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East Asian Regionalism**

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**The International Centre for the Study of East Asian Development, Kitakyushu**

# **Political Leadership, Common Norms, and the Development of East Asian Regionalism**

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**Abstract:** After the late 1990s, moves towards regional integration and cooperation gained momentum in East Asia. The regional countries have expanded and deepened integration initiatives under the ASEAN Plus Three (APT) framework that comprised of ASEAN countries, China, Japan and South Korea. What factors have promoted the development of regional integration and economic cooperation in the region? This article addresses this question in terms of collectively shared norms and political leadership. Informality, a representative common norm, played a catalytic role in inducing a reluctant state to join the cooperative framework and mitigating opposition from countries outside the region. Importantly, the development of regional cooperation under the APT framework was sustained by the shift of the policymakers' preferences from the informal to formal settings. Moreover, political leadership shown by China and Japan has played a crucial role in promoting the regional integration initiatives. Japan has taken the lead in developing financial and monetary architectures and other cooperative mechanisms, while China has taken the initiative in propelling regional free trade agreements and economic development and integration in the Indochina countries. Rivalry for political leadership between the two countries has induced them to provide regional public goods in the positive-sum game manner.

## **Introduction**

For a long time, regional integration and cooperation were seen to be difficult in East Asia.<sup>1</sup> The region is characterised by enormous diversities in terms of the scale of land and population, the degree of economic development and cultural backgrounds including religions and languages. Moreover, the region has experienced serious political tension and military conflict, which are still seen in the Korean Peninsula and the Taiwan Strait. These factors constituted imperative impediments to any attempts towards regional integration and cooperation. In fact, the Association of Southeast Asian Nations (ASEAN) was the only formal regional institution in East Asia until the Asia-Pacific Economic Cooperation (APEC) was established in 1989.

After the early 1990s, moves towards regional integration and cooperation gained momentum in East Asia. In 1994, the ASEAN Regional Forum (ARF) was established as the first forum discussing security affairs in the Asia Pacific region. In 1996, East Asian countries institutionalised a dialogue with European countries through the Asia-Europe Meeting (ASEM). More importantly, East Asian countries began the ASEAN Plus Three (APT) summit meeting in December 1997, which comprised of the ASEAN members, China, Japan and South Korea. Under the APT framework, these countries have expanded cooperative actions to various fields including foreign affairs, economic cooperation and financial and monetary cooperation. Regional integration in East Asia, which will lead to a three-block configuration in the world, constitutes a most important change in the world's economic architecture.<sup>2</sup>

What factors have promoted the development of regional integration and economic cooperation in East Asia after the late 1990s? Intensive trends towards regionalism elsewhere in the world raised the recognition among the East Asian leaders of developing their own cooperative initiatives.<sup>3</sup> The need to strengthen their own regional frameworks was also reinforced by trade and investment liberalisation at a snail's pace under the World Trade Organisation (WTO) auspices. More directly, the Asian financial crisis in 1997-98 made the policymakers in East Asia recognise the need to protect their interests through developing their own integration programs.<sup>4</sup>

Unlike the previous studies, this article highlights two sets of variables – common norms and political leadership – in accounting for the evolution of regional integration

in East Asia. In terms of common norms, I mean guiding principles shared by East Asian countries in developing regional integration and cooperation. These norms are often named as the 'ASEAN way', which includes informality, consultative mechanisms, pragmatism, expediency, consensus-building, and others.<sup>5</sup>

This study highlights informality as the representative of the common norms, and evaluates its role in promoting regional integration in East Asia. The informality means informal consensual decision-making through flexible consultation rather than formal procedures based on legalistic and contractual paradigms. This style of consultation often lacks a formal agenda, negotiating issues on an ad hoc basis as and when they arise.<sup>6</sup> This consultation method can draw political willingness from the participants by creating a frank environment for talks and communication in a confidence-building atmosphere. On the other hand, it has been criticised as impeding the steady development of substantial cooperation because it tends to gear more conflict avoidance rather than conflict resolution and to buy more time for its final settlement.<sup>7</sup>

In East Asia, regional cooperation has taken the informal style of beginning the process, which would leave some flexibility for policy coordination among the states, and informality has been one of the basic tenets adopted in most institutions in East Asia including ASEAN, ARF and ASEM.<sup>8</sup> In this article, I examine how informality has influenced the development of cooperative initiatives in East Asia and how preferences of political leaders for informality have evolved in this development process. I argue that the evolving preferences of political leaders for informality is the beneath of development in regional integration in East Asia.

The other factor is political leadership. Leadership is a conventional term used in various fields including corporate management, education, domestic and international politics. Since leadership has been regarded as one of the main factors in promoting institution-building and multilateral cooperation in the international system, quite a few scholars have examined leadership in this regard. Previously, scholars highlighted the relationship between hegemonic leadership and the liberal economic order in the international system.<sup>9</sup> They examined how the rise and fall of a hegemonic power influenced the creation and maintenance of the open international economic system.

In the 1990s, some scholars analysed the functions of leadership by classifying identifying various aspects of leadership. For instance, Young conceptualises three

forms of leadership: structural, entrepreneurial, and intellectual.<sup>10</sup> Young, who consciously keeps distance from the past literature stressing the concept of hegemony, highlights the role of leadership shown by individuals in conducting bargaining for establishing international institutions. Ikenberry also presents three kinds of leadership: structural, institutional, and situational.<sup>11</sup> Unlike Young, Ikenberry examines the leadership of the state, and highlights its ability to foster cooperation and commonality of social purpose among states.

In considering the role of the leader state in propelling regional integration, two kinds of leadership seem to be important. The first is structural leadership. The structural leadership is shown when the leader state provides certain public goods including a market for distress goods, a steady flow of capital, and so forth.<sup>12</sup> The leader state is also expected to resolve the free rising problem, which inevitably occurs in the system with the lack of law-enforcing authority. The dominant power in the region, which has preponderant material resources, leads regional integration by providing these public goods. The second is coordination leadership. If one state is perceived by all or by a majority within the region to be more important than that of any other state, other states tend to adopt the policies and institutions of the state. Thus, the leader state serves as a focal point in the coordination of rules, regulations and policies, as well as helping to ease distributional tension derived from an iterated coordination game.<sup>13</sup>

Regional integration in East Asia has been promoted by expanded business activities. While regional integration in Europe occurred *de jure*, the policy-driven integration through institutional frameworks, that in East Asia occurred *de facto*, the market-driven integration through the increased flow of trade and investment.<sup>14</sup> In this process, political power played a scant role. However, market driven integration did not lead to deepened political integration. The shift to a new stage of integration is likely to need political commitments of the regional powers: Japan and China.

Although Japan reduced its economic power due to the decade-long economic recession in the 1990s, it still holds the preponderant economic power in East Asia accounting for roughly two-thirds of total gross domestic product (GDP) in the region. It has capabilities to play a leadership role in developing regional economic architectures. China has raised its position in East Asia with its robust and steady

economic growth. The sound development of regional economic cooperation has become almost impossible without China's genuine commitments. I examine how Japan and China have shown leadership in developing regional cooperation schemes in East Asia. I argue that rivalry between Japan and China for showing leadership in East Asia has become a spiral motor to stir a regional integration process.

Before examining regional integration in East Asia after the late 1990s, this paper first examines regional integration before the mid 1990s with an eye to identifying basic characteristics in the integration moves.

### **Regional integration in East Asia before the mid 1990s**

For a long time, regional integration and cooperation were not prominent phenomena in East Asia. There was no formal regional institution except for the ASEAN in East Asia although several Asia Pacific-based unofficial institutions were formed.<sup>15</sup> Most East Asian countries achieved impressive economic growth after the early 1980s, and virtual market integration accelerated largely due to massive flows of trade and foreign investment. However, these market forces did not lead to successful initiatives for formal integration.

Why did East Asia fail to develop interests in regional cooperation and integration compared with other regions? Factors pertinent to the region such as enormous diversities and differences among the countries as well as political and security antagonism have been raised as answers to the question. At the same time, particular relationship between the major regional countries and the United States can provide an answer.

For a long time, regional affairs in East Asia were more or less managed by interactions among the major powers: the United States, China and Japan. In particular, the United States had been the dominant power in East Asia in political, economic and military dimensions. The country developed bilateral security relationships with several regional countries including Japan, South Korea, Taiwan and the Philippines. The US-centred bilateral political and security practices dissuaded them from developing multilateral arrangements. Moreover, the United States sustained industrialisation and economic growth of most East Asian countries by providing its huge market for their products. On the East Asian side, the small and medium countries hoped that the United

States continuously exerted certain influence in the region as a balancer to two regional powers: Japan and China. They welcomed the regional situation under the firm grip of the United States.

Most East Asian countries exhibited rapid industrialisation and impressive economic growth after the 1980s, and their capability and economic interdependence rose greatly until the early 1990s. However, the dominant influence of the United States in East Asia continued even in the 1990s. Washington did not welcome moves towards stronger economic integration in East Asia. This was apparent in its response to the East Asian Economic Caucus (EAEC) concept that Malaysian Prime Minister Mahathir proposed in 1991.<sup>16</sup> The EAEC did not develop due to various factors including Japan's passive attitude and the conceptual vagueness. Among these factors, the most critical was an outright hostility from the United States that feared 'drawing a line down the middle of the Pacific'. When Japan proposed the Asian Monetary Fund (AMF) in autumn 1997, not only did the US government oppose the proposal directly but it also encouraged China to adopt an opposition stance.

Thus, the presence of the United States and its commitments had a primary influence on conditioning regional affairs in East Asia. In this sense, regional issues including integration in East Asia were explicable in terms of the neorealist perspective, which posits that the relative distribution of power in the international system provides the most crucial explanatory variable for the development of regionalism.

Another critical factor characterising regional integration in East Asia before the mid 1990s was the conspicuous role of ASEAN as an integration promoter. At the 4<sup>th</sup> summit meeting in January 1992, ASEAN countries agreed to form the ASEAN Free Trade Area (AFTA) by the year 2008, reducing import tariffs for industrial products, agricultural products and capital goods to 0-5 percent. Indeed, AFTA has been criticised as being an incomplete liberalisation scheme with significant defections. However, AFTA was the only free trade agreement (FTA) in East Asia during the 1990s. Furthermore, ASEAN became the focal point in promoting political cooperation in East Asia. In 1994, the association took the lead in launching the ARF, the first regional forum designed to foster constructive dialogue and consultation on political and security issues of common interest and concern in East Asia. An idea of a meeting of the leaders of European and Asian states was articulated by Singapore Prime Minister Goh Chok

Tong in October 1994. Following this proposal, the first meeting of the ASEM was held in Bangkok in March 1996.

With respect to the role of ASEAN, the perspective of neoliberal institutionalism can provide an explanation for regional integration in East Asia. The neoliberal institutionalists argue that institutions facilitate cooperation among the states by reducing the level of uncertainty, transaction costs of legitimate bargains, and the risk of making agreements.<sup>17</sup> An institution called ASEAN facilitated formal and informal contact and communication among government officials in East Asia, and enabled them to achieve certain political objectives that would otherwise be difficult.

In short, two characteristics were conspicuous in regional integration in East Asia before the mid 1990s. The first is weak moves towards formal regional integration. Regional integration initiatives did not develop in East Asia largely due to the strong presence of the United States. The second is ASEAN's valuable commitments to regional cohesion. The association launched its own FTA program and took the lead in commencing the ARF and ASEM. In other words, the presence of Northeast Asian countries was weak in promoting regional integration in East Asia. These situations changed after 1997-98 when East Asian countries experienced the Asian financial crisis.

### **The nurturing of cooperative initiatives under the informal settings**

After the late 1990s, there was impressive progress in economic and political cooperation in East Asia. The first APT summit meeting was held in Kuala Lumpur in December 1997, and the meeting was institutionalised two years later. The summit meeting has developed as a comprehensive forum to discuss economic, political, and security issues in the region. The APT leaders then agreed in December 1998 to set up an East Asia Vision Group (EAVG), accepting a proposal by South Korean President Kim Dae-jung. Three years later, the group submitted a report, which referred to the evolution of the APT Summit to an East Asian Summit and the establishment of an East Asian Free Trade Area. Moreover, a proliferation of cooperative commitments under the APT framework covered the expanding range of issue-areas including foreign affairs, economic and financial cooperation, agriculture, labour, and so forth.

A noteworthy question is what factors promoted this rapid evolution of regional consolidation in East Asia. A number of scholars have highlighted the Asian financial



crisis as the main and direct factor that urged the development of East Asian regionalism. The crisis provoked resentment against the United States and its domination of international monetary and financial affairs.<sup>18</sup> Not only did the US government underestimate the severity of the crisis at first, but it also refused providing a single current of aid to Thailand. This made a sharp contrast to the Peso crisis in 1994 when the United States offered US\$20 billion as part of a US\$50 billion package for Mexico. The 'Washington consensus', which underpinned the International Monetary Fund (IMF) policy prescriptions for some East Asian countries, was regarded as exacerbating the problems than solving them.<sup>19</sup> Thus, awkward or even arrogant responses from the United States to the crisis drove East Asian countries to band together to develop their own regional initiatives.

The crisis also made it clear that the Southeast and Northeast Asian economies were tightly united. The crisis that occurred in Thailand in July 1997 proliferated to its neighbouring countries and South Korea within that year. The contagion by which the crisis spread to countries throughout the region made the leaders in East Asia recognise that they live in common fate in the larger framework of East Asia. For instance, Syed Hamid Albar, Malaysian Foreign Minister, states that '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'.<sup>20</sup>

This study does not oppose the view that the Asian financial crisis had a direct and critical influence on inducing East Asian countries to promote their own regional cohesion. However, it seems necessary to take into account factors conditioning moves towards regional integration in a broader framework and a longer time span. This article highlights the evolving preferences of East Asian leaders for loose informality as such a factor. Indeed, the first important event consolidating the leaders of East Asian states was the summit meeting in December 1997. However, informal meetings among foreign ministers and state leaders from Southeast and Northeast Asia had been organised even before this meeting. At the 27<sup>th</sup> ASEAN Ministerial Meeting (AMM) in July 1994, foreign ministers from the ASEAN members, China, Japan, and South Korea held a working lunch. The Joint Communiqué of the 27<sup>th</sup> AMM reported that the foreign ministers had discussions on the EAEC and agreed that the consultations would

continue on the informal basis.<sup>21</sup> In fact, an informal style of meeting was held at the AMM in 1995 and 1996. Then, at the ASEAN Economic Ministers' meeting in 1996, the ministers agreed to formulate programs for the development of small- and medium-sized enterprises and human resources and to ask assistance for Japan, China, and South Korea. The agreements were important as the first cooperative initiatives between Southeast and Northeast Asia with concrete programs.

Moreover, the East Asian grouping comprising the ASEAN members, China, Japan, and South Korea was recognised as a 'distinct geographical and economic entity' at the ASEM whose initial meeting was held in March 1996.<sup>22</sup> Importantly, the APT leaders had an informal meeting in preparation for the ASEM the previous month. This was virtually the first meeting of the APT leaders.<sup>23</sup> The 1997 summit meeting itself was quite informal, adopting a style that Malaysian Prime Minister Mahathir invited the leaders of the three Northeast Asian countries to celebrate ASEAN's thirtieth anniversary. Thus, even before the APT summit meeting in December 1997, the substantive steps for fostering the APT framework had been taken, and informality played a critical role in this process. The launching of the APT framework became possible as a consequence of the accumulation of informal meetings and gatherings.<sup>24</sup>

Informality also served to foster cooperative frameworks among Northeast Asian countries. In August 1999, finance authorities of Japan, China and South Korea began informal consultation about possible regional financial cooperation through the government-affiliated research institutes. Three research institutes – Chinese Academy of Social Sciences, the Ministry of Finance, Policy Research Institute (MFPRI) of Japan, and Korea Institute for International Economic Policy (KIEP) – as well as the international finance bureaus of the three countries, have organised seminars regarding regional financial arrangements, the stronger supervision over short-term capital flow and the establishment of the early warning systems in the region. Moreover, Chinese Prime Minister Zhu Rongji, Japanese Prime Minister Keizo Obuchi and Korean President Kim Dae-jung had an informal breakfast meeting on the sidelines of the third APT summit meeting in November 1999. This was the first meeting among the leaders of the three states in modern times. At this informal meeting, the leaders agreed on trilateral joint research on economic cooperation, and three think tanks conducted the research.<sup>25</sup> Thus, cooperative programs among the three Northeast Asian countries

began through the informal settings often utilising the Track-II process. The development of cooperative programs among Northeast Asian countries was important for the overall East Asian integration because it would be conducive to shifting from the relations between ASEAN and each Northeast Asian state to that between ASEAN and the whole Northeast Asian states, and enhancing policy coordination within the APT framework.

Informality was effective in nurturing a new initiative in regional cooperation in intra- and extra-regional dimensions. Intra-regionally, informality can draw willingness from regional states to participate in the consultation framework. Unlike formal negotiations, informal consultation without formal agendas or negotiating issues reduces psychological barriers of a reluctant state's participating in the settings. This was the case in Japan, which was long cautious about the promotion of regional programs comprising of East Asian countries alone. The Japanese government, which hoped to avoid antagonising the United States and adhered to the participation of Australia into the East Asian framework, did not show positive attitudes to initiatives consolidating East Asia. For instance, at a press conference at the ASEAN Post-Ministerial Conference in August 1995, a Japanese Ministry of Foreign Affairs (MOFA) official stated that Japan 'firmly believes that the EAEC should be launched with the blessings of all APEC countries. Any attempt to divide APEC countries should be avoided'.<sup>26</sup> Moreover, it is said that not only was Japanese Prime Minister Ryutaro Hashimoto reluctant to attend the 1997 summit meeting but Hashimoto alone also opposed the regular holding of a summit meeting there.<sup>27</sup> As explained later, Japan became more supportive of the APT programs after 1999. Informality such as the holding of a working lunch and an invitation to ASEAN's thirtieth anniversary facilitated Japan's participation in the meetings, and thereby enabled Tokyo to shift its stance on regional integration.

Loose informality also mitigates the scepticism of extra-regional states about the new initiatives in regional cooperation. Informality was effective in stepping slowly out of the shadow of APEC by curbing the US antagonism. The US government did not exhibit a clear opposition to regional cooperative initiatives under the APT framework after 1998. Among various factors including the US recognition of the necessity of East

Asian cooperation, the style of informal commitments softened the apparent opposition from the United States.

The distinctive role of informality in developing regional cooperation in East Asia is different from the neorealist perspective that the presence of a hegemonic power that has the will and capability to supply public goods is the primary factor inducing the development of regional cooperation. This was also different from the development of regional integration in Europe where the creation of formal institutions has played a pivotal role.

The further development of the APT framework was partially sustained by a departure from informalism. The APT members have put stress on the formal settings in the development of cooperative initiatives. As already explained, the leaders agreed to set up the EAVG at the APT summit meeting in December 1998. The EAVG comprised of the private sector representatives designed to offer a common vision for East Asia that reflect the rapidly changing regional and global environment. Importantly, one year before the EAVG submitted the report, the leaders agreed to establish an official East Asia Study Group (EASG) at the 4<sup>th</sup> APT summit in November 2000. The EASG consisted of senior government officials of ASEAN countries and the three Northeast Asian countries.

Furthermore, East Asian countries have launched formal and regular institutions for cooperative commitments in various issue-areas. The first meeting of APT Economic Ministers was held in May 2000, while that of Foreign Ministers was organised two months later. The ministerial meeting under the APT framework expanded to other policy areas including labour, agriculture and forestry, energy and tourism. Importantly, organisational development has been advanced rapidly. Each of the ministerial meetings is served by a lower layer of senior officials meetings (SOM). The APT Director-Generals were organised as a body to implement the ministerial and SOM decisions.<sup>28</sup> The establishment of the Secretariat became a common issue among the APT members. For instance, the Malaysian government proposed the establishment of the Secretariat in 2001.<sup>29</sup> Thus, not only have the East Asian countries accelerated the institutionalisation of their cooperative mechanisms covering various issue-areas but they have also promoted the organisational development of the APT system.

It is noteworthy to refer to changes to more formal commitments at the micro level because it is often criticised that the norm of informality disturbs the substantial development of cooperative programs due to the lack of explicit and binding positive behavioural rules or the vagueness of agenda.<sup>30</sup> The APT members have become more inclined to set up explicit agenda and behavioural rules in their cooperative programs. This is the case in cooperative projects under the APT Economic Ministers. At the second meeting in October 2000, the ministers agreed on four criteria for deciding on project proposals. The criteria contained the '13 minus X' principle, which would allow the members to move forward without full consensus of all members. Following the criteria, the ministers endorsed six project proposals recommended by senior economic officials at the third meeting in May 2001. Apparently, they paid respect to the institutionalised process of the projects, pursuing clear agenda and rules in the process.

Indeed, increases in the number of formal institutions or meetings do not produce substantial changes unless it is accompanied by a shift in idea about informality among policymakers especially in ASEAN countries. In this respect, there were nuanced changes. Superficially, ASEAN countries have become more inclined to accept formal commitments. For instance, Thailand proposed a dispute-settlement mechanism in April 1995 and the Protocol on Dispute Settlement Mechanism (DSM) was signed at the AEM meeting in November 1996. However, the DSM was adopted as a measure to appease the demand from the private sector, not a shift in emphasis from informal consultation to a legalised settlement.<sup>31</sup> The clauses of the protocol are rather simple with twelve articles and have not been utilised intensively by the member countries. At the same time, there were real moves towards more formal commitments. For instance, in October 1998, the ASEAN Finance Ministers signed a Terms of Understanding for the ASEAN Surveillance Process. The process consisted of the monitoring of global, regional and national economic financial developments, as well as a peer review process of exchanging views and information on specific economic policies and issues of structural reforms. Although the peer review process had limits in terms of the inclusiveness and scope, it had significant implications in that it implied a departure from informalism as well as the erosion of non-interference; ASEAN's another basic doctrine.<sup>32</sup>

The dependence of Southeast Asia on Northeast Asia in economic development has intensified the propensity for formal commitments. Even after the Southeast Asian economies recovered from the Asian financial crisis, they were still lacking in dynamism. In particular, the older ASEAN members could not support the economic development of the newer ASEAN members. Accordingly, they needed economic and technical cooperation from the Northeast Asian countries, and tried to exploit the APT framework for this objective. In this sense, the ‘ASEAN Plus Three’ is virtually the ‘Three Plus ASEAN’ as Singapore’s Senior Minister Lee Kuan Yew correctly pointed out.<sup>33</sup> The dependence of the ASEAN countries on the Northeast Asian countries led to a shift from informal to formal commitments because the latter pay more respect to formal institutionalisation.<sup>34</sup>

In brief, informal commitments to regional cooperation under the virtual APT nesting were advanced even before the formal APT framework was established. Informality played a catalytic role in inducing a reluctant state to join the cooperative framework and mitigating opposition from countries outside the region. At the same time, the development of regional cooperation under the APT framework was sustained by the shift of the policymakers’ preferences from the informal to formal settings.

### **Subsequent development in cooperative initiatives under political leadership**

Loose informality played a critical role in fostering the APT cooperative initiatives, and the further development of the initiatives was sustained by the inclusion of more formal commitments. The development of the initiatives was also inspired by political leadership shown by two regional powers: Japan and China.

Several studies have identified policy changes in Japan and China as critical factors advancing the evolution of regional cooperation in East Asia.<sup>35</sup> These studies argue that Japan’s shift from multilateralism to regionalism or bilateralism in trade policy and China’s change from opposition to support for regional financial cooperation were two major factors. In addition to this conventional observation, concrete examination of external economic policies adopted by Japan and China reveals their positive roles in pushing forward regional integration in various fields.

The Japanese government has launched various schemes and programs designed to promote regional integration and cooperation. In the financial field, the government

has taken the lead in developing regional financial facilities and surveillance mechanisms. The milestone of regional cooperation under the APT framework was the Chiang Mai Initiative that the Finance Ministers agreed at the second APT Finance Ministers meeting in May 2000. The initiative aimed to strengthen the mechanism for self-help and support in the region by an extension of the existing ASEAN swap arrangement and the development of a network of bilateral swap and repurchase agreement facilities, which included Japan, China and South Korea. Interestingly, it was unclear who took the lead in establishing the Chiang Mai Initiative. However, Japanese Ministry of Finance (MOF) surely undertook informal negotiations behind the scenes in order to gain explicit support from the United States as well as other East Asian countries. Unlike the AMF proposal, the US government did not oppose the Chiang Mai Initiative. This was partly because the US government recognised the need of regional facilities as measures to prevent the repetition of a financial crisis. At the same time, Japanese MOF successfully persuaded the United States. A senior MOF official recalls that it was tough to convince Washington that the initiative would be completely different from the AMF.<sup>36</sup>

Furthermore, MOF has sustained the development of the reliable surveillance system in East Asia. Japan and six countries (Brunei, Indonesia, South Korea, the Philippines, Thailand and Vietnam) agreed on bilateral exchanges of short-term capital flow data. In order to facilitate this process, MOF established the Japan-ASEAN Financial Technical Assistance Fund at the ASEAN Secretariat in September 2001. The fund aimed at assisting some ASEAN countries to improve their monitoring, collection and reporting systems on capital flows. MOF has also sent its bureaucrats and other specialists in finance to several Southeast Asian countries under the New Miyazawa Initiative. These specialists, dispatched to the Central Bank or Finance Ministry of the recipient countries, offered assistance and guidance to develop human resources regarding financial and fiscal policies, government bond management, and so on.<sup>37</sup>

More recently, MOF has sustained the development of an initiative for fostering the Asian bond markets. The ministry formally proposed the APT Asian Bond Market Initiative (ABMI) at the APT Deputy Finance Ministers meeting in Chiang Mai in December 2002. The objective of ABMI was to foster efficient bond markets in Asia which would enable the private and public sectors to raise and invest long-term capital

without currency and maturity risks. Then, MOF organised an APT high-level seminar on fostering bond markets in Asia at Tokyo in March 2003. Although the idea about fostering bond markets in Asia were articulated by various governments in East Asia, the ministry has played a central role in developing the idea.

The Japanese government has taken the lead in beginning a cooperative mechanism in other fields. MOFA launched the Initiative for Development in East Asia (IDEA) by holding a ministerial meeting in Tokyo in August 2002. The IDEA aims to develop common recognition concerning new development challenges facing East Asia and the direction for future development in the region. In addition, the Ministry of Economy, Trade and Industry (METI) convened in Osaka in September 2002 the first meeting of APT Energy Ministers on the fringes of the 8<sup>th</sup> International Energy Forum. At the meeting, METI proposed the APT Energy Cooperation. The proposal contained the establishment of the emergency networks, an initiative in promoting oil storing, the launching of studies regarding the oil market in Asia, and so on.

Increased commitments do not necessarily mean genuine or effective leadership. This is particularly the case in Japan which has imperative domestic constraints on showing external leadership.<sup>38</sup> In fact, Japan has still showed passive attitudes towards the conclusion of FTAs with East Asian countries because of strong opposition to agricultural liberalisation from relevant interest groups and their supporting politicians in the ruling Liberal Democratic Party. Moreover, the Japanese government has often failed to formulate a comprehensive and consistent external economic policy largely due to ministerial rivalry and sectionalism. While these factors have constrained Japan's commitments to East Asia, the above policies have derived from the ministries' willingness to show a more assertive leadership role in East Asia. This was particularly the case in MOF.

Indeed, MOF had offered intellectual contributions to the economic reconstruction of major Asian countries even before the mid 1990s. But, these policies did not necessarily envision the strength of economic linkages in East Asia. This stance changed after the late 1990s. The ministry strengthened internal organisations pertinent to East Asia. In July 1998, the ministry set up the International Financial Market Office (literally Japanese name was the Asian Currency Office). This was the first division that dealt specifically with Asian financial matters.<sup>39</sup> Other divisions also began to take up



matters regarding East Asian countries and the ministry's awareness of issues and problems that the Asian economies faced became rapidly deepened.<sup>40</sup>

Furthermore, the ministry utilised its affiliated research institutes in order to develop institutional relationship with other regional countries, and deepen ideas about desirable economic development for East Asia. MOF has entrusted the Institute for International Monetary Affairs (IIMA) and MFPRI with various research projects concerning the East Asian economies and the development of regional financial cooperation. Moreover, the Asian Development Bank Institute took the lead in establishing the Asian Policy Forum in December 1999.<sup>41</sup> The forum comprising seventeen research institutes from twelve Asian countries aimed at providing intellectual and analytical leadership in the economic policy communities in the region.

China has gradually intensified its cooperative commitments to regional affairs in East Asia. Beijing maintained the value of the *renmenbi* even at the height of the Asian financial crisis. The Chinese authorities, through this policy, aimed to rehabilitate the country as a responsible member of the international community and to play an enhanced regional and international role.<sup>42</sup> In fact, when US President Clinton made an official visit to China in June 1998, he praised China 'as the stabiliser of the Asian economies'.

Beijing exhibited a clearer leadership role in propelling regional cooperation after the new millennium. In November 2001, China agreed to establish a free-trade area with ASEAN countries within ten years. One year later, China and ASEAN signed the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation. This marked the official launching of a process that would establish the free-trade area by 2010 for the older ASEAN members and 2015 for the newer members. In implementing the agreement, China provided concessions including the grant of special preferential tariff treatments for some goods from Cambodia, Laos and Myanmar.<sup>43</sup> Significantly, the Chinese government also proposed that a feasibility study be undertaken on the formation of a free trade zone encompassing China, Japan and South Korea at the summit meeting in November 2002.

China has also strengthened its commitments to the Mekong River areas. In 1992, the Greater Mekong sub-region (GMS) Economic Cooperation Program began with support from the ADB. The program, covering China and five Indochina countries –

Cambodia, Lao, Myanmar, Thailand and Viet Nam –, showed gradual progress in cooperative schemes in such areas as energy, environments and human resources. In November 2002, the first GMS summit meeting was held in Cambodia. At the meeting, the leaders reconfirmed a strategic action plan that included 11 flagship programs amounting to \$1 billion for the coming ten years. Chinese Prime Minister Zhu Rongji proposed a comprehensive plan including financial assistance, and took the lead in developing transport infrastructure, energy and tourism in the region.

China, which put stress on international or bilateral relations for a long time, did not formulate specific regional economic or security policies.<sup>44</sup> In the late 1990s, the country began to consider its relationship with East Asian countries more strategically especially after it achieved the accession to the WTO. The Communist Party of China leadership needs continuous economic growth because slow growth is likely to provoke social and political backlashes. The continuous growth is heavily dependent on close and stable relationship with the external economies. In particular, China hoped to maintain the sound relationship with Southeast Asian countries. Trade and investment expansion in China has raised the sense of the ‘China threat’ among Southeast Asian countries. China has sought to change the China threat into the ‘China opportunity’ through showing leadership for regional cooperation.

Moreover, China needs to show regional leadership in order to respond strategically to the US power in the international scene. The United States intensified its international military hegemony by preventing the emergence of any challengers to its power especially after the September 11 terrorist attacks in 2001. China regarded close collaboration with the neighbouring countries as indispensable for securing and raising its position in the international scene.

### **Sino-Japan rivalry and the future of regional integration in East Asia**

It might be dangerous to expect that Sino-Japan co-leadership will continuously develop and deepen smoothly. Several scholars doubt the development of regional cooperation under the Sino-Japan leadership. They point out hostility resulting from the past history and mutual suspicion stemming from present economic and security concerns.<sup>45</sup> There are additional sources of conflict between the two countries such as the Taiwan problem and territorial disputes over Diaoyu/Senkaku Islands.

In fact, some of the initiatives taken by Japan and China invited passive or negative responses from each other. For instance, when Masayuki Matsushima, vice-governor of Bank of Japan, suggested the European style of monetary cooperation, vice-governor of the Bank of Chinese People expressed an anxiety about the loss of monetary sovereignty.<sup>46</sup> As mentioned above, Chinese Prime Minister Zhu Rongji proposed a feasibility study of establishing the China-Japan-Korea free trade zone in November 2002. Japanese Prime Minister Junichiro Koizumi responded that Japan would consider the matter in a medium- and long-term span with due consideration to the pace at which China would abolish its trade barriers under the WTO obligations.<sup>47</sup>

Despite the above differences in view on regional integration, fierce rivalry between Tokyo and Beijing for taking the initiative in regional integration has worked as a spiral motor to stir the integration process. In the late 1990s, Japan that departed from its sole reliance on the multilateral trade track began talks about an FTA with Singapore and South Korea as a way to pursue the multi-layered trade track. When Noboru Hatakeyama, Chairman of the Japan External Trade Organisation (JETRO), had a meeting with Shi Guangsheng, Chinese Minister of Foreign Trade and Economic Cooperation, in July and August 2000, Hatakeyama asked whether China was interested in negotiating FTAs.<sup>48</sup> Although Shi's response was unclear, the Chinese government proposed the formation of an FTA with ASEAN only three month later. China's swift moves towards an FTA were largely stimulated by Japan's policy switch and initiatives to form an FTA.<sup>49</sup>

In November 2001, China and ASEAN agreed to establish a free-trade area with a ten-year time limit. China's quick move was accepted by Japanese bureaucrats and politicians with a great surprise, and the Japanese government took counteraction.<sup>50</sup> In January 2002, Prime Minister Koizumi proposed to the ASEAN leaders an Initiative for the ASEAN-Japan Closer Economic Partnership (AJCEP) during his visit to Southeast Asia. Shortly after this proposal, the AJCEP Expert Group began talks about specific measures to realise the AJCEP. Significantly, the ASEAN-China negotiations became a pace setter for negotiations between Japan and ASEAN, creating incentives for Japanese bureaucrats to keep up with their moves.<sup>51</sup>

Similar spiral moves were found in the financial field. In September 1998, Japanese Finance Minister Miyazawa proposed a meeting of Asian Finance Ministers

and Central Bank Governors. Six Asian countries attended this meeting, but not China. At the second APT meeting in December 1998, Chinese Vice-President Hu Jintao proposed a meeting of Deputy Finance Ministers and Central Bank Vice-Governors of the ASEAN members together with China, Japan and South Korea. This proposal was realised in Hanoi in March 1999. The Japanese MOF made efforts behind the scenes to launch the Chiang Mai Initiative at the second APT Finance Ministers meeting in May 2000. The Chinese government, which opposed the Japan-initiated AMF proposal in 1997, supported the initiative.

Thus, the position of China and Japan in East Asian regionalism is characterised as competitive leadership. Each of them has not given enthusiastic support for the initiatives that the other took, nor have they presented cooperative initiatives for East Asia jointly. Intensive rivalry for realising their respective regional leadership ambitions has virtually led to deeper integration in East Asia. This style of rivalry contains a danger of falling into escalated competition.

However, regional leadership shown by Japan and China might continue to produce benign outcomes in the near future with two reasons. First, gaps in basic ideas about economic development between Japan and China do not constitute a serious obstacle to their collaboration. As seen in support for the Asian members to promote economic and technical cooperation at APEC, Japan has been sceptical about a swift trade and investment liberalisation, and stressed the need of economic and technical cooperation as a prerequisite to liberalisation.<sup>52</sup> These stances are consonant with those of China, which has given priority to the state-led economic development. The stress on economic development and technical cooperation is particularly important because most East Asian countries hope to combine market liberalisation and integration with economic and technical cooperation. ASEAN, which amasses less developed Indochina countries, have strong incentives in this respect. This relationship between China and Japan makes a contrast to US-Japan co-leadership at APEC. Rapkin argues that the United States and Japan exerted their powers to block each other's initiatives to resolve collective action problems in the Asia-Pacific.<sup>53</sup> The US-Japan conflict at APEC stemmed largely from differences in ideas about trade liberalisation and relative priority assigned to economic development.

Second, there is a bit difference in manner of leadership between Japan and China. Both states do not hope to show structural leadership in East Asia. Japan is lacking sufficient material resources for showing structural leadership especially in the military domain. China is unlikely to show structural leadership because it is still conscious of Deng Xiaoping's injunction not to be a leader due to the fear of a reaction to its historic and potentially future dominance.<sup>54</sup> Accordingly, their commitments are directed towards assisting the development of regional integration through coordination leadership. Japan has imperative fragility in domestic politics, which disturb it from adopting bold policies and measures for the region swiftly. However, it retains capabilities to formulate new rules and institutions by utilising its long experiences of institution-building and development assistance. China has not retained sufficient experiences and expertises in creating regional rules and institutions due to its limited commitments to regional affairs in the past. However, its government has shown the will and capabilities to lead regional integration by adopting difficult but necessary policies for the region rather timely.

In the early 1990s, some Chinese leaders advocated the 'double locomotive model' for economic cooperation in East Asia: Japan is the front locomotive to pull and China is a rear locomotive to push.<sup>55</sup> This model for regional cooperation seems to gain high validity, but the position is reverse. While China takes the lead in launching various cooperative initiatives, Japan substantiates such initiatives from behind.

## **Conclusion**

In this article, I aimed to examine the evolution of regional integration in East Asia after the 1990s with particular attention to the role of collectively shared norms and political leadership in this process. For this objective, I have highlighted informality, a representative norm, and political leadership shown by China and Japan.

Regional integration in East Asia before the mid 1990s had been qualified by two factors: the strong presence of the United States and ASEAN's positive commitments. Compared with other regions, official moves towards regional integration were inert in East Asia. This was largely because the major regional countries put stress on political and economic linkages with an extra-regional nation, the United States. Under this

overall framework, the main promoter of regional cohesion in East Asia was ASEAN, which took the lead in launching the ARF and ASEM.

After the late 1990s, manners and contents of regional integration and cooperation evolved dramatically in East Asia. The regional countries have expanded and deepened integration initiatives under the APT framework that comprised of ASEAN countries, China, Japan and South Korea. The APT summit meeting has been held since 1997, and ministerial meetings have been institutionalised in the fields of foreign affairs, economic and financial cooperation, agriculture, energy, and so on.

Loose informality played a critical role in developing the sprout of regional integration and cooperation in East Asia. Even before the APT summit meeting in December 1997, the gatherings of the ASEAN members and the three Northeast Asian countries were organised in the informal settings. The informal style, in which formal agendas and negotiating issues were not taken up, enabled a reluctant state like Japan to join the cooperative programs.

Importantly, the subsequent development of regional integration in East Asia was partially sustained by departure from informality. The APT members who previously gave respect to informality promoted the formal institutionalisation of the cooperative initiatives. Indeed, it might be difficult to regard informality as a sole independent variable for explaining regional integration, but it surely played a catalytic role in conditioning the manner and speed of regional integration in East Asia.

Another critical factor that pushed forward the regional cooperative initiatives was political rivalry between Japan and China for leadership. Japan has taken the lead in developing financial and monetary architectures and other cooperative mechanisms. Although Japan's regional leadership has been constrained by domestic politics, its government has become more willing to play a regional leadership role in coordinating interests among the regional countries. China has taken the initiative in propelling regional networks of FTAs and economic development and integration in the Indochina countries as means of maintaining the sound relationship with the ASEAN countries and responding strategically to the US power. Indeed, frameworks for regional economic cooperation were often prepared by ASEAN countries. But, substantial contents of economic cooperation were often provided by Japan and China. In

particular, rivalry for political leadership between the two countries has induced them to provide regional public goods in the positive-sum game manner.

## Notes

<sup>1</sup> In this article, 'East Asia' is referred to as the region that covers both Southeast and Northeast Asia. In indicating a particular area, I use the term 'Southeast Asia' or 'Northeast Asia'.

<sup>2</sup> C. Fred Bergsten, "Towards a Tripartite World," *The Economist*, 15 July 2000, 1.

<sup>3</sup> C. Fred Bergsten, *The New Asian Challenge*, Washington D.C.: Institute for International Economics, Working Paper 00/4 (2000): 5-6.

<sup>4</sup> Douglas Webber, "Two Funerals and a Wedding? The Ups and Downs of Regionalism in East Asia and Asia-Pacific after the Asian Crisis," *Pacific Review* 14, no. 3 (2001): 357-59.

<sup>5</sup> Amitav Acharya, "Ideas, Identity, and Institution-Building: From the 'ASEAN Way' to the 'Asia-Pacific Way'?", *Pacific Review* 10, no. 3 (1997): 329-33; Fu-Kuo Liu, "East Asian Regionalism: Theoretical Perspectives," in *Regionalism in East Asia: Paradigm Shifting?*, ed. Fu-Kuo Liu and Philippe Regnier (London: RoutledgeCurzon, 2003), 20-22.

<sup>6</sup> Acharya, "Ideas, Identity, and Institution-Building", 329.

<sup>7</sup> Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001), 70.

<sup>8</sup> Liu, "East Asian Regionalism", 20.

<sup>9</sup> Charles P. Kindleberger, "Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides," *International Studies Quarterly* 25 (1981): 242-54; Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, N.J.: Princeton University Press, 1984); Robert Gilpin, *The Political Economy of International Relations* (Princeton, N.J.: Princeton University Press, 1987).

<sup>10</sup> Oran R. Young, "Political Leadership and Regime Formation: On the Development of Institutions in International Society," *International Organization* 45, no. 3 (1991): 281-308. Structural leaders are state representatives who translate superior material resources into bargaining leverage, and thereby produce agreement through arm-twisting and side-payments. Entrepreneurial leaders make use of negotiating skills in assisting the parties to form agreement by drawing attention to the issues at stake, and inventing innovative policy options. Intellectual leaders exploit the power of ideas to shape the way in which participants in bargaining think about the problem at hand and its potential solutions.

<sup>11</sup> G. John Ikenberry, "The Future of International Leadership," *Political Science Quarterly* 111, no. 3 (1996): 385-402. Structural leadership concerns the underlying distribution of material capabilities that gives some state the ability to direct the overall shape of world political order. Institutional leadership refers to the rules and practices that states agree to that set in place principles and procedures that guide their relations. Situational leadership is shown as the actions and initiatives of states that induce cooperation quite apart from the distribution of power or the array of institutions.

<sup>12</sup> Kindleberger, "Dominance and Leadership in the International Economy".

<sup>13</sup> Walter Mattli, *The Logic of Regional Integration: Europe and Beyond* (Cambridge: Cambridge University Press, 1999), 55-57.

<sup>14</sup> Peter J. Katzenstein, "Introduction: Asian Regionalism in Comparative Perspective", in *Network Power: Japan and Asia*, ed. Peter J. Katzenstein and Takashi Shiraiishi (Ithaca, N.Y.: Cornell University Press, 1997).

<sup>15</sup> These institutions are as follows: the academic Pacific Trade and Development Conference (PAFTAD) founded in 1967; the business related Pacific Basin Economic Council (PBEC) established in 1967; and the PECC comprising businessmen, academics, and government officials acting in a private capacity set up in 1980.

<sup>16</sup> The EAEC was to comprise the ASEAN countries, Japan, South Korea, and China, excluding Australia and New Zealand as well as the United States.

- <sup>17</sup> Keohane, *After Hegemony*, 88-96.
- <sup>18</sup> Richard Higgott, "The Asian Economic Crisis: A Study in the Politics of Resentment," *New Political Economy* 3, no. 3 (1998): 333-56; Richard Stubbs, "Asean Plus Three: Emerging East Asian Regionalism?," *Asian Survey* 42, no. 3 (2002): 440-55.
- <sup>19</sup> Walden Bello, "East Asia: On the Eve of the Great Transformation?," *Review of International Political Economy* 5, no. 3 (1998): 424-44.
- <sup>20</sup> Addressed at the Intan, Kuala Lumpur, 12 August 1999, cited in Nick Thomas, "ASEAN+3: C/community building in East Asia?," *Journal of International and Area Studies* 8, no. 2 (2001): 3.
- <sup>21</sup> Termsak Chalermpanupap, "Towards an East Asian Community: the journey has begun," Paper presented at the Fifth China-ASEAN Research Institutes Roundtable on Regionalism and Community Building in East Asia, The University of Hong Kong's Centre of Asian Studies, 17-19 October 2002. Available at <http://www.aseansec.org/13202.htm>
- <sup>22</sup> Stephen Leong, "The East Asian Economic Caucus: 'Formalised' Regionalism Being Denied," in *National Perspectives on the New Regionalism in the South* ed. Bjorn Hettne, Andras Inotai and Osvaldo Sunkei (London: Macmillan, 2000), 19.
- <sup>23</sup> Mie Oba, "Chiiki shugi to nihon no sentaku" (Regionalism and Japan's choice) in *Ajia Seiji Keizai Ron: Ajia no Nakano Nihon wo Mezashite (The Theory of Asian Political Economy: Searching for Japan in Asia)* ed. Akira Suehiro and Susumu Yamakage (Tokyo: NTT Shuppan, 2001), 275.
- <sup>24</sup> Takashi Terada, "ASEAN + 3 no kanosei wo saguru" (Searching for the possibility of ASEAN + 3), *Gaiko Foramu* 156 (2001): 62-7.
- <sup>25</sup> The three research institutes – Development Research Centre of China, National Institute for Research Advancement of Japan, and KIEP – launched a joint study in November 2000, and issued a report one year later. The report analyses trade relations between the three countries and recommended the establishment of a mechanism of annual meetings of Economic Ministers of the three countries.
- <sup>26</sup> Leong, "The East Asian Economic Caucus", 16
- <sup>27</sup> Eiichi Furukawa, "Tsui ni jitsugen shita higashi ajia kyoryoku tai" (The finally realised East Asian Cooperation Forum), *Boeki to Kanzei* 49, no. 7 (2001): 14.
- <sup>28</sup> Nick Thomas, "Building an East Asian Community: Origins, Structure, and Limits?," *Asian Perspective* 26, no. 4 (2002): 91.
- <sup>29</sup> Nuria Okfen, "Towards an East Asian Community? What ASEM and APEC Can Tell us", CSGR Working Paper 117/03 (2003): 8.
- <sup>30</sup> *Ibid.*, 14.
- <sup>31</sup> Miles Kahler, "Legalization as Strategy: The Asia-Pacific Case," *International Organization* 54, no. 3 (2000): 565.
- <sup>32</sup> Acharya, *Constructing a Security Community in Southeast Asia*, 146.
- <sup>33</sup> *Financial Times*, 10 October 2000.
- <sup>34</sup> For instance, Korean President Kim Dae-jung referred to the importance of the institutionalisation of East Asian regionalism in trends of strengthened EU and NAFTA at the APT summit meeting in Manila in November 1999 (Terada, "ASEAN + 3 no kanosei wo saguru", 66).
- <sup>35</sup> Paul Bowles, "Asia's Post-Crisis Regionalism: Bringing the State Back in, Keeping the (United) States out," *Review of International Political Economy* 9, no. 2 (2002): 230-56; John Ravenhill, "A three bloc world? the new East Asian regionalism," *International Relations of the Asia-Pacific* 2, no. 2 (2002): 167-95.
- <sup>36</sup> *Nikkei Kinyu Shimbun*, 12 May 2000; *Asahi Shimbun*, 24 May 2000.
- <sup>37</sup> Shuhei Kishimoto, "Ajia keizai saisei misshion hokoku no igi to jinzai shien" (The implication of the mission for revitalization of the Asian Economy and assistance to human resources), *Fainansu* (June 2000): 75-77.
- <sup>38</sup> Kent E. Calder, "Domestic Constraints and Japan's Emerging International Role," in *The Vitality of Japan: Sources of National Strength and Weakness*, ed. A. Clesse *et al.* (Basingstoke: Macmillan, 1997).
- <sup>39</sup> In July 2001, the office was further strengthened as the Regional Financial Cooperation Division.
- <sup>40</sup> Eisuke Sakakibara, "Mister Yen's Message on the Financial Crisis," *Japan Echo* 26, no. 5 (1999): 46.



- <sup>41</sup> The institute was established in Tokyo in December 1997. The institute aimed to provide intellectual bases for pursuing the appropriate development paradigms for Asia, which were composed of the balanced combination of the role of market, institutions and the government.
- <sup>42</sup> Bowles, "Asia's Post-Crisis Regionalism", 241-42.
- <sup>43</sup> "Press Statement by the Chairman of the 8th ASEAN Summit, the 6<sup>th</sup> ASEAN+3 Summit and the ASEAN-China Summit". Available at <http://www.aseansec.org/13188.htm>.
- <sup>44</sup> Greg Austin and Stuart Harris, *Japan and Greater China: Political Economy and Military Power in the Asian Century* (London: Hurst, 2001), 283.
- <sup>45</sup> Webber, "Two Funerals and a Wedding?", 362-63; Shaun Narine, "The Idea of an "Asian Monetary Fund": The Problems of Financial Institutionalism in the Asia-Pacific," *Asian Perspectives* 27, no. 2 (2003): 84-88.
- <sup>46</sup> *Nihon Keizai Shimbun*, 1 November 2001.
- <sup>47</sup> *Nihon Keizai Shimbun*, 5 November 2002.
- <sup>48</sup> Noboru Hatakeyama, "A Short History of Japan's Movement to FTAs (Part 2)," *Journal of Japanese Trade and Industry*, (January/February 2003).
- <sup>49</sup> Yoshihiro Otsuji and Takashi Shiraishi, "Building Closer Ties with ASEAN", *Japan Echo* 29, no. 2 (2002): 12.
- <sup>50</sup> A METI official states that the announcement of China's plan to form an FTA with ASEAN 'effectively accelerated our actions (to conclude more FTAs in Asia). To say the least, we must secure conditions under which companies based in Japan are not put at a disadvantage' (*Japan Times*, 4 May 2002).
- <sup>51</sup> Interview, METI, September 2002.
- <sup>52</sup> Hidetaka Yoshimatsu, "State-Market Relations in East Asia and Institution-Building in the Asia-Pacific," *East Asia: An International Quarterly* 18, no. 1 (2000): 18-20.
- <sup>53</sup> David P. Rapkin, "The United States, Japan, and the Power to Block: the APEC and AMF Cases," *Pacific Review* 14, no. 3 (2001): 373-410.
- <sup>54</sup> Austin and Harris, *Japan and Greater China*, 284.
- <sup>55</sup> Yong Deng, *Promoting Asia-Pacific Economic Cooperation: Perspectives from East Asia* (Basingstoke: Macmillan, 1997), 93-97.