

**REGIONALISM IN EAST ASIA:
THE ROLE OF ASEAN PLUS THREE**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfillment of the requirements
for award of the degree of*

MASTER OF PHILOSOPHY

CHONGTHAM GUNNAMANI SINGH



Southeast Asian Studies

Centre for South, Central, Southeast Asian and Southwest Pacific Studies

School of International Studies

JAWAHARLAL NEHRU UNIVERSITY

New Delhi – 110067

2011



CENTRE FOR SOUTH, CENTRAL, SOUTHEAST ASIAN & SOUTH WEST PACIFIC STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI - 110 067

Phone : 2670 4350
Fax : 91-11-2674 1586
91-11-2074 2580

July 18, 2011

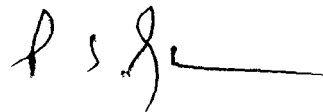
DECLARATION

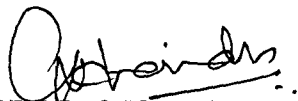
I declare that the dissertation entitled “**Regionalism in East Asia: The Role of ASEAN Plus Three**” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.


CHONGTHAM GUNNAMANI SINGH

CERTIFICATE

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


PROF. PARTHA S. GHOSH
Chairperson, CSCSEASWPS


PROF. G.V.C. NAIDU
Supervisor

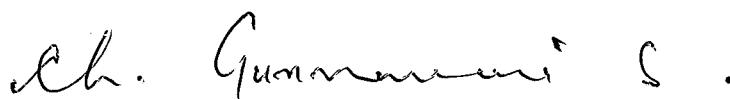
Contents

	Pages
Acknowledgement	i
Chapter 1: Introduction	1-17
Chapter 2: East Asian Economic Dynamism and Regionalism	18-32
Chapter 3: Challenges and Prospects of APT	33-54
Chapter 4: APT and other East Asian Multilateral Mechanisms	55-75
Chapter 5: Summary and Conclusion	76-81
References:	82-88

Acknowledgement

I express my sincere gratitude to my supervisor **Prof. G.V.C. Naidu** who not only read and provided invaluable guidance while working on the dissertation but also took special care of me since I joined JNU. His constant guidance has enabled me to complete the dissertation well in time. I am indebted to the former and present Chairpersons of the Centre, **Prof. Ganganath Jha** and **Prof. Partha S. Ghosh** respectively, who have been generous and cooperative in the course of my study. I am thankful to **Prof. Man Manmohini Kaul** and **Dr. Shankari Sundararaman**, who provided me immense knowledge in various aspects of Southeast Asia.

I would like to express my warm gratitude to all teaching and non-teaching staff of the CSCSEASWPS, and the JNU Central library staff for their support.


Chongtham Gunnamani Singh

Chapter 1

INTRODUCTION

This chapter focuses on a brief outline of the dissertation and theoretical perspectives of regionalism in general. It will further be tracing the contextual study of the background and development of regionalism in East Asia, particularly the case of ASEAN Plus Three (APT). In the last few decades, regions of East Asia have been witnessing growing phenomena of Regional Integration Arrangements (RIA) such as regionalism, regional integration. The main rationale behind regional integration as a policy is to enhance political or economic credibility. The formation of regional organizations increases the economic clout of member nations beyond that of their individual capabilities, as their combined influence means greater power.

Today, more than half of the world trade now occurs within actual or prospective trading blocs. Nearly all WTO members (97 percent) now participate in RIA, and many belong to more than one. Some, like member countries of the European Union and Mexico, belong to more than 10 regional integration arrangements (Pangestu and Gooptu 2004: 10). From the economic perspective, the most frequent arguments relate to achieving efficiency, spanning the economic size, and increasing the competition. Neo-classical economists believe that the free flow of goods and production factors between two previously isolated economic system increases aggregate welfare in each of them (Rivano 1999).

1.1 Rationale and Scope of Research

This research attempts to understand the current cooperation among East Asian countries; the proposed of formalizing integration is still view with different perspectives among themselves. As mentioned above, since the APT process began in 1997, cooperation has broadened and deepened in many areas. Cooperation is now being pursued in 20 areas, covering wide ranges of political, economic, social and

security areas. But there are many challenges as well, Japan still would like to play major role in the formation, and has enough capability to do that, is very much reluctant with the idea of forming any regional integration arrangement (RIA) that does not include its close ally the United States, India etc, or if it has to directly confronts China for leadership in the region. Meanwhile the rest of the East Asian, countries, notably China with its rising political influence and strong economy leading the way, are seeking it with great expectation that it could speed up the already close ties integration between the East Asian countries, particularly in the APT forum.

East Asian governments recognize that the region's weaknesses and continued economic growth require regional solutions. The Asian Crisis that hit several countries in East Asia has made the importance of move toward formalizing the regional integration, that it could no longer ignore the dynamics of economics integration they have, and how it inflicted regional impacts. Regional arrangements are important for political as well as economic reasons. They can represent regional interests in international institutions, and also give their members an opportunity and clear-cut need to subordinate or resolve their political differences.

The European process of unification included a treaty of peace and friendship between Germany and France. They then led that process, meanwhile in East Asia, the current relationship between the two most powerful nations China and Japan has not seen such process. With the two countries historical sentiments and also current territorial disputes has caused the two in a competing stance towards leadership in the region.

This research is based on the study of process and progress of East Asian regional integration, having the vast differences in cultural background, political form, and economic development. The scope of this research is related to conceptualize the frameworks and its prospects and challenges in process of the integration, and to find out alternatives to overcome those challenges to deepen and broaden the process.

Theoretical Perspectives

1.2 Liberal Institutionalism and Realism on Multilateral Institution

There are certain assumptions and claims of liberal internationalists on world politics and order. Anthony McGrew tried to recapitulate the notion of development of liberal internationalism, historically and theoretically (McGrew 2003). Liberal internationalism tries to account the problem of managing global peace and order; it holds that the achievement of ultimate human freedom can only be made feasible in the absence of war or conditions that give rise to it. Firstly, though it made the remarks that need to transcend the power politics in which sovereign states seek to maximize their power, and through governance that the necessary conditions can be effectively achieved. The arguments rest on several basic presumptions:

- Conflicts of interests between states can be resolved or mediated without resource to force or war.
- International cooperation is rationally, also ethically, preferable than conflict. Furthermore the growing material interdependence between states and people promotes the necessity for international regulation of their common affairs.
- International institutions promote peace in two ways: creating international norms, and providing mechanism for preventing or managing interstate conflict.
- Progress is possible in world politics so far as power politics is not regarded as immutable property, but on the contrary can be mitigated or lessened through domestication of international affairs.

These assumptions are the central explanatory logic of the liberal internationalism argument. With these conditions, accordingly liberty and peace can be fully realized. The basic premise is the rational response to conflict between states among which there is considerable interdependence. Since without the specter of conflict, there is no need to cooperate. International institutions provide important benefits for states

since they facilitate the achievement of national goals while also reducing uncertainty, enhancing trust, and generally minimizing the risk of cooperation. Using rational choice theory, Keohane demonstrates that states, as rational actors, are comfortable with realizing absolute gains from cooperative arrangements. Liberal institutionalism therefore provides a rationalist validation of the classical liberal assumption that political power can be mitigated, by demonstrating why and how international institutions are necessary in order to achieve state purposes (Keohane 2003).

Traditional realism explains on multilateral institutions held pessimistic views. It bears certain assumptions to explain the international relations, namely, anarchic nature of the international system, sovereignty is the core element of the modern nation-states, and self-interest in the form national interest overrides moral dimensions. Based on the realism's assumptions, they believe that the hard reality in international politics is distrust and competition, so multilateral forums do not serve common and mutual benefit for all its members. Rather multilateral forums help to maximize power of the great powers, where these forums are the place to maximize and fulfill their interest; that is to become a hegemon, so the ultimate goal of a strong power is to achieve the strongest. Most big powers behave like this, because one state is potential threat of another, since there is no central authority above the state, and all states have military capability, so states can never be certain of other states' intention (Measheimer 2006).

1.3 Regionalism

Besides the theoretical debates, regions have been witnessing RIAs, through these RIAs inter-regional and intra-regional trading and political links have grown manifold. So it is important to understand the idea and practices of regional integration or regionalism. Liu proposes not the exact definition, yet provided with its criteria, firstly, regionalism should occur around a group of geographically proximate countries. Second, the density of regional economic interactions among the regional countries should be considerably higher than that of external interactions. Third, through certain regional arrangements, the economic policy of an individual country

will be coordinated at the regional level. Fourth, regional cooperation should commit to one or more issue areas –economic, security, and social (Liu 2003).

In parallel, Yeung also stresses a broad explanation for regional integration, but focuses on the economic approach, regional economic integration is the deepening of intra-regional economic interdependence in a given region, through intra-regional trade, foreign direct investment and harmonization of commercial regulations, standards and practices. Meanwhile, regionalism is the political movement towards the creation or expansion of regional trade organizations or associations (Yeung 1999).

A useful and thorough definition of regionalism offered by Andrew Hurrell generally refers to five different categories: the regionalization process, the emergence of regional identity, regional interstate cooperation, state-promoted regional integration, and regional cohesion. This comprehensive definition touches upon the interrelation of de facto and de jure regional integration, the involvement of state and non-state actors, the dynamism of market politics, emerging regional consciousness, and a process leading to a political goal of a regional union. It has supplied certain useful indicators for analysis to inspect specific regional experience (Hurrell 2003).

1.4 Degrees of Regional Economic Integration

Regional integration occurs on a variety of levels ranging from loose cooperative arrangements to tightly structured agreements. They differ in their degree of institutionalization, in the majority of regional trade organizations, the members grant trading preferences to each other. Liu (2003) argues the degree of regionalization into four levels, which has elaborated as under.

Free Trade Areas: These are regional trade organizations which have eliminated internal trade barriers between members for all or groups of goods, while member countries maintain individual external trade barriers and commercial policies toward non-member countries. The non-harmonization of external trade barriers requires an

elaborate system of regulations to ensure that imports entering the FTA do not avoid an individual country's tariffs. Tariffs are avoided when imports enter the FTA through the member country with the lowest external barriers and are then transported without encumbrances within the FTA, hence avoiding the duties of high external tariff countries. An administrative body is thus usually required to oversee an FTA.

Custom Unions: It shares the same characteristics as FTAs, with the addition of a common external commercial and trade policy. This means that all imports entering the custom unions are subject to the same barriers to trade regardless of the country of entry. A customs union also has a central administrative body to aid in policy coordination, facilitate communication and oversee operations. Of course, changes to external trade barriers require the concurrence of member states.

Common Markets: It incorporates the features of Custom Union plus the free movement of labor and capital. The harmonization of taxation and many domestic regulations must be undertaken to prevent the creation of false trade flows and to ensure "a level playing field" for businesses across all member countries. The role of the central administrative body is critical for co-ordination, negotiation, arbitration and interpretation of the agreement.

Economic Unions: It requires, in addition to the features incorporated into a common market, the complete harmonization of government spending and procurement as well as the coordination of the operations of central banks.

1.5 Identification of Essential Elements

Particularly, a region that does not have much understanding of regional cooperation and lacks consensus on regional development, external factors becomes very important as accelerators of regional cooperation. Security concerns within a confrontational international system and sharp market competition among trade blocs aggravated by the worst case scenario of pending world trade negotiation have in different circumstances heightened the need for regional countries to cooperate with one another. On this account, Karns and Mingst (2004) offer six sets of general

criteria, which fall into the conceptual domain of regionalism, namely assurance of national and regional security, benefit of economic development, credibility of conflict resolution, management of regional order through an existing mechanism, external incentives, and psychological acceptance of regional coherence.

Security assurance: Common security concerns render countries into a regional unified front. In a solely state-centered international system, this is the area where the traditional thinking of national boundaries can see some yielding ground. For instance, the Southeast Asia countries joined under the security structure of SEATO and later transformed into ASEAN, while the six original members of the European Community perceived their security in accordance with a strengthening regionalism.

Benefits of regional economic development: In terms of the conceptual analysis of regionalism, there have often been arguments based upon economic approaches. They focus on the fact that an increasing amount of intra-regional trade with geographic neighbors can result in the appearance of regionalization, which also prerequisite for bringing about regionalism. As the world economy has gone through a process of concurrent development of regionalization and globalization, the EC, APEC and NAFTA have emerged almost equally in their share of economic resources of the world. Most literature relating to regional cooperation in the past few years has been inclined to suggest that the worldwide emergence of regionalism in the 1980s and 1990s has been characterize by the demand for the opening of more national markets and the liberalizing of individual economies.

While economic interactions among states were relatively limited during the Cold War era, the formation of economic organizations generated some hopes of gaining access to various markets and subsequent economic benefits. An individual economy had to go through the political will of its government to make this choice. The respective economic gains will of course be given bound to be part of any regional efforts one way or another, since the regionalization process and regional organizations are in practice driving along the line of regionalism. The centripetal force of economic regionalization has come to reinforce the continuous buildup of regionalism.

Although varying particular regional buildups may stress rather different focuses, they are working on ways to strengthen regional unifying stands in meeting with the rest of the world. Therefore, global trade liberalization and market access are claiming to be base on the principal agenda of regionalism.

Conflict resolution: One the most important functions of regionalism is to serve as a peaceful settlement mechanism, especially since many interstate conflicts or disputes would normally have much regional derivation and implication. The arguments as to whether regionalism or universalism could better deal with regional conflicts are of traditional concern. While there is no absolute answer to these arguments, the interests of regional countries always head the agenda of regionalism. ASEAN's successful settlement of intraregional disputes and the Cambodian problem in the 1980s and early 1990s demonstrates that regionalism can be an excellent conflict resolution mechanism.

It is important that regionalism at the organizational level should be provided with a certain identifiable mechanism for sorting out differences among regional countries. Under the regionalization process, regionalism could serve to encourage more communication and increase mutual understanding; so that the potentiality of conflict can be reduce.

Management of the regional order: No matter what form of regionalism is concerned, the process of regional cooperation among states is likely to take on common issues in the region and establish certain acceptable norms. In addition to conflict resolution, regionalism per se is moving towards establishing competence over the managing of regional issues. In the economic field, the arrangement of a custom union, a free-trade area and economic policy integration tends to regulate regional development and thus places regional order within the terms of management.

Presumably, regional arrangements could effectively ease away potential trade tensions among regional economies. On the security front, most regional organizations or regional regimes attempt to develop new structures and to introduce international norms from which new developments in certain regions would be shape accordingly.

Regional identity: Economic, security, and political motivations may be the most critical factors in the buildup of regionalism. They do not however guarantee regional integration to go any deeper, unless grass roots perceptions of regional identity can be recognize. This is to suggest that beyond practical motivation, regionalism concerns must be build on some common shared values and create a certain cohesive awareness in a region. Thus, regional identity may be see as a kind of common feeling and as the values that are generally share by the people in the same region and which may help them find out what they really believe in and what they wish to be like. It seems fair to state that the development of regionalism is similar to the shifting of national and individual consciousness of state to a new centre –a region.

1.6 Role of Big Power in Regional Integration Process

European Union: Despite historical and psychological differences in French and German approaches to community buildings and world affairs, the Franco-German duo has become the indispensable foundation of European integration. Strong ties, based on geography and political experience, a common destiny and interdependent needs have forged France and Germany into a fateful union, whose intricate web of relations has gone beyond personal ties of philosophy. Geographically the two countries account for 40% of EU population, economically, they represent 17% of total world trade and produce 50% of total EU output and politically, an importance derived from centrality and economic strength; France and Germany play a dominant role within the Union largely determining its success or failure.

The basis of the Franco-German axis is a shared objective, i.e. a strong and integrated Europe; both countries feel that their respective fortunes are tied up with and safeguarded by the Union. Both countries have needed European integration: France because it wanted to secure a place as a global player in the multi-polar international system, Germany because it perceived the EU as a legitimate vehicle for the articulation of national interests.

North America Free Trade Agreement: NAFTA is an agreement between three different partners, the US as a centre, Canada and Mexico, yet all three members consider the agreement to be of fundamental importance to their national interests, and they have all sought and found domestic and international compromises that have tended to lessen the points of friction between them. Whereas Canada and the United States can at least point to almost two centuries of reasonably amicable relations, and some deeply shared cultural, social, and political traditions, the same cannot be said of Mexico's in this integration.

In terms of the three countries' experience with international economic institutions, the differences between them are striking. With the US can be said to be the architect of the post-war international system, and Canada one of its most ardent supporters, the same cannot be said of Mexico. Its retreat into isolation from the early part of twentieth century, in large because of its fear of US dominance, only really began to change in the 1980s. Given this context, its intention in joining the Canada-US Free Trade (CUSFTA) is astonishing. Yet, to make it happen, the United States and Canada had to commit to support the process, notwithstanding the very long distance that the Mexican economy had to travel and the enormous reforms that it had to make.

The US perspective on all this was basically driven by three considerations: that an outward looking Mexico was a good potential market with 90 million customers; that Mexican poverty levels created problems of migration, and that it could permanently lock in Mexico's reforms. At the same time, the United States was a little frustrated at the slow pace of progress in the Uruguay Round negotiations of GATT/WTO. So, starting in 1991, the process of creating CUSFTA plus Mexico started.

1.7 Contextual Study: Background of East Asian Regionalism

In the last two to three decades, East Asia has become one of the most dynamic economic zones, witnessing fastest economic growth in the world. These emerging East Asian economies have seen their share of world export more than triple

during the past quarter-century, from 5.4 percent in 1975 to 19.85 percent in 2002. Their trade with one another has grown faster than their trade with any other market and now makes up 7.2 percent of global trade. Broad measures of development in East Asia have improved at the same headlong pace; since 1990 more than 300 million people have seen their incomes rise above a poverty threshold of US\$ 2.00 a day (Krumm and Kharas 2004). In the last decade, East Asia too has witnessed remarkable growth, which many scholars argue is led by the two great giants China and India, followed by many other countries like South Korea, Malaysia, Indonesia, Vietnam, etc. The region is able to capitalize fully on its large supply of labor induced by export oriented economies. For instance, in this period China has marked by 'double digit' growth, which is expected to be continue in the next 10 to 15 years. India's economy also exceeded expectations, growing by 8.9 per cent in the second quarter of 2010. So does, there are calculations suggest that other developing countries in the region would sustain high growth in the coming years (Yao: 2011, Bhagwati: 2011).

Some analysts estimate that East Asia would still benefit more than any other region from global liberalization (Pangestu 2004: 42) because of the potential shown by its dynamic exporters, and that it could achieve much of the benefits of liberalization through regional integration. In order to maintain internal peace, prosperity and development in the region, East Asia must take measures to overcome impediments to regional cooperation. Systematic efforts have been made in achieving currency cooperation and Free Trade Areas (FTA), but there are some constraints with regard to such establishments. Association of South East Asian Nations (ASEAN), which was formed in 1967, it has tremendous achievements, but slow in pace to move deeper institutionalization due to variety of issues. The lack of leadership that is willing and accepted to pursue integration beyond the existing 'ASEAN Way' approach (Scalapino 2003: 45). The other constraint for ASEAN is that they do not have someone that could play the role of leadership. Asian crisis shows this phenomenon; when all of the leaders of ASEAN such as Indonesia, Malaysia, and Thailand, could not cope with the situation, and had to seek outside help to overcome it.

The Asia Pacific Economic Cooperation (APEC), on the other hand, does not seek to establish any form of deeper integration because of the complexities it possesses. With its broad scope of backgrounds and interests, they realize it would be better to enhance the cooperation of economies among members' through an "open regionalism" concept (Ariff 1999: 134-136).

Keeping in view of the above frameworks and their inability in effective and inclusive functioning to harvest fully the economic dynamism in East Asia, alternative institutional mechanisms are necessary for regional cooperation. One of the achievements of such cooperation in the region is the creation of the ASEAN Plus Three (APT), (China, Japan and South Korea) framework. The APT is a forum that functions as a coordinator of cooperation between the Association of Southeast Asian Nations and the three East Asian nations of China, Japan, and South Korea. The first APT leaders' meeting was held in 1997 to work out a strategy when the EU mooted the idea of an Asia-Europe Meeting (ASEM). It shot into prominence with the onset of the 1997-98 Asian Financial Crisis. In the absence of any other mechanism to mitigate the effect of the crisis, the utility of formalizing the APT to deal with such crises in the future became imperative.

Thus, the APT grouping was institutionalized in 1999 through a formal declaration and by establishing the Chiang Mai Initiative (2000) currency swap arrangement. It has been credited as forming the basis for financial stability in Asia. The Asian Currency Unit (ACU) is a proposed weighted index of currencies for APT. The ACU was inspired by the now defunct European Currency Unit, replaced by the Euro. The Asian Currency Unit's purpose is to help stabilize the region's financial markets. The ACU as it is proposed is a currency basket and not a real currency, i.e., a weighted index of East Asian currencies that will function as a standard for regional currency movements.

Since the APT process began in 1997, cooperation has broadened and deepened in many areas. Cooperation is now being pursued in 20 areas, covering political and security, transnational crime, economic, finance and monetary, agriculture and forestry, energy, minerals, tourism, health, labor, culture and arts, environment, science and technology, information and communication technology,

social welfare, rural development and poverty eradication, disaster management, youth, women, and other tracks. There are 57 bodies (1 Summit, 14 ministerial, 19 Senior Officials, 2 Directors-General, 18 technical level meetings and 2 other tracks meetings) coordinating APT cooperation (APT Cooperation: 2010).

Some of the notable achievements of cooperation which can be mentioned are the 9th APT Summit in December 2005 when the Leaders of the APT countries signed the Kuala Lumpur Declaration on the APT Summit meetings and agreed to continue holding the APT Summit annually in conjunction with the ASEAN Summit. The APT Summit in 2006 reaffirmed that the APT process will continue to be the main vehicle in achieving the goal of the East Asia community. In this, ASEAN as the driving force, and with the active participation of the Plus Three countries, in order to promote shared ownership (APT Cooperation: 2010).

In the field of economic cooperation, progress has been steady and continued to focus on the implementation of the Chiang Mai Initiative (CMI) and the Asian Bond Market Initiative (ABMI). The Special APT Finance Ministers' Meeting held in Phuket, Thailand in February 2009 agreed to the following key elements: to increase the size of the Chiang Mai Initiative Multilateralization (CMIM) from US\$ 80 billion to US\$ 120 billion and to develop a more robust and effective surveillance mechanism to support the operation of the CMIM (APT Cooperation: 2010).

The 12th APT Finance Ministers' Meeting in May 2009 in Bali reached an agreement on all the main components of the CMIM, including the individual country's contribution, borrowing accessibility, and the surveillance mechanism. The ministers agreed to implement the CMIM as soon as possible and tasked the deputies to work out the operational details and implementation plan. The 12th APT Finance Ministers endorsed the establishment of the Credit Guarantee and Investment Mechanism (CGIM) as a trust fund of the Asian Development Bank (ADB) with an initial capital of US\$ 500 million which could be increased once the demand is fully met. The objective of CGIM is to support the issuance of local currency-denominated corporate bonds in the region (12 APT Finance Ministers' Statement: 2009).

In order to strengthen the regional cooperation to respond effectively to the global economic and financial crisis, Thailand as the ASEAN Chair and the APT

Coordinator issued the Joint Press Statement on APT Cooperation in response to the Global Economic and Financial Crisis on behalf of the APT Leaders in June 2009. There has been significant economic progress in region's interaction; for instance, total ASEAN exports to the Plus Three countries increased from US\$ 192.5 billion in 2007 to US\$ 225.4 billion in 2008 registering a 17.1% growth.

This growth is faster than that in 2007 when ASEAN exports to these countries grew by only 10.9%. ASEAN imports of goods from the same countries continued to accelerate with a 19.5% growth in 2008 from 15.7% in 2007. Total ASEAN imports from these countries stood at US\$ 254.7 billion, up from US\$ 213.1 billion in 2007.

In the field of socio-cultural cooperation, the APT Emerging Infectious Diseases (EID) Programme aims to enhance regional preparedness and capacity through integrated approaches to prevention, surveillance and timely response to emerging infectious diseases, including SARS, avian and pandemic influenza in the region.

Besides all these significant achievements, there are many challenges for the APT forum to be overcome. For instance, in the political economy sphere, both Japan and China currently are in a high tension condition in the region, the negotiation and strategy in reaching the goal has to vary among several options. China is still pursuing to strengthen APT. Moreover, China and ASEAN have already signed a Framework Agreement on Comprehensive Economic Cooperation in November 2002. Since, trading relations between ASEAN and China has been broadened tremendously. As of 2011, China is ASEAN's largest trade partner, while ASEAN is the third largest trade partner of China. The bilateral trade volume has jumped from less than \$8 billion in 1991 to \$300 billion at present. China has vowed to increase this to \$500 billion by 2015 (China Daily: 2011).

Japan has moved within the bilateral agreement, it is now negotiating several Free Trade Agreements, with Singapore, Indonesia and Thailand, etc, and has extensive economic interaction with ASEAN. Moreover, on 14 April 2008, ASEAN and Japan has signed the ASEAN-Japan Comprehensive Economic Partnership (AJCEP). The AJCEP Agreement is comprehensive in scope, covering trade in goods, trade in services, investment and economic cooperation. The AJCEP would strengthen

the economic ties between ASEAN and Japan and would create a larger and more efficient market with greater opportunities in this region. The Agreement entered into force on 1 December 2008 (ASEAN-Japan Dialogue Relations: 2010).

1.8 Some Main Challenges

There persist many challenges posing threats to further institutionalization of the APT. Sovereignty poses one of the critical issues that constrain the formation of such integration. The high sensitivity surrounding national sovereignty manifests itself within regional cooperation efforts as difficulty forming supranational management organs and supervising mechanisms.

Other constraints are the political and cultural backgrounds of the East Asian countries. The rivalry between the two strongest powers 'China and Japan' in the region has been often a constraint in such development. China and Japan, the giants of Asia, account for nearly three quarters of the region's economic activity and more than half of the region's military spending. Despite their deep economic ties and a doubling of their bilateral trade (Hilpert 2002: 32), China is now Japan's biggest trading partner and a significant source of growth for Japanese companies (Hosaka: 2011), their political relationship is strained, due to historical and variety of contemporary issues based on nationalistic, geo-strategic and economic factors. China has also several bilateral and multilateral constraints both in North/South East Asian region, and its 'Peaceful Rise' is suspiciously seen by the others.

In the region, leadership issue is also a big challenge, which leaves East Asia facing in the horns of a dilemma with regard to the region's economic cooperation ambitions. Without the active involvement of Japan and China, East Asia cannot achieve real regional economic integration and global influence. However, if Japan and China are actively engaged, not only might there be competition between them for leadership, in view of the past history between them and ongoing rivalry currently makes it difficult for each of them to allow any of them to take the leadership position.

There are lingering challenges in deeper institutionalization process of East Asian integration, which needs to overcome in the upcoming years, and there are plenty of prospects as well. Given these facts, there is no other framework to either address regional financial/economic crises such as the 1997-98 one or to propel regional economic integration in the East Asian region, so, the APT is likely to play a key role and it is the only existing alternative. To be sure, there is APEC but, despite its existence since 1989, it has failed to make much progress either in trade liberalization or in promoting regional integration. The more recent East Asia Summit (EAS), which in fact talked about the creation of an East Asian community, is yet to make its mark. With the US and Russia to set to join, its overall political weight is more likely to increase but to what extent it would play an economic as well as political role in the way it is envisaged is yet to be seen. Meanwhile, the APT appears to be first tangible attempt at regionalism in East Asia and hence it is likely to play a significant role in the coming years even while the economic and security linkages between Southeast Asia and Northeast Asia, which used to be tenuous for a long time, start getting strengthened.

1.9 Summary and Conclusion

There are differing perspectives on regionalism based on various theoretical postulations. But, liberal institutionalism gives an extensive account on institutional buildings, and the basic premise of it is that harmonious cooperation can be achieved through the encouragement of free trade and democracy, which can be regulated by regional/international institutions. It believes that ultimate human freedom can only be made feasible in the absence of war, and war can be mitigated by dialogue and discussions and through institutions. Though, realism argues that such institutional buildings or trading relations is not primarily for cooperation, rather it aims to maximize nation's interest and wealth. In other words, trade is not for cooperation, but more on competition. Conceptualizing the trend of political economy in the post Cold War era, it marks an extensive expansion of trading relations, development of international institutions like World Trade Organization (WTO) to regulate trade.

Several regional institutions and process of regionalism have also been marked. It is this context that the case of East Asian regionalism is being study here.

In the last two decades, East Asian countries have experienced remarkable achievements in political and economic realms. In the post Cold War period, several antagonistic problems were dissolved through dialogue, expanding regional institutions and mechanisms such as ASEAN, APT, EAS, etc. Such developments provide a platform to discuss, encourage and strengthen political and economic relations in the region; it manifests the region's confidence and ability to resolve its own issues pro-actively. But, many challenges also marred a more friendly development. It is this dynamic of both prospects and challenges of East Asian regionalism with a main emphasis on APT would be explored deeper and expands in the subsequent chapters.

Chapter 2

EAST ASIAN ECONOMIC DYNAMISM AND REGIONALISM

Most liberal academics of international political economy have generally agreed that in the past three decades East Asia witnessed remarkable economic growth. There are success stories of the main economies of East Asia, namely, Japan, China, Taiwan, Singapore, Hong Kong, the Republic of Korea, Malaysia, Thailand, and Indonesia. The emergence of *Four Asian Tigers* that marked by the highly developed economies of Hong Kong, Singapore, South Korea and Taiwan, and *Greater Chinese* economic zone have been witnessed in the region.

Today, East Asia has become the most politically and economically important region, where both world's second, third and fourth largest economies, i.e., China (People's Republic of China), Japan in GDP and India in PPP terms are located. And, ASEAN has been playing a dominant role in shaping power transformation in East Asia. Due to these developments, the global geo-political and economic epicenter has been shifting from trans-Atlantic to trans-Pacific. These experiences, in turn, also provide us new insights into political and economic activities of the region. To be able to understand the logic behind this transformation, a broad trend in the East Asian economic dynamism would be dealt with in this chapter, together with a regional mechanism to take advantage of this market-driven process forward for greater common good of the region.

2.1 Economic Development in East Asia

Economic data has been proven that East Asia has been the fastest growing region in the world for the past several decades, the East Asian financial crisis of 1997-1998 notwithstanding. On average, the East Asian developing economies as a group, including China, Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand, has grown at almost eight percent per annum since the 1980s. The notable exception is Philippines, which has only been able to grow at

less than half the average rate. In contrast, the *Group of Five* (G-5) developed economies; France, West Germany, the United Kingdom and the United States, have grown at an average rate of a little over three percent per annum. Japan, a member of the G-5 countries but also an East Asian economy, has grown at an average annual rate of almost six percent, an intermediate rate between the East Asian developing economies and the non-Asian G-5 countries, during the same period. It is this sustained rapid economic growth in the East Asian economies, spanning over several decades, that has led some economists to refer to it as the *East Asian miracle* (Lau & Park: 2003).

Keeping these as a background, in subsequent periods, the region continued in high growth rate. According the Asian Development Bank (ADB) report of 2010, the economies of East Asia grew 8.8 percent. This report shows that Singapore is the star performer of 2010, with growth of 14 percent. The report covered China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Vietnam, the Philippines, Malaysia, Laos, Indonesia, Cambodia, Myanmar and Brunei (7 Dec. The Economic Times: 2010). A brief overview of the major economies of East Asia and there developments in recent decades are given below.

In the post-Second World War era, particularly from the 1960's onwards Japan has witnessed remarkable export oriented economic growth, and it has been transformed into the one of the most technologically sophisticated nation in 1970's and 1980's. The economy of Japan is the third largest in the world (Lah: 2011). Since 1960, Japan experienced rapid economic growth, which was referred to as the Japanese post-war economic miracle as mentioned above. With average growth rates of 10% in the 1960s, 5% in the 1970s, and 4% in the 1980s, Japan was able to establish and maintain itself as the world's second largest economy from 1968 until 2010, when it was supplanted by China as the world's second largest economy after the United States.

Today, China is not only is the second largest economy, but also the world's fastest growing major economy, with average growth rates of 10% for the past 30 years since its economic reforms introduced in 1978. It is the largest exporter and second largest importer of goods in the world. China became the world's top

manufacturer in 2011, surpassing the United States. For 2010, inbound foreign direct investment into China surpassed \$100bn. for the first time, and overseas investment by Chinese companies in non-financial sectors totaled \$59 billion. The country's per capita GDP (PPP) is \$7,518 (IMF, 93rd in the world) in 2010 (Janjigian: 2010).

In the economic field, China has made remarkable achievements. For instance, on January 14, 2009, as confirmed by the World Bank, published the revised figures for 2007 fiscal year in which growth happened at 13 percent instead of 11.9 percent (Chinese official figures). China's gross domestic product stood at US\$3.38 trillion. Based on these figures, in 2007 China recorded its fastest growth since 1994 when the GDP grew by 13.1 percent (Xinhua 2009). There are speculations that China could become the world's largest economy (by nominal GDP) sometime as early as 2020 (Adam: 2010).

Like Japan and China, South Korean also experiences high economic growth in this period. Amsden's (1989) seminal work in this respect, characterizes the process of economic development in South Korea as the process of late industrialization. Fast growth in this country is mainly based on the implementation of existing (Western) technologies and efficient local government intervention. In her assessment stated that the active intervention resulted in the industrial development of South Korea, which would not have been realized without government intervention. This was the crucial for the high economic growth since 1960's in South Korea. In the 1960s South Korea main export-oriented industries were stimulated, in the 1970s emphasis was placed on the development of heavy and chemical industries, the electronics industry, and shipbuilding. In the 1980s the centre of attention of industrial policies shifted towards stimulating the development of high-quality industries, the so-called sunrise industries (Amsden & Singh: 1994).

Today, South Korea ranks 15th largest economy in the world by nominal GDP and 12th by purchasing power parity (PPP), identifying it as one of the G-20 major economies. Consider it is a high-income developed country, with an emerging economy (IMF Website 2010). South Korea had also one of the world's fastest growing economies from the early 1960s to the late 1990s, and South Korea is still one of the fastest growing developed countries in the 2000s, along with Hong Kong,

Singapore, and Taiwan, the other three members of Asian Tigers. South Koreans refer to this growth as the Miracle on the Han River. South Korea adopted an export-oriented economic strategy to fuel its economy, and in 2010, South Korea was the sixth largest exporter and tenth largest importer in the world (Kleiner: 2001).

TH-18838

The economies of ASEAN countries are of different nature; they are highly varied in terms of development level as well as size, among the five founding members of ASEAN, i.e., Indonesia, Malaysia, Thailand, Singapore and the Philippines. Except the Philippines (1.2 %), prior to the 1997 Asian Financial Crisis, the remaining four economies marked with high growth (5.5 – 7.5 %) throughout 1980's till 1996 (Lim & McAleer 2003). There are various speculations and data that Southeast Asian economies have resumed the pre-crisis growth. As of April 2006 Asian Development Bank (ADB) report growth in Southeast Asia is stable at 5.5%. The region grew 5.5% in 2005, above the average of the previous five years, but easing slightly from rapid 6.3% growth in 2004. Growth in the smaller economies - Cambodia, Lao People's Democratic Republic (Lao PDR), and Viet Nam - accelerated and topped the sub regional growth list. The pace of growth slowed in four of the five biggest economies, namely Malaysia, Philippines, Singapore, and Thailand. Indonesia ramped up its growth rate, despite some major hurdles (ADB: 2006).

This report forecasts overall growth for the 43 countries of developing Asia of 7.2% in 2006. Underpinned by stronger agricultural production, Cambodia's growth accelerated to 8.4% in 2005, buttressing the healthy trend of the previous two years. Despite the tsunami and other challenges, the Indonesian economy maintained its recovery and expanded 5.6% in 2005. Growth in Lao PDR accelerated to 7.2% in 2005 as investment in mining and hydropower projects maintained the industry sector's double-digit expansion, while agriculture and services also grew. Malaysia's growth moderated to 5.3% in 2005, in line with the five-year average, but down by nearly 2 percentage points from 2004 mainly due to weaker external demand for the country's electronic products. The electronics industry recovered late in the year (ADB: 2006).



An assessment of economic development in Myanmar is handicapped by incomplete information and deficiencies in the reliability of data. Government estimates suggest the economy grew 13.6% in fiscal year (FY) 2004, but this is not supported by trends in inputs. Inflation appeared to rise to double-digit rates in 2005. Economic growth in the Philippines slowed to 5.1% in 2005 and inflation accelerated to 7.6%. Where as strong external demand lifted Singapore's growth to 6.4% in 2005, significantly higher than the 4%–5% trend rate. In case of Viet Nam, its economic performance continues to be robust, with growth accelerating above 8% in 2005, fueled by surging private investment and strong domestic demand. The economy has benefited from higher global oil prices in recent years, but inflation has accelerated. The current account deficit remains manageable, with strong inflows of remittances and tourism receipts. A steady transition to a market-based system and closer integration with world markets are driving growth. These factors are likely to continue to underpin reforms and high rates of expansion into the future (ADB: 2006). The above facts show that East Asia has enormous economic and political potentials, which is needed to be properly structure and manage for greater common good.

2.2 Importance of Regionalism in East Asia

The most fundamental importance of the emergence of recent regionalism in East Asia is the deepening of regional economic interdependence and build up of political linkages in the region. For instance, besides political and historical differences, an economist may assume that Japan and China as basically complementary. China has abundant natural resources and cheap labor, as well as a fast growing market. These are all factors that Japan needs for its economic security. Japan, on the other hand, posses all the capital, technology and human skills China needs for its modernization and industrialization. Japan can also utilize Chinese resources for the manufacture of low-cost products for the world market. Furthermore, the increasing supply of low-cost Chinese products improves Japan's international terms of trade. Hence, by virtue complementary economic patterns, both Japan and China can enhance their welfare if they increase bilateral trade and intensify their economic integration.

By economic reasoning, cooperation is certainly the prevailing element in China-Japan economic and business relations. China's transformation to a capitalist market system is so far advanced that both countries economic relations are widely based upon free choice interactions of the marketplace, which only take place if profits can be earned and the general business environment is favorable. Japan and China still maintain close relations in business and economic terms: China imports from Japan from 1998 to 2002 rises from around US\$ 28 billion to exceeding US\$ 50 billion in just four years time. Furthermore, Japanese Foreign Direct Investment (FDI) to China increased 34 percent in fiscal 2000 and 45% in fiscal 2001(Hilpert 2002).

China has become Japan's biggest trading partner, replacing the U.S., with over US\$200 billion of trade between them. Japan's foreign direct investment in China is also at its highest ever. About four million Japanese visit China annually and around 70,000 Chinese are studying in Japan. There are more than 300 sister-ship relationships between cities, municipalities and prefectures in the two countries, and more than 800 flights a week between China and Japan (Wanandi 2006).

In 2007, China replaced the U.S. as Japan's top trade partner, with two-way trade totaling \$236.6 billion, the Japan External Trade Organization (JETRO) reported. According to Chinese customs authority statistics, Japan was China's third biggest trade partner, behind the European Union and the United States. China overtook the United States as Japan's biggest export destination in 2007, for the first time in modern history. Exports to China and Hong Kong combined stood at 17.4 trillion yen (\$165.2 billion), compared to 16.9 trillion yen to the United States. Its exports to Japan were worth \$102 billion in 2007, an increase of 11.4 percent on the previous year (Reuters: 2008). As for Japan, the rise of its Asian neighbor has been critical for its economic engine since then as it struggles with persistent deflation, an aging population and ballooning public debt. China is now Japan significant source of growth for Japanese companies like Toyota Motor Corp. Japan's economy minister Kaoru Yosano described China's economic expansion as important for Asia and said he hopes for deeper economic ties between the two countries (Hosaka: 2011). This logic of mutual interdependence within a region can also apply to the rationale behind

regionalism in East Asia, whether it is China-Japan, Japan-Southeast Asia or any other nations and the region as a whole.

Regarding the logic behind regionalism in East Asia, Masahiro Kawai (Kawai: 2005) offers four specific reasons;

First, *deepening of economic interdependence*, it is about economic regionalism, driven by market through institutional process like WTO as a part of globalization, it includes trade integration, foreign direct investment (FDI) integration, financial macroeconomic integration and institutionalization of economic integration.

Second, Kawai considers it as a response to *European and North American economic regionalism*, where the East Asian initiatives for economic regionalism represent their efforts toward greater institutionalization of de facto economic integration; particularly through trade and FDI. They have made these efforts essentially for three reasons:

- (I) As a defensive response to the proliferation of regional trade arrangements (RTAs) elsewhere, particularly in Europe and the Western Hemisphere, and due to their dissatisfaction with slow progress on trade/investment liberalization at the global and trans-regional levels;
- (II) Due to their willingness to enhance productivity and international competitiveness through exploitation of scale economies and dynamic efficiency; and
- (III) For promotion of deeper integration and institution building at the regional level.

He points out that regionalism elsewhere, including the formation of an economic and monetary union in Europe and the European Union's expansion to the east as well as the success of NAFTA and its move to the Free Trade Area of the Americas (FTAA) in the Western Hemisphere is the first factor that has motivated the East Asian economies to pursue regional trade arrangements. Governments in East Asia fear that unless they develop their own regional trade arrangement, they will be disadvantaged in global competition and multilateral negotiations. They have increasingly realized the importance of uniting themselves to gain bargaining power

vis-à-vis the European Union, the United States and other groupings. The slow progress of the WTO/Doha liberalization process and the perceived ineffectiveness of the APEC process have stoked these fears. Policymakers in East Asia are increasingly of the view that they need to secure a bigger market within their own region so that scale economies and dynamic efficiency gains can be exploited. They believe East Asia's RTA can help raise both productivity and international competitiveness. In addition, it can facilitate trade and investment, promote harmonization of rules-making, standard-setting and procedures, and provide dispute resolution mechanisms, particularly in the areas of services, labor mobility, investment, competition policy, intellectual property rights, contingency protection and rules of origin; areas in which it is difficult to make substantial progress in a multilateral framework. This effort is basically one of institution building for further deepening of trade and investment integration.

Third, *response to the Financial Crisis* is the most fundamental driving force behind the recent move to closer economic regionalism in the monetary/finance area is the deepening of economic interdependence in the region. The impact of the Asian financial crisis cannot be neglected. There are also several other reasons for recent financial cooperation in the region, for instance, the hard lesson learned from the Asian financial crisis of 1997-98, i.e., the need to establish regional *self-help* mechanisms for effective prevention, management and resolution of regional financial crises. Dissatisfaction with the existing global financial arrangement governed by the IMF, and Regional financial stability as a basis for global financial stability as well as the region's willingness to increase the Asian voice in, and for, global financial management.

Fourth, the urgency to establish an *East Asian Economic Community*, in this context, one of the recent, most significant developments is the agreement by East Asian leaders in Vientiane in November 2004 that they would make efforts to form an *East Asian Community* and hold an East Asian Summit for this purpose. The idea of creating an *East Asian Community* was proposed earlier by East Asia Vision Group (2001). The Vision Group recommended: (a) economic cooperation; (b) financial cooperation; (c) political and security cooperation; (d) environmental cooperation; (e) social and cultural cooperation; and (f) institutional cooperation. A core component of

these recommendations that is relevant to trade/investment integration and regional financial management.

Economic cooperation includes establishment of the *East Asian Free Trade Area* and liberalization of trade well ahead of the APEC Bogor Goal, expansion of the *Framework Agreement on an ASEAN Investment Area* to all of East Asia, promotion of development and technological cooperation among regional countries, particularly to provide assistance to less developed countries, and realization of a knowledge based economy and the establishment of future oriented economic structure. In financial cooperation includes establishment of a self-help regional facility for financial cooperation, adoption of a better exchange rate coordination mechanism consistent with both financial stability and economic development, and strengthening of the regional monitoring and surveillance process within East Asia to supplement IMF global surveillance and Article IV¹ consultation measures.

The Vision Group essentially envisioned the progressive integration of the East Asian economies, ultimately leading to an East Asian Economic Community. Once a region-wide FTA is formed and institutions for regional financial management and exchange rate coordination are established, the basic foundation of an East Asian Economic Community will have been provided. Thus the Vision Group offered an important long-term vision of the economic future of East Asia. The APT government officials responded to the Vision Group's recommendations by submitting their report to the APT Summit meeting (East Asia Study Group: 2002). They took most of the recommendations and laid out some concrete implementable measures that includes an acknowledgement that East Asian cooperation is inevitable and necessary, deeper integration of an East Asian community is beneficial and desirable, and integration in East Asia will evolve over time as the coherence, efficiency, and progress of the APT framework are consolidated. In this context, some of the mechanisms can be looked in the process of regionalism that leads to regionalization.

¹ Article IV of IMF obligates to its members to recognize the essential purpose of the international monetary system is to provide a framework that facilitates the exchange of goods, services, and capital among countries.

2.3 APT and East Asian Regionalism

Owing to the above reasons of the necessity of regionalism in East Asia, so far APT is the only institutional mechanism that can bridge both Northeast Asia and Southeast in regionalization process, which has more concretized than any other mechanisms in the region. So, it would be studied in this sub-section. Kanishka Jayasuriya refers APT as an embryo of an East Asian regional organization, stating it is a regional process involving the ten ASEAN countries and three Northeast Asian countries (China, Japan, and Korea). As suggested by its name, this emerging regional process is driven by ASEAN (Jayasuriya: 2000).

The origin of APT can be traced back to the unsatisfactory progress of the *Uruguay Round Ministerial meeting* in December 1990, Malaysian Prime Minister Mohamad Mahathir proposed the formation of a regional trade grouping comprising the ASEAN countries, Japan, China, Korea and Hong Kong. This group of economies was called the *East Asian Economic Group* (EAEG). The objectives behind his proposal were to establish a regional trade arrangement for the group in response to the emergence of preferential regional trade arrangements elsewhere, including in North America, and to exercise a global impact on trade issues. In October 1991, ASEAN Economic Ministers considered Mahathir's proposal as useful and renamed the grouping as the *East Asian Economic Caucus* (EAEC) which would facilitate discussions on regional economic issues. But, the United States objected to the EAEG/EAEC proposal on the grounds that it could divide the Asia-Pacific region, by excluding the United States, and reduce the effectiveness of the trade/investment liberalization process within APEC (Kawai: 2005).

In December 1997, the grouping or caucus that Mahathir had proposed becomes significant under the nomenclature of APT, with its first Summit in Kuala Lumpur. Foreign ministers from the three Northeast Asian countries initially came for an informal meeting over lunch during an ASEAN meeting. There was no specific agenda for those meetings. Soon enough, this process attracted the involvement of heads of state. But, due to the *Asian Financial Crisis*, this Summit is regarded as having provided the impetus and APT process became a more serious one (Soesastro: 2001). In this time, there was even the proposal for the establishment of the Asian

Monetary Fund (AMF). Its idea was to pool foreign exchange reserves of the East Asian economies that can be mobilized to deter currency speculation or to contain a currency crisis in a member economy.

In the absence of any other mechanism to mitigate and manage the effect of such crisis, the utility of formalizing the APT is important. Thus the APT grouping was institutionalized in 1999 through a formal declaration and by establishing the Chiang Mai Initiative currency swap arrangement. It has been credited as forming the basis for financial stability in Asia. The Asian Currency Unit (ACU) is a proposed weighted index of currencies for APT. The ACU was inspired by the now defunct European Currency Unit, replaced by the Euro. The Asian Currency Unit's purpose is to help stabilize the region's financial markets. The ACU as it is proposed is a currency basket and not a real currency, i.e., a weighted index of East Asian currencies that will function as a standard for regional currency movements (APT Cooperation: 2010).

Since the APT process began in 1997, cooperation has broadened and deepened in many areas. Cooperation is now being pursued in 20 areas, covering political and security, transnational crime, economic, finance and monetary, agriculture and forestry, energy, minerals, tourism, health, labor, culture and arts, environment, science and technology, information and communication technology, social welfare, rural development and poverty eradication, disaster management, youth, women, and other tracks. There are 57 bodies (1 Summit, 14 ministerial, 19 Senior Officials, 2 Directors-General, 18 technical level meetings and 2 other tracks meetings) coordinating APT cooperation.

In the second APT Summit in Hanoi in November 1998, Korea's President, Kim Daejung proposed the establishment of an East Asia Vision Group to present a mid- to long-term vision for the cooperation. The third APT Summit in Manila in November 1999 was held under the banner of East Asian Cooperation. The meeting discussed various ways to promote cooperation and to cope with the new challenges of the 21st Century. APT heads of state adopted the Joint Statement on East Asian Cooperation suggesting cooperative measures in various areas including security, economy, culture and development strategy. This agreement led to the launching

since 2000 of a series of APT meetings of finance and economic ministers, in addition to those of foreign ministers (Soesastro: 2001).

In the fourth APT Summit in Singapore in November 2000, Chinese Premier Zhu Rongji suggested the main tasks for APT, which included cooperation in the development of Mekong River Basin transportation and communication infrastructure cooperation in IT (information technology), human resources development, agriculture, and tourism. China also took the initiative to convene an APT meeting of agriculture and forestry ministers, and offered to host an agricultural technology and cooperation business forum. The Singapore Summit concluded with a public statement by Prime Minister Goh Chok Tong highlighting the “two big ideas” that emerged from the discussion. These were, namely the development of institutional links between Southeast Asia and Northeast Asia, and the setting up of a working group to study the merits of an East Asian free trade and investment area (4 APT Summit, Joint Press Statement: 2000).

Some of the notable achievements of cooperation which can be mentioned are the 9th APT Summit in December 2005 when the Leaders of the APT countries signed the Kuala Lumpur Declaration on the APT Summit meetings and agreed to continue holding the APT Summit annually in conjunction with the ASEAN Summit. The APT Summit in 2006 reaffirmed that the APT process will continue to be the main vehicle in achieving the goal of the East Asia community. In this, ASEAN as the driving force, and with the active participation of the Plus Three countries, in order to promote shared ownership (9 APT Summit, Joint Press Statement: 2005).

In the field of economic cooperation, progress has been steady and continued to focus on the implementation of the Chiang Mai Initiative (CMI) and the Asian Bond Market Initiative (ABMI). The Special APT Finance Ministers’ Meeting held in Phuket, Thailand in February 2009 agreed to the following key elements: to increase the size of the Chiang Mai Initiative Multilateralization (CMIM) from US\$ 80 billion to US\$ 120 billion and to develop a more robust and effective surveillance mechanism to support the operation of the CMIM (APT Finance Ministers’ Special Meeting, Press Statement: 2009).

The 12th APT Finance Ministers' Meeting in May 2009 in Bali reached an agreement on all the main components of the CMIM, including the individual country's contribution, borrowing accessibility, and the surveillance mechanism. The Ministers agreed to implement the CMIM as soon as possible and tasked the deputies to work out the operational details and implementation plan. The 12th APT Finance Ministers endorsed the establishment of the Credit Guarantee and Investment Mechanism (CGIM) as a trust fund of the Asian Development Bank (ADB) with an initial capital of US\$ 500 million which could be increased once the demand is fully met. The objective of CGIM is to support the issuance of local currency-denominated corporate bonds in the region (12 APT Finance Ministers' Joint Statement: 2009).

In order to strengthen the regional cooperation to respond effectively to the global economic and financial crisis, Thailand as the ASEAN Chair and the APT Coordinator issued the Joint Press Statement on APT Cooperation in response to the Global Economic and Financial Crisis on behalf of the APT Leaders in June 2009. There has been significant economic progress in region's interaction, for instance, total ASEAN exports to the Plus Three countries increased from US\$ 192.5 billion in 2007 to US\$ 225.4 billion in 2008 registering a 17.1% growth (APT Chairman's Statement: 2009).

This growth is faster than that in 2007 when ASEAN exports to these countries grew by only 10.9%. ASEAN imports of goods from the same countries continued to accelerate with a 19.5% growth in 2008, from 15.7% in 2007. Total ASEAN imports from these countries stood at US\$ 254.7 billion, up from US\$ 213.1 billion in 2007. In the field of socio-cultural cooperation, the APT Emerging Infectious Diseases (EID) Programme aims to enhance regional preparedness and capacity through integrated approaches to prevention, surveillance and timely response to emerging infectious diseases, including SARS, avian and pandemic influenza in the region (ASEAN Economic Ministers' Joint Statement: 2009).

Besides, the several mentioned co operations and prospects; APT is likely to play in identity formation of East Asia, where the region is rapidly being transformed from a geographic concept into an economic region. Hadi Soesastro (2001) observes that economic interactions, largely through trade, have brought countries in the region

much closer together. With the exception of Japan, all other East Asian countries rely on the region for more than half of their trade. For all of them Japan is an important, in many instances the most important, trading partner. Trade patterns are indeed an important factor in the emergence of economic regions. In addition, intraregional investment and financial flows continue to intensify. Perhaps, the impetus must come from within the region itself.

Beyond economic interactions, constructivist scholars like Amitav Acharya are arguing that identity can be constructed through shared norms by employing Benedict Anderson's 'Imagined Communities' in the regional context. He illustrates the development of regional international relations within the local environment, explaining regional trends in terms of broad historical forces asserting that the emergence of East Asian 'identity' in terms of the development of regional institutions (Acharya 2000). In this context, ASEAN or the APT is not only an institution to strengthen economic and political interdependence; rather it helps to build a new regional identity.

2.4 Summary and Conclusion

There is not much doubt that East Asia is transforming rapidly due to the emergence of many political and economic powers, which is led mainly by China and India, followed by other countries in the region. The speculation that global geopolitical and economic epicenter has been shifting from trans-Atlantic to trans-Pacific is becoming more visible. To harvest such huge economic transformation and development, regionalism is important in the region. Regionalism theoretically serves as in *deepening of economic interdependence and broadening interconnectedness*; regionalism in East Asia too aims in deepening economic interdependence in the region, and, to cooperate in various social, political and most importantly economic, sectors.

Since the APT framework has began in 1997, various initiatives of cooperation has been taken, which includes a wide range of areas, namely; political and security, transnational crime, economic, finance and monetary, agriculture and

forestry, energy, minerals, tourism, health, labor, culture and arts, environment, science and technology, information and communication technology, social welfare, rural development and poverty eradication, disaster management, youth, women, and other tracks. Such cooperation would certainly facilitate the region into a friend environment and swipe the opportunities of economic development, which is prevailing in this region. Moreover, the material developments brought by the economic regionalism, it also encourages social interactions and networks, sense of belongingness of a pan Asian/East Asian identity.

Chapter 3

CHALLENGES AND PROSPECTS OF APT

As mentioned in the title, main focus of this chapter will be on the challenges and prospects of APT in East Asian regionalism. There are several multilateral and bilateral issues that arrest friendly environment in politics of East Asia. The role of United States in the regional affairs, issues based on nationalism, rising China, leadership issues between China and Japan are the major obstacles in the deepening process of regionalization in the region. But, there is also plenty of room for reconciliation in the region, if they could assess the benefits from it through co-operation. There are several political convictions and visionary policies for co-operation. For instance, on 8 May 2008, President Hu Jintao addressed for “*cooperation in regional and global economic affairs. To meet the demands of in-depth development of economic globalization, China's enterprises are implementing the 'go global' strategy to meet the challenge of deep-going development of globalization*” (Xinhua: 8 May 2008). To be able to understand the challenges and prospects of regionalism in East Asia, this chapter will be divided in to two main sections. The first part will find out the major contentious issues and the second part attempts to find out the possible prospects that would be reconciliatory mechanisms in the regionalization process.

3.1 Major Challenges of APT

3.1.1 External Factors

The regionalization process in East Asia is suspiciously view by the international financial institutions such as IMF and World Bank. If the proposed Asian Monetary Bank under APT framework come into exists, it would be affected to their interests, so such institutions may lobby some of their close partners like Japan from greater institutionalization of such initiatives. Besides, the physical presence of

the U.S. in political, economic and security terms in East Asia is strong, so it may not allow its partners into the deeper integration process of APT. A strong regional institution in the region would certainly be affected the U.S. economic and political interests. Though, after the 1997-Financial Crisis, many from the region are blamed to IMF, World Bank and the US for Asia's economic and social troubles. This crisis has even led to resurgence in nationalist sentiment. But, their presence in the region is still strong and has their partners like Japan, South Korea, the Philippines and others remain intact. There has been always dichotomy position between the U.S. interests in the region and the strengthening of regional institution. The nationalistic sentiments, particularly after the Financial Crisis in the region, are another challenge in regionalism, because such sentiments encourage strong protective domestic economy.

Jayasuriya (2001) argues that the mode of international financial architectures, which affects the region's economy and eventually resurge nationalistic sentiments. The present international financial architecture, encouraged short-term capital to move in and out of countries as investors sought immediate and high returns. So, economic nationalists in the region have called for protection of vulnerable industrial sectors. Moreover, the region's democratization means that the rise of popular nationalism will have an impact on decision making at the highest levels. Certainly, politicians, wishing to divert people's attention away from any shortcomings in the domestic management of their economies, have generally been willing to employ nationalist rhetoric and contemplate reintroducing nationalist policies. In countries such as Indonesia, Malaysia, Thailand, South Korea, and even Japan, there are signs that nationalism has intensified in the wake of the crisis. As a consequence, the open, liberal approach to foreign economic relations that characterized East Asia has been challenged in some countries. So, the differences in approach to economic policy within the region that have emerged in the wake of the Asian economic crisis and underscore the cultural and institutional diversity of the East Asian region could also limit 'regional economic cooperation' under the APT framework.

Besides, Richard Stubbs draws the similarities between the current situation and that which prevailed in the early 1990s when the U.S. government strongly opposed the EAEC proposal. Here, concerns about the condition of the U.S. economy as there were in 1991-92, and the U.S. remains a major player in APEC with its policy

of open regionalism and specific target dates for trade liberalization. The U.S. government is committed to ensuring that the global economy remains as open as possible and does not become divided along regional lines. Moreover, if the U.S. sees the APT as a way of allowing China to exert an unacceptable amount of influence in East Asia, then it may decide to try to hinder any attempts to increase regional cooperation (Stubbs: 2002).

3.1.2 Rise of China and Its Impact on East Asian Regionalism

There are several calculations that the APT framework would probably be dominated by China. Such calculations by Japan, Indonesia, Thailand, Vietnam, etc., favorably affected the deeper regionalization process of APT, and at this framework, no one could balance with China in security and political terms. The rise of China has also a constant pressure in the region to accommodate it, and China assertive policies remain several critical questions. Traditionally, Japan is a global economic power house, but weaker as military and diplomatic matters are concerned. China's objectives are both military and economic power, with the addition of intellectual might by spending a huge expenditure in 'research and development'. Their strategy involves both openness (globalization) and reform through marketization and urbanization, while they deemphasize and limit political liberalization.

Even more important to China's grand strategy are its efforts to strengthen its economic power and build what Beijing hopes will be a stabilizing middle class. Beijing's priority is sustained, rapid economic growth, because growth is fundamental to the regime's legitimacy – and almost everything else. Chinese leaders have an ambitious domestic agenda; they are struggling to achieve a precarious balance between rising demands and the state's capacity to meet them. All are going in a satisfying direction, thanks to a high national savings rate, rapidly growing and improving secondary and tertiary education, increased expenditures for research and development, an expanding middle class, massive investment from ethnic Chinese abroad and foreign investors, and continuity of Beijing's economic policies.

From 1979 to 2003, the Chinese economy grew at an annual rate of 8 to 9 percent, three to four times faster than the economies in the West and doubles the average growth of the developing nations. During the same period, China's foreign trade volume exploded twenty-four times exceeding the US\$ 1 trillion mark in 2004. China is now the world's second largest recipient in foreign direct investment (after the United States) receiving over US\$ 446 billion in foreign capital from 1979 to 2002 (Deng & Feng: 2005).

However, several problems still linger in China's development. David M. Lampton (2005) illustrated how complicated China's development strategy would have to deal with the demand of its people, between now and 2020, about 300 million rural dwellers will move to cities, bringing with them huge needs for infrastructure. (At this rate, the government will have to build a city the size of New York every four months for the next 14 years). Given such facts, the authoritarian nature of the PRC political system, the CCP's insecurity has been translated through its organizations and propaganda, to be the 'national interests' of rising Chinese power, which causes suspicion for unwanted incidents in the region.

Such line of argument has been rather convincing to many Chinese, since it describes the nature and course of state-led Chinese modernization. Moreover, to value one's political system as a vital part of national interest is not exclusively a Chinese logic. The difference in the Chinese case is the striking predominance of the political preservation of a one-party political regime that is self-conscious about its persistent lack of legitimacy. While its legitimacy, through participation and expression, is still highly limited, and while its leaders' personal charisma and ideological callings are fading, Beijing's task of political self-preservation through force and through job performance is not easy even at the best of times.

Suisheng Zhao (2004) observes that China often calls its Asian neighbors 'periphery countries' (*zhoubian guojia*). Although it was always aware of the importance in maintaining stable relations with these periphery countries for its national security, Beijing, however, was never able to make an integral policy toward neighboring countries. The second was China's traditional cultural complacency and the legacy of Sino-centrism, which took China as the center of Asia for granted. The

third was China's ambiguous position in the region "more than merely a regional actor, but still less than a global power," which left China in an uncertain relationship with its Asian neighbors. The fourth was China's unique position in the bipolar Cold War setting, which forced Beijing to see its security in global rather than regional terms. Most of these factors began to change after China launched market-oriented economy and began opening up to the outside world since the late 1970s, but there still persists uncertainties and suspicion in the region.

3.1.3 Nationalistic Rhetoric and its Implication to APT

The political economy of East Asia continues to grow with Japan, China, and India driving its development. This provides many opportunities, but also several challenges. In the politics of East Asia, nationalism has been played a vital role and the most visible example of it is China and Japan. But, their relationship has profound ramification in the region's affairs and cooperation. For instance, on April 9 2005, thousands of Chinese in Beijing marched to the Japanese Embassy to protest against the recent approval of a history textbook in Japan, which they claim ignores Japan's WW II atrocities in China. The protestors also opposed Japan's diplomatic campaign to win a permanent seat on the United Nations Security Council. The emotional crowd shouted anti-Japanese slogans and threw stones at the buildings of the embassy compound. Protests soon spread to nearly forty major cities, from Shanghai and Guangzhou in the south, to Zhengzhou and Chongqing in central China, and to Tianjin and Shenyang in the north. This was the first nation-wide anti-Japanese demonstrations since 1985 and probably the largest mass demonstrations in China since June 1989. The Sino-Japanese relations which have worsened in recent years, plunged to their lowest point since the two countries restored formal diplomatic relations in 1972 (Qiu: 2006). There were similar protests in various parts of East Asia, namely South Korea and the Philippines. The countries, whether China, Japan, South Korea or any other South East Asian countries, the healthiness their bilateral relations has profound impact on APT, as they are the members of it.

Chinese security analysts, particularly military officers, fear that Japan could again become a great military power in the first quarter of the twenty-first century,

while Japan, they believe, would likely be more independent of U.S. control and generally more assertive in international affairs. If one considers threats posed only by military power and not who is wielding the power, one might expect Beijing to welcome the reduction or even elimination of U.S. influence in Japan, even if this meant China would have a more powerful neighbor. After all, the United States is still by far the most powerful military actor in the Western Pacific. However, given China's historically rooted and visceral distrust of Japan, Beijing would fear either a breakdown of the U.S.-Japan alliance or a significant upgrading of Japan's role within that alliance. Although Chinese analysts presently fear U.S. power much more than Japanese power, in terms of national intentions, Chinese analysts view Japan with much less trust and, in many cases, with a loathing rarely found in their attitudes towards the United States (Christensen: 2000).

Many argue that, by downplaying atrocities like the Nanjing massacre and underscoring events like the atomic bombing of Hiroshima and Nagasaki, Japanese elites portray Japan falsely as the victim, rather than victimizer, in the World War II. Because of this, some Chinese analysts fear that younger generations of Japanese citizens may not understand Japan's history and will therefore be insensitive to the intense fear of other regional actors regarding Japanese military power. This lack of understanding will make them less resistant to hawkish elites' plans to increase Japanese military power than their older compatriots, who, because they remember World War II, resisted military buildups during the Cold War.

Chinese analysts often compare Japan's failure to accept responsibility for World War II to the more liberal postwar record of Germany, which has franker discussions of the war in its textbooks, has apologized for its wartime aggression. During their November 1998 summit in Tokyo, Prime Minister Keizo Obuchi refused to offer an apology to China's forthright apology Japan offered to South Korea earlier in the year. This divergence in apologies will probably only complicate the history issue between Tokyo and Beijing. As economic competition has replaced military concerns in the minds of many Chinese, China's basic distrust of Japan has been transferred to the economic realm. Japanese business people are often described as unreliable, selfish, and slimy. As a result, despite five decades of peace and a great deal of economic interaction, chances are small that new Japanese military

development will be viewed with anything but the utmost suspicion in China (Christensen: 2000).

Japanese overall concern rises from particular Chinese actions or weapons developments – such as the increased numbers and improved accuracy of Chinese missiles – or provocative Chinese international behavior – such as missile firings near Taiwan or bullying of the Philippines over the Mischief Reef. China and Japan, the giants of Asia, account for nearly three quarters of the region’s economic activity and more than half of the region’s military spending. Despite their deep economic ties and a doubling of their bilateral trade in the past five years, their relationship is increasingly strained, with dangerous implications for the East Asia, and the world at large.

Historically, relations between Japan and China were clearly structured. One country was always more prosperous or powerful than the other. Before the nineteenth century China was usually dominant; since the Meiji Restoration, in 1868, Japan has generally been preeminent. The prospect that both Japan and China could both be powerful and affluent at the same time has only recently emerged, largely because while China’s economy and influence have grown rapidly, Japan’s have remained stagnant (Soderberg: 2002). Some liken current Sino-Japanese relations to the Anglo-German rivalry prior to World War I. As with the United Kingdom and Germany a century ago, the contest for regional leadership between China and Japan today is creating new security dilemmas, prompting concerns over Chinese ambitions in Japan and fears of renewed Japanese militarism in China. Both states are adopting confrontational stances, partly because of rising popular involvement in politics and resurgent nationalism exacerbated by revived memories of World War II; mutually beneficial economic dealings alone are not effectively soothing these tensions (Yang: 2002).

Many contentious issues confront China and Japan. Among the most pressing is their thirst for energy. Japan depends on imports for 99 percent of its oil and natural gas; coastal China is similarly bereft of sources. Thus the offshore oil and gas fields under the East China Sea are attractive “domestic” sources of energy for both Beijing and Tokyo-and both have laid claim to them. China argues that the entire East China

Sea continental shelf, extending eastward nearly all the way to Okinawa, is a 'natural prolongation' of the Chinese mainland. Japan has declared its boundary to be a median line between its undisputed territory and China—a line that runs through 100 miles west of the Okinawa through, which lies undersea just west of Okinawa and is where the richest petroleum deposits in the area are believed to be concentrated.

The conflict began escalating in May 2004 when China started serious exploratory operations in the Chunxiao gas fields, only four kilometers from the median line. Actions by both parties have since raised tensions. In November 2004, a Chinese nuclear power attack submarine intruded into Japanese water near Okinawa for more than two hours, ostensibly by accident. Since the spring of 2005, the number of flights into disputed airspace by Chinese military surveillance aircraft has risen to record levels. In May 2005, Japan's Ministry of Economy, Trade, and Industry (METI) authorized Japanese companies to explore contested areas for natural gas. On the eve of the Japanese elections in September 2005, Chinese warships patrolled near the now-active Chunxiao fields. In response, both Japan's ruling coalition, led by the Liberal Democratic Party (LDP) and the opposition Democratic Party of Japan (DPJ) have prepared bills proposing to protect the operations of Japanese drillers and fisherman in disputed waters—by force if necessary (Alder: 2006).

The Korean Peninsula and the Taiwan Strait also present challenges for the Sino-Japanese relationship and for regional stability. With nuclear power North Korea, Japan would have to feel threaten, and already publicly stated the need to preemptive strike, which will certainly unease China's intention to have a peaceful solution to the crisis. Beijing military buildup has implications for Tokyo: the missiles China has aimed at Taiwan could easily reach Japan's main islands as well as Okinawa, where 70 percent of U.S. defense facilities in Japan, including the Kadena Air Force Base, are located.

As Sino-Japanese tensions increase, it is becoming more and more likely that Japan will revise its constitution in ways that will allow the SDF greater freedom of action. The prospect, however distant, of Japanese remilitarization has a disturbing historical resonance in the region. Although World War II is more than a half century in the past and Japanese expansionism in Asia dates back another half century still,

this history continues to haunt relations between Japan and China. In China, the legitimacy of the Chinese Communist Party (CCP) is bound up with its perceived role as the strong defender of national interest during the war against Japan.

In the spring of 2005, 44 million Chinese signed an electronic petition opposing Japan's quest for a permanent seat on the UN Security Council. Positive sentiments toward China among Japanese also declined dramatically. According to polls conducted by the secretariat of Japan's cabinet, 1 October 2005, only 32 percent of respondents felt warmly toward China, down from 38 percent in 2004, and more than 75 percent during the 1980s before the Tiananmen Square incident (Alder: 2006).

Another issue that has deteriorated the two countries' relations has come from the constant refusal from former Japanese Prime Minister to stop his visits to Yasukuni Shrine. Koizumi has visited the Yasukuni Shrine in Tokyo five times in four years, a memorial where the names of the fallen of Japan's wars are enshrined—including 14 convicted Class A war criminals from World War II. Only the other two sitting prime ministers in the past twenty years visited the shrine at all, and each only went once. In Japan, opinion over Koizumi's visits to Yasukuni is almost split, with six former prime ministers and five of Japan's six largest newspapers opposing it. Koizumi has consistently stressed the personal and unofficial nature of the visits to the shrine, nevertheless the action and the standard depiction of the war in Japanese textbooks has sparks major demonstrations in Beijing and Shanghai in April 2005, just two months after US-Japan Security Consultative Committee meetings, at which Washington and Tokyo decided to make a priority of peacefully resolving Taiwan Strait issue. Sino-Japanese relations have deteriorated so much that at that time; the Japanese speaker of the lower house of parliament and six former prime ministers took the unprecedented step of advising Mr. Koizumi to cease his visits to Yasukuni Shrine. One of the six former prime ministers to issue caution was Yasuhiro Nakasone. Mr. Nakasone is a self-styled nationalist, who in 1985 made a point of declaring that he was visiting the shrine in his official capacity as prime minister, and whose example Mr. Koizumi has been following. But now, Mr. Nakasone is warning that a prime minister should consider national interest before any personal conviction (Alder: 2006).

Beijing opposition to Tokyo's bid for a permanent seat in a reformed United Nations Security Council, for instance, is as much about power and influence as it is about pride and prestige. China is clearly unwilling to forgo its pride of place as Asia's sole representative in the select international forum. Japan's diplomatic leaders have been making a serious effort toward attaining a permanent seat but, while the majority of the Japanese support their country's bid, it is not clear whether the Japanese want to participate in a competition for pride and prestige with China that such a bid entails. Japan still has the upper hand—that is the general sentiment of the Japanese public, but not for the seemingly obvious reason. The Japanese tend to think of economic status in per capita rather than gross terms. They are concerned about personal prosperity over national wealth. In per capita terms, the Japanese are still more than 20 times richer than the Chinese (Tamamoto: 2005).

One other lightening perspective comes from the Chinese side that would restrain its action too harsh towards the Japanese is an argument put forward by Erica Strecker Downs and Phillip C. Saunders (2000) about Chinese growing nationalism, who argued that the current aggressive Chinese nationalism are overstated, or at least premature. Several evidences are presented to suggest this notion. In examining the Chinese behavior in two territorial disputes with Japan over the Diayou (Senkaku) Islands, the Chinese government proved willing to incur significant damage to its nationalist credentials by following restrained policies and cooperating with the Japanese government to prevent the territorial disputes from harming bilateral relations. When forced to choose, Chinese leaders pursued economic development at the expense of nationalist goals.

China's top political leaders have sought to restore the regime's legitimacy following the Tiananmen incident by appealing to nationalism and by raising living standards. Both are potentially important sources of legitimacy, but economic performance matters to a wider segment of the population. Ideally, the CCP would like to maximize its legitimacy by making strong appeals to nationalism while simultaneously raising living standards, but power constraints and the contradictions between domestic appeals to nationalism and a development strategy that relies heavily on foreigners mean trade-offs exist between nationalism and economic performance.

Later on, both provide further explanations on some constraints that Beijing is facing to prevent them from leaning too heavily on either nationalism or economic performance. The first (and firmest) constraint is China's international power position, which limits its ability to attain nationalist objectives. Excessive nationalism can stir up demands for assertive international policies that Chinese leaders cannot presently satisfy. Conversely, maximizing economic growth to create new jobs requires China to make economic concessions and to accept a politically uncomfortable degree of economic dependence on foreigners. The second constraint is international reactions to Chinese behavior and rhetoric. Excessive nationalism may affect the willingness of other states to trade with and invest in China or even stimulate military reactions. On the other hand, pushing towards economic development will likely require accepting foreign demands for restraint in China's military buildup. The third constraint is domestic reactions. If Chinese leaders push nationalism so far that it interferes with economic growth, they are likely to increase unemployment and popular discontent. For that matter, any severe external shock that affects the Chinese economy could hurt the government's legitimacy. Conversely, if Chinese leaders pursue economic development at the expense of nationalism, the government will be vulnerable to criticism from economic nationalists on the grounds that they are selling out China's interest to foreigners (Downs & Saunders: 2000). In the case of Sino-Japanese relations, Tokyo fully understands that the Chinese regime may damage the regional stability; thus has shown low responses to anti-Japanese polemics in their official media.

By using China and Japan case, it is argued that the conflicting interests among the APT members could hamper their cooperation at the regional level. The wiliness of both China and Japan to become regional leadership, therefore led competition, rather than cooperation. Likewise, numbers of the ASEAN countries are competing with China in terms of inexpensive production and investment attractions, which may not wish to deepen regional cooperation, but consider as rival. Moreover, relations among the ASEAN countries, China and ASEAN countries have been troubled by border disputes, which could implicate negative results in the APT framework.

3.1.4 Strategic Factors

Several strategic factors also obstruct cooperation among the member states of APT. The nature of the bilateral relations among its members would largely determine success or failure of any multilateral institutions/mechanisms. For instance, the nature of relationship between China and Japan or Japan and Southeast Asia, and their commitments in cooperation can also be determined the success and failure of the APT.

Some security analysts argue that there is a growing phenomenon of global rivalry between China and the United States, Japan's main sponsor and ally. In the theater of Southeast Asia, the stakes are high, as the United States and Japan attempt to play the 'India card' against China. They (and particularly Japan) also seek to influence the post-East Asia Summit (EAS) regional architecture in East Asia, especially when both Beijing and Tokyo will be seeking to lead the future East Asian Community in a real case of two major powers rising concomitantly in this region (Cheow: 2003).

There has been notable success for both Beijing and Japan in Southeast Asia, as for Beijing, it sends out clear overtures to ASEAN and as the latter reciprocates the former. Japan has also been a major player in ASEAN since the Fukuda Doctrine went into effect in the late 1970s. In fact, between 1995 and 2003, Japanese Foreign Direct Investments (FDI) into the ASEAN-10 amounted to US\$28 billion, whereas Chinese FDI was only a mere US\$0.5 billion (ASEAN Statistical Yearbook: 2004). This discrepancy bears witness to the Chinese position in its competition with Japan, and hence Beijing had to resort to other means of seducing ASEAN states. It has been reported officially by the Chinese Commerce Ministry that Chinese FDI totaled US\$1.085 billion by the end of 2005, whereas ASEAN's accumulative FDI into China had reached US\$38.5 billion.

But, the overall Chinese influence in Southeast Asia has grown manifold through regional multilateral institutions, such as Asian Regional Forum (ARF), and has remarkably expanded. In the last decade, a number of Confidence Building Measures (CBMs) grew between China and Southeast Asian nations, and it helps to increase technological and economic interdependence throughout the region, and the

neutralization of several formerly antagonistic bilateral relationships. Consequently, the structure of power and the nature of the regional system are being fundamentally altered. Here it can be noted that former U.S. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill (2005) said, 'China's most dramatic diplomatic, political and economical gains of the past few years have been in Southeast Asia.'

Particularly in Southeast Asia, China's growing economic and military power, expanding political influence, distinctive diplomatic voice, and increasing involvement in regional multilateral institutions are key developments. Such bilateral improvements at the expense of multilateral developments between China-Southeast Asia or Japan-Southeast Asia may hamper the larger regionalization project.

There are other major conflicting interests among the APT members; this could constrain cooperation. Not only China, South Korea and to a lesser extent some countries of Southeast Asia, resent Japan's refusal to take responsibility of its actions throughout the region during the Second World War. Furthermore, a number of the ASEAN states compete directly with China in terms of low-wage labor intensive export manufacturing industries and may not wish to deepen regional cooperation with their immediate rival. As well, a widening gap between such rich countries as Singapore and Japan and such poor countries as Indonesia and Vietnam creates a divergent set of interests among the APT member states that can inhibit economic cooperation (Stubbs: 2002). Besides, all the achievements that China has gain in the last few decades, there are also many challenges of China in relation with Southeast Asia, for instance, whether ASEAN goods could compete with Chinese goods at the Chinese market or not (?). The growing energy demand of China, dams in Mekong River, the South China Sea dispute, Chinese military modernization may confer threat perception to its neighbors, and importantly U.S.-Japan-India initiatives to improve relation with ASEAN would hindered China's interest in the region (Lal: 2008). All such issues may have serious implications, and would hinder deeper process of regionalization in the region.

3.2 Prospects of APT

The previous chapter has discussed about the East Asian economic dynamism and main rationale behind the development of regional institutional frameworks due to several external and internal factors. The main factors had included APT as a response to trading groups like EU and NAFTA, inability and reluctance of the international financial institutions such as World Bank, IMF to cop up with Asian Financial Crisis (1997), necessity of the regional financial co-operation, etc. Various areas of co-operation in the region have also been mentioned. Since APT framework has begun, cooperation has broadened and deepened in the region. Cooperation is now being pursued in food and energy security, financial cooperation, trade facilitation, disaster management, people-to-people contacts, narrowing the development gap, rural development and poverty alleviation, human trafficking, labor movement, communicable diseases, environment and sustainable development, and transnational crime and counter-terrorism¹. There are 64 mechanisms coordinating APT cooperation: 1 summit, 16 ministerial, 23 Senior Officials, 1 Directors-General, 17 technical level meetings and 6 other tracks meetings (APT Cooperation: 2010).

3.2.1 Economic Cooperation

Theoretically there are two contrasting views on the political relationship in East Asia. A political scientist looking at international relations with the rationale of the balance of power approach would probably conclude that the differences between East Asian nations' national interests were irreconcilable, adjustment issues arising from bilateral economic closeness were just minor issues before major one emerge.

China distrusts of Japan, Vietnam's suspicion of China, Malaysia's unfriendly relations with Indonesia and so on seem to unable to resolve the legacy of its controversial past. For instance, China feels uneasy about an Asia dominated by an economically and technologically strong Japan, which is allied by a security treaty to the US and has close links to Taiwan. Japan, on the other hand, is challenged by rapidly growing and advancing China striving to reassume its central, dominant position in Asia. Moreover, Japan is wary of China's increasing military capacities.

But, as mentioned in the previous chapter an economist may look under the assumptions that economic relation between Japan and China or any other country in the region has a scope of complimentary. And, this scope of complimentary can be cropped at the optimum through a 'coherent regional institutional mechanism' like APT. For instance, China or Indonesia has abundant natural resources and cheap labor, as well as a fast growing market. These are all factors that Japan needs for its economic security. Japan, on the other hand, possesses all the capital, technology and human skills they need for their modernization and industrialization. So, Japan can also utilize Chinese resources for the manufacture of low-cost products for the world market. Furthermore, the increasing supply of low-cost Chinese products improves Japan's international terms of trade. Hence, by virtue of complementary economic patterns, both Japan and China can enhance their welfare if they increase bilateral trade and intensify their economic integration.

By economic reasoning, cooperation is certainly the prevailing element in East Asian economy and business relations. The transformation of socialist economies to a capitalist market system are so far advanced that the economic relations in the region are widely based upon free trade, which is favorable for economic cooperation. Not only enhancing internal economic cooperation, the APT forum can strengthen East Asian economic cooperation and financial stability in the region on three major accounts, namely; the establishment of a common market, a competitive regional trading bloc and a strong mechanism or institution to deal with financial crisis.

First, the emerging East Asian trading relation has been given an extensive economic networks, and flood of FDI that has swept through the region. Japanese investment in East and Southeast Asia since the late 1980s, the region has seen a marked rise in investment by the richer economies of East Asia in their neighbors. For instance, Taiwanese businesses have invested heavily in Malaysia; Singapore investors have played a major role in the development of Vietnam; and Japanese, Hong Kong, and Thai businesses have invested in China. These cross-cutting investment patterns have helped to knit the region's economy together. Such development of Asian regionalism is called by Simon S. C. Tay as 'rising sense of East Asian Identity' (Stuffs: 2002).

The assertions of such extensive economic interaction as a result of regionalism are supported by the statistical data. According to an ASEAN report of 29 November 2010, despite the global economic slowdown, ASEAN trade with the Plus Three countries remained robust. Trade with these countries reached USD 413.8 billion in 2009, declining by only 15.5 per cent compared to USD 489.5 billion reported in 2008, registering a 27% share of total ASEAN trade last year. The 2009 value of total trade between ASEAN and its Plus Three Dialogue Partners was still higher than its pre-crisis level of USD 405.4 billion in 2007. In terms of foreign direct investment (FDI), total flows of FDI from the Plus Three countries into ASEAN were still strong with a slight decline of 1.3% from USD 8.4 billion in 2008 to USD 8.2 billion in 2009 (APT Cooperation: 2010).

Second, as Masahiro Kawai (2005) argues regionalism elsewhere, including the formation of an economic and monetary union in Europe and the European Union's expansion to the east as well as the success of NAFTA and its move to the Free Trade Area of the Americas (FTAA) in the Western Hemisphere, is the first factor that has motivated the East Asian economies to pursue regional trade arrangements. Governments in East Asia fear that unless they develop their own regional trade arrangement, they will be disadvantaged in global competition and multilateral negotiations. They have increasingly realized the importance of uniting themselves to gain bargaining power vis-à-vis the European Union, the United States and other groupings. The slow progress of the WTO/Doha liberalization process and the perceived ineffectiveness of the APEC process have stoked these fears. Policymakers in East Asia are increasingly of the view that they need to secure a bigger market within their own region so that scale economies and dynamic efficiency gains can be exploited. They believe East Asia's RTA can help raise both productivity and international competitiveness. This is one of the key reasons behind the initiative of East Asian Integration, and namely APT. Otherwise, the region would be weaker and lose its competitiveness in global trade and financial establishment.

Third, the affected countries of the 1997 Asian Financial Crisis were unsatisfied with response of the international financial institutions such as IMF, World Bank into the crisis. It was also a lesson for all the countries of East Asia, to counter such issues in the future. So, they established Chiang Mai Initiative (CMI),

which has been a part of APT, helped the affected economies and to regulate financial activities in the region.

3.2.2 The Chiang Mai Initiative

CMI is a multilateral currency swap arrangement among the APT members including Hong Kong is the most concrete achievement of APT so far. It was launched at a meeting of ASEAN+3 finance ministers in Chiang Mai Thailand in May 2000. The ministers agreed on a bilateral currency swap to strengthen regional capacity to counter future financial crisis. The joint ministerial statement of the meeting issued at a press conference stated “in order to strengthen our self-help and support mechanism in East Asia through the APT framework, we recognize a need to establish a regional financing arrangement to supplement the existing international facilities” (People’s Daily May 7: 2000)

The meeting was held on the sidelines of the 33rd Annual Meeting of the Board of Governors of the Asian Development Bank. The initiative involves an expanded ASEAN Swap Arrangement and a network of bilateral swap and repurchase agreement facilities among APT countries. To further sustain the stronger recovery in the region, the ministers agreed to strengthen their policy dialogues and regional cooperation activities in the areas of capital flows monitoring, self-help and support mechanism and international reforms. The meeting also agreed to use the APT framework to facilitate the exchange of consistent and timely data and information on capital flows. The ASEAN Secretariat was requested to lead and coordinate a study on other appropriate mechanisms that could enhance the group’s ability to provide sufficient and timely financial support to ensure financial stability in the East Asian region (Report on ASEAN-Japan Consultation Conference: 2000).

They announced a broad set of objectives for financial cooperation, involving policy dialogue, monitoring of capital flows, and reform of international financial institutions. The finance ministers would also later add bond-market initiatives and regional bond funds to their agenda for regional cooperation. But at Chiang Mai their core objective was to establish a network of Bilateral Swap Arrangements (BSAs)

between Northeast and Southeast Asian members. As these BSAs were negotiated and concluded over the subsequent years, their number grew to 16, although the number in effect at any one time varies, as these arrangements lapse and are renegotiated and reinstated (Henning: 2009).

The finance and monetary cooperation among the APT members has been progress and continues to focus on the implementation of the Chiang Mai Initiative Multilateralization (CMIM) and the Asian Bond Market Initiative (ABMI). At the 13th APT Summit held in October 2010, the Leaders welcomed the realization of the Chiang Mai Initiative Multilateralization (CMIM) on 24 March 2010 and the operationalization of the APT Macroeconomic Research Office (AMRO) in early 2011. The AMRO will be located in Singapore to monitor and analyze regional economies, which contributes to the early detection of risks, swift implementation of remedial actions, and effective decision-making of the CMIM. The Leaders also welcomed the establishment of the APT Bond Market Forum (ABMF) and the Credit Guarantee and Investment Facility (CGIF) and expected the CGIF's operationalization before the end of 2010. The CGIF is a trust fund from ADB with an initial capital of USD 700 million, while ABMF is a common platform to foster standardization of market practices and harmonization of regulations relating to cross border bond transactions in the region (APT Cooperation: 2010). Such developments proved the ability of the East Asian economies to regulate and strengthen the regional economy, and would help to mitigate the possible future crisis.

3.2.3 APT and Political Cooperation in East Asia

The Asian Financial Crisis is an important landmark in the establishment of APT in both economic and political terms. This new forum has elicited great interest partly because it comes at a time when ASEAN is perceived to be unable in recovering from the onslaught of the 1997 financial crisis. On the other hand, Northeast Asia appears with resurgent economic prospects, while its political outlook has been greatly enhanced by the recent rapprochement between North and South Korea. Thus, the forum comes at a time when ASEAN could use a fresh infusion of

political stability and economic dynamism, the very factors that are imparting its Northeast Asian counterparts with new found strength (Alatas: 2001).

So, the APT forum can be looked in several considerations have made East Asian cooperation. First, economic interdependence, especially in the areas of trade, investments and transfer of technology are already facts of life in the region. For several decades now, the economies of East Asia have been undergoing a process of informal integration. There are Japanese investments and the workings of overseas Chinese business and financial networks, at this juncture the APT can enhance this process by providing the precise institutional frameworks, and it has achieved to cooperate in many sectors as mentioned in chapter 2. There has also been a strong political will to enhance mutually beneficial cooperation in East Asia. On the ASEAN side, a significant manifestation of this political will has been the early advocacy of Malaysia's Prime Minister, Dr Mahathir, for the establishment of an East Asia Economic Caucus (EAEC).

Since its establishment in 1997 up to 2010, several initiatives have been made in political and security areas. The APT countries reaffirmed at the 13th APT Summit in October 2010 in Ha Noi that the APT process with ASEAN as the driving force would continue to be a main vehicle to achieve the long term goal of building an East Asian community and contribute to the sustainable development in the region. The Meeting also reaffirmed their strong support for ASEAN's central role in the existing regional mechanisms and in the evolving regional architecture. The Meeting recognized the mutually reinforcing and complementary roles of the APT process and other regional fora such as the East Asia Summit (EAS) and the ASEAN Regional Forum (ARF) to promote East Asian community building (APT Cooperation: 2010).

Another important development in the region is China's projection of soft power and the commitments in multilateral institutions in the last few decades. Today, China's relations with its neighbors in the region are an important part of its diplomacy, because of their special geopolitical and economic relationship. Regarding the Chinese diplomacy in the post-Cold War, Yang Bojiang (2006) argues at three primary ways. First, China's challenges can only be managed through international cooperation, rather than by individual-country efforts or those of small

coalitions. Second, states share many common political, economic, and security interests, all of which create symbiotic relationships. The prosperity or downfall of one state may bring others the same. It is thus increasingly unrealistic to envision the international arena as a zero-sum game and more possible to develop non-zero-sum scenarios. Finally, this new era brings with it a larger role and influence for international norms and organizations, both of which now have greater bearing on state relations.

It seems that China has committed itself to realizing of positive and cooperative relations with other powers, mainly its neighbors (Bojiang: 2006). According to the 'peaceful rise theory' China does not aim to challenge the existing international structure but desires to engage in strategic dialogue and cooperation with current powers. There are other lines of arguments that China's accession to the WTO represents it is no longer a challenger to the regional and international community. But instead, it is becoming a cooperative constructor, defender, and responsible stakeholder, promoting dialogue on issues such as anti-terrorism, nonproliferation, the 'six parties talks' for denuclearization of the Korean peninsula, and the foreign trade imbalance and exchange regime. Even in dealing with Taiwan, China has been engaging in dialogue on the track-two level with the United States, Japan, and the European Union for several years.

Besides the economic and political cooperation, various initiatives of cooperation has been made in social, cultural and human security sectors, namely the 4th APT Health Ministers' Meeting on 23 July 2010 in Singapore, the Meeting noted the achievement made by the ASEAN Plus Three Emerging Infectious Diseases (EID) Programme. This programme assisted in enhancing regional preparedness and capacity through integrated approaches to prevention, surveillance and timely response to emerging infectious diseases, including avian and pandemic influenza. The Ministers also endorsed the establishment of the APT Partnership Laboratories (APL) to further strengthen the laboratory surveillance and networking within the region (Meeting Press Statement: 2010).

On disaster management, the APT International Conference on Disaster Management was held on August - September 2010 in Tokyo. According to an AESAN statement (2010) on APT cooperation, the Meeting further recommended;

- i) to encourage each ASEAN Plus Three country to accelerate implementation of disaster management projects considering bottom up approach and centering on people;
- ii) to encourage each ASEAN Plus Three countries to further strengthen regional cooperation on disaster management by sharing information, expertise and technologies as well as allocating necessary resources with appropriate priorities;
- iii) to consider conducting a project with a theme of disaster management focusing on prevention in urban cities and communities with financial assistance by the APTCF;
- iv) to utilize existing APT cooperation framework such as the Network of East Asia Think Tanks to follow-up the suggestions made at the conference;
- v) to encourage members to carry out the research and development with regard to the linkage between climate change adaptation and risk reduction; and
- vi) also to encourage other partners countries for further cooperation and international organization for further assistance to efforts by ASEAN Plus Three countries in the area of disaster management.

3.3 Summary and Conclusion

With a focus on APT challenges and prospects of East Asian regionalism have been discussed. Among the challenges, the establishment of strong regional and financial institutions such as APT and CMI is not being welcome by the U.S. and major international financial institutions like IMF, World Bank, etc, so they may

lobby to undermine it. There are also calculations that the APT framework would probably be dominated by China. Such calculations by Japan, Indonesia, Thailand, Vietnam, etc favorably affected the deeper regionalization process of APT, and at this framework, no one could balance with China in security and political terms. Such anxiety among its members is also another major obstacle in deeper process of regionalization. On strategic fronts too, there are competitions among the members of APT.

But, the main objective of regionalism is to strengthen regional economic and political cooperation for mutual benefit. It also provides a forum for dialogue and discussion to bridge the differences, so APT would also serves such assumptions to mitigate tensions in the region. Since APT framework has begun, cooperation has broadened and deepened in the region. Cooperation is now being pursued in food and energy security, financial cooperation, trade facilitation, disaster management, people-to-people contacts, narrowing the development gap, rural development and poverty alleviation, human trafficking, labor movement, communicable diseases, environment and sustainable development, and transnational crime and counter-terrorism¹. There are 64 mechanisms coordinating APT cooperation: 1 summit, 16 ministerial, 23 Senior Officials, 1 Directors-General, 17 technical level meetings and 6 other tracks meetings.

One of the greatest achievements of APT is CMI on bilateral currency swap arrangements to strengthen regional capacity to counter future financial crises. In terms of political cooperation, it is the first mechanism to bridge Northeast Asia and Southeast Asia. This forum provides a fresh infusion of political stability and economic dynamism in the East Asian region. Cooperation is extended on various social and cultural sectors.

Chapter 4

APT AND OTHER EAST ASIAN MULTILATERAL MECHANISMS

The above chapters have discussed about the importance of regionalism, achievements, challenges and prospects of East Asian regionalism, with a focus on APT. It is important to maintain internal peace, prosperity and development. So, East Asia must take measures to overcome impediments to regional cooperation. There are different speculations that which mechanism, framework, and whose leadership would play greater role in order to achieve a concrete institutionalization of regionalism in East Asia. China is pursuing to strengthen APT framework. China and ASEAN have signed a Framework Agreement on Comprehensive Economic Cooperation in November 2002. Japan has also moved the bilateral agreement; it has now negotiating several Free Trade Agreements with Singapore, Indonesia, Thailand, etc. And, Japan has finally signed the ASEAN-Japan Comprehensive Economic Partnership 2008. It has seen here that ASEAN is the main driving force of East Asian regionalism, even though; it has relatively smaller economic size compare to China or Japan.

Another significant development in the history of East Asia integration process is that the historic Summit on December 14, 2005, after the annual APT Summit, the APT countries and another plus three countries namely; India, Australia and New Zealand convened for the first East Asia Summit (EAS). In this forum Japan stressed the importance of developing a clear concept of an East Asia Summit and proposed a two-tiered approach that draws on the strengths of both APT and other important regional partners. As APT is a critical element of East Asia community building, Japanese officials believe with an expanded regional forum like the East Asia Summit (EAS), featuring participation by major economies like India, Australia and New Zealand, forming an inclusive and complementary element of regional integration (Tanaka: 2006). This chapter will examine the nature of engagement

between the APT and other initiatives like ASEAN, APEC, most importantly EAS, and to what extent their objectives effect in promoting regionalism in East Asia.

4.1 ASEAN and East Asian Regionalism

Without ASEAN, it is impossible to study about the origin of regionalism in East Asia. It was formally established at Bangkok on 8 August 1967, it brought together five countries; Indonesia, Malaysia, Thailand, Singapore and the Philippines, in the most remarkably divergent group of states. In later periods, its membership was extended to another five countries of Southeast Asia; Vietnam, Brunei, Myanmar, Cambodia and Laos, currently consisting of ten countries. Not only were its members very dissimilar in terms of their physical size, ethnic composition, socio-cultural heritage and identity, colonial experience and postcolonial politics, they also lacked any significant previous experience in multilateral cooperation. Since cultural and political homogeneity could not serve as an adequate basis for regionalism, the latter had to be constructed through interaction. Such interactions could only be purposeful if they were consistent and rule based, employing those rules which would ensure peaceful conduct among the member states.

ASEAN's diplomacy is based on six core norms: sovereign equality; the non-recourse to the use of force and the peaceful settlement of conflict; non-interference and non-intervention; the non-involvement of ASEAN to address unresolved bilateral conflict between members; quiet diplomacy; and mutual respect and tolerance (Haacke: 2003). David Capie and Paul Evans (2003), explain the approach of an 'ASEAN Way' among their characteristics to be noted is a 'sovereignty enhancing regionalism,' where most decision making powers stays in the various national capitals. In a sense that the member states does not seek to create a supranational authority, nor a political union, ASEAN's institutional resources reflects its preference for informality. To point out this weakness they would avoid some formal term such as 'multilateral security mechanism' in the ASAN Regional Forum, rather opted to use a 'dialogue forum'.

The preference of the 'ASEAN way' for informality can also be seen in the Association's use of consultative processes such as 'habits of dialogue' and non-binding commitments rather than legalistic formula and codified rules. According to Khong Yuen Foong, 'ASEAN officials have contrasted their approach to that emphasizes legal contracts, formal declarations, majoritarian rules, and confrontational tactics'. Advocates of the 'ASEAN way' also stress the importance of patience. Former Malaysian Prime Minister Mahathir has described it as the first task of any dialogue process as 'tedious business of getting to know one another' (Capie and Evans: 2003).

Another important element of the 'ASEAN way' is its particularity of consensus. Some accounts trace the origins of ASEAN's deeply-rooted preference for consensus to Javanese village culture, in particular its twin notions of *musyawarah* and *mufakat*. Herb Faith (Acharya: 2001) has described *musyawarah* as a psychological disposition on the part of the members to give due regard to the larger interests. It is a process of discussion and consultation, which at the village level meant the leader should not act arbitrarily or impose his will, but rather should make gentle suggestions of the path the community should follow, being careful always to consult all other participants fully and to take their views and feelings into consideration before delivering his synthesis conclusion. *Mufakat* is the consensus reached through the process of *musyawarah*. It is important to note that ASEAN's approach to consensus should not be confused with unanimity. Where there is broad support for a specific measure, the objections of a dissenting participant can sometimes be discounted, provided the proposal does not threaten that member's most basic interests.

These core ASEAN's norms are considered as an abiding norms of APT and EAS. Some scholars talk about the 'Concentric Circle Model' of the regional integration process of East Asia as ASEAN at the centre, APT at the next band and the EAS at the outer band. This model is supported by the Second Joint Statement on East Asia Cooperation Building on the Foundations of APT Cooperation (2007), stated that ASEAN's goals of building an open, dynamic and resilient ASEAN Community by 2015, in the security, economic and socio-cultural pillars, and narrowing the development gap within the ASEAN member Countries. The APT

members welcome the signing of the ASEAN Charter and shared the view that a united and resilient ASEAN is essential to ensuring regional stability and prosperity.

The statement further said that ASEAN is the driving force to reaffirmed that the APT Process towards the long-term goal of building an East Asian community. Appreciated ASEAN's significant contributions by making the ASEAN-China, ASEAN-Japan and ASEAN-ROK processes to the overall cooperation within the APT. ASEAN also reinforcing and complementary roles of the APT process and such regional fora as EAS, ARF, APEC and ASEM to promote East Asian community building (Joint Statement APT Cooperation: 2007).

It is clear that ASEAN plays significant role in the regional integration process of East Asia, aiming for an open, transparent, inclusive, and forward looking process for mutual benefits, peace and stability in the region. So far, any regional integration arrangements in East Asia are centered on it. And, APT members, particularly China and Japan, have helped the ASEAN economy to regain its momentum after the Crisis; several sectors have been cooperated between ASEAN and the Plus Three economies so far as mentioned at the earlier chapter. But, there are also some major challenges in strengthening regionalism in the region. Moreover, most economic partnerships between ASEAN and its Plus Three countries are based on bilateral agreements, for instance; China-ASEAN (2002) or China-Japan (2008), etc. It would probably be undermined the efficiency of APT, and to transformed ASEAN as place for competition of the big powers. Even though, comparing with the past political and economic situations, the achievements of ASEAN and APT, and partnership is encouraged in the region.

4.2 APEC and APT

Asia-Pacific Economic Cooperation (APEC) is a forum for 21 Pacific Rim countries/political entities. Most of the major East Asian economies are its members, which has overlapping their memberships with the APT. It was established in 1989 in response to the growing interdependence of Asia-Pacific economies and the advent of

regional economic blocs, such as the European Union and the North American Free Trade Area in other parts of the world. Among its economies, the U.S. is largest.

U.S. sees APEC as an opportunity to push East Asia countries to promote rapid trade liberalization, as Washington continued to view them as free riders on the liberal trading system. It actually wishes to emphasize this grouping into a result oriented. However, U.S. leadership was drove all the major initiatives in APEC's first decade, the establishment of leaders' meetings, the Subic Bay statement in support of the Information Technology Agreement, and the Early Voluntary Sectoral Liberalization (EVSL), were all U.S.-led projects. The ideas for these initiatives may have originated elsewhere but it was the U.S. government that carried them to fruition (Revenhill: 2001). Yet, if Washington played a major role in pushing through the principal initiatives of APEC's first decade, it is by no means always secured the outcome it desired. Despite their best efforts, U.S. has failed in its efforts to move APEC away from the concept of open regionalism, defined as non-discriminatory economic integration.

The United States was essentially a demander in APEC. Its economy was already the most open in the region, with the exception of those of the small city-states of Hong Kong and Singapore. Washington's position in APEC, therefore, was one of making demands on others to accelerate their trade liberalization but without the capacity to offer 'concessions' of its own. The United States immediately face an uphill battle in an institution where consensus was required.

APEC governments that failed to comply with the commitment to move towards trade liberalization would suffer no penalties, other than the damage that continued protection might inflict on their domestic economies. The record of APEC development shows that without enforcement mechanism, economic integration will be shallow. The EVSL debacle reinforced perceptions in Washington that the institution was ineffective; simultaneously it alienated the government of Japan, which subsequently directed its energies to building regional collaboration into other channels (Revenhill: 2000).

Moreover, many East Asian economies felt that within the APEC framework, the U.S. initiated most agendas and initiatives, which are unsuitable for them. Dr.

Mahathir is one of the champions of this idea. Here, his remarks for a regional framework of an *Asian Caucus without Caucasians* (the Americans and Australians) for the development of East Asia can be mentioned (Malik: 2006). Other major economies in the region like Japan and China also see it as lack of opportunity for them; this is one of the major reasons for the weakening of APEC, and the establishment of other frameworks, such as APF. Besides, APEC cannot be effective due to huge collection of economies and their geographical extends and extremely diverse level of economic developments. So, East Asian economies began to look other viable alternatives, and APT is one of them. In the present frameworks of APT or EAS, if the U.S. lobby its allies; Japan, Australia, etc against deeper regionalization process, such frameworks perhaps be ineffective.

4.3 India and East Asian Regionalism

Before going into details about EAS, it would be relevant to look the importance of India in East Asian regionalism, as so far India has not been in the context. Particularly, the post Cold War era, predominantly strategic and militarized perception of security has transformed in Southeast Asia into economic centric, and it has become India's main priority area in its foreign policy due to several reasons; economic and political objectives, and other strategic considerations like China factor. In the post Cold War period, India began to engage with the region's affairs extensively in formal and informal sense, such engagements are important as a prerequisite factor in India's membership in forums like EAS.

In the early 1990's when India launched its Look East Policy (1991). It was coincided with the period when India had launched its economic reforms. With India's obsession towards Pakistan and with its preoccupations with China, the South East Asian region did not figure much in its foreign policy till the early 90s. South East Asia was a growing market with countries like Malaysia, Singapore and Indonesia. China had already entrenched itself deeply in most of these countries over a period of time. Though some analysts pointed out that by launching this policy India was trying to balance China's influence in this region, India had often reiterated that it was not competing with China in any manner. India had to go beyond the confines of

SAARC if it had to reap the benefits out of the economic potential of the South East Asian region and establish itself as a regional power (Kuppuswamy: 2010).

In India's Look East policy, economic is the main priority, but China factor is always high on India's security calculations. The region (SEA) is also share its territorial and maritime boundaries with India, and has geo-political and economic interests. Since the policy was launched, India has strengthened its bilateral relations with all the South East Asian nations in the last two decades.

High level visits of heads of states from most of these nations have taken place. India has entered into bilateral Free Trade Agreements (Thailand) and economic cooperation agreements (Indonesia and Singapore). The high point of India's relations with Malaysia is the defence cooperation which began in 1993 and has developed over the years with annual meeting of the defence secretaries, military training and supply of defense equipment. Special attention is being paid to the three economically under developed countries, Cambodia, Laos and Vietnam, where there is enough scope and opportunity for India to extend its influence. Indonesia and Singapore has helped India to get into the EAS despite objections from some other ASEAN members and China. Of all the South East Asian nations, Myanmar has a special place from India's strategic and security perspective, it shows winning of India's friend's in the region.

China has already established close relations with SEA, having strong economic interactions and political presence may bring India into the regional affairs speedily. It nevertheless needs to be underscored that there are at present no signs of major rivalry between India and China in Southeast Asia. Although, India's involvement in the region has profound impact in various fields, after the initial Sectoral Dialogue Partnership with ASEAN in 1992, India has become a full Dialogue Partner in 1995. Realising its potential to contribute to regional security and economic development, India was made a member of the ARF in 1996, and a summit partner of ASEAN called ASEAN Plus One since 2002. India has also acceded to ASEAN's Treaty of Amity and Cooperation (TAC) to underscore its commitment to ASEAN's principles for inter-state relations. Simultaneously, one can see a

remarkable development in India's bilateral relations in particular with Singapore, the Indochina countries, Thailand, Malaysia, Myanmar or Indonesia (Naidu: 2004).

Besides, India has made several sub-regional multilateral initiatives in East Asia, which has helped India's stronger presence in the regional affairs. Sub-regional mechanisms such as Bay of Bengal Initiative for Multi Sectoral Technical Cooperation (BIMSTEC), Mekong Ganga Cooperation (MGC), etc, India has taken a leading role in these grouping. The second BIMSTEC Summit was held at New Delhi in November 2008. India has set up a Tsunami Warning Centre to extend information exchange and data sharing arrangements with BIMSTEC countries. In addition to the 300 scholarships offered under the Indian Technical and Economic cooperation Programme (ITEC) 150 more offered to BIMSTEC countries (during the summit in Delhi) of which a report indicates that 80% have been utilized. Negotiations are underway for a BIMSTEC Free Trade Agreement in goods. The last BIMSTEC ministerial meeting held in Myanmar in December 2009 was attended by External Affairs Minister S.M. Krishna, where Climate Change was identified as one more area of cooperation. Since January 2007 India holds the Chair of the MGC. When completed the Asian highway project is expected to link up Singapore with New Delhi in South Asia via Kuala Lumpur, Ho Chin Minh city, Phnom Penh, Bangkok, Vientiane, Chiang Mai, Yangon, Mandalay, Kalemmyo, Tamu, Dhaka and Calcutta. India has already taken the first step in this direction and has built the road linking Moreh (Manipur) to Kalemmyo, a key communication junction in the center of Myanmar (Kuppuswamy: 2010).

While looking at the Look East policy as a pathway to focus its economic engagement in the region, so far India has gain in multiple spheres, in economic realm ASEAN is India's fourth largest trading partner after the EU, US and China (Singh and Kaur: 2009). Such developments have immensely strengthened India's presence and pro-active role in regional multilateral mechanisms for inclusive economic and security structure in East Asia.

India has made some remarkable achievements in its relations with ASEAN, which is a core component of APT. Improving India's relations with ASEAN means India has won friends in East Asia, which would be benefited in inclusive regionalism

in East Asia. The Seventh ASEAN Economic Ministers (AEM)-India Consultations held on 13 August 2009, Bangkok. The AEM and the Minister of Commerce and Industry of India signed the ASEAN-India Trade in Goods Agreement (TIG) and other ASEAN-India Trade related Agreements. The TIG Agreement is one of the key elements that will facilitate the creation of an open market in a region comprising about 1.7 billion people and with a combined gross domestic product of approximately US\$ 2.75 trillion as of 2008. The Ministers noted the increase in ASEAN-India investments, which reached US\$ 5 billion in 2008. The Ministers noted that, despite the challenges prevailing in global and regional trade, ASEAN-India bilateral trade continues to grow at impressive rates. From 2006-2008, trade in goods between ASEAN and India increased at an average annual rate of 28 percent the fastest among ASEAN's major trading partners. The share of ASEAN-India trade in relation to total trade of ASEAN and India continued to increase and India remains ASEAN's seventh largest trading partner (Joint Press Statement AEM-India Consultations: 2009).

Since, the EAS framework has established in 2005, India has been placed a major player in East Asia's political and economic affairs. S.D. Muni (2006) observes that India's participation in the EAS was seen as advantageous by many other regional countries like Japan, Singapore, Indonesia and Thailand. It has been noted earlier that Singapore, Indonesia and Japan strongly pleaded for India's inclusion in the EAS. They argued India's case on the basis of India's both, economic and strategic strengths. These arguments impacted the thinking of all those, including China and Malaysia, which were initially hesitant, on India's participation initially. The logic of India's economic dynamism is formidable with a US\$ 700 billion sized economy sustaining a growth level of 7-8% per annum. India's middle class, the 'consumer brigade', is more than 350 million strong and growing. India is expected to be third largest economy in the world after the US and China by 2032, with a potential of registering fastest growth for the next nearly 50 years. India's contribution to the global and Asian growth is 10 and 20 percent respectively.

India's active participation in the regional affairs of East Asia would largely be benefited to India and all the member countries, where India's contribution in the region is immense in many aspects, by providing India's huge market, which is the

fourth largest in the world. As the 'Concentric Circle Model' of the regional integration process of East Asia has mentioned, the regionalization process might continue ASEAN at the centre, APT at the next band and the EAS at the outer band. But, in the long run, the inclusion of India would be forged an inclusive regionalism and strengthened economic cooperation in the region.

4.4 Progress of EAS and its Relation with APT

After having been discussed the various frameworks of East Asian regionalism, this section will be looked into EAS as a prospective and inclusive framework of regionalism. Its origin can be traced back as the same as APT. Like APT, EAS can also be traced to the then Malaysian Prime Minister Mohammad Mahathir's call for setting up an East Asian Economic Group (EAEG) in December 1990, which has led to the foundation of APT. There could have been diverse considerations behind this proposal. Most important of them was Mahathir's reaction to the emergence of trade blocks in the Western economies. He was also reflecting the disappointment resulting from the failure of Uruguay Round of negotiations on world trade which got stuck on the issues of agricultural subsidies. Therefore, if the crisis in the multilateral trade was to be responded by the developed countries by building regional blocks, then Asia also could not avoid this option.

So, the Malaysian proposal of EAEG was endorsed by all the ASEAN members, except Indonesia which appeared somewhat reserved. Japan, South Korea and China did not endorse the proposal 'fearing it would exacerbate trade friction with the US, their largest single market.' This fear was based on the fact that the strongest opposition to this idea came from the US. The then US Secretary of States, James Baker claims in his memoirs that he had done his best to kill this idea. He described it as a dangerous idea that would draw a line in the Pacific Ocean and split Japan and the US. The US Vice-President Don Quayle termed EAEG as an attempt to duplicate and undermine APEC. In view of such criticism, EAEG was renamed as East Asian Economic Caucus (EAEC) and was redefined as being not more than a pressure group within the APEC (Muni: 2006).

The EAEC idea was again revived in the context of the currency crisis in Southeast Asia in 1997. This crisis lasted for nearly three years. To deal with the crisis, Malaysian Prime Minister Mahathir had even tried to delink his country's currency from the US dollar. Other ASEAN countries also started thinking of innovative ways to deal with the economic pressures. The establishment of APT Summit mechanism was one of the regional responses to the economic crisis. China refused to devalue its currency with the view of helping the ASEAN economies and Japan had provided significant amounts of assistance to these countries though Japanese economy itself was under considerable pressure. The APT at its summit meeting in 1999 issued a Joint Statement in support of East Asian Cooperation. Their main concern was the growing domination of APEC by the US and the use of this mechanism to manage trade to the disadvantage of the ASEAN and regional economies (Muni: 2006).

With the objective of reviving the economic dynamism of the APT countries, two separate groups, one on East Asian Vision and second on East Asian Study Group, were appointed in December 1998 and November 2000 respectively. The Vision group submitted its report in March 2001, suggesting 23 measures not only in economic and financial sectors but also in political, security, environmental, energy, cultural, educational, social and institutional sectors to revive the region's dynamism. It also mandated the East Asia Study Group to submit its report to the APT in 2002 which was accordingly done when the APT met in Cambodia.

The East Asia Study Group strongly urged moves towards institutionalizing East Asian Cooperation and recommended the setting up of an East Asian Forum. At the second meeting of the East Asia Forum in Kuala Lumpur on December 6, 2004, the Malaysian Prime Minister Dato Abdullah Badawi drew a 'route map' for building East Asian Community, starting with the East Asian Summit proposed to be held in Kuala Lumpur in December 2005 (Muni: 2006). EAS may be seen as the culmination of these efforts.

The core question that had to be resolved before convening the EAS was about its composition; whether it was to be an institutionalization of the APT or it should acquire a broader canvass. There were divisions on this issue both within the ASEAN

and also in the +3 component of APT. Within the ASEAN, Malaysia was strongly for APT group of ten countries to become an East Asian group on the lines of Mahathir's idea of EAEC. Mahathir, even after voluntarily laying down his Prime Ministership was actively canvassing the retention of original EAEC form. He was not in favour of including any other country except the APT members. On the inclusion of countries like Australia, Mahathir said that Australia was neither East nor Asian and that its inclusion will add no value to the group except to enable Australia to function as a proxy for the US (Muni: 2006). Singapore, Indonesia and Japan, were equally ardent in broadening the group by inviting other important regional countries like India, Australia or even US. At the +3 level, China favoured the existing 13 (10+3) APT countries without any more inclusions but Japan insisted on a broader group and inclusion of India, Australia and New Zealand.

After a series of discussions at various levels, finally a consensus emerged in the form of a three way criteria that said that, (i) membership of EAS should be based on accretion to ASEAN Treaty of Amity and Cooperation (TAC), (ii) any prospective member must have substantive relationship with ASEAN and, (iii) have the status of ASEAN dialogue partner. India and New Zealand acceded to the Treaty of Amity and Cooperation, to qualify for the EAS membership. Australia also did so, but only at the last moment, just before the EAS met. There again Australia emphasized that its signing the Treaty of Amity and Cooperation would not affect its 'existing security arrangements', Australia's obligations and rights under the UN Charter and Australia's relations with the countries other than members of ASEAN (Muni: 2006). Thus, the initiative has been taken as EAS in December 2005 to advance the cause of cooperation and regional integration in East Asia, by constituting with broader geographical frames such as India, Australia and New Zealand.

4.5 EAS: Cooperation

The First East Asia Summit was held on 14 December 2005 in Kuala Lumpur, Malaysia. It was attended by the Heads of State/Government of the Member Countries of the ASEAN and Plus Six Countries stated its declaration (EAS Declaration: 2005) as the following: first, it established as a forum for dialogue on

broad strategic, political and economic issues of common interest and concern with the aim of promoting peace, stability and economic prosperity in East Asia. Second, the efforts of the EAS is to promote community building in this region will be consistent with and reinforce the realization of the ASEAN Community, and will form an integral part of the evolving regional architecture.

Third, it will be open to an inclusive, transparent and outward-looking forum to strive and strengthen global norms, and universally recognized values with ASEAN as the driving force working in partnership with the other participants of the East Asia Summit. Fourth, it aims to fostering strategic dialogue and promoting cooperation in political and security issues to ensure that the member countries can live at peace with one another and with the world at large in a just, democratic and harmonious environment. It further aims in promoting development, financial stability, energy security, economic integration and growth, eradicating poverty and narrowing the development gap in East Asia, through technology transfer and infrastructure development, capacity building, good governance and humanitarian assistance and promoting financial links, trade and investment expansion and liberalization. Promotion of deeper cultural understanding, people-to-people contact and enhanced cooperation in uplifting the lives and well being of our peoples in order to foster mutual trust and solidarity as well as promoting fields such as environmental protection, prevention of infectious diseases and natural disaster mitigation (EAS Declaration: 2005).

Fifth, participation in the EAS will be based on the criteria for participation established by ASEAN that EAS will be convened regularly, it will be hosted and chaired by an ASEAN Member Country that assumes the ASEAN Chairmanship and held back-to-back with the annual ASEAN Summit. And, the modalities of the EAS will be reviewed by ASEAN and all other participating countries of the East Asia Summit (EAS Declaration: 2005).

There are several fields of co-operation among the EAS members so far. At the Second EAS held in 2007, the EAS leaders agreed to strengthen educational cooperation between their 16 countries. On behalf of the EAS, the ASEAN Secretariat commissioned to develop strategies for EAS participants to enhance regional

economic competitiveness and strengthen community building in a balanced and sustainable manner through cooperation in education. Its scope encompasses regional cooperation in Basic Education (Primary and Secondary Education), Technical and Vocational Education and Training (TVET), and Higher Education (EAS Educational Report: 2008).

This report reveals that all countries reported some form of cooperation, which can be looked in three broad categories:

1. The relatively high-income countries (Australia, Brunei, Japan, New Zealand, Korea and Singapore) have initiated a wide range of cooperation activities, with a global outlook. They are significant exporters of education and promoters of transnational education. They are active as donors in the EAS region.
2. An intermediate group of countries consists of China, India, Indonesia, Malaysia, Philippines and Thailand. Within this group China and India are able because of their size to cooperate on a wide scale. Most members of the group are education importers, but some have a growing export sector. Development assistance is still significant for some members, but group members may also be donors or engaged in mutual assistance programs with developing countries, including by sharing expertise on effective strategies for achieving Education for All goals. There is growing interest among these countries in aligning quality assurance mechanisms and qualifications frameworks to international developments.
3. Among the developing countries (Cambodia, Laos, Myanmar and Vietnam) study abroad and exchanges may be constrained by the availability of external funding, and education and training for migrant workers are important issues. The multilateral organizations play a particularly important part in enabling these countries to tap external expertise, as do development partners. These countries are adjacent and assist one another.

This study further suggests that total number of international students from EAS countries studying at tertiary level in all the countries rose by almost 90% between 1999 and 2005, from 440,000 to 835,000. Of the students in 2005, about

140,000 are from ASEAN countries and about 695,000 from countries elsewhere in the EAS area. Almost 90% of the growth in numbers between 1999 and 2005 is accounted for by students from China and India (EAS Educational Report: 2008).

In the field of energy too, initiatives for cooperation has been made. The main focus in energy sector is to integration its market in the EAS region. But, the EAS countries do not have the legal force for organizations like the European Union. It follows that the process of integrating activities, including energy markets, among many participants is likely to be more challenging and slow-paced, with the exception of simple bilateral supply of large customers under long term contracts, which are common and which account for most current trade in the ASEAN and the broader EAS. It follows that progress toward stronger market integration is more likely to be made in modest, incremental steps (EAS Energy Market Integration Report: 2008). In this environment, concerns about energy security, from a technical, commercial or institutional perspective, can limit the scope for mutually beneficial trade unless such security concerns are specifically accounted.

The report stated that World energy prices have increased rapidly in recent years, and one of the major factors that have driven this, namely, the energy demands of the emerging economies of the EAS region, suggests that rapid demand growth may keep prices relatively high for some time. This has major implications for domestic energy pricing policy and the pricing of fuels and electricity likely to be traded within ASEAN and the EAS region. Specifically, moves towards domestic energy pricing at world parity (adjusted for transport and processing) and all other energy traded at world prices are likely outcomes and are already occurring. This specifically applies to gas traded through the Trans ASEAN Gas Pipeline (TAGP) and electricity traded through the ASEAN Power Grid (APG), although there may be factors that modify this (EAS Energy Market Integration Report: 2008).

According to this report, the market and enterprise structure of the energy sector in many countries acts to inhibit market integration in some cases. For example, in gas and electricity, a practical pre-requisite is open access to the transmission system to facilitate transport of the energy through the system. Only some countries have moved down this path. Further, in some cases the buying power of a

dominant generator can distort market outcomes that would otherwise support more widely beneficial trade as outlined, for example, in Greater-Mekong Sub-region (GMS) electricity Case Study. Experience elsewhere suggests that having to work through such matters, as is being done in the cases described, is not a barrier to energy market integration as long as there is an incentive to make progress towards an agreed formal cooperative framework.

There are successes in initiating electricity trade in the Greater Mekong Sub-Region (GMS), the Report notes that, there is in ASEAN a long and successful history of bilateral ventures in electricity interconnection and trade, the questions now facing ASEAN's pursuit of closer integration of electricity markets relate primarily to Energy Market Integration in the East Asia Summit Region. To solve such issues, the members recognition and negotiation within the context of ASEAN's goals, including the harmonization of development and opportunities among old and new members, which is likely to be achieved in the future.

4.6 EAS versus APT: Some Challenges

China is pursuing to strengthen APT. China and ASEAN has already signed a Framework Agreement on Comprehensive Economic Cooperation in November 2002. Japan has also moved into ASEAN-Japan Comprehensive Economic Partnership 2008. Although, Japanese officials believe with an expanded regional forum like the EAS, featuring participation by countries like Australia, New Zealand, and India, forming an inclusive and complementary element of regional integration (Tanaka: 2006).

There are several sensitive issues and lobbies in EAS. For instance, Russia's interest in being a part of the EAS had been welcomed with the assurance that it will be considered for future summits. Russia on its own has started lobbying strongly for its EAS membership. The Deputy President of the Russian Federation Council described cooperation with the East Asian region as a foreign policy priority and urged that the 'Russian regions of Siberia and the Far East should increasingly integrate into Asian, South East Asian countries' economic dynamics' (Muni: 2006).

Russia has been projecting its energy clout to the region through cooperation with China in this field. Energy is a priority sector in East Asian cooperation. There are however political implications of Russia's admission to the EAS. Russia fulfills only two of the three criteria for membership laid down before the Summit. It has a 'Dialogue Partner' status with the ASEAN and is also a signatory of the Treaty of Amity and Peace. But the substance of Russia's economic and strategic relationship with ASEAN is not very strong. The possibility of a quiet Chinese support to Malaysia for the Russian participation in the EAS cannot be ruled out. This could be the Chinese answer to those who want to keep China in balance by securing membership for the non-APT countries like Australia, New Zealand and India. This could also be the extension of Central Asian precedent where the Shanghai Cooperation Organisation includes both China and Russia but not the US (Muni: 2006). The US concerns for China's domination of the East Asian region, and the US is losing its economic and strategic standing in the area. So, the US cannot fulfill the membership criteria as it stands today because by signing the ASEAN Treaty of Amity. The doubt lies that will it be suitable to bring the United States and Russia onto the forum. And if it is the case, the ASEAN+8 grouping itself may either supplant or coexist with the EAS (Suryanarayana: 2010). At this juncture, membership is a major issue, and if all these aspirant members have been included, EAS would certainly be incoherent and ineffective like APEC. So, APT framework may have some advantages and better choose in strengthening regionalization process.

This problem of memberships in EAS has the potential of keeping the its evolution under challenge. Some other countries (and entities) like Pakistan, North Korea, France, Taiwan and the European Union may also seek membership of the EAS (Taipei Times: 2005). Mahathir had strongly objected to Australia's membership of EAS saying that 'Australia is basically European and it has made clear to the rest of the world that it is the deputy sheriff for America'. This disqualifying European characteristic may also apply to Russia if it is admitted to the group later. To ward off the possible tensions to be generated on the membership issue, it has been decided to freeze the present membership for two years. But it remains to be seen as to how long

such a freeze can be kept in place if the promise of building an “open, transparent and outward looking” community has to be honored.

The area of tension in EAS relates to the question of institutionalization and institution building. The position adopted at the summit clearly makes EAS an ASEAN driven organization. This has suddenly exposed the ASEAN to its internal weaknesses and a lurking fear that the EAS community might sideline ASEAN. This fear is leading ASEAN to emphasize ASEAN community building as a priority over the East Asian Community building. For the time being, the ASEAN priority has been endorsed against the China’s preference for ‘APT’ to serve as the core of the EAS. China had accordingly drafted the Summit Declaration and was keen to host the second summit, but could not carry the rest of the members along on its preference. India and Japan on the other hand are insistent on laying stress on the larger canvas of community rather than limiting the initiative to ASEAN or APT. India was forceful in its demand that the commitment to the idea of building ‘community’ must be highlighted in the summit document. The acceptance of ASEAN as a core and priority for building ASEAN Community first could be seen as a compromise between the Chinese and Indian positions (Muni: 2006).

There are also calculations that the understanding of greater economic interdependence will be a disincentive for countries to become militarily aggressive, however, does not necessarily translate into reality as there are other considerations influencing a country’s policies. For instance, according to the above logic, China and Japan, with trade over US \$200 billion annually and with nearly 70 billion Japanese investments, should have been living far more peacefully. In fact, political problems, accentuated by a lingering historical baggage, have become so acute that they are beginning to affect bilateral economic relations and may seriously undermine the EAS in coming years (Naidu: 2005). Thus, several challenges are hampering in deeper institutionalization process of EAS. But, for the current feasibility the ASEAN Plus Six model of EAS can be strengthened. And, in this case China’s influences in APT may be reduced, by strengthen the position of countries Japan, India, Australia and so on.

4.7 Prospects of EAS

Besides the challenges mentioned above, the EAS would be expected to provide an economic and political momentum in East Asian region. Since APT is exclusive, while the regional economy of East Asia has deeply connected with its neighboring countries like India, Australia, etc, EAS would be more prospective than APT. In the context, when the volume of Indian or Australian economy and trade with the region has expanded and entrenched, it will be difficult to exclude them from the regional scene. There are also four major economic players namely China, Japan, India and Korea are among one of the largest global economies. Besides these four major players, at least half of the remaining 12 economies of the region are fastest growing economies like that of Singapore, Thailand, Vietnam, Malaysia etc. All of them put together account for nearly one fourth of the global economy as a whole (Burton, Tseng and Kang: 2006).

As a region, the EAS has sustained an impressive growth momentum, except for the period of economic crisis during 1997-2000. This growth has continued after the crisis period and will be sustained in coming years. In 2004 and 2005, the EAS registered 7.9% and 7.2% growth respectively. The estimates for 2006 and 2007 are 7.5% and 6.9% respectively. According to the Asian Development Bank's estimates, this growth will be sustained by the 'broad-based expansion' and diversification in the major industrial countries of the region like China, Japan, Korea and India, and robustness of the global Information Technology regime. In maintaining this high growth, the EAS countries have shown their resilience and dynamism in adjusting with the 'increasing energy costs', 'persistent inflationary pressures, tighter money conditions and financial volatility' (Kawai: 2006).

In trade, the growth model of the 'tiger economies' in EAS region has been trade driven. According to one estimate, the share of Asian countries in world trade rose from 11 to 26 percent between 1960 and 2005. This growth in trade encouraged industrialization, shifting the economic base from agriculture to labor intensive manufacturing, and in the recent years, to the more capital intensive and high-tech industries (Kawai: 2006). As a result of this industrialization, new jobs were created, several bilateral and multilateral trading agreements were signed, which has a

complex web of economic networks in the region. In addition to these, monetary cooperation is also an essential element of regionalism; the member countries of EAS have a huge capital reserve, which can be strengthened the existed Chiang Mai Initiative of the APT for financial stability in Asia.

This forum can also be strengthened energy cooperation in the region, and also provide a forum to mitigate unwanted conflict in areas like energy rich East China Sea and South China Sea. EAS Singapore Declaration (2007) mentioned issued of energy and environment too, stated to intensify ongoing cooperation to improve energy efficiency, and the use of cleaner energy, including the use of, renewable and alternative sources. They further agreed to support cooperation in developing reference benchmarks for environmentally and socially sustainable biofuels and energy market integration and utilizing regional research bodies such as the ASEAN Centre for Energy (ACE) and the Economic Research Institute for ASEAN and East Asia (ERIA). They have also agreed to promote cooperation on afforestation and reforestation, and to reduce deforestation, forest degradation and forest fires, including by promoting sustainable forest management, combating illegal logging, protecting biodiversity, and addressing the underlying economic and social divers. Besides, forums like EAS, which include other external powers, are useful in dealing with several political issues in the region, whether China-Japan, India-China or South China Sea disputes to resolve peacefully.

4.8 Summary and Conclusion

Several speculations has made about APT and EAS. But, the fact is that regionalism is important in today's international political and economic system, East Asian governments recognize this necessity. Now, there are two frameworks of regionalism in East Asia; i.e., APT and EAS. But the doubt is the feasibility of which one would be better to represent East Asia region inclusively and its coherency as well.

One of the significant developments in the history of East Asia integration process is establishment of EAS, it is not only relevant in economic and political

terms, but also be appealed a new geographical concept of East Asia. In the regionalization processes of APT and EAS, ASEAN's norms are considered as abiding principles. As per the 'Concentric Circle Model' of the regional integration process of East Asia; ASEAN is at the centre, APT at the next band and the EAS at the outer band. APEC is also another forum for 21 Pacific Rim countries/political entities, comprising with the major member economies of APT. But, it lacks efficiency.

EAS is the major framework, with other frameworks dealing in this chapter, and their relations with APT. The formalization of integration in the region is contesting, and is still view with different perspectives among themselves. Japan although still would like to play major role in the East Asian regionalism together with its allies like India and Australia, and has enough capability. This does not include its close ally the United States or if it has to directly confronts China for leadership in the region. Meanwhile the rest of the East Asian, countries, notably China with its rising political influence and strong economy leading the way, are seeking it with great expectation that it could speed up the already close ties integration between the East Asian countries. But, China is unwilling in include countries like India, Australia; this would be practically difficult to exclude these countries, which has huge economic and political dynamism in the region. Now, the U.S. and Russia has shown their willingness to join in the EAS forum. If the U.S. joins in an institutional economic arrangement of East Asia, it may dramatically reduce its effectiveness. So, the present ASEAN Plus Six framework of EAS would be more practical to strengthened regionalism in East Asia. But for time being, APT seems to be more tangible than EAS as it has established earlier, and has some concrete achievements like CMI.

Chapter 5

SUMMARY AND CONCLUSION

Summary

This research is analyzed the current regional status of regionalism among the East Asian countries. It has discussed about the importance of regionalism in contemporary international politics and the geo-economic significance in the post-Cold War era by contextualizing East Asia. The main focus has been on APT, its achievements and the challenges in widening and deepening the process of regionalization. Other regional frameworks like ASEAN, APEC, EAS and their contribution to regionalism have also been discussed. This study is divided into four chapters.

The first chapter has discussed the theoretical perspectives of regionalism in general, together with the background and development of regionalism in East Asia, particularly the case of APT. Today, East Asia has become one of the most dynamic economic zones, witnessing fastest economic growth in the world. In the last decade, East Asia has witnessed remarkable growth, which many scholars argue is led by the two great giants China and India, followed by many other countries like South Korea, Malaysia, Indonesia, Vietnam, etc. The region is able to capitalize fully on its large supply of labor induced by export oriented economies. For instance, in this period China has marked by 'double digit' growth, which is expected to be continue in the next 10 to 15 years. India's economy also expected to do well.

Keeping in view of this economic dynamism, it is argued that to harvest fully the dynamism in East Asia, institutional mechanisms are necessary for regional cooperation. One of the achievements of such cooperation in the region is the creation of the APT. It is a forum that functions as a coordinator of cooperation between ASEAN and the three Northeast Asian nations of China, Japan, and South Korea. The first APT leaders' meeting was held in 1997 to work out a strategy when the EU mooted the idea of an Asia-Europe Meeting (ASEM). It shot into prominence with the

onset of the 1997-98 Asian financial crisis. In the absence of any other mechanism to mitigate the effect of the crisis, the utility of formalizing the APT to deal with such crises in the future became imperative.

Thus, the APT grouping was institutionalized in 1999 through a formal declaration and by establishing the Chiang Mai Initiative (2000) currency swap arrangement. It has been credited as forming the basis for financial stability in Asia. The Asian Currency Unit (ACU) is a proposed weighted index of currencies for APT. The ACU was inspired by the now defunct European Currency Unit, replaced by the Euro. The Asian Currency Unit's purpose is to help stabilize the region's financial markets. The ACU as it is proposed is a currency basket and not a real currency, i.e., a weighted index of East Asian currencies that will function as a standard for regional currency movements.

Second chapter has deal with the development of regionalism in East Asia, which has becomes the most politically and economically important region where both world's second, third and fourth largest economies, i.e., China (People's Republic of China), Japan in GDP and India in PPP terms are located. And, ASEAN has been playing a dominant role in shaping power transformation in East Asia. Tracing the origin of APT due to the unsatisfactory progress of the Uruguay Round Ministerial meeting in December 1990, Malaysian Prime Minister Mohamad Mahathir proposed the formation of a regional trade grouping comprising the ASEAN countries, Japan, China, Korea and Hong Kong.

Mahathir Mohamad of Malaysia proposed the creation of an East Asian Economic Group (EAEG). The objectives behind his proposal were to establish a regional trade arrangement for the group in response to the-emergence of preferential regional trade arrangements elsewhere, including in North America, and to exercise a global impact on trade issues. In October 1991, ASEAN Economic Ministers considered Mahathir's proposal as useful and renamed the grouping as the East Asian Economic Caucus (EAEC) which would facilitate discussions on regional economic issues. But, the United States objected to the EAEG/EAEC proposal on the grounds that it could divide the Asia-Pacific region, by excluding the United States.

In December 1997, the grouping or caucus that Mahathir had proposed became significant under the nomenclature of APT, with its first Summit in Kuala Lumpur. Foreign ministers from the three Northeast Asian countries initially came for an informal meeting during an ASEAN meeting. Due to the Asian *Financial Crisis*, this Summit is regarded as having provided the impetus and APT process became serious. In this time, there was even the proposal for the establishment of the Asian Monetary Fund. It was the idea to pool foreign exchange reserves of the East Asian economies that can be mobilized to deter currency speculation or to contain a currency crisis in a member economy. This APT grouping had establishing the Chiang Mai Initiative currency swap arrangement. It has been credited as forming the basis for financial stability in Asia. The Asian Currency Unit (ACU) is a proposed weighted index of currencies for APT. The Asian Currency Unit's purpose is to help stabilize the region's financial markets. Since then, cooperation has been extended so far in various sectors.

The third chapter has explored challenges and prospects of APT. Some of the major challenges are: the U.S. is the dominate power in the region; it sees that regional institution like APT in the region would certainly be affected its economic and political interests. So, the U.S. and other international financial institutions like IMF, World Bank would not be favored such institutional arrangement. Others can be the China factor, several bilateral problems within its members and strategic concerns.

Among the prospects, since APT framework has begun, cooperation has broadened and deepened in the region. Cooperation is now being pursued in food and energy security, financial cooperation, trade facilitation, disaster management, people-to-people contacts, narrowing the development gap, rural development and poverty alleviation, human trafficking, labor movement, communicable diseases, environment and sustainable development, and transnational crime and counter-terrorism¹. The CMI is a multilateral currency swap arrangement among the APT members including Hong Kong is the most concrete achievement of APT. It aims in order to strengthen its self-help and support mechanism in East Asia through the APT framework. Significant achievements have been made so far in economic, political and socio-cultural realms, and likely to play greater role in the future as well.

The fourth chapter has discussed about APT and the development of other East Asian regional mechanisms, and their relations. ASEAN, APEC and India's role in East Asian regionalism, have discussed here. Major focus has made on EAS with its establishment on 2005, after the annual APT Summit, the APT countries and another plus three countries namely; India, Australia and New Zealand convened for its first summit.

Besides the cooperation among the EAS members, it deals with the concerns of big powers like the U.S. and Russia and their interests in the region. For instance, the U.S. is suspicious about a possible China's domination of the East Asia, and the US is losing its economic and strategic standing in the area. So does, Russia too willing to join the forum, and it makes difficult the regionalization process. At this context, it is seen that APT is more tangible than EAS, but EAS in Plus Six or Plus Eight models too likely to play major role in the future, since the economies of India, Australia and New Zealand are deeply entrenched in the region.

Conclusion

After a thorough understanding of the above chapters, it can be concluded that in the last few decades, East Asian countries have experienced remarkable achievements in political and economic realms. In the post-Cold War period, several problems were resolved through dialogue, expanding regional institutions and mechanisms such as ASEAN, APT, EAS, etc. Such developments provide a platform to discuss, encourage and strengthen political and economic relations in the region; it manifests the region's confidence and ability to resolve its own issues pro-actively. Now, there is not much doubt that East Asia is transforming rapidly due to the emergence of many political and economic powers, which is led mainly by China and India, followed by other countries in the region. The speculation that global geo-political and economic epicenter has been shifting from trans-Atlantic to trans-Pacific is becoming more visible. To harvest such huge economic transformation and development, regionalism is important in the region. Regionalism theoretically serves as in *deepening of economic interdependence and broadening interconnectedness*; regionalism in East Asia too aims in deepening economic interdependence in the

region, and, to cooperate in various social, political and most importantly economic, sectors.

But, many challenges also marred a more friendly development. Among the challenges; as mentioned above the establishment of strong regional and financial institutions such as APT and CMI is not being welcome by the U.S. and major international financial institutions like IMF, World Bank, etc, so they may lobby to undermine it. There are also calculations that the APT framework would probably be dominated by China. Such calculations by Japan, Indonesia, Thailand, Vietnam, etc., which may affect the regionalization process led by the APT, since no one could balance with China in security and political terms. Such anxiety among its members is also another major obstacle in deepen process of regionalization. On strategic fronts too, there are competitions among the members of APT.

Besides the challenges, the main objective of regionalism is to strengthen regional economic and political cooperation for mutual benefit. It also provides a forum for dialogue and discussion to bridge the differences, so APT also serves such assumptions to mitigate tensions in the region. Since APT framework has begun, cooperation has broadened and deepened in the region. Cooperation is now being pursued in food and energy security, financial cooperation, trade facilitation, disaster management, people-to-people contacts, narrowing the development gap, rural development and poverty alleviation, human trafficking, labor movement, communicable diseases, environment and sustainable development, and transnational crime and counter-terrorism¹. There are 64 mechanisms coordinating APT cooperation: 1 summit, 16 ministerial, 23 Senior Officials, 1 Directors-General, 17 technical level meetings and 6 other tracks meetings.

One of the greatest achievements of APT is CMI on bilateral currency swap arrangements to strengthen regional capacity to counter future financial crises. In terms of political cooperation, it is the first mechanism to bridge Northeast Asia and Southeast Asia. This forum provides a fresh infusion of political stability and economic dynamism in the East Asian region. Cooperation is extended on various social and cultural sectors.

Another significant initiative in the regionalism of East Asian is the EAS. As per the 'Concentric Circle Model' the regional integration process of East Asia as ASEAN at the centre, APT at the next band and the EAS at the outer band has been formed. Cooperation has been extended in various sectors. But, in EAS framework, Japan would like to play major role in the East Asian region together with its allies like India and Australia. China is unwilling to expand the APT framework due to several political and economic reasons. This would be practically difficult to exclude these countries, which has huge economic and political dynamism and presence in the region. So, the future will tell whether APT or EAS will lead regionalism but for the time being APT seems more tangible, but from a longer viewpoint, EAS may be a better bet.

REFERENCES

Acharya, Amitav (2000), *The Quest for Identity: International Relations of Southeast Asia*, Singapore: Oxford University Press.

Acharya, Amitav (2001), *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*, London: Routledge.

ADB (2006), Asian Development Bank "Report on Southeast Asia", [Online web] Accessed 28 May 2011, URL: http://www.adb.org/Documents/Reports/Annual_Report/2006/ADB-AR2006-Southeast-Asia.pdf.

Adam, Shamim (2010), "China to Exceed U.S. by 2020, Standard Chartered Says", [Online web] Accessed 28 May 2011, URL: <http://www.businessweek.com/news/2010-11-14/china-to-exceed-u-s-by-2020-standard-chartered-says.html>.

AEM-India (2009), "The Seventh AEM-India Consultations, Joint Media Statement", [Online web] Accessed 23 June 2011, URL: <http://www.asean.org/JMS-7th-ASEAN-India-Consultations.pdf>.

Alatas, Ali (2001), "ASEAN Plus Three Equals Peace Plus Prosperity", LECTURED ON 5 JANUARY 2001 AT THE REGIONAL OUTLOOK FORUM, ISEAS: SINGAPORE.

Alder, Kent (2006), "China and Japan Simmering Rivalry" *Foreign Affairs* March/April 2006, 129-139.

APT (2007), ASEAN Plus Three, "ASEAN Plus Three Cooperation Work Plan" [Online web] Accessed 23 May 2011, URL: <http://www.aseansec.org/21104.pdf>.

APT (2009), ASEAN Plus Three, "The Joint Media Statement of the 12th ASEAN Plus Three Finance Ministers' Meeting", [Online web] Accessed 12 June 2011, URL: <http://www.asean.org/22536.htm>.

APT (2009), ASEAN Plus Three, "Chairman's Statement of the 12th ASEAN Plus Three Summit", [Online web] Accessed 12 June 2011, URL: <http://www.asean.org/23594.htm>.

APT (2010), ASEAN Plus Three, “Joint Statement of the 4th ASEAN Plus Three Health Ministers Meeting”, [Online web] Accessed 26 June 2011, URL: <http://www.aseansec.org/24936.htm>

ASEAN (2009), Association of Southeast Asian Nations, “Joint Media Statement of the 41st ASEAN Economic Ministers’ (AEM) Meeting”, [Online web] Accessed 14 June 2011, URL: <http://www.asean.org/JMS-41st-AEM.pdf>.

ASEAN (2010), Association of Southeast Asian Nations, “ASEAN-Japan Dialogue Relations”, [Online web] Accessed 23 May 2011, URL: <http://www.asean.org/5740.htm>.

ASEAN (2010), Association of Southeast Asian Nations, “ASEAN Plus Three Cooperation”, [Online web] Accessed 14 May 2011, URL: <http://www.asean.org/16580.htm>.

ASEANJCC (2000), ASEAN - Japan Consultation Conference, “The Hanoi Plan of Action: The Final Report with Recommendations”, Accessed 2 July 2011, URL: http://www.jiia.or.jp/pdf/e_nichi_asean.pdf.

Ariff, Mohamed (1999), “Regional Integration and Global Free Trade: Working at Cross Purposes”, in Neantro Saavendra-Rivano, Aiko Hosono and Barbara Stallings (eds.) *Regional Integration and Economic Development*, New York: Palgrave.

Bhagwati, Jagdish (2011), “Indian growth has lifted all boats”, [Online web] Accessed 6 July 2011, URL: <http://www.eastasiaforum.org/2011/01/16/indian-growth-has-lifted-all-boats/>.

Bojiang, Yang (2006), “Redefining Sino-Japanese Relations after Koizumi”, *The Washington Quarterly*, Autumn, 129–137.

Burton, David, Wanda Tseng, and Kenneth Kang (2006), “Asia’s Winds of Change” Accessed 18 June 2011, URL: <http://www.imf.org/external/pubs/ft/fandd/2006/06/burton.htm>.

Capie, David and Paul Evans (2003), “The ASEAN Way”, in Sharon Siddique and Sree Kumar (eds.) *The Second ASEAN Reader*, Singapore: ISEAS.

Cheow, Eric Teo Chu (2003), *Sino-Japanese Relations: Conflict Management & Resolution*, U.S.: Johns Hopkins University Press.

Christensen, Thomas J., (2000), “China, the US-Japan Alliance, and the Security Dilemma in East Asia” in Michael Brown, Owen R. Cote Jr., Sean M. Lynn-Jones, and Steven Miller (eds.) *The Rise of China*, Cambridge: MIT Press.

CD (2011), China Daily, "Twenty years of friendship", [Online web] Accessed 10 July 2011, URL: http://www.chinadaily.com.cn/usa/epaper/2011-07/08/content_12860593.htm.

CD (2008), China Daily, "Hu makes proposal for China-Japan economy, trade co-op", Accessed 18 May 2011, URL: http://www.chinadaily.com.cn/bizchina/2008-05/08/content_6670696.htm.

Deng, Yong and Fei-Ling Wang (2005), *China Rising: Power and Motivation in Chinese Foreign Policy*, U.S.: Rowman and Littlefield Publisher Inc.

Downs, Erica Strecker and Phillip C. Saunders (2000), "Legitimacy and the Limits of Nationalism: China and the Diayou Islands" in Michael Brown, Owen R. Cote Jr., Sean M. Lynn-Jones, and Steven Miller (eds.) *The Rise of China*, Cambridge: MIT Press.

EAS (2005), "Kuala Lumpur Declaration on the East Asia Summit", [Online web] Accessed 3 July 2011, URL: <http://www.asean.org/18098.htm>.

EAS (2007), "Singapore Declaration on Climate Change, Energy and the Environment", [Online web] Accessed 25 June 2011, URL: <http://www.aseansec.org/21116.htm>.

EAS (2008), "Harnessing Educational Cooperation in the EAS for Regional Competitiveness and Community Building", [Online web] Accessed 25 June 2011, URL: <http://www.asean.org/aadcp/repsf/docs/07-006-ExecutiveSummary.pdf>.

EAS (2008), "Energy Market Integration in the East Asia Summit Region" [Online web] Accessed 25 June 2011, URL: <http://www.asean.org/aadcp/repsf/docs/07-005-FinalOverviewReport.pdf>.

Haacke, Jurgen (2003), *ASEAN's Diplomatic and Security Culture: Origins, Development and Prospects*, London: Routledge Curzon.

Henning, C. Randall (2009), "The Future of the Chiang Mai Initiative: An Asian Monetary Fund?", [Online web] Accessed 5 July 2011, URL: <http://www.piie.com/publications/pb/pb09-5.pdf>.

Hilpert, Hanns Gunther (2002), "China and Japan: Conflict or Cooperation? What does Trade Data Say?", in Hanns Gunther Hilpert and Rene Haak (eds.) *Japan and China: Cooperation, Competition and Conflict*, New York: Palgrave MacMillan.

Hosaka, Tomoko A. (2011), "Japan confirms China passed its economy in 2010; U.S. still No. 1", [Online web] Accessed 2 July 2011, URL: http://www.usatoday.com/money/economy/2011-02-14-japan-china_N.htm.

IMF (2010), International Monetary Fund, "Republic of Korea, International Reserves and Foreign Currency Liquidity", [Online web] Accessed 2 July 2011, URL: <http://www.imf.org/external/np/sta/ir/IRProcessWeb/data/kor/eng/curkor.htm>.

Janjigian, Vahan (2010), "Communism Is Dead, But State Capitalism Thrives", [Online web] Accessed 17 June 2011, URL: <http://blogs.forbes.com/greatspeculations/2010/03/22/communism-is-dead-but-state-capitalism-thrives/>.

Jayasuriya, Kanishka (2003) "Governing the Asia Pacific: Beyond the New Regionalism" *Third World Quarterly*, Vol. 24, No. 2, 199-215.

Karns, Margaret P. and Karen A. Mingst (2004), *International Organizations: The Politics and Processes of Global Governance*, London: Lynne Rienner Publishers.

Kawai Masahiro (2005), "East Asian Economic Regionalism: Progress and Challenges", Special Research Paper for the Institute of Social Science, University of Tokyo, 1-29

Kleiner, Jurgen (2001), *Korea, a Century of Change*, Singapore: World Scientific Publishing Co. Pvt. Ltd.

Kuppuswamy, C. S., (2010), "India's Look East Policy - A Review", [Online web] Accessed 24 June 2011, URL: <http://www.southasiaanalysis.org/%5Cpapers37%5Cpaper3662.html>.

Krumm, Kathie and Homi Kharas (2004), "Introduction" in *Overview to East Asia Integrates: A Trade Policy for Shared Growth* (eds.) London: Oxford University Press.

Lal, Rollie (2008), "China's Relations with Southeast Asia" in Joshua Eisenman, Eric Heginbotham and Derek Mitchell (eds.) *China and the Developing World: Beijing's Strategy for the Twenty-First Century*, New York: East Gate Book.

Lah, Kyung (2011), "Move over Japan: China is now No. 2 world economy", [Online web] Accessed 12 July 2011, URL: http://money.cnn.com/2011/02/13/news/international/china_overtakes_japan_economy.cnnw/index.htm

Lampton, David M., (2005), "The Faces of Chinese Power", *Foreign Affairs* Vol. 86 (1).

Lau Lawrence J. and Jungsoo Park (2003), "The Sources of East Asian Economic Growth Revisited", Conference Paper on September 6-7, 2003 at International and Development Economics in Honor Henry Y. Wan, Jr., Cornell University, Ithaca: New York.

Liu, Fu-Kuo (2003), "East Asian Regionalism: Theoretical Perspectives in Regionalism", in Fu-Kuo Liu and Philippe Regnier (eds.) *East Asia: Paradigm Shifting*, London: Routledge Curzon.

Malik, Mohan (2006), "China and the East Asian Summit: More Discord than Accord", [Online web] Accessed 2 July 2011, URL: <http://www.apcss.org/Publications/APSSS/ChinaandEastAsiaSummit.pdf>.

Measheimer, John (2006), *The Tragedy of Great Power Politics*, New York: Norton and Company.

McGrew, Anthony (2003), "Liberal Internationalism: Between Realism and Cosmopolitanism", in David Held and Anthony McGrew (eds.) *The Global Transformation Reader: An Introduction to the Globalization Debate*, London: Polity.

Muni, S. D., (2006), "East Asia Summit and India", *Working Paper of the Institute of South Asian Studies (ISAS)*: Singapore.

Naidu, GVC (2004), "Whither the Look East Policy: India and Southeast Asia," *Strategic Analysis*, April-June, 331-346.

Naidu, GVC (2005), "India and the East Asian Summit", [Online web] Accessed 4 May 2011, URL: http://www.idsa.in/system/files/strategicanalysis_gvcnaidu_1205.pdf.

Pangestu, Mari and Sudarsha Gooptu (2004), "New Regionalism: Options for East Asia", in Kathie Krumm and Homi Kharas (eds.) *East Asia Integrates: A Trade Policy for Shared Growth*, London: Oxford University Press.

People's Daily (2000), "ASEAN, China, Japan, S.Korea Agree on Currency Swap" [Online web] Accessed 17 June 2011, URL: http://english.people.com.cn/english/200005/07/eng20000507_40281.html.

Qiu, Jin (2006) "The Politics of History and Historical Memory in China-Japan Relations", *Journal of Chinese Political Science*, Vol. 11 (1), 25-53.

Ravenhill, John (2000), "APEC Adrift: Implications for Economic Regionalism in Asia and the Pacific", *Pacific Review*, Volume XIII (II).

Reuters (2008), "Factbox: Key facts on Japan-China trade" [Online web] Accessed 4 June 2011, URL:<http://www.reuters.com/article/2008/05/05/us-japan-china-trade-idUSL0532922120080505>

Rivano, Neantro (1999), "Developmental Affinities in Regional Integration" in Neantro Rivano, Aiko Hosono and Barbara Stallings (eds.) *Regional Integration and Economic Development*, New York: Palgrave.

Scalpino, Robert and Johnston (2003), "The ASEAN Way" in Sharon Siddique and Sree Kumar (eds.) *The Second ASEAN Reader*, Singapore: Institute of Southeast Asian Studies.

Singh, Atom Sunil and Jasmeet Kaur (2009), "7th India-ASEAN Summit Opportunities and Challenges" [Online web] Accessed 22 September 2010, URL: http://www.ipcs.org/pdf_file/issue/IB96-Atom-SEA.pdf.

Soderberg, Mari (2002), *Introduction to Chinese-Japanese Relations in the Twenty-first Century: Complementary and Conflict*, New York: Routledge.

Soesastro, Hadi (2001), "Whither Asean Plus Three?" Conference Paper on June 12-13, 2001 at the Trade Policy Forum Bangkok, Thailand.

Stubbs, Richard (2002), "ASEAN Plus Three: Emerging East Asian Regionalism?", *Asian Survey*, Vol. 42, (3), 440-455.

Suryanarayana, P.S., "Rising status", *Frontline*, Vol. 27 - Issue 16 :: Jul. 31-Aug. 13, 2010.

Taipei Times (2005), "Mahathir doesn't want Australia at East Asia Summit", [Online web] Accessed 27 June 2011, URL: <http://www.taipetimes.com/News/world/archives/2005/12/08/2003283497>.

Tamamoto, Masaru (2005), "Sino-Japanese Pride and Prestige", *Far Eastern Economic Review*, June 2005.

Tanaka, Hitoshi (2006), "The ASEAN+3 and East Asia Summit: A Two-Tiered Approach to Community Building", [Online web] Accessed 18 August 2010, URL: <http://www.jcie.org/researchpdfs/EAI/1-1.pdf>.

TET (2010) The Economic Times, "East Asian economies to grow 8.8 pct in 2010: ADB", [Online web] Accessed 24 July 2011, URL: <http://m.economictimes.com/PDAET/articleshow/7057838.cms>.

Wanandi, Jusuf (2006), "Strategic developments in the Asia-Pacific Region" The Jakarta Post, August 11.

Wanandi, Jusuf (2008), "East Asian Regionalism and Global Governance: East Asia at a Crossroads" (eds. Tadashi Yamamoto), Tokyo: Japan Center for International Exchange, pp. 19-37.

Xinhua (2009), "China revises 2007 GDP growth rate to 13%", [Online web] Accessed 18 May 2011, URL: http://news.xinhuanet.com/english/2009-01/15/content_10661955.htm.

Yao, Yang (2011), "China's export-led growth model", [Online web] Accessed 6 July 2011, URL: <http://www.eastasiaforum.org/2011/02/27/chinas-export-led-growth-model/>.

Yang, Daqing (2002), "Mirror for the future or the history card?" in Mary Soderberg (eds.) *Chinese-Japanese Relations in the Twenty-first Century: Complementary and Conflict*, New York: Routledge.

Yeung, May T., Nicholas Perdikis and William A. Kerr (1999), *Regional Trading Blocs in the Global Economy: The EU and ASEAN*, U.K.: Edward Elgar Publishing Limited.

Zhao, Suisheng (2004), "The Making of China's Periphery Policy" in Suisheng Zhao (eds.) *Chinese Foreign Policy: Pragmatism and Strategic Behavior*, New York: East Gate Book.