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## Attempts at a Regional Architecture

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The promise for Pacific Asia in the 1990s was that cooperation and increasing parity would be the mark of relationships among nations in the region. The common wisdom of that period was that Asia would grow to be coequal with North America and Western Europe. To achieve this, the “Asian miracle” established a menu of policies and a path of development for export-led industrialization and growth (World Bank 1993; Wade 1990). In this, even as Japan and the newly industrialized economies (NIEs) were seen to lead, the flying-geese pattern of development included the near-NIEs of Southeast Asia and the formerly closed economies of China and Vietnam. Accordingly, the vision of an Asia Pacific community suggested a group of countries around a rim of ocean, cooperating on the basis of greater parity and equity (Godement 1997).

Looking back, we can note the several assumptions that were built into this vision either explicitly or implicitly. The first of these was that while the United States was recognized as a major power in Asia Pacific and as a leading partner, it was not considered to be in a position of dominance or primacy. A second assumption was that Asia would have increasing coherence and linkages, but it would be an “open regionalism,” not closed or limited as was the European Union. A third assumption was that member states of the Association of Southeast Asian Nations (ASEAN) would collectively or individually play a major role in the dynamics of the region; hence, the attempt to imbue the region with ASEAN-based modes of interaction like the “ASEAN way” and the early significance of the Bogor

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Declaration, in which Indonesia and other ASEAN members took the lead (Anatolik 1990; Haas 1989; Tay and Talib 1997; Tay 1999).

A decade later now, the Asia Pacific ideal of regionalism has been altered by events and trends. Since 1997, many if not most of the economies of Asia have lost their promise, growing more slowly or uncertainly, even experiencing stagnancy, decline, and instability. The storm of the Asian financial crisis has dispersed the flock of flying geese and destroyed the pattern of their flight (Montes 1997; Radelet and Sachs 1998; Godement 1999; Agenor et al. 2000).

The status of the United States, with its long period of sustained growth, has been reasserted in the world in both economics and political security (Brooks and Wohlworth 2002; Emmott 2002). Against this backdrop, China's economic dynamism has continued, carrying wider political implication for the region. China's promise attracts envy and some concern, but also the largest share of economic investment (Lardy 2002). In comparison, the economic attractiveness of ASEAN members, as well as their political influence, has diminished (Funston 1998; Tay, Estanislao, and Soesastro 2001).

The ideal of parity in Asia Pacific has consequently dissipated. Relations and frameworks for relationships are undergoing reconsideration and reconfiguration. Likewise, the miracle formula of export-driven growth, pushed on by centralized governments' mix of authoritarianism and the market, has come under scrutiny (Stiglitz and Yusuf 2001).

This turn of events leaves us with several questions: How did this sense of East Asian regionalism arise? What are the prospects for this regionalism—its promise and its limits? What new architectures of regionalism are emerging, and how do they coexist?

The primary point here is that a new sense of East Asian regionalism has arisen to link ASEAN and Northeast Asia. This is expressed most notably in the ASEAN + 3 process that brings together the ten ASEAN countries with China, Japan, and South Korea. The process has provided East Asian economies with greater unity and confidence, and it has the potential to assist them in the areas of relations with the United States as well as economic and other forms of globalization.

This chapter, however, argues that this process alone is not sufficient to meet the needs of the region and that it is not the only path of regionalism that might be pursued. There are contemporaneous movements that involve some but not all of the ASEAN + 3 countries. And there is the suggestion that links to non-ASEAN + 3 countries in the region—for example,

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Australia, New Zealand, Taiwan, Hong Kong, even India—are also needed, in some form or other.

Yet, while the impulse is toward greater regional linkages, there are opposite, divisive factors. One is the significant difference between the larger economies of Northeast Asia and the small-to-medium-sized economies of ASEAN. This specter of a northeast-southeast divide is especially vivid if we consider the high growth rates seen in China and, most recently, South Korea—which are well above those of ASEAN states.

Divisiveness also exists within ASEAN itself. While the group now includes ten members, four of these—Cambodia, Laos, Myanmar, and Vietnam—are new to the association. The CLMV countries, as they are often called, are also less developed than the six older ASEAN members, with less experience in managing a market economy that is relatively open to the world economy. But a two-tier ASEAN is problematic, requiring that scholars as well as ASEAN officials address these concerns (Tay, Estanislao, and Soesastro 2001).

These several issues—along with the efforts by ASEAN to create an economic community among its own ten members, and the efforts by some to reach bilateral arrangements with other Asian nations—are the subject of examination here.

What unites the region is no less important than what may divide it. Indeed, the future of East Asian regionalism is at stake: an identity for East Asians, the ability to manage their own affairs, and the hope of greater equity among themselves and greater parity abroad.

## THE RISE OF REGIONALISM IN PACIFIC ASIA

The trend away from the nation-state and toward globalization and regionalism has grown since the end of the cold war. Improvements and lower costs for technology, telecommunications, and transport have enabled this trend. Trade and economic integration have fueled it. Europe's experiment in the European Union as well as the more limited arrangements of the North American Free Trade Agreement (NAFTA) have exemplified it (Ohmae 1995).

Yet for some time, Asians did not proceed with any institutionalized form of regionalism akin to the European Union or NAFTA. Most Asian economies preferred to plug themselves in directly at the global level, emphasizing bilateral ties, especially with the United States, which has been the main source for foreign investment and the main market for Asian exports.

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Export-led development in East Asia and its role in East Asia's integration into the world economy were primary to the rapid economic development of the region. East Asian economies relied heavily upon the markets of Europe and North America, a fact that led to relatively weak regional economic integration. However, since the mid-1980s, several forces have served to strengthen regional integration: the liberalization of trade and investment regimes of many Southeast Asian countries; the increase of Japanese investment in Southeast Asia; the increase of regional involvement by the newly industrialized economies of Asia; and the emergence of China as an industrial location for regional firms. With each of these changes, East Asian economic integration has progressed (Park 2002).

Intraregional trade intensity, which is defined as the share of trade flows within a region, appears particularly high in East Asia, with exports in 2000 reaching 41.5 percent. Intraregional trade intensity among ASEAN members, however, is significantly lower. The three Northeast Asian countries of China, Japan, and South Korea have been the engine of growth for the region, but it is notable that trade among them is relatively low as well, in a range of 15 percent–20 percent. Thus the sub-region of Southeast Asia can be seen to constitute a very important trading partner for Northeast Asia (Park 2002).

Despite such trade intensity, however, no strong movement was made toward an institutional framework for the region. In some ways, this should not come as a surprise. Asia has no enduring history of unity and accepted commonality, whether in polity, culture, language, or religion. The antecedents of East Asian regionalism have been brief and contested. One period was in the fifteenth century, when the Ming empire of China ruled the waves and, in pre-colonial times, extracted an acceptance of suzerainty from most of the kingdoms in East and Southeast Asia. A second period was the Japanese co-prosperity sphere during World War II. Neither set a happy precedent for East Asian regionalism.

Why, then, should there be one now?

Several factors are at play. The first, and most important, was the trigger of the Asian financial crisis in 1997. The crisis exposed inherent weaknesses in financial and economic structures and demonstrated how events in one country can spread, like contagion, to another, with little regard to the differences in economic fundamentals. Countries afflicted by the crisis had little in the way of a coordinated response. Even as the crisis ebbed and assistance was provided by international financial institutions, especially the International Monetary Fund (IMF), there was resentment in East Asia

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over solutions that were felt to be inappropriate to the circumstances and “imposed” by the “Washington consensus.” The United States, which is perceived to dominate the world of international monetary and financial affairs, has been the focus of this resentment (Tay 2001, 208–209; Bergsten 2000).

Now, even as the crisis has ended, competition on the global level has grown more intense. The difficulties surrounding Asian integration have not diminished. Indeed, by a number of indicators, they have grown. The perception that Asians need ways to foster intra-Asian cooperation has grown commensurately, as the financial crisis brought into question the effectiveness of ASEAN and the Asia Pacific Economic Cooperation (APEC) forum, neither of which was prepared to respond.

ASEAN lacked sufficient economic weight and political unity—a situation that became especially clear as Indonesia, the association’s largest member, was at the epicenter of the crisis and buckled under wide-sweeping economic and political strain. In this regard, ASEAN’s sacrosanct principle of mutual noninterference in the internal affairs of its members proved another factor in the association’s impotence. ASEAN members had embarked on a free trade agreement to reduce tariffs prior to the crisis, but fuller economic integration and financial harmonization had never been on its agenda. The association also could offer no response to the massacre in East Timor after it had voted for independence from Indonesia, and it could do nothing to stem the Indonesian forest fires that cloaked the region with haze in 1997–1998 (Tay 2001; Than 2001).

As for APEC, that the organization was not designed for crisis management may have been true, but many viewed that as unacceptable. Given the involvement in APEC by the United States and Japan, there would have been sufficient weight to intervene if there had been political will. All possible APEC initiatives to address the crisis were felt to be undermined by U.S. insistence that any means other than that prescribed by the IMF could not be supported.

APEC, which in many ways is dominated by the United States, thus provided no help during the crisis. With this experience, many East Asians feel a need to make their own arrangements. While these will not be a substitute for international institutions, or for APEC, they may gain for East Asia greater leverage vis-à-vis the United States (Munakata 2002).

But more fundamentally, some analysts feel that APEC is inadequate, even aside from its lack of help in the crisis. With the organization’s broad agenda, the high level of political and economic diversity among APEC’s

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member states is no longer manageable; nor has the leadership of the United States and Japan proven to be strong or cohesive enough. Instead, APEC has been embroiled in disputes among its membership over such issues as trade liberalization. This has tended to split the organization in half, with many East Asian economies lining up on one side with Japan, and the United States and its supporters on the other (Krauss 2000, 473).

But another factor worthy of consideration is a growing sense of Asian identity. This is not so much a revival of Asian values—which were articulated in the early 1990s arguing that Asian versions of democracy differed from Western democracy—as a more general sense of identity.<sup>1</sup> Asians are becoming more international at the same time that they are becoming more aware of themselves as a people. A new generation is emerging that—through education, travel, the Internet, satellite television, and commerce—has an understanding of the United States and U.S.-influenced international standards that is second nature.

Instead of Asia becoming homogenized like a McDonald's franchise, however, this suggests that the increasingly individualized interconnections with the West will result in hybrid recognitions of culture. Subtler mixes will arise that leave behind traditional Asian forms even as they insist on a difference from the West. A region will arise that is modern and still, somehow, "Asian." In many ways, this will mirror the realignments in Western cultures themselves. Asian and other minorities there have sought to reclaim their own identity, rather than to be absorbed into a largely white mainstream. The process has enriched the texture of metropolitan cities in the United States and elsewhere.

Asia's accommodation of what is universal, Western, and rooted in the United States holds similar promise. Its richness, moreover, stands to be magnified by the sheer number of people and the cultural diversity of the continent. In this process, Asian values will not be silenced, but there will be no ready return to the state-centered discourse of Asian values. What is emerging will instead be negotiated at the level of individuals and communities, not by governments of political leaders. The new Asian culture will therefore not be found in a museum of Confucian analects or in the speeches of octogenarian party cadres—but in the streets of Shanghai, Singapore, and Shibuya. My guess is that it is emerging with influences of J-pop, films by Ang Lee, and California roll sushi. It will grow as new Asians meet and communicate their similarities, differences, and interdependencies. And, in all likelihood, they will do so in English, with their own particular accent.

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This nascent pan-Asian culture has lacked a strong institutional or political foundation, unlike the earlier state-driven debate about Asian values. Here the orientation is toward consumption and the market, but institutional expression is not entirely out of the question. In part, this possibility was expressed in the convening of the Asia-Europe Meeting (ASEM). East Asian states were interested in encouraging European investment in Asia, and the European Union was interested in improving access to East Asian markets. Both sides shared the desire to curb the unilateralist propensities of the United States.

By its co-sponsorship of ASEM, the European Union was making the implicit statement that it recognized East Asia as a “distinct geographical and economic entity” (Tay 2002). And thus the initiative had the unintended consequence of fostering cooperation among East Asian states.

On their part, East Asians understand the need to strengthen their negotiating position vis-à-vis the European Union and the United States. Since 2000, the European Union has expanded to include several economies of Eastern Europe, and the proposal for the free trade area of the Americas, as exemplified by NAFTA, has seemed to be gaining momentum. The desire to create an Asian entity, then, has been referred to as a “counter-regionalism factor.” Support has strengthened as the trend toward regionalism has grown geographically as well as functionally (Munakata 2002, 2).

Cooperation based on geography is not unimportant. For one thing, proximity, where dense business networks are in place, reduces transaction costs. Thus, it can be argued that East Asian regionalism came about due to the economic interaction and integration process that had been accelerated by globalization and technology. These forces, known as the “local economic factor,” have also strengthened considerably over time (Munakata 2002, 3).

### CHALLENGES FACING EAST ASIAN REGIONALISM

It has been more than a decade since Malaysian Prime Minister Mahathir bin Mohamad proposed the formation of the East Asian Economic Group. The organization was conceived to be an informal regional organization that would serve as a consultative forum for East Asian economies as the need arose. The proposal was rejected by East Asian countries, as well as by the United States, because of fears it would bring about divisiveness in the Pacific and challenge the fledgling APEC process. To address these

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concerns, the proposed forum was softened to become a caucus that would work within APEC. To this day, there have been no formal meetings or institutions of the so-called East Asian caucus.

Even as East Asians are being drawn together economically and politically, there remain factors that stand as challenges or obstacles to regionalism. The major factor is the importance of the United States to the region as a whole and to certain countries in particular. Since the end of World War II, the United States has been the foundation and guarantor of security in the region. Japan and South Korea in Northeast Asia and Thailand and the Philippines in Southeast Asia have defense alliances with the United States. Singapore, while not a formal ally of the United States, has developed close economic and security ties with it. This Asian receptiveness to U.S. presence in the region owes not to the grudging acceptance of power as much as to the acknowledgement that, in large part, the United States has played a relatively benign role as a guarantor of peace and stability.

The United States, moreover, has been and continues to be a major investor in the region. The U.S. role in security and economic development was especially important during the cold war and for the original ASEAN members who feared Vietnamese expansionism. It must be remembered that, in the 1960s, many saw the region as a troubled “drama” beset by poverty and instability.

As such, while some in China and Vietnam may see hegemonic and neo-imperialistic tendencies in the United States, many others in ASEAN and Northeast Asia have known the United States in a different light. Without U.S. engagement in the region, many fear the loss of the security balance. This is not a matter of the exercise of great power. Given the history of the region, where no collective framework for peacekeeping and other such measures exists, the U.S. presence has been stabilizing.

Concerns persist, however, over U.S. hegemony and its history of alternating between ignorance and unilateral intervention in its dealings with the region. The U.S.-led war against terrorism since the tragic events of September 11, 2001 (9-11), has exacerbated these concerns, and the war against Iraq has left many in Asia—as well as Europe and elsewhere—questioning the thrust of U.S. foreign policy. The rise of anti-U.S. sentiment may drive East Asian regionalism toward taking a more independent stance. But it should be noted that other sentiments are also evident: the governments of Japan, South Korea, the Philippines, and Singapore have supported the U.S. action, and most of those who have not supported U.S. intervention have at least sought to contain and limit their differences.

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As such, the United States remains the vital nonregional actor in East Asia's new regionalism. If the United States strongly opposes the institutional identity of the region, then it will fail, in the same way that Mahathir's proposal for an East Asian Economic Group did. If the United States is comfortable with the idea, or even supportive of it, the chances increase significantly, even if there is still no guarantee of success.

The second factor that may be an obstacle to East Asian regionalism is China-Japan relations. The relationship is troubled by suspicion and differences, notwithstanding the high levels of Japanese investment in China. In part, of course, this is because of historical reasons that derive from World War II. It is a sensitive issue, but the politics of apology and amnesia has been troubling to Japanese ties with South Korea and ASEAN nations as well.

On this point, ASEAN has stressed a pragmatic and forward-looking emphasis on trade and investment. This is in sharp contrast to the 1970s, when the visit of the Japanese prime minister to Southeast Asia was marked by street protests. South Korea, under President Kim Dae Jung, has also taken steps toward reconciliation, although to a far lesser extent than has ASEAN. Between China and Japan, however, relations have seen little fundamental improvement.

In large part, this is because the differences are not only historical but also present and prospective. Present-day relations are often adversely impacted by the role of the United States. Japan is dependent on the U.S. alliance for its security. When China-U.S. relations are strained, the Chinese may view Japan as a junior partner of the United States or, to state it less kindly, a pawn. Conversely, when China-U.S. relations show improvement, Japan fears that its special situation with the United States is overshadowed. Needless to say, the nascent sense of East Asian unity could be easily undermined by these tensions. Prospectively too, the path of China-Japan relations may be rocky, as the two giants of East Asia engage in a contest for preeminence. This trend was observable in their respective responses to the Asian financial crisis.<sup>2</sup>

All this points to the central need for reconciliation between China and Japan as a cornerstone for a regional East Asian architecture. Without rapprochement, any positive emerging trends of regionalism can easily falter. In this context, Japan must come to terms with its history. And further, it must build a future for itself in the region that includes its neighbors as partners.

Japan's role, to be sure, is complicated by its decade-long recession and attempts at reform. With mixed economic indicators, the verdict on the government's efforts, which focus on massive public spending, is still out.

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Japanese public opinion itself grows divergent. Among nonbureaucratic elites, there are calls for radical reform and the “internationalization” of Japan, as seen in the work of Sakaiya Taichi (1991) and the report of the Prime Minister’s Commission on Japan’s Goals in the 21st Century (The Prime Minister’s Commission 2000). Such steps would include private-sector reform, an emphasis on individual creativity and self-responsibility, and the increased use of English.

Another quite different strand of reform can be characterized as a narrow nationalism, typified by the advocacy of the governor of Tokyo, Ishihara Shintaro, which would likely have a negative effect on any reconciliation between Japan and its neighbors. Another promise of reform is also personified by the prime minister, Koizumi Jun’ichiro, who was swept into office on a slate of reform. Yet it remains unclear what precise reform can be agreed on and carried out by the government, and the great hopes that initially greeted his election have faded. Prime Minister Koizumi has caused some consternation among Northeast neighbors by his visits to war shrines. The steps his government has taken in the wake of 9-11 to support U.S. military actions have also taken the Japanese defense forces to a high point of activity and stirred debate about the relevance of the country’s post-World War II pacifist constitution.

Until the internal debate is decided about the country’s reform and future directions, Japan’s ability to contribute significantly to the leadership of the region must be questioned. Extensive discussion of an Asian monetary fund and a common currency has occurred in Japan, but, assuming that Japan would be a major actor in such initiatives, sentiment is divided between whether this would be a positive influence or but a bankrolling of dubious policies. Reservations notwithstanding, East Asian countries understand the continuing importance of Japan in the region.

A third factor in the way of East Asian regionalism is that the small and medium-sized countries of the region may play a greater role than befits their strength. An instance of this can be seen in the arena of bilateral free trade agreements, where South Korea, Singapore, and Thailand have been active, reaching out beyond the region to Australia, India, and even Mexico. ASEAN as a whole has been negotiating a trade agreement with China and, separately, is looking into ways to strengthen ties with Japan as well. But there are limits to the leadership that these countries can offer the region. For one thing, ASEAN is an association without a present economic integration of its membership. Thus, some have spoken of ASEAN’s having a leading role in the ASEAN + 3 process by default—its importance deriving

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not from the association's strength and unity, but from the disunity and division among others.

A fourth factor limiting East Asian regionalism is the apparent choice of governments in the region to exclude economies outside the ASEAN + 3 process. The economies excluded, for different reasons, are Australia, New Zealand, India, Hong Kong, and Taiwan. Short of full inclusion in ASEAN + 3, there are many ways that links could be strengthened with these economies (of that more later), but the point to be made is that as they are excluded, any East Asian regionalism is weakened.

The case of Taiwan, in particular, is politically problematic for the region—and not only because of its relationship with China. The China-U.S. relationship, ties with Japan and with ASEAN, and the overall economic significance of Taiwan all complicate the equation.

In theoretical terms, there are, according to political economist Walter Mattli (1999a), preconditions for successful regional integration.<sup>3</sup> The first is strong market pressures for integration, which will arise where there is significant potential for economic gain from market exchange in the region. If there is little potential for gain—either because countries do not complement each other or because the regional market is too small to offer economies of scale—the process of integration may not work.

Another precondition is that of undisputed leadership. There must be a benevolent leading country in the region, one that serves as a focal point in the coordination of rules, regulations, and policies and that may also help ease tensions arising from inequitable distribution of gains from integration. Attendant to this precondition would be the provision in an integration treaty for the establishment of commitment institutions, such as the centralized monitoring of third-party enforcement that will help to catalyze the integration process.

Economic difficulties constitute a background condition of integration. Political leaders would sacrifice their political power and autonomy if economic difficulties convince them that they can survive in office only by promoting regional integration, which is essential to improved economic performance. Regions with strong market pressure for integration and undisputed leadership are most likely to experience successful regional integration, while regional groupings that do not satisfy either of the conditions are least likely to succeed.

Mattli's observations are based on his study of integration in Europe, but his theories are not without relevance or insight for East Asia. His first precondition, that of strong market pressure for integration, is satisfied

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by the experience of the Asian financial crisis and the ongoing frustrations with ASEAN and APEC. East Asian countries do feel the need for integration and liberalization for the additional benefits they would bring. However, although there is high intraregional trade within East Asia, the largest export markets for East Asian economies have been the United States and Europe.

As regards the precondition of undisputed leadership in the region, the issue is not so settled, as Japan and China vie for preeminence (Iriye 1992). Japan may be the second largest economy in the world, but, as stated, it has suffered under recession and stagnation for over a decade. When the financial crisis struck East Asia, however, Japan did step forward to offer loans to economies in need. China, on the other hand, is a growing economic might that would seem poised to outgrow Japan in the future.

Should political circumstances in the region change, perhaps then there will be stronger, faster, more ambitious steps taken toward an East Asian regional architecture. Otherwise, as obstacles remain, what can be done?

### DIFFERENT FRAMEWORKS FOR REGIONALISM

The ASEAN + 3 process has taken center stage in much of the discussion on East Asian regionalism. While the process is notable, despite its limitations, other ongoing institutional initiatives are worthy of note. Some include a broader base of countries than does ASEAN + 3, especially in respect to economic and trade cooperation.

Furthermore, the “minilateral” and bilateral undertakings among East Asian countries must be looked at. While these arrangements are seemingly ad hoc and, it may be argued, detract from a more inclusive regionalism, their dynamic with ASEAN + 3 has complexity and nuance.

### APEC

The Asia Pacific Economic Cooperation forum was founded in 1989 to address economic issues in the region. APEC member nations account for nearly half the world’s merchandise trade, half the global gross national product, and approximately half the world’s population. The forum, which operates from a secretariat in Singapore, sponsors regular meetings and annual summits of senior government officials and heads of states.

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Additionally, there are informal track-two events involving experts and businesses, such as the Pacific Economic Cooperation Council and the APEC Business Advisory Council.

APEC operates by consensus rather than through binding agreements or the kind of legalism evident in NAFTA and the European Union. APEC members define broad regional goals through a formula of “concerted unilateralism,” but the specifics of implementation are left to each nation, with little or no supervision (Gershman 2000).

APEC provides three occasionally overlapping agendas. The first is economic and technical cooperation promoting human resources development, or “eco-tech.” The second is trade and investment liberalization. The third, and the weakest, is the agenda of sustainable development—an effort characterized by a flurry of small-scale building projects and little beyond statements of principle (Gershman 2000; Lincoln 2001).

Of the three, trade and investment liberalization has garnered the most attention. The agenda emerged in 1993, when then U.S. President Bill Clinton invited the eighteen leaders of APEC member nations to Washington for the first APEC Economic Leaders Meeting. This was followed the next year by the Bogor Declaration, which proclaimed the elimination of all trade and investment barriers by 2010 for APEC’s wealthier members and by 2020 for its poorer members.

At the 1997 meeting, APEC leaders agreed to negotiate, on a fast-track basis, mandatory liberalization targets in nine sectors covering US\$1.5 trillion in trade—a project known as Early Voluntary Sectoral Liberalization. The relevant sectors encompassed a range of products, but Japan’s opposition to the inclusion of fisheries and forestry, and the insistence of several countries (including the United States) that they be kept on the agenda, effectively torpedoed the broader initiative. Since then, liberalization through APEC has been stalled. This, and the Asian financial crisis that same year, have combined to demonstrate the limits of the APEC process.

Subsequent APEC summit meetings have failed to bring leaders together in the same spirit of optimism that was the basis of the Bogor meeting. Although the APEC forum has declared its support for free trade, many members oppose mandatory implementation schedules for comprehensive reduction of tariff and non-tariff barriers. This is understandable, given the diverse economies and perspectives on trade and investment regulation. Some countries, especially Malaysia and Japan, have argued that the liberalization goals be nonbinding and have opposed the U.S. demand that all economic sectors be open to foreign trade and investment. Countries that oppose the

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U.S. drive to convert APEC into another free trade area would prefer APEC remain a consultative organization that facilitates technical cooperation on economic matters (Gershman 2000; see also Flamm and Lincoln 1997).

The 1999 APEC meeting in Auckland was dominated by discussions of the crisis in East Timor and proposals by the Group of Seven (G-7) to reform the international financial architecture. The 2000 meeting in Brunei focused on technical issues associated with facilitating e-commerce. There was some forward motion, especially as regards economic and technical cooperation, but it did not compensate for the lack of progress in trade and investment liberalization or the overall ideal of a Pacific Asia community. In the face of APEC's apparent immobility and failure to act, countries in East Asia have begun to pursue bilateral and regional initiatives outside the APEC framework (discussion of which will appear later).

The *modus vivendi* presently emerging is that the gathered heads of state focus on bilateral meetings among themselves, paying little attention to the APEC-wide process. This seems to make the best of an inherent limitation, using the forum's lack of cohesion to reap the benefits of the informality that exists at these meetings.

In response to the events of 9-11 and the U.S.-led war on terrorism, the 2001 summit in Shanghai produced a statement, signed by all members, to condemn terrorism. This was followed by the announcement by the United States, at the 2002 summit in Los Cabos, Mexico, of its initiative for ASEAN: an economic undertaking with geostrategic implications, one informed by the events of 9-11 and the concern that Southeast Asia might constitute a second front for the U.S.-led war on terrorism.

While these issues are no doubt important, they stand well outside the purview of APEC, highlighting questions about the forum's continuing relevance. The present usefulness of APEC seems to be limited to an occasion for leaders from the region to meet and discuss a series of general matters, rather than to focus and help drive an existing, coherent agenda. As such, while APEC is likely to continue, increasing numbers of observers have sought to think of ways to revitalize and perhaps reorient the process.<sup>4</sup>

### **ASEAN and the ASEAN Free Trade Area**

At its inception in 1967, ASEAN talked of fostering economic ties among its members. In truth, however, ASEAN's first priority was to increase political and security confidence and to reduce tensions among its members. Only

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in 1992, twenty-five years later, did ASEAN begin its first real, sustained economic effort, with the ASEAN Free Trade Area (AFTA).<sup>5</sup>

To a considerable degree, the timing of AFTA was indicative of the perception that, after the end of the cold war and the peace accords in Cambodia, an enlarged, deeper conception of regionalism was needed. To remain relevant in the changed geopolitical context, ASEAN embarked in 1992 on a path to have the existing six members—original members Indonesia, Malaysia, the Philippines, Singapore, and Thailand, plus Brunei—joined by Cambodia, Laos, Vietnam, and Myanmar to comprise the ten members of ASEAN. This enlarged grouping was, moreover, challenged to deepen their economic links with AFTA to reduce tariffs. An ASEAN Investment Area agreement was also launched to facilitate the flow of capital.

The implementation of AFTA was brought forward from 2005 to January 1, 2003, and, after the Asian financial crisis, the date was further accelerated. In January 2002, AFTA came into effect for the older six members of ASEAN. The newer members are scheduled to begin to implement their AFTA obligations by 2007. Proponents of AFTA declare its success in bringing down tariffs for a broad range of products.

Yet, somewhat like APEC, the AFTA arrangement may already be showing its limitations. Countries have backtracked on the liberalization of some of their products. Malaysia, in particular, has sought to slow liberalization in the automotive sector, in which the government has promoted and protected national manufacturers.

Elimination of intraregional tariff and non-tariff barriers on the agreed-upon goods is only one aspect of ASEAN's efforts to sharpen its competitive advantages (Soesastro 2002; Stubbs 2000). But beyond these concerns, AFTA faces other challenges. First, the pace and scope of tariff reductions worldwide have increased, thus putting pressure on AFTA to diminish the number of products that remain on its list of exempt goods. Second, and perhaps more importantly, experts, officials, and businesses recognize that the reduction of tariffs is only one component in easing business across borders. The need for liberalization in services and capital investment as well as for the facilitation of trade through the movement of people and the agreement of mutually accepted standards are other items that ASEAN must seek to address in moving beyond AFTA and toward economic integration and even an ASEAN economic community (Stubbs 2000; Yeo 2002a). ASEAN leaders reinforced this intention at their summit in 2003, calling for the creation of an ASEAN Economic Community as a next step forward from AFTA.

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In this regard, commentators like Hadi Soesastro of Indonesia argue that AFTA's life cycle will not be very long once it has been established; the agreement would have reached its objectives if it is no longer needed. AFTA, as such, should be viewed essentially as a training ground, an intermediate phase in the efforts of ASEAN to integrate member nations into the world economy. But even as the training continues, wider regional arrangements have emerged with partners in Northeast Asia and elsewhere.

### **ASEAN + 3 and ASEAN + 1**

Efforts at cooperation among the members of ASEAN + 3 have been increasing. To date, the most important cooperative effort achieved by the process has been in the financial and monetary sectors. At the Chiang Mai meeting of finance ministers in May 2000, the ASEAN + 3 governments agreed to what has become known as the Chiang Mai Initiative, marking the beginning of a new era of East Asian regionalism. They committed to exchange data on capital flows, to review the financial policies of member nations so as to monitor regional finance, and to expand the existing arrangement among some ASEAN members to engage in bilateral currency swaps. An additional support system is also being developed through the bilateral swap arrangements and repurchase agreements with China, Japan and South Korea (Tay 2001).

Progress for the ASEAN + 3 framework has been gradual. The first informal meeting of ASEAN + 3 leaders was held in November 1997. The second was held in December 1998 in Hanoi, where members were determined to strengthen regional dialogue and cooperation. A meeting for East Asian deputy finance ministers was formalized, as was the East Asia vision group. The third summit, held in Manila in November 1999, marked a significant step for the organization. ASEAN + 3 was formally institutionalized in the first gesture toward an East Asian regional architecture.

In the formation of ASEAN + 3, leaders expressed the shared need to accelerate trade and investment and technology transfers; to encourage technical cooperation in information technology and e-commerce; to promote industrial and agricultural cooperation and tourism; to strengthen the banking and financial system; and to develop the Mekong River Basin. With these goals in mind, leaders established a human resources development fund and the ASEAN action plan on social safety nets (ASEAN Secretariat 1999).

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In 2002, Malaysia proposed locating the secretariat of ASEAN + 3 in Kuala Lumpur. Members, however, were not in favor of the idea of an ASEAN + 3 secretariat at all, fearing that it would undermine the efforts of the ASEAN secretariat in Jakarta toward reinventing and integrating ASEAN economically. Having invested more than three decades in ASEAN, these Southeast Asian leaders were careful not to give any appearance of detracting from it.

Thus, the approach of the group seems to be twofold: to proceed with closer ASEAN cooperation and integration at the same time that it fosters the ASEAN + 3 framework. In ASEAN + 3, moreover, the processes that bring all member states together is being complemented by processes that bring the ASEAN members together with one or another of the Northeast Asian states, in what has been called ASEAN + 1 arrangements.

In this context, China's offer to come to a free trade agreement with ASEAN was an initiative of great significance. On November 4, 2002, the Framework Agreement on Comprehensive Economic Cooperation was signed by China and ASEAN, committing them to begin negotiations in 2003 on the creation of an ASEAN-China Free Trade Area. These negotiations have been proceeding apace.

The target date for realization of the ASEAN-China Free Trade Area is 2010 for the six older members of ASEAN, and 2015 for Cambodia, Laos, Myanmar, and Vietnam. This agreement is aimed at liberalizing trade in goods and services in addition to promoting a transparent and liberal investment regime.

The establishment of the ASEAN-China Free Trade Area will open up a market of 1.7 billion consumers with a combined GDP of US\$1.5 trillion to US\$2 trillion and two-way trade of US\$1.2 trillion (ASEAN Secretariat 2002; "Premier Zhu Spells Out" 2003). China's willingness to push ahead with these plans is an unprecedented political move—and a significant departure from its historical stance toward Southeast Asia. This is the first time in its history that it has found in Southeast Asia a point of common political and economic interest. For both China and ASEAN, this may be a form of political confidence building (Macan-Markar 2002; Katzenstein 2000, chapters 1 and 3).

China's initiative has sparked similar proposals by the major East Asian economies of Japan and South Korea. There have also been proposals for an East Asian free trade area and Northeast Asian free trade agreement.

During a trip to Singapore in 2002, Japanese Prime Minister Koizumi (2002) delivered a speech proposing the further integration of the region.

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He spoke of partnership, of comprehensive economic cooperation between Japan and Pacific Asia, and of his hopes that the Japan-Singapore Economic Partnership Agreement would be a launching pad for these goals. This bilateral “new age” agreement, concluded in 2002, may have implications for other ASEAN member states in their ties with Japan.

Koizumi also proposed initiatives in other areas. These included designating 2003 as the year of Japan-ASEAN Exchange and opening discussions on several fronts: an initiative for a Japan-ASEAN comprehensive economic partnership, an initiative for development in East Asia, and enhanced security cooperation between Japan and ASEAN. The ASEAN-Japan summit at the end of 2003 not only marked the decades of relations and cooperation between ASEAN and Japan, but also launched detailed discussions on separate, bilateral trade agreements between Japan and some ASEAN members, including Thailand and Malaysia. Koizumi’s broader goal is to create an East Asian “community that acts together and advances together” and some believe that this East Asia cooperation should be founded upon the Japan-ASEAN relationship to make good use of the ASEAN + 3 framework, and increase the cooperation among the Northeast Asian states of China, Japan, and South Korea.

Looking beyond East Asia, Koizumi expressed the hope that the United States, Australia, and New Zealand would become a part of this community. Critics responded that such a grouping, which they called ASEAN + 5 (Japan, China, South Korea, Australia, and New Zealand) + 1 (United States), would not be very different from APEC and that it might be even more difficult to realize than ASEAN + 3 (Lim 2002; Jain 2002). But whatever the aims for regionalism might be, Koizumi’s policy is interesting in that it is based on the belief that initiatives such as the China-ASEAN Free Trade Area and ASEAN’s agreements with Australia and with New Zealand will contribute to the strengthening of the East Asian economic region.

The Japanese proposal is seen by analysts as an attempt perhaps to ward off economic stagnation at home, and also to prevent China from snatching the role as the economic leader of the region (“Japan Pushes” 2002; “Asia” 2002; Okamoto 2001). This competitiveness can be healthy and, one hopes, result in closer economic ties between ASEAN and Japan and between ASEAN and China, with the greater prospect of knitting the whole region together.

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### **Beyond ASEAN + 3: ASEAN's External Relations**

In addition to the ASEAN + 3 and ASEAN + 1 processes with Japan and with China, ASEAN has made overtures to countries in the region which have remained outside these associations.

The special administrative region of Hong Kong is not represented separately, nor is the economy of Taiwan. Thus far, neither has concluded a free trade agreement with any ASEAN member state. For ASEAN there is obvious value in economic relationships and cooperation with them, given the size and strength of their economies and their capital flow to both ASEAN and China.

Taiwan of course has political and security motives for emphasizing such links. It has sought, without success, to be admitted to various regional processes, including the ASEAN + 3 and the ASEAN Regional Forum (ARF), the leading multilateral security process in the region. But even without such considerations, it is clear that based on finance, trade, and investment, there are grounds for allowing Taiwan's inclusion as a separate, substantial economy. Additionally, we should recognize that ASEAN + 3 would be enhanced by cooperation with Taiwan on financial matters, but only if arrangements are suitable. After all, the Asian crisis that began in 1997 deepened and spread further when Taiwan's currency, too, was devalued.

Currently, Taiwan is also seeking to enter into bilateral trade agreements with countries in Asia, including ASEAN countries. Given its membership in APEC and the World Trade Organization (WTO), this should be economically rational and politically acceptable, provided that Taiwan does not in the process seek to demand recognition beyond what the countries in the region already admit.

On its part, Hong Kong is negotiating bilateral free trade agreements with New Zealand and China. There could be a possible Japan–South Korea free trade agreement and a South Korea–Chile free trade agreement (Tsang 2003; Park 2002, 13). These developments demonstrate the fecundity and variability of free trade agreements in Asia and between Asian and non-Asian economies. For even as these developments are unfolding in East Asia, overtures are being made to actors outside East Asia—Australia, New Zealand, and even India. In August 2002, Australia signed a memorandum of understanding regarding the ASEAN-Australia Development Cooperation Programme (AADCP). This US\$45 million initiative will be jointly implemented by ASEAN and Australia, and it will help to strengthen regional economic and social cooperation and regional institutions and

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to assist the newer ASEAN members integrate into the association. The core components are, one, a series of medium-term activities that address issues of economic integration and competitiveness and will contribute to the broader objectives of “strengthening ASEAN economic integration” and “enhancing ASEAN competitiveness”; two, the Regional Partnerships Scheme, a flexible mechanism for smaller collaborative activities; and three, the Regional Economic Support Facility, a policy research unit now in operation within the ASEAN Secretariat, focusing on economic issues (35th ASEAN Ministerial Meeting 2002).

New Zealand too has a mechanism for development cooperation with ASEAN, known as the ASEAN-New Zealand Economic Cooperation Programme. Formerly the ASEAN Regional Programme, this mechanism has two major long-term goals: to achieve sustainable development for ASEAN countries and to facilitate linkages between New Zealand and ASEAN in various fields of trade. ASEAN is one of New Zealand’s main recipients of funds for development (ASEAN Secretariat 1996).

Australia and New Zealand have reached an agreement for a broader framework for economic cooperation, called the Closer Economic Partnership. A framework for this partnership was adopted in September 2001, providing a formal structure for promoting trade and investment, including tariff and non-tariff issues. While the Closer Economic Partnership sets a base for relations, some countries have proceeded to negotiate bilateral agreements with higher levels of cooperation and economic liberalization. Singapore, for example, has concluded a free trade agreement with New Zealand and, separately, with Australia. Thailand is another ASEAN country that has held discussions with Australia.

ASEAN’s ties with India have taken a significant step forward recently, with the ASEAN-India Summit in November 2002. In addition to cultural and security ties, the possibility of an India-AFTA link is being considered as a step toward the longer-term goal of an India-ASEAN regional trade and investment area.

India and Singapore, in April 2003, announced that a comprehensive free trade agreement was under negotiation, again demonstrating how an individual ASEAN member might establish bilateral ties before the association does. The arrangement will have free trade aspects as well as possible enhancements in the area of services, especially air services.

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## OBSERVATIONS, IMPLICATIONS, COMPLICATIONS

In this flurry of trade and other activities, several observations may be offered.

The first is that while ASEAN + 3 is perhaps the central process for East Asian regionalism, it is certainly not the only one. The second observation is that ASEAN remains a key player in the regional processes, notwithstanding its small economic size (even when combined) and its loss of prestige and momentum following the 1997 financial crisis. The establishment of ASEAN + 3, ASEAN + 1, and other initiatives makes it clear that ASEAN is central to the emerging regionalism.

Third, bilateral free trade agreements are taking place or under consideration. The most active country in this regard is Singapore. Apart from being a member of AFTA, it has already signed agreements with New Zealand, Japan, the European Free Trade Area, and Australia. Final negotiations have also been completed with the United States, pending legal finalization and approval by the U.S. Congress ("Everyman for Himself" 2002; Zoellick 2002).

Among other ASEAN members, Thailand has also begun to be very active, pursuing bilateral agreements with Australia and China. Malaysia of late has indicated that it wishes for a free trade agreement with Japan and the United States, thus reversing its opposition to Singapore's push for bilateral free trade agreements, which Malaysia believed could undermine AFTA (Kassim 2002).

In Northeast Asia, the activities of China and Japan have been noted, as have the efforts of Hong Kong and Taiwan. South Korea too has been active in free trade agreements on a bilateral basis. Thus far, however, it has preferred to initiate these with countries outside Asia.

This proliferation of free trade agreements may be a sign that countries in the region are moving toward the creation of an economic bloc and free trade bloc. One of the most important questions that has arisen amid the flurry of free trade agreements is whether they would lead to regionalism or undermine it (Okamoto 2001).

A fourth observation may be made about Asian or ASEAN agreements with countries outside ASEAN + 3. As surveyed, there are different developments between ASEAN and Australia, between ASEAN and India, and between ASEAN and Taiwan, which invests heavily in Southeast Asia. At a later stage, there may be an agreement between ASEAN, or some of its member states, and the United States. All this activity demonstrates the

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interdependency of countries in the region; it also indicates the support that countries outside the region have for East Asian regionalism (Abidin 2001).

All this is recognition of East Asia's importance in the trade and politics of countries outside Asia as well. The developments underscore the fact that if East Asian countries do not participate in the shaping of the emerging regional institutions, they could very well be disadvantaged. Yet, these developments are also recognition that the new East Asian regionalism cannot and should not be "fortress Asia," that it cannot afford to isolate itself from the rest of the world. Thus there seems to be an operative principle of "open regionalism," carried over from the APEC process.

### COMPLEXITIES FACING THE DEVELOPMENT OF EAST ASIAN REGIONALISM

The task of fostering and deepening regionalism in East Asia or even within ASEAN will not be easy. Political and economic rivalries within the region are barriers to effective cooperation between the states. On the larger stage, there is, notably, the rivalry and distrust between China and Japan, as both countries are now clearly competing for the leadership of Asia. There are rivalries on the more microeconomic level as well. To name the most prominent: Hong Kong and Singapore are vying to become the financial hub of East Asia; Korea and Taiwan compete vigorously in global markets in a number of sectors; and Malaysia and Singapore have bilateral disputes over a number of issues, despite their strong economic interdependence. And then there is the no small matter of relations between China and Taiwan.

Huge differences in political systems underlie these contentions. China—as well as Vietnam and Myanmar—are trying to maintain highly authoritarian regimes even as they embrace the market economy. By contrast, Japan has been a practicing democracy for fifty years. Most East Asian countries fall somewhere in the middle of the spectrum, tilting toward the democratic end but sometimes with relatively weak variants of democracy and usually without deep democratic roots. These political differences would, at a minimum, complicate any Asian integration effort. Nor are these differences without history.

Japan remains the largest and richest economy in Asia, but as its economy has been stagnant for a decade, there is uncertainty within the region about

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the effectiveness of any leadership role to which Japan might aspire. The rest of Asia, furthermore, has yet to accept Japan as a true partner. Upon the end of World War II, Japan concentrated on its economic reconstruction—and succeeded admirably—but it was absent when it came to formulating the postwar world economic order. Japan also has serious “history” issues, that is to say, amnesia about its historical role in the region, and this does not sit well with Asians who suffered under Japanese occupation. Even government-to-government settlement of the history issue does not guarantee public support, upon which the ultimate resolution depends. If Japan hopes to gain the confidence of its neighbors, it needs to address its history fully, and it needs to articulate both its national strategy and the role that it wishes to play in the region.

China, on the other hand, is on the rise, its economy growing at a remarkable rate. While some—in Japan and elsewhere—worry that China will become a threat to Japan’s economic primacy and will overwhelm the smaller ASEAN economies, others perceive the complementary nature of bilateral economic relations and see huge opportunities in the Chinese market and abundant labor force. Economic strength, however, has also afforded China an increase in its military expenditures, which, together with issues related to Taiwan and the activities of Chinese research ships in Japanese waters, creates a growing nervousness in Japan. Suspicions of China’s intentions are widespread in the region.

From the Chinese point of view, Japan’s unwillingness or inability to come to grips with its history has only nurtured grass-roots suspicion of Japan, justifying Beijing’s repeated demands for an apology, which in turn provoke Japanese resentment. Some in China are also worried that the U.S.-Japan security alliance is part of a U.S. strategy to encircle China. But at the same time Beijing also appreciates the U.S. security presence in the region as it prevents Japanese rearmament.

The role of the United States, as discussed above, is an important, extra-regional factor. If the United States strongly opposes the nascent institutional identity of the region, the regional effort is certain to fail, much as the Asian Monetary Fund and East Asian Economic Grouping did. If the United States is comfortable with the idea, or even supportive, there is still no guarantee of success, but the chances will increase significantly.

In the 1990s, U.S. Secretary of State James Baker expressed support for a new Asia Pacific architecture, one that would comprise a framework for economic integration, a commitment to democratization, and a revamped defense structure for the region. The Clinton administration subsequently

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embraced the concept of multilateral security dialogue as a pillar of the “new Pacific community,” and expressed support for several potential areas of dialogue including APEC (Bergsten 2000).

Camilleri (2000) contends that there were several considerations for Washington’s shift in policy, but none more important than the realization that the United States could no longer perform the coordinating role characteristic of the cold war. The two traditional pillars of U.S. predominance in Asia—economic muscle from its markets and overall financial presence, and security muscle from its bilateral alliances and military bases—were both diminishing assets. However, while a continuing U.S. presence in Pacific Asia might not be enough to contain China, offer a comprehensive guarantee of regional security, or cope with the region’s increasing economic interdependence and realignment of power, the United States has been the foundation and guarantor of security in the region. It has always been and foreseeably will continue to be the major investor in the region (US-ASEAN Business Council 2003)

A hopeful scenario would be to draw China into a multilateral security dialogue, or into an institution where regional members can monitor developments and have checks in place. Each member, including China, would thus be obliged to act according to the interests of the institution as a whole, thus providing some reassurance to the region (Krawitz 2002). At the moment, settling upon a benevolent leading country of the region does not seem feasible. One alternative, which has already come to fruition, is that of the middle powers taking the initiative to form a multilateral institution. ASEAN’s efforts to date can be interpreted as taking on that role for its members as well as others in East Asia.

One of the main reasons for ASEAN + 3 is that ASEAN, by drawing China into a multilateral institution, would have China as a partner rather than a threat to its economic security. In his speech to the U.S. Chamber of Commerce, Singapore’s Trade and Industry Minister Yeo (2002b) stated his belief that an integrated ASEAN is the only viable response to an economically rising China. ASEAN countries have to work toward closer regional economic integration, and if there is no free movement of goods and services and investments within the region, Southeast Asia will lose out to China. If Southeast Asia is able to make a common economic space, it will have integrity vis-à-vis China, it can stake out its own areas of strength, and it can benefit from China’s economic growth.

China, on the other hand, sees engagement with ASEAN as an opportunity to convey the message that it is not a threat to its neighbors and instead

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offers a hand of cooperation and friendship. The proposal of the ASEAN-China free trade agreement, linking the region together, is a demonstration of its good intentions. Japan and other countries, such as the United States, Australia, and New Zealand, have also seen the benefits of ASEAN + 3, and have expressed their support for it. But the question remains: Which of the many frameworks are East Asians likely to adopt?

The support given to ASEAN + 3 has been inspiring, particularly as the region seeks to integrate in other ways. For example, the northeast-southeast divide within Asia continues to pose difficulties, with ASEAN countries much poorer than Japan, South Korea, Taiwan, and Hong Kong. With China growing at such rapid pace, ASEAN could well lose vital foreign direct investment to China. The Asian financial crisis had the effect of widening the northeast-southeast divide further. Recovery from the crisis in Northeast Asia was quick, whereas some countries in Southeast Asia were mired in it, and in Indonesia the financial crisis turned into a political crisis.

Within ASEAN itself, there are divisions. In comparison to the older members of the association, Cambodia, Laos, and Myanmar are much poorer, less developed, and their economies much less liberalized. Regional economic integration may thus be of less benefit to them. An effort must be made to enhance their competitiveness in all fields, or new ASEAN members will not be able to gain from the region's economic liberalization and integration. Such disparity, combined with the serious challenge of poverty within Southeast Asia, has to be addressed if ASEAN is to lead the region into an institutional bloc. Moreover, the economic and development gap within East Asia itself is even wider than that within ASEAN. Despite the challenges, ASEAN has pushed forward cooperation with Japan, South Korea, and China in the framework of ASEAN + 3 to attract more investment and technology.

The example of the European Union, while different in many respects, should encourage East Asia to pursue regional integration. In Europe, trade integration between north and south has succeeded as differences were reconciled. Economic integration has helped to overcome deep-seated political animosities, where the history of France and Germany has been as bloody as that of China and Japan. Economic rationality, political will, and a concern about coping with globalization are key factors for those who believe in closer East Asian regionalism.

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### THE PROSPECTS FOR EAST ASIAN REGIONALISM

From the observations of the driving forces and limitations of the nascent regionalism of East Asia, several principles suggest themselves as incumbent to the process.

First, it should be an open and flexible caucus, not an exclusive group or bloc. There is no need for another institution, given the many that already exist in the region. Nor would it serve the region well to exclude the United States, or other countries, especially as many nations in the region rely on the United States for both security and economic reasons. The new East Asian regionalism might therefore serve as a forum for discussion and agreement on positions that would then be taken before larger institutions. Approached in this way, East Asian regionalism would not detract from other Asia Pacific and international institutional efforts, but serve to make them more effective and representative (Tay 2001).

Second, East Asian regionalism should have functionality, not political fixity. It is important that, in the face of integration and globalization, there be regional management and cooperation. This will test the tendency to include and exclude members on political grounds. For example, in the arena of economic and financial cooperation in the region, which the ASEAN + 3 process has emphasized, ASEAN + 3 has both more and less members than this function would require. If ASEAN + 3 is to have a fixed structure, then important economies such as Hong Kong, Taiwan, and Australia, would have to be excluded in preference to smaller and more isolated economies. The new regionalism should instead be inclusive, with reference to the function that a country can bring to the issue (Tay 2001).

Third, the leadership of East Asian regionalism should focus on issues and not on the leadership of great powers. If we look at traditional modes of regionalism, central leadership is critical. However, without a historical reconciliation between China and Japan, this will not be possible in East Asia. The region lacks a single leader that is acceptable and able. In addition to issue-specific leaderships, there are suggestions that ASEAN and small and medium-sized countries, such as South Korea, might therefore lead the region. Their role may be larger and more special than normally expected, but they cannot offer permanent and strong leadership of the traditional type in the region.

East Asian regionalism therefore might have to look at newer and more limited forms of leadership. This could be achieved by having different leaders on different issues. Leadership would arise from the initiative and

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interests of different states; for example, Singapore might be able to lead on free trade initiatives, Malaysia and Thailand on peacekeeping, Japan as regards the G-8. Such issue-specific leadership would be consonant with the ideas of flexibility and functionality. And it would also be more aligned with principles of equality than the idea of “great power” leadership. In this way, the new East Asian regionalism would voice the aspirations of ASEAN and Pacific Asia (Tay 2001).

These principles, in toto, suggest that East Asian regionalism should not be a fixed bloc or union with permanent membership and permanent leaders. Instead it should be a framework for what we may call “coalitions of the willing.” These coalitions can arise from certain issues or even events. They may then dissolve or evolve to tackle new issues. As the need arises they would work with existing regional and subregional institutions. The idea of coalitions might extend beyond East Asia, and raft together other countries such as Australia and New Zealand (Tay 2001).

## CONCLUSION

The emergence of the various free trade agreements in the region can be seen as a reflection of the failure of the WTO to continue with multilateral free trade talks. Multilateralism is indisputably superior to bilateralism as it offers much more; however, one has to look for other means to promote free trade and other options for its economic growth if further trade liberalization talks are not in progress. Now that we have an idea of the different frameworks and agreements trying to create an East Asian regional bloc, we see a large number of free trade agreements crisscrossing the region, a network that also stretches beyond the region. Countries are hopeful that these various frameworks will bring about deeper integration within the region, as well as contribute to the development of East Asian regionalism. As these free trade agreements are in place, further integration would be much easier. But the number of free trade agreements also highlights the fact that the countries in East Asia are not united and are in many ways fragmented, and that they have found it difficult to work together within an institution toward the creation of AFTA. There is a divide not only between Northeast Asia and Southeast Asia, but also within each as well.

There are those who are skeptical that the frameworks discussed here can bring about East Asian regionalism. This skepticism exists in and about ASEAN itself, even if it is the current focal point which many hope can lead

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to greater East Asian institutional identity. ASEAN member countries are not united and there are many underlying tensions between the countries. In the absence of a benevolent leading country, it is doubtful that there could be a strong framework for East Asian regionalism. The dependency on the United States for economic and military security also affects the movement toward East Asian regionalism. If the United States is in support of it, its chances are boosted.

For whatever the complexities and challenges going forward, it seems clear that there has been a new and sustained impulse since 1997 toward developing arrangements for East Asian regionalism as well as a greater recognition that the stakes for developing cooperation and institutional identities are considerable.

### NOTES

1. Cultural influences as well as the commerce of goods have started to flow among East Asian countries. When many, like the American Joseph Nye, write of “soft power” and influence, few observe how Japanese trends, artifacts, and fashion have permeated other Asian countries. Signs of this include the spread of karaoke, toys, and the clothing of younger Asians, especially females. Increasing cross-flows of culture may also be noted in terms of the spread of tropical architecture and traditional forms that have been quite successfully adopted as the basis for vacation resorts and a comparable lifestyle (Tay 2002; for a more academic treatment, see Han 1999).
2. The contention was observable in Japan’s giving of aid but also in its failure to provide market reform at home to absorb Asian imports and its failure to defend the idea of the developmental state, as compared to the free market ideas of the IMF and the World Bank. China’s response was to maintain its currency without devaluation and thus to help avoid a second round of competitive devaluations.
3. For this section of the chapter, the work of Chan Ji-Quandt is particularly acknowledged.
4. As for the United States, it is interesting that APEC is only mentioned in the national strategy statement of the George W. Bush administration, released in October 2002, as an institution that can assist with security issues.

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5. In 1992, at the 4th ASEAN Summit in Singapore, ASEAN heads of governments signed the Singapore Declaration and the Framework Agreement on Enhancing ASEAN Economic Cooperation, which provided the basis for the establishment of AFTA.

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