Second-Tier Great Power in Power Transition: Japan's Trade Policy in East Asia[*]

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Abstract

Since the mid-2000s, Japan has tried to draw a regionwide trade agreement in East Asia. However, from the initial proposal of the Comprehensive Economic Partnership in East Asia (CEPEA) in 2006, to the unexpected twist of the Trans-Pacific Partnership (TPP) after the US withdrawal in 2017, and further to the less-than-satisfied conclusion of the Regional Comprehensive Economic Partnership (RCEP) in 2019, Japan's regional trade policy was far from consistent. I argue that power transition in international trade has complicated the environment of Japan's regional trade policymaking. As a *second-tier great power* that plays a leading, but subordinate-to-the-hegemon, role in the international trade system, Japan faced the structural uncertainties arising from the rise of China, the relative decline of its own influences, and the US's increasingly protectionist trade policy. To cope with these uncertainties, Japan has adopted a *status quo*-oriented strategy in order to preserve economic interests, maintain its privileged international status, and uphold the open trade order. These conflicting policy goals not only explain the changing priorities of Japan's regional trade policy, but also shed light on Japan's surprising rapprochement with China under the Abe government.

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[*] This is a draft paper prepared for the panel on *East Asia and the Global Political Economy*, APSA Annual Meeting in 2024 (Philadelphia).

1. Introduction

Since the early 2000s, the Japanese government has attempted to draw a regionwide trade agreement in East Asia. Being a leading economy behind the sophisticated East Asian regional production networks, Japan stands to benefit from a liberalized regional trade framework that reduces intra-regional tariffs, minimizes cross-border investment risk, and consolidates its position in the regional and global economy. The advancement of regional economic integration elsewhere, especially the launch of the NAFTA (North American Free Trade Agreement) in 1994 and the creation of the Single European Currency (i.e., the Euro) in 1999, only made this policy goal more imperative in the early 2000s.

Nevertheless, Japan's regional trade policy was far from consistent. From the initial proposal of the Comprehensive Economic Partnership in East Asia (CEPEA) in 2006, to the launch of the ASEAN-centered Regional Comprehensive Economic Partnership (RCEP-16) in 2011, and further to its participation in the US-led Trans-Pacific Partnership (TPP-12) negotiations in 2013, Japan abruptly changed its policy priorities for multiple times. In the end, neither the TPP-12 nor the RCEP-16 was achievable. The US withdrew from the TPP after Donald Trump took office in 2017. India chose to stay away from the final deal of the RCEP in 2019. In a remarkable departure from the initial motivations behind its participation in the TPP and the RCEP, Japan led the multilateral efforts to rescue the TPP-11 (i.e., TPP without the US) with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and then signed the final agreement of RCEP-15 without India.

Why did Japan move back and forth among different versions of regionwide trade deals—the CEPEA, the RCEP, and the TPP—during the first two decades of the 21st century? How to explain the Japan's unexpected rescue of the TPP-11 after the US withdrawal, and its agreement to the RCEP-15 despite India's opt-out? The existing literature points to several major changes of Japanese trade policymaking in this period. First, the domestic obstacles to Japan's pursuit of trade liberalization have weakened. Not only did the agricultural lobby—a major protectionist force in Japan—lose its political clout, but the Prime Minister's office under the Abe government has centralized the oft-fragmented trade policymaking at the ministerial level (Solis, 2017; Terada, 2019; Davis, 2022). Second, it is also noted that free trade agreements (FTAs) have become a cornerstone of Japanese trade policy. From the early attempt to draw bilateral FTAs with Mexico and Chile to the participation in mega-FTA negotiations including the TPP and the RCEP, Japan became a major advocate of FTAs (Solis et al., 2009; Katada, 2020). Third, geo-strategic factors have played an increasingly important role in Japan's trade policymaking. Starting from the 'political domino effect' in East Asia to its closer alignment with the US-led post-Cold War liberal international order, Japan took advantage of its trade power to rival the growing influences of China, fend off the competition from South Korea, and align with the US's foreign policy in the Asia-Pacific and Indo-Pacific (Ravenhill, 2010; Katada, 2020; Yoshimatsu, 2021).

Nonetheless, these changes have not provided a satisfactory explanation for Japan's changing regional trade policy in East Asia. Although weakened domestic opposition to trade liberalization opened more room for policy maneuvering, Japan continued to defend the five 'sacred' categories of agricultural products (i.e., rice, wheat, pork and beef, dairy products, and sugar) in trade negotiations. Indeed, over 70% of these products were excluded from the final agreement of the TPP,[1] not to mention their complete absence from the RCEP. Moreover, neither the prioritization of the FTAs nor the influence of geo-strategic calculations explains the Japan's shifting preferences for a regionwide trade agreement in East Asia. Why did Japan abandon its proposed CEPEA in favor of the ASEAN-centered RCEP, and then the US-led TPP? If aligning with the US to counter China was the geo-strategic goal behind Japan's participation in the TPP, why did Japan revitalize the TPP-11 despite the US withdrawal and then signed the RCEP-15 agreement to China's geopolitical advantage in East Asia?

To address these puzzles, this paper argues that power transition in the field of regional and global trade in the first two decades of the 21st century has created a complex environment for Japan's regional trade policymaking. As a *second-tier great power* in the US-led liberal international order, Japan has an important stake in the *status quo* of the postwar international trade system: preserving its own status as a great trading power, upholding the liberal norms of open trade order, and maintaining the WTO-based multilateral trading system. However, the uncertainties arising from China's rapidly rising economic clout, the relative decline of its own economic status, as well as the Trump Administration's 'America First' trade policy have complicated these normally coherent objectives of Japan's trade policy. Juggling material interests and geopolitical competition with the threat to multilateral trade norms and the open trade order, Japan was forced to reconsider its policy priorities on a preferred regionwide trade agreement for several times

[1] Based on calculation conducted by the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF).

in the past two decades.

To understand the changing structural environment Japan had faced, the paper develops an analytical model to examine the strategic choices of a second-tier great power in power transition. We define the second-tier power[2] as a great power that wields substantial influences in a hierarchical international system, but remains subordinate to the dominance of the hegemon. Because of its second-only-to-the hegemon position, a second-tier great power is generally satisfied with the *status quo* of the international system. In our model, its dominant strategy in a stable hegemonic hierarchy is to retain strategic independence from the hegemon on the one hand, and to seek strategic dominance over the rising power on the other. However, as power transition destabilizes the international system, the second-tier great power faces growing competition with the rising power as well as the increasingly uncertain commitment of the hegemon. Focusing on its strategic choices under four different scenarios, our model shows that the second-tier great power may switch between hegemonic bandwagoning, third-party hedging, and status-quo balancing to manage the uncertainties of power transition. This model is used to provide a dynamic explanation for Japan's changing regional trade policy in East Asia.

The rest of the paper is organized as follows. The next section examines the distinctive roles that a second-tier great power plays in the international system and explains why it receives limited attention in the power transition theory. The third section develops our analytical model and examines the strategic choices of second-tier power in power transition. The analysis shows that the second-tier great power is a *status quo* power in favor of the existing international order. However, the unpredictable relationship with the rising power and the incumbent hegemon compels the second-tier power to abandon some of its strategic priorities in order to cope with the uncertainties arising from power transition. The next three sections apply this model to Japan's shifting policies on a regionwide trade agreement in East Asia. Section four makes the case of Japan as a second-tier great trading power. Section five details the power transition process that Japan faced in regional and global trade. In section six, we trace Japan's changing policy priorities on a preferred regionwide trade agreement during the first two decades of the 21st century. The final section summarizes the main findings of the paper and discusses the venues for future research.

[2] In this article, second-tier great powers are sometimes referred to as 'second-tier powers.'

2. Second-Tier Great Powers and the Power Transition Theory

Second-tier great powers play an important role in the international system. They are qualified great powers (as an individual state or a coherently acting group of states) capable of exerting substantial influences on international, regional, and local affairs. Though second-tier powers do *not* have the capabilities to challenge the hegemon at the global level, they are *second only to* the hegemon within their respective domains of the international system. These domains may involve a geographic area, a sector of world economy, or other specific aspects of international system. Japan's domination in East Asian economy at the end of the Cold War is a good case in point. Their leading position in such domains ensures that second-tier great powers occupy a privileged status in the international system. Because of this, they are typically satisfied with the *status quo* of the international system, both in terms of the material benefits they enjoy and the normative rules and values underpin the international order.

In the existing literature, second-tier great powers are loosely referred to as great powers (Buzan, 2004), middle states (Ikenberry, 2016), (pivotal) middle powers (Cox, 1989; Kim, 2015; Pempel, 2019), regional powers (Flemes, 2010), second-tier states (Tessman, 2012), or secondary powers (Koga, 2018; Envall and Wilkins, 2023). To understand their behavior, second-tier great powers should be distinguished from three other major players in the hierarchical international system. First, second-tier great power is not a rising power. That is, second-tier great powers do not expect a significant improvement of their material capabilities or international status. Instead, they face the constant risk of losing their privileged status in the international system. Second, second-tier great power is not a 'normal' great power depicted in the realist theories. Notwithstanding their substantial material capabilities and military strengths, second-tier powers *cannot* wage credible challenges 'against the most powerful state in the world' (see Mearsheimer, 2014: 5). Third, second-tier great power is not a middle power. Many studies have looked into the behavior of middle powers, particularly the middle-power diplomacy of normative self-identification, multilateral coalition-building and power mediation (Holbraad, 1984; Higgott and Cooper, 1990; Cooper, 2016). By comparison, second-tier great powers are more ambitious in terms of their self-perceived identities and national interests. They also pursue a much wider range of diplomatic activities at both regional and global levels.

Despite being a privileged player in the international system, second-tier great powers find themselves in a grim situation in power transition. On the one hand, the growing influences of the rising power challenge their privileged international status in an increasingly uncertain environment. On the other hand, the waning influences of the incumbent hegemon leave them dangerously exposed to the emerging risks, and prompt them, sometimes involuntarily, to shoulder the extra burdens of upholding the existing international order. How should second-tier great powers respond to the increasing risks, growing challenges, and mounting uncertainties in the power transition process?

In the existing literature, scholars disagree on the desirable response of second-tier powers to power transition. Realists argue that second-tier great powers may choose between the rising power and the declining hegemon (Ross, 2006; Kang, 2007). Depending on the seriousness of uncertainties they are facing, second-tier powers may either bandwagon with the hegemon to counter the challenges of an assertive rising power, or align with the rising power to balance against the pressures of the desperate hegemon. Liberal scholars note that picking sides is not always an optimal choice. Choosing to ally either with the rising power or the hegemon not just leaves second-tier powers vulnerable to the possible abuse of an unpredictable partner, but also heightens the risk of antagonizing the other side. A more sensible strategy is some forms of institutionalized hedging (Goh, 2008; He, 2009[3]; Ikenberry, 2016). That is, to engage both the rising and the hegemonic powers in an institutionalized environment to reduce the uncertainties of power transition and avoid bluntly alienating either side. For constructivists, power transition is more about norms and values than power and order. International norms and rules are at stake in the power struggle between the rising power and the hegemon. Thus, second-tier powers should have incentives to negotiate with the rising power and, if possible, to socialize it into a responsible stakeholder of the existing international order (Johnston, 2008; Zhang, 2016; Newman and Zala, 2018).

The disagreement over an optimal response not only confused the policy options available to second-tier great powers, but limited our understandings of their roles in the power transition process. Worse still, the power transition theory pays almost no attention to them. Typically, power transition is regarded as the power struggle unfolded between the rising power and the incumbent hegemon[4] (Organski 1958; Organski and Kugler 1980;

[3] He (2009) adopts a realist approach in his theoretical model of 'institutional balancing' to explain increasing power maneuvers in East Asian regional institutions amid a rising China. Using the logic of soft balancing, his theoretical model recasts the realist arguments of power balancing in the liberal context of economic interdependence and international regimes (also see He and Feng, 2008).

[4] Tammen et al. (2000: 6) argues that the dominant power in the power transition theory is 'not a hegemon' because it 'cannot single-handedly control the actions of other powerful nations.' Yet, the authors admit that the dominant power controls 'the largest proportion of resources within the system', maintains 'power preponderance over potential rivals', and manages the international system in its

Gilpin 1981; Kugler and Lemke 1996; Tammen et al. 2000). Whereas the hegemon is regarded as a natural defender of the international order, the rising power is considered as a dissatisfied challenger to the *status quo*. Amid the competition and conflict between the two, second-tier great powers are normally treated as allies of the incumbent hegemon (Organski 1958: 327; Tammen et al. 2000: 13-15). As a result, they have little room to maneuver except following the hegemon to defend the existing international order. Even in the rare case of dissatisfaction with the *status quo*, it is assumed that second-tier powers would find it difficult to switch side if they had partnered with the rising power (Lemke and Kugler 1996: 9).

The limited agency assigned to second-tier great powers has a lot to do with the core assumptions of power transition theory. The intellectual sources of power transition theory, broadly defined, is derived from Organski's (1958) early theorization of power transition, and Gilpin's (1981) seminal work *War and Change in World Politics*.[5] Unlike many other theoretical frameworks in international relations, power transition cannot be neatly categorized into a particular school of international relations theories.[6] Realist in appearance, the power transition theory emphasizes the power struggle between the rising power and the incumbent hegemon. Yet, in a surprisingly liberal turn, it assumes that the interaction among the states is governed by an international order that is not only stable and in equilibrium in normal times, but also contains 'a mutually recognized set of rules and rights' favored by the dominant powers (Gilpin 1981: 34-36).[7] In another deviation from the realist tradition, the power transition theory holds that dominant powers do not

own favor. We consider these three characteristics of the dominant power as sufficient evidence of being a broadly defined hegemon in the international hierarchy. Indeed, in another well-known theoretical model of power transition, Gilpin (1981) calls the potential conflicts between the rising and dominant powers as 'hegemonic war'. For non-realist (i.e., liberal, Marxist, and English School) conceptualization of hegemony, see Keohane (1984), Cox (1987), and Clark (2011).

[5] Organski (1958) is commonly considered as the starting point of power transition theory, whereas Gilpin (1981) is sometimes referred to as the hegemonic transition theory. Yet, as Ikenberry and Nexon (2019: 403) point out, 'the two approaches basically converge on the same principles, problems, and understandings of international politics.'

[6] Tammen et al. (2000: 6) argues that the power transition theory is 'neither realist nor idealist.' Ikenberry and Nixon (2019) also note that while Gilpin's theory is embedded in the realist tradition, Organski and his followers' arguments are in opposition to realism in certain aspects (see also Brooks 1997, Wohlforth 2011, and Kirshner 2014).

[7] Organski (1958: 315, emphasis added) also notes, '[a] powerful nation tends to set up a system of relations with lesser states which can be called an "*order*" because the relations are stabilized. In time, everyone comes to know what kind of behavior to expect from the others, habits and patterns are established, and certain *rules* as to how these relations *ought* to be carried on grow to be *accepted by all the parties*.' Ikenberry (2014: 85, fn. 3) argues that international order has not been central to the theoretical literature of either realism or liberalism in international relations.

threaten the survival of less powerful states, or, at least, the struggle for survival is *not* a major concern at the systemic level. Instead, they establish the rules of the international system, supply the international 'public goods' like the security and economic order, seek 'cooperative solutions' to common problems, and further promote 'religion, ideology, or other values' to legitimize their domination (Tammen et al., 2000: 9; Gilpin 1981: 34). One may even argue that the emphasis on the normative and legitimate foundation of the international hierarchy introduces certain constructivist elements into the power transition theory.[8] According to its logic, power can be exercised through a variety of means.[9] The liberal strategies of institutional rule-making and the constructivist approaches of norm socialization and legitimation are of no less importance than the realist emphasis on coercion (see also Kupchan 2014).

While adopting an expansive conceptual framework of power and its practice in international relations, the power transition theory draws a rigid picture of the international system. First, the international system is described as a hegemonic hierarchy in equilibrium. According to Organski (1958: 326), the international system is pyramid-shaped, with the dominant hegemon standing at the apex, followed by great powers and middle powers. The bottom half of the international system is occupied by small powers and dependent states. Gilpin (1981: 30-31) similarly points to a 'hierarchy of prestige' in the international system.[10] Furthermore, both Organski and Gilpin argue that the hegemon monopolizes international order in its favor, because 'it is to a large extent *its* international order' (Organski 1968: 366, original emphasis; see also Gilpin 1981: 42-43). The stringent hegemonic hierarchy makes it very difficult for second-tier great powers to exert an independent influence on the international system. Not surprisingly, their agency in the power transition process has been overlooked.

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[8] As Gilpin (1981: 30, emphasis added) argues, '[p]restige, like authority, has a *moral* and *functional* basis…; subordinate states frequently form alliances with the dominant powers and identify their *values* and *interests* with those of the dormant powers…; numerous factors, including respect and common interest, underlie the prestige of a state and *the legitimacy of its rule*.' This interpretation of power in a hegemonic international system bears some elements of the Gramscian understanding of hegemony (see Gills, 1993).

[9] Kirshner (2014: 138-139) also notes that the dominant hegemon in Gilpin's theory draws power from a pool of various resources, including domestic politics, historical experiences, as well as ideas, norms, and legitimacy.

[10] According to Gilpin (1981: 31, emphasis added), '[p]restige is the *reputation* for power, and military power in particular. Whereas power refers to the economic, military, and related capabilities of a state, prestige refers primarily to the *perceptions* of other states with respect to a state's capacities and its ability and willingness to exercise its power.'

Second, the power transition theory assumes that the key sources of power redistribution are exogenous to the existing international system. Organski (1958: 308-311) and Gilpin (1981: 55-72) both claim that power redistribution in the international system takes place because of different rates of economic growth, political development, demographic changes, and technological advancement across the international system (see also Organski and Kugler 1980: 20-22). These power-redistributing factors deal almost exclusively with the domestic changes of individual states.[11] Meanwhile, they maintain that the existing international order favors the incumbent hegemon and its followers. Indeed, the power transition theory stipulates that the allocation of material privileges, the legitimation of international hierarchy, and the existing international rules and norms all support the existing hegemonic hierarchy (Organski 1958: 315-316; Gilpin 1981: 34-36, 186; Tammen et al. 2000: 9). Bringing these two views together, the logical separation between the domestic sources of power redistribution and the international persistence of hegemonic hierarchy precludes the possibility of *endogenous* power transition. That is, the existing international system may contain element(s) conducive to power redistribution that favors the rise of new powers. Yet, endogenous power redistribution is not a far-fetched assumption. The liberal economic rules of postwar international order, for example, have played a crucial part in the economic resurgence of West Germany and Japan after the Second World and, more recently, the rise of China (Ikenberry, 2011).

This leads to yet another oft-neglected assumption of power transition theory: satisfaction with the *status quo* depends on the structural positions of individual states in the international hierarchy. According to this logic, the hegemon is *always* satisfied with the existing international order and thus a natural defender of the *status quo*; most great powers and middle powers are major beneficiaries and therefore generally satisfied with the existing international order; by contrast, the majority of small powers and dependent states are much less inclined to be pleased with the *status quo* (Organski 1958: 330-331). Furthermore, it is assumed that the rising power, which managed to climb the ladder of international hierarchy, is most likely to be dissatisfied with the *status quo* because the existing international order appears 'unfair, corrupt, biased, skewed and is dominated by hostile forces' (Tammen et al. 2000: 9; Gilpin 1981: 187). These assumptions have been subject to close scrutiny in several recent studies. Their analysis reveals that, while the

[11] Organski (1958: 311-312, emphasis added) also notes that imperialism or 'the conquest of colonies' may also be one of the power redistribution factors. But he then argues that colonial conquest 'was *not* a substitute for industrialization [i.e., economic growth] but rather a *supplement*.' In his subsequent revisit of this argument, Organski (1968: 346, emphasis added) points out that 'nations are constantly changing in power, and much of that change is *generated from within*.'

rising power is inclined to dissatisfy with the *status quo*, it may not want to change everything because the rising power's rapid rise has benefited from, and probably continued to rely on, certain aspects of the existing international order (Chan et al. 2019; Johnston 2019).[12] By contrast, the incumbent hegemon may turn revisionist, particularly after it finds out that the shared international authority and the restraining international rules have incurred excessive cost and harmed its own interests (Cooley et al., 2019; Chan et al., 2021).[13] The possibility of *status-quo* leaning rising power and revisionist hegemon significantly complicates the strategic environment of power transition. For the *status-quo* oriented second-tier great powers, their alignment with the hegemon should no longer be taken for granted. More importantly, their strategic actions may exert a critical impact on power transition.

3. Theorizing Second-Tier Great Power in Power Transition

In order to better understand the agency of second-tier great powers, this section develops an analytical model to investigate their strategic choices in the power transition process.

Following the expansive conceptualization of power in the power transition theory, we define the *status quo* of the international system from three integral aspects of power: the distribution of material power, the structure of hierarchical power, and the foundation of normative power.[14] First, the distribution of material power refers to the distribution of material (including military, economic and other 'tangible') capabilities, and to the provision of international public and private goods that bring material benefits to individual states. In line with the literature on power transition, our aim is to highlight the configuration of material power that individual states claim in the international system (Kugler and Lemke 1996; Tammen et al. 2000). Second, the structure of hierarchical power deals with a state's relative status in the international system (see Zarakol, 2017).

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[12] Chan et al. (2019) and Johnston (2019) conduct a detailed analysis of China's dealing with various aspects of the international order. Their studies show that, far from being an outright revisionist state, China has accepted multiple aspects of the current international order.

[13] Cooley et al. (2019) and Chen et al. (2021) adopt different analytical approaches to revisionism. For Colley et al. (2019), revisionism may deal with either the existing distribution of power or the prevailing international order, or both. By contrast, Chen et al. (2021) considers revisionism as 'a state's desire and intention to alter' the international order only.

[14] In a quite similar way, Giplin's (1981: 28-34) argues that there are three 'form[s] of control' over the international system: the distribution of power, the hierarchy of prestige, and a set of rights and rules. A crucial difference is that, while Gilpin considers the distribution of power as the most fundamental factor, we assign roughly equal weight to the three forms of power in the contemporary international system. This is because the freedom and legitimacy to use coercive material (esp. military) power has been considerably circumvented after the Second World War.

Such status is commonly 'revealed' by diplomatic practices that confirm the relative standing of each party in the formal international exchanges. The membership of an exclusive club of elite states[15] or a leading position in an inclusive international organization[16] also signifies a high international status (Paul et al., 2014; Ward, 2017). To distinguish between material and hierarchical power, the material attributes associated with international status (e.g., the possession of nuclear weapon or aircraft carriers) are not regarded as a form of hierarchical power in our model. Instead, the structure of hierarchical power deals with the *relational* dynamics of status differentiation and status recognition in the international system (see Duque, 2018). Third, the foundation of normative power[17] involves the international rules and law that define the state's rights and duties (Reus-Smit, 2004; Simmons and Steinberg, 2006), the international norms and principles that regulate inter-state interaction (Legro, 1997; Risse et al., 1999; Acharya, 2004), as well as the common values and beliefs that underpin the primary goals of a society of states (Bull, 1977). Compared to material and hierarchical power, normative power usually requires a higher level of inter-state consensus to be effective (???). By focusing on international rules, norms and values, we hope to trace the clash and the transformation of normative international orders in power transition. Combining these three aspects together, the *status quo* in power transition is defined as the prevailing configuration of material distribution, status hierarchy, and normative foundation in the existing international system.

Second-tier great powers occupy a special position in the international system. On the one hand, they are great powers with considerable material capabilities. Such capabilities allow them to play an important role in the international system, and quite often a leading role in their respective domains of the international system. On the other hand, second-tier great powers are overshadowed by the dominant hegemon and its superior capabilities and influences, even in the specific domains they are the leading. Since second-tier great powers are not able to match the hegemon, they are generally content with their second-

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[15] The OECD, a club of wealthy and industrialized countries, and the G7, a group of seven most advanced economies, are often seens as good examples of the exclusive clubs of elite states.

[16] A leading position in inclusive international organizations may either take the form of a privileged membership in hierarchical decision-making bodies like being a permanent member of the UN Security Council, or be based on a large voting share in collective decision-making bodies such as the World Bank Groups or the IMF.

[17] Different from the use in this article, normative power is also referred to as a distinctive feature of the EU's foreign policy (Manners, 2002, 2006; Whitman, 2013; Diez, 2013). The EU is regarded as a normative power because it tends to use normative (i.e., non-military) means to achieve foreign policy goals. For criticism of this view, see Young (2004), Sjursen (2006), and Kobayashi (2021).

tier status in the international system. By definition, it is futile to challenge the hegemon as a second-tier power. More importantly, the hierarchical international system, as it is conceived by the power transition theory, offers second-tier great powers a very favorable international environment. For one thing, their survival is not threatened by the hegemon. For another, they enjoyed an enviable position in the international hierarchy. Second-tier great powers benefit greatly from the provision of international public goods, the cooperative solution to common problems, and the normative international order in support of their privileged status (Tammen et al. 2000: 9; Gilpin 1981: 34). Although the hegemon enjoys even more benefits and stands at the apex of the international hierarchy, it must take the responsibility to maintain the international system and guarantee its stability. Without bearing such a heavy burden, second-tier powers are *status-quo* oriented heavyweights in the international system.

Nevertheless, it would be naïve to expect that second-tier great powers blindly follow the hegemon without their own agency. Even in a stable hegemonic hierarchy (i.e., without the immediate risk of power transition), the imperative is to maintain one's international standing against all (potential) challengers. For second-tier great powers, the challenge to their privileged position may come from the top, from their peers, and from below. To take these risks into account, we no longer assume that the hegemon has a complete monopoly of the international order (Organski 1968; Gilpin 1981). This is not because the hegemon lacks the material, hierarchical, or normative power to enforce its dominance. Instead, we assume that the hegemon voluntarily supports second-tier powers to play a leading, but 'second-to-the-hegemon', role in their respective domains of the international system.[18] Japan's leading position in the Asian Development Bank and the European Union's dominant role in regulating the Single European market are good examples. To avoid the withdrawal of support by the hegemon, second-tier powers must strike a delicate balance between recognizing the dominance of the hegemon on the one hand; and seeking strategic autonomy or independence in their leading domains on the other hand. The 'second-to-the-hegemon' status also creates a dynamic of strategic competition among the peers of second-tier great powers.[19] To protect the advantageous positions in their

[18] There are several possible reasons why the hegemon may voluntarily support second-tier powers to enjoy a leading authority in certain domains of the international system. First, to reward the second-tier great powers. Second, to exploit the expertise and influence of second-tier powers in these domains. Third, to reduce the cost and shift the burden of maintaining the international order.

[19] The strategic competition among second-tier great powers may further enhance the dominant status of the hegemon. For the hegemon, such a 'divide-and-rule' strategy could be another possible reason why it supports the leading role of second-tier great powers in their respective domains.

‘exclusive’ domains of the international system, second-tier great powers must guard their interests against the encroachment of other second-tier powers. Furthermore, to avoid the challenges from below, second-tier great powers also strive to preserve their dominance over any potential rising power(s) moving up from the lower ladder of the international hierarchy. In short, the second-tier power’s dominant strategy in a stable hegemonic hierarchy is to seek strategic autonomy from the hegemon, pursue strategic competition against its peers, and maintain strategic dominance over the rising power.

Power transition, however, shakes the very foundation of the hierarchical international system. With the redistribution of material power tilts in favor of the rising power, it is the second-tier great power located in close proximity that feels the immediate pressures. Yet, whether such pressures may develop into outright confrontation between the second-tier power and the rising power is not predetermined. Especially when the sources of power redistribution are *endogenous* to the existing international order, the rising power has incentives not to mount a wholesale challenge to the hierarchical and normative *status quo* of the international system. For example, the WTO agreements contain a number of preferential provisions for developing economies.[20] The World Bank also offers generous funding in support of the development projects in developing countries. Under such conditions, a rising power should find it useful to comply with the existing trade and development rules and to retain its position as a developing economy. Given the second-tier great powers’ preference for the *status quo*, we hypothesize that the rising power may either seek cooperation with the second-tier power by supporting the hierarchical and/or normative *status quo* of the international system (i.e., the Cooperation strategy), or compete with it by challenging the hierarchical and/or normative *status quo* (i.e., the Competition strategy).

Assuming endogenous power redistribution not only makes it possible to model the *status-quo* leaning rising power, but also allows us to assess the impact of the revisionist hegemon in power transition. According to Cooley et al. (2019: 698-700), there are two (analytical) types of revisionist hegemon: a positionalist hegemon ‘seeks to alter the distribution of capabilities’ to forestall the redistribution of material power, but it remains committed to the normative order of the international system; a reformist hegemon, by

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[20] See ‘Special and Differential Treatment Provisions in WTO Agreement and Decisions’, prepared by the WTO Committee on trade and Development, WT/COMTD/W/258, 2 March 2021. (https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/COMTD/W258.pdf&Open=True, accessed on April 30, 2022)

comparison, refrains from altering the distribution of material power but aims to change the international rules and norms underpinning the normative *status quo* of the international system. An implicit assumption behind this conceptual framework is that the international system contains elements conducive to endogenous power redistribution.[21] The goal of a revisionist hegemon is to eliminate these 'risky' elements, so that it can preserve its dominance in the international system. The positionalist hegemon hopes to restore its dominant position of the material *status quo*, whereas the reformist hegemon aims to alter the normative *status quo* to cement its dominance. However, it is necessary to point out that these two revisionist strategies have very different implications for second-tier great powers. The positionalist hegemon's support for the normative international order demonstrates its commitment to the existing international order. The incumbent hegemon's effort to strengthen its material dominance may widen the existing gap of material capabilities between the hegemon and second-tier powers, but it is of less a concern to the latter in the hegemonic hierarchy. By contrast, the reformist hegemon's withdrawal of its commitment to the normative *status quo* generates substantial uncertainties in the international system. As a result of the hegemon's withdrawal, it becomes much hard, if not impossible, to enforce the international rules and uphold the international norms. Furthermore, the hegemon's acceptance of the material *status quo* appears dubious amid ongoing material power redistribution in the international system. It may even be a sign of entrenchment or abandonment when second-tier powers are forced to confront the growing material capabilities of the rising power. To highlight these contrasting implications, we assume that the hegemon may either reinforce the commitment to its material dominance and the normative *status quo* (i.e., the Commitment strategy), or withdraw its commitment to the normative *status quo* and accept the current redistribution of material power (i.e., the Withdrawal strategy).

Combining the rising power's choice between cooperation and competition with the hegemon's response of commitment and withdrawal leads to four possible scenarios that a second-tier great power must confront in the power transition process (see Table 1). Apparently, the most favorable scenario for the second-tier power is that the rising power adopts a cooperative strategy towards it and the incumbent hegemon maintains its commitment to the *status quo*. Under this condition, the second-tier great power find itself

[21] Cooley et al. (2019: 700) lists three reasons why the hegemon may turn against the existing (normative) international order despite its overwhelming advantage in material power: domestic reasons, forestalling the future shift of capabilities, and reducing the threat resulting from the current distribution of power. Strictly speaking, only the last two imply endogenous power transition.

in a relatively stable and friendly hegemonic hierarchy despite the ongoing redistribution of material power in the international system. Rather than rushing into an alliance with the hegemon as the power transition theory would predict, the second-tier power in our model continues to pursue the strategy of competitive engagement. That is, it seeks strategic independence from the hegemon, pursues strategic competition against its peers, and maintains strategic dominance over the rising power. By doing so, the second-tier great power aims to both retain a leading role in its exclusive domain of the international system and preserve its privileged status in the international hierarchy.

Table 1. Second-Tier Great Power in Power Transition: An Analytical Model

Second-Tier Power		Incumbent Hegemon	
		Withdrawal	Commitment
Rising Power	Competition	Third-Party Hedging (downplaying strategic competition)	Hegemonic Bandwagoning (sacrificing strategic autonomy)
	Cooperation	Status-Quo Balancing (forsaking strategic dominance)	Competitive Engagement (maintaining strategic autonomy, dominance and competition)

However, this dominant strategy becomes untenable if either the rising power or the incumbent hegemon turns against it. As the rising power switches to a competitive strategy to challenge the hierarchical or normative *status quo*, the second-tier power finds itself in a risky situation. Unable to match the growing material capabilities of the rising power, the second-tier power's leading role in its exclusive domain of the international system becomes hard to sustain. Moreover, its privileged international status is called into question because of the mounting external pressures and less assured self-assessment. The uncertainties associated with the normative *status quo* may further erode the advantages and privileges it enjoys. To cope with these uncertainties, the second-tier power naturally turns to the hegemon for help. So long as the hegemon continues to commit to the normative *status quo* of the international system and its material dominance within it, the second-tier power's optimal strategy is to bandwagon with the hegemon to obtain its support, guarantee and protection. Nonetheless, the strategy of hegemonic bandwagoning is not without a price. The second-tier power has to give up its strategic autonomy *vis-à-vis* the hegemon in its exclusive domain, and even accept a more intrusive and demanding hegemon in their joint fight against the revisionist rising power.

If the incumbent hegemon decides to withdraw its commitment to the normative *status quo* while the rising power chooses a competitive strategy, the second-tier great power is left in the worst-case scenario of power transition. This may occur under two different conditions. In the first case, the rising power and the hegemon are locked in a fierce competition for supremacy in the international system. To obtain an advantageous position, each side seeks to alter the normative international order in its favor and grabs all available resources to strengthen its capabilities. In the second case, the rising power and the hegemon are negotiating a (peaceful) transition of the existing international order. The two sides bargain on the details concerning how to alter the *status quo* of the international system (including its material distribution, status hierarchy, and normative foundation) in an exclusive G2 framework.[22] In both cases, the second-tier power faces enormous uncertainties regarding its own material interests, international status, as well as the future shape of the normative international order. To minimize these uncertainties, the second-tier power adopts a less effective, but still useful, third-party hedging strategy.[23] That is, it seeks to cooperate with other like-minded (great, middle and sometimes even small) powers to hedge against the risk resulting from the absence of a more powerful partner. It is worth noting that third-party hedging is not a pessimistic choice. By downplaying the strategic competition with its peers, the second-tier great power may play a leading role in forging a third-party coalition amid the mounting uncertainties of power transition.

In the fourth scenario, the hegemon withdraws its support for the second-tier great power and the normative *status quo*, but the rising power adopts a reconciliatory policy to cooperate with it. This may happen when a revisionist hegemon attempts to alter the normative international order despite the opposition of second-tier powers, whereas the *status-quo* leaning rising power seeks possible allies to defend the existing order. For the second-tier power, this is a less uncertain situation and the cooperation with the rising power serves its preferences for the *status quo*. As the cooperation between the second-tier great power and the rising power targets against the revisionist hegemon, we call this strategy *status-quo* balancing. It should be pointed out that, though the main objective of the *status-quo* balancing strategy is to preserve the *status quo* of the international system, its primary focus is on the *normative* international order. This is because forming a cooperative partnership with the rising power, the second-tier great power necessarily

[22] The G2 framework was hotly debated after the Chinese President Xi Jinping called for 'a new type of great power relations' with the US in 2013 (see Zeng and Breslin, 2016).
[23] The existing literature tends to define the hedging strategy in very different ways. In this article, we regard hedging as a risk-averse strategy neither targeting the incumbent hegemon (i.e., balancing) nor requiring an alignment with the hegemon (i.e., bandwagoning). For a similar conceptualization of the hedging strategy, see Koga (2017).

forsakes its strategic dominance *vis-à-vis* the rising power and recognize it as an equal, if not more powerful, partner. In this process, the second-tier power tacitly accepts the rising power's revisionist claims to the material and hierarchical *status quo*, so that the two could jointly defend the normative *status quo* of the international system.

Putting together, the four scenarios offer a useful analytical scheme to understand the agency of second-tier powers in power transition. In this analytical model, second-tier great powers are no longer regarded as the unwavering allies of the hegemon. Instead, their dominant strategy in a stable hegemonic hierarchy is to seek strategic autonomy from the hegemon, pursue strategic competition against its peers, and maintain strategic dominance over the rising power. As power transition destabilizes the *status quo* of the international system, second-tier great powers adjust their dominant strategy to cope with the uncertainties they are facing. By allowing endogenous power transition, our model shows that, apart from the dominant strategy of competitive engagement, second-tier great powers may resort to hegemonic bandwagoning, third-party hedging, or *status-quo* balancing to protect their privileged material interests and international status and to defend the normative foundation of the international system. In the following three sections, we apply this model to conduct an in-depth case study of Japan's regional trade policy amid China's rise and power transition in international trade.

4. Japan as a Second-Tier Great Power

To ascertain the international status of Japan is not easy. It is commonly held that Japan attained the great power status at the turn of the 20th century (Iriye, 1989). One important indication is that towards the end of the 19th century Japan managed to renegotiate the unequal treaties that Western powers had imposed on it (Iokibe, 2010). Another factor, emphasized often by realist scholars, is that Japan won the first Sino-Japanese War in 1895 and the Russo-Japanese War in 1905 (Mearsheimer, 2014). The alliance with the United Kingdom in 1902 and its subsequent accession to the League of Nations further consolidated Japan's great power status on the world stage (Burkman, 2008). Nonetheless, the international status of Japan was thrown into question after its defeat in the Second World War. Not only did Japan become a junior, if not always a secondary, party of the US-Japan alliance, but its postwar pacifist constitution has formally renounced the use of offensive military capabilities. For John Mearsheimer (2014: 55-56), the lack of offensive capabilities and its security dependence on the US have essentially disqualified Japan from the club of great powers in the postwar era.

However, critics question whether military and security should be the sole criteria for great power. They point to the extraordinary economic growth, the unique developmental state model, and the sophisticated production networks that Japan has built and popularized in the postwar decades (Vogel, 1979; Johnson, 1982; Hatch and Yamamura, 1996). As large-scale military conflicts became less frequent after the Second World War, power in international relations has hinged more on non-military factors such as economic strength, trade volumes, and developmental aids (Keohane and Nye, 2012). The World Bank and IMF data show that Japan became the world's second largest economy in 1972 and the world's third largest trading power in 1973.[24] As Japan's overseas economic aids topped the world's donor country list in the late 1980s, it was hailed as an 'aid great power' (Yasutomo, 1989/1990). The most optimistic observer, Ezra F. Vogel (1986), even claims in a *Foreign Affairs* article that Japan was on the way to build its own hegemony—'Pax Nipponica'.

Nevertheless, the end of the Cold War and the burst of the bubble economy in the early 1990s triggered a series of soul-searching debates on Japan's international status inside the country. Ijiro Ozawa, a veteran Japanese politician, published a book-length political manifesto entitled *Blueprint for a New Japan* in 1993.[25] It famously envisions Japan as a 'normal country'. That is, Japan will become a country capable of assuming the 'normal' state responsibilities including, admittedly still controversial in the immediate aftermath of the Cold War, military and security (see Soeya et al., 2011). Two years later Norihiro Kato, a well-known literary critic, wrote a widely debated essay *On Post-Defeat*. The essay argues that Japan still lacks 'subjective autonomy (*shutai-sei*)' five decades after the Second World War.[26] In his view, Japan's defeat in the Second World War continues to overshadow its self-perception as a pacifist country and its inability to apologize properly for the war dead across Asia.[27] The lack of 'subjective autonomy', Kato claims, has created the twisted 'post-defeat conditions' of Japan. In 2000, Yoshihide Soeya, a

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[24] The World Bank data show that Japan's GDP grew to 318.03 billion USD (current price) in 1972, surpassing Germany and became the world's second largest after the US. According to the IMF Direction of Trade (DOT) database, Japan's foreign trade reached 75.364 billion USD in 1973, ranked for the first time in the third place after the US and Germany.

[25] The authors behind the book include Professor Kitaoka Shinichi, an expert on Japanese foreign policy then taught at Tokyo University. In 2000, Professor Kitaoka published a book, entitled *Towards a 'Normal Country* (Tokyo: Chuokouron Shinsha).

[26] Kato's view was criticized by people on both the left and the right. For right-wing nationalists, ?; for left-wing pacifists, ???. As a response, Kato also wrote several follow-up essays on this topic

[27] Kato claims that Japan's pacifist perception was derived primarily from the postwar constitution imposed by the US. Furthermore, Japan's unsatisfactory apology for the Second World War is closely related to the fact that Japan remains unable to mourn its own people died in the war.

well-respected Japanese international relations scholar, penned a short essay for *Asahi Shimbun*. Titled *Japan as a Middle Power*, it puts forward a controversial proposal that Japan should abandon the great-power mentality and opt for the middle-power diplomatic strategy, because 'it is not possible for Japan to play an independent security role under the US-Japan alliance.'[28] Notwithstanding their different (i.e., political, literary and academic) motivations, reasoning and conclusions, these three views all based on the same premise that Japan's postwar international status has been handicapped at best.

Japan's handicapped great power status is largely in line with the main characteristics of second-tier great powers in our analytical model. Firstly, Japan has successfully regained its material capabilities of a great power in the postwar era. For nearly four decades between 1972 and 2010, Japan was the world's second largest economy behind the US. Even after China overtook its place, the size of Japanese economy remained well ahead of other great powers such as Germany, France, and the United Kingdom until recently. Moreover, Japan has been a major trading power in the world for nearly half a century. Its share of global trade exceeded those of France and the United Kingdom as early as in 1973. Only in 2020 did Japan fell to the world's fifth largest trading nation (see Figure 1). In the fields of military and security, Japan similarly boasts a capable self-defense force and a large military budget despite the renouncement of offensive military capabilities.[29] According to the SIPRI Military Expenditure Database, Japan's military spending increased on an average annual rate of 9.51% for four decades between 1952 and 1991. Though the growth of military spending fell to an annual rate of 1.06% in 1992-2021, Japan continued to rank as one of the world's top ten military spenders in the entire post-Cold War era.[30] The recent efforts to convert its self-defense naval fleet would allow Japan to operate multiple aircraft carriers for the first time after the Second World War.[31]

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[28] In a subsequently published book on the same topic, Soeya (2005: 25) claims that the middle-power diplomacy 'takes the international system as given, avoids direct confrontation with great powers, and pursues independent diplomacy in the remaining areas.' Over a decade later, the former Japanese Premier Hatoyama (2017) wrote another book *Escaping Great-Japanism: State's Shape in the Mature Times*, arguing against the great-power mentality in Japanese politics and diplomacy.

[29] Japan decided to limit its military spending to 1% of the government budget in 1976. ???

[30] The SIPRI Military Expenditure Database shows that Japan's military spending in nominal US dollars terms ranked the world's fifth in 1992, second between 1993 and 1997, third in 1998, second again between 1999 and 2001, third between 2002 and 2004, fourth in 2005, fifth in 2006, sixth between 2007 and 2009, fifth between 2010 and 2012, seventh in 2013, eighth between 2014 and 2018, seventh in 2019, and ninth in 2020 and 2022 (https://milex.sipri.org/sipri, accessed on 30 June 2022).

[31] In 2018, Japan announced the plan to convert two helicopter carriers, Izumo and Kaga, to multi-purpose destroyers capable of carrying F-35 warplanes. This will allow Japan to operate two aircraft carriers, on a par with the UK. As of August 2024, the US operates 11 aircraft carriers, while China's third carrier is expected to enter service soon.

These notable material capabilities have placed Japan in a comfortable position among the great powers.

Secondly, however, Japan's postwar international status has always been in the shadow of the US. On 8 September 1951, the Treaty of San Francisco concluded between Japan and 48 allied countries[32] formally ended the US occupation of Japan. Yet, it was the *Security Treaty between the United States and Japan* signed on the same day that specified the conditions under which Japan was to reclaim its sovereignty. With only five articles in length, the *Security Treaty* granted the US the exclusive right to station combat troops and maintain military bases in Japan. Although most of the *Security Treaty*'s controversial articles were revised in the *Treaty of Mutual Cooperation and Security between the United States and Japan* (the US-Japan *Anpo Jyoyaku*) in 1960, the US continued to enjoy the special right of operating military bases in Japan under the commitment of mutual defense.[33] The Treaty of San Francisco and the US-Japan security arrangements left Japan in a peculiar situation. On the one hand, Japan regained its sovereignty in the postwar international order. It joined the IMF and the World Bank in 1952. Four years later, Japan became a member of the United Nations. On the other hand, the decades-long presence of the US military bases, plus the renouncement of offensive capabilities, has left Japan heavily dependent on the US for security. As the infamous 'Yoshida Letter' shows, the US's influences on postwar Japan were well beyond the narrowly defined security areas.[34] In the economic domain, for example, both the Plaza Accord in 1985 and the US-Japan Semiconductor Agreement in 1986 were imposed on Japan to correct the large trade deficit that the Japanese exports had inflicted on the US market (Bergsten and Green, 2016; Irwin, 1996). Whereas the former led to the dramatic appreciation of Japanese Yen in the late 1980s, the latter saw Japanese semiconductor manufactures losing their competitive edges and market shares in the following decade. In many ways, Japan has become what David Lake (2009: 55) calls a 'weak but more enduring protectorate' of the US.

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[32] Several major allied countries of the Second World War were absent from the Treaty of San Francisco in 1951. These countries included, *inter alia*, China, Korea, and the Soviet Union.

[33] Article Six of the *Anpo Jyoyaku* states, 'For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan.'

[34] The 'Yoshida Letter' was addressed to John Foster Dulles, then an adviser to the US State Department and the main architect of the San Francisco Treaty, by the Japanese Prime Minister Yoshida on 24 December 1951. The letter promised that Japan had no intention to establish bilateral relations with the newly established PRC government in mainland China. The full text of the letter is available at https://worldjpn.grips.ac.jp/documents/texts/JPCH/19511224.O1E.html (accessed on 5 July 2022, see also Ishii, 1985: 68-73).

Still, it is worth noting that Japan's acceptance of a subordinate status *vis-à-vis* the US brought itself considerable benefits. In contrast to the status immobility and racial discrimination that Japan had experienced in the interwar period (Ward, 2013), Japan's postwar international status has been gradually elevated along with its growing economic capabilities. After joining the IMF and the World Bank in 1952, Japan's voting share steadily increased. Eventually, it became the second largest shareholder of these two most important postwar economic institutions.[35] Despite the reservation of other Western powers, the US lent the crucial support to Japan's accession to the General Agreement on Tariffs and Trade (GATT) in 1955 (Akaneya, 1985; Urata, 2015: 45-46). It was also the US that proposed to invite Japan to participate in the Group of Five leading industrialized economies (G5) in 1973 (Shultz, 1993: 148). In the following years the G5 expanded to the Group of Seven (G7), making Japan the only non-Western member of this exclusive club of economic great powers. In its regional 'backyard', Japan's proposal of a regional bank for developing Asia won the US support in the mid-1960s.[36] When the Asian Development Bank (ADB) was launched in 1966, Japan not only was its largest capital contributor but dispatched its own official to serve as the ADB President—two notable privileges that Japan continues to enjoy today.[37]

Thirdly, Japan has also pursued the dominant strategy of competitive engagement in line with its growing (economic) capabilities in the second half of the 20th century. Instead of being a blind follower of the US, Japan has strived to play an *autonomous* role in East Asia, aiming to strike a delicate balance between seeking diplomatic autonomy and respecting the US interests (see Soeya, 1998).[38] Less than four years after it signed the San Francisco Treaty, Japan participated in the Bandung Conferenc[39]—the first international conference Japan ever attended in the postwar era. In spite of the US encouragement of an anti-communist stand, Japanese delegates took a muted attitude to the heated debates on colonialism and self-determination; they even held informal

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[35] Admittedly, Japan's growing status in the World Bank and the IMF was not always smooth (see Lipscy, 2017: ch4).

[36] Initially, Japan's initiative for a regional development bank in Asa did not attract the attention of the US or the World Bank. However, the US became interested in the Japanese proposal after it announced a new aid program for Southeast Asia countries in 1965 in conjunction with the growing military support for South Vietnam (see McCawley, 2017).

[37] As one of country representatives to the ADB executive board noted, the ADB is 'funded by the Japanese, controlled by the Japanese, and run by the Japanese' (cf. Lim and Vreeland, 2013: 35).

[38] The early literature on Japanese foreign economic policy tends to see Japan as a passive and reactive actor (see Calder, 1988).

[39] The Bandung Conference ???

meetings with Chinese Premier Zhou Enlai on the sideline of the conference (Miyagi, 2001). At the height of the Vietnam War and to the dismay of the US, Japan lodged a formal reservation over the US bombing of North Vietnam in 1964 (Inoue, 2015: 124). Nevertheless, after US President Lyndon Johnson announced the financial support to Southeast Asia in support of the military actions in Vietnam,[40] Japan emerged as a staunch supporter. The close collaboration between the two gave birth to the ADB in 1966. As the US's influences in East Asia waned after the Vietnam War, Japan requested the US's continued regional presence on the one hand and waged its own regional diplomatic campaigns on the other (Wakatsuki, 2015: 162). In August 1977, Prime Minister Fukuda Takeo proclaimed the famous 'Fukuda Doctrine' in the Philippines—the three principles that has since underlined Japan's diplomacy towards Southeast Asia.[41] Then, Japan signed the Treaty of Peace and Friendship with China in 1978, paving the way for further collaboration between the two Asian powers.

Nonetheless, it was after the end of the Cold War that Japan started to pursue vigorously an independent role in East Asia, particularly in the economic arena. In 1993, under the pressures of the Japanese government, the World Bank released an influential report entitled *The East Asian Miracle*. The report recognizes the important roles of industrial policies and government intervention in East Asia's rapid economic growth, a position that Japan has long championed (World Bank, 1993). Four years later, facing the sluggish response of the IMF to the Asian Financial Crisis,[42] Japan put forward an ambitious proposal of the Asian Monetary Fund (AMF) (Lee, 2006). Its goal was to use Japan's foreign exchange reserves, then the largest in the world, to support the financial support for crisis-ridden economies across East Asia. Most strikingly, Japan's proposal excluded the US from the membership list of the AMF (Sakakibara, 2000: ???). For fear of its negative implications, the US not only opposed the AMF proposal but persuaded other G7 countries to voice their reservations. Failing to receive enough support, Japan eventually abandoned the AMF proposal and opted for a more moderate plan: New Miyazawa Initiative (see Grime, 2009).

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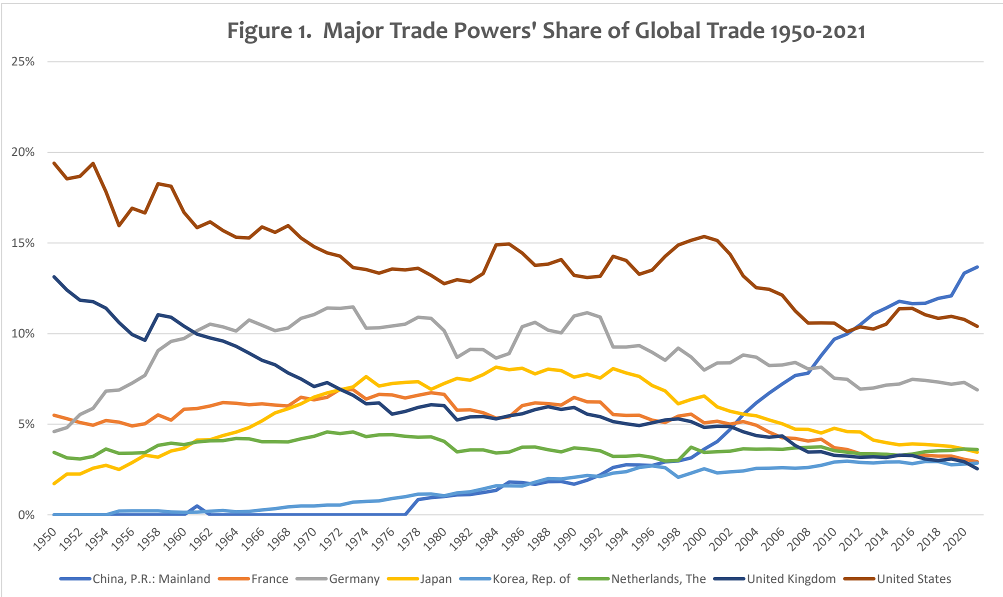
[40] The financial support package of 1 billion USD to Southeast Asian countries was announced by US President Lyndon Johnson in his speech at the John Hopkins University in April 1965.

[41] These three principles of the Fukuda doctrine are: (1) Japan commits to peace, and rejects being a military power. (2) Japan intends to build heart-to-heart mutual trust with Southeast Asia countries. (3) Japan aims to be an equal partner of ASEAN and its member states to contribute to the peace and prosperity across Southeast Asia. They were announced in a speech that Prime Minister Fukuda delivered in Manila on August 17th, 1977.

[42] The Asian Financial Crisis was triggered by the sudden fall of Thai Baht in 1997. ???

5. Japan and Power Transition in International Trade

For more than three decades between 1973 and 2003, Japan has been the third largest trading nation behind the US and (West) Germany. With an average share of global trade in goods at 7.27% for more than three decades, Japan was a major trade power (Figure 1). In East Asia, Japan's status as a leading trade power was even more noticeable. In the second half of the 20th century, Japan's trade with major regional economies including mainland China, Taiwan, South Korea, and Southeast Asia has been the second largest only after the US. When it comes to the ten member economies of ASEAN, Japan's influences even exceeded those of the US. Interrupted only briefly by the Asian Financial Crisis in 1997-98, Japan was the largest trading partner of ASEAN between 1965 and 1996, and then again in 2004. Nevertheless, these enviable positions suddenly became unattainable as the rapid increase of China's international trade transformed the economic landscape of East Asia and beyond.



Source: created by the author based on the IMF Direction of Trade Statistics (DOTS)

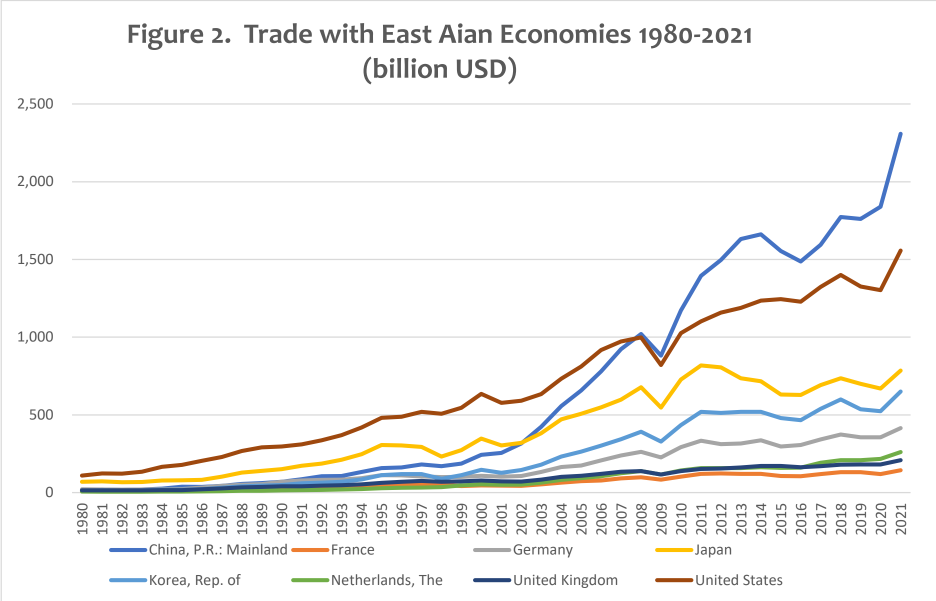
China joined the WTO in December 2001. While the previous two decades of economic reforms saw the country's merchandise trade grew more than eleven times from 37,644 million USD in 1980 to 474,475 million USD in 2000, China still lagged behind Britain, France, Japan, Germany and the US as the world's sixth largest trading nation.[43] With

[43] The trade data in this paper are calculated based on the IMF database of Direction of Trade Statistics (DOTS). For details, see https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85 (accessed on 11 October 2022).

the combined export and import in goods worth 857,944 million USD in 2000, Japan's international trade was more than 80% larger than that of China. Nevertheless, China's accession to the WTO unleashed an extraordinary increase of economic exchanges with the rest of the world (see Figure 1). Between 2002 and 2008, China's merchandise trade grew by an average of 26.09% on a yearly basis. Only two years after it joined the WTO, China surpassed Britain and France to become the world's fourth largest trading nation. In 2004, the value of China's international trade exceeded that of Japan, taking over its place of the world's third largest trading nation. Though the global financial crisis in 2008 led to severe economic downturn around the world, it did not halt China's advancement in international trade. Despite a dramatic decline of 13.86% of its export and import in 2009, China surpassed Germany as the world's second largest trading nation in the same year. In 2012, the value of China's merchandise trade reached 3,867.4 trillion USD. With a small but meaningful margin of 1.2%, China overtook the US as the world's largest trading nation in goods. In the following decade, China continued to maintain a comfortable lead over the US in international trade. In 2021, China's combined export and import in goods was valued at 6,047.1 trillion USD, roughly 31.5% larger than that of the US. China's share of the global merchandise trade reached 13.67%, whereas the shares of the next four largest traders—the US, Germany, the Netherlands, and Japan—were 10.40%, 6.90%, 3.60%, and 3.45% respectively.

China's growing presence in East Asia's regional trade mirrored its rising status at the global level, albeit at a faster speed.[44] In 2003, China's regional trade with its East Asian partners exceeded that of Japan by 10.5% (see Figure 2). This placed China in a comfortable position as the second largest trader with in East Asia after the US. Five years later, amid the global financial crisis, China's intra-regional trade in East Asia exceeded the US's trade with the region for the first time, making itself the largest regional trade power in 2008. In the subsequent decade, the gap between China's regional trade and those of Japan and the US continued to widen. By 2021, China's regional trade within East Asia was nearly 50% larger than that of the US, and almost 200% larger than that of Japan. In the meantime, China has become the largest trading partner of ASEAN since 2009. In 2021, the bilateral trade between China and ASEAN was 2.31 times of the US-ASEAN trade, and 3.88 times of the Japan-ASEAN trade.

[44] Here, East Asia includes the ten member states of ASEAN, three Northeast Asian economies (i.e., China, Japan and South Korea), plus Hong Kong, Macao and Taiwan.

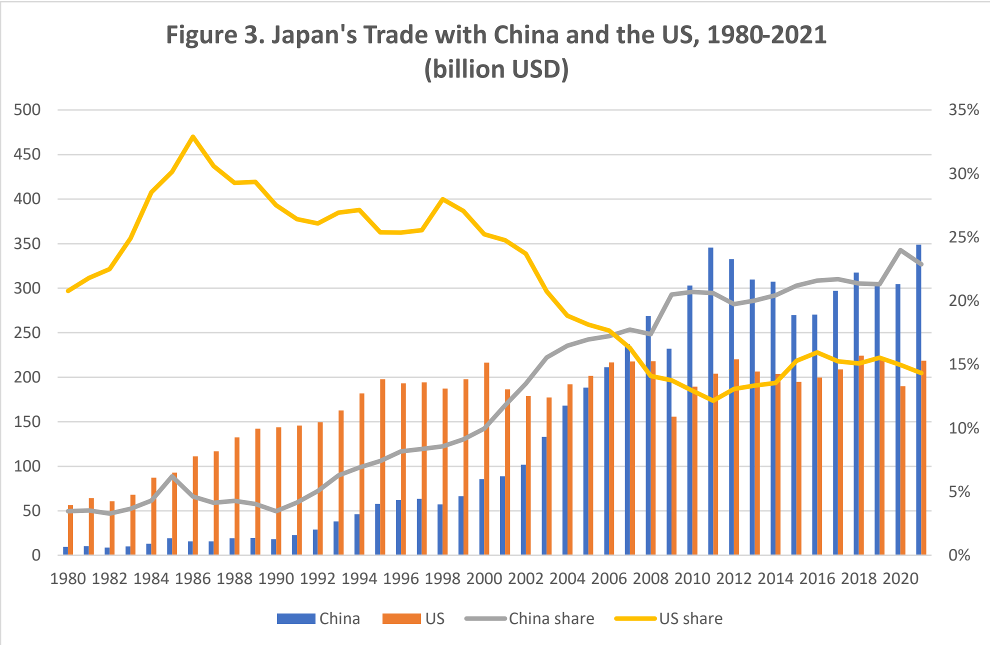


Source: created by the author based on the IMF DOTS

No doubt, power transition, measured by the redistribution of material power, has been taking place in the field of international merchandise trade at both regional and the global level.[45] China emerged as a leading trade power, surpassing all other major trading countries in the first two decades of the 21st century. China's growing influences on international trade were not only reflected by its rising share of regional and global trade, but also demonstrated by an increasing number of countries and economic sectors that became dependent on the Chinese exports and imports. According to an analysis of 186 countries conducted by the McKinsey Global Institute, China was the largest source of imports for 65 countries and the largest destination of exports for 33 countries in 2017 (Woetzel et al., 2019). East Asian neighboring economies including Malaysia, Vietnam, Singapore and South Korea have been tightly integrated to the regional production networks centered on China. Meanwhile, major resource-exporting economies like Australia and South Africa were increasingly exposed to the demand of the Chinese market. Another study by the Lowy Institute shows that, while more than 80% of the

[45] The literature on power transition normally uses composite measures to compare the capabilities of major powers to assess whether power transition has taken place in world politics (see Organski and Kugler, 1981; Houweling and Siccama, 1988; De Soysa et al., 1997; Chan, 2005). These measures include, *inter alia*, the Gross National Production (GNP), the Gross Domestic Production (GDP), the Doran-Parsons Index of Relative Power, and the Composite Index of National Capability (CINC). In this paper, we focus on power transition in merchandise trade, not the overall transformation of global power structure. Therefore, we use (1) the combined value of annual exports and imports, (2) the share in global and regional trade, and (3) the status of being the most important trading partner to find out power transition in international trade.

countries around the world traded more with the US than with China in 2001, China became a larger trading partner for two-thirds of these countries (128 out of 190) in 2018.[46] Using the same dataset, our updated analysis reveals an additional net increase of 11 countries traded more with China than with the US in 2021.



Source: created by the author based on the IMF DOTS

The rapid growth of China's trade power has transformed the Japan's trade environment in three important aspects. Firstly, China has become a vital trading patterner of Japan over the past two decades. The value of the bilateral trade between Japan and China surpassed that of the Japan-US trade in 2007 (Figure 3). To be fair, the Japan-US trade was in decline after the Plaza Accord in 1985. In the 2010s, the share of Japan-US trade stabilized to an average of 14.4%, which was less than half of its peak level in the mid-1980s. By comparison, the share of the Japan-China trade grew more than five folds over the same period from 3.48% in 1980 to 22.88% in 2021. As China became Japan's top trading partner, the Sino-Japanese trade not just compensated for Japan's declining trade with the US, but also made a vital contribution to Japanese economy. At the same time, the growing dependence on trade with China has also deepened Japan's vulnerability to

[46] The study uses the IMF's Direction of Trade Statistics (DOTS) database to calculate the gross trade flows (i.e. exports plus imports), and then check for each country whether the US or China is the larger trading partner. For details, https://www.lowyinstitute.org/the-interpreter/chart-week-global-trade-through-us-china-lens (accessed on October 12, 2022).

the fluctuation of Chinese economy and to the uncertainty of China's trade policy.[47] From the early 2010s, roughly 20% of the Japanese export went to the Chinese market and nearly a quarter of the Japanese import came from China. In certain product categories such as rare earth minerals, Japan relied heavily on the Chinese imports for its domestic industries. Thus, how to benefit from the booming trade with China without jeopardizing its own economic security has become a major task of Japan's trade policymaking.

Secondly, China's growing clout posed a serious challenge to Japan's privileged status in the postwar international system. Japan's leading position in the regional and world economy was called into question after China surpassed it to be the largest trader in East Asia's in 2003 and the world's third biggest trade power in 2004. As East Asia's regional production networks moved away from the Japan-centered flying geese model[48] to embrace the multinational assembly lines located in China, Japan's role in global manufacturing has weakened (Wignaraja, 2016; Chan, 2020). Moreover, Japan's long-term dominance in Southeast Asia became less certain after China emerged as the largest trading partner of ASEAN in 2009. In many areas, Japan continues to enjoy a favorable position in the international economic hierarchy. It has maintained its position as the second largest shareholder in the IMF and the World Bank. Japan was, and still is, the only non-Western member of the G7 industrialized economies. Japan's dominant position in the ADB remains unshakable. Nevertheless, China's new initiatives, such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), are beginning to threaten Japan's advantageous position in these areas as well. How to preserve its privileged status in the international hierarchy has therefore been another goal of Japan's trade policy.

Third, China's system-shaping influences also led to a major reconsideration of the normative foundation of the postwar international trade system. As Chinese exports flooded into the global market from the early 2000s, a growing number of countries resorted to anti-dumping proceedings and other protectionist measures to defend their domestic market. Led by India, the US and the EU, China was the target of 1363 out of 4846 anti-dumping cases around the world between 2002 and 2023 (roughly 28% of the

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[47] Liberals normally consider economic interdependence to be conducive to peace and cooperation in international affairs (Keohane and Nye, 2012). By contrast, realist analysis, such as Copeland's (1996, 2015) trade expectation theory, shows that economic interdependence may increase the risk of distrust, manipulation, and conflict among the states, especially when interdependence is asymmetric and the trade partner(s)' intentions are not predictable.

[48] The flying geese model???

total).[49] Meanwhile, there has been growing doubt about the effectiveness of the existing institutional rules and norms of the international trade system. In 2011 and 2016, the US twice declined to reappoint the judges of the Appellate Body in the WTO's dispute settlement system, accusing them of disregarding US interests (Zaccaria, 2022). Another prominent complain is the challenges that the rise of China has presented to the WTO-based multilateral trade rules, especially those concerning government subsidies, state-owned enterprises and intellectual property rights (Wu, 2016). Nevertheless, as a major exporting country, Japan has an important stake in the existing international trade system. The rise of trade protectionism and the weakening of WTO rules may significantly deteriorate its own trade environment. To deal with China's challenge to the normative *status quo*, Japan's priority has been to ensure that China complies with the WTO-based international trade rules and supports an open and multilateral international trade order.

In short, being a second-tier great power, Japan's interests have closely aligned with the *status quo* of the postwar international system. The prevailing configuration of material distribution, status hierarchy, and normative foundation of the postwar international trade system offered Japan an advantageous international environment. However, as the distribution of material capabilities tilted in China's favor from the mid-2000s, Japan found itself facing China's growing pressures on its privileged position in East Asia and beyond. One of the areas where Japan was forced to recalibrate repeatedly over the past two decades was to forge a regionwide trade agreement in East Asia.

6. Japan's Changing Policies on a Regionwide Trade Agreement in East Asia

Regionwide free trade agreement (FTA) in East Asia was a rather recent idea. It first appeared in a report compiled by the East Asian Vision Group (EAVG) in 2001. The EAVG, convened by the ASEAN plus Three (APT) framework after the Asian financial crisis, was tasked to chart a roadmap for regional cooperation in East Asia.[50] In its report, the EAVG called for "the formation of an East Asian Free Trade Area (EAFTA)." For the first time in history, "a region-wide FTA" in East Asia was envisaged to build on the "existing bilateral and sub-regional FTAs" (EAVG, 2001: 20). Regarding the regional institutional platform, the EAVG advocated the creation of an "East Asian Summit" based

[49] Calculated by the author based on the "Statistics on anti-dumping" section of the WTO website (https://www.wto.org/english/tratop_e/adp_e/adp_e.htm, accessed on 31 August 2024).

[50] The two Japanese members of the EAVG were Masaru Yoshitomi and Akihiko Tanaka. Yoshitomi was the Dean of ADB Institute, a research institute affiliated to the ADB; Tanaka was a professor of international politics at Tokyo University. Arguably, neither of them was directly involved in Japan's trade policymaking at the time.

on the annual meetings of APT leaders (ibid: 30).

For Japan, the call for an East Asian regional FTA heralded an important turning point of its postwar trade policy. In the previous decades, Japan had relied almost exclusively on the GATT and the WTO to pursue its trade agenda. The multilateral international platform not only offered Japan an effective way to seek trade liberalization and manage trade disputes, but to some extent sheltered it from the direct pressures of Europe and the US (Iida, 2006; Davis and Shirato, 2007; Pekkanen, 2008). It was only in the early 2000s that Japan started to pursue bilateral FTAs with less significant and more 'controllable' trading partners like Singapore and Mexico (Pekkanen et al., 2007).[51] However, from the early days of its FTA-based trade policy, Japan was forced to deal with China's growing influence in East Asia. In November 2000, China put forward a widely unexpected proposal to negotiate a FTA with ASEAN, effectively treating its ten member economies as a single party. After the ASEAN-China FTA (ACFTA) successfully reached a framework agreement in 2002, Japan found itself had no choice but to pursue its own FTA with ASEAN three years later.[52]

CEPEA: A Competing Proposal to Maintain Japan's Regional Leadership

The competitive nature of Japan and China's FTAs with ASEAN has also characterized the two countries' approaches to a regionwide FTA in East Asia. In 2003, China tabled a proposal at the APT meeting in Indonesia to launch the feasibility study of the EAFTA. A joint expert group was set up in the following year to undertake the study. The expert group concluded its report in 2006, calling for the EAFTA to be negotiated among the 13 members of the APT. As a possible concession to Japan, the report also recommended the EAFTA to include several WTO-plus issues on trade, service and investment, and that the EAFTA should be open to other East Asian economies (Zhang et al., 2006). The second phase of the EAFTA feasibility study was launched in 2007. Chaired by South Korea, the Phase II study involved a sector-by-sector analysis of the proposed EAFTA.

It was exactly around this period that China overtook Japan first as the largest trader in East Asia in 2003, and then as the world's third largest trading nation in 2004. China's growing economic clout at the regional and global level worried Japan. It also made

[51] The Japanese Ministry of Economy, Trade and Industry (METI) began to formulate its FTA strategy in 1998 (see Solis, 2017: 130).

[52] In addition to the ASEAN-Japan FTA, Japan also launched a series of bilateral trade negotiations with individual ASEAN economies including Singapore (2001), Malaysia (2004), Thailand (2004), Philippines (2004), Indonesia (2005), Brunei (2006) and Vietnam (2007).

several ASEAN countries nervous. While the EAFTA feasibility study were carried out, another proposal of the EAVG—the East Asian Summit (EAS)—became a reality in 2005. Nonetheless, different from the EAVG proposal, the EAS was not a straightforward upgrade of the APT summit meetings. Apart from the 13 members of the APT, Australia, New Zealand and India were invited to join the newly established regional institution. Japan, together with Indonesia and Singapore, had pushed hard for the inclusion of additional members in the EAS (He, 2009: 45). As it was widely recognized, the 'ASEAN plus six' framework of the EAS was intended to dilute China's growing influences in East Asia (see Terada, 2010).[53]

One year after the establishment of the EAS, Japan submitted its own proposal of a regionwide FTA in East Asia: the CEPEA. Different from the EAFTA, the CEPEA was a regional trade agreement involving all the 16 member countries of the EAS. Inviting Australia, India and New Zealan to join, the Japan-proposed CEPEA was widely seen as a rival scheme to the China-led EAFTA. Though it was never stated publicly, another major goal of the CEPEA was to reclaim Japan's leadership in East Asian regional cooperation (see Yoshimatsu, 2016). Taking advantage of the institutional framework of EAS, the CEPEA launched its feasibility study in June 2007. A year later, the feasibility study also entered Phase II.

By the time when the global financial crisis took place in 2008, there were two rival proposals for a regionwide FTA in East Asia. The China-led EAFTA took an East Asia-only approach. It limited the regional FTA to the APT's 13 member states. By comparison, the Japan-led CEPEA adopted the 'ASEAN plus Six' framework of the EAS. It aimed to draw a wider regional FTA together with three additional neighboring countries: India, Australia and New Zealand. As the China's influences grew in regional and global trade, the inclusion of Australia, a like-minded developed economy, and India, a geopolitical rival to China, appeared to be a preferred strategy for Japan to fend off the uncertainties resulting from the rise of China.

It is also worth noting that Japan did *not* seek the support of the US, the world's largest trader and its closest ally, at this stage. In fact, the US was deliberately excluded from Japan's proposed membership list of the CEPEA. As our analytical model predicts, the

[53] To persuade China to sign up to the enlarged EAS, ASEAN reached an agreement to limit the mandate of the EAS to a dialogue mechanism between the APT and non-APT members. Moreover, it was decided that the APT will continue to lead regional cooperation in East Asia (see He 2009).

second-tier great power sticks to the strategy of competitive engagement when the rising power appears cooperative and the hegemon remains committed. Aiming to both stand at the top of the East Asian regional hierarchy and maintain strategic autonomy from the US, Japan chose to bring three less powerful neighboring economies into the CEPEA.

The two rival proposals of the EAFTA and CEPEA did create a headache for ASEAN. At that time, ASEAN was negotiating additional 'ASEAN plus one' FTAs with Australia, New Zealand and India.[54] Adopting China's proposal and telling the three negotiating partners not to join in a future regionwide FTA was not practical. After the ASEAN-Australia and New Zealand FTA (AANZFTA) and the ASEAN-India FTA (AIFTA) concluded in 2009, it became even harder to follow the path of the EAFTA. Nonetheless, it was difficult for ASEAN to make a straightforward choice between the China-favored EAFTA and the Japan-favored CEPEA. Indeed, adopting either proposal would inevitably antagonize the other side. For ASEAN, the best response was to stay neutral amid the competition between China and Japan. After the two expert groups of the EAFTA and the CEPEA submitted their Phase II reports in 2009, ASEAN declared that the two regional FTA proposals would "be examined and considered in parallel."[55]

TPP: Bandwagoning with the US in the Face of Intensified Competition with China

The impasse created by the rival proposals of the EAFTA and the CEPEA was resolved largely because of a parallel FTA initiative in the Asia-Pacific: the TPP. The TPP was originally a small trade deal (P4) among the four Pacific Rim economies of Brunei, Chile, New Zealand and Singapore. It drew wide attention after the US expressed the interest to join the trade deal in 2008. The incoming Obama administration reaffirmed the US commitment to the TPP at the APEC Summit in 2009. On that occasion, the original P4 members, the US, together with Australia, Peru and Vietnam, jointly proclaimed their goal of negotiating a high-standard trans-Pacific trade agreement. In the next few years, the TPP saw its negotiating parties expanded further to include Malaysia in 2010, Mexico and Canada in 2012, and eventually Japan in 2013.

The renewed US interest in East Asian regional trade took China and Japan by surprise.

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[54] The AANZFTA negotiation started in 2004. The final agreement of AANZFTA was signed in February 2009. The negotiation for the AIFTA was launched in 2003. After six years, ASEAN and India signed an agreement on Trade in Goods in 2009.

[55] It was the wording adopted by both the Chairman's Statement of the 12th APT Summit held on 24 October 2009 and the Chairman's statement of the 4th EAS held on 25 October 2009. The original statements are available on the ASEAN website https://asean.org (accessed on 3 September 2024).

After all, neither the China-led EAFTA nor the Japan-led CEPEA had included the US. The TPP, if succeeded, would allow the US to bypass the two big East Asian economies to set its own agenda of trade liberalization in the Asia-Pacific region. Confronted with the changing geo-economic situation in East Asia, China decided to reconcile with Japan on their competing proposals for a regionwide FTA (Solis and Katada, 2015; Ravenhill, 2016; Oba, 2022). In August 2011, China and Japan submitted a joint initiative to the APT and the EAS meetings, calling for the establishment of three joint working groups on goods, services and investment as well as the formation of a region-wide FTA in East Asia.[56]

However, the joint initiative did not reduce the intensified competition and conflict between the two Asian powers. In 2010, China's nominal GDP surpassed that of Japan. For the first time in more than a century, Japanese economy fell behind its giant Asian neighbor. The psychological impact of the changing economic balance between the two countries was deeply felt in Japan. The situation was exacerbated by the fishing boat collision took place in the surrounding water of the disputed Diaoyu/Senkaku Islands in the same year.[57] Although China and Japan managed to agree on the aforementioned joint initiative in the next year, the competition and distrust between the two sides soon exploded. In 2012, the Japanese government announced a plan to nationalize the Diaoyu/Senkaku Islands. The plan was actually a preemptive measure to prevent Ishihara Shintaro, a nationalist politician and writer, from buying the disputed islands (see Shao, 2023). Yet, China regarded the plan as a violation of the tacit agreement to shelf the territorial dispute between the two countries.[58] After the Daioyu/Senkaku Islands were nationalized in September 2012, China started to dispatch coastguard ships to its surrounding water on a regular base. Facing the growing strains on its own coastguard fleet and the widespread anti-Japanese protests in China, Japan turned to the US for help. Though it quickly secured the US's defense commitment to the Diaoyu/Senkaku Islands,[59] Japan's reliance on the hegemon deepened in the face of growing Chinese

[56] The joint initiative, entitled 'Initiative on Speeding up the Establishment of EAFTA and CEPEA' was submitted together by China and Japan in August 2011.
[57] A Chinese fishing boat collided with Japan's coastguard ship on 7 September 2010.
[58] The Japanese government has denied the existence of any agreement on the Diaoyu/Senkaku Islands between the two countries. For more details, see ???.
[59] In his visit to Japan on 17~18 September 2012, the US defense secretary Leon Panetta promised to Japan that the Article 5 of the Japan-U.S. Security Treaty is applicable to the Diaoyu/Kenkaku Islands. However, the US does not take a position on the territorial dispute between China and Japan. For details, see 'Secretary Panetta Reaffirms Importance of U.S.-Japan Partnership,' (https://japan2.usembassy.gov/e/p/2012/tp-20120918-01.html, accessed on 4 September 2024).

pressures.

As the US became an indispensable partner, the call for a reconsideration of Japan's position on the US-led TPP grew louder. In Japan, the opposition to the TPP came mainly from the rural areas. In particular, the heavily protected agricultural sector considered the TPP as a suicidal mission that the Japanese government should avoid.[60] With its political base drawn chiefly from urban Japan, the DPJ (Democratic Party of Japan) government tossed around the idea of TTP participation before it was defeated by the LDP (Liberal Democratic Party) in December 2012 (Akiyama, 2013). It thus came as a surprise when the incoming LDP government, which relied on its influential rural base, brought Japan into the TPP negotiations in 2013. How to explain the sudden shift of Japan's, and in this case the LDP's, policy on the TPP? Observers point to the weakening of agricultural lobby under the Abe government (Solis, 2017; Davis, 2022). Yet, major reforms of the JA did not take place until 2015. Although the weakening of agricultural lobby may have contributed to the conclusion of the TPP negotiations, Japan's decision to pursue the TPP-centered regional trade policy was taken two years earlier.

Less than three months after he took office, Prime Minister Abe Shinzo announced that Japan would join the TPP negotiations on 15 March 2013. The decision was widely unexpected because the LDP had just campaigned against the TPP in the recent general election.[61] More notably, over half of the LDP members of the Japanese Diet formed an anti-TPP group in late January, calling the government to abandon the plan to join the TPP.[62] Despite such intense pressures from his own party, Abe claimed that he had secured an agreement with the US not to require the unilateral elimination of all tariffs in the TPP negotiations, thereby fulfilling the conditions that the LDP set for joining the US-led trade deal.[63] In his speech at the specially convened press conference, Abe left the

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[60] One campaign message at the time claimed that the TPP would bankrupt the Hokkaido Prefecture, a major agricultural production base of Japan.

[61] The LDP's campaign message on the TPP during the general election held in late 2012 was 'oppose joining the TPP negotiation as long as the TPP requires nondiscriminatory reduction of tariffs (聖域なき関税撤廃を前提とする限り、TPP 交渉参加に反対する).'

[62] The group of LDP MPs called itself 'Group Demanding the Immediate Renunciation of TPP Participation (TPP 参加の即時撤回を求める会).' It was formed on 23 January 2013. At its peak, the group has 233 members out of 378 LDP MPs in the Upper and Lower House of the Japanese Diet.

[63] The "Japan-US Joint Statement" (日米共同声明) is a single-page document which contains only three paragraphs. It states that all goods would be subject to negotiation if Japan participates in the TPP negotiations. However, Japan and the US recognize the sensitivities in their bilateral trade and 'a priory commitment to unilaterally eliminate all tariffs' is not required. For details, see

details of the TPP's economic benefits to his cabinet minister, and instead focused on the broad implications of the US-led TPP:

> 'The TPP's implications are not limited to its economic impact on our country. Japan is going to create a novel economic bloc together with our ally, the US. Moreover, we will bring in countries that share our common values of freedom, democracy, basic human rights and rule of law. It is my firm belief that drafting new (trade) rules in the Asia-Pacific together with these countries is not just in the interests of Japan but will bring prosperity to the world.'[64]

No doubt, aligning with the US to preserve the liberal order was a major, if not the most important, objective behind the Abe government's embracement of the TPP. Nonetheless, Japan's hegemonic bandwagoning strategy was not without a price. As our model indicates, in order to confront an assertive rising power, the second-tier great power has to sacrifice strategic autonomy to win the support of the hegemon. From this perspective, the weaking of agricultural lobby was more likely an outcome than a cause of Japan's decision to join the TPP negotiations.[65] In addition, Japan agreed to pursue separate talk with the US on automobile trade in parallel to the TPP negotiations. Considering the strength of Japanese car industry, the decision was an apparent concession to the US.[66] More significantly, Japan's embracement of the TPP has effectively relinquished its regional leadership to the US to set the agenda of future trade liberalization in East Asia.

CPTPP: Recusing a Multilateral Trade Deal despite the US Withdrawal

Given the political cost involving in the TPP negotiations, it came as a shock to Japan when the newly elected US President Donald Trump signed an executive order to withdraw the US from the TPP on 23 January 2017. Anticipating a difficult time ahead, Japanese Prime Minister Abe was the first foreign leader who visited Trump less than ten

https://www.mofa.go.jp/mofaj/kaidan/s_abe2/vti_1302/pdfs/1302_us_02.pdf (accessed on 4 September 2024).

[64] Quoted from Abe's statement at the press conference on March 15, 2013. See https://www.kantei.go.jp/jp/headline/tpp2013.html#tpp_005 (accessed on 4 September 2024).

[65] The Abe government introduced the most sweeping postwar reforms of the JA (Japan Agriculture Cooperatives) in 2015. The Central Union (JA-Zenchu), which oversees local Agricultural Cooperatives across Japan, lost its power of auditing and guidance. Moreover, the JA-Zenchu was forced to transform itself into a general incorporated association to coordinate, rather than lead, local JA groups. These reforms have significantly weakened the JA's influence in Japan politics.

[66] Japan also agreed that the US would phase out its auto tariffs over the longest period possible under a future TPP agreement. See Reuter, 'Japan, U.S. agree on Tokyo joining Trans-Pacific trade talks' (https://jp.reuters.com/article/idUSBRE93B0TS/ accessed on 5 September 2024).

days after he was elected. Yet, the carefully cultivated personal bond between the two leaders was not enough to sway the US policy on the TPP under the Trump presidency.

Many believe that, if Trump were not elected, the US would continue to lead the most ambitious regional trade deal in the Asia-Pacific. The truth was that the Democratic candidate Hillary Clinton and the Republican candidate Ronald Trump had both campaigned against the TPP in the presidential election of 2016.[67] Regardless of who was elected, the US was on the way to leave the TPP. The TPP followed a usual pattern of US trade policy to open up the domestic market in exchange for trade partners' acceptance of high standard trade rules (???). In the case of the TPP, such high standard trade rules cover a wide range of issues from trade, investment, labor and environment to e-commerce, state-owned enterprises and intellectual property protection. The TPP's commitment to open up the US market was similarly extensive. (details???). Although economic analysis indicates a generally positive effect of the TPP (Petri and Plummer, 2016), US politicians found it very difficult to justify the TPP's negative impacts of cheap imports, job loss and growing inequality. The lackluster economic recovery and rising social inequality after the global financial crisis only fueled public skepticism about the TPP. Facing the strong domestic opposition, the hegemon of the postwar international trade system found it no longer able to honor its commitment to the TPP.

For Japan, the US withdrawal from the TPP was more than an external shock. Prime Minister Abe had pursued a combination of unorthodox economic policies at home since 2013. Dubbed as the 'three arrows of Abenomics,' monetary easing, fiscal stimulus and structural reforms were losing stream in the mid-2010s. The Japanese government had hoped the TPP, which was successfully signed in February 2016, to instill new energies into domestic economy and boost the incentives for additional reforms. To harness its benefits, Japan was the first signatory country to complete the domestic ratification procedures of the TPP.[68] Nevertheless, the US withdrawal dampened Japan's hope for domestic revitalization and cast doubt on the US commitment.

In the meantime, Japan faced further competition with China. In 2013, China launched

[67] Hillary Cliton stated on her campaign trailer in August 2016, 'I will stop any trade deal that kills jobs or holds down wages, including the Trans-Pacific Partnership. I oppose it now, I'll oppose it after the election and I'll oppose it as president."

[68] After a series of intense debates, the Japanese Diet approved the TPP in December 2016. On 20 January 2017, the same day when Trump was inaugurated as the US President, the Japanese government notified New Zealand that it has completed the domestic procedure of ratifying the TPP.

an ambitious development and connectivity project across the Eurasian Continent: the BRI. Challenging Japan's dominance in foreign aids and development finance, the BRI poured a huge amount of infrastructure investment into countries in Southeast Asia, South Asia, Central and Eastern Europe, the Middle East and Africa. Three years later, the China-led Asian Infrastructure Investment Bank (AIIB) began operation in January 2016. Headquartered in Beijing, the AIIB is a multilateral development bank that rivals the scale and influence of the Japan-led ADB.[69] More tellingly, in spite of the US's reservation and diplomacy, major European powers and most non-European allies of the US (including Australia, Canada, South Korea) all joined the AIIB. The only big economies remaining outside the AIIB were Japan and the US.

Under the dual pressures of the US withdrawal from the TPP and the intensified competition with China, Japan took the bold step of aligning with the remaining members of the TPP to rescue the multilateral trade deal. In our model, this is the third-party hedging strategy that the second-tier great power adopts when it faces the withdrawal of the hegemon and the competition of the rising power. After the US withdrawal, Japan undertook a frenzy of high-level diplomacy with the remaining members of the TPP throughout the year of 2017. In February, it welcomed the Minister of Trade from New Zealand; in April, it received the Minister of Trade, Tourism and Investment from Australia; in May, it hosted the Minister of International Trade from Canada; in July, it received the Minister of Economy from Mexico; in September, it held the meeting with the ambassadors of four ASEAN members of the TPP: Singapore, Brunei, Malysia, and Vietnam. Furthermore, Japan provided the venues for three of the four Senior Officials Meetings held in July, September and October to facilitate the intense negotiations among the 11 remaining members of the TPP.[70] Thanks to such active involvement, Japan was widely recognized as the leading country to revive of the TPP (???). When the preliminary outcome of the negotiations was announced at the TPP ministerial meeting in November 2017, Japan was invited to co-chair the meeting together with the host country Vietnam.

At the ministerial meeting, it was announced that the 11 members of the TPP has reached a new trade deal, officially named as the 'Comprehensive and Progressive Agreement for the Trans-Pacific Partnership' (CPTPP, or TPP-11). After Tokyo hosted the fifth Senior

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[69] The ADB was established in 1963 with 31 founding members whereas the AIIB was created in 2016 with 57 founding member states. The AIIB has a base capital of 165 billion USD, while the AIIB has a capital stock of 100 billion USD. As of September 2024, the ADB has 68 member states while the AIIB has 109 approved member states.

[70] The only Senior Officials Meeting conducted outside Japan was held in Australia in August 2017.

Officials Meeting to sort out the remaining issues, the CPTPP agreement was signed in Chile on 8 March 2018. The CPTPP incorporated most provisions of the TPP agreement, with the exception of 22 suspended items demanded mostly by the US.[71] Although the suspended items watered down several important provisions of the TPP, the new trade deal was deliberately managed in a way to allow the US to return to it in the future. Despite the worst strategic environment it faced, Japan's third-party hedging strategy was successfully. By aligning with other trading states in the Asia-Pacific, Japan has turned itself into a leading force defending the liberal trade rules when the world was embroiled in a major trade war between China and the US (see Govella, 2023).

RCEP: Upholding an Open Trade Order in East Asia

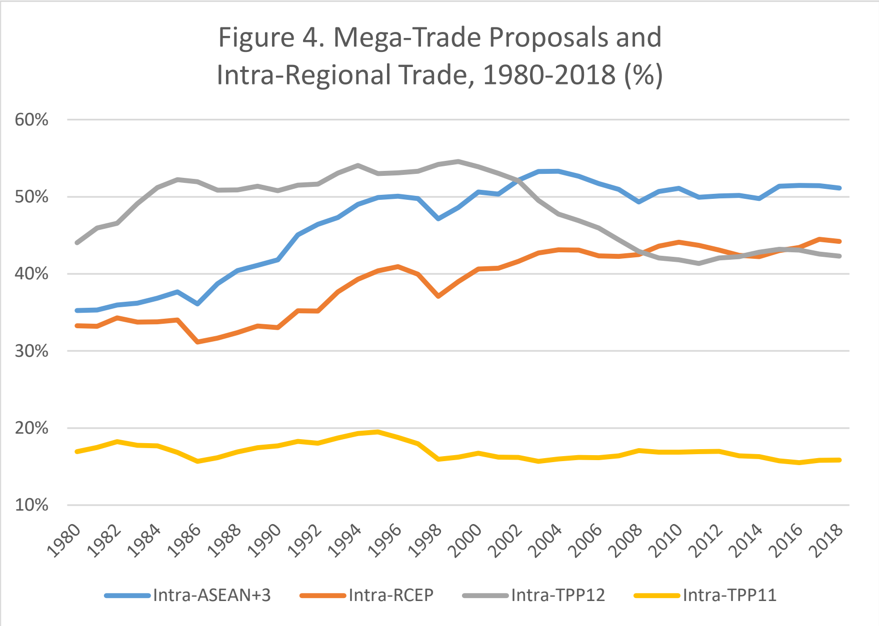
Notwithstanding the successful conclusion of the CPTPP, East Asia or Asia-Pacific remained far from being a free trade area. The absence of the US from the CPTPP (TPP-11) has substantially downgraded its role in promoting intra-regional trade. Compared to over 40% of intra-regional trade among the TPP-12 members, the CPTPP's 11 member economies conduct less than 20% of their international trade on an intra-regional basis, a level persisted for nearly three decades between 1980 and 2018 (see Figure 4). It is therefore not surprising that Japanese companies continued to lobby their government to conclude another regionwide FTA in East Asia: the RCEP.

The RCEP was a regional FTA initiative built on the competing proposals of the China-led EAFTA and the Japan-led CEPEA mentioned earlier. The Sino-Japanese joint initiative submitted to the APT and the EAS meetings allowed ASEAN to take the lead to launch the ASEAN-centered RCEP in November 2011. Based on a novel approach of 'ASEAN++ (ASEAN plus&plus)' in regional trade liberalization, all six partners of the 'ASEAN plus one' FTAs were invited to join the RCEP negotiations (Solis and Katada, 2015). In effect, the RCEP reinstated the 'ASEAN plus six' framework of the Japan-led CEPEA under the claim of 'ASEAN centrality'. In November 2012, the 16 countries released the 'Guiding Principles and Objectives for Negotiating the RCEP,' officially launched the RCEP negotiations. The negotiation guidelines contained quite a few WTO-plus issues Japan had pursued in its bilateral trade agreements with individual ASEAN countries.[72] Hence, Japan should have good reasons to stick to the RCEP framework in

[71] More details here (???).

[72] The 'Guiding Principles and Objectives for Negotiating the RCEP' states that RCEP negotiations will cover a wide range of topics, including trade in goods, trade in service, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other related issues (ASEAN, 2012).

pursuit of a regionwide trade agreement which it could easily dominate. However, facing the growing confrontation with a rising China, the Abe government chose the politically more challenging and economically less beneficial path of the TPP in 2013 (Figure 4).



Source: created by the author based on the IMF DOTS

Five year later, the US left the TPP despite its successful conclusion. Japan rescued the multilateral trade deal and rebranded it as the CPTPP. Yet, the goal of drawing a regionwide FTA in East Asia remained unaccomplished. The RCEP negotiations were complicated, difficult and prolonged. More than five years after the negotiation was launched, there was still no clear sign of a final agreement. The deadline of the RCEP negotiations had been postponed three times in a row. By March 2018, the RCEP conducted 21 rounds of trade negotiations, held nine ministerial level meetings, and convened three political leaders' summits. In this process, the number of the RCEP working groups increased from the original three (i.e., trade in goods, trade in service, investment) to twenty (???). The list of negotiation topics also expanded considerably. In addition to the topics listed in the original 'Guiding Principles', financial services, telecommunication services, e-commerce, small and medium enterprises, sanitary and phytosanitary measures, procedures on technical barriers to trade, movement of natural persons, trade remedies, and government procurement were added to the list (ASEAN, 2017). The RCEP was in desperate need of a clear path to move forward.

Often perceived as a China-led FTA, the RCEP was widely seen as a rival regional trade deal in competition with the TPP (but see Shu, 2018). Indeed, the distrust between China and Japan was a major factor behind the slow progress of RCEP negotiations. With the conclusion of the TTP and the subsequent US withdrawal, a major obstacle to the RCEP was cleared. Another positive sign was the gradual thawing of the near frozen Sino-Japanese relationship. In May 2017, Japanese Prime Minister Abe dispatched the LDP Secretary-General to attend the Second BRI Forum for International Cooperation in Beijing, together with his personal letter addressed to Chinese President Xi Jinping. Then, at a conference held in June, Abe surprised the audience when he announced that 'Japan is ready to extend cooperation' with China-led BRI projects.[73] The relationship between the two Asian powers continued to improve in 2018. For the first time in seven years, Chinese Premier Li Keqiang paid an official visit to Japan in May and then Abe himself paid an official visit to China in October. On both occasions, promoting the negotiations and swift conclusion of the RCEP was listed as a mutual commitment by the two countries.[74] While Japan's rapprochement with China was surprising, it created a favorable environment to push forward the RCEP.

Our analytical model shows that the second-tier great power adopts the *status-quo* balancing strategy to forsake its strategic dominance over the rising power in exchange for its support for the existing international order. This happens when the second-tier power felt the intense pressures from the hegemon and, more importantly, saw the hegemon withdrawing its commitment to the normative *status quo* of the international system. If Japan's surprising rapprochement with China and Abe's reconciliatory statement on the BRI were evidence that Japan (temporarily) gave up the priority of strategic dominance over China, Japan was seeking China's cooperation and support to uphold an open trade order in East Asia and beyond.

It was around this time that Trump's relentless pursuit of trade balance exerted ever more pressures on China and Japan. From early 2018, the US started to impose a series of punitive tariffs against Chinese imports. Initially, the US tariffs covered only specific goods like solar panels and washing machines. Yet, after the Trump administration accused China of 'unfair trade practices', punitive tariffs extended to a wide range of

[73] 'Asia's Dream: Linking the Pacific and Eurasia' - Speech by Prime Minister Shinzo Abe at the Banquet of the 23rd International Conference on The Future of Asia, 5 June 2017.

[74] See 'Premier of the State Council of China Li Keqiang Visits Japan (9 May 2018),' (https://www.mofa.go.jp/a_o/c_m1/cn/page3e_000857.html) and Abe's 'Meeting with Premier Li Keqiang (26 October 2018),' (https://www.mofa.go.jp/a_o/c_m1/cn/page3e_000958.html)

Chinese goods and were measured in billions. As China took retaliatory measures against the US on a similar if less significant scale, the two world's largest trade powers were trapped in a vicious spiral of trade war (see Bown and Kolb, 2023). Notably, Japan was not immune from Trump's trade war against China. To justify its protectionist measures, the Trump administration adopted 'global safeguard' restrictions, effectively extending the punitive tariffs to other trade partners. Because of this, Japan was one of the countries hit hard by the Trump tariffs on steel and aluminum.[75] Facing the growing pressures of US protectionism, Japan and China doubled down their efforts on the RCEP negotiations. Unlike the lukewarm words in the previous years, the Joint Leaders' Statement on the RCEP Negotiations released in 2017 and 2018 were not just in greater length but included a detailed assessment of the ongoing negotiation status.[76] The 2018 Joint Statement issued by the RCEP's negotiating parties reads,

> We noted that the task to conclude the RCEP negotiations is becoming more urgent and significant given the current headwinds faced by the global economy. In this regard, we undertook the collective commitment to deliver on the expeditious conclusion of the RCEP negotiations to foster an open, inclusive, and rules-based trading system, and demonstrate to the world that it is possible to make trade work for all.

Less than one year after this statement was released, 15 members of the RCEP negotiating parties reached an agreement to conclude the text-based negotiations and all market access issues in November 2019.[77] The only member that opted out of the RCEP was India. For Japan, India's last minute opt-out was no less than shocking. Japan has long considered India as a counterweight to China in the 'ASEAN plus Six' framework. India's status as a rapidly rising emerging economy and its influences in the Global South also made itself a crucial partner in Japan's geopolitical contest with China.[78] Nevertheless,

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[75] The US did not lift the 25% tariffs imposed on the Japanese-origin steel imports until April 2022. For more details, see US Department of Commerce, 'Announcement of Actions on Japanese Imports of Steels under Section 232' (7 February 2022).

[76] See *Joint Leaders' Statement on the Negotiations for the Regional Comprehensive Economic Partnership (RCEP)* (14 November 2017); *Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP) Negotiations* (14 November 2018).

[77] See *Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP)* (4 November 2019).

[78] Prime Minister Abe launched the Free and Open Indo-Pacific (FOIP) Strategy in 2016, envisaging a value-based partnership linking powers of the Pacific and Indian Oceans. The FOIP concept has since developed into a full-fledged foreign policy strategy for Japan to work with India and several other countries in the Indo-Pacific to confront the rise of China (see Yoshimatsu, 2019).

the choice available to Japan was not between the RCEP with India (ECRP-16) and the RCEP without India (RCEP-15), but between RCEP-15 and no RCEP at all.[79] Having determined to uphold an open trade order in East Asia, Japan signed the final agreement of the RCEP together with China and 13 other regional economies on 15 November 2020.

7. Conclusion

Second-tier great powers play a crucial role in power transition. Yet, the existing literature pays almost no attention to their agency other than treating them as staunch supporters of the incumbent hegemon. Our theoretical and empirical analysis shows that second-tier powers' support for the hegemon should not be taken for granted. It is not because second-tier great powers are revisionists. As major beneficiaries of the hierarchical international system, they are *status quo* powers in favor of the existing material distribution, status hierarchy and normative foundation. However, uncertainties arise when challenges to the *status quo* come not just from the rising power but also from the hegemon. By assuming endogenous power transition (that is, the existing international system contains elements conducive to power transition), we contend that both revisionist hegemon and *status-quo* leaning rising power are theoretically plausible and empirically observable. In a turbulent world marked by power transition, the uncertain intentions of the hegemon and the rising power bring additional complexity to the international system. Second-tier great powers are forced to take strategic maneuvers to minimize the risk they are facing.

To understand their behavior in the power transition process, we have developed an analytical model to examine the strategic response of a second-tier power when it faces an unpredictable hegemon and an uncertain rising power. Hypothesizing that the rising power either cooperates with or competes against the second-tier power, and that the hegemon is either committed to the *status quo* or withdrawing its commitment, we have identified four specific strategies that the second-tier power may adopt under different conditions: competitive engagement, hegemonic bandwagoning, third-party hedging and *status quo* balancing. Rather than blindly following the incumbent hegemon, the second-tier great power in our model takes proactive actions to fend off the challenges of the rising power and to defend the international *status quo* against the revisionist hegemon.

[79] The RCEP-15 member states have agreed to recognize India's three special rights with regard to the trade agreement: request for accession, commence of negotiation, and observer in RCEP meetings. For more details, see *Ministers' Declaration on India's Participation in the Regional Comprehensive Economic Partnership (RCEP)* (11 November 2020).

The paper uses this model to examine Japan’s changing policy priorities on a regionwide trade agreement in East Asia. After making the case that Japan has been a second-tier great power in the postwar international system and that the rise of China has unleashed a power transition process in international trade, we trace Japan’s evolving regional trade policy during the first two decades of the 21st century (see Table 2). The analysis indicates that Japan employed the strategy of competitive engagement in 2006 by proposing the CEPEA to compete with the China-favored EAFTA. This was a major move to fend off China’s growing influence in regional trade and to preserve Japan’s leadership in East Asia. Yet, as the Sino-Japanese relationship deteriorated following the nationalization of the Diaoyu/Senkaku Islands, Japan switched to the strategy of hegemonic bandwagoning in 2013. Under the newly elected Abe government, Japan joined the US-led TPP negotiations, effectively relinquishing the leadership of regional trade liberalization in exchange for the US support for its geopolitical competition with China.

Table 2. Japan’s Evolving Regional Trade Policy in East Asia (2006-2020)

JAPAN		UNITED STATES	
		Withdrawal	Commitment
CHINA	Competition	2017: Rescuing the TPP-11 (CPTPP) with the remaining members	2013: Joining the US-led TPP negotiations
	Cooperation	2018/19: Revitalizing the RCEP together with China	2006: Proposing the CEPEA to compete with China

In 2017, Trump’s decision to withdraw the US from the TPP sent a shock wave across the Asia-Pacific. Confronted with the withdrawal of the US and intensified competition with China, Japan adopted the audacious strategy of third-party hedging to team up with the remaining members of the TPP. Together, the 11 Asia-Pacific economies managed to revitalize the multilateral trade deal as the CPTPP. Nevertheless, the CPTPP was much less significant in trade terms. Confronted with the mounting pressures of the US’s trade protectionism, Japan again changed the course of its regional trade policy. The Abe government’s surprising rapprochement with China successfully brough the two countries together to speed up the RCEP negotiations in 2018 and 2019. Notwithstanding India’s last-minute opt-out, Japan’s status-quo balancing strategy brough the RCEP, the world’s largest free trade agreement, into effect on 1 January 2022.

Empirically, the paper has provided a structural explanation for Japan’s regional trade policymaking. Focusing on the transformation of postwar international trade system in the first two decades of the 21st century, we have highlighted the structural impact of power transition on Japan's shifting priority on a preferred regionwide FTA in East Asia. This is not to deny the importance of other dimensions of Japan's trade policymaking detailed in the literature. The domestic interests (e.g., the agricultural lobby, the automobile industry, major business associations), the bureaucratic influences (i.e., inter-ministerial competition and coordination) and the political leadership (esp. Prime Minister Abe) have all played a critical part in Japan's regional trade policymaking. However, these factors were of secondary importance in the past two decades compared to the structural imperative of power transition in regional and global trade. As a second-tier great power which had played a leading but subordinate- to-the-US role in East Asia, Japan was compelled to address the structural challenges of a rising China and the US withdrawal in the first place.

For instance, why did the LDP government bring Japan into the TPP negotiations in 2013 despite its powerful rural base? If the agricultural lobby weakened after the JA reforms in 2015, why did Japan continue to insist the 'five sacred areas of agricultural products' in the TPP negotiations and then completely exclude them from the RCEP negotiations? These seemingly contradictory policy positions suggest that agricultural interests remained a major factor in Japan's trade policymaking, but they have been of secondary concern compared to Japan's geopolitical competition with China.

However, Japan's preference for the normative *status quo* of the postwar international trade system turned out to be even more important. After the US withdrew from the TPP, Japan made extraordinary efforts to rescue the multilateral trade deal in spite of its much-reduced economic benefits. Having seen that the US paralyzed the WTO's dispute settlement mechanism and then the US-China trade war disrupted the global supply chains, Japan set aside its decade-long rivalry with China in order to collaborate with the world's largest trader to promote the open trade order. From this perspective, India's last-minute opt-out was only a small price Japan decided to pay for the conclusion of the RCEP. When the normative *status quo* was in danger because of the hegemon's withdrawal, the second-tier great power is in desperate need of a credible ally to support the existing international order.

Nonetheless, Japan's rapprochement with China was short-lived. Because of the outbreak of COVID-19, Chinese President Xi Jinping's scheduled state visit to Japan never took place in 2020. Perhaps more importantly, China's wide-ranging trade restrictions imposed on Australia in the same year[80] dashed Japan's hope that China would stand up for the open trade order beyond the RCEP. After Prime Minister Abe resigned in September, the Japanese government quietly shelved the plan of Xi's state visit. On the other side the Pacific Ocean, Biden defeated Trump in the US presidential election held in November. In anticipation of a more committed and reconciliatory US government, Japan switched back to the strategy of hegemonic bandwagoning. Although the US did not rejoin the TPP under the Biden Administration, Japan emerged as the most ardent supporter for the US-led Indo-Pacific Economic Framework (IPEF).[81] In the meantime, the Sino-Japanese relationship has yet to recover five years after the COVID-19 outbreak.

Theoretically, our systemic analysis of the second-tier great power's strategic behavior has opened up a new path for future research on power transition. The power transition theory builds on the assumption of a hierarchical international system, but its core arguments focus mostly on the incumbent hegemon and the rising power—the two system-shaping powers with arguably similar capabilities. Indeed, power parity between the two is considered as a critical stage when the hegemonic war breaks out (Kugler and Lemke, 1996). Missing in this theoretical reasoning is a hierarchical logic that underpins the very international system where power transition occurs. By focusing on second-tier great powers and their hierarchical relationship with the hegemon and the rising power, we have uncovered several important but oft-neglected dynamics in a hierarchical international system. For example, second-tier great powers constantly seek strategic autonomy from the incumbent hegemon. Being subordinate only to the hegemonic power, second-tier powers are not only subject to the direct pressures of the hegemon but keenly aware of the benefits of being an unchallenged leader in its own domain of the international system. Perhaps not surprisingly, France under its ambitious President Emmanuel Macron has been touting the strategic autonomy of France and Europe for years. Future research should look into the situated rationality of other actors in the hierarchical international system and find out their unique roles in power transition.

[80] The Sino-Australian relationship was already in decline before the COVID-19 pandemic. However, it was the Morrison government's call for an inquiry into the origin of COVID-19 that brought the relationship between the two countries to a new low in April 2020. In the following months, China restricted the import of a wide range of goods from Australia including barley, coal, wine, lobster, cotton and timber.

[81] The US, together with Australia, Brunei Darussalam, Fiji India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam, launched the IPEF in May 2012. Its goal was to harmonize regional economic and trade rules among its member states without opening the US domestic market. The IPEF involved four pillars: (1) Trade; (2) Supply Chains; (3) Clean Energy, Decarbonization, and Infrastructure; and (4) Tax and Anti-Corruption.

Another major finding of the paper deals with the second-tier great power's strong preference for the *status quo* of the international system. In a world where endogenous power transition is possible, the incumbent hegemon is no longer a predestined *status quo* power. Neither is the rising power a predetermined revisionist power. With the two most powerful players' intentions in doubt, the future of the international system hangs in the air. Under these conditions, our paper shows that second-tier great powers are the most likely candidate to bring together other like-minded actors to shore up the international *status quo*. Notably, such an objective is not just behind the strategy of third-party hedging, but also characterized the materialist-oriented strategy of hegemonic bandwagoning and the normative-oriented strategy of *status quo* balancing. Put differently, second-tier great powers are one of the main anchoring forces of the hierarchical international system in power transition. Future research should explore the theoretical implications of this important finding beyond our narrowed focus on Japan, international trade, and East Asia.

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