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Regionalism, Economic Integration and Security in Asia

A Political Economy Approach



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Preface

This book is the product of the first conference of the Asia Economic Community Forum which was held on 11–13 November 2009 at Songdo Convensia in Incheon, South Korea. In 2001 a non-governmental organization (NGO) called the Northeast Asia Intellectuals' Solidarity Korea (NAIS Korea), was established with the goal of promoting regional integration in the form of a Northeast Asian Community. NAIS Korea now has more than 500 members, composed of scholars both in Korea and across the region. With NAIS Korea at the core, the Asia Economic Community Foundation (AECF) was established in 2008 with the goal of eventually establishing an Asia Economic Community. The main activity of the foundation to date has been organizing the annual Asia Economic Community Forum (AEC Forum) with the eventual goal of transforming that forum into 'Asia's Davos Forum'. One of the co-editors of this volume, Professor Jehoon Park, is Secretary General of AEC Forum.

Even though the AEC Forum is benchmarking the Davos Forum as its model, the conference was initiated by academics with the participation of business and political leaders. Therefore it is hoped that the presidents of prestigious universities around the world as well as distinguished scholars will participate in the conference and serve as members of the advisory committee of the AEC Forum.

The permanent theme of the forum is 'Creating One Asia Together', while the theme of 2009 conference was 'Global Crises and Asia: Solutions and New Paradigm'. There were three plenary sessions: 'Grand Debate About the 21st Century Capitalism', 'Grand Compromise among the US, China and the EU' and 'Grand Dialogue between Asia and the West'. More than 1200 official participants actively shared their interests and views concerning the future of Asia and the vision for an Asia Economic Community. There were 20 sessions where more than 50 papers were presented. This book collects the 11 best papers from among those 50. One additional chapter was invited to deal with the security issue of China, along with the introduction and conclusion.

The three co-editors of this volume are all core members of the AEC Forum. Professor Pempel has been an active participant in this AEC movement since the formation of NAIS Korea.

While interest in regional integration and regionalism in East and Northeast Asia has been increasing recently, most of the publications have been written in national languages and hence are limited in their inclusion and in their audiences. Some are written in English, but mainly by Western scholars. This book includes contributions by Asian scholars as well as Western writers. The book also has a unique feature in that contributions are made from an interdisciplinary approach covering economics, political science and culture. The book deals with various issues such as applications of European experiences to Asia as well as perspectives of each country from the region together with perspectives from outside the region (US or Russia). Lastly, this book expands the scope of analysis beyond Northeast Asia or East Asia, to Asia in general.

Jehoon Park, T.J. Pempel, Heungchong Kim 2011

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1. Introduction

Jehoon Park

There are big differences between Northeast Asian regionalism and Asian regionalism. Northeast Asia refers to a rather specific geographical area.¹ However, when it comes to Asia more broadly, geographic clarity disappears.² Also Asia, however delimited, is vast and diverse in terms of scale, nationality, ethnicity, religion, language, culture, economic development and political systems. In that sense Asia cannot be simply defined. Therefore we need imagination. This is why scholars of humanities discuss Asia as a theme of discourse.³

The terminology of ‘Asian regionalism’ could be used with diverse meanings. Its recent use could be found in the theme of the conference organized by the Asian Development Bank (ADB) (2008). The flagship study on *Emerging Asian Regionalism: A Partnership for Shared Prosperity* highlights how to strengthen regional cooperation and analyzes the nature of Asia’s emerging regionalism, and the opportunities and challenges it poses. In this case, Asia includes the Association of South East Asian Nations (ASEAN), Hong Kong, Taiwan, China, Japan, South Korea and India. The regionalism is also an economic regionalism because it discusses the extent of economic integration in Asia and the priorities for regional economic cooperation, including issues on trade, investment, financial integration, macroeconomic policy coordination, social issues and institutional development. However, Asian regionalism in this book covers politics or security as well as economics. ‘Asia’ is also still an open-ended concept, so that it covers subregions like Central Asia and South Asia.

Also when we discuss Asian regionalism, we should indicate what kind of community we are envisioning. Of particular interest is the possibility for an economic community. The first conference of the Asia Economic Community Forum (2009) adopted as its final product ‘The Declaration for the Era of Asia – Incheon Initiative for the Asia Economic Community’. It begins with the following paragraph:

After a cold wave of the US-born global financial crisis has swept by, the world economy is now holding its breath and showing signs of recovery. Although

it may be gloomy to say this, it is a present reality that nobody knows when recession will creep up on us again as long as fundamental solutions to inherent contradictions in global capitalism are not presented.

The gloomy impacts of the global financial crisis are emphasized here. While the major goal of the Asia Economic Community Forum (AEC Forum) is to construct an Asia Economic Community, this is why the theme of the conference was 'Global Crises and Asia: Solutions and New Paradigm'. It is clear that in order to analyze Asian regionalism, we need a basic understanding of solutions for the global crises. I see this as involving three central problems: the global financial and economic crisis, the global hegemony crisis and the global value crisis. In this context the first two chapters analyze such basic questions as 'Are we entering an Asian century' or 'What will the future Asia Economic Community look like?'. The remaining chapters are analyzing more prototypes of issues linked to regionalism itself.

We may raise two fundamental questions before discussing Asian regionalism. One is whether the twenty-first century will be Asia's century. Or will Asia be an alternative to US-led or Western civilization? The second question is: what is Asia? In Chapter 2, Guy Sorman tries to answer these questions. He argues that today seems the right time to rebalance globalization. The 2007–09 crisis has revealed some deep flaws in the US-dominated global system. Asia, at present, is the only powerhouse from which new guidelines could emerge. In dealing with the first question, he raises another question: is China likely to replace the US as the leading global power, or at least as the leader in Asia? He lists many reasons why this is not likely. China is still not a leading power; its economy depends on the rest of the world; and its capacity for innovation is limited. In spite of high growth, China is not able to reinvest its own gains within the domestic economy and instead buys US Treasury bills. The Chinese political model is also not attractive for the rest of the world: China does not export universal values. Then, one of the strong points Sorman makes about the second question is that Asia should be defined not by its past, but by its future: if Asia is to rebalance globalization, Asia needs to become a dynamic political concept, a whole new project, rather than just a geographical space. Very much like the European Union (EU) where an ambitious project is in the making with still undefined borders, Asia could become a similar project in the making. His conclusion is that the twenty-first century is not yet Asia's, and will remain the US's century for longer than we expect. He proposes a rather realistic compromise which would be to include China in a balanced Asian Alliance. This would make China a stakeholder in the region. Moreover, Asia would be more

secure and the world would be more harmonious, that is, precisely the goals of Asian regionalism.

In Chapter 3, Chi-ha Kim, as a prominent poet and philosopher, touches upon a very fundamental discourse of civilization. He begins by asking: what is the task ahead of us now? His answer is that the task is none other than 'The Path from the One to the Many'. He quotes the following passage in an old manuscript written by Marx: 'Money is unrelated to mind. And the many and the one are never identical'. In direct opposition to Marx's argument, however, he argues that 'the crisis is rooted in the "cruel" intervention of the mind in the strict and cold order of money. Enough mystery is shrouded in the term "bubble". The newly coined "supper bubble" or "grandfather bubble" is even more perplexing.' The Garland Sutra is quoted as including the traditional Buddhist principle of the economy, which is the following: 'Togetherness in being covered with the dust of the market but never being tainted by greed – that is the perpetual road of truth that benefits the life of living things.' According to him, 'togetherness in being covered with the dust of the market' is none other than 'exchange'. 'Never being tainted by greed' means 'reciprocity'. And 'exchange' and 'reciprocity' are dialectically synthesized. Exploring the potential for a truly cutting-edge and ideal new economy, he concludes as follows: 'Reciprocity should not remain in the domain of religious charity. In the new East Asian economy from now on, reciprocity should be realized as an object market pattern as in the case of exchange. That is the precondition of the new East Asian economy.' Lastly, he speaks of water. 'Water leaves the fountain and forms a large river. The large river becomes a gigantic ocean. In the end, however, the water evaporates to the sky and penetrates the earth. Water goes back to the forgotten fountain.' He argues that the same truth applies to civilization. Asia is the first fountain of the whole human civilization. Now, civilization is reverting to its historical origin in Asia.

Chapter 4 develops a regional integration index and applies that index to East Asia, together with other major regional communities, such as ASEAN, the EU, Mercosur and the North American Free Trade Agreement (NAFTA). The regional integration index measures the degree of integration in terms of four criteria: functional integration; political and security integration; social and cultural integration; and institutional integration. In the case of East Asia, the region scored low in 1994 in the fields of political and security, and institutionalization mainly due to the lack of political leadership. However, the functional integration index was higher than that of other geographic regions at this initial stage, despite the absence of an economic union. During the development stage of integration of East Asia in 2000, the regional integration index increased. In

2007 the overall score increased further, but the functional integration index actually decreased due to a reduction of intra-regional foreign direct investment (FDI). A noticeable increase in the socio-cultural index was monitored in the region as East Asia was swept by the spreading popularity of Korean culture known as Hallyu, or the Korean wave. Currently, the socio-cultural factor in East Asia is lower than those of EU and NAFTA, but almost the same as those of ASEAN and Mercosur. The political and security factor is much lower than those of EU and Mercosur, and even lower than those of ASEAN and NAFTA. The following implications for the East Asian integration are suggested. First, East Asian countries need to endeavor to enhance their economic integration. In order to do this, trade cooperation needs to increase, and institutional building aimed at exchange rate stability is also needed. Second, it is vital to make an advanced blueprint for regional cooperation and integration in East Asia. Third, East Asian countries need to be exposed to opportunities to engage in binding negotiation on regional issues so as to accumulate ample experiences in solving the region's many issues. Fourth, a variety of policies are required to soften the effects on possible losers from regional integration so as to encourage their continued engagement in the process. Finally, a core group committed to regionalism is required so as not to lose the driving force for integration. Germany and France have retained their key bilateral relationship in the course of the whole integration process for Europe. In East Asia, Japan and China are expected to play such a role, but if their bilateral relations prove initially problematic, Korea is strongly encouraged to initiate such kind of multilateral relation.

Inkyo Cheong, in Chapter 5, examines the current conditions and characteristics of East Asian regionalism and explores the ways in which Asian regionalism can contribute to the development of multilateralism. His chapter shows that the formation of a regionalism that can contribute to trade expansion can also contribute to the development of a multilateral trade system. It is argued that free trade area (FTA) member countries should conclude agreements in which the scope of liberalization is wide and comprehensive and should minimize spaghetti bowl losses. When World Trade Organization (WTO) agreements are pursued, regionalism will contribute to the formation of a multilateral trade infrastructure in developing countries and support the development of a WTO system on a regional basis. The ways by which Asian regionalism can contribute to the development of a WTO multilateral system is, he argues, to pursue a high-quality, pan-Asian FTA.

The relationship between trade and regionalization is analyzed by Shuji Matsuno in Chapter 6. He shares a common view with Inkyo Cheong in arguing that regional economic development is the unfolding path to

economic globalization. He examines today's path to globalization, noting how East Asian countries are developing intra-regional trade to balance their inter-regional trade. As examples of intra-regional trade, he discusses instances of regional cooperation across national borders, including the Tumen River area along the China–Russia–North Korea border and the Mukdahan–Savannakhet area along the Thai–Lao border. He also discusses how micro-regional cooperation can support bottom-up evolution of the East Asian community alongside top-down macro-regional cooperation such as FTA and economic partnership agreement (EPA) between countries.

In Chapter 7, Fraser Cameron takes up the debate about the governance of the European Union. Scholars as well as pro- and anti-Europeans have emphasized the importance of both the EU institutions and the supra-national EU bureaucracy in promoting European integration. The chapter examines the history of the EU with specific regard to the process of institutionalization and the development and impact of the EU bureaucracy. It considers the main theoretical schools concerning European integration before analyzing the interplay between the member states of the EU and the institutions of the EU. It also draws some lessons between the process of integration in Europe and that of Asia and concludes that, rather than trying to emulate the EU in total, Asia might be better able to cherry-pick some aspects of European integration.

According to Amy Verdun's 'The role of the Benelux in the European integration process', the Benelux countries stood at the cradle of the European integration process. As a group of integrated collaborating countries, they have played an important role in the history of European integration. Not only have they led by example, they have also contributed to the integration process by offering managerial skills, leadership and by brokering deals among the participating member states. The Benelux case shows that small countries can play an important role in a larger group of countries that together form the European Union. The chapter closes by offering some reflections about the implications of the Benelux case for Asia. Verdun argues that we could find a similar setting: two major rivals (Japan and China), frequently at war, a need to seek a peaceful settlement among them, and a number of smaller countries seeking closer cooperation (for instance the ASEAN countries).

In Chapter 9, T.J. Pempel argues that in the post-Cold War period, there have been many predictions that Northeast Asia would be subject to instability, geopolitical conflicts and even shooting wars. The chapter notes the actual absence of conflicts since the end of the Korean War and argues that two forces have been important contributors to the region's relative tranquility: economic interdependence and regional multilateralism. The

first has been particularly powerful in softening cross-Straits tensions while the nuclearization of the Korean peninsula has been at least checked by the multilateralism of the Six-Party Talks. Yet shifts in domestic politics have been responsible for important ebbs and flows within the broad trend toward this defusing of tensions. From such evidence, the chapter concludes by suggesting that a 'rising China' can most peacefully be accommodated through a mix of economic interdependence and multilateralism, but with the need for domestic politics among China's neighbors to be supportive of such moves.

Wu Chunsi's 'Regional cooperation and the DPRK nuclear issue', Chapter 10, deals with the issue in the context of regional cooperation. The international community, especially the countries in Northeast Asia, have made great efforts to deal with the problem and the result is a mixture of good and bad news. The results indicate that the North Korean problem should not be simply regarded as a nuclear proliferation issue. A country pursuing nuclear weapons in general has variant purposes, and it cannot be denied that an insecure survival environment is an important reason for North Korea's pursuit of its nuclear weapon program. Therefore, regional cooperation offers a potentially beneficial way to provide a stable foundation for peace on the Korean Peninsula. Regional cooperation has made some substantial progress in Northeast Asia and East Asia, although East Asia is an area full of diversities and coexisting multiple economic modes, political systems, social structures and religious beliefs. The ASEAN+ process which started in the aftermath of the 1997 financial crisis provides an occasion for the countries in the region to exchange their views on important issues, and subregional mechanisms such as the Six-Party Talks and the Shanghai Cooperation Organization (SCO) are now handling very concrete issues in their scope. However, the difficulties in managing the North Korean nuclear issue indicate that policy coordination in the region remains very limited. Major players in the region need to improve their mutual trust, and regional cooperation still faces some serious barriers. Present international relations in Asia suggest that the region in its current stage must allow multiple mechanisms to operate simultaneously at different levels and in different functional areas. For example, despite the Six-Party Talks in Northeast Asia, it is still necessary and very important to have trilateral institutions among South Korea, Japan and China to strengthen and deepen their cooperation and to reduce their misunderstandings. Therefore, it is possible that in the near future there will be more trilateral, quadruple or multilateral cooperation in Asia, and that will be a cooperation mode different from European precedent. The author's conclusion is that China believes that peace and stability in Asia can be reached through regional cooperation. China is becoming more

active in participating in the construction of a security mechanism in the region and has an open attitude to different proposals for multilateral cooperation. China hopes that it can closely cooperate with its friends and neighbours to bring about a brighter and more prosperous future to Asia.

Alexander Zhebin suggests in Chapter 11 that the G3 institution of the United States, the European Union and China might be the most appropriate forum to establish deeper working relations among the super-powers. By openly discussing specific issues where spheres of influence overlap and contradict one another, differences could be reduced from the strategic to the merely tactical. He stresses that the central question remains whether the USA is going to engage China on equal terms, or treat it as a potentially hostile competitor. According to him, the recent joint military drills launched by the USA and South Korea following the sinking of the *Cheonan* right next to the Chinese coastal waters demonstrated that the US-style engagement is not a strategic choice but a reversible tactic. He argues that the G8 will not disappear and will continue to go about its business, because the G8 agenda is immeasurably broader than the range of problems which fall within the G20's terms of reference. His analysis concludes with an emphasis of Russia's role as one of the Asia-Pacific countries, by citing President D. Medvedev's speech at the meeting on socio-economic development in the Far East and cooperation with the Asia-Pacific region countries held on 2 July 2010 in Khabarovsk. There Medvedev called for strengthening Russia's influence and offering Russia's vision of how to build a polycentric and non-bloc-based security and cooperation architecture in the Asia-Pacific region.

Chapter 12 discusses China's foreign policy-making in post-Cold War East Asia which the author, Hochul Lee, argues is shaped primarily by four key factors: realpolitik or balance-of-power politics; economic interdependence; nationalism; and political leadership. He argues that how these factors develop and interact with each other will shape the course of China's foreign policy in the direction of either accommodation/cooperation or assertiveness/aggressiveness. Depending on whether Chinese realpolitik is more constrained by economic interdependence or more dominated by nationalist reactions, China's foreign policy is likely to swing between cooperative and assertive courses. However, considering a firm consensus within Chinese leadership on the necessity of continuous economic growth for its political legitimacy, the author predicts that Chinese leadership would rather pursue a prudent realpolitik guided by balance-of-power politics and constrained by increasing economic interdependence. As a result, an accommodative/cooperative course of behavior is more likely to be the *normal* course of China's foreign policy, though there still remains a possibility of swift swings toward assertive and

aggressive courses of behavior when vital Chinese nationalist interests are challenged.

In Chapter 13, the ‘Conclusion’, Jehoon Park and Hyunsook Chung summarize and criticize all chapters and conclude by suggesting a tentative roadmap and future directions for an Asian Community as well as the importance of cultural and values studies.

NOTES

1. Of course, there is still controversy about which countries should be included in the area.
2. According to Mahbubani (2008), Asia even includes Israel.
3. For instance, see Baik (2002) and Koh (2009).

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