

**JAPAN AND INTER-REGIONALISM:
A CASE STUDY OF ASIA-EUROPE MEETING**

Dissertation submitted to Jawaharlal Nehru University

in partial fulfillment of the requirements

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MASTER OF PHILOSOPHY

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CERTIFICATE

Certified that the dissertation titled, **Japan and Inter-regionalism: A Case Study of Asia – Europe Meeting**, submitted by **Dharish David** in partial fulfillment of the requirements for the award of the degree of **Master of Philosophy**, has not been previously submitted for any degree of this or any other university. This is his own work.

We recommend that this dissertation may be placed before the examiners for evaluation.

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Dharish David

PROLOGUE

- My interest in this area of research rests in the socially contested meanings of territories, the construction of grand stories; and how different actors perceive this grand story in itself, so differently. To see the growing importance of economism as a means of achieving peace and prosperity, through cooperation and liberal institutionalism, as opposed to competition and balance of power as through realism. Recognizing Japan's spontaneous and integral involvement in the region, although it tends to overlook this fact with its pre-occupation of security concerns with the US.
- My underlying interest in the area stems from the importance of realizing the opportunities presented by looking at the bigger picture, rather than being lost within the smaller, or rather trivial uncertainties of existence.
- There is within me a deep fascination for Japan and its apparent culture; regional and global cooperation (especially among the peoples that increase our common understanding of existence). For it is constructive to delve in to what brings people together, and create relationships that are mutually beneficial. For in a lifespan it is more important to be remembered for having contributed to the prevailing Order/Truth than to have distorted it.
- As it is a historian's maxim that all things are connected to their pasts (Michael Barnhart: 1995), it is interesting to see how Japan always changed itself from within to reach international ascendancy. To comprehend how integral East Asia has been to Japan's own development plan. And to also look at the dominant ideas determining Japan's economic development, that even overshadowed all other considerations in conduct of its foreign relations.
- This work is also dedicated to building feasible frameworks to increasing the levels of tolerance among people. Where tolerance would constitute the right to think and act differently than other people, but more importantly - within a mutually agreed framework. Tolerance defined in this way forces us to know precisely where we stand ourselves, and also where we can measure others opinion against our own. Where we know what we think and why we think in the way we do - what is our mindset and why do we have it and why do we think it is the right one for us? Thinking in this way opens the door for realizing that what is best for us may not necessarily be best for others. And that gives birth to the crucial observation that the heart of tolerance is that we care for other peoples' destiny even if we do not agree with them (www.youropa.dk). Understanding would be the key to tolerance. Communication would be the key to understanding how other people think and why it may be different from what we think. Unless we communicate and try to understand each other, there is no hope of comparing different ways of thinking with the ultimate objective of shaping a set of values to serve as the mutually agreed framework. Without such a framework tolerance becomes a beautiful but empty shell.

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PREFACE

The recent multi-layered network of multi-lateral dialogue and co-operation is giving Japan an opportunity to deepen its interdependence in the region, providing foundation for its own safety and prosperity. Japan's involvement in the Asia – Europe Meeting (ASEM) has not only enhanced its relation with its own region, but also with the European community. The scale of such meso-level cooperation does make it rather difficult to cover all the bilateral and multilateral issues that exist within the grouping. But the fact that such a grouping exists, suggests its necessity and the changing nature of the international environment, and the scope for Japan's regional and multilateral agenda.

Inter-regionalism suggests the existence of two distinct regions, and their relations. By not only acknowledging an inter-regional relationship, the ASEM arrangement has given recognition to the 'East Asia', proposed by the Prime Minister of Malaysia Dr Mahathir Mohamad in 1991 (with his East Asian Economic Caucus (EAEC) composed of the current ASEAN(7) + 3 grouping). It thereby becomes the initiative of this study to look at Japan (itself being a part of the region) and the inter-regionalism from a largely East Asian perspective. In an era of globalization, which is encouraging regionalism as collective action problem solving, Japan can capitalize on the European involvement in the further 'pooling' of sovereignty to advance policy coordination (as against the precedence of state building in Asia). This work will focus on factors affecting Japan's foreign and regional policy, theoretical aspects to regionalism and interdependence, and Japan's role in the 'regionalization' of Pacific Asia and in the inter-regionalism of ASEM.

Japan as a major economic power is optimizing its political power and influence regionally and globally. In the global fora, Japan has only been actively pursuing diplomatic initiatives where only its economic self-interest was at stake.

Japan's neo-mercantilist strategy has allowed the growth of its economy of scale, and its overseas economic penetration has made it a nation with global interests. Due to its Imperial atrocities and loss in the World War, Japan had sought a psychological and physical withdrawal from the region, and since then it has pursued a 'low profile', 'low risk', and a *seikei bunri* (separation of economics from politics) approach toward its neighbors. Japan has been constrained in playing a larger regional role, not only because of primary foreign policy objectives to maintain good relation with the US, but also of competing Japanese national interest in fulfilling its wider global role and responsibilities.

Japan has had to balance the tensions between regionalism and Internationalism. In other words, Japan's policy makers are caught up in a dual need to enable access to US and other advanced markets, while increasing the regions stability and developing the region. Japan ensures that it does not jeopardize its Trans-Pacific alliance, and considers waiting for more favorable conditions, to pursue its independent objectives. Another important factor that has undermined Japan's role in the region is the absence of a pronounced regional economic and military framework in the Asian and the Pacific region (such as that of NATO and EEC, which had helped West Germany, overcome its constraints on regional strategy). This had forced Japan to pursue an 'active but constrained' regional policy of balancing US interests and in not arousing suspicion of its assertive leadership among its neighbors.

Further, Japan's exclusively economic oriented strategy has made it a low profile actor in world politics. Its 'creditor' status has enabled it to use contribution in International programs with strategic implications, but has also aroused criticism of its 'cheque book diplomacy'. It is now evident that the emerging international environment especially in the 1990's and the wake of the 21st century will not allow a uni-dimensional economic strategy, and demands Japan to fully involve itself regionally as well as globally. Since the mid 1994,

Japan has accorded high priority to Asia and has adapted pro-active and better co-ordinated strategies towards the region.

It does remain important to analyze the kind of regionalism that is emerging in East Asia. East Asia, though more culturally and politically diverse than Europe, is integrating itself as a region with the growing ethnic ties, networking in production and trade, geographical proximity, and most importantly the convergence of their respective government policies of 'controlled export led developmentalism'. It is interesting to note that while regionalization usually serves as the intermediary stage in the relationship between states and the global economy, in East Asia it is a manifestation of globalization.

The region is merging informally with less institutionalized structures of Regional Production Networks (RPN), sub-regional economic zones, Open Economic Association (OEA), and multi-tier division of labor. Characterized by private sector led involvement, and the arising complex interdependency of trade, investment, and production (as illustrated through the recent financial crisis), there is a growing realization in East Asia for the need to participate in global politics that would be in par with its economic might. Although multilateral organizations within the region (i.e. Association of South East Asian Nations [ASEAN], ASEAN Regional Forum, Korean Energy Development Organization [KEDO], and Asia Pacific Economic Cooperation [APEC]) are working in their own capacities towards greater cooperation and coordination in the economic field, confidence building measures and preventive diplomacy in the political-security issues; there is still evidence of residual cold War mentalities. There remains a need for East Asian nations to mature enough so as to constructively build mutual trust, evolve mechanisms to address common problems and instrumentalize initiatives in building regional consensus.

The rapid growth of International economic transactions ever since the 1960's has raised the significance of economically powerful transnational actors, and the prominence of neo-liberal theories. Neo-liberal theories have become

influential given their recognition on norms, rules, and institutions that help states deal with common problems, reduce transaction costs, promote the sharing of information and transparency, and development of convergent expectations by reducing mutual threat perceptions. Such co-operation can be formal or informal, however high levels of institutionalization are no guarantee of either effectiveness or of political importance.

Where there is an emerging tripartite world, three major regions are shaping the New World Order: (North) America as the pivot, (Western) Europe and (East) Asia. There is emerging a *pax-consortis*, which requires poles of multipolarity in maintaining international peace and security. One of the major accomplishments and reflection of the changing world order is the creation of the Asia-Europe Meeting, with the selected membership of the European Union and the ASEAN (7) plus China, Japan, and South Korea. ASEM not only gave greater substance to all three sides of the 'Great Power Triangle', but gave recognition to the 'closed' grouping of the ten East Asian nations. Moreover it also signifies the emergence of a distinctive inter-regional grouping of two regions which thus far were so self-engaged and over dependent on the US.

As a small island on the periphery of the Asian continent, Japan for a long time was not confronted with the need to develop a clear conscious of its geographical and cultural identity; neither being too deeply affected by the mainstream continental ideas, culture, political systems, religion and practices. But ever since the West's commercial and political penetration of Asia, Japan was gradually forced to westernize and continuously modernize into a major actor in international politics. Japan was so fast in its pace of installing continuous change to keep up with the West that it had little time or opportunity to assess what happened to its political interests and cultural identity. It was forced to struggle alone for survival in East Asia, in a stage that had become a scene of competition among Western imperialist powers. The first chapter briefly discusses Japan's

emergence into a World Power, the transformations within, and prevailing external pressures.

Japan continues to recognize the importance of East Asia for its own economic and security well being. Prior to the World War II Japan sought to impose its influence over the region by creating an 'East Asian Co-Prosperity Sphere, while in the post war era it has re-integrated itself into the region through economic involvement of aid, trade, production, and investment. Its trade, investment with the region has already begun to surpass the trade and FDI of those with any other region of the world. It had also used its aid policy to gain concessions with governments in the region, and had expanded its economic and political presence. Japan has also become more involved in the regional security and cooperation by proposing the APEC, and playing a lead role in the creation of the ASEAN Regional Forum (ARF). East Asia is of great relevance to Europe and to a larger extent for Japan, largely due to its economic predominance. The significance of East Asia as a region to Europe and Japan was confirmed especially with the East Asian Currency Crisis. Europe had also collectively contributed 20% of the total IMF rescue package for Asia; a larger share than that of the US and only second to Japan. The second chapter discusses Japan's involvement with the region, and the rising significance and nature of East Asian regionalism.

East Asia could now seize a greater opportunity for intra-Asian communication, for it now finds itself at the intersection of two groups; giving it an opportunity to interact with Europe through ASEM on one hand, and with America through APEC, on the other. It also became clear that, the significance of the East Asian region to Europe and Japan (as a member of the region) had greatly been augmented. Till the end of the Cold War, Europe was engrossed in rebuilding itself and gaining all the concessions it could from its Trans-Atlantic alliance, but it became clear that it could no longer afford to miss out on the most dynamic region of the world's economy, and is also keen on promoting its

independent identity. The third Chapter discusses Eurasian inter-regionalism, essentially from an East Asian and Japanese point of view, and accentuates dominant theoretical perspectives in extra-regionalism and the framework for cooperation in ASEM.

With globalization and new patterns of political and economic factors shaping the world order, it remains important for Japan, East Asia and ASEM to address restrictions in their interaction and build on mutual dependencies. Japan has reduced its dependence on the US, to actively participate in the emerging interdependence, and is willing to pay the costs of building other relationships in line with its genuine global interests. Japan is effectively using ASEM to enhance its foreign policy to secure itself regionally and play a larger international role. Although Japan still lacks a set of objectives, is being constrained by domestic economic turmoil and political transition, it is in the middle of realizing its changing foreign policy objectives in a changing world order. To conclude, Japan's regime change, the changing world order, and prospective courses of regionalism and inter-regionalism, are all discussed.

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And for the spontaneous image that recurs in my mind in its search for relief:

- I gaze into the unbounded sky that permeates through. Sinking into the myriad sand grains, which bear witness to me. Sticky, temperate waters wade my feet. , Lost??? REINCARNATION!!!

LIST OF ACRONYMS

ADB	Asia Development Bank
AECF	Asia-Europe Co-operation Framework
AFTA	ASEAN Free Trade Area
AMF	Asia Monetary Fund
APEC	Asia Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
ASEM	Asia Europe Meeting
CAEC	Council of Asia – Europe Co-operation
CBM	Confidence Building Measures
EAC	East Asia Community
EAEC	East Asian Economic Caucus
EAEG	East Asian Economic Grouping
EC	European Community
ECAFE	European Commission for Asia and the Far East
EEC	European Economic Community
EFTA	European Free Trade Area
EU	European Union
FDI	foreign direct investment
HPAE	High Performing Asian Economy
IMF	International Monetary Fund
KEDO	Korean Energy Development Organization
LDP	(Japanese) Liberal Democratic Party
MITI	(Japanese) Ministry of International Trade and Industry
MOFA	(Japanese) Ministry of Foreign Affairs
NAFTA	North American Free Trade Association
NEC	Newly Exporting Country

NIC	Newly Industrialized Country
NGO	non-governmental organization
ODA	official development assistance
OECD	Organization of Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PAFTA	Pacific Free Trade Area
PAFTAD	Pacific Trade and Development
PPP	purchasing power parity
SEATO	South East Asian Treaty Organization
SOMTI	(of ASEM) Senior Officials Meeting on Trade and Investment
TAFTA	Trans – Atlantic Free Trade Area
WESPEC	Western Pacific Economic Co-operation
WTO	World Trade Organization
VER	voluntary export restrictions
ZOFPAN	Zone of Peace, Freedom, and Neutrality

CHAPTER I

JAPAN'S HISTORICAL EXPERIENCE: ITS REGIONAL AND FOREIGN POLICY ASPIRATIONS AND CONSTRAINTS

By the end of the eighteenth century, the Japanese became aware of the growing Western advances near them. Russian settlements were forged across the Sea of Japan, and the Wars in Europe had already brought the British to Japanese shores in 1808 (where the captain had demanded reprovisioning at gunpoint). But the larger distress to Japan was the Opium Wars beginning in 1839, compelling China to open up its ports to Western traders and the country's interior to diplomats and missionaries. Japan was forced to consider how it could avoid China's fate, whereby they would need to avert confrontation (or lose their own opium war). When Japan was into its third century of self-imposed isolation by the Tokugawa Shogunate, four American Warships under Commodore Mathew G. Perry entered Edo bay in 1853, and made formal concessions.

But four years later, the American diplomat Townsend Harris made the concessions of Perry meaningless, and came about with Harris Treaty: whereby extraterritoriality was granted for Westerners, fixed tariffs were employed to permit easy import of Western goods, major ports (including Edo, Osaka, and Kobe) were opened up and Western diplomats were permanently allowed to be stationed.¹ While Japan did avoid becoming a formal colony of the West, it was forced to accept limits on its sovereignty. These limits annoyed Japanese patriots who sought to overthrow the old government with the famous Meiji Restoration of 1868, and there emerged a debate on the nature of the new government. The Meiji Oligarchs, mostly samurai from Choshu and Satsuma were ready to scrap the

¹ Michael A Barnhart, *Japan and World Since 1868*, St Martin's Press Inc., New York, 1995, p 6

feudal order and replace the emperor as the figurehead: in order to rid the 'unequal treaties' (like the Harris Treaty) and be able to confront the West as a sovereign equal.

These domestic social transformations represented the transition from a divided regional political power to a national government. The Meiji Restoration represented the end of feudalism, oppressive political philosophy, artificial control over personal choices of control, and of national seclusion and economic stagnation.² These incidents also marked the arrival of the West's influence on Japan's shores, and these challenges had to be confronted at long last. The nature of Japan's confrontation with the West, ever since dominated its foreign policy,³ and this it sought by increasing its hegemony over Asia. Japan had to struggle persistently against the uncertainty about its relationship and its place in Asia, and in the international arena; with the West or against it.⁴

The Meiji leaders knew that in order to remove the restrictions on Japanese sovereignty they would have to satisfy Western standards of economic development, political and educational institutions, law and governance. As a result the Meiji leadership put domestic reform first; once that was done Japanese sovereignty was recaptured. This implied that in many respects domestic and foreign policies were inseparable. Japan's foreign policies have ever since been adjustments to external conditions, from the nature of international systems to the actual rules of diplomacy, both customarily defined by the West.⁵ The domestic reform was brought about by the intensive study of foreign ideas and systems by the Meiji Oligarchs. Not only was Western technology examined, but more importantly European and American institutions, especially governmental ones from armies to schools were carefully imbibed. The major slogan that

² Louis G Perez, *The History of Modern Japan*, Greenwood Publishing group, Westport, 1998, p.95.

³ *Ibid.*, p. 96.

⁴ Sydney Giffard, *Japan among the Powers 1890 - 1990*, Biddles Ltd., Great Britain, 1994, p ix.

⁵ Michael A Barnhart, No. 1, p 12.

characterized Japan's quest for modernization was of *oitsuke, oikose* (catch up, overtake).⁶

Indeed the Meiji leaders thought such study so vital that they took it upon themselves personally. And in the late 1871 the Iwakura Mission, made up of such great figures as Okubo Toshimichi, Ito Hirobumi, Kido Koin, and Iwakura Tomomi (an official of the Emperor's Court), departed on multi-year study of the West. These policies were instituted within Japan through the Charter Oath of 1868; whereby there was a conscious attempt to promote Western and modern ideas into the state, and society of Japan. The five articles of the Charter Oath embodied: the equality of people and their freedom to pursue their preferred occupation, public discussion of all matters, avoiding superstitious customs of the past, a government based on international justice, and knowledge to be sought from throughout the world (which strengthened the foundation of an imperial polity).⁷

Within the first few years of the new regime also saw many financial reforms being carried out. With a modern mint, a modern banking system and anew standardized decimal currency of the 'yen' was established. These reforms were closely overseen by Okuma Shigenobu and Ito Hirobumi (who by that time had already gone to the US to study the currency system). The most significant of these changes was with the introduction of a 'fixed land tax' since 1873, based on the percentage of assessed value of a given plot of land, completely displacing the 'feudal variable tax' system.⁸ This also meant the indirect dissolution of a restrictive class system (although it was also formally abolished with the principles of the charter oath), eventually eliminating all the rights and privileges given to the feudal *samurai* class.

⁶ Kenneth G Henshall, *A History of Japan: From Stone Age to Superpower*, MacMillan Press Ltd, London, 1999. p75.

⁷ Kenneth G Henshall, No.6 p.71.

⁸ *Ibid.*, 73.

The first major changes that were instituted included the creation of the Imperial Army (where the samurai further lost their significance and even revolted in the Satsuma Rebellion in 1877 – a small and brief civil war which was put down by the army), the putting forward of a new set of laws and Western style of lawyers and judges. But of the most crucial importance was the creation and promulgation of a Western style constitution (in 1890 as the Meiji constitution) providing in theory for a Western style legislature: national assembly, public ballot and a grand council of state.⁹ Another major factor that led to the overthrowing of the unequal treaties were the assimilation of higher education and examination systems (where formal education was already highly valued in Japan), and the gradual creation of a closely-knit bureaucracy.

But it was not before long that the Japanese had realized that the newly liberated energies of ‘individualism’ had to be harnessed, as by the 1880’s itself the frantic pursuit of Western thing had ceased.¹⁰ With a loss of national self identity, and with so many ideologies competing in society, it became important to bring public thinking in line to safeguard national self interests. Whereby there was the frantic attempt to restore the absolute imperial authority, and this could only be done through education. There resulted the attempt to restore moral education in Japan, which came about in more tangible forms with the drafting of the Imperial Rescript by Inoue Kowashi and Motoda Eifu. The Rescript restored Confucian values in society, and secured the Emperor as the symbol of nationalism, legitimizing the power of the men who acted on behalf of the emperor¹¹.

Japan’s impatience in revising the ‘unequal treaties’ was reflected in the early sessions of the diet, but was delayed by the institution of the new civil and commercial codes – the ones necessary for the West to agree for a revision. It was not very long before Japan had to enter into its first foreign war and territorial

⁹ Ibid., 74.

¹⁰ Mikiso Hane, *Modern Japan - A Historical Survey*, Westview Press, Boulder, 1992, p.133.

¹¹ Kenneth G Henshall, No.6, p 78.

expansion. Japan's rising need for foreign involvements were due to China's growing aggressive stance in Korea and the growing presence of Russia in Northeast Asia with the Trans-Siberian Railway just north of Korea.¹² The final domestic settlement of the Meiji Constitution which saw the convening of the diet where critics of the government were no longer ready to be submissive over their position in Korea. Tensions between Japan and China for influence over Korea emerged by 1894 itself. This however resulted in Britain's fear that a China-Japan showdown would further benefit Russia's growing influence in North East Asia.

But the involvement of Chinese forces in the Tonghak Rebellion was a clear violation of the China's 1885 agreement with Japan over Korea. Although many Japanese leaders were trying to avoid war, Yamagata and others felt that Japan had to be assertive, and he sought to minimize the legislature's influence on the growth of the Imperial Army, and identified Russia and not China as the real threat to Japan's security. So on the 1st of August 1894 Japan declared war against China, marking the beginning of Japan's search for security through empire. Japan also claimed that its war against China was a battle for the sake for culture for a modern civilization. For the next fifty odd years Japan attempted to defend itself through its display of imperial power, teaching a lesson to the uncultured people.¹³ Where it sought to control its weaker neighbors, else they would be controlled by other empires and their locations and resources be used against Japan.

In April 1895 with the Treaty of Shimonoseki, Japan obtained Chinese recognition of Japanese domination over Korea, Formosa Liaotung peninsula (of China which jettied into the yellow sea), other smaller territories, and a war indemnity. Japan ascertained that it became an actor in the Western treaty system, and not a subject. It was not before long that Japan had to let go of the Liaotung peninsula, due to the protest made by the Triple Intervention (of Russia, France

¹² Michael A Barnhart, No. 1, p 23.

¹³ Elise K. Tipton, *Modern Japan: A Social and Political History*, Nissan Institute/ Routledge Japanese Studies Series, London, 2002, p. 74.

and Germany). Neither did most powers including Britain favour Japan's success in the war, nor did they want to see any further rise of Russian influence, and the partition of China.

The early 20th century saw the slow disappearance of the *genro*, who kept the Meiji system intact by controlling the executive and administration, with their conservatism and wisdom. With the *genro*, Japan was even spared of the turmoil that other parts of the world went through in the first 15 years of the new century. But their departure represented the end of a domestic consensus of Japan's relation with the rest of the world. The end of the 19th century marked the initiation of modern economic growth in Japan, with industries, factories and new economic policies that also saw the growth of a group of industrialists, who directly or indirectly worked for the government. This it helped in making Japan a modern nation.¹⁴ Yamagata had brought the railways under state control and embarked on a colossal construction spree. He opened the way to patronage jobs for the politicians and their friends, and he lowered the wealth requirements for the electoral franchise.

Japan further gained the sympathy of the other Imperial powers through the Boxer Revolution in China where foreigners were assassinated, and it sought a multi-national expedition to suppress the uprising and rescue foreign hostages.¹⁵ Japan gained the outright support of the British (although Britain and Japan had supported each others position in China to great degrees) and a partial support from the Americans. It is also worth noting that Japan's foreign policy calculations were not based on ethics of how it treated its fellow Asians, but rather on the logic of, survival, power and empire.

In the meantime Russia-Japan tensions were rising, as Russia acquired a coaling base for its ships near the Tsushima straits. And it was not long before Russia marched into Manchuria and occupied it. The domestic politics in Japan

¹⁴ Mikiso Hane, No, 10, p. 85.

¹⁵ Totmon Conrad, *A History of Japan*, Blackwell Publishing Inc., Oxford, 2000, p.346.

saw Ito Hirobumi come to power with his foreign minister Kato who brought about a protest against Russia in 1901.

Fifty years after the launch of its modernization program, Japan was on the verge of a victorious war with Russia that gave it rising influence over Northeast Asia. The domestic politics, as it is found today was filled with ministers who served for short yet important periods in guiding their nation. In that light it was not long before Katsura a senior officer in the Imperial Army took over as Prime Minister; which marked the exit of *genro*'s becoming prime ministers, and the beginning of bureaucrats to hold such positions and assert an army's global viewpoint in Japan's foreign policy.

Katsura Taro, who shared the viewpoints of other army officers, believed that Russia was the real threat to Japan, and it had to be dealt with immediately. He was also wise enough to realize that this would never be possible without an ally – and Britain was the perfect choice for a number of reasons. To their surprise Britain actively joined in the war against Russia, and a defensive treaty was drafted. Where the conditions of the treaty were that if one of the allies was confronted by more than two powers, the other ally would have to join in the war. The Anglo-Japanese Alliance was an important milestone in the history of Japan's international relations, whereby within 35 years of the Meiji Restoration Japan had obtained recognition in treaty form (of its great power status) as equals with one of the greatest nations of Europe.¹⁶

In other terms the Anglo-Japanese alliance was the first significant indication that Japan had shed its isolatory position to participate in a credible internationally supported arrangement. Japan also announced its *de facto* intention to participate in the Western-led colonial domination of the World.¹⁷ But all this was just preparatory and precautionary measures to counter developments in East

¹⁶ Michael A Barnhart, No. 1, p 28.

¹⁷ Masahide Shibusawa, 'Japan's Historical Legacies: Implication for Its Relation With Asia', in Richard L Grant, The process of Japanese Foreign Policy: A Focus on Asia, The Royal Institute of International Affairs, Asia Pacific Program, London, 1997, p. 29.

Asia, and Japan knew that it still had a long way to go; to hold on to this newly found status. Katsura also found the new alliance to provide opportunities to increase warship constructions and funds for the Imperial Navy, as now Japan was now with a country with the world's most powerful fleet.

Japan aware of the recent developments of Russian involvement in North East Asia sent out an old proposal whereby it asked for Japanese rights over Korea in exchange for recognition of Russia's rights over Manchuria. But by 1903 Russia had completed its short cut Trans-Siberian Railway through China and was planning to extend the railroad from the northern border of Korea (from the Yalu River) to Seoul, and station its battleships for the first time in Niuchuang and Port Arthur. As Katsura had expected Russia refused the offer and did not expect Japan to purport war. Japan in the meantime had the favor of both Britain, and the US to a lesser degree. China too was kept neutral, as both Britain and America did not want China to get divided as a result. But to Russia's surprise when it had turned down Katsura's final proposal, it resulted in the Imperial Navy blockading Port Arthur and troops being sent to Inchon, Korea on February 8th 1904; and two days later - war was declared.

The Russo-Japanese war went well for Japan. Liaotung peninsula was captured. The sealing of Port Arthur from the land and the bloody battle of Mukden drove the Russians from southern Manchuria by mid-March 1905. The final triumph came when the Russian Baltic Fleet after its world tour was on its way to Vladivostock, was intercepted in the Tsushima straits by the Imperial navy and completely destroyed. This seemed to be perfect time for a peace settlement, although Japan knew that it had to move towards peace without exposing any exhaustion by the war. But things came about easier than expected when Theodore Roosevelt, under Japan's private request, interceded with a proposal of a peace treaty between Japan and Russia. The treaty was signed on 5th September 1905 in Portsmouth, New Hampshire, when the Foreign minister tried hard to win

Japan more but had to settle down with the southern half of Sakhalin, but no indemnity from Russia.

Katsura had also overseen the renewal of the Anglo-Japanese Alliance, and its provisions were further modified whereby even if one power were attacked by a single power – the other power would join the war (a useful insurance against any possible Russian war for revenge).¹⁸ By 1907 Japan went into an agreement with Russia (which had been financially exhausted by the war than Japan had realized) for partitioning Manchuria into Russian and Japanese spheres. By then Japan made Korea its protectorate in 1905 (and Ito was made its Governor-General), and secured China's acknowledgements that former Russian rights in Manchuria were now Japanese.

But alarmingly the difficulty came from the United States, although Taft-Katsura agreement came about in 1905 with America's recognition of Japan's position in Korea and Manchuria. In 1906 however, the US passed a legislation barring Japanese immigration and the Japanese were segregated and racially considered second-class. Like in recent years with voluntary restrictions in trade, Japan also sought to voluntarily restrict Japanese emigration to America to get rid of American immigration and segregation laws. By then Japan had also become an aggressive trader in the international markets, further leading to the boycotts of Japanese businesses; the first examples of Japan-bashing. There arose a school of thought that Japan was the real threat in the Pacific and might even declare war against America and would seize its Pacific possessions away. Although frictions did increase, the leaderships in both countries sought through a series of agreements to reduce the tensions and create normalcy in their relationship. By 1911 Japan was able to resolve all its outstanding issues in its foreign relations and had by far built itself an empire. But it was still not sure whether it ensured its own security.¹⁹

¹⁸ Michael A Barnhart, No. 1, p 39.

¹⁹ <http://www.asiainfo.org>

Shortly after these developments came about the Chinese Revolution, the Great War, the Russian Revolution, and strengthening of Wilsonian ideals of self-determination and non-interference. Japan had three major objectives before the Great War took place in Europe: it sought to maintain control over Dairen and South Manchurian railway at any cost, to preserve the institution of monarchy through emperorship in China, and to encourage the emergence of a friendlier regime in China that would allow deeper Japanese penetration. Domestically Japan saw the further rise of the business communities; especially with the *zaibatsu*'s (business conglomerates), the politicians, the bureaucrats, and their newfound alliances and networks. However from 1912 through 1914 Japanese foreign policy drifted, while furious political battles were being fought at home (mainly due to the exit of the *genro* and rising competition between the Imperial army and Navy for funds, control, and power).

The outbreak of war in Europe by August 1914 brought back foreign relations to the lime light and new opportunities for Japan. With the more ambitious foreign minister Kato, the war presented Japan with precious opportunities for gains and concessions in East Asia. The best place to start was with Germany's set holdings in East Asia especially in Shantung, China and a few Pacific Islands. To complement Japan's interests came about Britain's request for assistance from Japanese naval patrols protection for its shippers from German commercial raiders. By 1915 Japan used Germany's defeat by ousting German control in Shantung and other Pacific Islands, and took control and even began claiming rights over these territories.

The Bolshevik Revolution of 1917 changed the entire power balance in North East Asia, making the treaties of the Tsar with the West and Japan void. The new foreign minister in Japan believed that Britain and France were already exhausted with the war, while China and Russia were in pieces; the future belonged to Germany and United States. United States and Japan were the only real players in East Asia; this was further witnessed by the American involvement

in the Trans- Siberian railway. Japan entered the Paris Peace Conference in 1919 on a defensive note, getting recognition of its territorial gains in the Northern Pacific Islands, rights and concessions won in Shantung at China's expense, and its current Siberian expedition was kept off the table; seeking to have its enlarged imperial position recognized by the international community. By 1921, under Hara Kei's diplomacy Japan had also signed the Washington treaty whereby its naval strength was curtailed, in exchange for the West to not fortify their Pacific possessions.

At the Washington Conference in the post First World War international order, Japan was forced by the emerging major actor in the region, the US, to give up its alliance with Britain.²⁰ The early 1920's were critical for Japan's foreign policy, as it was confronted to redefine its fundamental relationship with the three major players in that corner. It sought to secure its pre-eminence in China at the Washington Conference of 1921-2, especially in reference to the rising power of the Nationalists in China. And to determine their relationship with the revolutionary Soviet Union which had already asserted its control over Siberia.

On the other hand it is also interesting to note a short influx of Japan's peaceful internationalist policies which were conducted by party dominated governments till the late 1920's. Party politics had started taking predominance, with Hara Kei being the first Prime Minister from the House of Representatives and a commoner to achieve such a position. He was also able to cultivate the party's basis of power by using pork-barrel politics, seeking the votes of locals and rural elites and money among business leaders to finance escalating election expenses. During this time the 'Peace Preservation Law' was also passed to control Marxist and peasant movements that would disrupt the *kokuton* (national essence/polity) and the regulation of private property.²¹ The two main political parties, the *Minseito* and *Seyukai* saw their strength in uniting popular support in

²⁰ Masahide Shibusawa, No. 17, p.30.

²¹ Elise K. Tipton, No.13, p. 91.

their efforts to hold on to the premiership, gradually erode. But these parties still controlled the diet in spite of mounting control of the army, and there they blocked the army's plan year after year until 1936.

By 1922 Yamagata Aritomo - the last of the Meiji oligarchs passed away, also marking the end of a neither unified, nor consistent foreign policy from the end of the First World War till the Second World War; as there was no one from the political parties, bureaucracy or even the military that could unite Japanese politics or policies. The results would prove disastrous, as there was a significant rise of hardliners in the army, navy, and political parties. Admiral Kato got Japan to agree with the Five-Power Treaty limiting the battleships of the world powers, in exchange for the Japan's position in the Pacific.²² Kato was even more ambitious in proposing a Japanese-British-American alliance that would safeguard its territorial conquests.

The problem remained, America. The US had diluted the Anglo-Japanese Alliance in the Washington Conference, by offering a weak consultative pact between Britain, France, Japan and itself.²³ This was a blow to Japanese diplomacy, but the only consolation was that China was not a part of this Four-Power Pact. Japan also wrapped up two other annoying issues; Shantung and Siberia, it sought to do so by withdrawing and surrendering its rights over these territories. Japan instead proposed to change its position in China from one based on imperial rights to one founded on investment, trade and mutual prosperity, and in Siberia Japan secured concessions on developing half the oil and coalfields in Sakhalin islands. The Washington treaties brought about a decade of stability in Japan's relation with the West, but not with China (which was in political turmoil).

Although Kato was anti-Western, he brought about domestic reforms; pressing for male adult suffrage, sponsoring labor legislations, reducing the size of

²² Kenneth G Henshall, No. 6, p 85.

²³ Michael A Barnhart, No. 1, p 73.

the army budget, and curbing communism through 'Peace Preservation Law'.²⁴ The foreign policy rested with his foreign Minister Shidehara, who wanted to cooperate with other nations and gain prosperity through trade with them. By doing so they recognized the importance of their main export market - the US. Good relations with the US were imperative, and they also wanted to build on their trade and investment success in neighboring China. They sought this by winning Chinese goodwill, and to adhere with the principle of non-interference in China's interference.

But Shidehara's policy was put to immediate test when the Koumintang, China's Nationalist party had allied itself with the Chinese Communist party and were organizing labor strikes and boycotts on foreign business in China, directly affecting Japanese *zaibatsu's*. Although chaos did rise in China, and the dissatisfaction among the Japanese businesses, Shidehara persisted with conciliation and approached Peking with a tariff conference. By 1929 the powers agreed to grant tariff autonomy to China, where China even consented to separate talks with Japan on special tariff concessions to be levied on Japanese goods; displeasing to the West (although there was no adequate response). Japan was willing to assist China in the spirit of co-prosperity, but only if it was willing to respect Japanese economic rights in Manchuria and ensure safety for Japanese to conduct business anywhere in China.

The Nanking incident, brought Tanaka's leadership to reverse Shidehara's policies; sending Japanese troops to protect the Japanese nationals in China. By the end of 1927 Japan's foreign policy was in the hands of nationalists: army and *Seyukai* united under Tanaka. Tanaka won the elections in 1928, the historic year in which all adult males could vote, labeling his party for protection against radicalism and foreigners, at home and abroad. That year Tanaka approved sending troops of over 20,000 to Shantung to drive the Koumintang away. The Imperial army had demonstrated that it only and no one else would control

²⁴ Michael A Barnhart, No. 1, p 86.

Japanese polity towards China. A tug between the *Seiyukai* and the army finally brought Tanaka down, bringing back the *Minseito* with Shidehara who granted China tariff autonomy in exchange of relatively light tariff increases on Japanese goods. Shidehara also moved Japan closer to the West by returning Japan to the gold standard in 1930, reclaiming great power status and confirming its goods to be internationally competitive.

Japan signed the London Naval Treaty (settling the cruiser issue) under Shidehara, which had severe repercussions in Japan. When finally the emperor had to intervene and ask the army and navy officers to maintain order in their ranks. But by then the fights in Manchuria had increased, and the Manchurian crisis almost brought a *coup d'etat* within Japan by a group of army colonels. Shidehara's diplomacy was over and Japan's Kwantung army continued to attack Manchuria, ignoring the League's call for negotiations in settling the issue. Further unrest was caused in Shanghai, under Inukai, when in 1931 the Kwantung army called for a new government in Manchuria, which would be rather a puppet government. Even the Prime minister could do nothing to prevent the creation of Manchukuo. The further rejection of the League's reports recommendation by Matsuoka (South Manchurian Railway official) sent by the new Prime Minister Uchida, led the Japanese delegation out of the League.

Japan by the end of 1934 was set to go all alone. It had given a two years notice that it would no longer be bound by the naval treaties negotiated at Washington and London. Its Foreign Ministry had declared that no other nation or organization had any jurisdiction over East Asia except through Japan. Free from international obligations and constraints, Tokyo hoped to create a new order in East Asia. The post-Meiji 'quit Asia' line that Japan had pursued in its policy towards the region was completely in shreds, and rather was replaced by the idea of a 'Greater East Asian Co-Prosperity Sphere'.²⁵

²⁵ Masahide Shibusawa, No. 17, p.31.

Within Japan there were new aspirations, where army officers who built a centralized, planned economy in Manchukuo wanted to do the same in Japan. The army officers found it redundant for political parties to compete for power, and private companies for money; if Japan could be united under a common goal, Japan could unite all East Asia. The bloc would result in a Japanese empire that could withstand any military or economic challenge (justifying it to reach the final goals of Meiji Restoration). Believing that this was the true path to independence and security, it rather turned out to be the road to disaster.

Japan which was now mainly under its army leaders, was all set to overthrow the old order within the state and in its international relations, casting aside all hopes of cooperating with the West. Manchuria, by then the puppet state of Manchukuo, would be an integral part of the Japanese empire. The rest of China especially the five northern states would fall under Japanese influence though would not be formally annexed. Japan also neutralized the Soviet Union (which was itself not a part of the West's old order), by its newfound association with Germany (under Adolf Hitler with his Nationalist Socialist Party). Japan would use its new acquisitions to secure itself through the construction of its own vast empire.

This ambitious program abroad also required far-fetched domestic reform, which came about with difficulty. The business community leaders were to be ousted, as they believed that trade with China and the West, and not confrontation and isolation, was the best course for Japan. There were other politicians and even members of the Emperor's Court (and the Emperor himself) who agreed with the business leaders in cooperating with the West, but the army leaders were all out to re-gear Japan for total defense rather than profit individuals or organizations. The army leaders were all set to prepare and control the new Japanese 'National Defence State'.

By the early 1930's itself political parties suffered a loss of importance. While the army gained ascendancy over politics in Japan, it first sought to

reorganize the way the Japanese cabinet did business. Instead of a full cabinet discussing policy decisions, all important matters were left to an 'inner' cabinet of only five ministers: Army, Navy, Foreign, Finance and the Prime Minister; a ratio of military to civilian ministers more in favor of the army's preference.²⁶ The foreign ministry was also stripped off its control over Manchukuo, technically an independent nation, with the creation of an army dominated Manchurian Affairs Bureau in 1934. The economic activities of the *zaibatsu*'s in Manchuria and South Manchurian railway were brought under strict army supervision. In other words Manchukuo was to be the experiment for and forerunner of a reordered Japan.

The 1930's also saw many sections of military and civil dissatisfied with Japan's international status and domestic politics, and to add to that, the Great Depression that had started in the west was reaching Japan. Thousands of people were losing jobs in the cities, and farmers were the most affected, silk (Japan's primary export) also fell considerably; leading many to blame the Western style capitalistic economic system that Japan had adopted. These groups (largely rural inhabitants) were alarmed by both the dangerous ideas on rise in the cities of the hedonistic doctrine of individualism, and the divisive ideas of class struggle.²⁷ This age marked the gradual rise of the right wing in Japan, who criticized the excessive inflow of Western ideas and practices and began defending Japan's unique historical development and the revival and retention of Japan's distinctive spiritual and cultural heritage. They were also criticizing the selfishness of the *zaibatsu*'s, and the corruptness of the politicians, further advocating the nationalizing of major industries and assets.

Among the right wing theorists, including proponents like Kita Ikkei, were advocating radical restructuring of the Japanese society and politics. Kita's book even called for implementing radical changes by means of overthrowing the

²⁶ Kenneth G Henshall, No.6, p 106.

²⁷ Elise K. Tipton, No.13, p. 115.

government with a coup. These ideas did provide the ideological basis on which a coup was attempted by the Young Officers in 1936, to revive domestic order.²⁸ The coup was further supported by a faction of senior officers under Araki Sadeo of the Imperial Way Faction, who were calling for spiritual mobilization in re-establish domestic stability. Where the years of delay of reforms demanded by the army were postponed by leadership under party politics became unbearable for the junior officers. They finally seized government buildings in Tokyo and hunted down high governmental official who obstructed army reforms, and many top leaders were assassinated. Junior officers and not the army's top men led these revolutionaries, and they believed that Japan's leaders were uncaring, corrupt, and unable to address the foreign menace.

It finally came upon the Emperor to restore order and punish the rebel forces, although short lived; the rebellion scarred Japanese politics and foreign policy. But now the pro-reform army's senior officers enjoyed unquestioned control, and they even sought to nationalize Japan's electric power industry and to create a health ministry. It finally came upon the Emperor to restore order and punish the rebel forces, although short lived; the rebellion scarred Japanese politics and foreign policy. But now the pro-reform army's senior officers enjoyed unquestioned control, and they even sought to nationalize Japan's electric power industry and to create a health ministry. In this environment it was easy to sympathize with the demands of young fanatics in the army, that Japan be swept clean by removing the big businessmen and cowardly politicians who made Japan weak and soft, and were even ushering in a 'Showa Restoration' that would reorder the way the Meiji Restoration had sixty years earlier.²⁹

The biggest problem for the army then seemed to stem from the navy, which sought to build more warships by 1936 when the naval treaties had expired; resulting in a competition for resources between the army and navy. The army did

²⁸ Ibid., p. 117.

²⁹ Sydney Giffard, No. 4, p161.

not want to damage the plans of the navy, and in fact wanted the navy to agree to an alliance with Nazi Germany. The German alliance would end Japan's isolation ever since the end of the Manchurian crisis, and gave other nations more difficulty in coming to terms with the army's further encroachment in China. In the eyes of the Navy, the German alliance would send a warning to Moscow not to interfere with Japan's peaceful penetration of China. The Navy was also eager to have a formal foreign policy statement that China's southern areas were of naval concern, and were to be of equal concern as with northern China.

This finally came about with the army-navy agreement of 1936 with the 'Fundamentals of National Policy'. The army got its agreement with Germany in terms of an 'Anti-Comintern Pact', while the navy got acceptance of its colossal fleet building projects and its direct rule over Taiwan. The army for its part, never got the full support of political parties or civilian elites, it could always bring down the cabinet if it had not follow its plans. This strategy finally brought Prince Konoe as the new Prime Minister, who was of considerable importance as a personality in leadership before the real war years. He sought to mediate between differing interests of political parties, business leader, and the discontented army. By then the situation in China had also had grown stark, with Chiang Kai Shek the only left over leader, who was resisting the Japanese penetration, but a frustrated army under Ishiwara was on its own to strike back in the form of the Nanking incident (known as the 'Rape of Nanking' where as many as 200,000 Chinese were expected to have been murdered).³⁰

Once Chiang was ousted, there were no real elites in China that Japan could use to create a rival regime. By 1938 Germany had totally aligned itself with Japan, to counterpoise both Soviet Union and the West. Germany's power could threaten the West, and the German government represented the kind of new order Japan sought to create within itself. This came in the form of National General Mobilization Law, which gave the government enormous economic powers, where

³⁰ <http://www.asiainfo.org>

all industries could be compelled to form and join cartels to implement the governments' war mobilization efforts, and individuals could be placed at governments' services as per their abilities. Japan also invited China to join Japan into a pan-Asian partnership of cooperation, development and anti-communism, but Konoe's 'New Order' had no place for Chiang Kai-Shek or a sovereign China.

By then Germany also wanted a wide-ranging agreement that would include Britain and France as possible targets, but the top leadership in the Imperial Navy knew that such an alliance would result in an Anglo-American one, which Japan never wanted. Many incidents also finally made Japan force Britain to participate in the new order in East Asia, and to even accept Japan's puppet regime's currency as legal. While Britain was delaying its reaction, the US gave a notice to Japan that it had abrogated its treaty of commerce and navigation—completely shutting off Washington's trade with Japan. And on the other hand the Nazi-Soviet non-aggression pact in 1939 came as a shock to Japan, losing a government home, and the army continued seizing Southern Chinese cities.

The only leader who held on to power for a considerable period of time before war was Konoe. He was brought to power again by the army in preparing an 'Outline for Dealing with the Changes in the World Situation'. The outline sought to best utilize Germany's European victories for Asian advantage, and also in breaking Japan's critical economic dependence on imports from the United States. But the extent of the power of Konoe-army cabinet's New Economic Order (*keizai shintasei*) was revealed in 1940, when Konoe declined to present the diet with a proposal to centralize governmental control of cartels for each industry.³¹ While thorough domestic reforms were delayed, Japan found its alliance with Germany a reality by late 1940, also hardening the 'ABCD' (America, Britain, China, and Dutch) coalition.

But Japan had calculated things to be different: it wanted to bring the Soviet Union into a general understanding with Japan, in accordance to Germany's

³¹ Michael Barnhart, No.1, p 139.

interests. Once Moscow would become a member of an alliance between Germany, Japan and Italy; Britain, the US, and China would have to settle to their terms. But these plans were too unrealistic when the Germans were already preparing for war with the Soviets. By then negotiations with the United States too, proved a smart device favorable to Japan. But that would arouse Japanese suspicion in delaying a possible showdown between itself and the US (where Japan was expecting the US completion of a colossal navy in two years that would the America with Pacific hegemony).³² And Tokyo was ready to demonstrate its determination by occupying the southern half of French Indo-China as possible preparation for an attack on British, Dutch, and even American possession (in the Southwest Pacific). The army-navy sought this new 'Southward Advance' with haste due to mistrust in American intentions (as they were preparing for a stronger navy), and to use the timing with the German attack on Soviet Union.

Japan was preparing for war with Britain, Holland, US, and Soviet Union at the same time, and then came the American reaction to Japanese occupation of southern French Indo-China. America dispatched heavy bombers against Japan, froze all Japanese assets in America, curtailing the purchase of anything American including oil. This was a hard blow on the Imperial army, which now looked at Dutch East Indies and British Borneo for rescue with the 'southward advance', but the question remained whether American Philippines should be attacked. This led to fear among the Japanese, especially among Konoe himself, who was looking forward to a summit conference with Roosevelt. It was perfect timing for the army minister Tojo Hideki to use this as a chance to put forward their conditions; including their adherence to the principle of anti-communism with their German alliance, Japanese troops to be retained in China, China to be governed by an amalgamation of Chiang and Wang regimes; and Manchuria to be independent-under Japanese control.

³² Elise K. Tipton, No.13, p. 116.

America on its part was not eager to fight a war in the Pacific, but at the same time it did not want to concede its principle of self-determination and see Japan colonize China. But by then the Imperial Conference between the army and the navy, determined to attack Philippines and British Malaya, if their diplomats were not able to reach a consensus. By late 1941 the army became impatient, as its oil supply was dwindling, resulting in small chaos and the Emperor's interference. The freezing of Japanese assets and the oil embargo beginning 1941 manifested the only logic in Japanese perceptions of encirclement and strangulation.³³

Tojo resumed Prime Ministership, and came out with his final two proposals for the US, the first proposal actually a serious bid for peace, while the second was a *modus vivendi* (to avert war and buy time). But America rejected both proposals for the simple reason in regards to China. By December that year there was another Imperial Conference on opening hostilities, even the Emperor was inquiring into the chances for victory. While the attack on Pearl Harbor came brilliantly and so unexpected that American battleships were destroyed in hours, there was revenge vowed by the Americans, and opposition at home. Yet Pearl Harbor suggested something else to the ruling elite of Japan at that point of time: where force was now part of a rational strategy, and the definition of security and autonomy for Japan was only by establishing control over North East Asia, and there was a sense discontent by specific events of the 1920's and 1930's (ever since the Treaty of Versailles) against the West.³⁴

By February 1942 key portions of the Dutch East Indies, Philippines, British fortress city Singapore, Malaya, and Burma had all been seized. And by 1942 Japan's empire spanned almost a fifth of the globe, from northern Manchuria to Burma, nearly to Australia and halfway across the Pacific. The question was how was Japan to rule the East Asia it had conquered? For that a Cabinet

³³ Elise K. Tipton, No.13, p. 120.

³⁴ Ibid., p. 119.

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Planning Board had been established, which further wanted to establish a Greater East Asia Ministry. Japan placed top priority to acquiring national defense resources from the occupied areas: rice from Indo-China, cotton from the Philippines, tin and rubber from Malaya, oil from the Indies. Japanese personnel would simply replace departed or imprisoned Western officers in their respective regions.³⁵ By then the army was sure that Germany would not win the war with the Soviet Union, and were even looking forward to implementing a cease-fire between the Germany and the Soviets, as their initiative. But Hitler was in no way going to accept a truce with the Soviets, even if was going to lose the war, but by then Japan's own situation seemed to worsen.

In its attempt to remove any remnants of British presence and the American Pacific Fleet in the rest of East Asia, the navy lost its best aircraft carrier and planes, during its huge operation against Midway Island in the Pacific. By then the Americans had occupied the Solomon Islands, and at the beginning of 1943 it was clear to the Japanese that their initiative to control the Pacific had been lost forever. Also within Japan, the Emperor, and other conservative leaders including Yoshida Shigeru were concerned about social chaos that would follow the war. These were even the prospects of Japan going communist. But they were just waiting for the right moment to appeal for peace. That would occur after Tojo and the army would have been driven away from power and disgraced, and the elimination of war making elements in the post war situation. Although Roosevelt called for the unconditional surrender at the Casablanca Conference in 1943, the Japanese were sure of Western assistance, as with Italy.

Shifts in policy in East Asia followed, by granting independence to Burma, Philippines, Malaya and Indonesia, by the Foreign Minister Shigemitsu, trying to appease the Americans on the basis of the principle of self-determination. Discussions also began with Chiang to end his alliance with the West in order for

³⁵ Sydney Giffard, No. 4, 1994, p 185.

Japan to remove all the troops in China. But the army still remained unchallenged in leaving its mainland holds, and the 'peace group' could not unseat Tojo, who still had to see the end of the war and did not want to concede. Although Tojo resigned by the time Saipan fell, nobody was able to take leadership in Japan without the support of the army, so the new Prime Minister too pledged the war to carry on. Even after receiving word of an atomic attack on Hiroshima, the army would not give up and put up conditions where the army would still remain intact as in no war crime trials and no occupation forces in Japan, and the army was persistent on these terms even after losing Manchuria to the Soviet Union and the second bomb on Nagasaki. Only with the Emperors involvement and insistence was the army undone, and Japan's foreign policy had come to a full circle since 1853.

Japan's sovereign existence was in difficulty, as they knew that Western forces would occupy their homeland for an indefinite period of time with a definite agenda. This time MacArthur arrived instead of Perry. But this time the situation was also different, where Japan had highly trained specialists and a well-developed, educated work force; and when the army and navy would cease to play any role in the post war era, there only seemed prospects for cooperation with the West. The top priorities for Japan was to keep the monarchial system intact, avoid rise of a radical Japanese Left, and to obtain other concessions from the West to keep the duration degree of the occupation minimal, and to renew and be able to determine the kind of relations they were to have with their neighbors.³⁶

³⁶ Michael Barnhart, No.1. p. 146.

CHAPTER II

POST WORLD WAR DEVELOPMENTS: JAPAN, EAST ASIA AND REGIONALISM

Occupation and Japan's Reintegration into the East Asia region

By the end of the II World War the US was left alone as the only predominant and uncontested military power over the world political economy.¹ As Germany, Japan, and Italy were ruined by defeat; Britain, France and the Soviet Union were acclaimed victorious. This meant the eventual withdrawal of European influence and the initial exertion of American hegemony over the region. Politically, the US would no longer return to isolationism that it had followed for a long time, and it hoped to lead an American centered post-war International system that would promote prosperity, stability and peace based on recognition of the sovereign equality of all nations. While also admitting that the inequality of the nations in their power and influence, the US sought to center cooperation and conflict resolution through the creation of the United Nations. Economically, American industrial power was augmented; it sought to rebuild the world economy with its comparative advantage over its high-tech products, monetary reserves and control of petroleum.

It became clear that it was in America's interests and policy to rebuild Japan as the engine of growth for reviving an East Asian political economy, which finally resulted in Japan's own hegemony over the region. To fully understand Japan's recovery and rise to economic superpower status it is important to look into the US postwar policy towards Japan. Though there were several internal

¹ William R Nester, *Japan's Growing Power Over East Asia and the World Economy* (London, 1990), P. 13.

factors within Japan (such as culture, human resource, institutions, and politics) and external factors (such as Japanese competitiveness in US and European markets) which did play a major role in reviving the Japanese political economy. America was also immediate in making sure that Japan would not have to be divided, where a part would be under the control of the USSR. It hastily sent its Supreme Commander of the Allied Powers (SCAP) General MacArthur to demilitarize and democratize Japan. This also meant that Japan was stripped of its colonial possessions which led to its psychological and economic withdrawal from the region. SCAP in the early years of Occupation enacted economic reforms including land and labor reforms, dismantling *zaibatsu*'s, other than imposing a new Constitution on Japan. It was SCAP's objective to make sure that Japan would become a democratic nation and its semi-feudal society would be changed into an egalitarian mass consumer one. SCAP, more importantly had to make sure the Japan would never again be able to militarize itself and any traces of war making elements had to be eliminated.

But this lead to Japan being economically crippled as it was already poor in natural resources. Changes for Japan came sooner than expected, especially when the Truman's administration devised the containment strategy based on a '*realpolitik*' policy that saw the Soviet Union not only as an ideological threat but as a security threat, and this was further severed when China became Communist. America's priorities were to reconstruct Europe, ensure access to Middle East Oil Reserves, and reconstruct the Far East and the Pacific. The US policy towards the Far East and Pacific identified Japan and the Philippines as the cornerstone of the Pacific Security System, while Japan was the only center of growth for creating a regional viable economy. By 1949 a new mission by Joseph Dodge was sent to Japan to put Japan on the path of neo-mercantilism; to cease the ensuing hyperinflation and stimulate real economic growth with economic reforms such as balancing budget, protection of domestic industries, tightening credit, controlling trade and establishing a single currency exchange rate.

Japan's own need for re-integrating with the region was complemented by the American policy recognition of the region's inter-dependence; where Japan was resource dependent on the region and it only it could play an industrial role in fostering regional economic growth. In spite of opposition from Europeans and other Asians Japan proposed a policy of triangular trade and dependencies between America, Japan and South East Asia. By 1951, with the outbreak of the Korean War, America's National Security Council (NSC) paper reflected the 'domino theory' where it acknowledged Japan's dependence on South East Asia for her economic well being that would eventually accommodate communist expansion in Asia.² George Kennan with other American officials wanted to revive Japan and the whole idea of the old Co-prosperity sphere, primarily focusing on industrial and economic revival, although even rearmament was also suggested.

The Korean War not only changed the outlook of American views towards Japan and the region, but also gave an early economic boom to Japan's industries with the war procurements. This was also coupled with an open American export market and the opening up of South East Asian raw materials for Japan's industrial needs and furthering trade with the region. There emerged a virtuous production – export cycle which lasted till the 1970's; where Japan received aid and imported technology from the US, imported raw materials from South East Asia, and exported back its industrial products back to the American and regional markets.³ Initially Tokyo prevented significant flow of Japanese capital to the East Asian region in the 1950's for the fear of undermining its balance of payments, but by the mid 1960's when it had established a trade balance surplus, it fully liberalized its direct foreign investment by 1971.

The Japanese leadership, primarily instigated by Yoshida Shigeru wanted Japan to return to great power status, the only means: by achieving hegemony over

² Ibid., p. 21.

³ Ibid., p. 21.

the East Asian region (as in the Meiji era with colonial ideology and policies), and their strategy: an alliance with the US (familiar to the alliance with Britain during the Meiji era).⁴ But with the context of the Post War era being different, the path was carefully chosen so that 'hard' power politics would be separated from economic relations (the *seikei bunri* approach). The article IX of the new Constitution was a guarantee of Japan's disinterest in exerting any physical influence over the region in the future. Japan sought to acquire hegemony using economics which initially began with war reparation procurements, aid, tied loans, and technical assistance to countries that suffered Japanese aggression during the war. By doing so, Japan found means of securing its raw material sources for its industries.

With the 'Triangular trade' established by the late 1950's Japan resumed trade with all the major nations of East Asia. The East Asian nations became dependent on Japan for their aid and trade, and by the 1970's for their investment too. With trade balance surpluses with its entire neighborhood by the mid 1960's, Japan exerted its hegemony through providing foreign direct investment, where it had the largest or second largest foreign direct investment with every East Asian country. Since the 1970's Japan moved from a policy of 'separating economics from politics' to 'comprehensive security' (*sogo anzen hasho*). As Japan was faced by new crisis in its foreign policy objectives which were directly related to its new found status as the largest creditor in the world, with excessive trade surpluses, and its shift from heavy resource industries to knowledge intensive industries.⁵ Japan however, protected itself from foreign direct investment and its market from foreign competition by its industrial laws and its bureaucratic – industrial complex.

While re-exerting its influence over East Asia, Japan had to balance its act with the US. The changing contexts of International Relations reflected more

⁴ <http://www.inta.gatech.edu>

⁵ <http://www.mofa.go.jp>

opportunities for Japan to devise self serving policies (with an access to a wider world market) as opposed to revealing Japan's over reliance on American interests. Since 1952 with the end of the Occupation, Japan's principle tool with coping with the outside world has been a consistent effort to ensure that the United States provided two protective umbrellas; a military umbrella that relieved Japan from conducting its foreign security policies and security arrangements, and an economic umbrella that ensured the world markets to Japanese goods, initially at an undervalued exchange rate. Japan devised two sets of strategies that made sure US maintained these umbrellas; until the early 1980's it threatened the US that it would go Communist if the US did not comply with its political and economic interests, and second set of strategy it has been using since the 1980's has to do with the growing financial leverage it has accumulated -- where it could even blunt American trade offensives.⁶

The outbreak of the Vietnam War and Paris Peace Accord of 1973 with the withdrawal of American troops from Vietnam suggested the deterioration of America's hegemony in the region and the world. At the same time Japan's rise to economic superpower status, reflected further bilateral discords especially marked by incidents such as US initiative in restoring ties with China without any prior consultation with Japan, and the closing of the Bretton Woods system by devaluing the dollar. The subsequent Oil Crisis's reflected Japan's growing dependence on other regions of the world and its need to follow its own self serving diplomacy. Japan's accumulation of credit, and comparative advantage in key industrial areas gave it an edge in comprehensive security policy initiatives.

Where a hegemony can only use economic power to influence dependent countries to comply with its policies, it was clear that Japan gained hegemony over East Asia by the mid 1970's.⁷ Japan began to replace the US as the region's most

⁶ Funabashi Yoichi (ed.), *Japan's International Agenda*, New York University Press, New York, 1994, p.9.

⁷ Tsuneco Akaha & Langdon Frank, *Japan in the Post-Hegemonic World*, Lynne Reiner Publishers Inc, London, 1993, p. 21.

important source of aid, investment, and growing trade dependencies. The 1970's especially marked by the Guam Doctrine; America sought the gradual military withdrawal from the East Asian region. The problems with the revision of the Security Treaty between US – Japan also reflected the beginning of slow rift in their bilateral security relations. This meant that Japan could play a larger role in East Asia, where it had become the dominant trade partner of all East Asia and had provided nearly one third of total capital to the region.⁸ Japan also used foreign direct investment to secure its hegemony over East Asia where it led a two track policy of securing sources of raw materials and paying for them with massive exports.

The 'shocks' of the 1970's resulted in a more active Japanese foreign policy, for instance in 1974 MITI published its long-term goals of shifting its economy from heavy industry to knowledge-intensive industries, and it had to use the FDI and the regional economy to achieve its goals. Japanese Multi-National Companies (MNC's) were encouraged to move abroad to find cheap reliable sources of raw material, shift labor intensive goods to low wage countries, which would simultaneously clean Japan of pollution-intensive heavy industries. The second wave of Japanese investment in the region was towards the late 1970's and early 1980's with Japanese MNC's restructuring and seeking lower production costs. However Japan's 'laser beam' approach, where it dumped specific products that destroyed its foreign caused hardship in the targeted countries, and it was criticized of dumping; its growing export-offensives and import barriers caused bilateral conflicts with its trade partners. Japan fulfilled its goals of rapid transition into a post-industrial society through its rational, industrial, technology, and trade policies.

It becomes necessary here to make a distinction between the Newly Industrialized Countries (NIC's) and the Newly Exporting Countries (NEC's) of

⁸ <http://www.miti.go.jp>

East Asia and their economic dynamics with Japan. The NIC's comprised of South Korea, Taiwan, Hong Kong, and Singapore. These countries switched from import substitution to export substitution rather quickly and successfully during the 1969's during the era of trade liberalization and strong world wide growth. They industrialized through import substitution policies with high tariff and non-tariff import barriers where foreign companies had to build industries in the host country, where once import substitution saturates the domestic markets the exposure to international competition would cause the transition to export substitution.⁹ Export substitution allowed lower tariff and promoted exports of labor-intensive manufactured goods; where finally exports became the engine of growth for the economy.

The NEC, comprising of the ASEAN countries including Malaysia, Thailand, Indonesia, and Philippines (and later to be followed by Vietnam) were natural resource rich and have traditionally relied on primary product exports. Inspired by Japan and the NIC's example they followed the policies that made manufactured goods rather than primary products their basis for economic development. And their transition from export substitution policies was almost a decade later than those of the NIC's, which finally happened towards the mid and late 1970's. The NEC's economic slowdown was in part due to the slowdown in the world economy due to quadrupling of oil prices, the stagflation and protectionism in developed countries, the certain structural problems of the NEC's that related to a deeper political crisis of the patronage system that arose during colonialism, and the poor policy timings.¹⁰

While in this way the East Asian countries were dependant on foreign, trade, payments, capital and technology to generate economic development, they were forced to increase their dependencies with Japan, which had surpassed the

⁹ A World Bank Policy Research Report, *The East Asian Miracle*, Oxford University Press, New York, 1993., p. 34.

¹⁰ <http://www.atimes.com>

US as the predominant trading power in East Asia. By the late 1980's Malaysia and Indonesia were both import and export dependant on Japan, while South Korea, Taiwan, Hong Kong, Singapore and Thailand were import dependent on Japan and export dependant on the US. Philippines was by far the only country dependant on exports and imports on the US (though its trade dependence on Japan was increasing), and Vietnam and China with their late entry into the full fledged world trading system saw their dependence on Japan for imports in the 1990's.¹¹ The concentration of Japanese ODA and FDI in the region left a distinct imprint on the trade relations too, where Japan's economic re-entry or rather hegemony was established.

From 1991 Asia overtook the United States as Japan's largest export market. This is mainly a result of Japanese investment strategies which have secured itself a place as the largest single investor in such Pacific-Asian economies as South Korea, Indonesia, Thailand, and with China (which became Japan's dominant investment partner from 1993). The economic domination has been translated into influence on how firms work in the region and how firms react in order to both sell in the Japanese markets and compete with Japanese firms elsewhere. Since the late 1980's, Tokyo shifted its manufacturing into the rest of Asia in order to capitalize on low Asian labor costs for production and assembling finished goods. This was coupled with the flow of technological knowledge, capital and marketing expertise, and FDI flows into East Asia; which resulted in a hierarchy of development. In this hierarchy Japan was at the apex, followed by the NIEs, the remaining members of ASEAN, China, Vietnam, and Burma; and this in turn also reflects the investment, trade, and even the movement of people within the region.¹²

The end of the Cold War marked by the disintegration of the Soviet Union, Japan found its Anti - Soviet role obsolete and was presented with new

¹¹ <http://www.dfa.gov>

¹² <http://www.kantei.go.jp>

opportunities and threats. Japan could take up a larger and bolder regional role in the wake of the regions prosperity.¹³ With war memories slowly fading, the East Asian countries' dependencies for investment, technology, commercial loans, foreign aid and as a model of development on Japan, were increasing. Japan had access to new world wide markets, and could also advance its role in protectionist tendencies (or Free Trade Areas) as was the case with America and Europe. The appreciation of the yen since the late 1980's, tripled Japanese FDI threefold around the world, increasing its concentration with US, Europe and ASEAN. While this meant that Japan enhanced its influence, it was criticized for its own financial health and its exertion of economic power that meant it had to face many repercussions (as with the East Asian Currency crisis).

The end of the ideological war meant that Japan's centrally directed, export based economy would no longer have unlimited access to American and European markets due to the rising protectionism and Japan's own trade offensives that were threatening the international trading system.¹⁴ Japan's export of ultra-cheap capital after its bubble burst in 1990, was identified as the primary cause of the East Asian economic collapse of 1997.¹⁵ Japan itself was suffering economic and political stagnation, and could not conduct genuine reforms that would overhaul the tax system, control public spending, and reorient the economy towards domestic demand rather than exports. But Japan's leader's are opposed to (or perhaps are incapable of) altering a system that has made them so rich. Were the continuous growth of the East Asian countries (after a rather short lapse in recovering from the currency crisis) and their firms becoming internationally competitive, only increased Japanese fears of its weakening position in the region and bred nationalist sentiments.

¹³ Nobuo Matsunaga, 'The Role of Japan in a Changing World Order', *Strategic Analysis* (March, 1995), p.1527.

¹⁴ Coleman William D., Underhill Geoffrey R.D. (ed.), *Regionalism and Global Economic Integration: Europe, Asia, and the Americas*, The Brookings Institution, New York, 1999, p. 68.

¹⁵ Kent E Calder, 'Japan's Crucial Role in the Asian Financial Crisis', *Japan Quarterly*, Autumn 2000, p. 89.

The Framework of Japanese Involvement in the Region

It would also be beneficial to see other themes that had emerged parallel to these practical developments within Japan and in the world that allowed Japan to reintegrate itself within the region. At the same time it is also important to look into Japanese conceptions of regionalism, because it has been by and far Japanese ideas that has kept the process going. Major themes and ideas such as economism, continentalism, with more narrative incidents and individual contributions broaden the scope of discussion in the shaping of Japan within the region.

Economism as a political project had emerged after the religious wars in Europe in the 16th and 17th centuries, which represented a change of ideals in culture.¹⁶ Where the Renaissance held aristocratic social values of honor, glory, power and chivalry, the later periods began to look for ways to tame human passions. By the 17th century these medieval ideals were openly ridiculed especially with the works of Don Quixote, Jonathan Swift and others. The breakthrough came about with Thomas Hobbes' 'Leviathan' which introduced the concepts of 'covenant' and 'impersonal political structure', resulting in the proposition that economic activity would guarantee security and promote peace among nations.

These ideas were further established and elaborated with the work of Charles Montesquieu, who founded the idea of modern interdependence, which became the cornerstone of modern functional and neo-functional analysis of international political and economic relations.¹⁷ According to it, concentrating on private economic interest, or rather self-interest was a means by which societies could be relieved from their violent habits. Peace was considered the natural effect of trade; nations would be united because of their mutual necessities. The

¹⁶ Pekka Korhonen, *Japan and Asia Pacific Integration: Pacific Romances*, Routledge, London, 1998, p. 18.

¹⁷ <http://www.bluepete.com>

works of Adam Smith advocating free competition and David Ricardo introducing comparative advantage helped in the firm growth of this idea in the economically growing England. Thus it thus formed the theoretical basis of capitalism and international free trade.

The ideas then spread through out the globe through the British commerce and the prestige of the British Empire. It gained prominence in continental Europe after the Napoleonic wars, when the Europeans were weary of war and were looking for permanent peace and stability. Economism also came under attack during the same period, when millions were uprooted, suffering miseries of cyclical depressions, and the creation of alienated masses. These trends were analyzed in the works of Romantic critiques like Karl Marx and Freidrich Neitzsche; that economism led to a more regulated and pacified society where life appears empty, petty, and boring.¹⁸

But more apt in the discussion were the works of Freidrich List, a scholar and a bureaucrat, who had works published in Germany and the US. He came out opposing free trade as a universalistic principle and as appropriate in all situations, though he accepted the British style economism. List identified the nation to stand between the individual and humankind which meant that it required a 'political economy'. He saw Smithian economism as only benefiting productive individuals and humankind in general and not anything in between. He firstly gave priority to long-term economic development as more important than immediate gains in economic efficiency for the global system (as promised by free trade).

Secondly, List laid out in his theory the premise that nations were clearly on differing levels of development. These differences enabled advanced countries to dominate the less advanced, and restrain their further development, whereby dominant powers like Britain dumped goods in International markets so that domestic industries would never be able to compete. Less advanced countries had

¹⁸ Pekka Korhonen, No.16, p. 18.

to treat development as a serious national project, and economic ¹⁹protection against the advanced countries became unavoidable. The amount of protection was case specific, and so depended on the stage of the development. The state had to use tariffs to ensure the new industries would grow, always allowing an extent of import for their educational and competitive value. Once these industries grew, then the country would be open to free trade, else these industries would stagnate. Thirdly, development was also seen to be coming in stages. This meant that the less advanced countries had to take special initiatives to modernize and industrialize, so as to come to the level of advanced countries. In this way finally, all nations would advance and there would arise an 'economistic cosmopolitical' society, where there would be perpetual peace and stability.²⁰

List's ideas were opposed strongly by the English school, but gained recognition and spread rapidly in less advanced countries in continental Europe and North America including France and the USA. List also became the father of the *Zollverein*, the first of successful European economic integration, and this he did by the uniting the German states behind a common tariff barrier and common industrialization policies, which then resulted in political integration.²¹ The reason for Lists relative lack of notoriety is due to the Nazi's discrediting his name as a national hero. But his influence in terms of less developed nations deserving more protection, still remains.

As an ideology economism is always not known to last forever, nor deliver what it promises, and it tends to ignore the displaced and bores the romantic. Things appear well as long as societies move into more abundance; else dissatisfaction and dissent do arise. The ideology of economism causes societies to become rigid, and other values of romantic orientation arise. As those of the aristocratic-military revolt which occurred in Germany in 1914, claiming the Germans as heroes against the British traders who were depicted of being lower

¹⁹ <http://www.soc.sci.mcmaster>

²⁰ <http://www.ecn.bris.ac.uk>

²¹ Pekka Korhonen (1997). N.16. p 21.

moral level of greed and pettiness. The Great Depression of 1928 ended the first phase of economic optimism of the reconstruction period and relative abundance that had occurred. It was followed by highly authoritarian political structures which grew in many continental states and also in Japan, where economic activity was encompassed for rather nationalistic projects under militaristic supervision.²²

Economism in more state-centric terms places economic values above other national values; where values such as development, growth, and self-enrichment were the priority for the nation, with the further incorporation of different political, social, and religious values according to their diverse experience. After losing the World War, Japan and other European nations that had also lost the war were left to concentrate on their economies as they remained in the capitalistic camp. They abandoned the field of high politics to the winners in order to concentrate on low politics of economic development. Leading poverty stricken countries to develop a project of rapid economic growth, such as the German *Wirtschaftswunder*, Italian *il miracolo*, Finnish *taloushime*, and the Japanese *seicho jidai*.²³

Economism gained renewal under American custody in the post-World War era. The US continued its rapid economic activity throughout the early 20th century, without giving way to any authoritarian tendencies, it was rather able to effectively combat the Great Depression with determined federal policies that pacified society and continued to concentrate on economic growth. Only after mid-20th century after Bretton Woods was established, was America moved from a Listian to a Smithian form of economism advocating free trade; which in practical terms meant massive outflows of American capital to Western Europe and Asia especially Japan. The irony lies in the fact that the ideology took its strongest hold in the countries that lost the war, while the US took up its hegemonic position proving itself a politico-military leader losing its pure economic affiliation. In

²² <http://www.unimelb.edu.au>

²³ Pekka Korhonen (1997). N.16. p 31.

war-weary Western Europe, scholars including David Mitrany began to advocate the functionalism school of thought. Identifying reconstruction and peace as their goal, they sought to bring about political integration by cooperating to collectively determine their economic activities (especially in regards to the production and utilization of coal and steel).

Japan by its loss in the war had been stripped of its 'Great Power' status, as the seas that surrounded Japan were no longer its natural defense (especially by any aerial or sea offensive by US, as technology had developed drastically).²⁴ For its part Japan had realized that in the modern world it would not be able to wage a major war like it had in the late 19th century. All that was left over in Japan was the remnants of an advanced economy, a highly specialized and educated workforce, and a few lessons that had been learnt. The Occupation (1945-1952) institutionalized the future course of Japan with its reforms that meant that it was to be demilitarized by the Article 9 of the new Constitution. The old aristocratic and military leaders were removed, and with them their feudalistic inclinations; and the creators of the new ideology for Japan were from now on to be economists or those who thought on those lines.

Yoshida Shigeru, as the prime minister between 1945-47, and 1948-54 laid down the fundamental economic orientations of Japan's foreign policy. Like in Europe primacy was given to economic activity in reconstruction and economic development, while the foreign policy objective was to obtain American protection, in exchange for their support to American global interests. This foreign political approach, more commonly known as the 'Yoshida Doctrine' was given further impetus at a domestic political level by Ikeda Hayato in his famous 'Income Doubling Plan'. Although it is arguable that the Yoshida doctrine was a result of the then changing national and international circumstances, it now remains clear that economism remains Japan's objective as a political actor in international relations.

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But it is unjustified, to look at the emergence of economism in Japan as a post war phenomenon. As we have noticed, economic theory in Japan had long since been, for historical reasons excessively development oriented. Japan was preoccupied with catching up with the West to secure its own sovereignty. This made Japan the only Asian country to industrialize long before any other country in the region could and especially in the face of British industrial supremacy, and this it did by borrowing from the West. Its main influences were United States, Germany, France and other countries, but in terms of its economic ideas List had been of vital significance to the Japanese, especially in the 1930's.²⁵

A Japanese theoretician of international stature was Akamatsu Kaname, who appeared a century after List with corresponding ideas, developing the idea of the 'flying geese' pattern of development (*ganko keitai hattenron*) in the 1930's and 40's.²⁶ Akamatsu was considered one of the first world-class theoreticians from Japan, who was also of equal influence in Japan, especially in the educational institution he worked in the Hitotsubashi University. Just like Lists theory, Akamatsu in his theory identifies clear distinctions between different categories of countries competing on different levels of development. At a more conceptual level they could be labelled as the leading countries (*senshinkoku* – regarded as the Euro-American countries) and the following countries (*koshinkoku* – regarded as the Asian and other countries), while a further subdivision were also created as the middle level countries (*chushinkoku* – regarded as the Asian Tigers) that were more dynamic countries than the other following countries.

Akamatsu's theory was a general theory of development, depicting how an undeveloped country could rapidly develop itself, using international trade as its driving force. To go on further, the premise of the theory suggests that when an undeveloped nation is exposed to the power of an advanced industrialized country, its old economic system comes to crisis, and much misery follows, but only to

²⁵ Pekka Korhonen, No.16. p 23.

²⁶ Ibid.

introduce and imbibe a new economic culture into the country.²⁷ Within years, decades, or centuries, depending on the strength of the old cultural affinities, the country slowly pursues policies to become an advanced nation. Akamatsu also emphasized the rather dominant role of the state in its responsibility to regulate local industries with tariff policies and assistance so that they dominated local markets, and then the country could move on to free trade as its industries become competitive.

State supported development becomes a serious national enterprise, whereby industries that capture home markets are then allowed to compete globally. Initially the exports would consist of cheap consumer goods of low quality (where the nation would have comparative advantage), as the wage levels and production costs are less in the undeveloped nation. Once foreign currency comes in, which also increases foreign products including consumer goods, capital goods, and the culture in general; which further raise quality and the expansion of production into new capital, service industries. In short, the key to development remains: import and learn; moving from home markets to international competitiveness building an industrial base for the nation. Imports are also maximized as much as the balance of payment allows, so that it remains open for exports for developed countries.²⁸ What results is a hierarchy of nations at different levels of development, as they all work toward climbing to a higher stage, and the whole group moves to a common goal of increasing sophistication of industry.

The theory also assumes a fair amount of communication between the countries so that a large amount of ideas and culture is transmitted from the leaders to the followers. Japan itself has always been the pioneer of adopting new ideas and changing it to its own context, rather than devise something new; and this it also preached as it practiced. As time goes, depending on the combination

²⁷ <http://www.dsc.de/zeitschr/ez/>

²⁸ <http://www.nri.co.jp>

of economic nationalism, international free trade, and the national will of the follower to develop its comparative advantage, it can overtake its leader. This was demonstrated after the Second World War when the US left the Western European countries behind, and Japan for its part, has sought to catch up with the US. In more political terms the flying geese theory suggests the growth of the developmentalist state. The structural change in the domestic economy allows the abundance of needs to be fulfilled of the population thereby in return, allowing the state to claim legitimacy.²⁹

Where legitimacy is a concept that is connoted to democracies, state vis-à-vis the civil society; state represents the society, and in some circumstances the state under strong leadership exercises legitimacy on behalf of the societal project. Thus as in Japan, or as in many Pacific-Asian countries right-wing governments and authoritarian regimes emerged promising economic development deriving power on this kind of legitimacy principle. Economic development not only becomes an end, but a means for achieving various political priorities, as in providing for material wealth and creating solidarity among the civil society, and a means of acquiring national defense.

Examples of acquiring such power and wealth include the military coup in 1961 by General Park Chung Hee, who had received a Japanese education and was an officer in the Japanese army during the war. Arguments suggest that he was aware of the flying geese theory as used in the Japanese war propaganda, and this did allow the Koreans the chance to challenge Japan at least economically for the disgrace of colonization. In fact many of the political elite were repressive in creating self-legitimacy. In Taiwan the Koumintang executed an estimated 10,000-20,000 people through 1947-50, and in Singapore the People's Action Party eradicated all serious opposition. In Hong Kong the leadership using British troops, deported all persons perceived as dangerous to the public order back to the mainland. While the Koreans were supposed to have built up the most repressive

²⁹ <http://www.nbr.org>

apparatus (the Korean CIA) which killed, imprisoned, and arrested nonconformists by the thousands.

These developments mentioned above are all comparable to the Meiji state that made itself supreme over all segments of society in Japan, and this was repeated in the Post War scenario - with the state under Yoshida. There are only striking similarities: the working class was repressed and their wages were kept low below the rise of productivity, and previously dominant classes were subordinated or dismantled through land reforms and government regulations, and where there emerged a highly competitive and educated bureaucracy. More importantly as growth continued, the authoritarian character of the state too reduced, rather democratic values and tendencies were on the rise as there was no need for repression in maintaining the momentum of development.³⁰

Akamatsu for his part was rather unclear as regards to peace, only that he depicted the world to be in constant change, rather competitive and highly unstable. Akamatsu took Freidrich Hegel as his inspiration, and he believed that relentless competition would only lead to the progress of humankind over centuries, where constant pursuit of individual interest would lead to a civil order where people can live in peace and prosperity.³¹ But Akamatsu's followers, in the post world war era were using different framework to attain peace and stability in the region. Okita Saburo's contribution to Asian development involved creating goodwill towards Japan, and Kojima Kiyoshi's ideas of international and the Pacific economic integration as an addition to that, are noteworthy.

Japan by the early 1950's was all set for economic reconstruction. It sought to renew its ties with its neighbors, primarily by paying war reparations, which slowly became tied aid and loans for development. Japanese aid generally aimed at countries with potentially large markets, investment opportunities, or with natural resources. Japan slowly opened up export markets as each country

³⁰ Pekka Korhonen (1997). N.16. p 23.

³¹ <http://www.dse.de.zei/fschr/e/>

became dependent on it for spare parts, related products, technical assistance and investments. By working through tied ODA and Official Overseas Fund (OOF) Japan could further its interest of moving heavy industries to other regions with trade and investment linkages. Kojima's theory of transferring Japan's labour-intensive industries to Asian developing countries was put into practice by Prime Minister Tanaka in 1972. Through Okita Saburo's and other political connections, Prime Minister Tanaka was able to position Japan's new status in the region by intending to 'remodel the Western Pacific' by proposing a US\$20 billion half as ODA and the other half as private investment. By the late 1980's 71% of Japanese aid went to Asia, making Japan the largest bilateral donor to the region, and China being the largest recipient.

As Japan continued on its path of development, it was visible by 1974 itself, that the domestic economy was being saturated; Japan had to become a large-scale investor. In this regard the work of Kojima had pointed out to a separate Japanese-style of investment that were to be separated into trade related and non-trade related. The difficulty was to not arouse feelings of suspicion among the South and North East Nations with the lingering memories of war time aggression. Japanese investment penetration through the East Asian countries did bring repercussions, where Kojima suggested that this explosion of Japanese export would be short lived, and by the early 1970s under Prime Minister Sato's initiative came about the internationalization of the Japan's economy. By the early 1970's Japan was desperately trying to get the support and improve relations with the ASEAN countries. With previous endeavors by Tanaka already established in that direction for 'good neighbors sharing peace and prosperity' (*heiwa to hanei wo wkanciau yoki rinjin*); supporting ASEAN's striving for peace, freedom, and neutrality by promising an increase in official aid and encouraging private investment.

The 1970's also saw a Prime Minister Miki Takeo trying hard to handle the severe economic recession caused in part by the Middle East oil crisis when Japan

was looked upon with ambivalence, and when Japan's currency also came out of its fixed exchange rate. With economic crisis, and international ascendancy Japan was looking towards South East Asia to provide itself with a role of regional leadership. These were testing times for Japan, when repercussions of Japanese penetration in East Asia became more evident due to the rise and spread of the *dependencia* theory, it was in need to devise a more independent foreign policy as opposed to that more centered on its relation with the US, especially with the failure of the US to include Japan in renewing its diplomatic initiatives with China. Initiatives to improve its relation with its neighbors included the rise of aid to 1% of GNP, and a ceiling on the military ceiling at 1% of GNP. By then the Asian Tigers too had shown remarkable growth and further looked upon as models by the other ASEAN countries, which were moving from import substitution to export promotion.

Fukuda Takeo came out even stronger with his ASEAN initiative, arguing for Japan as an exception in history to remain committed to security through international cooperation, without militarizing, and placing Japan as a benevolent leader on a rather equal platform of caring leaders and devoted and loyal followers. The Fukuda Doctrine was a monumental success, convincing his South East Asian neighbors of a 'heart to heart understanding', not only pledging a \$1 billion package in aid and promising cooperation to industrialize and advance these countries. The doctrine also declared that Japan was an economic and not a military power, that intended to expand social, political and cultural ties along with economic ties, and establish relationships based on mutual understanding. All these instances only lead

to the political involvement of Japan in the region, as it sought support and recognition regionally and internationally.

Initial concerns were about raw material, energy and pollution problems as it slowly moved to: from being a production center for the world to a planning and selling system of the world; moving to a 'knowledge intensification' of industries,

global center of services. Japan identified the import of skills and not investment-which brought about an inflow of technology and new industry, as Japan already had a high saving rate it did not need foreign funds. Therefore foreign direct investment remained very low and under tight control, and Japanese outflow of investment was also rather low initially, but moved on to become one of the worlds largest investor as there was an accumulation of capital and to do away with industries that were no longer competitive within the country. The government relaxed the regulations for outflow of investment, especially toward developing countries.

East Asian Regionalism

With growing intra-regional trade, commerce and investment linkages that have expanded since the mid 1980's, there were various proposals and studies done in order to classify and organize the emerging regional state system.³² As discussed earlier the theoretical precursors to regionalism in the East Asian region lay in the pre-war Japanese conception of the 'East Asian Co-prosperity Sphere'. Kojima toyed around with idea of such region in the 1960's before settling down with the Pacific Association of Free Trade and Development (PAFTAD). The Taiwanese researcher Ricky Tung came about with the idea of East Asia Community (EAC), wanting to create a secure place for Taiwan, with the economic leadership of Japan, and with the membership extending to Taiwan, South Korea, Hong Kong, Singapore and the other ASEAN countries, excluding China for obvious reasons. By 1988 Phisit Pakkasem of the National Economic and Social Development came about with the idea of the Western Pacific

³² S Javed Masood, 'Japanese Foreign Policy and Regionalism' in S Javed Maswood (ed.), *Japan and East Asia Regionalism*, Routledge, London, 2001, p 7.

Economic Cooperation (WESPEC) scheme 10 +1: of 3 NIE'S, 6 ASEAN states, China, and Japan as '1' technological leader.

Although there were ample works that were suggesting an alternative to APEC, part of the problem has been ingrained in the Japanese stand itself, whereby high political leaders have consistently supported APEC, and been more silent about the East Asian option. If not for their leaders, public opinion polls also suggest that most Japanese see themselves as somewhere between the West and Asian, obscuring their self-identity. The strongest force favoring the regionalism came about with pro-Japanese proposal in early 1991 by Prime Minister of Malaysia Mahathir Mohamad with the East Asian Economic Grouping (EAEG). This was an official proposal; it had to be taken more seriously especially when Mahathir refused to participate in the first APEC meeting in 1993. Although there was no indication that the grouping was an antagonistic block, US and Australia out rightly opposed it; and it could have well been established in accordance to international law where it would integrate the EAEG smoothly into the APEC just as NAFTA was part of APEC. Indeed, the stated aim of the EAEC is to offer smaller East Asian members of APEC the opportunity to establish a unified position within APEC.

One of the problems with the proposal seemed to be that there was no blue print presented, discussions had been vague, with varying levels of interest and disinterest among those listed as members themselves. The dialogue has been rather charged emotionally, and politicized. There is still no indication that the bloc was designed to be a tight antagonistic bloc, although it did suggest a rather exclusive block, which no East Asian country was willing to risk as it would further induce such tendencies within Europe or North America. But Mahathir's proposal also suggested a strong emphasis that the EAEG should be consistent with GATT and APEC; as it is to be viewed as an attempt to put East Asia on an equal institutional status with the European Community and NAFTA. As such the

East Asian economic dynamism warranted a high institutional status in the world system, which was placing higher value on the economic performance.³³

The name was changed from the EAEG to EAEC (Economic Caucus), as suggested by the Indonesian political scientist Hadi Soesastro, as implying a discussion group. But countries in the region have rather perceived this grouping to be more of a tight antagonistic group and as a case of Asian arrogance confronting American and European conceit. Therefore they have only given nominal support to the grouping so as to not induce a 'closed' European and North American regional arrangements. The Australian and American attitudes towards the proposed East Asian Grouping has changed from outright rebuttal to cautious acceptance, and ASEAN was quite divided on the issue and were looking towards a caucus within the APEC process itself. South Korea and China too have been skeptical to any scheme involving Japanese leadership in an Asian setting. But awkwardly Japan has been the biggest impediment to the idea, exposing serious conflicts to its self-identity, and in terms of jeopardizing its relation with the US.

Yet there is a strong evolving sentiment to the EAEC in Japan, where many Japanese intellectuals, business persons, bureaucrats and politicians have grown over the years, especially in powerful ministries such as MOFA, MITI, and MOF. Support has been expressed by business leaders from *Keidanren* and *Keizaidoyukai*, and also from the lower level LDP politicians. These developments were also complemented by World Bank research program to study the 'The East Asian Miracle', accepting the same geographical image of treating this miraculous group of East Asian countries with Japan at the top, followed by the four NIE's and the three ASEAN countries. Only southern China which also showed such growth was excluded, apart from the Philippines and Brunei which categorized as developing countries. These eight nations were labeled as the 'high

³³ Fred C. Bergsten, 'America's Two-Front Economic Conflict', *Foreign Affairs*, 80 no. 2, (March/April 2001), p 18.

performing Asian economies' (HPAF's). The study attributed this high performance to fundamentally sound developmental policies, and the growing obsolescence of traditional economic measuring tools, and the introduction of more reliable indicators such as that of purchasing power parity (PPP).

While the East Asian regional economies were experiencing the so called 'miracle' the basis of the regional economic co-operation were largely due to neo-liberalism and rationalism, in the context of progressive globalization. Where there was a replacement of national markets by world markets, the decline of geographical determinants of financial location, internationalization of the division of labor, and the continued strengthening of multinational and private policy making structures vis-à-vis the public authority of the state.³⁴ Increased exposure to international markets, in both trade and investment required not only domestic policy adjustment but also the desire to interstate negotiated bargains and collective problem solving. Since globalization weakens the power of the national policy instruments, collective action approaches to problem solving with regard to trans-national issues is easier at a regional level and more politically manageable.

It is quite evident that the Asian approaches to co-operation rhetorically at least reject the emphasis on legalism, formal agreements, contracts and institution in favor of confidence building, 'heart and minds' elite bonding, peer pressure and trust.³⁵ The East Asian experience provides enough evidence to support posing the question whether development of a regional 'identity', or perhaps a less contentiously 'a shared understanding of region', among international policy elites is developing alongside the consolidation of economic indicators of the region. Thus liberal inter-governmentalism (although there is no formal shift to a new political community) offers insight into the evolving economic cooperation in East Asia, which is enhanced by market dynamics and technological change. The

³⁴ Coleman William D., Underhill Geoffrey R.D. (ed.), *Regionalism and Global Economic Integration: Europe, Asia, and the Americas*, The Brookings Institution, New York, 1999, p. 93.

³⁵ Aaron L. Freidberg, 'Will Europe's Past be Asia's Future', *Survival*, Autumn 2000, p. 153.

policy co-ordination among these states are elite-driven where they derive from a tripartite community made up of members from the corporate, research and government communities, and do offer the scope for the construction of a collective identity in the region.

Other than East Asian regionalism differing from that of Europe in the growing *de jure* approach to co-operation with semi-institutional sanctioned trade commitments without common external tariffs, the Asian organizations are focused on sovereignty enhancement and not sovereignty pooling. With the Asian conceptions of sovereignty being much more territorially reliant, regionalism becomes a tool for the consolidation of state power. Further, in the wake of the East Asian regionalism, if there is anything that is European that strikes both fear and scorn into the hearts of the Asians, it is the thought of a giant regional bureaucracy like that in Brussels. In other words institutions may be seen as organized rules, codes of conduct and structures that make gains from co-operation possible by collective action, but they (as seen by Asians) are a kind of socio-political cement that mitigates self-interest and opportunism.³⁶ Another inherent characteristic is that the consensus based East Asian approach to adhere to institutional practice of their trade policy (norms, principles and rules) is greater than they either appreciate or are even prepared to acknowledge publicly.

It became evident that Pacific Asia had become the world's economic center by the early 1990's. Whereby US trade with the region exceeded that with Western Europe during the 1970's. Japan's trade with its neighbors exceeded that with the US, and Western European trade with the region exceeded that with the US in 1994. With these new figures in mind it meant that Pacific Asia could demand its recognition for its achievements from the rest of the world, where it could have been well on its way with similar status as Western Europe or that of North America. The EAEC could also be viewed from the larger movement

³⁶ <http://www.giefs.org>

among developing countries to protectionism especially since the 1980's, of they replacing the developed countries as the champions of free trade.

Looking at the accomplishments of the regional grouping of the ASEAN +3 could be viewed as the most active regional grouping outside Europe, and already has more sophisticated machinery than the North American Free Trade Arrangement (NAFTA). The Asean+3 have announced a region-wide system of currency swaps to help them deal with future Asian crises, quite repeating what the Group of Ten industrial nations did in the early 1960's when confronted with the first global monetary problems of the post war period. With Japan proposing the AMF, Hong Kong and Philippines proposed an Asian currency unit on the euro model, an idea that would take very long but would not have even been considered a few years ago. With growing intra-East Asian trade and production interdependencies, Philippines had proposed the East Asian Free-Trade Area.

The single largest catalyst for the new East Asian regionalism was the financial crisis of 1997-98, that called for monetary integration.³⁷ There was general consensus among the East Asian nations that they were let down by the western bankers and lenders, when they pulled out of the region without adequate notice, and they have realized their failure in part to their dependence on Multilateral financial institutions. With its aggregate economy and external trade about as large as that of the US or the EU, and its monetary reserves much larger, there is a growing need for institutions that can address their own fate.

The possibility of a more closed East Asian trading group, including proposals of an Asia Monetary Fund has sprung back into life mainly because of a few basic reasons. These include the East Asian Financial crisis (the failures of the WTO and of APEC to allow more trade liberalization), the positive inspiration provided by European integration (especially with the euro), and a broad disquiet of both the United States and the EU over the plight of the East Asian recovery.

³⁷ Christopher B Johnstone, 'Paradigms Lost: Japan's Asia Policy in a Time of Growing Chinese Power', *Contemporary South East Asia*, Dec, 1999, p 384.

East Asia became frustrated with the failures of the global trading system, especially when all the East Asian nations (including China and Japan) continue to depend on export expansion for their economic growth.

What these regional governments wanted is better access to foreign markets, where they fear any protectionism from the US (which has a trade deficit of \$500 billion with the region) and EU would be detrimental to their own economies. With Seattle failing and trade talks in APEC stalling, more Asians are turning to sub-regional trade pacts to liberalize themselves, and insure themselves against future financial uncertainties. Any protectionist efforts by the US or EU would give an extra push for the region to integrate. Where the US market is still by far significant for the East Asian economies (especially Japan), both as a source of imports and more as a market for exports. Any tendency of Washington to focus on the US trade deficit with the region (which is clearly chronic and requires rectification) could hinder the interdependencies across the region.

Where their economies depend on the foreign market penetration even countries within ASEAN seem themselves more as competitors than partners. Although there is a notion of political distrust between China and Japan, the European experience could be reproduced where China and Japan could replicate the process that integrated Germany and France. Though the region is recognized as a competitor in the international arena in stimulating economic growth, production, trade, and investment, at the same time it could serve as the tri-lateral partner with the US and EU in managing the world economy and maintaining peace and stability, collectively. But further integration could also mean that the region could become a disruptive force (with its national savings of over \$800 billion in monetary reserves), whereby it could develop its own capital markets, pursue its regional development, improve domestic demand, and discriminate against outsiders.³⁸ East Asian regionalism could go either way; what seems ideal

³⁸ Fred Bergsten, N. 32, p. 21.

is when it would take independent action at times of crisis, and still cooperate with the world in economic and security arrangements.

Other than being at its early stages, it lacks the substance of other regional groupings, where also the international political setting does not easily allow institutionalizing accomplishments, and more importantly the variance of perceptions of uncertainties and reservations among the member states themselves. There is a clear lack of political commitment to greater integration by the regional governments. Also East Asian nations were at varying levels of industrial advancement, and further integration would mean far-reaching structural changes that might be unacceptable to their own national style of industrial policies. These structural transformations that would be imposed on these nations would in themselves topple governments, whose political legitimacy lay in their ability to promote further economic development.

Another major drawback to the process was the lack of leadership, despite Malaysian hopes that Japan would do so. However Japan was only the dominant supplier of capital, technology and intermediate goods, and it intended no other role. In fact Japan had kept its market protected from the Pacific Asian industrial products, rather than being an economically benevolent. It is even suspected that Japan's importance would diminish as other East Asian countries upgraded their industrial structures. Until the political turmoil in Japan ends (where a new government that would be strong enough to implement the structural measures needed to make Japan a significant importer of manufactured goods of these Asian nations) it is unlikely that it can become the integrating nucleus of the region, if not a leader. Although there were discussions of an emerging yen-bloc, but in practice only a production block exists, led by Japan directing exports to markets outside the regions.

The flying geese model with the Japanese leadership became fainter in the 1990's, due to the ongoing Japanese economic stagnation, and relative economic

growth in the other East Asian nations.³⁹ The possibility of Japanese leadership began to take the back seat, mainly because the issue remained the speed of growth and not the amount of riches a country currently possessed. Thereby China, South Korea and ASEAN acquired a higher footing if not in par with Japan in terms of providing regional political leadership. Instead of mutual cooperation occurring to the extent of forming a trade bloc between themselves, mutual conflict as competition for developing national economies and capturing markets has resulted in the region.⁴⁰ While trade intensities grew in East Asia, their markets still lay outside the region, causing widespread fears of extra-regional resistance (as perceived of NAFTA to divert trade with other regions like South America). This was also a weapon that regional leaders could use to impede any kind of closed grouping outside the region, as in when MITI Minister Hashimoto warned the US in 1995 that they would have to turn to the EAEC if NAFTA became a closed bloc.

But the rhetoric of East Asian success is only seen in the Japanese language and Malaysian views, while looking through the Chinese language only presents a nagging doubt of the viability of the region. The Chinese are pressing with an antagonistic discussion against the West and to a lesser extent to 'Asian' culture; because they see themselves as 'Chinese', rather than be embarrassed as an 'Asian'. A more appropriate metaphor for the Chinese is that of Greater China, which connotes more cultural and economic cooperation among Chinese societies in mainland China, Taiwan, Hong Kong, Singapore, and in other parts of South East Asia. The Chinese claimed that the 21st Century was the century of the Chinese people, where Japan and the other Pacific Asian countries were given minor role in this vision. Consequently this has attracted criticism and attention in Japan and other countries in the region, of China's regional and Global role.

³⁹ <http://www.panasia.org>

⁴⁰ Moon Chung-in and Park Han-kyu 'Globalization and Regionalization' in Takashi Inoguchi & Purnendra Jain (ed), *Japanese Foreign Policy Today*, Palgrave, New York 2000, p 79.

Though the world shaped by a triadic order would be placed at less priority by an international community which is more committed to free trade, the whole idea could revive easily if there were another economic downturn. The EAEC was thought to be of less institutional importance, as it did not change the conceptual framework of geopolitics in the region; where 'East Asia' completely replaced the 'Western Pacific'. When Australia and New Zealand were dropped out of the grouping, attempts were made to rationalize the region at a racial, cultural and political interpretation. The Confucian argument was brought about for the economic success of Japan, the East Asian Tigers and China, but was not usable in ASEAN's case (with Islamic Indonesia, Christian Philippines, Buddhist Thailand, and multi-ethnic Malaysia): Eventually forcing Mahathir Mohammad to drop out Confucianism and move on to 'Asian values', and 'Asia in its place'.⁴¹

These conceptual changes were also complemented by the new metaphor defining the International System. The East-West divide became obsolete with the end of the Cold War, the North-South divide too was disappearing with new developments and integration theories, while the Third World had been further divided with the emergence of a rapidly developing Pacific Asian countries; leaving other nations as 'emerging markets' or as 'middle income developing countries'. This also brought about the intensity of using 'continental' metaphors which imply shorter distances and better suited for conceptual 'bloc formations', as opposed to oceanic metaphors (like Atlantic or Pacific) which denote large expanses of water and long distance communication. Continentalism came to be understood as an enlarged form of nationalism, especially with the eroding of centrality of the nation-state in international politics. If nations-states are to be seen as one sort of imagined community, then nationalism can extend to new forms to include larger scale communities that are economically and politically integrated, and culturally ethnically unified continents (where economic integration alone cannot form the sufficient mass psychological basis).

⁴¹ <http://www.mainichi.co.jp>

Paul Krugman criticized the East Asian countries and compared them with the Warsaw Pact, where these nations had strong authoritarian regimes, and growth was achieved by mainly mobilizing resources and increasing inputs, and not by increasing levels of efficiency, which in the long run will not continue growth but lead to stagnation.⁴² But these arguments were countered by Mahathir Mohammad (who has been the principal Head of State to instigate the East Asian grouping) and Ishihara Shintaro (the LDP parliamentarian) who wrote several books on Japan and Asia, and the importance of Japan to ally itself with the Asian countries.⁴³ Economic assertiveness arose influencing similar arguments with reference to culture, where the West was seen exemplified by crime, drugs, divorces, and other social evils, and the Asians were based on traditional Asian values, based on close family and kinship ties that would replace rather individualistic values which formed the cultural basis of Euro-America.⁴⁴ Growing East Asian sentiments were aroused when, Mahathir stated Prime Minister's Murayama Tomiichi's apology of Japanese war crimes in 1995, as unnecessary and that the past had to be forgotten, when there was prosperity now, and a bright future ahead.⁴⁵

Whatever maybe the tensions and visions of the composite nations in developing a 'regional identity', there are many common features that include a distinct form of capitalism that would set East Asian apart from the other world regions and also encourage greater regional integration. The Japanese investment that swept through the region subsequent to the Plaza Accord was followed later by the wave of Taiwanese, South Korean, and Singaporean FDI which realized the growth of regional production networks, knitting the region together.

Fostered on one hand by the globalization with growing intra-regional trade, investment and production networks, and other regional integration projects

⁴² Paul Krugman (ed.), *Trade with Japan: Has the Door Opened Wide?*, The University of Chicago Press, Chicago, 1991, p. 57.

⁴³ <http://www.monju.pwp.blueyonder.co.uk>

⁴⁴ <http://www.asiaweek.com>

⁴⁵ <http://www.thejapanpage.com>

across the world, there are distinctive Pacific -- Asia characteristics of the society, state and businesses. As opposed to neo-liberalism with the emphasis on maximization of individual gains there is a different view of economic relations which emphasize the community, harmonious social order, as well as a result oriented approach to economic growth.⁴⁶ There is rather an emphasis on social obligation rather than legal contracts and written regulation. By developing high trust and friendly give-and-take relations there is a mutual recognition by each side in their stake in the satisfaction of the other.

Another key characteristic in the Pacific Asian approach to economic development is the selective state intervention to give industrial sectors and even companies a comparative advantage in the domestic and international marketplace. While for the Anglo-American way of thinking it is unlikely that the state would intervene in governing markets, as it would get the prices wrong. But the geopolitics of the region supplied incentives for states to intervene in their economies; where the legitimacy of most Pacific Asian states rested on economic performance. War and the threat of war have also brought East Asian governments and their businesses closer together over the last fifty years. Where the state eventually shapes the country's economy and this harmonious relationship between the state and business has even advanced the inclusive label of 'Japan Inc.' and 'Korea Inc.'.

The Priority is on the 'collective capitalism', highlighting synergy of business networks, stressing the building of business over the long term and capturing markets even at the expense of profits.⁴⁷ Although each of the countries in East Asia have developed major companies; Japanese, South Korean and ethnic Chinese businesses have come to dominate the regional economy. In doing so they have nurtured networks or more local firms in ways not commonly found

⁴⁶ Richard Stubbs 'Asia-Pacific Regionalism Versus Globalization', in Coleman William D., Underhill Geoffrey R.D. (ed.), *Regionalism and Global Economic Integration: Europe, Asia, and the Americas*, The Brookings Institution, New York, 1999, p. 70.

⁴⁷ Ibid., p. 73.

outside the region. Most importantly Japanese FDI, and Japanese business structures and practices came to pervade the region. Initially Japanese manufacturing companies invested in the NIC's and then later with the appreciation of their currencies, Japan and the NIC's turned to the ASEAN. Given the common emphasis on networks of firms, Japanese multinationals and small and medium-sized Chinese family firms have combined to form country-specific and region-wide production networks. These business networks across industrial sectors focus on the importance of production; so as to obtain leverage over other countries and to bolster their own national security and autonomy.⁴⁸

When Continentalism had ensued disagreement, it also brought cooperative efforts as it was seen in 1996 when the first Asia Europe Meeting was held in Bangkok, based on cooperation on multiple level forum including G7 and the ARF. The ASEM came about when the Singaporean Prime Minister suggested the idea to French President Francois Mitterrand, who then implemented it as his one of his last foreign policy efforts in 1995. The inaugural Asia-Europe Meeting was held in Bangkok on 1-2 March 1996 and was attended by 25 countries from Asia, Europe and the European Commission. The participating countries on the Asian side were comprised of the metaphor of 'East Asia', in practice and not in name: Thailand, Malaysia, Philippines, Indonesia, Brunei, Singapore, Vietnam (seven ASEAN countries), China, Japan and the Republic of Korea. The participating countries on the European side were 15 members of European Union, namely Italy, Germany, France, Netherlands, Belgium, Luxemburg, Denmark, Ireland, Greece, Spanish, Portugal, Austria, Finland, Sweden, the United Kingdom and the European Commission.

This development also symbolically reflected Europe's interest, given the growing importance of the East Asian region in the World Political Economy. This also marked a historically important event as Asia and Europe met on an

⁴⁸ Ibid., p. 71.

equal footing for the first time. Carefully promoting the EAEC forward was another goal of Japan, where MOFA carefully observed American response to the interregional developments; and adopted an indirect strategy of gradual involvement to deal with the foreign political problems of the grouping.⁴⁹ The exclusion of both Australia and America also represented the growing independence of East Asia, and the cooperation among the Eurasian land masses could be used (by both Asians and Europeans) as leverage against any disputes with the US. In spite of conflictual aspects, the patterns of cooperation and prospects for institutional structures in the region are closer than ever, and further developments will depend if the whole Asia -- Europe dialogue becomes and organization itself.⁵⁰

⁴⁹ <http://www.mainichi.co.jp>

⁵⁰ <http://www.asienhaus.org>

CHAPTER III

INTER-REGIONALISM, AND JAPAN IN ASEM

Preconditions for ASEM

Europe's penetration in Asia occurred centuries ago during the age of the European colonial expansion and imperialism which irrevocably altered the political and economical systems of Pacific Asia. Colonial policies shaped the political arrangements that emerged in these countries when they gained their national independence, where European parliamentary systems with modifications as per their individual contexts were introduced.¹ Economic institutions were also established based on the importance of trade as opposed to exploited economies for imperial interests. The European influence had implanted the notions of nationalism, state, liberalism and socialism in the many nations of East Asia. These newly independent states have continually struggled with the problems of nation-building, political legitimacy, political participation and institutionalization, and the issues of social equity and distribution.²

Japan has always been in the forefront of these developments. Rather than allowing European colonial subjection imposed on it; It went ahead and indigenized European ideas of statehood, power nationalism, and economic development.³ Japan, Europe and America with their considerable levels of economic development and political domination shaped the East Asia region. The end of the Second World War not only marked the withdrawal of Japan from the region, but also of Europe; as there arose ideals of self-determinism. Europe was

¹ Rudiger Machetzki, 'Values and Civilizations', in Hanns Maull, et al. (eds), *Europe and the Asia Pacific*, Routledge, London, 1998, p. 41.

² David James Martin, *Political Development in East Asia*, Blackwell Publishers Inc, MA, 1997, p. 17.

³ Bob Tadashi Wakabayashi, *Modern Japanese Thought*, Cambridge University Press, Cambridge, U.K. 1998, p 33.

as it is engaged in a serious project of reconstruction and cooperation, while Japan was caught up in its struggle in reconstruction and to end the American occupation. While Japan eventually reintegrated itself into the region, there were only certain post-colonial economic associations of a few European nations with their ex-colonies, and that it self remained fairly minimal.

After the defeat of Japan in World War II, all Western colonial powers (except the US) were severely weakened by either the victory or loss in the war, and their subsequent influence in Asia was greatly reduced. The European colonization and Japanese occupation gave rise to various national movements across the region, particularly in Indonesia, Vietnam, and Burma. The post colonial and post world war era posed an ideological divide in both Europe and Asia – and this was of communism and capitalism, which literally split the regions into two. The communist movement gained strength during the World War II by capturing anti-colonial sentiments.⁴ While Eastern Europe came under the influence of USSR, so did Vietnam, China, Korea, (Thailand and Burma to lesser extents) in Asia. The Second World War was a historical moment for the Pacific Asian countries when it ended colonialism and European influence in the region. But they were now caught up in their own struggle for national survival, nation-building, political institutionalism, and economic development under the competing interests of the two superpowers.⁵

Out of the failure of the regimes after independence, there emerged three types of political systems in East Asia- controlled democratic regimes that emphasized one party dominance and limited political freedom, military rule that used officer corps as the decisive political force, and Marxist-Leninist systems.⁶ This stage reflected the exclusion of the political elites of Western-style liberal democracy in favor of indigenous initiatives and ideas to cope more effectively with the challenges of nation building.

⁴ David James Martin, No.2. p23.

⁵ Suchit Bunbonkarn, 'Pluralism and Democracy', in Hanns Maull et al. (eds), No. 1, p.14.

⁶ Ibid.

Singapore, Malaysia, and Japan (through American occupation) were in the first category of parliamentary democracies with limited freedom. While South Korea, Thailand, South Vietnam, Cambodia, Burma and Indonesia all fell under the control of the military; the military still wields political power in Burma and had done in Indonesia too, until recently. China, North Korea and North Vietnam followed the Marxist-Leninist path to achieve their political and economic objectives. But their principles of ideology and political organization (such as the dictatorship of a single party, the party's primacy over state, its strictly hierarchical structure, and principle of democratic centralism) were basically the product of European intellectualism with, an inclusion of indigenous elements.⁷

The 'third wave' of democratization had a large impact on Pacific Asia, where democracies emerged or re-emerged in Philippines, South Korea, Thailand, Taiwan and Cambodia. Even pro-democracy uprisings were observed in China and Burma.⁸ In Taiwan and South Korea rapid economic development gave strength to civil society that led to demands for more openness, political liberalization, and democratization. At the same time these countries also saw the rise of a middle class that could press for a democratic government. In the Philippines democratization occurred without economic growth, mainly through the strength of civil society and democratic traditions, although there is continued tensions and political instability. In Indonesia it even took longer for the democratic forces to change their national political order. Even the Marxist-Leninist systems in China and Vietnam are facing the dilemma of how to strike the balance between openness necessary for economic growth and preservation of their own regimes. The only two countries that have fairly remained isolated are Burma (where the military still rules) and North Korea (which is persistently a Leninist state even after the disintegration of USSR).

⁷ <http://www.inta.gatech.edu>

⁸ Suchit Bunbonkarn, 'Pluralism and Democracy', in Hanns Maull et al. (eds), No. 1, p.17.

Western observers and scholars including Samuel Huntington have classified the countries in the region as ranging from democratic to authoritarian in nature, and criticize these nations for restricting political freedom. Asian leaders have been angered by these criticisms, and argue that they are developing political systems that are in tune with their own social and cultural environments, where Asian values are often emphasized to demonstrate the cultural roots of Asian democratization. The prominent economic development in Asia has led many scholars to demonstrate whether there is a specific Asian political culture that accompanies these developments. Although it has been realized that there is no unifying factor of values or characteristics in civil society among East Asian societies, references have been made mostly to Confucius and neo-Confucius school of thought. The countries range from Islamic Indonesia and Malaysia, to Christian Philippines, and an odd mixture of Confucian, Buddhist, and Shinto traditions in Japan.

Whatever be the debates of 'Asian values' or an independent 'Asian uniqueness', the general process of democratization in Asia has been greatly benefiting from economic dynamism. The political elites and civil society across the region are becoming aware that the open societies are best qualified ethically and functionally to adjust to conditions of scientific uncertainty⁹, and to cope with global risks affecting all cultures. Asian scholars and political leaders criticize the West for its views on emphasizing the individual rights at the expense of the group or communitarian rights. The West is seen to be overly stressing the rights of the individuals as opposed to the duties to the larger group, which can also be attributed to the moral decay of the Western societies. Asians blame the West for growing violence, rising crime, moral degeneration, neglect of the aged and poor, and increasing drug abuse. All these social evils were a reflection of the West's economic decline, as opposed to growing East Asian economies (which still kept their sense of 'moral' intact). The inclusion of human rights and democracy in the

⁹ Michelle Schmiegelow, 'Pluralism and Democracy', in Hanns Maull et al. (eds), No. 1, p.31.

foreign policy of Western and especially European countries is also seen as an attempt to regain their economic competitive edge, which the West had lost to East Asian economic vitality.

The East Asian economies are also challenged by their goals of modernization as opposed to westernization. Economic development is coupled with transformation in political institutions, and where the process is irreversible nations are still trying to retain cultural aspects within the emerging systems. Thus the landscape of East Asia will be characterized by new societal traditions which have only loose roots in their respective historical civilization. These new traditions can neither be willfully created by social engineering nor through the propagation of ideologico-political design, but they will come into existence through self propelling societal processes of trial and error.¹⁰ The development of Asian positions on certain policy problems is a rather reactive process, where it is the identification of European and American economic space and policy positions that foster the identification of an Asian understanding of space and policy.

Therefore it is pertinent to see that modernity with motifs and practices indigenous to the region is leading to the development of a system of regional interstate diplomacy. This system is attempting to provide a collective response to the individual state weakness in the international order that for so much of the early post-colonial period, in fact up to the end of the Cold War, characterized the foreign policy of many of the Asian states. Where it cannot be ascertained that the modern Western mass-scale system of democracy to be the final answer to man's political needs and inventiveness, there yet remains further possibilities of new evolving systems that consist of variable forms of governance and decision making apparatuses. The value of the rise of democracies and democratic values in East Asia in this discussion is its ability to allow further accommodation and cooperation between Europe and East Asia. Especially when issues of human

¹⁰ Ibid.

rights and constricted political freedoms still at large, remain irritants in their interregional relations.

Ever since the Second World War, East Asia and Europe were also caught up in their own means of achieving economic recovery, rapid growth, and political stability. Europe recognized regional integration as the means to guarantee against any future war in the region, and for economic development by integrating their markets so as to recover their supremacy in international political and economic relations. The East Asian countries with their short span of nationhood strived to assure themselves regime stability and rapidly developing national economies, and therefore were slower in realizing their interdependence. But the ascendancy of these economies has forced the European Union (EU) to significantly re-examine its economic relations with East Asia. As any further deepening transpacific integration could effectively marginalize the European economy, the EU has promoted the new inter regional framework to augment its connection with East Asia, both at an institutional and commercial level. The ASEM initiative thus completes the triangle of formalized relationships that now exist between the triadic region, with the others being the Asia Pacific Economic Co-operation (APEC) forum, and the New Transatlantic Agenda (NTA).

By the early 1990's itself the significance of the two regions in the triad became significant in terms of their economic prosperity, where East Asia (of Japan, Asean, NIE's and China) and Europe (EU, EFTA, and Visegrad), looking at their economic and political potential; needed to chart out their own relations according to mutual concerns. The focus and the characteristic features of Asian-European trade and economic relations has been largely overlooked, especially in the dominance of the European-American and the Asian-American discourse. However by 1994 itself, East Asia topped world trade share (excluding intra-community trade) at 30.8%, followed by Europe with 27.3%, and North America

which stood at 24%.¹¹ Judged by the potential of the world's two largest economic regions, their trade with each other remains somewhat small, where intraregional trade and extra-regional trade (Europe and East Asia) with America was much higher. Even then East Asia's share in Europe's exports overtook its respective share with the US, therefore in trade terms East Asia is more important to Europe than the US.

Not to underestimate, that Europe also remains much more important to East Asia. As depicted when in 1994 its 13.6% of East Asian exports went to Europe, while 12.8% of its imports came from Europe. East Asia has a quasi-permanent trade surplus with Europe, mainly due to the trade surplus amounting from the Japanese-European trade and the Chinese-European trade.¹² However 1991 was the historic year, when for the first time Western Europe – Pacific Asia surpassed trans-Atlantic trade, forming the weakest link of the Triadic trade relations. In trade between East Asia and Europe industrial products dominate, where the most growth was in the road vehicle and mechanical engineering sector, and the top volume being in electronics and aerospace in hi-tech areas of trade between the two regions. EU has a bilateral trade deficit with the US, Japan, China, Developing Asian Economies (DAEs), mainly due to its imbalanced trade position in electronics (which include consumer electronics, computers, office machinery, and electronic components), telecommunications and chemicals. In this context, Europe's major exports were in aerospace components and products, office machinery, machines and scientific devices.

Since the mid 1980s the internationalization of the world economy has also accelerated cross-border investment, whereby enhancing the competitiveness of sectors and countries. Investment and trade in recent times have been enhanced by the operations of many large multi national corporations, which consider the whole international economy as their market. These MNC's systematically

¹¹ Hans G. Hilpert., 'Economic Interactions', in Hanns Maull et al. (eds), No. 1, p.56.

¹² Ibid.

internationalize their production, purchasing, marketing and research development. During the major upsurges of investment in the East Asian region, Japan was the only country to maximize its investment in the region, apart from the US, Germany, Netherlands, and France; where Europe has played a subordinate role. This has left Europe behind in the involvement with the East Asian economies, where the Pacific Asia region has proved investment as the important driving force for exports and industrialization over the past decades. Substantial FDI in East Asia from the European countries came from UK, Netherlands, Germany, Switzerland, and France.

On the other hand, only Japan still holds its major share of investment in Europe, followed by the US, leaving the rest of Asian investment lagging behind. The largest investor in the three triadic regions is Japan, with its major share going to North America, followed by Europe and then with East Asia. Judged by the absolute volume and the relative shares, the trade and investment relationships between Europe and East Asia are not as strong as those as with Japan or the US, and the European position will weaken in relative terms especially with growth and further industrialization of Asean, NIE's, and China. Further regionalization of East Asia (which is expected), and the dynamism of their trade relations with Europe; would eventually increase East Asian direct investment in Europe and vice versa.¹³ With East Asian exports to Europe rising relatively, there have been intensified trade relations between the two regions, causing them to increase their market shares with each other. Contrary to conventional wisdom, European and East Asian intra-regional integration has complemented their extra regional trade expansion.¹⁴

¹³ Ibid, p.66.

¹⁴ Ibid.

The Creation of ASEM and Japan's Position

Early formulations of ASEM were advocated by ASEAN, especially Singapore. Broader EU interests for a whole project arose from the need to address the potential impact of the rapid economic growth in the East Asia region since 1980. There was also a need to balance the APEC process, as perceived by the Europeans and certain Asian countries. For the European participants the

ASEM initiative gave them an opportunity to enhance their representation, and promote an independent identity in a geographical region that remained largely unexplored; by so doing, not to 'miss the Asian boat'.¹⁵ In turn allowing the European Union to build upon its 1994 "New Strategy towards Asia" and expand existing dialogues as those between the EU and Asean. The goal of the summit was to allow the leaders of the member countries to meet on a regular basis to create confidence and reciprocal understanding. Regardless of its long-term value, the initial ASEM in 1996 laid down the foundation for cooperation among member countries on specific issues. The interregional rhetoric was basis for discussion at the summit and the multiple lower-level activities, covering proposed cooperative activities in the field of trade, science and technology, environmental cooperation, anti-terrorist measures, and combating illegal trafficking of drugs. The European experience with institutionalism further allowed a variety of organizations and commissions to be successfully set up to deal with issue specific areas of mutual concerns.

Japan, South Korea and China have been included into the interregional grouping initially as reluctant extras on the ASEM forum, as the Asean stamp had already been placed on the grouping from the early stages. The Japanese were already engaged with their independent measures and mechanisms with the European Union, but they now saw the additional advantage of participating in the

¹⁵ Julie Gilson, 'Japan's Role in the Asia-Europe Meeting: Establishing Interregional or Intraregional Agenda?', *Asian Survey*, Sep-Oct 1999, p.737.

new forum. Their participation in the new arrangement at first began with murmurs of support, as they had to be cautious as to first ascertain Washington's response to the meeting. The timing seemed to be right for the creation of the group, as that was the period when President Bill Clinton's administration was more involved in domestic affairs and therefore the US did not object to ASEM, although they were skeptical about the whole program. In fact the US perceived the dialogue to serve its own interests without threatening its status quo, and only represented the politically wobbly disunited and paralyzed forum.¹⁶

Once the Japanese had been convinced that the process did not hamper their relations with the US, they were all set to play an active role ever since the follow-up events for ASEM I. Their initial interests were in hosting the Economic Minister's Meeting which was scheduled in September 1997; intended to coordinate Asian and European preparations for the soon to be held WTO meeting. The Japanese government not only promoted the Asia-Europe Business Conference, promoting small and medium sized enterprises. The Economic Agency and a MITI study group produced a report of economic synergy to be submitted to the ASEM Economic Minister's Meeting. Japan hosted the first Asia-Europe Young Leaders Symposium held in Japan, March 1997, and further intellectual cooperation was encouraged by the Japanese government through the Council for Asian-Europe Co-operation. Japan by then had turned this opportunity to engage in greater dialogue with Europe and sought gains in cooperating with the greater Asia.

Japan has sought to increase its investment in Europe ever since the market integration program in 1992, and the ASEM process allows it to further its trade relations with the region. Steps were also taken to develop its relation with the EU through a variety of new frameworks and mechanisms such as the Hague declaration and setting agendas for multi-level dialogue between Japan and the

¹⁶ Davis B. Bobrow, "The US and ASEM: Why the Hegemon Didn't Bark," *CSGR Working Paper*, University of Warwick, Warwick, November 1998 p. 98.

EU. ASEM also meant the reduction in practical cost in the exchange of information and discussing mutual problems on a regular basis. Increasing its ties with Europe also meant more access for Japan and its neighbors into wider markets and influence extending to the Eastern and Central Europe. The signing of the Hague Declaration was based on the important pillar of multilateral based cooperation between Japan and the EU, and the Asian grouping offered a strengthened position in actions taken vis-à-vis the EU. Apart from the economic benefits, the involvement of Europe in the region was thought to counterbalance the ambivalent role played by the US in the region. The whole agenda strengthened the whole argument of the emerging post cold war tri-polar world order, gave the Asia-Europe region-to-region level relations more legitimacy.

ASEM 2 gave impetus for Japan to further its relation with the EU, with cooperation especially with the planned launch of the Euro and to address potential conflict in the light of the East Asian Financial Crisis. Japan has had new prospects to expand on its bilateral (Japan-EU) agenda in a different setting of new audiences, also gaining with the soft power accumulated by the entire region. Japan has also started using the dialogue to promote its international agenda, as with the issue of its request for its permanent seat in the UN Security Council, which has met with broad European support. Other examples include the nuclear tests by India and Pakistan, which prompted Japan to promote confidence building measures; whereby it encouraged fellow participants to freeze new loans and grants to both countries, as Tokyo itself had done.

Although the ASEM 2 had been overshadowed by gloom and pessimism and non-utilized opportunities of the financial crisis, the ASEM3 had identified the growing shared interests that were beyond economics. The Third summit recognized the growing role of the Europe-Asia political relationship as transcending balance sheets and trade statistics, reflecting a more mature and interesting partnership. Ironically, it is a political partnership which has partly

been kick-started by a prima facie economic development.¹⁷ The introduction of the single currency, the Euro, has woken East Asian partners up, and especially Japan, to the importance of an integrated Europe as a political and foreign policy partner as well as a huge single market and one which will grow from 370 million to 500 million consumers after the new central and eastern European members have joined.¹⁸

By ASEM 4 Japan had started showing direct support and relentless interest in the groupings' activities by proposing seminars, working groups, and symposiums. Japan, with interested partners, proposed new initiatives toward strengthening cooperative relations between Asia and Europe with a global perspective. These initiatives were endorsed at the Ministerial Summit; that included an ASEM Seminar on Anti-terrorism. This initiative was proposed by Japan jointly with China, Denmark, Germany, and Spain. The seminar will be held in China this year before the fifth ASEM foreign ministers' meeting. There was an ASEM Symposium proposed on Multilateral and Regional Economic Relations. This initiative was proposed by Japan jointly with Germany and Singapore, which was held in Tokyo in March this year. There was also an initiative of an ASEM Seminar on Educational Exchange. This initiative was proposed by Japan jointly with Ireland and other partners. The date and venue of the seminar was still to be decided.¹⁹

Japan, in place of China, is serving as the Asian ASEM coordinator together with Vietnam after the recently held ASEM 4 until ASEM 5 in 2004. Japan's intention for the 2003 summit was to be a bridge between Asia and Europe and its call for cooperation from other countries paved a way for Japan's even more active role as the new ASEM coordinator. Japan has also largely benefited out of the ASEM Summits as exemplified during his stay in Copenhagen, Prime Minister Koizumi held bilateral talks with President of the Republic of Korea Kim

¹⁷ <http://europa.eu.int>

¹⁸ Ibid.

¹⁹ <http://www.mofa.go.jp>

Dae Jung, Premier of China Zhu Rongji, President of French Republic Jacques Chirac, and President of the European Commission Romano Prodi.²⁰ Prime Minister Koizumi also had the opportunity to discuss bilateral matters and the international situation with other Asian and European leaders during meals and before and after the summit sessions.

Prime Minister Koizumi's statement in the ASEM 4 helped shape the flow of discussions at the summit meeting and were reflected in the political declarations and the chairman's statement. The situation on the Korean Peninsula was of grave interest. With regard to the problems between Japan and North Korea, Chairman Kim Jong-Il of the DPRK National Defense Commission recognized the existence of the abduction issue and expressed his apology.²¹ As already observed, one of Koizumi's achievements was North Korea's first-ever admission to abducting Japanese people in the 1970s and 1980s, followed by apologies for committing the abductions. The North also agreed to comply with all international agreements on nuclear issues on the Korean Peninsula as well as to extend its freeze on missile tests beyond 2003.²²

From the viewpoint that the improvement of relations between Japan and North Korea would contribute to the peace and stability of Northeast Asia, the *Pyongyang Declaration* referred to security problems including nuclear issues. Japan stated that it would respond to the issues of Korean peninsula in cooperation with the Republic of Korea, the United States, China, Russia, and other countries concerned in the international community. Japan, in cooperation with the international community, hosted the *International Conference on Reconstruction Assistance to Afghanistan* in January last year, and has been making efforts to support Afghanistan after the achievement of peace. Japan affirmed that it would continue diplomatic efforts in various forms, including through the United Nations (and support Security Council resolutions) and ASEM.

²⁰ Ibid.

²¹ <http://www.jccr.or.jp>

²² <http://www.thejapantimes.com>

Japan intends to promote regional economic partnership to complement the efforts of the WTO. Centered on East Asia, the strengthening of economic relations between Asia and Europe in deepened regional cooperation will be beneficial for the two regions and for the world economy. Japan intends to constructively intensify its regional role and strengthen its economic relations with the whole of East Asia while learning from EU's experience of economic integration. It would like to propose an initiative for Asia-Europe dialogue on multilateral and regional economic relations and intends to cooperate with other countries. In place of China, Japan will serve as an Asian ASEM coordinator together with Vietnam after ASEM 4 until ASEM 5 in 2004.²³ Japan's intention in last year's summit was to be a bridge between Asia and Europe and its call for cooperation from other countries paved a way for Japan's even more active role as a new coordinator.

The Japanese government stated that it had achieved the present level of development despite its lack of resources because of its emphasis on education. Prime Minister Koizumi played a part in launching of the BETS program, by which Japan accepted English language teachers from Britain.²⁴ Now this exchange program has expanded to cover various languages and various fields. Such human resources exchange and emphasis on education plays a role in creating jobs. Japan recognizes importance of the Asia-Europe Foundation. The Japanese government took its stand that there was no superiority or inferiority among various cultures and civilizations. While respecting their diversities and originalities, Japan would make efforts to further exchange in various fields, including culture and sports. Since the end of Japan's isolation in the nineteenth century, Japan had set itself the targets of catching up with and overtaking the West, and had studied many Western nursery tales. Now there is talk of the exchange of nursery tales among Japan, China, and the Republic of Korea.

²³ <http://www.asienhaus.org>

²⁴ <http://www.mofa.go.jp>

The real value as argued by many academicians and analysts for Japan's participation in ASEM in the future may be in its ability to bring Tokyo into closer contact with its neighbors.²⁵ From the early preparations for the inter-regional dialogue the Japanese government had regarded its participation largely in Asian terms. Where this was evident when initially the Foreign Ministry located, ASEM related activities within the Regional Policy Division of the Asian Affairs Bureau, before a new Asia-Europe Cooperation Division was set up in the Economic Affairs Bureau in July 1996.²⁶ To complement these developments the foreign ministry had explicitly recognized its Asian orientation and in developing closer relations with its neighbors, as evidenced when specialists were called in to advise the ministry were by far Asianists. ASEM also provided the Asian contingency in the plenary session as well as an Asian-only discussion group. Providing Japan with a new opportunity to engage directly in dialogue with its regional neighbors - bilaterally, in an extended multilateral context. As also discussed earlier, the grouping gave the *de facto* recognition to the EAEC, and had provoked US criticisms that Japan was adopting a uniquely Asian stance.

Specific Asian interests on the part of Japan could be directed towards the question of China, where in recent light it had gained international prominence and furthered its role as a significant interlocutor. Further reference can also be made in regards to the Japanese governments' interest to utilize the Asian region as a whole to 'socialize China', and this had been the driving force in establishing ARF. With Japan's need to play a more prominent role in the region is being upset by fears existing in the potential and real challenges from China for regional dominance. China has its own visions of regionalism in which it, and not Japan would be the central player; premised on its continued economic growth and

²⁵ Julie Gilson. No. 15, p. 741.

²⁶ <http://www.mofa.go.jp>

political emergence.²⁷ Calls to engage China fully in ASEM was an attempt by the Japanese to assuage Chinese concerns regarding Japanese relations with the US and lessen China's conviction that Japanese regionalism was a mere response to the West.

China is suspicious of Japan's economic gain through the dialogue, and therefore watches closely as to how Japan offers any form of Asian leadership within the development of ASEM. China having weathered the East Asian financial crisis attracted US attention, culminating in President Bill Clinton's visit to China in 1998. This provoked concerns among the Japanese, where they felt that 'Japan passing' had replaced 'Japan bashing'. In specific regards to Europe, the ASEM 2 provided the venue for the launch of an EU-China summit, thereby reinforcing China's growing prominence and new found recognition that could in no ways be ignored. In keeping to its own regional agenda, the Chinese government has raised objections to developments that might enhance Japan's regional role.

Japan for its part has used ASEM in promoting intra-Asian relations, by playing its Asian card in the dialogue. Ever since ASEM 1, with an agreement between Prime Minister Hashimoto Ryutaro and Prime Minister Mahathir Mohammad, Japan had sought to keep Human Rights off the agenda. Where these issues of contention be dealt with outside the main forum allowing Japan to pursue an Asian stand on human rights. Japan also promoted a primary focus on economic and trade matters in the forum, whereby cold war subjects such as military cooperation were kept off the agenda. Japan's emphasis on low policy issues and regional associations within a multilateral context protected Japan from

²⁷ Maswood S Javed, 'Japanese Foreign Policy and Regionalism', in Maswood S. Javed (ed.), *Japan and East Asia Regionalism*, Routledge, London, 2001, p. 17.

criticism of its colonial past and allowed it to firmly locate itself within the Asian environment.

Situations changed during ASEM 2, by when the East Asian financial crisis coupled with Japan's own financial woes, was referred to as the 'Asian Crisis'. This left Europeans largely concerned about assuring their own financial markets, leaving the US to begin implementing ways to resolve the financial crises. Thus forcing the Asian camp to see ASEM 2 as the locus of accusation's against Europe as 'fair-weather friends'. Europeans did lose out on an opportunity to come up with even minor scale proposals as response to the crisis, rather leaving the IMF to remain central to providing any assistance package to Asia. Asian leaders also were not optimistic to the prospects of an ASEM-led solution to the whole issue, where the Asian camp viewed the Eurocentric view of the Monetary Affairs Commission. Although the EU reiterated its US\$ 6 billion pledge to South Korea through the IMF, its largest share toward the Trust Fund was to the accounting and banking systems through out Asia.²⁸

Japan claimed that the crisis that hit East Asia was also related to its internal problems, and it could not alone play a sufficient role in solving the crises. But on the other hand it was identified that Japan's potential to increase domestic demand was regarded as offering a solution the Asian crisis. With growing criticisms from the US and China, Japan was sought after to take a leading role in the resolution of the regional crisis, although it tried to justify for not being able to contribute actively as it had to first address its internal reforms before it could do more for its neighbors. With the ensuing polarization of the Asian and European camps the debate over self-help remedies and responses, placed Japan squarely within an Asian camp. But it is noteworthy to recognize that ASEM did come out with some assistance to the Asian crisis in the form of the ASEM-EU Asian Financial Crisis Response Fund. The Trust Fund was set up in April 1998 where it

²⁸ <http://europa.eu.int>

had been used by the World Bank led program to establish recovery in the affected countries in financial and social sector reform.

Whatever be the role of the ASEM's structure in defining the reaction of the other East Asian nations to Japan's contemporary regional role, there were clear indications of Japan's own implicit recognition of the *de facto* existence of the EAEC structure. At the wake of the regional economic woes there were calls for Japan to take a greater economic and political lead. The East Asian nations were even willing to let go of the concerns of war apologies, and rather demand for Japanese leadership. The US's response to the Asian crises fuelled dissatisfaction among Asian countries, especially in the light of Washington's past generous assistance to the 1994 Mexico's financial crisis. But even the support for Japan's regional leadership was insufficient in promoting a Japanese led initiative in creating a \$100 billion Asia Monetary Fund (AMF) in the late 1997 that ran contrary to American interests.²⁹ The AMF was in Japan's national interest to provide emergency support in a regional crisis situation, thereby avoiding difficult IMF prescriptions; as Japanese banks held the largest proportion of the South East Asian foreign debt.

The Fund apart from rescuing its own banks and the regional economies would have served as a demonstration of leadership and could have even potentially instigated the possibility of a common currency in East Asia. Although the establishment of the Fund was abandoned, mainly due to: US objections to the idea (as it would be a threat to the US economic and foreign policy interests in Asia), Japan's own financial problems, and the contention that the AMF would just duplicate the functions of other existing institutions (including the IMF). Apart from these reasons, the establishment of such a fund was not forthcoming due to the preoccupation of the regional economies with their domestic reforms and with the implications that the crisis would spread further.³⁰ The East Asian

²⁹ <http://www.asahi.com>

³⁰ Julie Gilson, No, 15, p.744.

countries had to eventually accept the US's primary role in resolving the crises through the APEC backed IMF led response. Nevertheless, the debate on the AMF issue revealed the initial regional support for a high profile role for Japan to represent Asia, and the framework of ASEM to facilitate such cooperation.

Stimulated by the structure of the ASEM meeting, and ideas of Asian cooperation as with the failed proposal of the AMF, there resulted the recognition of the 'East Asianness' in the region.³¹ There was a quick chain of reactions in the form of various proposals and initiatives towards cooperation. While the ASEAN countries decided on a move to mutually survey each other's economies, Malaysia proposed a currency-based settlement of trade, South Korea suggested to rethink the AMF proposal, and the ADB Institute suggested the establishment of an European Monetary System type scheme where Asian currencies would move against a basket of currencies consisting of the yen, euro and the dollar. Apart from how successful these plans were, the significance seems to be how, through an integrated structured framework of ASEM, the Asian countries are communicating and promoting greater regional activity. Although there remains uncertainty with how nations are to view or support any form of Japanese leadership, there is a growing disillusionment with international institutions and the US. This is also coupled with a growing need to address regional issues more from a regional perspective, which would thereby enhance formulations of regional policy initiatives; improving group solidarity.

The originality of ASEM lies in its ability to fundamentally locate one region against another (unlike APEC, ARF and the Asean Post-Ministerial conference). It thus positions two coherent and externally visible bodies whose composition remains largely unquestioned within ASEM.³² The new institution provides a regular and coordinated inter-regional mechanism to bring 'Asia' and 'Europe' in contact, and paradoxically rather enhances intra-regional cooperation.

³¹ Amitrav Acharya, 'Realism, Institutionalism, and Asian Economic Crisis', *Contemporary South East Asia*, 21:1 (1999), p 1.

³² Julie Gilson, No. 15, p. 749.

The presumption of such a grouping exists in fostering the articulation of an Asia, further leading to the creation of a regional Asian identity that is imposed upon constituent actors from within their own region. The perceived regionalism is influenced by institutional structure and transnational concerns, where Asian cooperation is a necessary response to the growing American and European regionalism and a balance of economic power, ever since the end of the Cold War.

With the growing economic interdependence among regions, an Asian response to events could be facilitated through institutional structures. From an EU perspective Japan is increasingly associated with its Asian community and agenda. ASEM gathering provides Japan with an opportunity to play a representative role for Asia, without evoking distrust and animosity among its neighbors. Japan locating itself in the new ASEM perimeter need not challenge or confront any open bilateral disagreement with its Security Treaty partner - the US. Japan is also using the grouping to gather greater leverage vis-à-vis the EU, than it could muster alone.

There has been much discussion on identity formation in institutionalized surroundings, especially since the rise of liberal institutionalism in the 1970's (with proponents of 'complex interdependence' like Stephen Kocsenez). Institutions and 'regimes' which are broadly defined, work as cooperation channels (such as those provided by ARF and ASEM) facilitate communication, information, transparency and reducing mutual threat perceptions. Regime theorists accept that arrangements such as these could also lead to more convergent expectations and could influence the self-identity of the constituent actors in terms of their inter-subjective structures, and material incentives.³³ Thus shared knowledge and learning, ideational forces and normative and institutional structures could develop 'cognitive regionalism' whereby there develops a durable

³³ Julie Gilson, No.15, p. 751.

sense of community, mutual responsiveness, trust and high levels of cognitive 'interdependence'.³⁴

ASEM reduces the transactions costs, making it more efficient for Japan to cooperate with the two regions. The existing regional structures such as APEC and ARF have given premise for new options in the framework and remain the basis for developing interaction and establishing confidence. The ASEM will also complement the concept of Trilateralism where Japan's role within the Asia-Europe meetings is seen to complement in a naturally way, existing Japan-US and EU-US relations. With domestic, regional and global interests, Japan is presented with new possibilities featuring its role as a bridge between East and the West in the Trans-Pacific and Eurasian inter-regional groupings. Faced with a complex international agenda and a call to increase its regional role in localized forums, ASEM would rather supplement Japan's dialogue with Asia in an inter-regional context.

Theoretical Framework and the Process of ASEM

The management of interregional relations usually entails the pooling of national sovereignty as 'co-operative federalism', whilst not necessarily replacing conventional interstate relations, but complementing them.³⁵ Typically as with ASEM, the economic dialogue within these agreements is far more structured than its political equivalent; as trade, investment and technological cooperation serve as lower common denominators of interest, and are more practical in terms of defining terms and conditions. It is also difficult for a single model to understand the interplay of interregional and extra-regional variables producing an emerging multi-dimensional network of interrelationships and attributes. It is more useful to use generalized models from different schools of thought to make sense of the

³⁴ Ibid.

³⁵ Christopher M Dent, 'The ASEM: Managing the Framework of the EU's Economic Relations with East Asia', *Pacific Affairs*, Winter 1997-98. p 499.

growing interdependence, as they all contribute to defining opportunities and constraints in the multilateral arrangements.

Since for the realist, the nation-state remains the primary unit within the international system; regional integration arrangements and interregional agreements are only voluntary exercises in cooperation that rely on the convergent interests of the states to adapt to constraints encountered. The mandate of the supranational institution is essentially grounded in collective authority of the states and the need to defend national sovereignty against external challenges. But the problem arises from national interests that prevail over group goals and values, as each member state evaluates the costs and benefits of consent to cooperative decisions. There is also a danger of a hegemonic power within the region (as of Japan or US, or an emerging China) that can prejudice the supranational agenda towards the hegemon's national agenda, and this could inhibit absolute gains for all the group members.

Neo-realist thinking, as opposed to classical realism, anarchy and the absence of a central institution (a government) characterizes the structure of the international system. Where states remain the primary actors, they act according to their principle of self-help and survival. Power still remains a central concept in this form of structural realism, which is not derived from human nature or an end in itself (as in classical realism), but is an instrument of survival. The theory was propounded primarily by Kenneth N Waltz. Neorealist theory provides insight into the limited possibility of international cooperation. Where fear is prevalent in the international system, cooperation is impeded by the need to protect themselves against other states, and also make sure that they are not too dependent on another state for their own well being.³⁶ Though conflict is still endemic in the

³⁶ Charles W. Kegley Jr. & Eugene Wittkopf, *World Politics: Trends and Transformations*, St Martins Press, New York, 1993, p 30.

international system, the assumptions of this theory hinder it from explaining further cooperation among states to levels even beyond the region.

Structuralism is concerned with the nature of the prevailing system themselves and how these determine the behavior of, and balance of power between various international actors involved in interaction. Structuralism may vary from neorealism to neoliberal institutionalism viewpoints, which are based on the structural theory of international politics. This theory tends to concentrate more on the international system and institutions and non state actors that promote cooperation, and not the units or subunits that comprise it. With the growing obsolescence of military power, neoliberal institutionalism suggests that nations as a result of convergent and overlapping interests, may even sacrifice portions of their sovereign independence to creating new political institutions on their behalf maximizing mutual gains.³⁷ The integrative achievements of Europe have inspired applicability in structural theories. Where systems produced by the integration of states create structures that can be considered holistic and autonomous variables, international organizations further maintain their integrity.

Hence, structuralists would understand EU's support for ASEM as a means to further fortify the global capitalist system, or reinforce deferential links with ex-colonial countries as with furthering Asean – EU ties. The ASEM may also be used to counter balance other existing rival structures or interests. Thus EU members might consider handing over their sovereignty to its representative supranational authorities which is able to bargain a more effective position against these structures on their behalf. For Europe, the European Commission's exclusive policy competence on external trade, exercised through the common commercial policy, has become a principal instrument in handling its interregional relations. But as in the commercial policy the same has not been extended into the political level, where convergence of member states interests can only result after substantive political integration.

³⁷ Ibid., p31.

Neo-functionalism also, has played a central role in the theories relating to the development of European Integration. Neo-functionalists argue that high and rising levels of interdependence would enhance the process of economic cooperation among states that eventually lead to political integration. Supranational institutions were seen as the most effective means of solving common problems, from technical and non-controversial issues to the spheres of high politics; leading to a redefinition of group identity around the regional unit.

According to neo-functionalism integration would become self sustaining, first by a spillover which would deepen integration by working through interest-group pressure, public opinion, and elite socialization.³⁸ Partial integration would lead to increased complexity of interdependence, which meant that governments would expand their co-operative endeavors to other areas that achieve mutual economic gains. There would also be a political spillover whereby the existence of a supranational institution would set in motion a self-reinforcing process of institution building and a creation of a centralized technocratic management.

Ultimately what would result in the process would be a shift of loyalties, expectations, and political activities towards a new center. Neo-functionalism emphasized the idea of learning how to adapt to new situations; the extensive inter-bureaucratic penetration of the EC and the capacity of the supranational officials to provide leadership.³⁹ Though neo-functionalism explained the ongoing role of institutions, it failed to explain the origins or derivatives of these regionalist schemes. Where the theories fundamental presumption rests in the declining role of the state in central institutions, it fails to explain the state-centric regionalist arrangements outside the EC as in East Asia. Neo-functionalism also overestimates the need for institutions, thus fails to explain the growing regionalization in areas of the world as in East Asia, where there is a relatively low level of institutionalization.

³⁸Louise Fawlett and Andrew Hurrell (ed), *Regionalism in World Politics: Regional Organizations and International Order*, Oxford University Press, New York, 1995, p59.

³⁹ Charles W Kegley Jr. and Eugene Wittkopf, No. 16, p 61.

According to the pluralist view, nation-states are joined by international organizations and institutions, as entities that can also assert considerable influence in world affairs. The rise of multinational and transnational enterprises and the enhanced authority given to international organizations have diminished the power of the nation-state. Thus, the EU cannot be reduced to sum of its parts, but exists as an independent variable amongst the international processes in which it is engaged.⁴⁰ As the division between the national and international environment is obscured there is no longer a very distinct domestic or foreign economic policy. There emerges a view of 'complex interdependence', where multiple actors with vested interests play a role in promoting relations and policy making. Cooperative as opposed to competitive action is founded on the belief that only this approach is able to rationally manage the system and the outcomes it produces.

There are constructivist theories that focus on regional awareness and regional identity, on the shared sense of belonging to a particular regional community; with what has come to be called as 'cognitive regionalism'. The stress which is on regional cohesion depends certainly on sustained and durable sense of community based on mutual responsiveness, trust, and high levels of perceived interdependence. One variant of the study derives from the work of Karl Deutsch, which focuses on the character of interstate relations within a community: depending on the sense of community, mutual sympathy, loyalty and shared identity, based on shared principles, collectively held norms, and common understandings. The other variant which explains the process by which such a community emerges, is related to the compatibility of major societal values and to the process of social communication based on increase in the level of transactions between two or more societies (hence the label 'transactionalism').⁴¹ This variant would offer to explain the growing regionalism in East Asian and Europe, and the

⁴⁰ Christopher M Dent, No. 35, p500.

⁴¹ Louise Fawlett and Andrew Hurrell (ed), No. 18, p 65.

further need for an interregional dialogue that would reflect their growing levels of transaction.

Complex interdependence arose in the 1970's, to challenge the assumptions of its rival theoretical frameworks, particularly that of classical realism. It challenged the idea that nation-states are the only important actors in world politics by treating other actors such as multi national corporations and transnational banks also important because of their activities in pursuit of their own interests. These actors with their own interests play an intermediary role in government policy making, shaping more sensitive foreign relation considerations.⁴² It also stresses the unimportance of physical force as an instrument of policy to subject influence in international politics, and in intense relations between states based on mutual agreement. Rather than foreign policy agendas focusing only on national security issues, recognition is also given to larger and more diverse range of government policies and decision making agendas that (though considered domestic) impinge on each other.

Though this perspective embraces classical idealism, other studies that extended into international legal studies have derived the 'regime' concept that seeks to understand international cooperation under conditions of anarchy. Once it is agreed that cooperation is often an observable outcome among states, the question then arises as to the need of institutionalized procedures and rules for collective management of global policy problems.⁴³ Regimes would be defined as institutionalized systems of cooperation in given issue-area, with examples including the monetary and trading regime of Liberal International Economic Order (LIEO), which after the World Wars has facilitated the free flow of capital and goods across national boundaries.⁴⁴ With the end of the cold War, the pressure of interdependence has propelled the creation of regimes in widening areas of international conduct to facilitate states to have control over their common

⁴² Charles Kegley R Jr. and Eugene Wittkopf, No.16, p.31.

⁴³ Ibid., p 32

⁴⁴ Ibid., p 33.

fates. This could possibly explain the basis on which there is a potential tri-polar economic order emerging; signifying the importance of ASEM.

To further explain the growing interdependence in the world, the hegemonic stability theory has also to contribute. The theory emphasizes the capacity and the need for leading military powers to maintain world order, and of leading economic powers to set and enforce rules governing international trade, finance and investment. Hegemonic stability theory is dedicated primarily to the task of explaining not the incidence of peace or war, but why preeminent states (hegemons) at the top of the international hierarchy are motivated to promote international regimes that benefit not only themselves but also others.⁴⁵ This would prove why the US promoted a liberal economic world order in the aftermath of the Second World War; of Japan promoting a regional arrangement of production, trade and investment; and of hegemonic regions (East Asia, North America, and Western Europe) overlapping themselves with consultative arrangements and mechanisms. This stability seeking behavior runs counter to the widely acclaimed belief among political realists that hegemonic power, once acquired, will be abused and used to exploit others; thereby provoking threats to international stability.

Neo-liberal institutionalism has been the most influential theoretical approach to the recent study of international cooperation, presenting also a highly plausible theory for understanding the resurgence of regionalism. Institutions are viewed as purposively generated solutions to different kinds of collective action problems. Neo-liberal institutionalism is heavily statist, concerned with ways in which states as rational egoists can be led to cooperate. Although the theory upholds certain neo-realist assumptions of power, interests and preferences, institutions are also considered to matter for the benefits they provide and in which states define their interests. Institutions promote transparency and monitoring, the

⁴⁵ Ibid., p 34.

reduction of transaction costs, the development of convergent expectations, and facilitating the productive use of issue linkage strategies.

Particular attention is paid to the number and type of players; the extent to which states are involved in the process of cooperation, and effectiveness of mechanisms to discourage cheating. Rather than viewing the group in terms of balance of power or alliance formation, institutions need to be seen for the benefits they provide: by facilitating communication, information transparency, and reducing mutual threat perceptions and worst case thinking. The membership of these organizations or groupings arises as a response to issue-specific cooperation. In this light it is easier to understand the ASEM process as a result of two 'regions' that find themselves interlocked to build on issues-specific cooperative arrangement that would address their mutual concerns. Inter-regional and intra-regional cohesion would emerge as a result of issue-based cooperative efforts that would form an increasingly dense network where cooperation on each new issue becomes embedded in a larger and more complex whole.⁴⁶

With already four summits being held and a various range of official, business and academia interfaces held, ASEM has yet to co-manage the post-hegemonic world order as well as to persisting structural constraints in the Triadic political economy (that were revealed at least by the events surrounding the 1997-8 East Asian financial crisis). The EU's position on ASEM had evolved in the early 1990's as declared by July 1994 with its "New Asia Strategy" (NAS) policy document and an overhauling of EU-Asean relations. As discussed earlier – ASEM was the proposal of Singapore's Premier Goh, who believed it was appropriate to include Japan, South Korea, and China into the new Eurasian forum. The Asian countries blamed EU's introspective pre-occupation of the late 1980's and early 1990's namely with the implementing of the Single Market program and the Maastricht Treaty provisions, and preparation made toward the

⁴⁶ Louise Fawlett and Andrew Hurrell (ed) No. 18, p 64.

1995 enlargement of Europe. European businesses were also comparatively slow to grasp the opportunities offered in East Asia.

According to the NAS objective, in the first ASEM summit itself the EU was able to formalize its goals of ensuring open markets and non-discriminatory business environment conducive to an expansion of Euro-Asian trade and investment. Many of the ASEM's initiatives and mechanisms resemble those already functioning at a bilateral level, particularly with respect to EU-Asean relations. Existing bilateral relations and the new interregional framework are intended to be mutually reinforcing with the implementation of resulting ASEM measures being mostly carried through these bilateral channels.⁴⁷ Political and cultural initiatives have also been incorporated in the ASEM framework, but it is its commercial dimension that dominates and seems destined to make the most progress. A pivotal role is being played by the Senior Officials Meeting on Trade and Investment (SOMTI) group whose initial objective were to: examine the working groups' proposed measures to facilitate greater trade and investment between East Asia and Europe and discuss those issues on the agenda of international economic issues including the WTO ministerial meetings. Being committed to open regionalism, ASEM improves an EU-East Asia dialogue on multi-lateral issues and fulfill its principal objective of promoting greater economic exchange between these regions.

The ASEM's framework for dialogue includes WTO matters, which can be pre-discussed before full negotiations are conducted at a multilateral level. This could reduce the risk the inter-regional dialogue poses to the WTO, in terms of being committed to open regionalism. The first WTO meeting in December, 1996 at Singapore gave SOMTI and the ASEM in general, the earlier trial on these issues. It is hoped that improving a broader and deeper understanding would reduce the cultural and psychic distance between the two regions; simultaneously

⁴⁷ Christopher M. Dent, No35, p.511.

assisting the progress on WTO traditional and new multilateral issues.⁴⁸ Thus ASEM will have the ability to initiate 'pre-cooked' arrangements on trade liberalization to be then forwarded to the WTO for multilateral discussion and negotiation, depending on whether the framework itself progresses from beyond trade facilitation to trade liberalization.⁴⁹ This would then assist East Asian states that would have to refer to WTO channels, to officially seek concessions from the European Commission to reduce the external barriers facing East Asian producers in the Single market.

The Second ASEM summit at London in April 1998 ensured a reasonable foundation for the framework that had been established, but the East Asian Financial Crisis presented significant tests and opportunities for ASEM. It was inevitable for the ASEM II delegates not to be preoccupied with the fallout of the crisis, as the growing interdependence between the two regions demonstrated contagion and spillover effects. ASEM, though had a potential role to play in enhancing interregional economic and financial relations, it failed in brokering crisis management. Beyond commending the need for greater market and policy reforms in East Asia, the EU offered to set up an Asia-Europe Trust Fund at the World Bank whereby a mere Euro 30.9 million would help resources provision and some technical assistance.

In addition a "Trade and Investment Pledge" was offered to the East Asians whereby the EU promised to maintain open markets during the anticipated surge of East Asian exports (though the East Asian producers still faced the existence of an EU's anti-dumping regime).⁵⁰ In geo-strategic terms the EU missed a critical opportunity to develop substantive crisis management initiative and the chance to propose a draft on restructuring of the international finance system. Instead the EU leaders were keen on lending their financial support for East Asia, via

⁴⁸ Ibid.

⁴⁹ Christopher M Dent, ASEM and the "Cinderella Complex" of EU-East Asia Economic Relations, *Pacific Affairs*, Spring 2001, p. 45.

⁵⁰ Ibid., p 41.

International Monetary fund (IMF) programs, contributions to the Asian Development Bank, overseas development aid, and debt write-offs. These initiatives only reflected essentially passive rather than proactive crisis-focused measures by ASEM, missing a vital opportunity to demonstrate its own geo-strategic and multilateral utility.

The exclusive membership of the ASEM, was endorsed when in the discussion of future membership of ASEM, it became clear that the ASEAN membership for Burma, Laos, Cambodia, would not provide them with automatic entry to ASEM. Although the initial ASEM framework had run up till the year 2000, by then there were many countries that expressed an interest in acquiring membership – including India, Pakistan, Australia, and New Zealand. There have also been concerns as why Russia has not been included as an ASEM member, when it is the largest country in both Europe and Asia (though Korea pledged to correct this deficiency at the ASEM meeting, held in London).⁵¹ After more than six years of existence ASEM has not increased its membership, a major reason being that ASEM has yet to institutionalize itself further.

There were expectations that the East Asian grouping in spite of their economic and political heterogeneity would eventually develop means to negotiate with third parties. But unfortunately their ability to expound regional apparatuses to address regional issues and problems has been greatly exaggerated, in spite of them collectively facing an economic crisis together. The EU too, has been wary in ceasing opportunities presented by the financial crisis, in institutionalizing or taking measures that would build group solidarity.

ASEM is actively supporting and advancing the work of multilateral economic institutions (MEIs) and addressing international political concerns at large, hence extending multilateral order in general. The interregional grouping can be seen at a stage where it is supplementing the international political economy concerns, rather than deepening their intra-regional and extra regional

⁵¹ <http://www.thejapantimes.com>

ties. This was expressed in the recently held summit in Copenhagen (ASEM IV), with the dialogues commitment to openness, non-discriminatory trade and investment practices, democracy, arms race, multi-polarity, combating international terror and drug trade, and to the accommodation and understanding of diverse cultures. ASEM has actively moved to political realms in confidence building measure, where Japan is in the forefront of taking its own national diplomatic initiatives and has also used ASEM, and other regional forums to socialize North Korea.

Almost any international political issue of global significance is potentially of interest to both Asia and Europe. This includes topics which used to be a taboo, like the environment, security issues and respect for democracy, human rights, and the rule of law. Many of these have been taken up as new areas of work in the Asia Europe Co-operation Framework 2000 - the work program for the future ASEM process. Asia's potential security flashpoints like the Korean peninsula were taken up, and Europe had welcomed President Kim Dae Jung's efforts to defuse the tension on the Korean peninsula. The moves he had lead were imperative for regional and global security, and the ASEM Summit adopted a Seoul Declaration that endorsed the policy of engaging North Korea in the international community with the goal of peaceful unification of the two Koreas. The 2002 Copenhagen Summit also saw the Declaration against International Terrorism - a significant effort to work together in installing mechanisms that ensure the security of member states of the two regions.

Europe has provided 180 million euros in humanitarian assistance to North Korea. Europe was willing to provide more technical help to North Korea and to continue their membership of, and contribution to, the Korean Peninsula Energy Development Organization (KEDO).⁵² Japan was also at the forefront of these developments when Prime Minister Koizumi visited Pyong Yang, in his novel efforts to restore diplomatic ties with the nation. Japan had used ASEM 4 forum,

⁵² <http://www.ased.org>

in trying to enhance on its diplomacy in socializing North Korea within the region by proposing confidence building measures and not isolate that nation, and was greatly appreciated by China, South Korea and other European nations. ASEM has also increased interaction between East Asian countries, in their political and diplomatic efforts to improve mutual understanding, as in the case of Prime Minister Koizumi's meeting with the Chinese Premier Zhou Rongji. The leaders pledged their intent to extend Japan-China cooperation from bilateral issues to include those concerning regional and global significance.

ASEM Framework of Cooperation

At the inaugural Asia-Europe Meeting in Bangkok on 1-2 March 1996, all participants agreed to work together to create a new Asia-Europe partnership, to build a greater understanding between the people of the two regions, and to establish a strengthened dialogue among equals. The second ASEM in London on 3-4 April 1998 confirmed the important role which ASEM had played, and would continue to play in reinforcing the partnership between Asia and Europe in the political, economic, cultural and other areas of cooperation. That meeting also adopted an Asia-Europe Cooperation Framework (AECF) to guide, focus and coordinate ASEM activities, and commissioned an Asia-Europe Vision Group to develop a medium to long-term vision to help guide the ASEM process into the 21st century.

The third ASEM in Seoul on 20-21 October 2000 was a historic milestone in the evolution of the ASEM process and provided an opportunity to review progress and achievements so far and to consolidate this foundation for a comprehensive and sustained cooperation between the two regions.⁵³ The fourth ASEM was held in Copenhagen, Denmark on the 23-24 September 2002. This Summit was aimed to focus discussions among leaders on a few key issues which

⁵³ <http://www.asem3.go.kr>

were more political in nature, to increase the informality of exchanges and streamline the work of ASEM process. It also worked towards establishing a normal working relationship between Asian and European leaders which is neither dominated by economic euphoria nor crisis driven pessimism.

Asia-Europe Meeting was initiated with the aim of strengthening links between Asia and Europe in the era of growing global interdependence. The ASEM partners have agreed to strive for a common goal of maintaining and enhancing peace and stability as well as promoting conditions conducive to sustainable economic and social development. ASEM leaders envisage Asia and Europe as an area of peace and shared development. With their common interests and aspirations of upholding the purposes and principles of the UN Charter, respect for democracy, the rule of law, equality, justice and human rights, concern for the environment and other global issues, eradication of poverty, protection of cultural heritage and the promotion of intellectual endeavors, economic and social development, knowledge and educational resources, science and technology, commerce, investment and enterprise.

To this end, Asia and Europe, building a comprehensive and future-oriented partnership, work together to address challenges and to translate them into common opportunities. They are particularly to be addressed through the dialogue and joint endeavors in relation to political, economic, and social, cultural and educational issues. ASEM partners also recognize the need to work together in addressing the new challenges posed by, among other things, globalization, information technology, e-commerce and the New Economy. Synergy between Asia and Europe will be of tremendous value, not only for the two regions but also for the global community as a whole. Strengthened dialogue and cooperation between Asia and Europe in a spirit of equal partnership and mutual benefit will also enhance international cooperation, thereby contributing positively to security, prosperity and sustainable development for the benefit of all. It will also build a

new international political and economic order, taking into account changes in the international arena including globalization.

The key role which the partnership between Asia and Europe, in a highly-interdependent world was in fostering political dialogue, reinforcing economic cooperation, and promoting cooperation in other areas, including social, cultural and global issues. The two regions were to formulate agreements conducted on the basis of equal partnership, mutual respect and mutual benefit. The development of the grouping would be an open and evolutionary process: where enlargement should be conducted on the basis of consensus by the Heads of State/Government. The regions would seek to enhance mutual understanding and awareness through a process of dialogue and lead to cooperation on the identification of priorities for concerted and supportive action. As they will carry forward the three key dimensions with the same impetus: fostering political dialogue, reinforcing economic cooperation, and promoting cooperation in other socio-cultural areas.

As an informal process, ASEM need not be institutionalized, while it would still continue to stimulate and facilitate discussion over regional concerns and issues in the international fora. The dialogue was to go beyond governments in order to promote dialogue and cooperation between the business/private sectors of the two regions and, no less importantly, between the peoples of the two regions. ASEM should also encourage the cooperative activities of think tanks and research groups of both regions. Reflecting the common desire to strengthen the political dialogue between Asia and Europe, this was to be fostered by highlighting and expanding common ground, by enhancing understanding and friendship, and by promoting and deepening cooperation.

With growing economic links between the two regions forming the basis for a strong partnership, ASEM forges a new comprehensive Asia-Europe Partnership for Greater Growth. Events since then have amply confirmed the importance of this partnership in a highly-interdependent global economy, as

emphasized at the London Summit. In promoting cooperation in other areas, the Bangkok and London Summits had likewise affirmed the importance to be attached to cooperation in the cultural and social fields, responding to and encouraging the wide interest in strengthening links between the two regions shown by the public, think-tanks, research groups, universities and all sectors of society generally, thereby promoting the human dimension in the ASEM process. Building on the discussions in Bangkok, the London Summit had also reiterated the importance to be attached to enhancing the ASEM dialogue on global issues.

In the political field, ASEM efforts were to be focused on issues of common interests, proceeding step-by-step in a process of consensus-building, with a view of enhancing mutual awareness and understanding between partners, drawing strength from diversity, while not excluding any issue beforehand but exercising wisdom and judiciousness in selecting the topics for discussion. The political dialogue would be conducted on the basis of mutual respect, equality, promotion of fundamental rights and, in accordance with the rules of international law and obligations, non-intervention, whether direct or indirect, in each other's internal affairs.

In this context, key priorities were to include intensifying the high-level political dialogue, including at the SOM level; taking forward the dialogue on issues of common interest arising in the context of relevant international institutions, including on UN reform; enhancing informal political dialogue on regional and international issues of common interest, in line with the principles laid down in Bangkok and London and confirmed in this present Asia Europe Cooperation Framework, including informal ASEM seminars and workshops, proposed by individual partners and endorsed by SOM, in the fields of international relations, politics and economics.

ASEM efforts sought to also address global issues of common concern such as: strengthening efforts in the global and regional context:

- towards arms control, disarmament and non-proliferation of weapons of mass destruction; combating illicit trafficking in and accumulation of small arms and light weapons; promoting the welfare of women and children
- enhancing the ASEM dialogue and cooperation on other global issues such as human resources development, community health care improvement, and food security and supply; tackling the global environmental issues, striving for sustainable development, and supporting the work of the Asia-Europe Environmental Technology Centre
- managing migratory flows in a globalized world; combating transnational crime, including money laundering, the smuggling and exploitation of migrants, the trafficking of persons in particular women and children, international terrorism and piracy, and fighting against illegal drugs; combating racism and xenophobia.⁵⁴

In the economic and financial fields, ASEM efforts were to focus on strengthening dialogue and cooperation between the two regions,

- With a view to facilitating sustainable economic growth, contributing together to the global economic dialogue and addressing the impact of globalization. In this context, key priorities will include: Intensifying dialogue in Economic Ministers' Meeting and Senior Officials' Meeting on Trade and Investment (SOMTI).
- With particular regard to complementing and reinforcing efforts to strengthen the open and rules-based multilateral trading system embodied in the WTO. Full participation in the WTO by ASEM partners would strengthen the organization; strengthening two-way trade and investment flows between Asia and Europe, notably through the active implementation and further enhancement of the Trade Facilitation and Investment Promotion Action Plans (TFAP and IPAP).
- The dialogue was to also enhance a climate for business-to-business dialogue and cooperation between the two regions, emphasizing the central role of the Asia-Europe Business Forum (AEBF) and the importance of continuity therein
- facilitating two-way dialogue between government and the business/private sector in order to respond to the concrete issues facing our business community, and paying particular attention to the problems faced by SMEs
- Enhancing dialogue and cooperation in priority industrial sectors, focusing on high technology sectors of common interest, for example, agro-

⁵⁴ <http://www.tni.org>

technology, food processing, bio-technology, information and telecommunication (including e-commerce), transport, energy, environmental engineering, etc.

- intensifying dialogue in Finance Ministers' Meeting and Finance Deputies' Meeting with particular regard to enhancing our dialogue on global financial issues, including the international financial architecture; enhancing cooperation, inter alia on technical assistance, the exchange of expertise, and the monitoring of trends, in relation to the prevention of possible future crises; enhancing macro-economic policy consultation.
- Whereby it was sought to strengthening cooperation in financial supervision and regulation; strengthening cooperation against money-laundering; strengthening customs cooperation;
- Enhancing dialogue in the field of science and technology, promoting networking and exchanges among researchers and policy-makers, particularly in priority fields of common interest; enhancing a broad-based dialogue on key issues relating to the sustained development of our two regions and of the global economy including important socio-economic issues.⁵⁵

In the social, cultural and educational fields, ASEM efforts should focus on promoting enhanced contact and strengthened mutual awareness between the people of the two regions, with a view to helping peoples in Europe and Asia to be more aware of the common issues affecting our common future, and to better understand each other through dialogue. In this context, ASEM partners were to continue strong support and encouragement for ASEF which is an important vehicle to promote and catalyze cultural, intellectual and people-to-people exchanges.

- In this same context, key priorities shall include: enhancing our contacts and exchanges in the field of education, including student, academic and information exchanges, inter-university cooperation, facilitating electronic networking between schools, exploring the possibilities for mutual recognition of degrees and licenses between our educational and related institutions, and substantially increasing student exchanges between our two regions, reflecting work being carried forward through, inter alia, the ASEM Education Hubs, the Asia-Europe University and other initiatives;

⁵⁵ <http://www.asem3.go.kr>

- Strengthening dialogue and cooperation in the protection and promotion of cultural heritage; promoting networking and sharing of experience in the social sciences, arts, humanities and sports; encouraging a broad-based dialogue and networking among all sectors of society, including *inter alia* parliamentary representatives;
- Improving dissemination of information about ASEM in the public and about the importance of closer Asia-Europe relations. These priorities would be updated by Heads of State and Government at their Summit meetings. They will form the basis of two-year work program drawn up by Foreign Ministers on the occasion of each Summit, and reviewed and updated at the Foreign Ministers' meetings between Summits.⁵⁶

Mechanisms for coordinating, focusing and managing ASEM Activities were left to Foreign Ministers, Economic Ministers and Finance Ministers who would meet on a regular basis, normally once a year. Occasional conferences bringing together other Ministers may be decided upon by Heads of State/Government as appropriate. As established by the Bangkok Summit and confirmed in London, Foreign Ministers and Senior Officials (SOM) are responsible for the overall coordination of ASEM activities. ASEM Coordinators, to be appointed by their respective regions, would facilitate the coordination of the ASEM process.

To facilitate a rapid and effective exchange of information among all ASEM partners and their relevant officials, the network of ASEM contact officers, appointed by Foreign Ministers, would provide a direct and informal channel of communications. Economic Ministers (including SOMTI) and Finance Ministers (including their deputies) would be the primary channels for carrying forward the ASEM work program in their respective areas. They would each provide their inputs to the work program to be coordinated and put together by the SOM and Foreign Ministers. Their respective senior officials will liaise closely with the SOM through a regular exchange of information. Officials from the coordinating partners will assist in this coordination and liaison.

⁵⁶ <http://www.tni.org>

Also to be included in the ASEM work program was that any proposed ASEM initiative should have the support of all ASEM partners, and should be in line with the principles, objectives and priorities set out in this AECF. In addition, any proposed ASEM initiative would have to meet the following guidelines: the proposed initiative should be of mutual benefit, and must receive the full consensus of all ASEM partners. Proposals would contribute to advance the overall objectives and perspectives of the ASEM process where the participation of a large number of ASEM partners must be ensured. The proposal should clearly state goals, prime actors (government, business, civil society), target audience, likely cost, and possible means of finance; duplication with existing ASEM initiatives should be avoided; initiatives should, where suitable, have a counterpart Asian and European partner. Participation would be open to ASEM partners only, though SOM may, on a case-by-case basis and with the consensus of all ASEM partners, agree to extend an invitation to a non-ASEM country as well as appropriate international organizations and institutions to take part in a specific event; the activity must receive SOM's approval and its results reported to the ASEM SOM.⁵⁷

Any proposals for new ASEM initiatives would be presented to all ASEM partners. They may be channeled via the Coordinators, who will rapidly disseminate the information to their respective regional partners, and collate comments as necessary. ASEM partners may in addition use the network of contact officers to share new proposals on an informal basis. Proposed initiatives will then be considered and selected by SOM, who will include them as appropriate in the updated work programme to be considered by Foreign Ministers. The results and outputs of all ASEM initiatives would be reported to SOM on a timely basis. SOM would also be responsible for reviewing the progress achieved under all ASEM initiatives on a regular basis, and for recommending if individual initiatives be continued or terminated. To facilitate this review process,

⁵⁷ www.delidn.cec.eu.int/asem.htm

it shall be carried out in such a way as to group activities addressing related issues into thematic clusters.

The ASEM participation, building on the conclusions of ASEM Summits, the following principles would guide future enlargement of the ASEM participation: the ASEM process, which is open and evolutionary, is intended to reinforce the Asia-Europe partnership. Enlargement was to be conducted in progressive stages, each candidature should be examined on the basis of its own merits and in the light of its potential contribution to the ASEM process, the two-key approach.⁵⁸ A final decision on new participants will be made by consensus among all partners only after a candidate has first got the support of its partners within its region, any decision regarding the admission of new participants will be taken by the Heads of State and Government on a consensus basis.

Other key bilateral dialogues and business relations between Asian and European nations include:

- China-EU official dialogue
- Germany-Singapore business relations
- France-China business relations
- Germany-China business relations
- NATO-Japan Security Conferences
- Japan-EU business relations⁵⁹

The ASEM2 meeting, held in London in April 1998, continued with all the courtesy and fireworks of the first meeting, with most agendas proposed in 1996 being followed through. Efforts were made to deepen the engagement of Small and Medium Enterprises (SMEs) between the two regions, efforts to boost infrastructure investment in Asia, the setting up of an Asia-Europe Vision Group to guide ASEM into the next century, and deepening cooperation on drug control, environmental problems, and technological cooperation. (3) However, one of the disappointments for some of the Asian delegates was the inability, or

⁵⁸ <http://www.ascd.org>

⁵⁹ <http://www.international-relations.com>

unwillingness, of the European delegates to provide for extra direct aid for economies which had been severely battered in the 1997-1998 Asian financial crises, particularly Malaysia, Indonesia, Thailand and South Korea. Most EU delegations referred these efforts to existing organizations including the IMF and World Bank. This problem would only begin to be seriously addressed in meetings of ASEM finance ministers in January 1999, though efforts to support some sort of financial control mechanism have not reached fruition. China, in particular, still hoped that the dialogue with Europe could help transfer technology and develop cooperation to form a more stable world economy.

In general, the Asia-Europe relationship is a pivotal inter-regional relationship. As noted by Christopher Dent: - If one particular point has been stressed . . . it is that the EU-East Asia economic relationship has become one of the most important structural features of the world economy. While this relationship remains the weakest Triadic link, the continued expansion of the EU-East Asia economic ties is to be anticipated. Powers from both regions should also be expected to undertake more definitive responsibilities in shaping the new economic order of the twenty-first century. Thus, the future evolution of the EU-East Asian economic relations has important regional and global significance.

If anything, Europe has become more important to the Asian economies with the development of the unified European currency, the Euro, which the EU hopes will become a major investment currency. Through early 2001, Europe promoted the Euro as a worthwhile investment currency, as well as suggesting ways that Asian nations could benefit from European experience in 'currency pegs' and exchange rate systems to strengthen their own currencies. These issues indicate that the ASEM process, though having useful initiatives, is far from routine or effortless. The ASEM meeting held in the year 2000 focused on a number of issues designed to revitalize the ASEM process in practical undertakings:

The 26 leaders attending the two-day Asia-Europe Meeting (ASEM) in Seoul were poised on 21 October to agree no fewer than 16 joint co-operation projects to bond the two regions together. Officials said the plans - which were expected to be rubber stamped at the end of the two-day Summit - were designed to give ASEM a 'human face' by raising the level of educational, cultural and intellectual exchanges. They were contained in the Asia-Europe Co-operation Framework (AECF) 2000, or the ASEM charter: a key document outlining the course of ASEM for the coming ten years, which includes various co-operative projects and guidelines for new admissions. Officials also said that the first day of talks produced none of the anticipated rows between Asian and European leaders - even when they debated sensitive issues like trade policy and human rights.

ASEM III, as the 2000 meeting is known, focused on the theme of 'Partnership for Prosperity and Stability', and contained several key initiatives:

- It worked on a draft Asia-Europe Co-operation Framework (AECF) 2000, updating the earlier ASEM frameworks.
- Placed a new emphasis on democracy, human rights and the rule of law.
- The Asia-Europe Co-operation Framework guidelines will become the basis for accepting new members into ASEM, including the need of backing from regional neighbors for new members (with up to 20 countries, including Turkey and Australia, having shown interest in joining).
- Continued dialogue on 'transnational crime like smuggling, 'human trafficking', and the illegal arms and drugs trades' and ' high-tech sectors like agro-technology, e-commerce, transport, energy and environmental engineering.
- The Seoul Declaration for Peace on the Korean Peninsula which outlines four initiatives: 1) the importance of peace and stability in North East Asia, 2) support towards North-South relations, 3) pro-

active support by ASEM and 4) support for Korea Energy Development Organization.⁶⁰

It also seems that this process will further the current EU 'alliance with Japan and South Korea over agriculture concessions - to resist the pressure of the US and Cairns Group to remove all export subsidies and other production support for agriculture. In general, the emerging Europe-Asia dialogue seems to have been revived through 2000-2001. In 2002, the fourth ASEM Copenhagen has had intense debate over progress in human rights, as well as in monitoring the major projects launched in 2000. Whether the ASEM process, however, can be part of balanced trilateral system of global burden sharing that can positively engage Russia and Greater Central Asia remains to be seen. In part, this will depend on whether new members can be effectively drawn into the ASEM process.

ASEM has also has recent benefited with the ASEM 4 People and the International Burma Summit being held on 23 and 24 September 2002 with the 4th ASEM summit held in Copenhagen with the participation of representatives of Asian and European governments. The ASEM 4 People hosted 60 men and women representing civil society, organizations from more than thirty Asian and European countries (EU and Accession Countries) and a sizeable Danish Public in the in Copenhagen from 19-22 September at the occasion of the ASEM 4 European - Asian Summit. The forum held wide-ranging discussions under three main themes -- Globalization, People-centered Security and Social, Economic, Political and Cultural Rights.

ASEM4 People Forum has been a venue for people, their organizations and social movements to exchange ideas, analysis and visions on Asia-Europe relations and above all the effects of the current structure of economic development on the lives, livelihoods, rights and security of the women, men and children in the two regions. ASEM4 People Forum participants expressed their frustration about the effects of economic and social development that have been

⁶⁰ <http://www.international-relations.com>

and are increasingly dominated by the interests of multinational corporations, financial markets and unaccountable multilateral institutions.⁶¹ Representatives shared their deep and growing concern about the increasing militarization of international relations, the weakening of democracy and the attacks on human and social rights.

ASEM4 People Forum demanded immediate and fundamental changes in Asia-Europe relations so that the necessary steps can be taken toward establishing a just and equal world where people's rights, sustainable economic and social development and people-centered security predominate. The forum called for the establishment of a 'Social Forum' which can act as an interface between the official ASEM process and civil society, including Trade Unions that were supposedly to be established following appropriate consultation by ASEM5.⁶² As an initial step we call for a seminar on labour issues and the establishment of regular meetings of ASEM Ministers responsible for Labor and Social issues.

The Danish Burma Committee and Burma support groups from Asia and Europe as well as from other continents arranged an International Burma Summit, a day before ASEM opening. Burma is not yet included in the ASEM process, however the participation in the negotiation processes concerning economic, political and cultural had been discussed. Therefore, one of the purposes of the activities around the Burma summit was to give evidence to the ongoing abuses of basic human rights by the military junta in Burma and to express concern about the slow progress of the dialogue process between NLD-leader and Nobel Peace laureate Aung San Suu Kyi and SPDC leadership.⁶³ The Burma support groups from the ASEM member-governments urged their respective governments to show their influence on the leadership in Burma to pressure for an end to the violations of human rights as well as a peaceful transition to democracy and the rule of law.

⁶¹ <http://www.asem4people.dk>

⁶² Ibid.,

⁶³ <http://www.etsi.org>

East Asia a Sub-Set of APEC and ASEM

For some time now, both the European Union and East Asia have sought to redress the comparative weakness of the Eurasian economic axis in relation to its transpacific or transatlantic counterparts. Together these axes form the basis of the Triadic political economy in which the world's three most prosperous regions: Asia (East), Europe (West), and America (North) dominate the contemporary global economic system. The tri-polarization of the world economy is evident in the various global structures of economic exchange, production, finance, advanced technological development and political economy. The predominant Triad regions continue to dominate, accounting for at least 80% of activities in world trade, foreign direct investment (FDI), new patented technologies and GDP.⁶⁴

The Triad powers are also the most influential player within the global economic regimes (e.g., WTO) and thus exercise considerable structural power over shaping the rules and norms governing the world economy. Although the transpacific and Eurasian groupings that include East Asia are politically weaker than their transatlantic counterpart, it is worth examining the transpacific combination to better understand the relative intensity of relations as compared to ASEM. The American side is certainly more preoccupied on security and 'hard' political areas, while the East Asian side is dependent on the former for their economic survival and further growth.

Although ASEM is formally recognized as an inter-regional grouping, APEC in many academic and political circles is still considered a regional grouping. There is no coherent reason behind such a grouping as APEC to be called regional, when it consists of select countries of North and South East Asia and North and South America; it logically only rests in an American need to call the cards. ASEM needs to be compared to APEC as another 'inter-regional' grouping encompassing East Asia. It is thus very evident that East Asia is a region

⁶⁴ Christopher M. Dent, No.48. p 26.

at least as seen by EU and the US (although the US has not given its due recognition is as yet). It is noteworthy to see that APEC is not much ahead of the ASEM process in spite of the presence of the US and Japan, and though its initiatives to become a so called regional grouping began far earlier than the Europe – Asian dialogue. The development of the Asia-Pacific economic institutional structures is part of the re-ordering process accompanying the end of the Cold War Bipolar structure and the Post- World War Economic structures once underwritten by US hegemony.

In short, APEC embodies a *de jure* approach towards cooperation, in the form of semi-institutionally sanctioned trade commitments between states to enhance cooperation without a common external tariff. Though the Bogor declaration has marked the year 2020 to achieve full liberalization among APEC members, the Asian discourse resists the ideological hegemony of the United States within the context of an 'Asia-Pacific'. But if the aim of APEC has been to share information, enhance transparency, and build trust via regular interactions which have not previously existed, most Asian members of APEC resist it becoming a formal negotiating body. There is growing view among Asian academia and politics which see APEC as a vehicle for the US and other non-Asian countries of the Pacific to 'hitch a ride with the more dynamic Asian countries.

APEC has also just demonstrated that it is an annual arena in which only its leaders meet. The core problem remains whether Asia Pacific can be considered a region, and much less a community. Robert Koehane and Joseph Nye define APEC as 'multi continental interdependence' while John Ravenhill similarly defined it as a trans-regional body.⁶⁵ Where the forum needs to establish the comprehensible basis on which its membership criteria rests on; for example reasons should be given as to what makes Peru an Asia Pacific country than

⁶⁵ David MacDuff, 'APEC after Shang Hai: Which Path Forward?', *International Journal*, Vol:3, Summer, 2002, p. 443.

Ecuador (which is not in the forum). There is also a lack of community among members, which impedes concrete progress. Being founded on the idea of 'open regionalism', voluntarism and consensus, it avoided any developments of a preferential trading agreement system; which reflect the diversities of economies, undermining the implementation of its objectives and also lacking a strong secretariat.

Instead of deepening its economic focus, it is widening its agenda to include issues of 'hard' security, for which it has no back ground. As Richard Higgot put it 'The question remains how far APEC remains a long term exercise in the cognitive learning about cooperation on the part of regional agents, rather than simply a tactical response to domestically generated needs and interests in the political economies of member states'.⁶⁶ This was seen at a practical level when in October 2001, when the 9th Annual Meeting in China was hijacked by geopolitical security issues, only reflecting Bush administrations agenda to shift its security focus away from Europe towards Asia. It is futile to just categorize these economies as a total share of the World Economy, when it does not explain why they belong together, where 'Pacific' itself is a contested construct, and they share no common religion, culture, language, political economy structures, ideology, nor even a regional consciousness.

⁶⁶ Richard Higgot, 'The International Political Economy of Regionalism' in William D. Coleman, Geoffrey R.D. Underhill (ed.), *Regionalism and Global Economic Integration: Europe, Asia, and the Americas*, The Brookings Institution, New York, 1999, p 95.

SUMMARY AND CONCLUSION

The US-Japan relationship has been the cornerstone of Japanese foreign policy during the post war period. The importance and the endurance of their relationship has been affirmed by the US-Japan Security Treaty and their economic ties. By contrast, apart from a generous aid program, assertions of a common identity, and growing trade and investment interdependencies, Japan has remained relatively uninvolved in East Asia political, security, or economic relations. The post war Japanese foreign policy resembles the post-Meiji period when the relations with Asia, initially, were subordinate to westernization and modernization. Driven by a desire to catch up with the West, it later realized it needed the region only for its imperial conquests. Although the aspect of physical domination in early Japanese foreign policy is unlikely to be repeated, the post war regional engagement has been and will continue to be peaceful. The plausible result of this engagement will be regional integration; fulfilling the ultimate objectives of some regional countries, like Malaysia. For regional integration, it is inevitable that Japan be persuaded to take up a more assertive and active political role.

Japanese interests are certainly not in creating a tight regional structure or economic bloc, as that would jeopardize its relations with the US. There are expectations that further Japanese policies will dampen regional identity and allow it to effectively manage regional economic cooperation and security concerns in the broadly defined Asia – Pacific region. Binding Japan to the North – East and South – East Asia region is the intra-regional trade, commerce and investment linkages that have rapidly increased since the mid 1980's. By mid-1990's, East Asia was more important for Japanese exports than the US, and the intraregional trade had grown from 31.6 in 1990 to 38.3 per cent.¹ The growth of the East

¹Maswood S Javed, 'Japanese Foreign Policy and Regionalism', in Maswood S. Javed (ed.), *Japan and East Asia Regionalism*, Routledge, London, 2001, p. 7.

Asian economic interdependence was achieved without any institutional framework to coordinate or manage trade relations. Many scholars including Edward Lincoln attribute the evolved regional structure to a lack of regional leadership, as the two major powers in the region (Japan and China) had been segregated. Japan could not formally reintegrate into the region due to the memory of its war time atrocities and to the suspicion of Japan on renewing its creation of a Greater East Asian Co-Prosperty Sphere, while China went Communist.

Even after more than fifty years after the war many East Asian countries still demand apologies for war time atrocities which are irritants in Japan's bilateral relations with these nations. Nonetheless, misgivings about Japan have reduced greatly not only because of the passage of time but also because of the trade and financial interdependence that has diminished the emotional content. The idea of the East Asian regionalism was formally advanced in the 1980's in order to consolidate the growth and prosperity and to enhance the region's collective influence in international affairs.² The Malaysian proposal of an East Asian Economic Caucus (EAEC) was in part attributed to the deeply held suspicions in Malaysia, about the regional agenda of the US and its support for human rights and democracy. As Japan emerged as the regional economic superpower, there were suggestions that the Japanese foreign policy should reflect the changed circumstances and balance its orientation with the regional countries as with the West (especially the US). The opportunity for Japan to play a regional role had increased with the end of the Cold War, and the perceived exclusion of the US from regional affairs, and the rise of Asian nationalism in Japan and several Asian countries.

Japan, had been cautious in its support of a 'closed' East Asian Regionalism, as arguments were that its intense involvement in the region could potentially unleash developments paralleling the pre-war period; when the

² Ibid. p 8.

Japanese government tried to exclude the US in order to realize the Co-Prosperity Sphere. There is also a notion that Japan's further commitment to the region would undermine its global role, and also impede its primary foreign policy objective of maintaining good relations with the US. The 1996 US – Japan Joint Declaration to strengthen their security alliance, was a poorly disguised strategy of containment against China. While some regional countries see the US – Japan relationship as a guarantor against any Japanese unilateralism and adventurism, China voiced its concerns that the relationship was now directed against China's growing economic and military power. From the Chinese perspective, the Declaration enabled the possibility of the involvement of Japan in any crisis between China and Taiwan.

According to Chalmers Johnson, the US – Japan Security Guideline of 1997, failed to represent the recent regional developments, such as the commercial reorientation of China – to privatize its state owned enterprises, the diminishing threat from North Korea, peaceful elections in Taiwan and south Korea, and Asean's contribution to the stability in Indo-China.³ While the potential instability over the Taiwan issue cannot be totally ignored markedly, if the independence movement gains momentum in Taiwan, but there is also a counter-balance of the increased economic interdependence between China and Taiwan. Stuart Douglas also argues that the San Francisco system (which is the basis of American foreign and defense policy in the region since 1953) has to cease. As the San Francisco system needs to give way to a new mechanism that would accommodate three new and potential developments: the growth and consolidation of Chinese power, the inevitable collapse of North Korea and unification of the peninsula, and the emergence of Japan as a 'normal' country.⁴

As Javed Maswood puts it - 'The option of continuing the main principles of post-war Japanese diplomacy might be regarded as the default setting for

³ Chalmers Johnson, www.thestraitstimes.com

⁴ Stuart Douglas, 'Japan's Place in the New Asian Concert, *Japan Quarterly*, Jul-Sep 1997. p. 62.

Japanese foreign policy.’⁵ This implies that the regional countries, particularly China, are all becoming important for Japan; requiring Japan to define and pursue its own independent interests in a realistic way that avoids excessive dependence on the US. As the Pacific Asia region is rapidly evolving and there are numerous challenges and potential conflicts that could intensify economic interactions and Japan’s economic interdependencies with the regional countries. Rather than taking sides, Japan has had the option of acting as an intermediary between the West (mainly the US) and East Asia. The other option of equidistance is also available for Japanese policy makers, although it has not been taken seriously; where Japan acts on its own interests rather than an arbiter of conflicting interests. East – West separation and tension has put Japan in an awkward dilemma; where a strained US relation with East Asian countries, each period of deterioration in US - Japan relations has provoked regional support for Japan against American demands.

Underlying the new Asian regionalism is the dynamics of spontaneous regionalization; of ‘soft’ or ‘open’ regionalization in which nations remove artificial barriers and institutionalize regional mechanisms for market based economic cooperation. With Asian economic transformations over the past four decades having been remarkable, spontaneous regionalization has facilitated the complementarity of development strategies in the region.⁶ Initially Japan was the pacesetter, while other Asian countries followed its lead, resulting in the ‘flying geese’ formation of intraregional division of labor. Emulation and replication of Japan’s developmental experiences and growing intra-regional trade has deepened the horizontal division of labor in the region. The flying geese model now fails to grasp the reality of the recent East Asian economies; in contrast a horizontal

⁵Op. Cit., p. 12.

⁶ Inoguchi Takashi & Purnendra Jain (ed), *Japanese Foreign Policy Today*, Palgrave, New York 2000, p. 76.

'swarming sparrow' pattern of development has become prevalent representation.⁷ Since the 1980's most East Asian countries regardless of developmental level have moved into more value-added, capital and technology intensive industries, further deepening economic friction between Japan and these neighbors based on shifts in comparative advantage.

It is evident that the region in its crude combination of countries has always been an integral part in matters relating to any Japanese policy making decisions, ever since the modernization of Japan. Japan has ever since considered its neighbors a part of its sphere of influence, and has even been part of its domestic policy making initiatives. Where and example would include: the appreciation of the yen against the dollar that had forced Japanese manufacturers to relocate their businesses in East Asia; creating a regional division of labor in East Asia that sustained Japanese business expansion and facilitated economic restructuring. A more recent example would include Japan's recognition that the recovery of the Asian economies (after the Currency Crisis of 1997-8) was closely tied to that of its own economy. Therefore, Japan announced in April 1998 a Comprehensive Economic Measures package totaling about \$124 billion to stimulate domestic demand and to promote structural reforms. In the same context, the then Finance Minister KuboWataru proposed the Asia Monetary Fund (of a \$100 Billion), to assist East Asian nations experiencing financial and foreign exchange crisis through providing them stand-by loans to cover current account deficits. But these efforts were opposed by the US and the IMF as it would duplicate the IMF functions, and as a waste of resources, or rather an undesired autonomy for the region.

⁷ Ibid.,

Regime Change

In spite of criticisms on one side and suspicion on the other, from its East Asian neighbors, Japan has had its own structural constraints (including a bureaucratic foreign policy establishment) in developing active policies and initiatives towards the region. For the past several years Japan has been in the midst of fundamental regime shift, with a new electoral and party system change, bureaucratic and regulatory change, and financial and corporate governance.⁸ With a host of institutional barriers, through complex linkages of government regulation and corporate practices, the Japanese domestic market was insulated from any foreign influence which resulted in the nearly forty years of rapid economic growth. But the socio-economic, institutional and policy emphasis of the old regime has shifted substantially, where deep structural changes are taking place within Japan, in part due to changing international conditions which could change its foreign policy directions.

The split in the LDP in 1993 marked the changes in Japan's electoral system and in the organization of its various political parties. In the midst of the party re-organizations, the electoral system also saw the replacement of the single member district system by the multi-member district system for the elections to the Lower House; which reduced the rural bias of the old electoral system. Other results were the demise of the Japanese traditional left, demobilization of voters who identified themselves as 'independents', the emergence of a conservative government and a conservative opposition rather than an ideological divide between the government-opposition, and party re-alignments that centered more around personalities and past party groupings than on fundamental issue differences.⁹ The current political parties have been unable to articulate policy positions capable of presenting very distinct differentiations among themselves.

⁸ T J Pempel, 'Japanese Domestic Politics and Asian Regionalism' in Javed S Maswood (ed.), *Japan and East Asia Regionalism*, Routledge, London, 2001, p. 34.

⁹ *ibid.*, p.31.

There remains forty percent voter base that yet remains to be mobilized, under a host of issues that are faced by Japan, including those concerned with foreign policy.

The issue remains that: Japanese conservative politicians, a divided conservative voter base, and Japan's national bureaucracy are all, no longer unified behind any unified hegemonic project; as in achieving their earlier goal of economic development. The bureaucratic apparatus no longer enjoys the dominance in policy making, and was subject to political and popular attack especially with the growing number of bureaucratic scandals. The government agencies no longer cooperate with each other any more, as they are heavily colonized by conservative politicians, by and large through the LDP's Policy Affairs Bureau and the so called *zoku* politicians (politicians with special connections and interests in the respective government agencies). All this resulted in the ruin of bureaucratic prestige, where there is a general decrease in the competition rate for positions in the senior civil services. It also resulted to the setting up of the Administrative Reform Council 1997, calling for bureaucratic restructuring that eroded the policy making autonomy of the bureaucracy.

Until the late 1970's Japan's capital markets and currency was insulated from the world currency markets, and was basically national in character. With the breakdown of the Bretton Woods and the phenomenon of globalization, Japanese capital, technology, and currency has rapidly integrated into the world markets during the 1980's. Global trends of the diffusion of production achieved by multinational corporations, integration of movements of factors of production, transnational networks of financial transactions and equity capital, as well as the expansion of international trade all resulted in fundamental changes for Japan.¹⁰ Japan was undergoing privatization and de-regulation domestically, while abroad Japanese corporations and institutions could invest directly and also issue overseas

¹⁰ Moon Chung-in and Park Han-kyu 'Globalization and Regionalization' in Takashi Inoguchi & Purnendra Jain (ed), *Japanese Foreign Policy Today*, Palgrave, New York 2000, p 66.

bonds in whatever suitable currency and then swap it into yen. Thus it made Japan the largest supplier of capital for the world market. These developments also resulted in a large number of Japanese firms becoming truly multinational. On the other hand there were numerous other traditional industries (e.g. cement and construction) that were unwilling to invest abroad or partner with foreign firms. Many of these protected firms were enmeshed in public works projects and remained locked in the domestic markets tied up with political support, accounting for the financial crisis of the 1990's.

How these changes that are in progress will be resolved, remains unclear. As there are clashing interests of the internationally competitive and the non-competitive sectors, firms, socio-economic groups; which are also in search of their own political representation. For the cosmopolitan citizens, with highly marketable skill and good incomes, the internationalization and economic openness of Japan serves their best interests. While for the more protected, less sophisticated firms with mixtures of low skilled labor, whose profitability is a function of political protection and government subsidization; want their domestic economy 'closed' and are anxious about the negative effects of international economic change. In short there is an emerging divergence in the interests of socio-economic groups of a deregulatory and internationalist poll on hand and a regulatory and nationalist poll on the other. Although the latter is well represented and far more institutionalized, its stability is unlikely to remain for a long period. It still remains to be seen to what extent these domestic transformations in the Japanese political economy alters Japanese policies toward Asia Regionalism and its relation with the West.

Consolidation of Eurasian Inter-Regionalism, and Japan's Role

For the first time in modern era, East Asia is emerging as a distinct regional state system; as a cluster of strong, prosperous, independent nations, dealing

intensively and continuously with one another in diplomatic, strategic and economic matters. Prior to the nineteenth century, geography and technology combined to keep Asian interactions at a comparatively low level. Though in history, there was the initial Chinese preponderance, but there had been no natural hegemon that took over or sought control over all of East Asia (except for the brief period Japanese military exceptionalism). During the nineteenth and twentieth century the region was largely dominated by outside imperial powers, and then was divided by the Cold War. With the wake of the twenty first century, East Asia is prepared to take up its position alongside North America and Europe. This has been exemplified with the creation of the ASEM, which completes the triadic interregional relations.

The Asia-Europe Meeting *is* a partly institutionalized dialogue process focused around major meetings that occur every two years, supplemented by more specialized meetings of ministers and committees.¹¹ Comprising the 15 Members of the EU (prior to expansion), The European Commission, and the 10 East Asian Nations (the ASEAN 1996 and not the more recent states: which would include Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, but not more recent members, and China, South Korea, and Japan), ASEM can be viewed either as a multilateral process or as a loose trans-regional process that engages Western Europe and much of East Asia. It is a dialogue and consensual organization, with special concern given to the interests of the European and Asian regional groupings within the organization. It has aimed to boost economic, political, security and cultural understanding between Asia and Europe.

According to ancient Greek mythology, *Europa* was an Asian princess whose abduction by Zeus is said to have been the basis of the continent that bears her name today.¹² From the age of ancient Greek civilization to the space age of the twenty first century, Asia and Europe have come a long way. Both these

¹¹ <http://www.international-relations.com>

¹² <http://www.niaslinc.dk/gateways/asem>

regions have had several close encounters in the distant past, and yet they remain psychologically distant. While Europe is cast in the fleeting image of an Asian princess, Asia bears the enduring scar of European colonialism. It was therefore a stirring moment when the inaugural ASEM Summit in Bangkok in 1996 proclaimed the commencement of a comprehensive Asia-Europe partnership for greater growth – a partnership of equals working hand in hand to develop a common vision for the future of peace and prosperity.

The ASEM meeting grew out of complex diplomacy among several states of Asia and Europe from 1989-1994, which tried to focus on the rich opportunities of greater connectivity between Asia and Europe once the Cold War had ended. The meeting could also be seen as a hedge against growing U.S. unilateralism and economic power,¹³ as well as recognition of the great importance in global trade of the Asia-Pacific region. Although partly hindered by limited discourse on human rights, by limited membership, and by the downturn in some Asian economies following the 1997 financial crisis, ASEM managed to reinvigorate itself through the 2000 meeting in Seoul, moving towards the more robust Asia-Europe Co-operation Framework (AECF) 2000. The organization has moved to encourage investment, boost trade, enhance cultural and educational understandings, as well as begin dialogue on security and human rights issues.

Expansion had been considered after the 2002, Copenhagen summit, especially in relation to: the prospect of new EU members, of recent ASEAN members Cambodia and Laos joining ASEM, and most problematically, of possible Burma (Myanmar) membership. There were also requests from states involved more widely in the Asian and European interactions, which included: Australia, New Zealand, India, Pakistan, and Turkey. There are parallel processes including the ASEAN-EU Dialogue, suspended after 1997 due to expansion of ASEAN to include Myanmar (Burma), but trade negotiations through 2000-2001.

¹³ Yeo Lay Hwee, 'ASEM: Looking Back, Looking Forward', *Contemporary Southeast Asia*, 22 no. 1, (April 2000), p 117.

between Myanmar and the EU, and Myanmar's recent UN human rights dialogue has not changed this as yet.

With the ramifications of the terrorist attacks on the US on 11th September, 2001 has been profound not only for America, but for the international community as a whole; there is a commencement of a new strategic era. Characterized by a reshuffling of old alliances and antagonisms, the world order is likely to be as defining as the cold war period. This is the new era that confronts Asia and Europe in the 21st century. With questions like: how the reality of this new strategic environment is to shape and influence Asia–Europe relations and the ASEM process, and how is the possibility for participants in the ASEM process to capitalize on the flexibility, informality and the multi-dimensional character of the process and the high profile summits to build up a strong partnership between Asia and Europe; still remain to be answered.

With the launch of ASEM, there was a group of scholars, amongst them Hanns Maull and the late Gerald Segal, who put forward the idea that ASEM could be used to keep the US overtly committed to multilateralism.¹⁴ This principle remains central especially in the aftermath of the 11th September attacks. This is especially so since it is still intensely felt that the US has critical underpinning roles to play in both regions, and it is best for the US to stay engaged in both regions. While Asia and Europe need to work in tandem to engage the US and provide support with appropriate domestic measures and regional responses to the common problems confronting the world. Global terrorism, global economic slowdown and global poverty, there are also things that Asians and Europeans can and should do, either individually, or together, to influence the way global society is developing.

¹⁴ <http://www.youropa.dk>

The challenge that confronts Asia and Europe now is whether they are going to be part of solution or of the problems in the volatile world of September 11. There is much that Asia and Europe could do, through their participation in regional and global institutions and other multilateral fora such as ASEM, to stem the tide of polarization, violence, and radicalism in international society. Efforts could be made to support internationalism. To ensure that the benefits of globalization are spread, that the downsides of globalization are managed and addressed, and that the rising tide of xenophobia and inward-lookingness are curbed. The element of inter-civilization dialogue or political dialogue between Asia and Europe could be harnessed more effectively to address the increasing divide between a world that is plugged into the process of globalization and internationalization, and one that is not.

With the various different religious faiths represented in the ASEM framework, in the months and years to come, ASEM's potential as a forum for an informal exchange of views could fully engender a greater understanding between people of different faiths and to find common ground for peaceful co-existence. Asia and Europe could also make a concerted effort to make use of whatever framework they have – be it ASEM, ASEAN–EU or the various bilateral summits between EU and China, and EU and Japan – to bring about greater economic cooperation that would help keep the global economy afloat. International cooperation has been stepped up to prepare for next year's WTO ministerial meeting in Mexico which will decide the scope and context of global talks. The ASEM framework, which includes the developed economies of the EU and several developing economies from Asia, can be utilized to ensure wider participation by the poor countries in the new trade round so as to increase the chance of success.

There are also many issues that Asia and Europe must themselves be committed to attend to – ranging enhancing stability in the Balkans through reconstruction, reducing tensions in the Korean peninsula, helping Southeast Asian countries to fight terrorism and preventing it from taking root in the region,

and addressing problems of trans-national crimes. There is much to be done, and both Asia and Europe must be committed to doing their part to make the world a safer place. At the moment, summits remain a significant feature of the ASEM process, acting as the driver behind several ideas, and the catalysts for action. Attention must therefore be paid to ensure that the summits continue to be taken seriously by the heads of state or government. ASEM's agenda must be constantly refreshed and requires imaginative thinking.

This will only come with the impetus and authority of political leaders. ASEM's informality can be both a strength and weakness. The open nature of ASEM helps generate a variety of channels through which problems can be dealt with, and it provides an occasion to move issues up and down the hierarchy of priorities depending on their importance and sensitivity.¹⁵ Where ASEM 4 has quite effectively capitalized on the shock of 11 September and the continuing strategic uncertainties, there still remains worries of a prolonged global recession, and the need to work towards a successful trade round to strengthen ties and improve cooperation on issues of terrorism, poverty, protectionism, liberalization of farm trade, underdevelopment and corruption. It could continue in its feel-good summit groove, and then slump into bureaucratic lassitude in which process becomes as important as outcome.

In playing a greater role by promoting business to business interaction, research programs, and involving itself with in the activities and framework of ASEM, Japan's action has promoted its engagement in greater dialogue with Europe and more importantly with its Asian neighbors. Although ASEM being an inter-regional process, it furthers Japan's global interests in gaining cooperative ties and mutual understanding, and confidence building with Europe and would advance its role and involvement with its own region.

¹⁵ <http://www.niaslinc.dk>

Though Japan was initially reluctant to participate in ASEM (due to risking any criticism from its Pacific Alliance) but it did cautiously proceed in participating 'actively', from the first meeting itself. In spite of having its own mechanism of dialogue and cooperation with Europe, like the Trade Assessment Mechanism and New Industrial Cooperation,¹⁶ Japan had recognized the additional advantages of participating in a new forum. Increasing ties and interaction with Europe, was also seen as a way of alleviating potential sources of conflict and in pursuing its new 'Eurasian' Diplomacy to gain access into Central Asia and Eastern Europe. The definite grouping of Asian members in ASEM had also strengthened Japan's collective Asian identity and bargaining capacity vis-à-vis the EU. Since the Hague declaration, multilateral based cooperation became an important pillar in Japan-EU relations.

Japan is using the multifaceted dialogue, in reducing intra-Asian transaction costs, and positioning EU as a mediator between Asian participants (especially on sensitive issues like Human rights, Environment, and Arms control), setting the parameters of intra-Asian dialogue, to reduce the influence of US in the region, and to socialize China, in the light of Beijing's growing prominence. For Japan, ASEM not only gave it an additional opportunity to meet with its European counterparts, but to a greater extent it could now enhance it and impact its Asia policy. And the real value of Japan's participation lies in the ability to bring Tokyo to close contact with its neighbors. This was evident when ASEM related activity was handled by the Regional Policy Division of Asian Affairs Bureau, in the Japanese Foreign Affairs Bureau, before a new Asia Europe Cooperation division was set up in the Economic Affairs Bureau in July 1996.¹⁷

ASEM's structure did permit Japanese representatives to meet their counterparts on bilateral and Asia – only grouping interaction. Calls to include China fully within ASEM also reflected Japanese attempts to assuage Chinese

¹⁶ Simon Nutall, 'Japan and the EU: Reluctant Partners', *Survival*, Summer 1996.

¹⁷ Julie Gilson, 'Japan's Role in the Asia-Europe Meeting: Establishing Interregional or Intraregional Agenda?', *Asian Survey*, Sep-Oct 1999, p. 747.

concerns regarding Japan's relation with the US, and to lessen China's conviction that Japan is merely pursuing a regionalism in response to the West. Japan in many ways has played an Asian card in ASEM,¹⁸ whereby it sought to keep sensitive issues like Human rights off the Agenda. Japan has firmly set its position as an Asian nation, within the context of a framework that clearly distinguishes between an Asian and European identity.

Paradoxically this inter-regionalism grouping may serve effective in enhancing Japan's regional cooperation, and even lead to the creation of a regional identity, as opposed to developing an American and Asian Regionalism. Japan is effectively using this forum to increase its role in the Cambodian Peace Process, and the recent Copenhagen meetings of ASEM (September, 2002) has taken a lead in accommodating and socializing North Korea into the region and the world. ASEM IV has also seen Japan recommit to its commitment against Global Terror, but also in acknowledging the need to build understanding among diverse societies (as opposed to the US views which consider these nations as apart of an 'evil empire'). Japan has also acknowledged ASEM's need to work toward poverty alleviation, against drug trade and arms race, and in reducing the influence of the US in the Pacific Asia region.

Future Courses and Constraints

Major problems and challenges yet remain to be confronted by the dialogue. Among one is the question of selective, but balanced expansion. There are also others which include the rising need to develop a coherent agenda of programs, and the need for follow up and accountability in initiatives. There remain issues of contention in making any concrete progress in human rights due to ASEM processes. Besides there is a growing challenge of promoting increased European direct investment in East Asia. While politically it is important in

¹⁸ Ibid., p. 748.

balancing US engagement in foreign policy of East Asian and Europe Union. There is also the potential for ASEM to engage Russia and 'Greater Central Asia' to develop a true trans-regional impact for the grouping. On the other hand there is a need to move beyond government and elite participation to engage international civil society and selected INGOs (international non-government organizations) like the bold initiative of the 2002 Copenhagen, ASEM People's Summit.

Although membership remains an issue of contention, it is any unlikely that the grouping will extend membership in the near future before the grouping undergoes 'deepening', further institutionalization and accomplishments made. For East Asia, with its identity embryonic, it has many issues to face including its relation with the rest of the Western Pacific (namely Australia and New Zealand) and also to a lesser extent: South Asia (mainly India). As these countries are orienting themselves towards Pacific Asia rather than with Europe. The growing division between a 'Western Pacific' and the East Asian region, forced the Australian prime minister in 1995, in his diplomatic initiative with the aid of specially drawn maps to convince ASEAN that although Australians and New Zealanders were ethnically not Asians, both countries were integral parts of 'East Asian Hemisphere'.

With the primacy of economic performance, and of commercial gains, the ASEM had been created to channel the relations between the two regions productively, and thus guarantee against any discrimination. Although Australia, New Zealand, India, Pakistan and Russia had expressed interest in ASEM membership, they were not considered in the realm of East Asian inclusion. Some countries, including successive British governments suggested early enlargement to include Australia, New Zealand, Pakistan and India. There is also

widespread criticism as to the exclusion of Russia in ASEM, when it is the largest European – Asian Nation, connecting the two Eurasian regional land masses.¹⁹

But no consensus was reached during ASEM I on enlargement, therefore it was left to future meetings that were to decide the extension of membership based on political consensus rather than establishing a criteria for membership.²⁰ Reasons could be attributed to the difference in economic levels, styles of development, and differing trade profiles between the countries aspiring for membership and the East Asian nations. But with neither direct significant strategic interests nor any perceived potential for commercial benefits to these regions (East Asia and Europe), the other sub-regions of South Asia and Western Pacific remain marginalized.²¹ It becomes mandatory to admit to these factors rather than justify their non-inclusion that these countries lay outside the East Asia geo-political region.

ASEM - the Asia-Europe Meeting is not the sum total of Europe's relationship with Asia. The grouping is not comprehensive. There are important Asian countries, with thriving democracies and economies (including India) that are not a part of the dialogue. While no decisions have been made on new partners, the ASEM process is to remain open and evolutionary so that new partners can join with time and circumstance. Nor is the group exclusive. Already important multilateral and bilateral relationships exist within the grouping: including that of EU and ASEAN, and those of Europe with China, Japan, Korea, India and others. Though the economic crisis changed the emphasis at times, it is realized that the fundamental principles which have contributed to the Asian region's success, has not changed significantly.²² ASEM has moved to strategy and bring the regions closer together in build up the political nature of the relationship, as could be seen with the agenda discussed on ASEM IV. The

¹⁹ <http://www.thejapantimes.com>

²⁰ Synnott Hilary, 'The Second Asia Europe Summit and the ASEM Process', Asian Affairs, Winter 1999, p 7.

²¹ <http://www.iias.nl>

²² <http://europa.eu.int>

process of ASEM is now a partnership of equals which has transcended the old relationships of 19th century between imperial powers and colonies, aid donors and recipients, and irritable relationships of trade disputes.

With more pressing concerns for the ASEM dialogue in terms of accomplishing the proposed free trade between the two regions by the year 2025, expansion has decreased in priority.²³ Though concerns for expansion on the European side with Hungary, Poland and Czechoslovakia awaiting EU membership; would in no way guarantee their membership into ASEM. As can be seen with the complex case of Burma, which has now become a part of Ascan, but that has not allowed it membership into ASEM. There were also new proposals, with the possibility of including India and Russia in to the Asian side; that would make the grouping, a truly loose Eurasian grouping.

As an organization, or rather combination of countries in a group, ASEM's relevance will remain as long as priority for economism and managed trade imbalances do exist within a larger context of inequality of economic development among states. The future of the grouping rests in the growing need of institutions to support cooperative initiatives in International affairs. The further rise and power of economism, which will further boost trade and economic contact between the regions- that will strengthen their areas of contention and cooperation against other powers and regions; building needful apparatuses. Further regional developments are likely to occur if there is a growing closed regionalism that would be emerging elsewhere in the World, as in the Europe and North America. The rise in regional trade and political confidence building measures in the form of regional integration agreements leading to a 'cooperative federalism' that will deepen regional sentiments among members.

Beyond change in the international environment that may dampen regionalism, there also exist confidence building measures and the realization of any proposed 'grand stories'. Where grand stories could develop complex

²³ Ibid.

structures of authority, economic interest, coercion, the feeling of belonging together, they will also hold people together in a meaningful, purposeful way.²⁴ Grand stories also include any future developments such as a regional Peace Security Force as proposed by Kakizawa Koji (a member of the Diet) which would contribute to peace and security, and build confidence among the regional nations, by creating an Asian version of the UN peace keeping force made up of contingents of various Asian countries.²⁵

There were also other proposals including a Malaysian minister's proposal of a 'trans-Asian railway network' that would enhance communication and contact within the region and would build solidarity at a grass root level. Only with larger projects would confidence be instilled among the East Asian governments, otherwise it seems unlikely that Asean, Japan, Korea and China will stop looking at each with suspicion or as threats to each other's existence. Grander proposals will work towards developing a mature and common understanding of their sphere of influence, and keep each other involved constructively in furthering accommodation and understanding.

Japan's role is significant for the future of the region, where a change in regime which would realize the importance and how integral the region has been throughout history in its own domestic and foreign policy decisions and initiatives. The further opening up of its markets to East Asian goods as in a policy of 'Buy Asian', will funnel growth and in turn also give priority to Japan's role within the region. Within Japan the future would also depend on the extent and nature of a growing Asianism among the politicians, businessman and sections of the people themselves. As argued earlier, the more Japan consolidates its position in the Asian grouping the more constructive it can use its role in the forum to develop

²⁴ Pekka Korhonen, *Japan and Pacific Integration: Pacific Romances 1968 – 1996*, Routledge, London, 1998, p. 6.

²⁵ Moon Chung-in and Park Han-kyu 'Globalization and Regionalization' in Takashi Inoguchi & Purnendra Jain (ed), *Japanese Foreign Policy Today*, Palgrave, New York 2000, p.76.

confidence among its neighbors and reduce transaction costs of communication with the region and vis-à-vis EU.

Moreover, ASEM as a contemporary association can expect to have overlapping competencies in a post-modern, post Westphalian context, which is an exercise in international political theory than of economic theory. The world economy reflects the combined influences of the twentieth century technology, a nineteenth century free trade ideology and the re-emergence of a polycentric alternative to the modern state system some call the 'new medievalism'.²⁶ In an increasingly interlinked and globalized world the distinction between the domestic and foreign economic policy is losing meaning and the presence of multiple identities, loyalties, and conflicting sovereignties is more common. A globalized economy run, by overlapping and interconnected networks of state and non state actors in both public and private domains is mitigating the significance of space and territory. Symbolic understandings of space now co-exist with geographical understandings of space, which help reveal the multiple understandings of region currently existent in Pacific Asia.

ASEM essentially aims to establish a new level of partnership between the EU and East Asia, with a core organizing principle on common transnational objectives that unite these two regions.²⁷ The interregional grouping will continue to manage the array of bilateral relations along side the ASEM processes within a compatible framework. With these developments are the costs and benefits of establishing collective authority on either side in order to conduct 'one-to-one' interregional relations. The high degree of economic and political heterogeneity found in East Asia suggests that it will be some time before the region can negotiate in unison with third parties. Europe offers East Asia commercial opportunities vis-à-vis the US and Japan, that develop a more risk averse strategy

²⁶ Richard Higgot, 'The International Political Economy of Regionalism' in William D. Coleman, Geoffrey R.D. Underhill (ed.), *Regionalism and Global Economic Integration: Europe, Asia, and the Americas*, The Brookings Institution, New York, 1999, p 96.

²⁷ Cristopher M Dent, *The ASEM: Managing the New Framework of EU's Economic Relations with East Asia*, *Pacific Affairs*, p 515.

in an increasingly competitive global economy. Geo-politically, the region has become wary of great power struggle between China, Japan, US and also Russia. EU's involvement in the region would further limit the scope for a single dominant power to emerge. The ASEM can be seen as EU's insurance policy to protect its wider political and economic interests in the Pacific arena. East Asia offers the EU member states with expanding markets and competitively priced sourcing for European firms, establishing congruent administrative procedures (e.g. customs, standards, and certification).

Where the global economy is not passing through a 'classic economic cycle' when growth is automatically occurs after a period of slump; this is raising uncertainty and adding on to the structural problems that sweep through the US and the Japanese economy. Stigmatized by underlying disequilibria, the more conventional European economy remains basically sound but slow moving. This points to global growth not much above the 2.5% which is normally regarded as the baseline for recession.²⁸ Statistics are not yet available but there are indications to the effect that the semi-recession has aggravated the social imbalance inside nations and between nations. This constitutes a serious threat to continued globalization - a threat which is grossly underrated by most policy makers.

The poor and those who feel that their political and/or cultural identity have not found their rightful place stayed silent for several decades, among other things because the economic growth was sufficiently strong to benefit the large majority even if economic and social disparities came into picture. This is no longer the case. The have-nots, so to speak, voice their opinions. As they have grown accustomed to being neglected by the system (the elite), many of them have chosen to support, explicitly or implicitly political egoism contradicting more than 100 years of political and socio-logical coherence (witness the latest series of European elections). Even worse they resort to violence as an instrument for

²⁸ <http://www.niaslinc.dk>

raising the ante inflicting human casualties on their political opponents. The recruitment base for terrorism is broadening. This is due to economic, social, racial and religious dissociation from the existing system not being equal to the task of conveying to these segments of society that they are better off within than outside.

Out of this turmoil there may emerge a new system - nationally as well as internationally. The endeavors to shape a global community or world governance operating upon mutually agreed rules must start with regional organizations. Europe has the EU. North America has NAFTA, which may in due course be enlarged to South America or parts thereof. Unfortunately, Asia does not have a similar organization. There are several bodies operating or emerging in Asia (ASEAN, AFTA, ASEAN plus 3 etc) but there is no single Asian caucus allowing for the Asian nations to get their act together. ASEM can do - and is doing - two things in this respect. First, it can help Asia to get experience from working inside a more rule based international community. Associating together with the Europeans, who have decades of experience of cooperation and coordination, may endorse similar developments within Asia, and between them.

Asia should not emulate the EU but it can and it should learn from the EU as to how a number of nation-states integrate their economies to increase economic growth and safeguard their economic interest in a global context. Second, it can constitute one of the building blocks for future world governance. The world has ASEM (European and Asians) and the world has APEC (Asians, Pacific Nations and North America). In due course ASEM and APEC may get together just like the G-8 nations do.²⁹ While all the triadic interregional arrangements currently retain a commitment to uphold the principle of open regionalism, this is yet to be comprehensively tested (else it would pose fundamental threats to the functions of the WTO). ASEM's role is intended to be supportive rather than supplantive of the WTO's processes for dialogue between

²⁹ Ibid.,

its contracting parties. However this contribution could be countered by the potential threat of ASEM and other triadic interregional arrangements pose through their potential to incur considerable trade and diversionary effects.³⁰ The ASEM's current platform for dialogue will ensure to assist the cause of the new multilateral order.

³⁰ Cristopher M Dent, No. 26, p 516

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APPENDIX

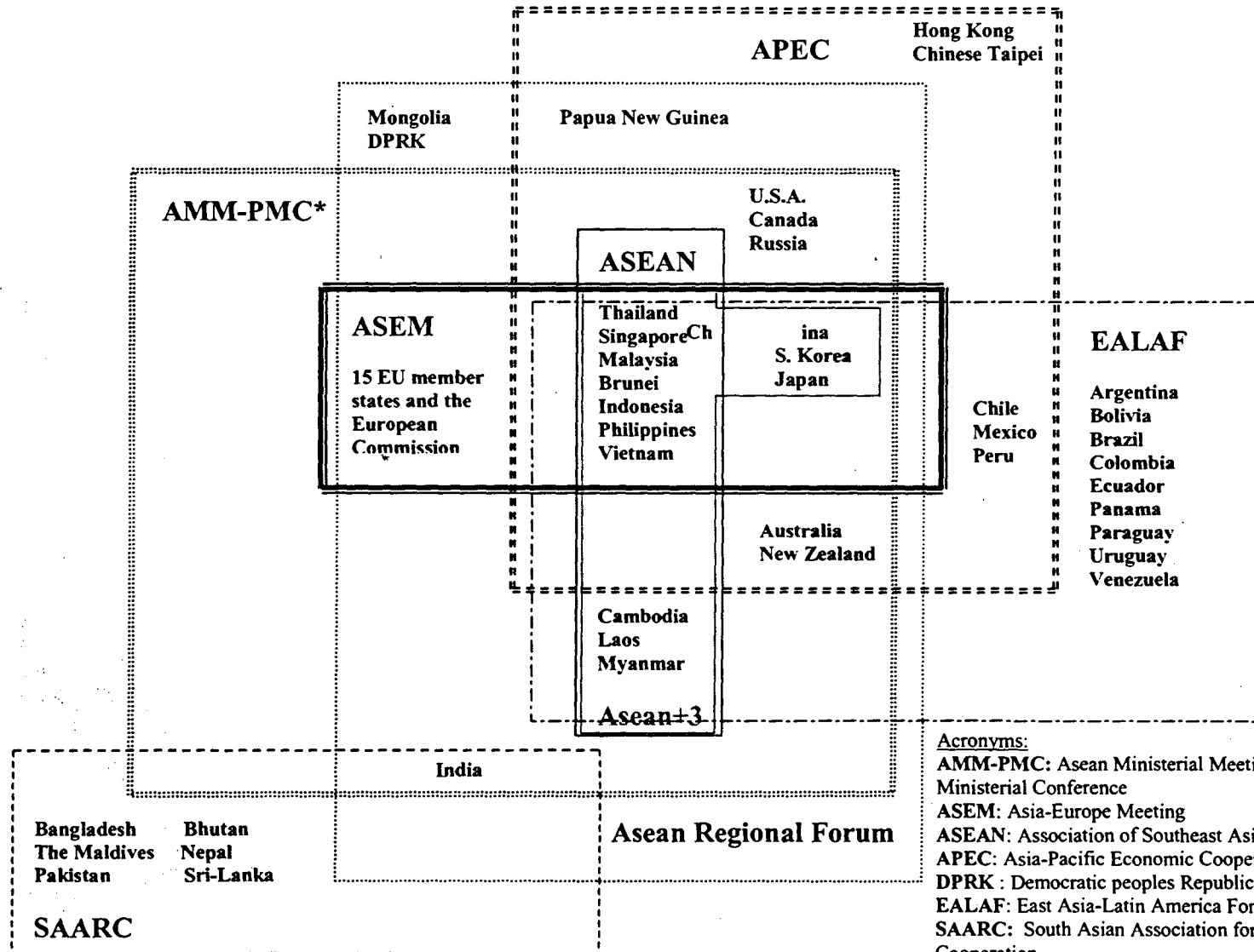
ASEM'S MAIN GROUPS AND CENTRES

Working Group on Customs Co-operation	Meeting of ASEM Customs Directors General and Commissioners to initiate work on simplifying and harmonizing customs procedures. Its inaugural meeting was held in June 1996 at Shenzhen, China.
Investment Promotion Action Plan (IPAP):	Working Group consisting of public and private sector representatives to discuss means to promote FDI flows. Broad areas covered include: investment policies and regulations, standards, and certification, financial support, technology transfer and skills development environmental issues. Sectoral dimensions are added to talks
Trade Facilitation Action Plan (TFAP)	Working Group comprising trade officials and business representatives (mainly via AEBF) that examines ways to promote mutual trade opportunities while also considering existing bilateral and multilateral matters. Progress made thus far on standards, testing, certification, accreditation and technical regulations, the mobility of business people, customs procedures, public procurement, IPR, quarantine and sanitary / phyto sanitary procedures.
Senior Officials Meeting on Trade and Investment (SOMTI)	Reviews made of outcomes arising from the above three working groups. Preliminary discussions on forthcoming WTO Ministerial Meetings.
Asia-Europe Business Forum (AEBF)	European and Asian business leaders to mutually develop closer trade and investment links. The AEBF'S original five working groups included infrastructure, capital goods, consumer goods, financial services and SME's. Four meetings convened up to Seoul 2000. First two in 1997 (October in Paris, November in Bangkok). At ASEM 2 (AEBF III) business delegates focused on financial services, energy, telecoms, and IT, transportation (railways) and water. At ASEM 3 (AEBF IV), working groups will consist of: trade; investment; financial services; infrastructure, telecoms and IT; industrial co-operation and technology; SME's.
Senior Officials Meeting (SOM)	To co-ordinate the future ASEM process at a high level of representation.
Foreign Ministers Meetings	Issues relating to political dialogue. The First Meeting was convened in February 1997 at Singapore.

Economic Ministers Meetings	Overseeing progress made by the TFAP, IPAP etc. Discussion on the general themes of mutual economic exchange and cooperation. The first meeting was convened in September 1997 at Makuhari, Japan.
Finance Ministers Meetings	Discussions of macro-economic situations in both regions, the euro, foreign exchange markets, general co-operation in the financial sector and other related issues. The first meeting was convened in September 1997 at Bangkok.
ASEM Vision Group	Provides medium to long-term perspectives on EU-East Asia co-operation. Launched at ASEM 2. Submitted the first report to ASEM foreign ministers in March 1999.
Asia-Europe Foundation (ASEF)	Generally promote greater mutual awareness between the two regions through enhanced cultural and intellectual exchanges. Established in 1997 at Singapore.
Asia-Europe Environmental Technology Centre	Priority functions comprise policy guidance and R&D co-ordination. Priority activities include megacities, bio-remediation, enhanced public involvement in environmental matters, and the anticipation, management and remediation of major natural disasters. Established in 1999 Bangkok.
ASEM Trust Fund	Implemented by the World Bank with the objective of providing technical assistance and training in both the financial and social sectors for Asian countries in both the financial and social sectors for Asian countries affected by the 1997-8 financial crisis. Established in June 1998 with a two-year time frame and Euro 30.9 million.
European Financial Expertise Network (EFEX)	Complements the above and operated by the European Commission in co-operation with EU member state authorities as a means of increasing the share of European financial sector expertise in East Asia.
Asia-Europe Cooperation Framework	Provides the overall guidance, focus and co-ordination of ASEM activities across economic, political and cultural dialogues (collectively known as the Work Program) adopted at ASEM 2.

Source: Table 4, Dent Christopher M., 'ASEM and the "Cinderella Complex" of EU – East Asia Economic Relations, *Pacific Affairs*, Spring 2001, p. 38-9.

ASEM in the regional context



Acronyms:
 AMM-PMC: Asean Ministerial Meeting - Post Ministerial Conference
 ASEM: Asia-Europe Meeting
 ASEAN: Association of Southeast Asian Nations
 APEC: Asia-Pacific Economic Cooperation
 DPRK : Democratic peoples Republic of Korea
 EALAF: East Asia-Latin America Forum
 SAARC: South Asian Association for Regional Cooperation

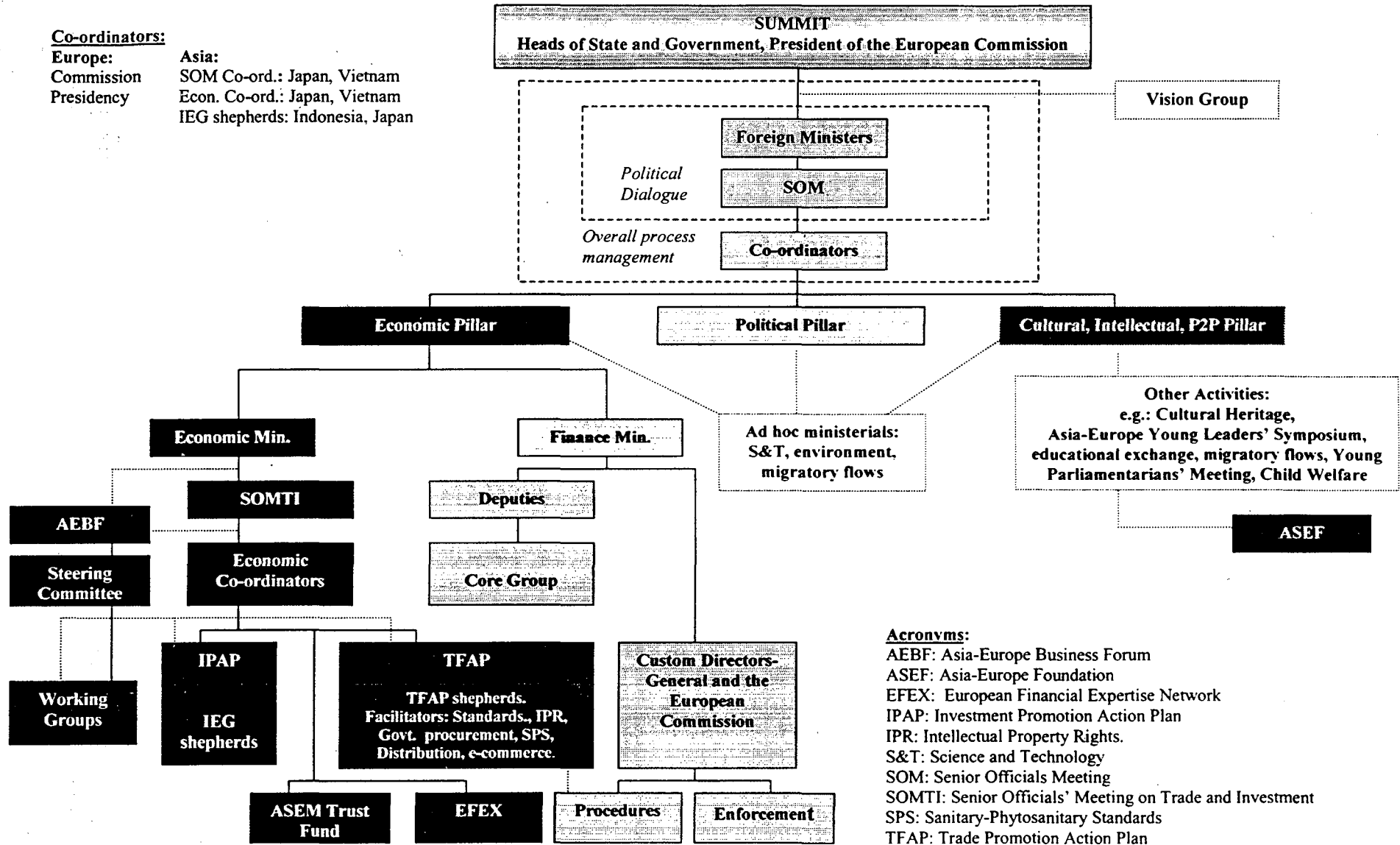
* In AMM-PMC. EU is represented by EU Troika.

The ASEM Structure

Co-ordinators:

Europe:
 Commission
 Presidency

Asia:
 SOM Co-ord.: Japan, Vietnam
 Econ. Co-ord.: Japan, Vietnam
 IEG shepherds: Indonesia, Japan



Acronyms:

- AEBF: Asia-Europe Business Forum
- ASEF: Asia-Europe Foundation
- EFEX: European Financial Expertise Network
- IPAP: Investment Promotion Action Plan
- IPR: Intellectual Property Rights.
- S&T: Science and Technology
- SOM: Senior Officials Meeting
- SOMTI: Senior Officials' Meeting on Trade and Investment
- SPS: Sanitary-Phytosanitary Standards
- TFAP: Trade Promotion Action Plan