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East Asian regionalism: Much Ado about Nothing?

JOHN RAVENHILL

Abstract. East Asia has emerged over the last decade as the most active site for the negotiation of regional inter-governmental collaboration. The primary focus has been on trade but, in the wake of the financial crises, governments have also engaged in historically unprecedented collaboration in several areas of finance. Multiple factors have driven this new regional engagement. Although the agreements have been primarily economic in their focus, the primary motivation for many of them has been to secure diplomatic or strategic gains. The aggregate benefits from the agreements are likely to be limited given the low levels of tariffs and the availability of provisions that facilitate the intra-regional exchange of components. They may, however, be of significant interest to producers of specific products either because they provide advantage over competitors (or remove the advantage that competitors through agreements that their governments have signed). The trade agreements thus often reflect particularistic interests that governments have been enlisted to champion.

Introduction

East Asian regionalism came of age with the financial crises that swept across the region in 1997–98. For the first time, states agreed to the creation of a genuinely region-wide inter-governmental institution. The ASEAN Plus Three (APT) grouping came into being in December 1997 when the leaders of ASEAN met with their counterparts from China, Japan and Korea on the sidelines of the Second ASEAN Informal Summit, and was institutionalised when the leaders issued a Joint Statement on East Asia Cooperation at the Third ASEAN Plus Three Summit in Manila in 1999.¹ Subsequently, East Asia has been transformed from a region previously regarded as suffering an ‘institutional deficit’ to the most active site worldwide for the negotiation of regional trade agreements. Region-wide functional collaboration now goes substantially beyond trade, however, ranging across such areas as financial cooperation, disaster management, transborder crime, tourism, energy, and

¹ I use East Asia here as shorthand for the states that became participants in the ASEAN Plus Three process (that is, the ten member states of ASEAN [the Association of Southeast Asian Nations] – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam – plus China, Japan and Korea). Clearly, there is nothing ‘natural’ about this regional grouping, however – for instance, it excludes East Asia’s fourth largest (after China, Japan, and Korea) economy, Taiwan. I share the widely-held view that regions are social constructions created by political elites. As Peter J. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium*, (Ithaca, NY: Cornell University Press, 2005), pp. 10, 21, 36 suggests, ‘regions have both material and ideational dimensions . . . regions are the creation of political power and purpose . . . “given” by geography and “made” through politics’.

environmental issues. The ‘thin gruel’ of East Asian regional institutions, in Aaron L. Friedberg’s characterisation,² has been transformed into an alphabet soup in which the proliferation of preferential trade agreements, in another alimentary analogy, constitute a ‘noodle bowl’ that detractors believe complicates the operations of production networks.

With more than a decade having now passed since the financial crises, we can reach some (at least tentative) judgements about the progress of regionalism in East Asia. And we have data available to assess to what extent regionalisation (economic integration within the region) has moved in a way that would conventionally be perceived to be supportive of closer regionalism (inter-governmental collaboration on a geographically restricted basis). But by what criteria should East Asian regional institutions be evaluated? Officials from governments and regional institutions in East Asia contend reasonably that their efforts should not be judged by reference to the European experience,³ an argument accepted by sophisticated scholars of East Asian regionalism.⁴ But assertions, made in some official circles, that the ‘soft’ regionalism of East Asia is all about process (‘confidence building’) rather than outcomes are increasingly untenable in an era when regional efforts at functional cooperation have proliferated, and political elites have expressed growing frustration at the failure of institutions to perform the tasks for which they were intended. To suggest that institutional design matters is not to argue that EU institutions must be mimicked in other parts of the world if regionalism is to be effective there.⁵ Political choices that shape design of regional institutions do, however, have consequences for their effectiveness.

This review of developments in regionalism in the last decade begins with an analysis of the factors that led to the establishment of an East Asia-wide grouping. I then assess developments within ASEAN because this institution remains central to broader cooperation in East Asia. As the region’s only surviving institution, ASEAN, almost by default, was the platform (a ‘natural core’) when efforts began to construct an East-Asia wide institution.⁶ Moreover, given the ongoing political tensions between China and Japan, both found it convenient to have ASEAN at least nominally as the ‘driving force’ behind East Asian integration. And, with ASEAN at

² Aaron L. Friedberg, ‘Ripe for Rivalry: Prospects for Peace in a Multipolar Asia’, *International Security*, 18:3 (1993), p. 22.

³ Former Malaysian Prime Minister Mahathir Mohamad proclaimed that the objective of East Asian regionalism in contrast to its European counterpart was to ‘build a Pacific *Gemeinschaft*, a Pacific village or family or group of friends, not an artificial, Cartesian construct – over-legalistic, over-structured and over-institutionalized’. Quoted in Pauline Kerr, ‘The Security Dialogue in the Asia-Pacific’, *The Pacific Review*, 7:4 (1994), pp. 407–8.

⁴ Peter J. Katzenstein, ‘Introduction: Asian Regionalism in Comparative Perspective’, in Peter J. Katzenstein and Takashi Shiraiishi (eds), *Network Power: Japan and Asia* (Ithaca, NY: Cornell University Press, 1997), pp. 1–44; T. J. Pempel, ‘Introduction’, in T. J. Pempel (ed.), *Remapping East Asia: The Construction of a Region* (Ithaca, NY: Cornell University Press, 2004), pp. 1–28, Shaun Breslin et al. (eds), *New Regionalisms in the Global Political Economy* (London: Routledge, 2002).

⁵ Amitav Acharya and Alastair Iain Johnston (eds), *Crafting Cooperation: Regional International Institutions in Comparative Perspective* (Cambridge: Cambridge University Press, 2007), Vinod K. Aggarwal (ed.), *Institutional Designs for Complex World: Bargaining, Linkages, and Nesting* (Ithaca, NY: Cornell University Press, 1998).

⁶ Yuen Foong Khong and Helen E. S. Nesadurai, ‘Hanging Together, Institutional Design, and Cooperation in Southeast Asia: AFTA and the ARF’, in Amitav Acharya and Alastair Iain Johnston (eds), *Crafting Cooperation: Regional International Institutions in Comparative Perspective* (Cambridge: Cambridge University Press, 2007), pp. 32–82.

the centre, the nascent East Asian institutions have inevitably inherited the strengths and weaknesses of its approach to regional collaboration. The last part of this contribution assesses the progress of these broader groupings, and whether the context in which intergovernmental collaboration occurs in East Asia has become more supportive of regionalism in the last decade.

The financial crises and the origins of East Asian regionalism

The idea of an East Asian 'region' is of relatively recent origin. As Evans points out, although the Chinese tributary system and the Japanese Great East Asian Co-Prosperity Sphere were both organised on an East Asia wide basis, conceptualisations of 'East Asia' in the post-1945 period typically referred to countries of Confucian heritage – with 'East Asia' [essentially the three Chinas – the People's Republic, Hong Kong, and Taiwan – Japan, and Korea] and 'Southeast Asia' being seen as distinctive regions, a division reflected in many universities that housed centres for 'East and Southeast Asian studies'.⁷

Two developments in the second half of the 1980s paved the way for the revival of conceptions of East Asia as embracing the territories from North-western China to the South-eastern tip of the Indonesian archipelago. The first was the end of the Cold War, which had long impeded economic collaboration among countries in Northeast Asia and in Southeast Asia, and across the Pacific. It was only with the waning of the Cold War, the cessation of hostilities in Vietnam and subsequently between Vietnam and its neighbours, and China's opening to the global economy that the construction of a region-wide intergovernmental institution became possible.⁸ The second was the rapid expansion of economic linkages between Northeast and Southeast Asian economies that followed the G7's Plaza Accord of 1985. New intra-regional production networks developed, driven by a sharp increase in investment from Japan, Korea and Taiwan in Southeast Asian economies.⁹

Initially, however, the principal basis for inter-governmental collaboration that emerged was trans-regional rather than confined to the East Asian geographical region. The Asia-Pacific Economic Cooperation (APEC) grouping was founded in 1989, and built on several decades of efforts by academics, state officials, and business leaders to establish an intergovernmental institution to supplement their networks and meetings, where state officials participated in a private capacity.¹⁰ APEC linked the economies of the Western and Eastern Pacific Rims.¹¹ Efforts, led by Malaysian

⁷ Paul Evans, 'Between Regionalization and Regionalism: Policy Networks and the Nascent East Asian Institutional Identity', in T. J. Pempel (ed.), *Remapping East Asia: The Construction of a Region* (Ithaca, NY: Cornell University Press, 2004), pp. 195–215.

⁸ Vinod K. Aggarwal and Min Gyo Koo (eds), *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial, and Security Relations* (New York: Springer, 2007).

⁹ Mitchell Bernard and John Ravenhill, 'Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and the Industrialization of East Asia', *World Politics*, 45:2 (1995), pp. 179–210.

¹⁰ On the establishment of APEC see John Ravenhill, *APEC and the Construction of Asia-Pacific Regionalism* (Cambridge: Cambridge University Press, 2001), Yoichi Funabashi, *Asia Pacific Fusion: Japan's Role in APEC* (Washington, DC: Institute for International Economics, 1995). For the history of efforts to create Asia-Pacific cooperative institutions, see Lawrence T. Woods, *Asia-Pacific Diplomacy: Nongovernmental Organizations and International Relations* (Vancouver: University of British Columbia Press, 1993).

¹¹ APEC's initial membership was Australia, Brunei Darussalam, Canada, Indonesia, Japan, Korea (Republic of), Malaysia, New Zealand, the Philippines, Singapore, Thailand, and the US. They were

Prime Minister Mahathir, to create a rival, exclusively East Asian institution, the East Asian Economic Group, foundered – in part because the US administration of George H.W. Bush actively opposed it and exerted pressure on its principal regional ally, Japan, not to sign on to the Malaysian idea.¹²

Mahathir's proposal was watered down to an 'East Asian Economic Caucus' (EAEC) that operated within rather than as an alternative to APEC. The idea of an exclusively East Asian grouping did not disappear, however. Its first concrete realisation came with the establishment of the Asia-Europe Meeting, a biennial dialogue between East Asian states and the European Union, first proposed by Singapore's Prime Minister Goh Chok Tong in 1994.¹³ As Stubbs notes, the requirement for Northeast Asian ministers and officials to get together with their Southeast Asian counterparts to coordinate their positions in advance of their meetings with the EU 'proved to be the catalyst that turned the EAEC into the APT – a functioning if somewhat embryonic – East Asian regional cooperative arrangement'.¹⁴

The financial crises of 1997–98 pushed the APT out of the cosy but restricted womb of ASEM. The crises were significant in exposing the weaknesses of existing regional institutions, in exacerbating the divisions between East Asian and 'Western' members of the principal trans-regional organisation, APEC, in providing a new foundation for 'East Asian' solidarity, and in identifying an agenda where East Asian states might pursue practical cooperation.

Neither of the two major regional groupings – ASEAN and APEC – responded effectively to the financial crisis. ASEAN had in place an arrangement for a limited swapping of foreign currency reserves among its members but this was totally inadequate in the face of the magnitude of the financial flows that precipitated the 1997–98 crises. APEC, with its much larger membership, was better placed in principle to provide more substantial assistance to the crisis economies but its Western members preferred to leave the issue in the hands of the International Monetary Fund. APEC's ineffective response to the financial crises occurred simultaneously with an attempt led by its Western members, through the adoption of a programme of sectoral trade liberalisation, to move it away from informal processes of unilateralism and voluntarism towards a rules-based institution. The consequence was that the composition of the principal coalitions within APEC changed: whereas the Japanese government had previously supported Western

joined in 1991 by the 'three Chinas' (the People's Republic, Hong Kong, and Taiwan); in 1993 by Mexico and Papua New Guinea, in 1994 by Chile; and in 1998 by Peru, Russia and Vietnam.

Because of Taiwan's participation, APEC's terminology refers to member economies rather than member states.

¹² Richard Higgott and Richard Stubbs, 'Competing Conceptions of Economic Regionalism: APEC Versus EAEC in the Asia Pacific', *Review of International Political Economy*, 2:3 (1995), pp. 516–35.

¹³ Julie Gilson, *Asia Meets Europe: Inter-Regionalism and the Asia-Europe Meeting* (Cheltenham: Edward Elgar, 2002). Julie Gilson, 'Japan's Role in the Asia-Europe Meeting: Establishing an Interregional or Intraregional Agenda?', *Asian Survey*, (1999), pp. 736–52, Julie Gilson, 'Weaving a New Silk Road: Europe Meets Asia', in Vinod K. Aggarwal and Edward A. Fogarty (eds), *EU Trade Strategies: Between Regionalism and Globalization* (Houndmills: Palgrave Macmillan, 2004), pp. 64–92, David Camroux and Christian Lechervy, "'Encounter of a Third Kind?" The Inaugural Asia-Europe Meeting of March 1996', *The Pacific Review*, 9:3 (1996), pp. 441–52, Wim Stokhof and Paul van der Velde (eds), *ASEM: The Asia-Europe Meeting – a Window of Opportunity* (London: Kegan Paul in association with the International Institute for Asian Studies, 1999).

¹⁴ Richard Stubbs, 'ASEAN Plus Three: Emerging East Asian Regionalism?', *Asian Survey*, 42:3 (2002), p. 442.

attempts to give APEC a more ambitious agenda, Tokyo now sided with China and most ASEAN economies in seeking to confine APEC to its original *modus operandi*.¹⁵ The frustration with Western governments was exacerbated by what was perceived as their unsympathetic response to the difficulties the region faced in 1997, the limited assistance that the US offered being unfavourably compared with its bail-out of Mexico in 1995.

Although the initial Japanese proposal for an Asian Monetary Fund failed, as much because of opposition from Beijing (which was unhappy at the failure of Tokyo to consult it) as from Washington, the vulnerabilities that the crisis had exposed prompted further proposals in this field. At the APT Summit in November 1999, leaders agreed to enhance 'self-help and support mechanisms in East Asia' through the ASEAN Plus Three framework. Following on the Asia Development Bank's annual meeting held in May 2000 in Chiang Mai, Thailand, the finance ministers of the ASEAN Plus Three countries agreed to establish a scheme that would provide for a swapping of foreign currency reserves when local currencies came under attack. The Chiang Mai Initiative (CMI), as it became known, discussed in more detail later, remains the most prominent example of cooperation at the APT level. Meanwhile, following a proposal by Korean President Kim Dae-Jung, APT leaders established an East Asia Vision Group, composed of opinion leaders from member countries, in December 1998. APT then appointed an East Asia Study Group, consisting of government officials, in November 2000 to assess the recommendations of the Vision Group's report, especially its proposal to hold an East Asia Summit.

The Study Group put forward 17 short-term measures to pursue the East Asian vision of 'peace, prosperity and progress' and identified a further 9 medium to long-term 'concrete measures'. According to the ASEAN Secretariat website, at the end of 2007 the APT process embraced 48 mechanisms for cooperation across 16 areas including economic, financial and monetary affairs, political and security issues, tourism, agriculture, environment, energy and information technology.¹⁶ On paper, at least, East Asian regionalism appears to have taken off. Moreover, East Asian countries were actively negotiating bilateral and minilateral preferential trading agreements (PTAs). Whereas at the time of the financial crisis only one PTA, the ASEAN Free Trade Agreement, was in operation in East Asia, a decade later over 40 such arrangements were being implemented, with a similar number being negotiated or under study. The issue remains, however, of how much substance underlies this burgeoning activity.

ASEAN forty-plus years on

Seldom is scholarly opinion on the effectiveness of an international institution so divided as it is in the case of ASEAN. At one end of the spectrum are those who, at their most caustic, castigate ASEAN for 'making process, not progress', and assert

¹⁵ On the abortive Early Voluntary Sectoral Liberalization episode, see Ravenhill, *APEC and the Construction of Asia-Pacific Regionalism*, Ellis S. Krauss, 'The United States and Japan in APEC's EVSL Negotiations: Regional Multilateralism and Trade', in Ellis S. Krauss and T. J. Pempel (eds), *Beyond Bilateralism: US-Japan Relations in the New Asia-Pacific* (Stanford, CA: Stanford University Press, 2004); pp. 272-95, Michael Wesley, 'APEC's Mid-Life Crisis? The Rise and Fall of Early Voluntary Sectoral Liberalization', *Pacific Affairs*, 74:2 (2001), pp. 185-204.

¹⁶ (<http://www.aseansec.org/16580.htm>).

that it is essentially an ‘ersatz’ institution whose claims to have established a community are nothing more than an ‘illusion’.¹⁷ At the other extreme are those who appear to have uncritically accepted the hyperbole of official statements (in some cases these academics are closely associated with governments in the region or officially supported Track Two institutions), and argue that not only has ASEAN created a diplomatic community but laid strong foundations for a security community, and that it has devised its own unique format for inter-state interactions that provides a superior model for regionalism among less developed economies than is offered by ‘Western’ rules-based legalism.¹⁸

Most scholars of ASEAN succumb neither to vitriol nor to uncritical acceptance of official hyperbole; they nonetheless typically divide into two camps – the ASEAN sceptics, and the ASEAN boosters, terminology I shall use through this contribution. Underlying these alternative conclusions on ASEAN’s effectiveness are differences in epistemology, ontology and methodology. Broadly speaking, the alternative views on ASEAN coincide with realist and constructivist approaches.¹⁹ Realist approaches to ASEAN have a long pedigree, going back to the work of Michael Leifer.²⁰ That constructivist approaches have figured so prominently in the recent analysis of ASEAN owes much to the pioneering work of Amitav Acharya, a leading constructivist scholar.²¹

For Acharya, the essence of the ‘ASEAN Way’ is that it is a ‘process of regional interactions and cooperation based on discreteness, informality, consensus building and non-confrontational bargaining styles’ that contrasts with ‘the adversarial posturing, majority vote and other legalistic decision-making procedures in Western multilateral organizations’.²² For ASEAN boosters, its informal operating procedures have had two principal merits. These procedures (supported by the norms of respect for sovereignty, and commitment to settlement of disputes by peaceful means, enshrined in ASEAN’s Treaty of Amity and Cooperation, TAC) have built confidence among states that were previously in conflict with one another, thereby generating a sense of community (and a consequent willingness to cooperate). And, by permitting states to choose which regional commitments they are willing to undertake (an *n-x* procedure), they have enabled cooperation to be realised that

¹⁷ Quotes from David Martin Jones and Michael L. R. Smith, ‘ASEAN’s Imitation Community’, *Orbis*, 46:1 (2001), pp. 93–109; David Martin Jones and Michael L. R. Smith, ‘Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order’, *International Security*, 32:2 (2007), pp. 148–84.

¹⁸ Estrella D. Solidum, *The Politics of ASEAN: An Introduction to Southeast Asian Regionalism* (Singapore: Eastern Universities Press, 2003).

¹⁹ A useful discussion of the two approaches is provided by Sarah Eaton and Richard Stubbs, ‘Is ASEAN Powerful? Neo-Realist Versus Constructivist Approaches to Power in Southeast Asia’, *The Pacific Review*, 19:2 (2006), pp. 135–55. I prefer ‘realist’ to ‘neo-realist’, however, as I believe many in this camp would view themselves as realists of the classical rather than the ‘neo’ variety.

²⁰ See especially Michael Leifer, *ASEAN and the Security of South-East Asia*, (London: Routledge, 1989).

²¹ The principal reference is Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001). Nikolas Busse, ‘Constructivism and Southeast Asian Security’, *The Pacific Review*, 12: 1 (1999), pp. 39–60 presents one of the earlier applications of constructivist ideas to Southeast Asian security. For a history of the use of the security community concept in Southeast Asia see Christopher B. Roberts, ‘ASEAN’s “Security Community” Project: Challenges and Opportunities in the Pursuit of Comprehensive Integration’ (PhD Thesis, University of New South Wales, 2007), pp. 17–18.

²² Acharya, *Constructing a Security Community in Southeast Asia: ASEAN*, p. 64. cited in Eaton and Stubbs, ‘Is ASEAN Powerful?’, p. 138.

would otherwise be impossible.²³ ASEAN boosters, in other words, make a virtue out of what sceptics see as near fatal flaws in ASEAN's institutional design – agreements that are not enforced, and regional institutions that lack any authority.²⁴

For the most part, ASEAN boosters and sceptics, when they have not been lobbing invective towards those that do not share their views, have simply talked past one another. Yet, as Donald K. Emmerson argues in a perceptive contribution on whether ASEAN should be considered a security community, it should be possible to operationalise the arguments of the two sides such that they can be subjected to empirical testing.²⁵ Ultimately, one cannot test the counterfactual – how would the region have developed in the absence of ASEAN or in circumstances where a more rules-oriented regional institution was in place – but at least we should be able to subject the competing arguments to some 'plausibility probes'.

An appropriate starting point is to examine what ASEAN boosters see as its major accomplishments. In a piece written to commemorate ASEAN's 40th anniversary, Amitav Acharya identified four 'areas of accomplishment': first, it survived as Asia's only multipurpose regional organisation; second, since its foundation no ASEAN member has been involved in a major armed confrontation with another member state; third, ASEAN was instrumental in concluding the conflict between Cambodia and Vietnam at the end of the 1980s; and, finally, ASEAN played an important role in integrating China into regional institutions, and has provided the platform on which East Asia-wide regional institutions have been built.²⁶ Khong and Nesadurai give the last of these points more focus by arguing that one of ASEAN's major accomplishments has been to persuade other countries to sign on to its Treaty of Amity and Cooperation.²⁷

To point to ASEAN's relative longevity is to wield something of a double-edged sword. ASEAN has survived where other regional institutions – both within South-east Asia, such as SEATO and MAPHILINDO,²⁸ and among other developing countries – failed. Survival in itself, however, tells one little about the effectiveness of an organisation. Reminders of ASEAN's longevity also invite comparisons with the European Union, which has been in existence only ten years longer than ASEAN, and with the achievements of younger regional groupings among less developed economies, comparisons that, as we will see below, do not always work in ASEAN's favour.

The second of ASEAN's accomplishments that Acharya identifies – that no ASEAN state has engaged in a major armed confrontation with another member

²³ See, for instance, Richard Stubbs, 'Signing on to Liberalization: AFTA and the Politics of Regional Economic Cooperation', *The Pacific Review*, 13:2 (2000), pp. 297–318.

²⁴ Markus Hund, 'From "Neighbourhood Watch Group" to Community? The Case of ASEAN Institutions and the Pooling of Sovereignty', *Australian Journal of International Affairs*, 56:1 (2002), pp. 99–122 provides a strong criticism of the effectiveness of ASEAN institutions.

²⁵ Donald K. Emmerson, *Will the Real ASEAN Please Stand Up? Security, Community, and Democracy in Southeast Asia* (Stanford, CA: Southeast Asia Forum, Stanford University, 2005); cited 28 April 2008; available from (http://iis-db.stanford.edu/evnts/4130/Emmerson_04_05_2005.pdf).

²⁶ Amitav Acharya, *ASEAN at 40: Mid-Life Rejuvenation?* (New York: Council on Foreign Relations, 15 August 2007), cited 28 April 2008; available from (<http://www.foreignaffairs.org/20070815faupdate86481/amitav-acharya/asean-at-40-mid-life-rejuvenation.html?mode=print>).

²⁷ Khong and Nesadurai, 'Hanging Together, Institutional Design, and Cooperation in Southeast Asia'.

²⁸ The South East Asia Treaty Organization (1954), and the Malaysia-Philippines-Indonesia grouping (1963).

since ASEAN's foundation – is the issue that over the years has attracted most commentary. For ASEAN boosters, the absence of major intra-regional armed conflict points to ASEAN's having become at least a 'nascent' security community in the Deutschian sense – the attainment of a sense of community sufficiently strong and widespread to assure peaceful change among its members with reasonable certainty in the foreseeable future.²⁹

Leaving aside for the moment the issue of whether or not ASEAN has succeeded in creating a community – and, if so, of what sort – a key question is whether the correlation between ASEAN's existence and the absence of intra-regional conflict also contains a causal relationship and, if so, in which direction causality runs. For realists, the absence of conflict in Southeast Asia owes as much to extra-regional power balances as to anything happening within the region itself.³⁰ But besides the influence of great powers on the region, other factors than ASEAN itself might have contributed to the absence of intra-regional armed conflict. The regional peace may have resulted from conventional deterrence and/or utilitarian calculations by state elites that any potential gains from inter-state conflict would have failed to outweigh the costs, especially for states that are heavily dependent on foreign trade (and often inward foreign direct investment). The last forty years, after all, have witnessed inter-state conflict worldwide decline – and an enduring peace has characterised other regions besides ASEAN that are comprised primarily of developing economies.³¹ At the very least, explanations for regional peace in Southeast Asia that rest on ideational factors need to be supplemented by materialist explanations.

And was it ASEAN that produced a change in behaviour among its member states or a prior change in state behaviour that permitted the creation of ASEAN in the first place? As Khong and Nesadurai note, whereas relations among Southeast Asian states in the first half of the 1960s had been characterised by refusals to grant recognition and thus legitimacy to neighbours, and by irredentism and support for secessionist movements, 'by 1967 [the year of ASEAN's foundation], governments of the day in these five regional states had come to realise that such forms of behaviour were decidedly unproductive and costly to national governments'.³²

The absence of intra-regional conflict in itself does not provide strong support for the existence of an ASEAN security community. Indeed, the problem for ASEAN boosters is to provide evidence of the existence and impact of such a community in

²⁹ Karl W. Deutsch et al., *Political Community and the North Atlantic Area*, (Princeton, NJ: Princeton University Press, 1957), p. 98.

³⁰ Ralf Emmers, *Cooperative Security and the Balance of Power in ASEAN and the ARF* (London: Routledge, 2003); Ralf Emmers, 'Southeast Asia's New Security Institutions', in Vinod K. Aggarwal and Min Gyo Koo (eds), *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial, and Security Relations* (New York: Springer, 2007), pp. 181–213; Muthiah Alagappa, 'The Study of International Order: An Analytical Framework', in M Alagappa (ed.), *Asian Security Order: Instrumental and Normative Features* (Stanford, CA: Stanford University Press, 2003), pp. 33–69; Barry Buzan, 'Security Architecture in Asia: The Interplay of Regional and Global Levels', *The Pacific Review*, 16:2 (2003), pp. 143–73; William T. Tow, *Asia-Pacific Strategic Relations: Seeking Convergent Security* (Cambridge: Cambridge University Press, 2001).

³¹ For further discussion, see John Ravenhill, 'The Economics-Security Nexus in the Asia-Pacific Region', in William T. Tow (eds), *Security Politics in the Asia-Pacific*, (Cambridge: Cambridge University Press, forthcoming). University of British Columbia Human Security Centre, *Human Security Report 2005: War and Peace in the 21st Century* (New York: Oxford University Press, 2005).

³² Khong and Nesadurai, 'Hanging Together, Institutional Design, and Cooperation in Southeast Asia'.

a non-tautological manner. To point to the existence of an ‘ASEAN Way’ of institutional design and interaction, or to a particular discourse, is insufficient. Most commentators would accept that an ASEAN diplomatic community does exist – one would not expect otherwise for an institution that now organises close to 700 meetings per year for national officials, ministers and leaders. But evidence that this proliferation of activity has led to a change in attitudes and behaviour among political elites is much more difficult to find.

In a rare attempt to examine systematically the impact of ASEAN norms on its member states’ behaviour, Tobias Nischalke found that the record was decidedly mixed.³³ In particular, he saw little evidence in the behaviour of ASEAN states in the security sphere to suggest that a shared identity existed among them. They continued to depend primarily on extra-regional alliances for the ultimate guarantee of their security.³⁴ Of equal significance are the findings of several authors that political elites in ASEAN countries continue to conceive of intra-regional security relations primarily in terms of deterrence.³⁵ Further support is provided by Christopher Roberts in one of the few systematic surveys undertaken of elite opinion in ASEAN. Close to 60 per cent of his sample said that they could not trust other countries in Southeast Asia to be ‘good neighbours’. Only one half of the sample was ‘sure’ that there were no circumstances in which they could envisage armed conflict between two or more ASEAN states.³⁶ Elites in Singapore and Thailand, two of the region’s more developed economies, were least certain that there would be no intra-ASEAN conflict in the next twenty years.

Data on military expenditures by ASEAN countries provide a final piece of evidence. Here it is not just trends in aggregate expenditure that are significant but the type of weaponry that ASEAN states are acquiring. As Harfiel and Job note, although states in the region do not (officially) identify one another as security threats, placing emphasis instead on ‘internal’ threats, ‘many of the weapons systems being accumulated by the region’s armed forces are externally oriented; that is, they are designed for conventional *interstate* warfare’. They express concern that the current pace of weapons acquisition may trigger a regional arms race.³⁷ Even if one makes the (often unpersuasive) case that such weapons are not intended to deter

³³ Tobias Nischalke, ‘Does ASEAN Measure Up? Post-Cold War Diplomacy and the Idea of Regional Community’, *The Pacific Review*, 15:1 (2002), pp. 89–117; Tobias Ingo Nischalke, ‘Insights from ASEAN’s Foreign Policy Co-Operation: The “ASEAN Way”, a Real Spirit or a Phantom?’ *Contemporary Southeast Asia*, 22:1 (2000), pp. 89–112.

³⁴ Although cf. Evelyn Goh, ‘Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies’, *International Security*, 32:3 (2007/08), pp. 113–57, arguably the most sophisticated analysis of ASEAN strategy to date, who suggests that ASEAN has combined elements of constructivist and realist approaches by involving great powers in its regional framework.

³⁵ For instance, Emmers, *Cooperative Security and the Balance of Power in ASEAN and the ARF*.

³⁶ Roberts, ‘ASEAN’s ‘Security Community’ Project: Challenges and Opportunities in the Pursuit of Comprehensive Integration’, pp. 353–5.; and Christopher B. Roberts, ‘Affinity and Trust in Southeast Asia: A Regional Survey’, in Hiro Katsumata and See Seng Tan (eds), *People’s ASEAN and Government’s ASEAN* (Singapore: S. Rajaratnam School of International Studies, Nanyang Technological University, 2007), pp. 87–8.

³⁷ Robert Hartfiel and Brian L. Job, ‘Raising the Risks of War: Defence Spending Trends and Competitive Arms Processes in East Asia’, *The Pacific Review*, 20:1 (2007), p. 6. Although the study focuses on East Asia as a whole, their conclusions are equally applicable to Southeast Asia where, following a short-lived decline in some countries after the financial crisis, military spending has escalated rapidly.

ASEAN neighbours, such acquisitions lend little support to the idea that a broader 'East Asian' community is coming into being.

Of the other ASEAN accomplishments that Acharya lists, space precludes a detailed discussion of ASEAN's role in the settlement of the conflict between Vietnam and Cambodia. While the initial phases of the Cambodian crisis did mark a high spot for ASEAN's diplomacy, lending support to arguments that ASEAN performs best when its existence or prosperity is under threat,³⁸ ASEAN unity soon broke down as various members pursued unilateral initiatives. It took great power intervention under UN auspices to bring an eventual settlement to the conflict.³⁹

Turning to the final claim on ASEAN's centrality to the broader process of East Asian integration and especially China's accession to regional institutions: China has undoubtedly been comfortable with the 'ASEAN Way' of interaction, and this may have encouraged Beijing to join the ASEAN Regional Forum. Again, however, there is a risk in over-stating the significance of ASEAN to China's involvement in regional institutions. This was an era when China was keen to join all manner of regional and global institutions, to reclaim what its leaders saw as its rightful place in global politics, and within regional institutions to balance the influence of Japan. And the *modus operandi* of some of the institutions that China was happy to join, such as the WTO, was far removed from the 'ASEAN Way'.

As noted in the introduction to this contribution, ASEAN has indeed served as the platform on which region-wide institutions have been built especially since the financial crises, although not without concern frequently being expressed that ASEAN's centrality in, for instance, the region's primary security institution, the ASEAN Regional Forum, has been a major factor in its ineffectiveness. What of the claim that the extension of ASEAN's TAC has significance because an 'increasing number of Asian-Pacific states seem willing to abide by a code of regional conduct that has been conducive to peace and stability'.⁴⁰ Some scepticism about the commitment and motivations of recent signatories to the TAC is necessary, however, because ASEAN Foreign Ministers made accession to the Treaty one of the three pre-requisites if states were to be invited to the first East Asia Summit to be held in 2005.

The Australian government, for instance, had previously refused to sign the TAC; but now realising that it had no choice if it was to receive an invitation to the first East Asia Summit, it sought accession – on the condition, however, that an 'understanding' of its obligations under the Treaty was spelled out. This occurred through an exchange of letters between the Australian Foreign Minister and his Lao counterpart (Laos then holding the chair of ASEAN's standing committee). The Australian Foreign Minister's letter read:

the Australian Government, in taking the decision to accede to the Treaty, is pleased to note the following understandings of key provisions of the Treaty, on a non-prejudice basis to ASEAN. First, Australia's accession to the Treaty would not affect Australia's obligations under other bilateral or multilateral agreements. Second, the Treaty is to be interpreted in conformity with the United Nations Charter, and Australia's accession would

³⁸ Khong and Nesarurai, 'Hanging Together, Institutional Design, and Cooperation in Southeast Asia'.

³⁹ Leifer, *ASEAN and the Security of South-East Asia*.

⁴⁰ Khong and Nesarurai, 'Hanging Together, Institutional Design, and Cooperation in Southeast Asia', p. 76.

not affect Australia's rights and obligations arising from the Charter of the United Nations. Further, the Treaty will not apply to, nor affect, Australia's relationships with states outside South-East Asia.⁴¹

In short, at best the TAC would only apply to Australia's relations with the states of ASEAN rather than the broader East Asian region embraced by the East Asia summit, and then would be subordinated to Australia's obligations under the UN Charter and to its alliances. A similar understanding that accession to the TAC would not affect their alliance commitments was negotiated by Japan and South Korea.

Ineffective functional cooperation

Acharya's list of ASEAN's accomplishments lacks reference to its extensive activities in pursuit of economic integration and other areas of functional cooperation. At one level this is curious. Although ASEAN has, like many other regional groupings, regarded economic integration as a means to a more significant end, the construction of peaceful relations between member states, an economic community was one of the 'three pillars' of the ASEAN Community that member states committed themselves, in the Bali Concord II of October 2003, to establish by 2020. Moreover, the area of economic cooperation provides measures by which ASEAN's performance can be judged, not just in relation to the goals that members have set for themselves but also in comparison with the achievements of other regional institutions, and affords an opportunity to assess the effectiveness of ASEAN's institutional design.⁴²

The commitment to construct an ASEAN Economic Community (AEC) built on resolutions passed at the Second Informal ASEAN summit in Malaysia in December 1997, in the wake of the financial crisis, to fully implement the ASEAN Free Trade Area (launched in 1992 in response to the perceived economic threat to the region from China), to accelerate the liberalisation of trade in services, and to free the flow of investments by 2020. At the 12th ASEAN summit in Cebu, the Philippines, in January 2007, members agreed to advance the completion date for the AEC to 2015. ASEAN had begun to implement its free trade agreement in 1993. In the years following the original adoption of this objective, the good intentions to promote economic cooperation were undermined by a lack of precision of the obligations that members had agreed to, by frequent changes of target dates for implementation,

⁴¹ Commonwealth of Australia Department of Foreign Affairs and Trade, *Treaty of Amity and Cooperation in Southeast Asia (Denpasar, 24 February 1976)*, *Protocol Amending the Treaty of Amity and Cooperation in Southeast Asia (Manila, 15 December 1987)*, *Second Protocol Amending the Treaty of Amity and Cooperation in Southeast Asia (Manila, 25 July 1998)*, with *Exchange of Letters Recording Interpretation of Key Provisions (Canberra, 13 July 2005/Vientiane, 23 July 2005)* (Canberra: Parliament of Australia, Joint Standing Committee on Treaties, 2005), cited 3 May 2008; available from www.aph.gov.au/house/committee/jsct/9august2005/treaties/tac_text.pdf. The Australian Foreign Minister, Alexander Downer, had previously been disdainful of claims of community in East Asia, contrasting its 'cultural regionalism' with 'practical regionalism'. Alexander Downer, China: Asia Leaders' Forum, cited 30 April 2008; available from http://www.foreignminister.gov.au/speeches/2000/000423_alf.html.

⁴² I review ASEAN's record of economic cooperation in more detail in John Ravenhill, 'Fighting Irrelevance: An Economic Community 'with ASEAN Characteristics'', *The Pacific Review*, 21:4 (2008) on which parts of this section draw.

which caused uncertainty for investors, and by the failure of members to honour the commitments they had made.⁴³ ASEAN's definition of free trade was an unusual one – the implementation of tariffs that were in the zero to five percent range (the top of this range being above the average tariff level that industrialised countries would impose on imports of manufactures once they fully implemented the WTO's Uruguay Round commitments). The lack of uniformity in treatment of individual products by various ASEAN countries caused traders to face in effect not a single free trade area but what Baldwin has characterised as 45 bilateral preferential agreements within the ASEAN market.⁴⁴

ASEAN's acceleration of the implementation of AFTA did help somewhat to reduce the problem of uncertainty caused by different national tariffs for individual projects. On the other hand, the complete freeing of trade between the six economies fell behind schedule. ASEAN failed to meet its target of zero tariffs for 60 per cent of the lines by 2003, with only Brunei, Malaysia and Singapore reaching this goal. By the end of 2006, only 65 per cent of the products in the Inclusion Lists of the original ASEAN members had zero tariffs – testimony to the continuing political influence of protectionist interests. Complete removal of all tariffs on goods was not scheduled to occur until 2010 for the original members and 2015 for the newer members, and even then there would be exceptions for goods classified as 'Sensitive' or 'Highly Sensitive'.

The uncertainty as to how products would be treated in individual markets was one reason why the private sector made little use of the preferential arrangements established by AFTA, an uncertainty compounded by inconsistent rules of origin and the absence of dispute settlement mechanisms in the agreement. More important, however, was that the preferential margins created by AFTA for the vast majority of intra-ASEAN trade were so low, following the unilateral trade liberalisation ASEAN states pursued in the 1980s and 1990s, that few companies found that their potential benefits offset the risk of delays and the costs of completing the paperwork required to comply with the treaty's rules of origins. Scarcely surprising, therefore, that various studies have shown that only a tiny percentage of intra-ASEAN trade took advantage of the preferential tariffs created by AFTA – typically less than 5 per cent of overall trade, a much smaller percentage than for preferential arrangements in other parts of the world.⁴⁵

Progress in other areas of economic collaboration was even less impressive than in the removal of tariffs on merchandise trade. In an era of generally low tariffs, 'beyond-border' barriers are often more significant obstacles to trade than are tariffs themselves. ASEAN has neglected to address these issues seriously. Members failed to meet a 2005 deadline for agreement on criteria for identifying non-tariff barriers. In the services sector, little progress on liberalisation had occurred despite the signature in 1995 of an ASEAN Framework Agreement on Services. As a

⁴³ John Ravenhill, 'Economic Cooperation in Southeast Asia: Changing Incentives', *Asian Survey*, XXXV:9 (1995), pp. 850–66.

⁴⁴ Richard E. Baldwin, *Managing the Noodle Bowl: The Fragility of East Asian Regionalism* (Manila: Asian Development Bank, 2007), p. 12; cited 27 April 2007; available from (http://aric.adb.org/pdf/workingpaper/WP07_Baldwin.pdf).

⁴⁵ McKinsey and Company, *ASEAN Competitiveness Study* (Jakarta: ASEAN Secretariat, 2003), Robert R. Teh Jr., 'Completing the CEPT Scheme for AFTA' (paper presented at the Beyond AFTA and Towards an ASEAN Common Market, Manila, 1999).

consequence, growth of services trade within ASEAN was slower than the world average – in marked contrast to trade in goods.⁴⁶

ASEAN's progress on economic integration accordingly paled in comparison not only with that achieved within the European Union but also with that in other less ambitious integrative arrangements such as NAFTA and, perhaps more surprisingly, MERCOSUR. The latter has moved more quickly than ASEAN on the elimination of tariffs and non-tariff barriers, on providing national treatment for service exports and on harmonisation of competition law.⁴⁷ In contrast to the dramatic changes in trade wrought by NAFTA, as outlined by Capling and Nossal in their contribution to this collection, AFTA had a minimal effect on the region's economic development.

While ASEAN has made progress in institutionalising economic cooperation, it has been painfully slow. Helen Nesadurai notes, in the most comprehensive study of ASEAN's economic cooperation to date, that some clarification of ASEAN rules did emerge from inter-state disputes over the implementation of economic cooperation – but often such clarification was accompanied by a downward revision of the original targets.⁴⁸ In other areas of functional cooperation, for instance, on environmental problems, the outcomes have been equally disappointing.⁴⁹ The ineffectiveness of ASEAN cooperation goes hand-in-hand with the weakness of ASEAN institutions. As Khong and Nesadurai conclude: the ASEAN Way 'encouraged talk-shops, lowest common denominator agreements, while making defection and cheating costless because there were no sanctions'.⁵⁰ These flaws in ASEAN's institutional design have been widely recognised – by constructivist and realist academic commentators alike as well as by many officials in the region.

Recognition that changes were needed in ASEAN's institutional design led to the appointment in 2005 of an Eminent Persons Group (EPG) to come up with ideas for an 'ASEAN Charter'. In its report, the EPG asserted that ASEAN needed to 'reposition itself' in response to 'the growing challenges and opportunities of regional integration', and that:

ASEAN's problem is not one of lack of vision, ideas, or action plans. The problem is one of ensuring compliance and effective implementation. ASEAN must have a culture of commitment to honour and implement decisions, agreements and timelines.⁵¹

In particular, the EPG emphasised the need for effective dispute settlement mechanisms, and that ASEAN should be empowered to redress serious breaches of

⁴⁶ Christopher Findlay, 'Services Trade Liberalization in ASEAN', in Denis Hew (ed.), *Roadmap to an ASEAN Economic Community* (Singapore: Institute of Southeast Asian Studies, 2005), pp. 172–95; Peter Lloyd and Penny Smith, *Global Economic Challenges to ASEAN Integration and Competitiveness: A Prospective Look* (Jakarta: Regional Economic Policy Support Facility, ASEAN-Australia Development Cooperation Program, 2004).

⁴⁷ For a detailed comparison see Lloyd and Smith, *Global Economic Challenges to ASEAN Integration and Competitiveness*, Table 4.1.

⁴⁸ Helen Sharmini Nesadurai, *Globalisation, Domestic Politics, and Regionalism: The ASEAN Free Trade Area* (London: Routledge, 2003). For an update see Helen E. S. Nesadurai, 'Southeast Asia's New Institutional Architecture for Cooperation in Trade and Finance', in Vinod K. Aggarwal and Min Gyo Koo (eds), *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial, and Security Relations* (New York: Springer, 2007), pp. 151–80.

⁴⁹ James Cotton, 'The "Haze" Over Southeast Asia: Challenging the ASEAN Mode of Regional Engagement', *Pacific Affairs*, 72:3 (1999), pp. 331–51.

⁵⁰ Khong and Nesadurai, 'Hanging Together, Institutional Design, and Cooperation in Southeast Asia', p. 80.

⁵¹ Eminent Persons Group on the ASEAN Charter, *Report of the Eminent Persons Group on the ASEAN Charter* (Jakarta: ASEAN Secretariat, 2006), p. 4.

commitments to ASEAN's agreements. By the time, however, that the EPG recommendations had passed through the hands of an ASEAN-level High Level Task Force and then subjected to the scrutiny of member states, they were substantially watered down. Although the ASEAN Secretariat was given enhanced responsibilities for monitoring progress on economic integration, the provisions for punishing non-compliance that the EPG had recommended were removed, and the Charter specifically makes allowance for an 'ASEAN Minus X' procedure whereby members are permitted to opt out of economic commitments.⁵²

The issue here is not that ASEAN needs to move to European supranationalism for its efforts at economic integration to be more effective. Over the years ASEAN members appear to have confused an aversion to supranationalism with an unwillingness to accept specific binding commitments voluntarily entered into. Most ASEAN states are now members of the WTO, and many have entered legally binding FTA commitments with industrialised economies. There is more than a little irony when they are willing voluntarily to sign on to these agreements with extra-regional actors but maintain a reluctance to commit themselves to similar agreements within ASEAN itself – thereby undermining the much-vaunted 'ASEAN First' principle. There is nothing in a free trade agreement that requires supranationalism – even dispute settlement mechanisms can be handled, albeit with debatable effectiveness, by national secretariats, as occurs in NAFTA. But no economic integration agreement will be effective if members can choose to ignore their commitments and suffer no consequences from their failure to comply with agreements they have voluntarily joined. An enormous distance has still to be traveled before ASEAN will have a set of agreements that are sufficiently specific that they could conceivably be legally enforceable – let alone mechanisms to provide this enforcement.

Institutionalising the East Asian region

With ASEAN as the 'driving force' for broader East Asian regionalism, and the 'ASEAN Way' enshrined as the *modus operandi* for regional institutions, many commentators have been sceptical of the potential efficacy of the East Asia cooperation process that has developed since the financial crises. This scepticism has been compounded by two other (inter-related) factors: rivalry between China and Japan for influence in the region, and the re-emergence of the debate over what the relevant geographical scope of an East Asian region should be.

Sceptics were confounded, however, when the finance ministers of the ASEAN Plus Three grouping agreed on mechanisms to coordinate bilateral currency swap arrangements through the Chiang Mai Initiative (CMI). How this facility is viewed is heavily influenced by whether the observer takes a 'glass half full' or 'glass half empty' approach. From a positive perspective, the CMI is an unprecedented example of East Asia wide cooperation in the field of finance, which links countries that today

⁵² At the time of writing (April 2008), it was unclear whether ASEAN's two most vibrant democracies, Indonesia and the Philippines, would ratify the Charter because of widespread disappointment at its re-affirmation of traditional ASEAN values of non-intervention in the affairs of member states, and its lack of commitment to liberal democracy. With the growth in significance of civil society groups in the region's more democratic countries, ASEAN's 'democratic deficit' is receiving increasing attention.

control the majority of the world's holdings of foreign exchange. From the 'half empty' perspective, the CMI has a total of only \$83 billion at its disposal, and because it operates as 16 bilateral swap agreements, the total amount of money available to an individual country in crisis is substantially less than that (the largest amounts, \$13 billion, being available to Indonesia and Korea while other countries can draw on less than \$10 billion).⁵³ These amounts are small in comparison with the foreign exchange holdings of many East Asian countries (especially those of China and Japan), and in comparison with the volume of daily flows in foreign exchange markets. Moreover, contrary to aspirations that an East Asian monetary fund would provide an alternative to the International Monetary Fund (IMF), countries are permitted to draw down only 20 per cent of the funds available to them through the CMI without entering into an IMF agreement.⁵⁴

The other principal outcome of APT financial cooperation has been the launching of a bond market initiative, the intention being to overcome over-dependence on bank lending, which many saw as a significant weakness of East Asian economies at the time of the crisis. Again, the results from this cooperation have been modest: APT launched six working groups to examine key issues relating to the issuance of bonds (including the operation of local and regional credit rating agencies) but to date no concrete action has emerged from the studies.

Just as a hierarchy exists in modes of trade cooperation, ranging from free trade areas to economic unions, in which each step progressively increases the constraints on governments' policy autonomy, so a similar ranking can be identified in financial cooperation as follows:

- sharing of Information
- currency Swap Arrangements
- coordinating the governance of local financial infrastructure
- adoption of common goals such as exchange rate stability
- agreeing to adjust domestic policy to maintain exchange rate stability
- monetary Union⁵⁵

APT has not yet moved beyond the first two of these levels although the various studies conducted under its auspices have indicated strongly that further deepening of financial cooperation will require governments to give up some policy autonomy so as to establish common standards for the governance of their domestic financial infrastructure.⁵⁶ In short, while financial cooperation across East Asia is

⁵³ In May 2007, APT finance ministers agreed in principle that the CMI should be multilateralised as a self-managed reserve pooling arrangements and called for in-depth studies of measures – such as surveillance and enforcement mechanisms, reserve eligibility, size of quotas – required to effect this agreement. These studies have yet to be completed. Note, however, that the current arrangements link specific pairs of countries in agreements that have different terms, and participants can opt out of them at any time. Some of the initial swap agreements were not renewed when they expired.

⁵⁴ China was the most cautious of the APT countries in this regard, advocating that none of the funding should be available without an IMF program. Jennifer Amyx, 'Regional Financial Cooperation in East Asia since the Asian Financial Crisis', in Andrew Macintyre, T. J. Pempel and John Ravenhill (eds), *Crisis as Catalyst: Asia's Dynamic Political Economy* (Ithaca, NY: Cornell University Press, 2008) provides detailed discussion of the CMI and other APT financial sector initiatives.

⁵⁵ Glenn Stevens, Asian Financial Cooperation, cited 30 April 2008; available from (<http://www.lowyinstitute.org/NewsRoomGet.asp?i=544>).

⁵⁶ A report by the Asian Development Bank Institute notes that APT Finance Ministers' Economic Review and Policy Dialogue process, which was introduced in May 2000 has not moved beyond information sharing to deliver the 'due diligence' comparable to IMF standards of surveillance. Nor

unprecedented, it is, as Jennifer Amyx concludes, currently more a matter of symbolism than of substance.⁵⁷

In the trade field, the results of cooperation on an East Asian wide basis have been even more meagre despite the East Asia Vision Group's recommendation that an East Asian Free Trade Area be established, and its endorsement by the East Asia Study Group. Here a central problem has been the unwillingness/failure of the region's three largest economies – China, Japan, and Korea – to negotiate agreements amongst themselves.⁵⁸ One of the first preferential trade agreements to be proposed in the region post financial crisis was between Japan and Korea – first mooted on a visit to Tokyo by Korean President Kim Dae Jung in October 1998, but a decade later the negotiations remain stalled. China and Japan have not even proposed to begin negotiations on a deal. Consequently, ASEAN has remained at the heart of APT trade negotiations, having now completed – with the signature of an agreement with Japan in April 2008 – bilateral treaties with each of the Northeast Asian countries. Many of the agreements that have been negotiated have incomplete product coverage, complex rules of origin, and exclude the issues of 'deeper' integration on the WTO Plus agenda. They are expected, consequently to have minimal impact on aggregate trade or welfare in the region.

The current state of trade negotiations reflects a broader problem in APT cooperation – frequently it occurs as a series of ASEAN Plus One agreements rather than integration on an ASEAN Plus Three basis.⁵⁹ Even when loosely coordinated under an ASEAN Plus Three umbrella, the projects most frequently are initiated and financed by one of the Plus Three countries with little or no input from the others . . . with the consequence that one has a series of 'Chinese', 'Japanese' and 'Korean' projects. At times the rivalry between China and Japan comes to the fore in proposing rival projects (although some might argue that in a best case scenario they will be 'complementary'). An instance is Mekong regional cooperation where Beijing and Tokyo have put forward alternative projects.⁶⁰

Rivalry between China and Japan has spilled over into alternative conceptualisations of the 'region' and to the establishment of regional institutions that are potential competitors for one another. The East Asia Vision Group had proposed that a formal process of summitry be established for the ASEAN Plus Three grouping. When its proposals, as vetted by the East Asia Study Group, were brought to the table for discussions in 2004, however, the Japanese government, supported by

does it provide effective peer review. Masahiro Kawai and Cindy Houser, *Evolving ASEAN+3 Erpd: Towards Peer Reviews or Due Diligence?* (Tokyo: Asian Development Bank Institute, 2007), cited 28 April 2007; available from <http://www.adbi.org/files/dp79.asean3.regional.financial.cooperation.pdf>.

⁵⁷ Amyx, 'Regional Financial Cooperation in East Asia since the Asian Financial Crisis'.

⁵⁸ On the problem of lack of trust among the three Northeast Asian powers see Gilbert Rozman, *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization* (Cambridge: Cambridge University Press, 2004).

⁵⁹ Interviews November 2007 – March 2008 with various East Asian government officials and the ASEAN Secretariat conducted as part of a project on the East Asia Summit together with Malcolm Cook, Christopher Roberts and Mark Thirwell. For a comprehensive list of APT and ASEAN Plus One projects see ASEAN Secretariat, *Database on the Cooperation Progressing in the ASEAN Plus Three and ASEAN Plus One Cooperation Frameworks* (Jakarta: ASEAN Secretariat, 11 January 2008), cited 30 April 2008; available from <http://www.aseansec.org/ASEAN+3Database.pdf>.

⁶⁰ See Hidetaka Yoshimatsu, 'China, Japan, and ASEAN in East Asian Regionalism: Diverse Approaches to Regional Integration', Paper presented to International Studies Association Annual Convention (San Francisco, 26–29 March).

Singapore, argued that the East Asia Summit should include Australia, India, and New Zealand as well as the APT member states. The proposal was eventually accepted when Indonesian President Susilo Bambang Yudhoyono apparently ignored the recommendation of his foreign ministry and supported Japan and Singapore.⁶¹ The creation of the East Asia Summit (EAS), the first meeting of which was held in 2005, and whose membership is identical to that proposed by Japan and Singapore, is the most obvious manifestation of ongoing tensions about how exclusive an East Asian region should be, and concerns on the part of some countries about the potential for China to dominate an APT grouping.⁶²

The upshot is that East Asia now has two 'region-wide' groupings whose mandates overlap substantially. The second East Asia Summit, held in the Philippines in January 2007, identified five 'priority areas' for the EAS: energy, education, finance, avian influenza, and natural disaster mitigation. All of these areas are listed under APT Cooperation; they also overlap with various working groups within APEC. The EAS has a study group considering the Japanese proposal for the formation of a comprehensive economic partnership in East Asia (including Australia, India and New Zealand) while APEC is studying a proposal for a Free Trade Agreement of the Asia-Pacific.⁶³ At this time, it is unclear whether some division of labour will emerge amongst these regional institutions, whether a flexible architecture of cooperation will come into existence, or whether effective cooperation will be hampered by East Asia's new institutional alphabet soup.

Has East Asia become more regionalised?

Most commentators identified the increasing regionalisation of East Asia as a significant factor in the emergence of the ASEAN Plus Three grouping.⁶⁴ Has regionalisation since the financial crisis moved in a manner that would normally be conceived of as supportive of increasing regionalism? For the most part, the available evidence suggests not.

As is evident from Table 1, the majority of preferential trade agreements that East Asian countries have negotiated or are currently negotiating are with states outside the region. Nothing in this pattern of agreements suggests that East Asia is moving in the direction of becoming a closed trading bloc. Such conclusions are even stronger when the content of the various agreements is compared – where, as noted in the ASEAN case, East Asian countries typically have signed on to agreements with extra-regional partners that are 'deeper' and contain more WTO Plus provisions than those negotiated with other countries within East Asia.⁶⁵

⁶¹ Interviews, Jakarta February 2008.

⁶² For earlier comments on differences between governments in their preferred conceptualizations of the region see Markus Hund, 'ASEAN Plus Three: Towards a New Age of Pan-East Asian Regionalism? A Skeptic's Appraisal', *The Pacific Review*, 16:3 (2003), pp. 383–417.

⁶³ Charles Edward Morrison and Eduardo Pedrosa (eds), *An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific* (Singapore: Institute of Southeast Asian Studies, 2007); Christopher M. Dent, 'Full Circle? Ideas and Ordeals of Creating a Free Trade Area of the Asia-Pacific', *The Pacific Review*, 20:4 (2007), pp. 447–74.

⁶⁴ For instance, Stubbs, 'ASEAN Plus Three?'

⁶⁵ John Ravenhill, 'The Move to Preferential Trade on the Western Pacific Rim: Some Initial Conclusions', *Australian Journal of International Affairs*, 62:2 (2008), pp. 129–50 provides further discussion.

Country/Grouping	Implementing/Signed	Negotiating	Study group
ASEAN Brunei	AFTA [#] , China, Japan, Korea ^{***} AFTA, Chile–New Zealand–Singapore*, Japan	Australia–New Zealand, EU, India	US Pakistan, US
Cambodia China	AFTA ASEAN, Chile, Hong Kong, Macau, New Zealand, Pakistan, Thailand	Australia, Gulf Cooperation Council, Iceland, SACU [§] , Singapore	India, Japan–Korea, Korea, Peru, South Africa
Hong Kong Indonesia	China AFTA, Japan	New Zealand Pakistan	Australia, EFTA, India, US
Japan	ASEAN, Brunei, Indonesia, Malaysia, Mexico, Philippines, Singapore, Thailand	Australia, Chile, Gulf Cooperation Council, India, Korea, Switzerland, Vietnam	Canada, South Africa
Korea	ASEAN ^{**} , Chile, EFTA, Singapore, US	Canada, India, Japan, Mexico ^{***} ,	Australia, China, EU, Gulf Cooperation Council, India, China–Japan, Malaysia, MERCOSUR [±] , New Zealand, South Africa, Thailand

Notes:

*After the Clinton administration's proposal for an FTA among the US, Australia, Chile, New Zealand and Singapore lapsed, Chile, New Zealand and Singapore signed the 'Pacific-Three FTA' in October 2002. On 3 June 2005, with Brunei's accession to the agreement, it was renamed the Trans-Pacific Strategic Economic Partnership.

**Excludes Thailand, which refused to sign after Korea excluded rice and 200 other agricultural products from the agreement.

***After failing to reach agreement on negotiation of an FTA, Korea and Mexico agreed in September 2005 to negotiate a more limited economic cooperation agreement.

****Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation (Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand).

[#]AFTA: ASEAN Free Trade Agreement.

[†]EFTA: European Free Trade Area.

[±] MERCOSUR: Southern Common Market.

[§]SACU: Southern African Customs Union.

Table 1. *Bilateral and minilateral PTAs involving East Asian economies (as of April 2008)*

Country/Grouping	Implementing/Signed	Negotiating	Study group
Lao, PDR	AFTA, Thailand		
Malaysia	AFTA, Japan	Australia, Chile, New Zealand, Pakistan, US	India, Korea
Myanmar	AFTA, BIMSTEC****		
Philippines	AFTA, Japan		Pakistan, US
Singapore	AFTA, Australia, EFTA, India, Japan, Jordan, Korea, New Zealand, Panama, US, Brunei–Chile–New Zealand*	Canada, China, Egypt, Gulf Cooperation Council, Kuwait, Mexico, Pakistan, Peru, Qatar, Ukraine	Sri Lanka, UAE
Taiwan	Guatemala, Nicaragua, Panama	Dominican Republic, El Salvador, Honduras, Paraguay	US
Thailand	AFTA, Australia, China, India, Laos, New Zealand, BIMSTEC****	Bahrain, EFTA†, India, Peru, US	Chile, MERCOSUR, Pakistan
Vietnam	AFTA	Japan	Chile

Notes:

*After the Clinton administration's proposal for an FTA among the US, Australia, Chile, New Zealand and Singapore lapsed, Chile, New Zealand and Singapore signed the 'Pacific-Three FTA' in October 2002. On 3 June 2005, with Brunei's accession to the agreement, it was renamed the Trans-Pacific Strategic Economic Partnership.

**Excludes Thailand, which refused to sign after Korea excluded rice and 200 other agricultural products from the agreement.

***After failing to reach agreement on negotiation of an FTA, Korea and Mexico agreed in September 2005 to negotiate a more limited economic cooperation agreement.

#AFTA: ASEAN Free Trade Agreement.

****Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation (Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand).

†EFTA: European Free Trade Area.

± MERCOSUR: Southern Common Market.

§SACU: Southern African Customs Union.

Table 1. *Continued*

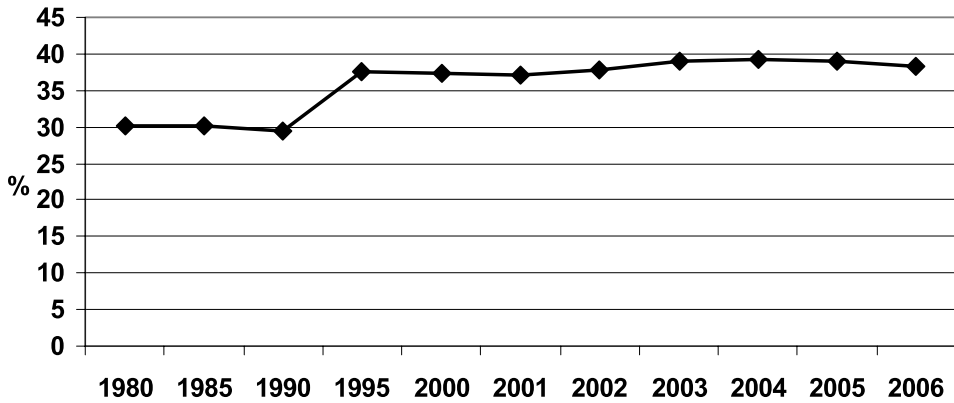


Figure 1. *Intra-regional trade as percentage of the total trade of East Asian Countries*

Source: Data in Masahiro Kawai and Ganeshan Wignaraja, *ASEAN+3 or ASEAN+6: Which Way Forward?* (Tokyo: Asian Development Bank Institute, 2007) Table 1 p. 25 [cited 30 April 2008] available from <<http://www.adbi.org/files/dp77.asean.3.asean.6.pdf>>.

Moreover, the share of intra-regional trade in the total trade of East Asia states, after an initial spurt from 1990 to 1995, has not significantly increased since (Figure 1). By 2006, the share was only one half of one percent higher than before the financial crisis. This is all the more remarkable given the extensive multiple counting of value-added that occurs within East Asia when components traverse national borders several times in the process of assembly within production networks.⁶⁶ Although substantial re-direction of trade within East Asia has occurred as China has emerged as the assembly plant to the world,⁶⁷ East Asia continues to rely very heavily on extra-regional markets for its exports (as China's share in the exports of other East Asian economies has risen, their share in its exports has fallen, with the US and the EU increasing in importance as export markets for China).⁶⁸

A similar lack of increase in regionalisation is seen in the financial sphere. ASEAN Plus Three countries accounted for less than one third of total ASEAN FDI inflows over the years 1995–2006; the percentage actually fell during the years after 2002. In Northeast Asia, the share of intra-regional FDI was much smaller. And intra-regional portfolio asset holding as a share of total assets held by EAS members is smaller still – currently only 11 per cent.⁶⁹

Finally, to what extent are the aspirations to establish various 'communities' throughout the region contributing to the development of a greater sense of regional identity. The data collected by Christopher Roberts on the lack of trust within

⁶⁶ The data in Figure 1 refer to the ASEAN Plus Three countries. They exclude Hong Kong (which enjoys separate membership in the WTO even though it is now recognised to be part of China) and Taiwan. Inclusion of these two economies increases the share of intra-regional trade in total trade of East Asia to slightly over 54 per cent. To the extent that the share of intra-regional trade among APT, Hong Kong, and Taiwan has increased, it results almost exclusively from interactions involving Hong Kong and Taiwan, evident in the Table from which this Figure was derived.

⁶⁷ John Ravenhill, 'Is China an Economic Threat to Southeast Asia?', *Asian Survey*, 46:5 (2006), pp. 653–74.

⁶⁸ For further discussion see John Ravenhill, 'Trading out of Crisis', in MacIntyre, Pempel and Ravenhill (eds), *Crisis as Catalyst*.

⁶⁹ Denis Hew et al., *Options for EAS Finance Cooperation: A Scoping Study* (Jakarta: ASEAN Secretariat REPSF II Project No. 07/001, 2007), pp. 33–4.

ASEAN has already been noted. A similar lack of sense of community is evident in survey data from Northeast Asia. When asked whether they thought of themselves as being part of a larger group that includes people from other countries, and offered the choice of European, Asian, Chinese, Islamic, Other or 'I do not think of myself in this way' as responses, only 26 per cent of Japanese respondents and 30 per cent of Chinese respondents identified themselves as being 'Asian'.⁷⁰

Conclusion

East Asia is undoubtedly more closely knit today than it has been at any time since World War II.⁷¹ Regionalisation in key areas of trade and finance may have largely stalled since the mid-1990s, but in the decade since the financial crises a whole new architecture of regional institutions has been constructed. As Acharya has noted, the new regionalism has been driven as much by ideas and impulses as by functional necessities. The dominant ideas in the 1990s were often anxiety about developments elsewhere in the international system, and anger both at the perceived US indifference to the problems East Asian economies faced in 1997–98 and at the more general Western opposition to the development of exclusively East Asian institutions.⁷²

East Asian elites were able to turn the negative sentiments generated by the financial crisis into positive institutional outcomes through the diplomacy of the East Asia Vision Group. The institutions that have been constructed, however, mirror the deficiencies of those created under ASEAN's auspices. They are often little more than consultative forums. Cooperation remains shallow. Governments have seldom been willing to accept even the most modest of constraints on their autonomy in policy-making as the price of constructing East Asian institutions.

Institutional design does indeed matter. ASEAN's failure to agree on clearly-specified and enforceable obligations, or on effective dispute settlement mechanisms, illustrates the risk that mimicking the 'ASEAN Way' will produce 'regional' institutions that are far less effective than others that East Asian states have entered into with extra-regional partners.

⁷⁰ Takashi Inoguchi, 'Does Identity Matter in Helping or Hindering Regional Cooperation in Asia?' *Japan Spotlight*, (2004), pp. 32–3.

⁷¹ T. J. Pempel, 'Restructuring Regional Ties', in Macintyre, Pempel, and Ravenhill (eds), *Crisis as Catalyst*.

⁷² Amitav Acharya, 'The Imagined Community of East Asia'. Paper presented to International Studies Association Annual Convention (Chicago, 28 February–3 March, 2007).

