provides the basis for the establishment of free bilateral trade and financial initiative towards the establishment of an Asian led institution that would provide assistance for regional economies facing difficulties (Chang Mai Initiative).²⁴

However, growth in bilateral relations between China and Southeast Asia began to slow down with the changed global atmosphere after 9/11 and China's continued rise towards great power status. The terrorist attack of 9/11 caused the U.S. to initiate an anti-terrorist campaign that included Southeast Asia as a key region for combat, as Southeast Asia harbors a great Muslim community and fundamentalist groups such as Jemmah Islamiyah, Front Pembela, Laskar Jihad, Abu Sayyaf, New People's Army and the Kumpulan Mujahidin Malaysia.²⁵ Washington's move towards Southeast Asia in the Bush administration represents a great turn from its traditional policy of "benign neglect" toward the region, which devoted more attention to the Middle East.²⁶ The U.S.' renewed interest in Southeast Asia essentially provides some friction in the latter's improving relations with China. As China's economy continued to soar, its influence translated into increased political and military power, which in turn generated widespread speculations on how China seek to use its new gained influence. Arguments for China's potential turn

towards revisionism and challenge against the international system effectively swayed the opinion of China in Southeast Asia,²⁷ once again causing some countries in the region to consolidate ties with the U.S. as a safety valve against sudden moves by China.²⁸

The TPP is merely the latest initiative by the U.S. that would stimulate debates on the China question once again and cause many East Asian countries to rethink their strategic choices under the dominant framework of Sino-U.S. relations. Regarding Southeast Asia, it is clear that re-initiation of the TPP has given rise to the phenomenon known as “hedging,” which is a risk averse strategy adopted by small powers in the event of competition among two or more great powers.²⁹ The emergence of a delicate balance of power between Beijing and Washington has convinced many Southeast Asian countries to adopt a hedging strategy, engaging China and the U.S. at the same time in order to avoid a zero-sum situation where no optimal choice exists.³⁰ Among ASEAN members, Singapore, Malaysia, Vietnam and Brunei have entered the TPP negotiations. If the TPP makes significant progress towards realization, it may not be surprising if Washington’s traditional regional allies such as Thailand and Philippines would quickly seek to enter the negotiations as well. In China’s view, division of Southeast Asia’s support would effectively undermine its regional influence and generate suspicions on Beijing’s future intentions, which are both developments that China seeks to avoid.

Challenges to China’s New Role in Regional Integration

The signing of the Framework Agreement on Comprehensive Economic Cooperation in 2002 between China and ASEAN officially put the China-ASEAN FTA (CAFTA) in motion. The CAFTA market has a population of almost two billion people and a total sum of production of \$7.7 trillion.³¹ The region is the largest free trade area in terms of population while trailing only NAFTA and the EU in terms of economic scale. Bilateral trade between China and ASEAN blossomed after the Asian financial crisis. China’s imports from ASEAN increased from 12.4 billion USD in 1997 to 154.6 billion USD in 2010, while exports to ASEAN increased from 12.7 billion USD in 1997 to 138.2 billion USD in 2010.³² Even though China was only ASEAN’s fifth largest trading partner, fifth largest export market and third largest source of imports in 2005, China’s trade with ASEAN (\$202.5 billion) surpassed trade between U.S. and ASEAN (\$171.7 billion) in 2007, making China the largest trade partner of ASEAN.³³

As the first country in East Asia to establish free trade with ASEAN, China is currently in the position of taking on the leadership role in regional integration. In contrast to Japan’s stagnant economy and U.S. economic decline after the 2008 financial crisis, China’s continuing high economic performance makes the country a suitable center for regional integration. Adjusted for purchasing power, China stands as the second largest economy in the world after the U.S. with USD 9.872 trillion in GDP (2010).³⁴ China’s total export has grown from USD 1,400 million in 2005 to over USD 1,500 million in 2010.³⁵

Despite high economic performance, perhaps the biggest obstacle against China’s leadership in regional integration is Beijing’s reluctance to accept a greater role in the international community. Although the CAFTA remains the only intra-regional free trade area currently enforced between two or more entities, establishment of the CAFTA may merely be a move by China to advance its goal of a stable neighborhood beneficial for continued domestic economic development. On the other hand, regional integration in East Asia demands the joining of North-east and Southeast Asia into a free trading bloc. There are currently no hints that Japan and the U.S. are going to stop vying for a dominant voice in regional integration.³⁶ Washington’s ad-

vancement of the TPP proposal at this time effectively forces Beijing to demonstrate its stance on regional integration. If China seeks to remain ahead of the game in regional integration, it may be forced to make a strong gesture or offer more concessions toward Southeast Asia in order to keep the region from sharing its support with the U.S. However, China may face tough competition in the tug of war over Southeast Asia, as the U.S. may be expected to respond with further concessions such as the consolidation of security ties with regional allies. Meanwhile, the price of inactivity against the TPP may be to encourage many countries in the region to adopt a hedging strategy against China, which would result in a regional environment with substantial U.S. influence - this is a price China may be equally reluctant to pay.

Washington's New Containment Strategy

The term "containment" has its origin in the U.S. strategy against the Soviet Union during the Cold War, which was a period dominated by ideological rivalry and mutually assured destruction (MAD). Although Mearsheimer points out differences in the comparison between U.S.-Soviet competition in the Cold War and the current competition between the U.S. and China,³⁷ at least from Beijing's perspective, it may be difficult not to suspect a new containment strategy in the making from Washington. One only needs to trace the progression of the Obama administration's foreign policy in Asia to understand the doubts in Beijing.³⁸

In terms of geopolitics, even without introducing the TPP, the hub-and-spoke system established since the end of the Korean War has already laid down a line of defense against Soviet communism during the Cold War, which is a system that is now conveniently re-oriented by the U.S. to target a rising China in the new century. Unlike the Cold War, China has opened up to the world since 1978 and its economy has been bolstered by a great amount of foreign investment and trade with the outside world. However, Japan, South Korea and Taiwan have yet to completely rest their guard against Beijing. With the exception of Taiwan, it is important to point out that aside from the expression of an increased role for Asia in U.S. foreign policy through Clinton's state visit to East Asia in 2009, the chosen destinations for Clinton's trip and ensuing diplomatic forays abroad by Obama provide room for strategic imagination.

First, Clinton stopped in Tokyo and Seoul and called on both countries to reaffirm their relationship with Washington before ending her trip with stops in Jakarta and Beijing. Obama followed Clinton's calls on Japan, South Korea, China and Indonesia in February with visits to the respective countries as well in November 2009.³⁹ However, on his trip to Asia in the following year, Obama visited Japan, South Korea, Indonesia and India, but did not make an extra stop in China, which perhaps hints at adjustments in Washington's strategic calculus. Regardless of Washington's strategic planning, at this point, it is clear that the U.S. has sketched a rough picture of containment centered on China: with Taiwan at the mid-point of the line of defense, the line stretches north to Japan and South Korea while stretching south to the Philippines,⁴⁰ Malaysia, Singapore and Indonesia, before reaching around the Indochina peninsula to India.

Washington's line of containment is further reinforced in 2011 with engagements with Myanmar and Australia. On November 30, 2011, Hillary Clinton became the first U.S. Secretary of State to visit Myanmar in fifty years.⁴¹ Sharing borders with China, Myanmar would contribute significantly to Washington's strategy in Southeast Asia. On the other hand, also in November, U.S. President Obama pledged to establish a new military base and deploy up to 2,500 U.S. marines to Australia's Northern Territory by the end of 2012.⁴² While honoring the sixtieth anniversary of the ANZUS alliance, discussing the issue of TPP and China's role, Obama states firmly

that the situation is “win-win” if China plays by the rules. “At times where they’re not, [the U.S.] will send a clear message to them that we think that they need to be on track in terms of accepting the rules and responsibilities that come with being a world power.”⁴³ Obama’s statement leaves room for speculation on Washington’s intentions behind the TPP.

To Join or Not to Join: China’s Strategic Debate on the TPP

A survey of the TPP suggests that the plan entails major implications for China that may upset Beijing’s strategic planning in the near future. Besides concerns over the aforementioned impacts of the TPP on China, at least two further consequences are worth noting. First, as the TPP clearly offers the option of hedging against China for many countries. In terms of Cross Strait relations, the TPP seemingly offers a similar hedging option to Taiwan. The TPP’s low entry threshold and particularly its non-emphasis on sovereignty suggest that Taiwan now has a strong third option in its effort to participate in regional integration. Sovereignty dispute with China has chronically limited Taiwan’s potential international space and contributed to the country’s marginalization in the regional integration process in East Asia, as establishment of FTA is hinged upon the precondition of the state as the parties to the agreement.⁴⁴ By tapping into the sovereignty question, Beijing has effectively shut out Taipei’s participation in regional integration while using its economic advantage as leverage for Taiwan’s eventual political submission. If Taiwan successfully participates in the TPP, the delicate three way balance between U.S., China and Taiwan may be tipped once again, with this time being more in favor of Taiwan than China.

Second, realization of the TPP would not only bring U.S. influence back into East Asia, but also a stronger U.S. presence in the region would inevitably reinforce the confidence of Washington’s regional allies and change the balance of power in East Asia. With the U.S. serving as the driver of the TPP, the plan essentially corresponds with and reinforces Washington’s traditional hub-and-spoke strategy in East Asia. In contrast to the multilateral characteristic that regional integration entails, the Trans-Pacific Partnership suggests bilateralism between the U.S. and Asia Pacific. Based on firmer ties with the U.S., Japan and Korea may be encouraged to make stronger responses on security matters concerning China (maritime island disputes; Cross Strait relations) and advance their respective economic interests by engaging Southeast Asia while balancing China with U.S. support. In addition, ASEAN may continue to adopt a balance of power strategy that maximizes its benefits while playing off the main regional powers.⁴⁵ Transformations to the East Asian power structure potentially generated by the TPP suggest a strategic environment that may isolate China’s influence inland and challenge the country’s continued economic development.

Clearly, realization of the TPP would have an important impact on East Asia and China’s strategic calculus. Despite much debate on the “most suitable form” of integration in East Asia between ASEAN, with China or Japan as the center, and APEC, with the U.S. as the center, which has grown to resemble an extension of Sino-U.S. competition, China confronts a conundrum with the introduction of the TPP. Washington’s TPP proposal aims at shaping a multilateral atmosphere in the Asia-Pacific that does not exclude the participation of Beijing. In other words, besides ASEAN plus new members, China is now offered an alternative choice for shaping the regional environment. Both the choices of joining or remaining outside the TPP entail serious challenges for China.

If China expresses its interest in participating in the TPP, the move essentially implies China’s recognition of a stronger U.S. role in the region and Washington’s potential leadership in

regional integration. Although participation in the TPP would no doubt reduce some suspicion against Beijing's revisionist sentiment, such a gesture may also suggest China's admitted weakness in the face of the U.S. and cause other East Asian countries, particularly in Southeast Asia, to gradually shift more support toward Washington. The gravitation of support away from China would inevitably cut short Beijing's earlier attempts to establish a regional sphere of interest, which is a symbol of power that consolidates great power status.

On the other hand, if China remains outside the TPP, neighboring countries would have more reasons to suspect Beijing's intentions and hedge their support. Even though Beijing would appear dignified on the international stage, symbolizing its increased power, the move may be a signal for Washington to remain vigilant against Beijing and possibly further strengthen its relationship with East Asia. Beijing and Washington may ultimately be engaged in a strategic game, perhaps a new Cold War, in which both powers try to consolidate their status in the international system by attracting the support of other states. As the Cold War experience suggests, ideological and political competition eventually boiled down to a war of economic attrition between the competing powers. History probes China to consider the TPP carefully. The key question is whether China is ready.

Conclusion

While the TPP is yet to be realized, coupled with the U.S. foreign policy emphasis to "return to Asia" in the Obama administration, the plan already hints at potential changes to the balance of power in East Asia. The TPP has already attracted the interest of Australia, Japan, Taiwan and many Southeast Asian countries, which effectively diverts attention away from the previous regional atmosphere oriented towards China and ASEAN plus as the hub of integration. China's continuing economic rise make Beijing the obvious target of the TPP proposal. This is a conclusion that can be easily deduced from U.S. economic troubles and declining status due to overtures in the Middle East. As long as the U.S. remains anxious over the future development of China, one can expect Washington to make further moves to probe into the future intentions of Beijing. The TPP may be merely an open act.

If the TPP is regarded as a testing ground against China's intentions, China has yet to make a clear response. Beijing's hesitation may not be difficult to understand, as either joining or remaining outside the TPP carry risks that would challenge the important interest of domestic development. Although it remains to be seen how China would respond to the TPP, the conclusion that Beijing would easily forfeit its gains in Southeast Asia seems implausible. After all, enforcement of the CAFTA has prompted Japan and Korea to hasten the progress of free trade negotiations with ASEAN while the TPP remains under negotiations. In addition, the TPP is also hinged on U.S. leadership and the health of the U.S. economy, which are confronting ever more challenges due to a changing international system with more rising powers, and domestic instability caused by slow economic recovery. In short, China seems to have more bargaining chips than it has openly acknowledged. Whether China succeeds in responding to the TPP would irrevocably determine its international status in the future.

Notes

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- ¹¹ Diane Mauzy & Brian Job, “U.S. Policy in Southeast Asia: Limited Re-engagement after Years of Benign Neglect,” *Asian Survey*, Vol.47, No.4 (2007), pp.622-41.
- ¹² “Remarks by President Barack Obama at Suntory Hall,” <http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-suntory-hall>
- ¹³ Ibid.
- ¹⁴ Liao Shun-Yo, “xian jieduan yatai quyuzhenghe zhi fazhan qushi,” (Current Development of Asia-Pacific Regional Integration) *APEC Newsletter*, No.17 (March 2010), p.42.
- ¹⁵ At the completion of this writing, nine rounds of TPP negotiations have been completed: Melbourne, Australia (2010.3.15-18); San Francisco, U.S.A. (2010.6.14-18); Brunei (2010.10.7-8); Auckland, New Zealand (2010.12.6-8); San Diego, U.S.A. (2011.2.14-18); Singapore (2011.3.24-4.2); Ho Chi Ming City, Vietnam (2011.6.15-24); Chicago, U.S.A. (2011.9.9-15); Lima, Peru (2011.10.24-28).
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- ¹⁷ Ibid.
- ¹⁸ “Remarks by President Barack Obama at Suntory Hall,” *op. cit.*
- ¹⁹ Chinese Taipei APEC Study Center, “cong TPP de tedian yu meiguo jiaru de dongyin kan yatai zhengjin xianshi” (An Analysis of Political and Economic Development in the Asia-Pacific based on the Characteristics of TPP and the U.S. Motive for Participation) *APEC Newsletter*, No.139 (April 2011), p.8.
- ²⁰ Ibid.
- ²¹ Ian Fergusson & Bruce Vaughn, “The Trans-Pacific Strategic Economic Partnership Agreement,” *CRS Report for Congress* R40502 (December 7, 2009), p.3-4; Meredith Kolsky Lewis, “The Trans-Pacific Partnership: New Paradigm or Wolf in Sheep’s Clothing?” *Boston College International and Comparative Law Review*, Vol.34, No.1 (2011), p.27-52.
- ²² As Chao points out, U.S. economic hegemony is confronting structural difficulties expressed in anti-American sentiments around the world, domestic economic downturn and massive economic and human cost involved in the long war in Afghanistan and Iraq. See: Chao Chun-Shan, “meiguo tiaozheng yatai anquan zhanlue: zhonggong de

renzhi yu duice” (The U.S. Adjusts the Asian and Pacific Security Strategy: Chinese Communist Party’s Cognition and Countermeasure), *Studies on Chinese Communism*, Vol.45, No.12 (2011), p.76.

²³ Hung Ming-Te & Tony Tai-Ting Liu, “Sino-U.S. Strategic Competition in Southeast Asia: China’s Rise and U.S. Foreign Policy Transformation since 9/11,” *Political Perspectives Graduate Journal*, Vol.5, No.3 (2011), p.100.

²⁴ C. Randall Henning, “The Future of the Chiang Mai Initiative: An Asian Monetary Fund?” <http://www.iie.com/publications/pb/pb09-5.pdf>

²⁵ See: Chen Pei-Hsiu, “guoji kongbuzhuyi fazhan yu dongnanya anquan qinshi de yanhua” (The Development of International Terrorism and Its Implications on Southeast Asian Security Complex), *Review of Global Politics*, No.13 (2006), pp.21-40; “balidao baozha shijian hou dongnanya kongbuzhuyi yu anquan qinshi de yanhua” (After Bali: The Evolution of Terrorism and Its Implications to Southeast Asian Security), *Review of Global Politics*, No.18 (2007), pp.53-76.

²⁶ Mauzy & Job, *op. cit.*

²⁷ Regarding the debate on China’s potential revisionism, many scholars hold the view of an emerging China threat. See: John Mearsheimer, “The Gathering Storm: China’s Challenge to U.S. Power in Asia,” *Chinese Journal of International Politics*, Vol.3, No.4 (2010), pp.381-396; “China’s Unpeaceful Rise,” *Current History*, Vol.105, No.690 (2006), pp.160-162; Robert Ross, “Assessing the China Threat,” *National Interest* (Fall 2005), pp.81-87. For counter arguments against the China threat theory, see: David Kang, “Why China’s Rise Will Be Peaceful: Hierarchy and Stability in the East Asian Region,” *Perspectives on Politics*, Vol.3, No.3 (2005), pp.551-554; Alastair Iain Johnston, “Is China a Status Quo Power?” *International Security*, Vol.27, No.4 (2003), pp.5-56.

²⁸ As ASEAN Secretary General Surin Pitsuwan succinctly points out, “the United States is the only country that can provide a sense of security in Southeast Asia.” See: The Asia Foundation, *America’s Role in Asia: Asian and American Views*, available online at: <http://asiafoundation.org/resources/pdfs/AmericasRoleinAsia2008.pdf>

²⁹ Renato Cruz De Castro, “Engaging both the Eagle and the Dragon: The Philippines’ Precarious and Futile Attempt in Equi-balancing,” *Inha Journal of International Studies*, Vol.25, No.3 (2010), p.358.

³⁰ Zheng Chu-Yuan, “meiguo quanli tuidong TPP de jingji qitu yu zhanlue bushu” (The Economic Aim and Strategic Planning of the U.S. Full Push for the TPP), *Strait Times*, No.252 (December 2011), p.12.

³¹ Hung Ming-Te & Lee Mei-Hsien, “China’s Relations with Southeast Asia,” in Emilian Kavalski ed., *The Ashgate Research Companion to Chinese Foreign Policy* (Surrey, UK: Ashgate, 2012) (forthcoming).

³² Tsai Tung-Chieh, Hung Ming-Te & Tony Tai-Ting Liu, “China’s Foreign Policy in Southeast Asia: Harmonious Worldview and Its Impact on Good Neighbor Diplomacy,” *Journal of Contemporary Eastern Asia*, Vol.10, No.1 (2011), p.35.

³³ Niu Jun, *Houmengzhanshidai De Zhongguo Waijiao* (China’s Diplomacy in the Post Cold War Years) (Beijing: Peking University Press, 2009), p.326.

³⁴ WTO Statistics Database (Trade Profiles: China),

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN> (accessed August 20, 2011).

³⁵ Ibid.

³⁶ Before economic growth brought China to the forefront of regional integration, Japan was perhaps the most enthusiastic and strongest advocate of integration in East Asia. Even discounting the Greater Co-prosperity Sphere that resembled imperialism rather than economic cooperation based on the principle of sovereign autonomy, Japanese scholars were among the first supporters of regional integration, proposing the concept of the Japanese Sea Rim Economic Circle before the end of the Cold War. After the Asian financial crisis, Japanese leaders subsequently proposed concepts such as the Asia Monetary Fund and the East Asia Community (which later stemmed the ASEAN + 6).

³⁷ Mearsheimer, “The Gathering Storm,” *op. cit.*, pp.391-394.

³⁸ Some Chinese scholars see the essence of Washington’s security strategy in the Asia Pacific under the Obama administration as the categorization of countries in the region based upon U.S. values and interests. These scholars point out that Washington seeks to realize the strategy in several steps. First, the U.S. will strengthen its relations with traditional allies and consolidate the loosened alliance system in Asia. The U.S.-Japan alliance will continue to serve as the center of the U.S. alliance system in the Asia Pacific while the U.S.-Korea alliance serves as a critical branch of the system. Military alliances with Australia, Philippines and Thailand will reinforce the system. Second, the U.S. will make a strong effort to establish new partnerships with Indonesia, Vietnam, Singapore, Malaysia and New Zealand. Third, the U.S. seeks to establish quasi-alliances; India is an important state in this regard. Fourth, the

U.S. will continue to engage China while being vigilant at the same time. Finally, the U.S. needs to isolate and suppress North Korea. See Chao, *op. cit.*, p.82.

³⁹ Obama did not visit Indonesia in 2009. However, he visited the country in both 2010 and 2011.

⁴⁰ The Philippines enjoys a long term relationship of military cooperation with the U.S. Both countries continue to hold anti-terrorist and joint military exercises.

⁴¹ Clinton is the first U.S. Secretary of State to visit Myanmar since John Foster Dulles did it in 1955. See: Greg Poling, "Clinton's Myanmar Visit: The United States Responds to Reform," <http://csis.org/publication/clintons-myanmar-visit-united-states-responds-reform>

⁴² Stephen Kaufman, "Obama: U.S.-Australia Security Deal Will Bring Regional Stability," <http://translations.state.gov/st/english/article/2011/11/20111116115300nehpets0.2824213.html#axzz1nsl9nJmL>

⁴³ Ibid.

⁴⁴ Zeng, Kai-Chen, "fantaipingyang zhanlue jingji huoban xieding fazhang Dongxiang tanxi" (The Developmental Direction of the Trans-Pacific Strategic Economic Partnership Agreement (TPP)), *Studies on Chinese Communism*, Vol.46, No.1 (2011), pp.87-88.

⁴⁵ Carlyle Thayer, "Southeast Asian Reactions to China's Peaceful Development Doctrine: Indonesia, the Philippines, and Thailand," *NBR Analysis* (April 2008), p.14; available online at: <http://www.nbr.org/publications/nbranalysis/pdf/vol18no5.pdf>