

ASEAN+3: C/community building in East Asia?

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This article analyses the impact ASEAN's expansion to include the +3 countries of China, Japan and South Korea. By placing post-97 developments in a chronological and sectoral matrix, this article attempts to evaluate ASEAN's recent efforts at region-building. It is argued that the expansion of ASEAN's Informal membership coupled with a higher level of policy convergence by ASEAN member countries at the regional and sub-regional levels is leading towards the development of an East Asian bloc. The choice now confronting these countries is whether to institutionalize the current arrangements or to allow the present, looser formation to continue.

A new East Asia is being built: one with stronger financial institutions and corporations and one where openness applies not just to trade and finance but increasingly to information and even politics.

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[It is] clear that ASEAN is moving, as it must, toward closer economic integration and tighter, firmer, more institutionalized collaboration on a growing host of transnational issues that beset the region as a whole. The pressures of globalization, the forces of technology, the growing interdependence of economies, the heightened competition for markets and investments, and the increasing severity of transnational problems demand it.

*Remarks by ASEAN Secretary-General Rodolfo Severino at the European Policy Center
Brussels, 23 March 2001*

1. INTRODUCTION¹

East Asia is coming together. Spurred on by the 1997 financial crisis, the leaders of the thirteen countries are taking steps to ensure a return to regional prosperity and stability. The consensus has emerged that the best way to achieve this is to be in a more cohesive relationship.

With the financial crisis as the catalyst the first wave of reforms have focused on strengthening regional economic and financial systems. However, just as the financial crisis was not limited to monetary sectors but spread to the social and political sectors, regional leaders are now forging closer ties in the areas of security, the environment, policy development and social welfare.

This article argues that these reforms indicate a profound sea-change in regional cooperation among East Asia countries. Taken together, these efforts demonstrate an

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ideological and practical commitment to enhanced regional integration. Although this commitment is generally described as a mechanism to alleviate (and prevent a repetition of) the profound economic and social distress that cascaded through the region post 1997 it will be shown that the cumulative effect of these efforts is leading to a greater sense of identity - supported by strong regional ties in the political, economic and social sectors. Whether these new regional efforts takes the form of a Community, bound together in a set of formal overlapping institutions with some loss of sovereignty, or a community, where a coalition of national interests come together to meet specific functional objectives in a regional context without the loss of sovereignty, will be determined by agreements now being made.

In addressing the central question of this article it will be necessary to first examine the types of regional integration that are already in place before analysing the characteristics of region building efforts in East Asia. In particular, it will be shown how the 1997 financial crisis has created a new sense of urgency in regional relations. Once these characteristics are understood, the different ways (monetary, political, social and strategic) they might be used to realize a C/community will be investigated. It will be argued that regional integration is occurring simultaneously at the regional and sub-regional levels as well as across different functional communities. Although this may present a haphazard approach to region-building strategies, this article will demonstrate that the cumulative effect of these diverse approaches is to enhance East Asian regionalization processes. Following this a number of the challenges facing East Asian countries in their efforts towards building a region will be studied. This article will conclude with an evaluation of current efforts to forge an East Asian C/community.

2. FORMS OF REGIONALISM

2.1. Old and New Regionalism

In analysing the regional initiatives currently being enacted or mooted it is important to distinguish between what has gone on before, the new developments and the most recent changes. Old regionalism was characterized by the rapid expansion of regional organisations and institutions in the 1950s and 1960s. Although primarily centred on the development of the European Community, it also encompassed the creation of the Organisation of American States (OAS), the Organisation of African Unity (OAU) and the Organisation of Arab Petroleum Exporting Countries (OAPEC). The decline in this first wave of regionalism was “due both to the previous slow-down in West European integration, leading to the Euro-pessimism of the 1970s, and the almost universal failure of Third World Free Trade areas” (Hettne 1999: 9).

Between the 1960s and the 1980s new regional associations emerged. Outside the Western or European domain these new associations sought to promote a commonality of needs and beliefs based upon geographically defined areas of interest. The development of ASEAN (1967), ECOWAS (1975) and SADCC (1980) are three examples of this new regionalism.² Importantly these regional associations were all formed against the backdrop of the Cold War, with its bipolar realist political and economic structures and the emphasis on

² Respectively: The Association of Southeast Asian Nations, the Economic Community of West African States and the Southern African Development Coordination Conference.

military strength as the key determinant of a state's power. The creation of these new associations placed them, to a limited extent, outside the bipolar power structures, allowing them to develop partially homogenized governance structures that differentiated them from other, non-regionalized nation-states (Hettne 1999: 7).

The end of the Cold War led to a fundamental change in international cooperation. The bipolar world that existed up until 1989 contained structural disincentives against interdependent relations based primarily on economic or social needs. The shift to a multiplicity of global and regional power centres created opportunities for integration and interdependency, especially in the areas of economics and security (Mastanduno 1998: 827). In particular the end of the Cold War in East Asia generated proposals for regional and sub-regional organisations based on expanded economic and commercial linkages (Akaha 1999a: 1). A good example of this is the deepening economic relationships between China, Vietnam and Laos, and their non-communist Asian neighbours. A more recent example, at the sub-regional level, which has its roots in the decline of Cold War tensions in Asia, is the growth in diplomatic and economic ties between South Korea and North Korea, and between North Korea and most members of ASEAN.³ In both examples deepening state-level ties were supported by numerous efforts across a variety of commercial sectors.

2.2. New New Regionalism: The Third Wave

2.2.1. Background

New regionalism represents a deepening of existing regional organisations and institutions. Since the mid 1990s there has been such a rapid acceleration of regional linkages in East Asia as to constitute a new phase in regional development. This current phase (or third wave) has been termed 'new new regionalism'. As Wesley (2000) wrote ,

This is characterised by significant new movements in organisational widening and deepening around the world. In the Americas, it has come in the form of talks on a Free Trade Area of the Americas; in Europe with the Treaty of Amsterdam, the launch of the euro and the debates on expansion to include Eastern European countries. In East Asia, its most obvious manifestation has been the burgeoning "ASEAN + 3" process, involving ASEAN in regular and increasingly institutionalised discussions with the Republic of Korea, Japan, and China (Wesley 2000: 3).

The last decade saw an upsurge in the level of integration within the East Asian region. Triggered by the end of the Cold War, the creation of regional political and trade blocs and the politico-economic implications of the Asian financial crisis, countries in Northeast and Southeast Asia began to rapidly develop a series of informal and formal linkages. As Malaysian Minister for Foreign Affairs Syed Hamid Albar (1999) observed:

I believe Southeast Asia will need to forge even stronger bonds with countries of Northeast Asia As underscored by the Asian Financial Crisis, the destiny of Southeast Asian countries is inextricably linked to its Northeast Asian neighbours. It behoves East Asian countries to consult together on problems confronting the region, evolve common understanding and approaches (Intan Address 12 August).

³ As of August 2001 only Myanmar had not re-established diplomatic ties with North Korea (DPRK).

The unification of Western Europe into the European Union (in 1993), and its subsequent expansion south and eastwards, as well as the creation of NAFTA (in 1992) highlighted in absentia the need for a regional bloc in East Asia (Cheong 1999: 51; Akaha 1999b: 28-49). Although ASEAN already existed, it did not encompass all ten Southeast Asian countries. Furthermore, there was no corresponding formation in Northeast Asia nor were there channels for the engagement of both China and Japan in regional processes outside of the ASEAN Regional Forum (ARF), APEC or the Asian Development Bank (ADB). In terms of establishing a regional integrative process the inclusion of both China and Japan is necessary. In the case of China, its inclusion in a regional regime on an equal footing with other regional states helps allay strategic and economic concerns. Whereas Japan's inclusion allows for the harnessing of its investment potential whilst helping to overcome historical tensions within a consensual framework.

The development of the Asia-Europe Meeting (ASEM) dialogue in 1996 created extra-regional pressures for the development of an East Asian bloc. ASEM helped the process by including China, Japan and South Korea in a dialogue with 7 ASEAN states. This was the first time that the Northeast Asian countries had been grouped with their Southeast Asian counterparts in a discrete Asian bloc.⁴ The advantages of this type of forum in part led, in 1996, to the first ASEAN Informal meeting. Designed to be a forum for all East Asian states to come together to discuss issues of regional concern it was slow to take off, partly because of a lack of Northeast Asian interest but also as a result of ASEAN (at that stage) not representing all Southeast Asian countries. It was not until the second Informal Meeting (1998) that representatives of Northeast Asian countries joined their Southeast Asian colleagues, in what has become known as the ASEAN +3 process. This process seeks to coordinate public policies in regional countries across a broad range of sectors (monetary, political and social) whilst developing new initiatives for regional development. Most recently, the initiation of the East Asian Latin American Forum (EALAF) (1999) has again established a pan-regional dialogue that groups East Asia countries into a regional bloc.

At the same time as ASEAN was coming together the Thai government devalued the baht, triggering the Asian financial crisis. The crisis served to reinforce the message that interdependence could have a negative as well as a positive aspect. On the one hand, in Southeast Asia, this had already been noted with the spread of the haze from uncontrolled forest and plantation burn-offs in Indonesia in early 1997. However, the exposure of Hong Kong and South Korean companies and economies to the crisis-hit countries as well as the pressure placed on the Chinese yuan demonstrated the extent to which monetary integration had already developed, without due regard for overarching, stabilising agreements. ASEAN Secretary General Rodolfo Severino (1999) noted, "One painful but invaluable lesson from the current economic difficulties is that in this age of globalisation, nations can thrive and flourish only if they band together for common purposes."

This decision by ASEAN--to band more effectively together and to expand the Association's Informal membership to encompass Japan, China, and South Korea--is what has led to the third wave of regionalism in East Asia.

The 'third wave' of region building efforts in East Asia is characterized by a high degree of policy coordination between regional countries across a wide range of sectors. It is

⁴ I am making a distinction here between APEC, that simply defines all member countries into a single Asia-Pacific grouping, and ASEM that has two clearly delineated sides – one Asian and one European.

not simply economics ministers developing regional economic strategies. Rather, it is economic ministers developing strategies in coordination with their financial and foreign affairs ministerial colleagues. It is ministers responsible for social policy, working with their labour and health colleagues to develop strategies for coping with the social repercussions of the financial crisis on a regional rather than domestic level.⁵ In addition, more intense forms of policy coordination are visible at subregional levels, such as the Greater Mekong Subregion, providing further impetus to East Asian regionalization efforts. These state-level processes are being supported by increased regional interaction within the private sector and civil society, generating supporting functional momentum for regional integration across a range of sectors.

When analyzing the forms this third wave can take, it is necessary to remember that there can be inter-sectoral coordination. For ease of reference the following two sections seek to maintain a degree of separation between the economic and financial regionalism on one hand; and political, social, and strategic processes on the other hand. However, some inter-referencing is unavoidable.

2.2.2. The Third Wave of Economic and Financial Regionalism

The Asian financial crisis was the catalyst for the rapid change now witnessed in the region. Thus it is not surprising that the engine of regional integration is financial and economic in nature. Not only are these areas of immediate and overlapping need for the countries of East Asia but focusing on economics and finance allows the different participants to interact without conflicting socio-political or cultural positions being taken into account.

Even before the 1997, crisis preliminary steps had already been taken to promote regional monetary integration. In 1991 eleven regional central banks formed a network known as EMEAP (Executives' Meeting of East Asia-Pacific Central Banks).⁶ Between 1991 and 1996, EMEAP was primarily concerned with network building and information exchange at the Deputy Governor level. In 1996 in light of increased regional interdependence, the first Governor's meeting was held and two working groups as well as a study group were established to find ways of "strengthening cooperation to enhance financial stability and market developments in the region" (EMEAP Press Release July 1996).

The importance of the network and the utility of having a regional aspect to central bank policies was demonstrated immediately prior to the devaluation of the baht. Before the decision to devalue the baht was taken a scheduled EMEAP meeting took place in Bangkok. Although the meeting did not prevent the subsequent contagion effect, nor anticipate the behaviour of the highly-leveraged institutions, it did mean that regional central banks were in a position to provide informed advice to their governments about the crisis as it unfolded.⁷ The ongoing exchange of information was, to a certain extent, responsible for reducing uncertainty in the implementation of post-crisis financial planning.

The need to more closely coordinate the recovery efforts led to the creation of the Manila Framework Group (MFG) in 1997. The MFG draws together central banks as well as finance

⁵ For example, the Asian Social Policy Ministers' Forum that was held in Brisbane, Australia, 14-16 June 2000.

⁶ The Australian and New Zealand Reserve Banks are the only non-Asian members of EMEAP.

⁷ In the case of Australia, for example, this allowed the Federal government to understand the severity of the crisis and take informed measures to help alleviate its impact.

ministers from nine East Asian countries as well as Australia, New Zealand, Canada and the United States.⁸ Its purpose is to provide a forum to discuss issues affecting regional financial stability.

Both EMEAP and the MFG include East Asian as well as Western members. However, with the development of ASEAN+3 there has been a marked strengthening of ties between the East Asian members of these organisations. In 1999, Vietnam hosted the first of what has become an annual series of meetings of (what might be termed) the ASEAN+3 MFG; in other words, the Manila Framework Group members plus the missing East Asian members minus the Western participants (Chairman's Statement 1999).⁹ Regardless of the merits of such a group, its creation under ASEAN+3 auspices was indicative of a strong trend towards economic and financial regionalism under an established pan-Asian political structure. This ties the East Asian region into a distinct political-economic bloc but allows the maintenance of extra-regional ties.

In addition to region-level initiatives, there have also been a number of sub-regional initiatives designed to promote regional integration in a more discreet setting. These initiatives include the ASEAN Free Trade Area, the ASEAN Investment Area, the development of regional growth triangles, an expansion of bilateral free trade areas between Northeast Asian and Southeast Asian countries, as well as the creation of sub-regional zones for multinational cooperation. In many instances these sub-regional programs were already underway before the 1997 crisis. However, they are worth examining as their structural objectives support and intensify regionalisation efforts in the other monetary sectors as well as in the political and social sectors.

The ASEAN Free Trade Area (or AFTA) is the most developed and inclusive of the subregional initiatives in East Asia. AFTA was created in 1992 to promote intra-ASEAN trade. Indeed it was only following the establishment of AFTA that there was an ASEAN policy of promoting the free movement of capital for enhancing economic cooperation. Prior to this, ASEAN members made intraregional agreements for capital flows (Lawan 2000: 9-10). Following the crisis, AFTA was used to develop mechanisms to help restore stability by encouraging the use of ASEAN currencies for payment of traded goods and services.¹⁰ This mutual interdependence on regional currencies was designed to boost the currencies' demand, reducing the impact of negative speculation. When examining the trade patterns of AFTA members it can be seen that intra-ASEAN trade has steadily increased since AFTA's inception. In part this can be attributed to improved economic performance in the member countries, coupled with readily accessible markets in close geographic proximity. Moreover, the regulatory aspects of AFTA provides an overarching framework that encourages trade with other Southeast Asian states.¹¹

⁸ Myanmar, Laos, Cambodia, Malaysia and Vietnam are not represented in the Group. In addition Hong Kong is also a member - separate from China.

⁹ Cambodia was not yet a full member of ASEAN so there was no Cambodian representative at the Hanoi meeting.

¹⁰ As *The Hanoi Declaration* in part stated, "We encourage wider use of ASEAN currencies in intra-ASEAN trade settlements". See Paragraph 13 of *The Hanoi Declaration*. Sixth ASEAN Summit. Vietnam, Hanoi. 16 December 1998.

¹¹ This is not to say that intra-ASEAN trade is dominant. Extra-AFTA trade (particularly with Europe and North America) far outweighs regional trading patterns. However, intra-regional trade is increasing. As a recent report noted, "Between 1993 and 2000, intra-ASEAN exports grew to 87.7 billion US dollars from 43.26 billion dollars, while the bloc's total exports to all markets increased to 696 billion dollars from 374 billion dollars" (Xinhua 2001).

This is not to say that AFTA is without its problems. Adherence to ASEAN's principles of consensus and non-interference has meant that some countries have been able to retain preferential positions for selected domestic markets. However, as Southeast Asian countries fully accede to the World Trading Organization these trade barriers will be removed.¹² Indeed global efforts toward trade liberalization offer an alternative option between balancing domestic imperatives and regional realities. Where regional and domestic concerns exist regarding market penetration by external actors, the global frameworks for liberalization offer a way to overcome these concerns without triggering national sensitivities.

AFTA is supported by the operations of the Asia Pacific Economic Cooperation (APEC) group. As Soesastro (2000) has noted the umbrella nature of APEC provides a sense of cohesiveness between the different subregional trade and investment initiatives. This helps prevent divisive problems arising, such as new forms of trade discrimination or the development of new sets of interests resistant to broader regional trade and investment liberalisation efforts (APEC, Second Report 1994). However, there are limits to this claim. For APEC to function as a supranational 'glue' for subregional initiatives it needs to maintain a primary relevance for East Asia trading regimes. Although APEC remains a highly relevant institution, it focuses on sustaining unilateral trade liberalisation rather than institutionalising region-wide free trade agreements (Soesastro 2000: 5). For those East Asian states for whom APEC does not produce substantive institutional cohesion, other regimes, such as political or security coalitions, may provide the additional impetus to generate a regional identity able to prevent these divisive problems from arising.¹³ The AFTA/APEC relationship is another example of deeper regional ties being balanced with membership in extra-regional organisations.

Complementing ASEAN's trade liberalisation scheme is the ASEAN Investment Area (AIA). The AIA, an outcome of the 1998 Hanoi Summit, is designed to "attract greater and sustainable levels of FDI into the region and to realize substantially increasing flows of Foreign Direct Investment (FDI) from both ASEAN and non-ASEAN sources" (Joint Press Release 1998). As Lawan (2000: 26) noted,

AIA thus indicates a new direction for ASEAN to balance deeper regional integration and "Open Regionalism". While it enhances intra-ASEAN economic integration, it also opens the door to non-ASEAN investors. Moreover, individual ASEAN countries have also unilaterally liberalised their trade and investment regime by keeping their margin of preference as low as they can so that market access is more available for non-ASEAN enterprises.

Despite the fact that other forms of region-building have been expanded to include the Northeast Asian states, AFTA and its related programs (such as the AIA) remain ASEAN focused. However, expansion of AFTA is under consideration. Joint study groups are examining the benefits of joining AFTA in a Closer Economic Partnership (CEP) with Australia and New Zealand. The most recent study of the proposal concluded that in excess of US\$48 billion would be generated in goods and services between the two regions (Centre of International Economics, 2000:14). In addition, individual members of AFTA are

¹² The APEC Bogor declaration on free trade is an additional pressure on Southeast Asian economies to removed protective trade barriers.

¹³ These coalitions are discussed in more detail in the next section - Political Regionalism. For further analysis of APEC's utility to East Asian countries see: "APEC Ministers to focus on stability and reputation" (Agence France Press 2000).

discussing or have implemented free trade agreements (FTA) with external economies. For example, Singapore already has an FTA with New Zealand and has agreed to abolish sectoral tariffs with Japan and is discussing the implementation of an FTA with Australia and the United States.¹⁴ In addition, South Korea and Japan have begun talks to develop FTA between their two countries, which would be the first FTA in Northeast Asia (Kim 1998). Similar agreements exist with other AFTA members. These types of bilateral efforts may result in another expansion of AFTA or they may remain at the bilateral level - further evidence of "open regionalism" coexisting with intra-regional efforts.

The 1990s also witnessed the growth of other sub-regional initiatives, such as the Greater Mekong Subregion (GMS) development project as well as the creation of 'growth triangles'. Growth triangles are an attempt to create capital for three countries either by tapping into an existing resource and infrastructure base whose benefits can be spread across a transborder region or by identifying areas of potential resource development.¹⁵ These triangles are important for wider regionalisation efforts as they not only have a direct impact on their operating zones but also stimulate positive flow on effects in neighbouring areas.

The Greater Mekong Subregion project involves a deeper commitment from members than is the case with growth triangles.¹⁶ The potential in the GMS has long been recognized but it has only been in the last decade that socio-political conditions enabled the integrative process to proceed.¹⁷ Working with the Asian Development Bank (ADB) and the United Nations Development Program (UNDP) the countries in the project identify areas of cooperation across seven areas - transport, energy, telecommunications, environmental, human resource development, trade and investment, and tourism.¹⁸ Although there is no GMS Secretariat the number of ministerial summits, Senior Official Meetings and related fora encourages a high degree of policy cooperation between participating states. Hence, the integration between the GMS members represents a compressed form of what is occurring in the wider ASEAN+ area.

Subregional cooperative efforts form strong bases for wider regional integration, as they encourage small-scale transnational development to take place that would not otherwise occur (Haryati 2001). In many respects, the challenges faced by these projects mirror broader regional issues. First, given wide social, economic and political disparities the benefits may be unequally distributed between participating countries. Second, states have to provide long-term commitment to the project's objectives (Tan et al 1995: 238). This means that participating states have to willingly accept constraints on their ability to allocate resources - a key aspect of state sovereignty. In addition, both the growth triangles and the GMS are heavily dependent on private sector investment. This raises issues of government transparency and accountability in providing accurate information to investors. In some cases regional governments are not accustomed to providing timely economic and financial data,

¹⁴ On the recent Singapore-Japan negotiations see: Japan Today, 2001.

¹⁵ Examples of growth triangles include - the Greater Southern China Economic Zone (PRC, Hong Kong and Taiwan), the Singapore-Johore-Riau (SIJORI) triangle, the Indonesia-Malaysia-Thailand (IMT) triangle and the Tumen River triangle (Siberia province, Russia, the DPRK and Jilin province, PRC) (Tang, 1995).

¹⁶ The six members of the GMS are: Vietnam, Cambodia, Laos, Thailand, Myanmar and Yunnan province, PRC.

¹⁷ As early as 1957 a report was issued by the Committee for the Coordination of Investigations of the Lower Mekong Basin. This report focused on the economic complementarity between Cambodia, Laos, Thailand and Vietnam.

¹⁸ For detailed overview on the GMS, see: www.adb.org/gms.

and may even regard such information as secret. Although this change can be seen as an encroachment on state sovereignty the added value of the subregional initiatives encourages governments to change management practices and adopt new governance policies, for example, in the harmonization and standardization of customs procedures to facilitate subregional trade and investment.¹⁹

In addition to the development of the ASEAN+3 MFG and the various sub-regional initiatives, there have also been a number of proposals whose long-term impact will be to bind East Asian economies and states even closer together into an integrated arrangement. These proposals include renewed calls for an Asian Monetary Fund and a common currency.

Japan's calls for an Asian Monetary Fund (AMF), similar in function to the IMF, were amongst the first set of proposals for a sustained regional response to the crisis. At the time, it was vigorously opposed by the United States who perceived it as a way for countries to escape the strict conditionality that were part of the IMF rescue packages. Recently, however, this proposal has reemerged for serious discussion with the ASEAN+ context.

In May 2000, as an interim move towards establishing the AMF, ASEAN+3 Finance Ministers agreed to extend a currency swap arrangement to all 13 member countries. Previously it had only covered Thailand, Malaysia, the Philippines, Indonesia and Singapore.²⁰ How this currency swap arrangement will develop into a Monetary Fund has not yet been clarified. However, it is worth noting that the original proposal for an AMF was, in part, supported by a currency swap arrangement. The Malaysian Finance Minister of the time, Mustapha Mohamed, said, "It can evolve into something. But there was not discussion of what it was going to be" (Cheeseman 2000: 14). Despite the ASEAN+3 agreement there remains opposition from China - concerned about issues of financial sovereignty - as well as from other Southeast Asian countries wary of the expansion of Japanese economic power.

The regional currency swap can also be seen as the first step in the eventual creation of an Asian currency. The opening move in developing this single Asian currency was put forward in October 1998 by (then) Japanese Minister of Finance Miyazawa Kiichi who called for Asian currencies to be pegged to a basket of the yen, dollar and euro. Although there was only a lukewarm response to that aspect of the Miyazawa Initiative, an alternate option - the rapid internationalisation of the yen had a better reception within Southeast Asia (Virabongsa 1999).

The implementation of such plan remains technically difficult. Undoubtedly, the rapid internationalisation of the yen would improve the economic outlook of all East Asian economies. *The World Bank Annual Report 1999* noted "A Japanese recovery is crucial to the stabilization and prosperity of Asian economies." However, despite any improvement in Japan's economic situation, the US economy is likely to remain vibrant enough for its dollar to be attractive to regional and international markets.²¹ Until this situation changes any

¹⁹ On this point, with reference to the GMS, see the proceedings of Ministerial, Forums and Working groups meetings held at <http://www.adb.org/GMS/gmsproc.asp>

²⁰ A currency swap arrangement is where a number of countries agree to purchase each other's currencies to reduce the impact of speculators as well as abrupt shortfalls in the value of a particular currency in the arrangement.

²¹ Moreover, there remain substantial questions as to (1) whether the qualitative gains for such a regional basket would offset the political and administrative costs of such a decision, (2) whether or not the advantages would be enjoyed by all member economies, and (3) if the possible inflationary effects would be manageable (Ohno 1999).

attempt to ‘force’ the development of a yen bloc would cause macroeconomic stresses in all regional economies.

Given that, a trend towards deepening regional integration across a multiplicity of sectors, some form of currency union appears inevitable. First, it is more likely that East Asian states would prefer adopting a currency union rather than moving toward a yen bloc. The former option would give all member states an (in principle) equal say in monetary affairs whereas the adoption of the yen would take a large part of monetary policy (and with it the Keynesian control of their national economies) away from subscribing states and place it in the hands of the Japanese government. As has already been noted, this would be a highly difficult position for many regional states to accept. Second, in an area of deepening ties a currency union would result in substantial savings when undertaken in tandem with free trade agreements, harmonisation of educational and legal standards, and liberalized labour and migration laws (Brash 2000). However, the wide economic disparities between the ASEAN+ members coupled with their differences toward economic sovereignty and openness mean that the adoption of any such measure is likely to be a considerable time away. Hence, it is probable that in the short to medium term, the existing arrangements will be strengthened (even incurring some opportunity costs) before a transition to a more integrated pact can be agreed upon in the long term.

In East Asian relations, economics cannot be divorced from politics. Movements in one sphere reverberate in the other. When considering whether or not an East Asian C/community is feasible, it is necessary to consider both the political and economic aspects of regional integration. With that in mind, this article now turns to an analysis of East Asian forms of political regionalism.

2.2.3. The Third Wave of Political and Social Regionalism

Economic and financial cooperation between East Asian countries is important. When looking at the question of the third wave of regionalism, however it is necessary to go beyond traditional, non-contentious areas of cooperation. This section examines new cooperative efforts in political, social and security arenas. It will be shown that what is taking place in regional economic and financial circles at the regional and sub-regional levels and across functional sectors is being mirrored in the intercourse of political elites, civil society and security dialogues.

The most significant development in regional politics is the expansion of the ASEAN leaders, senior officials and officials meetings to include their Northeast Asian counterparts. This expansion is known as ASEAN +3. The expansion of the ASEAN dialogues to include the three key states of Northeast Asia (China, Japan and the Republic of Korea) indicated a political recognition that the stability and prosperity of Southeast Asia was tied to the political economies to the north (Alwi 2000).

Although the first ASEAN+3 Informal Summit (Hanoi 1998) did not attract all regional leaders it did lead to the formation of a regional eminent persons group (the East Asia Vision Group, EAVG) whose brief was to “discuss the direction of mid and long term cooperation in the region [as well as] specific regional cooperative activities.”²² The EAVG, proposed by

²² East Asian Vision Group press release. Seoul. October 1999. [...] added for grammatical reasons. It is worth noting that the first Informal Summit dealing with ASEAN+3 issues was actually the second Informal Summit. The first “Informal” was held in 1996 and was targeted at those Southeast Asian

South Korean President Kim Dae Jung, will develop several interim reports identifying areas for enhanced cooperation in East Asia before submitting a final report to regional leaders in the later half of 2001. As a *Korea Herald* piece noted, this report will identify “ways to foster a common East Asian identity for the countries of the region” (September 1999). The explicit purpose behind identifying these aspects of a common Asian identity is to develop a platform “towards a higher level of region-wide cooperation and integration” (Hong 1999a). The strength of the EAVG is that, as a second track clearinghouse, proposals for regional cooperation can be discussed without negatively impacting on official policies of member states. Importantly, in this fashion, the EAVG assists the process of regional integration but ensures that the process is in accordance with the consensual manner of ASEAN decision-making.

It was at the second ASEAN+3 Informal Summit, in Manila 1999, that the ASEAN+3 process emerged as a regional forum for East Asian countries. In terms of region building this was a crucial milestone as it was the first time that all ASEAN Heads of State had been present together with the three Heads of State from Northeast Asia.²³ Although the main focus of the 1999 Summit was the further development of economic and trade linkages, culture and information as well as security and social issues were also discussed. This shift moved regional collaborative efforts away from a narrow monetary focus to encompass a broad range of interrelated regional issues affecting East Asia (Surin 2000).

In terms of region-building, the 1999 Summit was important in that it led to a mini-Summit between the leaders of the three Northeast Asian states. Despite the fact that there have been increased bilateral and trilateral ties among Northeast Asian officials in the post-1997 period, this was the first time the three Heads of State had met in a trilateral setting. As former South Korean Trade Minister Hong Soon-young (1999b) indicated, this trilateral meeting process was seen as an important step in the development of an East Asian community:

[T]he beginning years of the new century will see momentum for the trilateral cooperation further strengthened, so that the three countries can together serve as an active force for the building of the East Asian community in the 21st century.

The third ASEAN+3 Informal Summit in Singapore (2000) advanced regional efforts at integration. Although focused on functional cooperation within the ASEAN+3 group (particularly on e-issues) the 2000 Summit generated the *Initiative for ASEAN Integration*, to promote faster regionalization efforts at the functional and subregional levels. The 2000 Summit was also important for regional building efforts as all members agreed to push for representation of all East Asian countries in the APEC and ASEM processes. Specifically, the Summit identified the inclusion of Cambodia, Laos and Myanmar in the APEC Working Groups as priorities for the near term (Press Statement by Chairman 2000). This type of agreement is an example of different levels of East Asian regional groupings mutually developing and reinforcing a unified East Asian perception of political regionalism.

countries, which at that time, were not members of ASEAN. This followed the decision taken at the Fifth ASEAN Summit (Bangkok) in December 1995 to expand the membership to all ten Southeast countries. For the purposes of this article, only the ASEAN+3 Informal Summits will be analysed. Hence, the first ASEAN+3 Summit (Hanoi) is actually the Second Informal Summit, and so on.

²³ Cambodia only became a member of ASEAN in April 1999.

It is through such Summits and meetings that a sense of regional community can develop. A similar process has also been observed in the case of European integration. These meetings lay the foundation for long term policy coordination between member states and, following the example of European integration, should intensify as the region moves closer. An example of this intensified policy coordination was seen immediately prior to the Manila summit when finance and economic ministers joined their foreign ministers counterparts to hold a Joint Ministerial Meeting (JMM). The purpose of the JMM was to intensify the coordination between the different ministries “to ensure the region’s economic and sustained growth” (ASEAN Press Release 1999).

Beneath the level of Summits, SOMs and other assorted state-to-state interactions, there has also been a concomitant spread of social networks throughout the region. Civil society organisations (CSOs), although historically state-based, has been developing in conjunction with the expansion in regional-level ties. Although communities of interest already existed within different social sectors (such as the transnational women’s organisation, Sisters of Islam) the creation of regional state-based networks has promoted the further spread of domestic organisations intent on reaching similar groups within their own epistemic communities. The development of these transnational networks further encourages East Asian regionalisation. The growth of these networks also provides an important validating step for regionalism. A regional community cannot be established through political means alone. It is necessary to engage civil society organisations and, through these organisations, individual citizens before a C/community can be established.

In ASEAN, for example, there are currently 56 umbrella CSOs formally registered with the ASEAN Secretariat.²⁴ These organisations range from student associations to healthcare organisations to Chambers of Commerce. In each case the presence of ASEAN has aided the development of CSOs beyond their domestic environment. This is not to state that without ASEAN these organisations would not have otherwise developed but rather that the existence of a regional institution provided an overarching structure that facilitated (and directed) their development. In addition to these formally recognized organisations there are many others that encompass either the ASEAN countries or operate within a subset of the ten countries.

This process has also been replicated at the regional level between East Asia and Europe. The annual ASEM meetings have acted as a catalyst for civil society organisations with an interest in transregional affairs. There are now CSO meetings that shadow the main ASEM meeting and spinoff meetings have also been held.²⁵ As with the ASEM political process, this social process involves CSOs from both Northeast and Southeast Asia. Just as ASEM was one stepping stone to broader regional engagement it may be that the emergence of civil society organisations centred on either ASEAN or ASEM will, in turn, assist in the development of an East Asian C/community.²⁶ What can be concluded from this is that there is emerging a multiplicity of epistemic communities operating at a regional or sub-regional

²⁴ See www.aseansec.org/ under ASEAN-Affiliated NGOs for a complete list of all organisations.

²⁵ In addition to these meetings commonalities of interests and issues (for example in the area of human rights) have also led to joint actions against European and Asian states by civil society organisations.

²⁶ One example of ASEAN promoting the development of a regional civil society organisation is The ASEAN People’s Assembly, which held its first meeting in 2000. For additional information goto: <http://www.siiiaonline.org/news/news.htm>

level, whose presence provides a form of social regionalisation lacking in the state-level processes.

Another arena that generates a sense of community is the ASEAN Regional Forum. Prior to ASEAN +3 being fully realized in Manila, the ARF was the only forum whose members (excepting Dialogue partners) were drawn exclusively from East Asian countries. The recent decision to admit North Korea to the ARF is indicative of the regional push to have all East Asian countries represented in the security forum. Supporting evidence for this push can be seen in two areas. Firstly, there was and is a recognized position by the participants to limit membership of the Forum. This was in place before the DPRK made its formal application to join. Now that the DPRK is a member this decision to consolidate the organisation will now be enforced. Second, the DPRK was admitted over 17 other extra-regional countries that, in some cases, have both long-standing applications to become Dialogue partners as well as strong cases for membership, such as Pakistan.²⁷

Another functional example of the deepening integration in Southeast Asia is the ARF Troika. Within the ASEAN membership this new body has the capacity to act to resolve problems as they arise. However, given ASEAN's track record in conflict resolution as well as the twinned supremacy of consensus and non-interference, "the efficacy of such a mechanism is in grave doubt" (Ching 2000). Despite these doubts it must be recognized that the Troika mechanism is an intermediate point between having no formal avenue for conflict resolution between ASEAN members and the establishment of the ASEAN High Council. Furthermore, even when the efficacy of the ARF to achieve security resolutions is in doubt its utility as another second-track forum that allows regional and extra-regional participants to discuss issues of transregional concern must be acknowledged.

That said, it is clear that the ARF needs to improve upon its institutional capacity for developing confidence building measures and regional cooperation, if it is to remain a viable mechanism for encouraging regional integration. On issues such as defence cooperation there remain degrees of mistrust between members and dialogue partners. Moreover, there has been no concerted effort under the ARF umbrella to tackle such regional security issues as drug trafficking, arms smuggling or piracy. Working groups within CSCAP are addressing these issues but they lack the support of all member states. Even when faced with regional security problems such as peacekeeping in Cambodia and East Timor the ARF has required external assistance. Proposals to address these institutional failings include the formation of a secretariat to coordinate ARF activities and the development of a peacekeeping training centre to better equip regional policy-makers and military personnel in maintaining security and stability (Naidu 2000). However these shortcomings are addressed, to remain a credible forum for discussing multilateral concerns the ARF needs to move away from "loose regionalism" and implement policy initiatives that secure the region in a more robust manner (Weatherbee 1997).

These are the economic, financial, political, social, and strategic agreements and ideas that are shaping the East Asian region in this 'third wave' of regionalization. Inasmuch as these regional efforts at institution-building are important it is also necessary to examine the structural impediments existing in these processes. It is clear from the preceding analysis

²⁷ In the case of Pakistan, intra-regional politics comes into play. India, a Dialogue partner, wants Pakistan to be excluded from higher membership. Despite support from some ASEAN countries the motion to extend an invitation to Pakistan was not tabled, primarily because India has quite close ties with Vietnam - which opposed the application. (Reyes 2000; Peters 2000)

that different integrative resources are being allocated to different regional levels and functional areas. What this means for the development of an East Asian C/community and the states that would comprise it are the topics of the following section.

3. CHALLENGES IN DEVELOPING AN EAST ASIAN C/COMMUNITY

What shape the East Asian C/community will take in this third wave of regionalism depends on the different views of the member states. In East Asia different regional states vary considerably in their preference for the model of engagement. Japan, for example, has “officially opposed the formation of exclusive trading blocs and encouraged western countries to expand their relations with the Asian economies. Furthermore, Japan appears committed to the ‘open regionalism’ approach to economic cooperation and trade liberalization in Asia” (Lavergne 1995). Malaysia, at the other extreme, favours a defined East Asia regional community - similar to that of the East Asian Economic Caucus (EAEC) originally proposed by Dr. Mahathir. Although what is evolving in the region has been likened to the EAEC, it differs from Dr Mahathir’s proposal in one crucial aspect. The ASEAN+ process is being propounded as a mechanism for preventing regional instability and promoting regional prosperity whereas the EAEC proposal (which held similar goals) was subverted by anti-Western rhetoric. Either a balance will have to be found between these two opposing ideologies or the ideologies themselves will have to be rethought.

In addition to ideological tensions there are also structural tensions. Previous sections have shown that, despite some preferential trade barriers, trade and investment falls into the category of “open regionalism”, as does the ARF - with member countries joined to Dialogue partners. However, some forms of economic and financial integration as well as political forms of regionalism are far more exclusive than inclusive.

From earlier analysis it is apparent that strategic choices over economic and financial wellbeing are the driving impetuses towards deeper regional integration. Ultimately a political decision, all East Asian countries are trying to avoid a repeat of the socio-economic fallout of the 1997 crisis. A delicate balance will need to be struck to achieve this objective.

On one hand, there are quantifiable benefits from deepening regional integration. These benefits range from lower labour costs to a larger, more diversified market to a more powerful voice in global affairs. As South Korean President Kim Dae-jung said,

I see a great deal of possibility in this ASEAN-plus-three group further expanding and further solidifying as a forum for East Asia as a whole ...It will be able to speak for the region vis-à-vis the North American Free Trade Area, Latin America and the European Union, and engage these organizations in cooperation as well as in competition (Richardson 1999).

On the other hand, any form of East Asian C/community will have to operate in an increasingly interconnected world. At both the regional and national level there will come a point where the costs of being exclusive will outweigh the benefits of being inclusive. The decisions stemming from these sets of choices will help determine the nature of the C/community.

However, it should also be highlighted that in a global environment, the multilateral and multi-sectoral nature of any one state’s activities will mean that there will always be a need for extra-regional relations. Even when one country’s policy-makers might identify most closely with an exclusionary approach, the wide-ranging requirements of a nation-state will

mean that non-regional agreements will have to be signed. Further, membership in such international organisations such as the United Nations, the WTO and APEC will encourage non-regional relationships to be formed.

Whichever model is ultimately realized the ASEAN+ grouping will, at some stage, have to confront the issue of state versus regional sovereignty – in other words, the degree to which efforts towards regional integration encroach on state sovereignty. This issue is intimately tied to ASEAN's policy of non-interference, on which ASEAN remains most divided. Of the ten members only Thailand and the Philippines have indicated support for an overarching body able to intervene in domestic processes. More conservative ASEAN members blocked calls from former Thai Foreign Minister Surin Pitsuwan for 'flexible engagement'. Similarly, efforts to establish the ASEAN High Council as outlined in the Treaty of Amity and Cooperation (TAC) have progressed more slowly than either the Thailand or the Philippines have indicated they would prefer. Although the ARF Troika represents a midway point to establishing a code of practice that would allow for a limited form of intervention into member's domestic affairs, its ability to operate in an ASEAN environment may be limited.

The expansion of ASEAN to include the three Northeast Asian states further complicates the sovereignty issue. China has always remained unequivocally opposed to any form of intrusion into its domestic affairs. North Korea has taken a similar position to China. Neither South Korea nor Japan has ever had to confront this issue in a sustained manner in a public forum. However, nationalistic sentiment in both countries is an important aspect of domestic politics and it is unlikely that, in the medium term, politicians would be willing to risk a voter backlash by supporting such a measure.

Regardless of the position each country takes on sovereignty, some tentative conclusions can already be made. Most noticeably, calls for increased multi-sector policy cooperation will ultimately have an impact on sovereignty. The more countries converge in policy the less room there will be for them to act independently - without generating negative externalities in regional countries (that will, inevitably, affect the originating country).

Second, the more policies are coordinated the greater will be the need for overarching frameworks to support policy initiatives and to minimize risk. This is already being seen (in early stages) between the six countries involved in the Greater Mekong Subregion development project. As ASEAN comes together to recognize common educational, health, and labour standards it will become necessary to have common political and legal frameworks. If there are common frameworks, then there will need to be some form of regulatory system to prevent abuse of the system by any one state or subgroup of states (Lawan 2000: 89-91). It may not be necessary to create a common legal system, as Europe has done, but there will need to be checks and balances maintained. This is a common part of all ASEAN+ countries' political, economic, social and legal systems, and fully in line with ASEAN commitments to good governance underpinned by greater transparency and accountability in public affairs. Ultimately, the ASEAN+ region will choose its own path determined by the unique experiences of its member countries rather than follow a path predetermined by European or North American guidelines.

4. CONCLUSION

East Asia is coming together, and has been for some time. This trend has been more pronounced in Southeast Asia than in the North - where the cold war rivalries that prevented the development of a regional bloc are only now beginning to subside. The regional nature of the Asian Financial Crisis further encouraged the development of an East Asian organisation. The lack of a Northeast Asian regional bloc as well as the diffuse nature of APEC meant that ASEAN was best placed to evolve into a pan-regional organisation by expanding its Informal membership to include the countries of Northeast Asia.

In developing a regional structure beyond ASEAN, tensions have emerged in determining what is the best model of regional formation which encompasses all the involved countries. The different models being espoused by regional elites can be narrowed down to a choice between both intra- and extra-regional ties. At present, there is no clear majority in favour of either model. To further complicate the debate, different sectoral representatives within the regional countries promote different models of integration. However, whatever form this union ultimately takes some preliminary conclusions can be drawn as follows.

First, there is a widely-held belief that the socio-economic structures in each of these countries should never again be afflicted as badly as has occurred for the past three years. Interdependence, pre-1997, was viewed in a positive light. The regional consensus is now that although such integration is inevitable it was flawed by a lack of focused coordination between member countries. In order to overcome these systemic flaws it is necessary to expand existing networks and develop new organisational relationships. As the root causes of the crisis were financial and economic it is these issues that these networks and relationships need to address. Regionwide efforts in these areas mean that it is likely economic and financial regionalism will take priority over other areas.

Second, economic and financial issues led to problems in the social sector. These social issues not only have the capacity to spill over into other countries but can also resonate in the political sector as well as cause secondary effects in the economic and financial sectors. As no single regional country has the capacity to deal with these issues, a collaborative approach remains the only rational option.

Third, the increasing number of state-to-state linkages being formed by the policy-making communities in member countries is an important step in forming a regional C/community. However, it is also necessary that social ties be enhanced. To a limited extent this is already happening within an ASEAN and an ASEM context. These may help create ASEAN+ ties between different civil society organisations and individual citizens. There is a precedent for this in the development of political ties but it remains to be seen if the same process will occur at the social level between Northeast and Southeast Asia.

Fourth, the West is being sidelined from directly participating in this process. This has led to the creation of organisations solely comprised of East Asians that mirror pre-existing groups that include both East Asian and non-East Asian representatives. These organisations are reflected of a broad attitudinal change that has taken place in regional elites - of East Asians looking after East Asia. As Sovie (1999) put it,

Whether we like it or not, we, in East Asia, are tarred by the same brush; we are all in the same boat. If the boat sinks, we all go under. If it prospers we all prosper together. We sink and we swim together.

Finally, the title of this article asks whether an East Asian Community or community is possible. From the preceding analysis, it can be concluded that a community is definitely possible. Indeed, it is already taking shape. Within this community, the trappings of a more institutionalized Community can be seen. The faster pace of regional integration at the state-level, supported by intense forms of sub-regional integration, both of which are bolstered by functional cooperation between private and civil sector organizations all seem to be leading to an East Asian Community. Such a development will have a long lead time. Quite fundamental interests relating to national sovereignty and identity will have to first be dealt with in most regional countries and societies for this to take place. This will be neither a quick nor easy issue to resolve. In fact, it may not even be desirable to raise it given the disruptive effect such a debate would likely generate. Moreover, the emergence of an East Asian Community will likely be uniquely located in the cultural and historical processes of the region. In the end what determines how the region evolves will be the commitment of regional members to achieve long-term prosperity and stability together rather than alone. As the Chinese Foreign Minister Tang Jia-xuan remarked:

To carry out regional cooperation on this land of diversity of East Asia is an unprecedentedly great undertaking. The road is long and the task arduous for safeguarding stability, enhancing cooperation and promoting development. Let us join hands and forge ahead together for the stability, cooperation and progress of East Asia for a better tomorrow (2000:15).

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