
ASEAN PLUS THREE

Emerging East Asian Regionalism?

Richard Stubbs

Over the last few years the institutionalization of the ASEAN Plus Three (APT) process has started to take shape. Government leaders, ministers, and senior officials from the 10 members of the Association of Southeast Asian Nations (ASEAN)¹ and the three Northeast Asian states—China, Japan, and South Korea—that together comprise the participants in the process are consulting on an increasing range of issues. The APT's emergence raises questions about relations between it and other regional groupings such as the Asia-Pacific Economic Cooperation (APEC) forum and ASEAN itself, as well as about the overall prospects for its future development. There are a number of obstacles to this development that arise from the many differences among the countries of East Asia. However, the argument presented here is that the combined effect of such key developments as an increase in regionalization; the success of other regional organizations and arrangements such as the European Union (EU) and the North American Free Trade Agreement (NAFTA); the now-apparent limitations of

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1. The members of ASEAN are Brunei, Burma/Myanmar, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

ASEAN and APEC; and the impact of the Asian economic crisis have been enhancing the significance of the APT process. Indeed, the APT now has the potential to become the dominant regional institution in East Asia.

The question of the APT's future is explored below in four parts. The first part examines those regional trends that strongly suggest the need for an East Asian regional organization. Indeed, the APT is the latest in a succession of proposals that have arisen out of the continuing search for a vehicle for East Asian regional cooperation. Pressures for the development of an effective institutional arrangement of that sort have been mounting in the region for some time. The article's second part reviews the extent to which East Asian regionalism has been prompted by the success of similar organizations in other parts of the world and the failure of ASEAN and APEC to provide a collective voice for East Asian states. The next part explores the impact of the Asian economic crisis on the development of the APT process. It argues that the crisis gave the new cooperative regional arrangement a focus for taking concrete, practical action. Finally, the article details the main obstacles to the APT's development. Though these obstacles are rooted in the many variations to be found in the societies and economies of the East Asian countries, I argue that they are unlikely to stop the growth of the APT's influence.

Long-Term Regional Trends

The APT process is in many ways simply the latest manifestation of the evolutionary development of East Asian regional cooperation. In the post-Second World War era this evolution has been marked by such proposals as the South Korean call in 1970 for an Asian Common Market and Japan's 1988 suggestion for an Asian Network. The APT's immediate precursor was the East Asian Economic Grouping (EAEG), put forward in 1990 by the Malaysian Prime Minister, Dr. Mahathir Mohamad. The EAEG was almost immediately renamed the East Asian Economic Caucus (EAEC) in response to concerns that the original name made it sound too much like an attempt to form a regional trade bloc. Even in its revised form, the proposed regional organization faced fierce opposition from the U.S. and Australian governments. They were concerned about the implications such a body might have for the successful development of APEC and the possibility it presented of the global economy being divided along regional lines. The U.S. government put considerable pressure on Japan and South Korea to reject the proposal. Japan itself was ambivalent about the EAEC because of its wish to keep good relations with both its emerging East Asian trade partners and its traditional economic and military ally, the U.S. Moreover, among Malaysia's ASEAN colleagues, Indonesia was particularly wary of Mahathir's initiative.

Despite the opposition, and unlike previous attempts to build East Asian regionalism, the proposal for an EAEC did not fade away. There was enough sympathy among potential members of the prospective caucus for its goals of providing a collective voice for East Asia in international trade negotiations and a counterweight to America's unipolar hegemony that the idea was discussed in a number of forums. Moreover, Mahathir continued to push vigorously for its adoption. As a result, at their 1992 summit in Singapore ASEAN leaders agreed to work toward the realization of the EAEC and at the June 1993 ASEAN Foreign Minister's Meeting it was proposed as a caucus within the APEC framework. But, although the newly formed caucus conducted informal meetings over the next few years as ASEAN sought ways to develop the idea, its development was forestalled by the rapid growth of APEC. APEC established a small secretariat in Singapore in 1992, held its first leaders' summit in Seattle in November 1993, and established long-term trade liberalization goals at the 1994 summit in Indonesia. As a result, the EAEC was put on the back burner in terms of discussions over regional cooperation.

The turning point came in the second half of 1995 with the preparations for the initial Asia-Europe Meeting (ASEM) held in Bangkok in March 1996.² First articulated by Singapore Prime Minister Goh Chock Tong in Paris in October 1994, the idea of an ASEM was approved by both ASEAN and the EU by mid-1995. The ASEAN members then asked Japan, China, and South Korea to join them as the Asian representatives. There was some reluctance on the part of the Japanese government, which still feared alienating the U.S., and the Chinese government, which worried about being a target of criticism over human rights. Nonetheless, representatives of all three Northeast Asian governments joined their ASEAN counterparts in preliminary meetings during the second half of 1995. At the ASEM in Bangkok, the leaders agreed that the process should be continued, with a senior officials' meeting set for later in 1996, meetings of economic ministers and foreign ministers projected for 1997, and a second ASEM summit planned for London in 1998. Importantly, holding these meetings meant that representatives of ASEM's Asian members would need both to get together every so often to coordinate their positions on the various issues to be put on the agenda and participate regularly together in various ASEM ministerial meetings. In practical terms this proved to be the catalyst that turned the EAEC into the APT, a functioning—if somewhat embryonic—East Asian regional cooperative arrangement.

By this time also the U.S. and Australia had toned down their opposition to a regional grouping. At the July 1996 ASEAN ministers' meeting, Joan E.

2. See David Camroux and Christian Lechery, "'Close Encounters of a Third Kind?' The Inaugural Asia-Europe Meeting of March 1996," *Pacific Review* 9:3 (1996), pp. 441-52.

Spero, speaking on behalf of the U.S. administration, stated that the U.S. would not oppose the EAEC so long as it did not split the Pacific Rim down the middle.³ Moreover, times had changed. Globalization was marching forward and the U.S. was going through a remarkable period of sustained economic growth. Concerns about a regionalized global economy appeared to have subsided. In addition, as Davis B. Bobrow has noted, the U.S. government had no real objection to the inauguration of ASEM as it appeared to fit in well with Washington's own economic and security policies as well as its interest in fostering the development of civil societies in East Asia.⁴ Australia's change in policy came with the election of a new government in March 1996. The new Liberal-National Party coalition government of John Howard gave pride of place in its foreign policy to renewed links to the U.S. Canberra downplayed engagement with East Asia along with previous objections to a regional cooperative arrangement.

With government representatives of the ASEAN member states and the three Northeast Asian countries meeting during late 1996 and into 1997 to deal with ASEM issues, and with both China and Japan each wanting regular summit meetings with ASEAN members, it was perhaps inevitable that a meeting of the APT heads of government should take place. It occurred in the form of an informal gathering during the 1997 ASEAN summit in Kuala Lumpur. Although Japan was still reluctant to get involved, the Chinese government's agreement to take up ASEAN's invitation essentially forced Tokyo's hand. Beijing was interested in building on the economic ties that were developing with Southeast Asia and the Japanese government could not afford to let China gain an uncontested leadership position in the region. Subsequent meetings of the APT heads of government took place at each of the following annual ASEAN summits. In addition APT finance ministers, economic ministers, and deputies from senior ministries also began meeting regularly. More recently, meetings have taken place among such groups as the APT Young Leaders, the APT labor ministers, the e-APT Working Group, APT patent office chiefs, and members of the ASEAN committee on science and technology and their Northeast Asian counterparts. And in response to a proposal by South Korea's president Kim Dae-jung, an East Asian Vision Group (EAVG) was set up at the second informal APT summit in Hanoi in December 1998. Comprising 26 civilian experts, the EAVG reports to an East Asian Study Group (EASG) of senior officials. The EASG is tasked with assessing the EAVG's recommendations and presenting to the APT leaders a report on concrete measures that it might be possible to take for

3. "ASEAN Meetings Seen as Just Talk by Sceptics," *New Straits Times* (Kuala Lumpur), July 27, 1996.

4. Davis B. Bobrow, "The U.S. and ASEM: Why the Hegemon Didn't Bark," *Pacific Review* 12:1 (1999), pp. 103-28.

increased East Asian regional cooperation as well as the merits and implications of convening a formal East Asian summit.

Progress toward regional economic cooperation has been made with each of the meetings of the APT heads of government. For example, at the 2001 meeting in Brunei, China and ASEAN formally announced their intention to start talks on establishing a free-trade zone within 10 years. At the same time, South Korea's Kim Dae-jung proposed a free-trade area that would include all APT members, but this was considered somewhat premature. Participants also discussed the possibility of establishing an APT secretariat. The political and administrative links among the governments of East Asia certainly have expanded markedly in the last few years and there is every indication that they will continue to multiply well into the future. East Asian regionalism is clearly an evolving and rapidly developing process.

In assessing why East Asian regionalism has moved forward, it is important to take into consideration the long-term trends that have nurtured the process. First, while the diversity of the region should not be underestimated, there are common threads to East Asia's recent historical experiences that serve to tie the region's countries together. The rise of Japanese militarism and Japan's regional expansion of the 1930s and 1940s, the region-wide economic and social dislocation caused by the Second World War, and the consequent undermining of colonialism and the rise of Asian nationalism have provided the peoples of East Asia with similar sets of experiences. The two major wars fought in the region since 1950 (the Korean and Vietnam Wars) put East Asian states on the frontlines of the Cold War. But while the U.S. has been quite influential in the region, the decline in its interest in the mid-1970s led the Japanese to step up their involvement through the use of aid, foreign direct investment (FDI), and trade. Indeed, Japan's expansion of its business networks throughout East Asia during the 1980s and 1990s underscores the extent to which common historical experiences provide a basic backdrop for the increasing interest in regionalism.⁵

Secondly, when compared to other regions of the world, especially Europe and North America, and again despite the many differences that are to be found throughout East Asia, there are common cultural traits that may be identified as characteristic of the region. For example, as Lucian Pye, among others, has pointed out and surveys confirm, there is a premium placed throughout East Asian societies on family, community, and social harmony as well as on duty, the acceptance of hierarchy, and a respect for authority.⁶

5. Walter Hatch and Kozo Yamamura, *Asia in Japan's Embrace: Building a Regional Production Alliance* (Cambridge: Cambridge University Press, 1996).

6. Lucian W. Pye, *Asian Power and Politics: The Cultural Dimensions of Authority* (Cambridge, Mass.: Harvard University Press, Belknap Press, 1985); and David L. Hitchcock, *Asian*

Thirdly, recent history and cultural factors have combined to shape the development of a distinctive set of institutions and a particular approach to economic development within the East Asian countries. The dislocation of communities and elites during the Second World War created weak societies, while the Cold War-induced threats to security, combined with U.S. aid and increased trade, produced states that, at least by developing world standards, were relatively strong. These interventionist, facilitative, or developmental states emphasized export-oriented industrial development while at the same time protected certain industries from external competition.

Fourthly, a form of capitalism has emerged out of the recent historical experiences and common cultural and institutional influences that is quite distinct from either European or North American forms of capitalism. This East Asian form of capitalism, which is increasingly found in the APT countries, is rooted in business networks—both Japanese and ethnic Chinese networks—and is characterized by strong state-business links. It emphasizes production rather than consumption, and results rather than ideology, and tends to place a premium on market share as opposed to short term profits. East Asian capitalism is also based much more on social obligation and social trust than on the rule of law.⁷

Finally, this emerging East Asian capitalism has been given a boost by the flood of FDI that has swept through the region. Starting with the post-Plaza Accord wave of Japanese investment in East and Southeast Asia in the late 1980s and early 1990s, the region has seen a marked rise in investment by the richer economies of East Asia in their neighbors. Hence, for example, 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 over the last 15 years. Moreover, while there was a growth in exports by some economies of the region to countries outside East Asia, especially to the U.S., the rise of intra-East Asian trade growing out of the increase in intra-regional investment was even more significant, at least prior to the Asian financial crisis of 1997–98.⁸ And in the crisis's wake, bilateral trade between ASEAN and the three Northeast Asian countries grew from US\$66.5 billion in the first half of 1999 to US\$91.9 billion in the first half of 2000.⁹

Values and the United States: How Much Conflict? (Washington, D.C.: Center for Strategic and International Studies, 1994).

7. Gary G. Hamilton, ed., *Business Networks and Economic Development in East and South-east Asia* (Hong Kong: University of Hong Kong, Centre of Asian Studies, 1991).

8. World Bank, *East Asia: The Road to Recovery* (Washington, D.C.: World Bank, 1998), p. 11.

9. "ASEAN Plus Three Meeting in Cambodia," Xinhua News Agency, May 4, 2001.

Out of these general trends has grown what Yoichi Funabashi called in 1993 “an Asian consciousness and identity.”¹⁰ Since then others have referred to the rise of “neo-Asianism” and “an Asian renaissance.”¹¹ The American academic Peter Katzenstein has observed that “Asian regionalism is an idea whose time has come,” while Singaporean scholar and politician Simon S. C. Tay has recently commented on the “rising sense of East Asian identity.”¹² Certainly, East Asian regionalization—in the form of economic patterns of private sector cooperation, integration, complementarity, and convergence—has proceeded apace over the last 10 to 15 years and in many ways is running ahead of formal institution building in the region. It is clearly important that the prospective fortunes of the APT be judged with these regionalizing trends in East Asia in mind.

Competitive Regionalism

When Singapore’s Senior Minister Lee Kuan Yew in May 1992 described the EAEC as “an idea that would not go away,” he was referring to the growing unease among East Asians about the emergence of NAFTA and the EU and the need for East Asia to develop an organizational response.¹³ East Asia’s concerns have not diminished since then. The George W. Bush administration’s effort to expand NAFTA into a Free Trade Area of the Americas; the EU’s interest in deepening and broadening its regionalism by issuing physical Euro currency and expanding the body’s membership; and the African countries’ May 2001 agreement to replace the Organization for African Unity with an EU-like African Union have intensified the pressure on the East Asian states to develop their own regional organization. Moreover, with a new round of World Trade Organization (WTO) negotiations now on track, the need for a strong East Asian voice becomes even more imperative. Certainly, if one accepts the argument that there are different forms of capitalism or at least different ways of doing business associated with each of the three major regions—North America, Western Europe, and East Asia—then it is obviously crucial that the East Asian states are able to ensure that any international set of regulations governing trade and investment privileges their form

10. Yoichi Funabashi, “The Asianization of Asia,” *Foreign Affairs*, vol. 72 (November/December 1993), pp. 75–85.

11. Richard Higgott and Richard Stubbs, “Competing Conceptions of Economic Regionalism: APEC Versus EAEC in the Asia Pacific,” *Review of International Political Economy* 2:3 (Summer 1995), pp. 530–31; and Anwar Ibrahim, *The Asian Renaissance* (Singapore: Times Books International, 1997).

12. Peter J. Katzenstein, “Regionalism in Asia,” *New Political Economy* 5:3 (November 2000), p. 361; and Simon Tay, “ASEAN Plus Three: Challenges and Cautions about a New Regionalism” (paper presented at the 15th Asia-Pacific Roundtable, Kuala Lumpur, June 2001).

13. “SM Lee Comments on EAEC,” *Business Times*, May 15, 1992.

of capitalism, or at least does not undermine it by creating problems for future economic development. Hence, it is critical that East Asian governments can approach any future WTO negotiations on such issues as competition rules, agricultural subsidies, food safety, and the development of genetically modified organisms (GMOs), with as coherent a position as possible if they are to avoid the U.S. and the EU deciding their fate for them.

The lack of a coherent regional voice for East Asia has been compounded by the recent stagnation of the two major regional groupings, APEC and ASEAN. Certainly, APEC has failed to live up to early expectations. Its initial success in combining in one organization a diverse group of economies, including the biggest and some of the most dynamic in the world; putting on an annual summit that brings together an impressive array of world leaders; and establishing the goal of open economies for all of APEC's developed members by 2010 and developing members by 2020 has not been sustained. By the mid-1990s, the division within APEC between the Anglo-American economies (Australia, Canada, New Zealand, and the U.S.), which wanted binding, comprehensive targets for trade liberalization, and many of the Asian economies (especially China and Malaysia), which wanted to emphasize trade facilitation and economic and technical cooperation, had become readily apparent. This division led to differences over how best to reach APEC's goals of trade liberalization, the extent to which APEC should become institutionalized, and the items to be put on the agenda of the annual summit meetings. The recent failure of the Early Voluntary Sectoral Liberalization proposal, put forward by the Anglo-American economies and vigorously resisted by the Japanese and other Asian members, is clear testimony to the way in which different conceptions of APEC's role limits its capacity to further the goals of particular members. And the problem of reaching a consensus on the way forward for APEC has only been made worse as the membership has increased from the initial 12 to 23. Indeed, as John Ravenhill perceptively notes, "it is more appropriate to regard APEC as a *trans*-regional rather than a regional body [in that] it is more akin to the Asia-Europe Meeting . . . than to the European Union" (emphasis in original).¹⁴ As a result of APEC's limitations and the need for a vehicle for East Asia to voice its concerns on the international stage, political space has opened up so as to allow the APT process to develop as a potentially major regional institutional cooperative arrangement.

Some of APEC's key problems are paralleled in ASEAN. Indeed, just as APEC's increase in membership undermined its cohesion, so, too, has ASEAN's expansion to accommodate all 10 countries in Southeast Asia led

14. John Ravenhill, "APEC Adrift: Implications for Economic Regionalism in Asia and the Pacific," *Pacific Review* 13:2 (2000), p. 329.

to divisions within the organization. A number of the original members are seeking ways to renew and reinvigorate the association while the new members are intent on maintaining the status quo, not wishing to move ASEAN away from the principles they signed on to when they joined. There is also an increasing division between the newly democratizing countries of Indonesia, the Philippines, and Thailand and the more authoritarian governments of Burma and Vietnam. Moreover, issues such as the extent to which members of ASEAN can bend the rule about non-interference and undertake "flexible engagement" or "constructive intervention" in the affairs of other members have prompted considerable debate among interested parties in the region. For example, questions have been asked about the extent to which it may be necessary to intervene in the affairs of member states so as to avoid the problems that arose leading up to and during the Asian economic crisis, or to address the most excessive human rights abuses in countries like Burma. As a consequence, an air of uncertainty had begun to pervade ASEAN. This evident discord within the association encouraged key member states such as Malaysia, Singapore, and Thailand to advance the APT process to center stage in an attempt to give ASEAN a much-needed new sense of direction and purpose.

The Asian Economic Crisis

Asia's economic crisis of 1997–98 coincided with the initial meetings of the APT. Indeed, for a number of reasons the crisis proved to be a major catalyst in institutionalizing the new arrangement. First, it added to the sense of a common history that has emerged in the region. Even if not directly affected by it, nearly every government in East Asia felt its reverberations and had to deal with the fallout from the crisis. Secondly, it demonstrated the ineffectiveness of APEC and ASEAN. Neither collection of states was able to provide the kind of help to the beleaguered countries of East Asia that was needed as the situation was transformed from a currency crisis into a financial and then a full-blown economic and social crisis.

And, thirdly, the crisis fueled what Richard Higgott has called the "politics of resentment."¹⁵ A clear consensus has emerged in the region that the International Monetary Fund (IMF), in conjunction with the U.S. government, initially misdiagnosed the problem and chose to impose a set of solutions that only served to exacerbate the situation. The IMF's policy of cutting public spending and allowing interest rates to rise and currencies to float freely simply ignored the unique characteristics of the Asian currency crisis. The region was plunged deeper into recession and had to endure major social

15. Richard Higgott, "The Asian Economic Crisis: A Study in the Politics of Resentment," *New Political Economy* 3:3 (November 1998), pp. 333–56.

upheavals before a revised set of IMF policies was implemented.¹⁶ Moreover, the opposition of the U.S. and other Western governments to a proposed Asian Monetary Fund, which could have provided a regional vehicle for dealing with the crisis, also antagonized opinion leaders in the region.

The Asian economic crisis, then, helped to galvanize the regional governments into action. It certainly produced a “dramatic change in thinking among both political and business leaders in Northeast Asia and a growing realization of the urgent need for the creation of a formal regional mechanism to deal with any similar crisis in the future and to maintain the economic growth of the region.”¹⁷ Not only was there a sense within the governments of China, Japan, and South Korea that the three of them should develop their institutional links so as to better cooperate on economic issues, but there was also an awareness that increased investment in and trade with Southeast Asia meant that the economic health of the ASEAN members was very much in their interests. And for many ASEAN members the crisis underscored the benefits of establishing formal economic links to the more developed economies of Japan and South Korea and the dynamic market of China as a means of averting any possible future crisis.

For all the countries of East Asia, the best vehicle for developing a strategy for dealing with future crises appeared to be the embryonic APT. The most concrete action taken to date is the network of currency swaps negotiated among APT members. Getting together on the sidelines of the Asia Development Bank’s annual meeting in Chiang Mai, Thailand, in May 2000, the finance ministers of the APT agreed in principle to pool their hard currency resources. Out of the Chiang Mai Initiative (CMI), as it is known, the APT has developed three tracks. The first consists of a series of bilateral currency swap agreements, or “strands of a spider’s web” as Singapore’s second minister of finance, Lim Hng Kiang, has termed it.¹⁸ These agreements build on the expanded intra-ASEAN U.S.\$1 billion standby swap arrangement currently being developed and the multibillion dollar Miyazawa Initiative put in place by Japan in late 1998 to assist Asian countries hit by the crisis. During 2001 Japan reached bilateral currency swap agreements with Malaysia, South Korea, and Thailand. In addition, South Korea has conducted negotiations on bilateral swap agreements separately with China and Thailand. The disbursement of funds under these various CMI agreements will be tied to IMF-deter-

16. See Hal Hill, “An Overview of the Issues,” in *Southeast Asia’s Economic Crisis: Origins, Lessons, and the Way Forward*, eds. H. W. Arndt and Hal Hill (Singapore: Institute of Southeast Asian Studies, 1999), pp. 10–11.

17. Kevin Cai, “Is a Free Trade Zone Emerging in Northeast Asia in the Wake of the Asian Financial Crisis?” *Pacific Affairs* 74:1 (Spring 2001), p. 11.

18. Anthony Rowley, “Spider’s Web of Deals Finally Spun,” *The Banker*, no. 904, June 2001, p. 47.

mined conditions. The only exception is in emergency situations when the first 10% of the swap line will be exempt. The implementation of the CMI swap agreements will, however, be reviewed in 2004 with Malaysia's objection to the IMF conditionality one of the issues likely to be on the agenda.¹⁹ The second track is an agreement to exchange information on short-term capital movements in East Asia and institute an early warning system to make governments aware of any potential problems. The deputy or vice-ministers of finance will meet regularly to review developments, seminars are to be held to train officials, and Japan is to provide expert advice. The final track entails an exchange of views among the APT members on the reforms that are needed to the international financial architecture. The consensus reached will provide the basis for recommendations to international forums on the issue.

The CMI is not the only action undertaken by the APT. A variety of projects have been developed in various fields. The economic ministers have embarked on six projects including the promotion of small- and medium-sized enterprises, the development of the Mekong subregion, and the provision of training courses on the use of environmental technologies. Discussions have taken place on food security issues with special emphasis being placed on the improvement of buffer stock systems, especially rice buffer stocks. Various APT committees and working groups have developed other ventures including projects on human resource development, occupational safety, information technology, agriculture, and culture and tourism.²⁰ Indeed, the APT process has developed an organizational momentum that few would have predicted at the first informal summit in late 1997. Certainly, both APEC and ASEAN have more organizational depth than the APT, but overall the APT has quickly embarked on some important, practical projects that will help to move the region forward in its quest for economic cooperation. The APT's potential as East Asia's main regional economic organization should not, therefore, be underestimated.

Obstacles to APT Regionalism

While the APT process has grown relatively rapidly in only a few years, there are still a number of obstacles to the further development of East Asian regional economic cooperation. These obstacles generally arise out of the many divisions among the countries that make up the vast region known as East Asia. Given the history of the region; the cultural, linguistic, and politi-

19. "Japan to Announce Currency Swap Deals with Thailand, South Korea, Malaysia," BBC Monitoring, Asia Pacific—Economic, London, May 9, 2001.

20. "Vietnam Seeks More Support from Northeast Asia for ASEAN Programmes," BBC Monitoring Asia Pacific—Political, London, July 25, 2001.

cal divisions that run through East Asia; and the recent dramatic events that have caused severe social, political, and economic dislocation, it would be surprising if there were not problems as the APT process moves forward. Five obstacles stand out.

First, foreign agencies, especially the IMF, and foreign powers, notably the U.S., are blamed in some quarters for Asia's economic and social troubles and this has led to a resurgence in nationalist sentiment. In particular, having been side-swiped by the forces of globalization—including the international financial architecture that encouraged short-term capital to move in and out of countries as investors sought immediate and high returns—influential 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 in the 1990s has been challenged in some countries. 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.²¹

Secondly, key countries in the region have become embroiled in domestic political conflicts. Indonesia, for example, which has traditionally been a leader in Southeast Asian regional affairs, faces major internal problems and may have difficulty giving its full attention to issues not directly related to its immediate economic welfare and political and social stability. Japan, another crucial regional leader, must also grapple with its stagnating economy and may find that regional issues will have to take second place. Similarly, the Philippines, which in 2001 replaced its president in contentious circumstances, has been preoccupied with its own internal political infighting. To the extent that these APT members have to grapple with their domestic problems, they may not have the resources or time to devote to foreign policy issues such as driving the APT process forward.

21. Kanishka Jayasuriya, "Southeast Asia's Embedded Mercantilism in Crisis: International Strategies and Domestic Coalitions" in *Non-Traditional Security Issues in Southeast Asia*, eds. Andrew T. H. Tan and J. D. Kenneth Boutin (Singapore: Institute of Defence and Strategic Studies, 2001), pp. 26–53.

Thirdly, conflicting interests among the APT members could constrain the extent to which cooperation takes place. Japan and China both have regional leadership aspirations and are, therefore, competitors. Mistrust between the two countries goes back a long way. For example, China, as well as South Korea and to a lesser extent some countries of Southeast Asia, resent Japan's refusal to take responsibility for its incursions into China during the 1930s and 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. And, just as importantly, relations among the ASEAN states have been troubled by border disputes and economic rivalries that could inhibit region-wide cooperation. Similarly, there is always the danger that fluctuating exchange rates will create tensions between APT members. For example, the fall in the yen's value in late 2001 and early 2002 and the consequent erosion of the export competitiveness of other APT economies prompted expressions of concern by regional leaders.²²

Fourthly, a series of bilateral free trade agreements (FTAs) have been signed or are being negotiated by APT members. Singapore and Japan signed a bilateral FTA in January 2002 and both have been active in seeking out other bilateral FTAs.²³ Singapore has signed FTA agreements with New Zealand and the European Free Trade Area (comprising Norway, Iceland, Liechtenstein, and Switzerland) and is negotiating FTAs with Australia, Canada, Mexico, and the U.S. Japan has initiated FTA negotiations with such countries as South Korea, Mexico, and Canada. At the same time, South Korea is also negotiating FTAs with Chile, Mexico, and Thailand. While these agreements have yet to prove themselves and appear to have limited regional support, they do link key APT economies to economies outside the APT region and in aggregate could provide an alternative cooperative arrangement to APT regionalism. There is also the possibility that they will divert governments from the task of developing the APT process.

22. "Yen Hits 3-Year Low against Dollar," BBC Online, Business, January 10, 2002, <http://news.bbc.uk/1/hi/english/business/newsid_1749000/1749965.stm>.

23. "Singapore's Free Trade Mission," BBC Online, Business, January 13, 2002: <http://news.bbc.uk/1/hi/english/business/newsid_1758000/1758029>; Wendy Dobson, "Deeper Integration in East Asia: Regional Institutions and the International Economic System," *World Economy* 24:8 (August 2001), pp. 1009-11; and Christopher M. Dent, "Networking the Region? The Emergence and Impact of Asia-Pacific Bilateral Free Trade Agreements" (Centre for Southeast Asian Studies, University of Hull, January 2002).

Finally, there is the possibility that the U.S. government might revert to its policy on the EAEC and try to subvert the development of the APT. There are certainly similarities between the current situation and that which prevailed in the early 1990s when the U.S. government strongly opposed the EAEC proposal. The current Bush administration has a number of returnees from the previous Bush administration, there are concerns about the health 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. And, of course, 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 forestall any attempts to increase regional cooperation. Hence, while no doubt the U.S. government will be primarily preoccupied with combating international terrorism, there is still the possibility that once again American pressure could be brought to bear on such APT members as South Korea and Japan to hold back the development of East Asian regionalism.

Although these obstacles are not negligible and are rooted in large part in some of the long-standing differences among the countries of East Asia, they have yet to derail the steady emergence of the APT as a significant regional cooperative arrangement. The process has gained a momentum that even those with particular reservations, such as the newer members of ASEAN, find it difficult to resist. The practical benefits that greater regional economic cooperation are expected to produce appear, at the moment at least, to outweigh the problems it may create. While some countries such as China, Malaysia, Singapore, and Thailand are more committed to the APT process than such others as Japan, Indonesia, and the Philippines, no government in the region wishes to abandon this experiment in East Asian regionalism.

Conclusion

There is good reason, then, to believe that the APT will emerge as the key organization in East Asia. Underpinning the APT are a number of major trends that emphasize the interest in and need for regional cooperation. Common recent historical experiences and some key common cultural traits, similar distinctive economic institutions and approaches to economic development, cross-cutting patterns of FDI, increased intra-regional trade, and a specific regional form of capitalism have promoted East Asian regionalization over the last few decades. Just as importantly, the regular meetings of East Asian government officials and politicians have helped to build a sense of common purpose and identity. Certainly, these trends have led to the idea of

“East Asia” becoming firmly embedded in the thinking and discourse of governments and opinion leaders around the region.

Reinforcing this growing identification with East Asia as a region has been the success of the EU and NAFTA as regional frameworks. Both the EU and NAFTA have played significant roles in the economic development of their respective regions and by doing so have encouraged others to emulate them. Although the regional political culture of the East Asian states means that the APT’s institutional development will not be as extensive as the EU or require the economic integration of NAFTA, it will likely attempt to replicate aspects of the success of the other two major economic blocs and further regional economic cooperation. Neither APEC nor ASEAN has proven satisfactory in terms of advancing the regional interests of the East Asian governments. APEC is a large, unwieldy, and divided institution, while ASEAN is currently going through a crisis of identity. And the Asian crisis showed that neither organization was able to provide the region with the necessary support and resources when it was most needed. In an era that has repeatedly demonstrated the advantages of multilateralism and regionalization in the conduct of regional and international affairs, East Asian states see the APT as giving them a voice in global trade negotiations and a forum in which to discuss regional economic issues. Crucially, the APT’s sponsorship of an expanding set of currency swap agreements designed to help deal with any future currency crisis is a major reason to keep the whole process moving forward.

Finally, the Asian crisis and its aftermath have encouraged the governments of East Asia to seek out ways of protecting themselves from the excesses of globalization. Certainly, there is a need to be able to manage the forces of globalization to the region’s advantage. By combining their resources, the governments of East Asia appear to be in a better position to mitigate the adverse impact that the forces of globalization have on the relatively open economies. At the same time, regional governments will be able to influence negotiations over the way in which the global economy is regulated. Intriguingly, it appears that both liberal reformers, who want to maintain an open regional economy, and economic nationalists, who argue for the need to defend the region against the ravages of globalization, can agree on the advantages to developing the APT as a way of managing East Asia’s regional economic development. Moreover, the APT also facilitates the relatively low-key interaction of APT member states on important security issues such as the Spratly Islands and jurisdiction over the South China Sea or the dispute between China and Japan over the Senkaku Islands. Such a vehicle for regional cooperation on security is especially important given that the ASEAN Regional Forum (ARF), which is the main security organization in the region, includes the EU, the U.S., Russia, and other non-Asian states and

has so far proven unable to provide practical solutions to the region's security problems.

Overall, then, the APT has considerable promise. Its immediate competitors, APEC and ASEAN, are in danger of stagnating and do not represent the interests of East Asia directly. In contrast, the APT is moving forward on a number of issues, the most important of which is the web of currency swap agreements. The round of trade talks under the WTO agreed to in late 2001 will also give the APT a further boost as East Asian states seek to maximize their influence on the outcome. And the long-term regionalization trends identified in this analysis will continue to help knit the region together. All these factors bode well for the emergence of the APT as a major regional and international player.