

Edited by  
Zhang Yunling

# **E**merging East Asian Regionalism: Trend and Response



# **Emerging East Asian Regionalism: Trend and Response**

## **东亚区域主义： 趋势与回应**

Edited by  
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# Foreword

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East Asian regionalism is emerging. The core of this regionalism is to bring the countries in the region together to live peacefully and prosperously through cooperation. People may still debate on many things relating to this regionalism, *e.g.* the identity, the institution, the final goal... but the train of the regional cooperation is moving faster. The great value of East Asian regionalism lies in its process, which leads to more and more cooperation. Currently, East Asian regionalism consists of several movements: official dialogue, including leaders meeting from the “10+3” toward East Asian Summit, ministers’ meetings from few to all areas; FTAs, from the multi-layered arrangements to an EAFTA; financial cooperation, from current Chiang Mai Initiative possibly to a kind of regional financial and monetary architecture; other mechanisms, including political, social, educational and cultural cooperation, all of which will lead to the East Asian Community building.

The goal of East Asian cooperation is East Asian Community. However, there is not a ready model and clearly defined structure for it. Great diversity, different interests, as well as weak consensus, may make the community building a gradual and slow process. Due to its unique feature, we need to understand East Asian region-

alism from a new angle. For example, the multi-layered FTAs in East Asia will serve as the capacity building in making rule-based arrangement that help to forge a larger regional FTA later since almost all countries in the region have no experience in making any regional free trade arrangement. An early-defined model for East Asian Community may be counterproductive to the real progress since only the process itself can gradually produce the value-added results. East Asian regionalism is still young. One should not underestimate the momentum of East Asian cooperation since it brings the benefits to every country and to the region as a whole.

We set this three-year research program on East Asian cooperation in 2001 when China and ASEAN just agreed to establish the bilateral FTA. Our first book — *East Asian Cooperation: Progress and Future* was published in 2003 and the second book — *East Asian Cooperation: Searching for an Integrated Approach* in 2004. This is our third book mainly focusing on East Asian regionalism. We have witnessed significant achievements of East Asian cooperation since we started our research.

This book is the result of an international conference on East Asian regionalism organized by the Institute of Asia-Pacific Studies and Research Center on Regional Cooperation of Chinese Academy of Social Sciences in Beijing on October 21-22, 2004 in Beijing. It includes five parts: the first part is on the nature of East Asian regionalism; the second part is on East Asian FTA; the third part is on East Asian financial cooperation; the fourth part is on North-east Asian cooperation and the fifth part is the responses from other major partners. Thanks to their different backgrounds and country origins of the paper contributors, this book may help the readers to have a better understanding of East Asian regionalism.

This research project has been financed by the Ford Foundation. My gratitude goes to Professor Andrew Watson, the resident representative of the Ford Foundation in Beijing who has given continuous support to our work. Thanks to my assistants Ms. Li Mo, Mao

Yue, Fu Jingyun and Liu Xiaoxue who have contributed considerably in helping me for coordinating the research and conference as well as the editing work.

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# New Regionalism and East Asian Community Building

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By *Zhang Yunling*<sup>1</sup>

As a geographical concept, East Asia includes Northeast 5 countries and ASEAN 10 countries. The countries in this region are neighboring closely either by the land or the sea. East Asia as a region has gradually built up its common or shared interests in the areas of economy, politics, security, society and culture, which constitute the foundation of "East Asian regionalism".

Nevertheless, great diversity, historical grievances, as well as some current contradictions among the countries in the region weaken the consensus building of the regionalism. East Asian regionalism is still very weak in the sense of building a real East Asian Community with clearly defined direction, approach and the goal.

The great significance of East Asian cooperation and integration is its developing process. The process itself becomes irre-

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<sup>1</sup>Zhang Yunling, Professor and Director of Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences.

versible, which will help to make the consensus in searching for an appropriate approach and defining the long-term goal.

## I. The Emergence of East Asian Regionalism

The idea of East Asian cooperation has its long history. In the modern time, the Japanese are those who early put forward the concept of East Asian regionalism. By late 19th century, Japan became the first industrial country in Asia. A rising Japan wanted to use the regionalism to enlarge its interests in Asia and strengthen its status in dealing with other big powers. Thus, Japan was very active to mobilize the spirit of "Asianism" and tried hard to establish an East Asian identity. But as the sole emerging power in East Asia, the Japanese regionalism was nurtured with expansionism and ended as militarism.<sup>1</sup> In China, some early revolutionists also intended to call on East Asian unity to oppose Western colonization and to save China from colonial carving up. However, this voice was too weak to be influential. After the Second World War, East Asia was divided by international politics. The voice of East Asian regionalism totally vanished away.

Starting from 1960s, the voice of regionalism in East Asia was raised again, firstly from Japan and then supported by the "Four Dragons".<sup>2</sup> But this time, it was more characterized by the "Asia-Pacific regionalism", which aimed at establishing institutional linkage between Japan and other East Asian newly emerging economies and especially with the American economy. Several forums were set up in the Asia-Pacific area, like the Pacific Basin Economic Council (PBEC, 1967), the Pacific Trade and Development Conference (PAFTAD, 1968), the Pacific Economic Cooperation Council

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<sup>1</sup> See Wang Ping, *Japan's Asianism in Modern History*, Commercial Press, 2004, p.55, 144, 25.

<sup>2</sup> Australia, together with Japan, played an important role in pushing the concept of the "Asia-Pacific" with the aim of identifying it as a member of the region.

(PECC, 1980) and the Asia-Pacific Economic Cooperation (APEC, 1989).

In early 1990s, there was a new call for East Asian regional cooperation. Dr. Mahathir Mohamad, the Prime Minister of Malaysia called on East Asia to unite to balance the international economic order by comprising economies in East Asia and establishing an "East Asian Economic Group"(EAEG) in 1990, which was later changed into "East Asian Economic Caucus" (EAEC). His idea was not rootless since an emerging ASEAN and East Asia as a whole required a more favorable international economic system to reflect their interests. The proposal of establishing EAEC was supported by ASEAN since it could make ASEAN as the core of the organization and play a pivotal role in the process. However, Japan did not give support to such initiative with an anti-Western background.<sup>1</sup>

Interestingly, East Asia as an economic region was firstly recognized by the international community in early 1990s through a World Bank report: "East Asia Miracle". Following this report, East Asia was more and more considered as an integrated region based on its economic success. East Asia as a region firstly showed itself in the world affairs in 1996 when ASEAN together with three Northeast Asian countries, namely China, Japan and Republic of Korea (ROK) opened the official dialogue with EU, known as ASEM.

However, the real East Asian cooperation process only started after the Asian financial crisis. A historical step was made on December 15 of 1997 in Kula Lumpur when leaders from ASEAN, China, Japan and ROK got together for cooperation in dealing with the financial crisis and recovering the regional economies. A joint statement was announced by the leaders in the next year, which clearly indicated the shared interests for pushing forward the East

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<sup>1</sup>Sanae Suzuki, "East Asian Cooperation Through Conference Diplomacy: Institutional Aspects of the ASEAN plus Three (APT) Framework", IDE Working Paper, March 2004, p.5.

Asian cooperation. Following this statement, the annual leaders informal meeting and ministers' meetings were formalized under a coordinated framework of "10+3". Although this is only a dialogue forum in nature, it began to nurture a new spirit of East Asian regionalism.

In a regional sense, the financial cooperation made a big progress by "Chiang Mai Initiative", which established a regional framework through "SWAP arrangements". This framework provides a foundation for further institutional development in the area of monetary and financial cooperation in East Asian region.

In the trade and investment area, FTAs are in a multi-layered approach: ASEAN FTA (AFTA), China-ASEAN FTA (CAFTA), Japan-Singapore Close Economic Partnership (JSCEP) and Japan-Thailand, Japan-Philippines, Japan-Malaysia FTAs (undergoing negotiation), as well as intended Japan-ASEAN FTA (JAFTA) and ROK-ASEAN FTA (KAFTA). In theory, the benefits from an East Asian FTA (EAFTA) are much larger than any bilateral or a sub-regional one, but it has not been on the leaders' agenda yet though it seems that the pressure on early starting EAFTA has become strong, especially from the business community.<sup>1</sup>

As a matter of fact, "10+3" framework is not just an economic cooperation process. It also has the political significance. It will help to improve the relations among the countries in the region. "10+3" serves as a unique regional platform for all parties to engage and cooperate through dialogue and joint activities. China and ASEAN have significantly improved their relations in the process of establishing FTA and comprehensive economic partnership. The two sides have now defined themselves as the strategic partnership. China, Japan and ROK started their informal leaders' dialogue

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<sup>1</sup>Chinese leader announced that China would take initiative to coordinate an academic study on the feasibility of EAFTA from 2005, and this proposal was supported by other East Asian leaders during the leaders' meeting in November 2004.

annually under this framework, and a joint declaration on strengthening economic cooperation was issued in 2003 by three leaders for the first time in their history.

Based on such progress, a new concept, *i.e.* East Asia Community (EAC) has emerged and seems to be accepted by all sides.<sup>1</sup> EAC is both considered as a long-term goal and a gradual process for cultivating the partnership among all parties in the region.

## **II. Development of East Asian Regionalism**

East Asian cooperation started from pragmatic need without a well-designed political goal, to some extent, even no consensus building. However, as a process, the consensus seems to be gradually built up.

Economic cooperation and integration provides a fundamental stake for East Asian regionalism. But the high level economic integration can only be achieved step by step due to the great differences among countries in the region. A fully liberalized and integrated East Asian big market needs at least more than a decade long effort.

In facing current multi-layered efforts in building FTAs, it is necessary to make them consolidated and lead finally to EAFTA. Based on the current three “10+1” FTAs formula (CAFTA, JAFTA, KAFTA), the rational choice is that EAFTA will be a combination of three “10+1” FTAs, thus let three “10+1” complete first. This is possible since ASEAN announced that they would start the negotiation with Japan and ROK from 2005 and complete them in 2007. If it follows this approach, EAFTA negotiation may start from 2008 and finish by 2010, and the complementation of the agreement by 2020.<sup>2</sup> This requires political determination of the leaders of East

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<sup>1</sup>EAC was firstly recommended by the East Asian Vision Group to “10+3” leaders in 2002. In 2003, Japan and ASEAN leaders formally called on to develop East Asia Community in their joint statement.

<sup>2</sup>Some less developed ASEAN members and some most sensitive sectors may

Asian countries.

The success of developing EAFTA is essential. As mentioned above, it is desirable to design and initiate EAFTA in an early time.<sup>1</sup> The significant role of EAFTA is to harmonize the East Asian market system through legal agreements according to the recognized international standards. China and Japan should work together in forging an EAFTA, rather than competing “for a leadership in East Asia and each maintains its influences on ASEAN by promoting their own individual relations with ASEAN”.<sup>2</sup>

The regional financial institution is an important part of East Asian economic community. The Chiang Mai Initiative provides a starting foundation based on the bilateral SWAP arrangements for East Asian financial cooperation, but this will go further. The further step is to establish the regional framework of the SWAP arrangements and may also enlarge its size, and if this works, it is necessary to move it to a regional fund with the idea of pooling some of the large foreign reserves in East Asia. The main role of this fund is to back up the confidence of the financial market and to serve as a rescue capital if the crisis emerges. Nevertheless, it should also help to enhance the regional financial institutions and the level of the financial management.

The political significance of East Asian regionalism is to realize the regional political reconciliation and peace making. Considering its great diversity, East Asia should find its own model for political unity, with the principle of respecting the differences in political systems, social structures and culture colors.

The regional institutional building needs to be strengthened. A further step from current “10+3” dialogue framework to East Asia

be extended to 2025.

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<sup>1</sup> Some Japanese experts recommended launching EAFTA in 2005 and signing a treaty for East Asian Economic Community. See *Japan's Initiative for Economic Community in East Asia*, JFIR report, June 2003, p.9.

<sup>2</sup> Sanae Suzuki, “East Asian Cooperation Through Conference Diplomacy: Institutional Aspects of the ASEAN plus Three Framework”, p.13.

Summit and then possibly to a regional organization (for example, East Asian Organization<sup>1</sup>) is absolutely necessary. The major role of the regional institutional building is peace making through co-operation under a regional framework. For this purpose, the region does not just need the security dialogue, but also some kind of security mechanism. In fact, a pivotal role for the process of East Asian cooperation is that East Asian countries learn how to live together peacefully and to make rules for their relations.

In forging an integrated approach for current multi-layered processes, it will not end up the existing sub-regional institutions, like ASEAN and stop individually initiated programs. However, it will have to coordinate all those different progresses into an East Asian framework, rather than competing each other.

The development of East Asian regionalism has to overcome many difficulties. Great diversity within the region is clearly an obstacle since economic integration is based on high-level economic convergence. For example, EAFTA will have to respect the differences of the economic interests on the one hand, and establish standard system for liberalization of the regional market on the other hand.

East Asian integration and market liberalization started from the sub-regions and bilateral arrangements. The East Asian institutional building has to overcome the difficulty in balancing the regional institutions and sub-regional formalities. For example, ASEAN's identity and role in East Asian institutional building must be respected, but ASEAN itself has to adjust to the new development in East Asia. Further more, East Asian regionalism includes political cooperation. This needs collective wisdom to define and establish East Asian political cooperation mechanism and security institution without hurting the existing relations both within the region and with those outside the region.

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<sup>1</sup>The same group of Japanese experts proposed to establish "Organization for East Asia" (OEA).

A key factor for the progress of East Asian regionalism is China-Japan relations. East Asian identity will not be built up if China and Japan fail to share common interest and to consolidate each other in the areas of EAFTA, the financial cooperation, the security strategy and the regional institutional building. The current "cooling atmosphere" in the political relations between China and Japan will contain the progress of East Asian regionalism.

China's active participation and role are also crucial in pushing East Asian regionalism. Nevertheless, China has to clear its own house at the same time. Taiwan<sup>1</sup> issue does not just influence China's role, but also the whole East Asian community building. China will not allow Taiwan to be involved if its government doesn't give up its pro-independence policy, and a regional community will not be realized if China and the region fail to find an acceptable way to let Taiwan to be part of the regional community process. The division and confrontation on the Korean Peninsula is another factor that should not be underestimated.

As a matter of fact, the process of East Asian cooperation and integration plays a dual role in the community building: reconciliation among the countries (new partnership), and cultivation for every member itself (towards a new mind set). However, we have already witnessed some new development of East Asian regionalism. As mentioned above, a significant step forward is the understanding and acceptance of "East Asian Community" that was recommended by the "East Asian Vision Group" (EAVG).<sup>2</sup> The consensus has been reached in pushing forward the current "10+3" dialogue structure into an "East Asia Summit".<sup>3</sup> If this is to be realized, the embryonic identity of East Asian regionalism will be

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<sup>1</sup>Taiwan in this book refers to Taiwan Province of China, and Hong Kong refers to Hong Kong SAR of P. R. China. — Editor

<sup>2</sup>*Towards an East Asian Community: Region of Peace, Prosperity and Progress*, East Asian Vision Group Report, 2001.

<sup>3</sup>The summit will be held in 2005.



created.

The current East Asian regionalism has shown its new characteristic feature. Thus, we may call them as “new East Asian regionalism”. The current process of new regionalism is economic-centered, equally participated and consensus built,<sup>1</sup> which is totally different from the ancient and modern regional order. We have already found some new features in this process:

Firstly, the institutional building will not intend to develop a regional organization with super-regional power. The regional cooperation is more characterized by a kind of “functional institutional building”.<sup>2</sup> Gradualism and pragmatism are two important principles in the process of regional cooperation and integration. The functional mechanism will help to build up the foundation of East Asian regionalism.

Secondly, the new East Asian regionalism finds its embryonic structure in ASEAN. ASEAN provides a unique way (the ASEAN way) to bring all countries gradually in Southeast Asian region together and to turn the region from a divided one into a united and integrated one. The valuable spirit of ASEAN is to realize the regional reconciliation through a gradual process based on functional cooperation. ASEAN becomes a pioneer in developing regionalism in East Asian region. ASEAN process is not just the economic cooperation and integration, but also the political and security community building. It has played a key role in bringing Southeast Asia and Northeast Asia together. The ASEAN way may be the major approach in the development of new East Asian regionalism.

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<sup>1</sup> Dr. Prapat Thepchatree called it equality, consensus and comfort level. “Towards an East Asian Community”, paper presented on NEAT II, 2004, Bangkok, p.5.

<sup>2</sup> Simon Tay from Singapore suggested that the emerging East Asian sense of community be founded on a functional interdependence and institutional identity without exceptionalism. See Simon Tay, “Regionalism and Legalization: Recent Trends and Future Possibilities in East Asia”, *Reader*, Singapore Institute of International Affairs, Vol. 4, No. 1, 2004, p.32.