

Asian Regional Integration Review

A stylized map of the Asian continent is positioned in the upper right quadrant of the cover. The map is rendered in a light green color and features a fine grid pattern, giving it a technical or digital appearance. It is partially overlaid by the main title text.

Vol. 2

March 2010

GIARI

The Ministry of Education, Culture, Sports, Science, and Technology began in 2007 the “Global COE (Center of Excellence) Program” with the primary aim of developing “creative human resources to lead the world” and “internationally competitive universities” in Japan. The Global Institute for Asian Regional Integration (GIARI) of the Graduate School of Asia-Pacific Studies, Waseda University is one of the twelve sites in “interdisciplinary, combined, and new fields” selected from among numerous applicants throughout the country.

The Global COE program at GIARI has two aims: to develop competent professionals who will contribute to regional cooperation and consolidation, and to build a center for this purpose. The program has three areas of study: (1) political integration and identity; (2) economic integration and sustainability; and (3) social integration and network, and the three areas are organically interconnected. The program is building a theoretical framework for regional governance, allowing Ph.D. candidates to participate in different projects to develop multidimensional and comprehensive perspectives, and has already produced many results in this endeavor. The program also encourages research and other activities to create strong networks with other institutions of higher learning in the region and also to collaborate with government agencies, public organizations, and NGOs in order to build a world-class research center at Waseda University.

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Editor's Note

Tsuneo Akaha

Asian Regional Integration Review (Vol. 2) includes six research articles and two book reviews. As in the first volume published in 2009, the research articles contained in the current volume were written by young scholars who presented earlier versions at the Summer Institute on Regional Integration 2009, organized by the Global Institute for Asian Regional Integration (GIARI), Waseda University. The Institute, as in the previous year, provided an excellent opportunity for Ph.D. students from around the world to discuss their research-in-progress with their peers and more senior scholars in attendance. Most students who participated in the Institute submitted their revised papers for consideration for publication in the *Review* and the papers were reviewed by faculty of Waseda University for relevance, timeliness, substantive depth, and originality. Six of them were selected for further revision and for inclusion in this volume.

All articles selected for this volume deal with contemporary issues related to regional integration in Asia. Sapkota's statistical analysis documents the impact of regional integration, seen as part of globalization, on the reduction of poverty gap between the developed and developing countries of Asia. His findings support regional integration as a way of spreading the benefits of liberal globalization in the region. Pajon's article looks into the motives behind Japan and India's ongoing efforts to boost their political and economic ties, and the implications for East Asian regional integration. She sees promising signs of bilateral cooperation, in part as a result of China's rise, but also its limits. Ong's qualitative analysis explores the proposition that the current global-regional economic-financial crisis will help strengthen the momentum toward regional integration in East Asia just as the 1997-98 Asian financial crisis did. He finds very mixed results. Wirth compares the form and scale of bilateral cooperation between China and Japan in traditional and non-traditional security fields to examine the hypothesis that non-traditional security issues are more conducive to bilateral cooperation than traditional ones. The author states that the evidence is inconclusive but that the proposition is still plausible. Knudson's analysis of the *New York Times* coverage of Asia-related topics confirms his impression that there is a lack of media attention in the United States to the growing regional integration trends in Asia, and it posits implications for regional integration without substantial US participa-

tion. Beamer provides a case study of a Japanese folk art to explore the potential of traditional art to provide a cultural value linkage between communities across national borders. All of the studies presented here are exploratory and do not offer definitive conclusions on the questions they raise. However, they represent promising attempts at applying theoretical and empirical studies of the more senior scholars in the field and also suggest some novel approaches and topics that beg for further research. The two book reviews by Professor Kamikubo and Professor Kim introduce recent analyses of competitive regionalism and FTAs and provide a timely assessment of the advances being made in the study of Asian regional integration.

The Managing Editor was ably assisted by Professor Sachiko Hirakawa (Associate Editor) and Ms. Mitsuko Akaha (Editorial Assistant) in the editing work, as well as by Ms. Atsuko Tsuruya (GIARI) in logistical matters, and he is grateful to them. Thanks also go to all of the article authors in this volume for their timely cooperation in revising their contributions and responding to the editorial staff's queries.

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Globalization's Convergence Effect on Human Quality of Life (QOL) in Asia: Evidence from the KOF Index of Globalization¹

Jeet Bahadur Sapkota

Abstract

The impact of globalization on human quality of life (QOL) is an issue highly debated by academics, policy makers, the private sector, social organizations, and even by the general public in Asia and elsewhere in the world. There is no doubt that globalization has had a significant impact on the lives of millions of Asian people; however, it is unclear that globalization has reduced or increased the gap in human QOL among the rich and poor countries. This paper examines whether human QOL in the Asian countries is converging (or diverging), and assesses the impact of globalization on QOL trends in the region. Using panel data of selected countries from 1975 to 2005 over five-year intervals, and applying the dynamic panel data model, the study finds that human QOL of most countries in the region is moving closer to that of Japan (the benchmark country in this study) and that globalization has significant impacts on this convergence. More specifically, overall indicators of human QOL, measured by the human development index (HDI), is converging in Asia and the overall as well as economic, social, and political indicators of globalization are highly significant in the convergence process. Similarly, a disaggregated analysis of the sub-constructs of HDI shows that health and education indicators are also converging, and globalization indicators have a significant impact on the convergence process. Although the income aspect of QOL is found to be diverging sharply, the globalization indicators are not significant on the divergence process and the shrinking gap in health and education indicators outweigh the income gap, which leads the overall human QOL convergence in the region. To complement these findings, the paper calls for a study of some country cases, as well as a study of the impact of globalization on human QOL inequality within countries. Such studies, the paper concludes, will facilitate the development of specific policy recommendations tailored towards countries in their cultural context, with a positive (or at least neutral) impact of globalization on the reduction of human QOL gaps within them.

1. Introduction

The modern world economy and society are globalizing at a more rapid pace than ever before² and Asia is one of the regions most affected by the current wave of globalization politically, economically, and socially.³ Consequently, the impacts of globalization and its various dimensions have been widely debated and examined by academics, politicians, policymakers, the private sector, and even by the general public in Asia. However, there is no consensus regarding how the benefits of globalization are distributed among Asian countries and their populations. Although most of the theoretical and empirical literature on the convergence hypothesis claims globalization should help reduce the gap between the rich and poor,⁴ the convergence effect of globalization on the human quality of life (QOL) within Asia is still a matter of debate and is rarely explored.

Nonetheless, there are a significant number of studies that assess the impact of globalization within Asia. For instance, a comprehensive study by the World Bank confirmed that the sustained

and rapid economic growth in East Asia is more equally distributed than in any other region of the world.⁵ Furthermore, Yusuf claimed that the so-called “East Asian Miracle” helped global income convergence, as a number of economies from the region grew significantly faster than the average for the member countries of the Organization for Economic Cooperation and Development (OECD).⁶ However, these studies mainly focused on income or materialistic achievements following the conventional wisdom of globalization research.⁷ Of course, income is an important part of QOL, but health and education are as well⁸; hence, these aspects should receive similar research efforts. In this regard, recent works by Kenny assessed empirically the global convergence on QOL variables.⁹ Kenny also evaluated the case of East Asia.¹⁰ However, in his analyses, he did not introduce any aspect of globalization as an explanatory variable, nor did he assess the overall convergence of QOL. Instead, he measured the convergence of different elements separately and found that some were converging and some were not. The present study attempts to narrow the gap in this area of research by offering an analysis of the current situation of convergence of overall human QOL in terms of human development index and its components within the region, while undertaking an exploration of the effect of globalization in this convergence (or divergence) process.

The article is organized as follows: Section 2 introduces the KOF indexes as the working definition and measurement of globalization, and the human development index as the measure of human QOL. The section also highlights the current global as well as Asian trends of these key indicators. Section 3 examines the convergence of human development in the region and finds clear evidence of convergence. It also briefly discusses the reasons behind this finding. Section 4 empirically tests the impacts of globalization on this convergence process. The section presents the methodology and the results simultaneously and shows, as expected, a significant contribution of globalization to the convergence of human development. Finally, Section 5 offers a brief discussion on the findings and suggests further research.

2. Globalization, Human QOL, and Its Trend in Asia

Since the end of the Cold War and the resurgence of neo-liberal economic policy as the dominant approach to economic development and international economic relations, contemporary globalization has not only become a central concern to the donor community and policymakers, but it has also drawn due attention from academics, non-governmental organizations, and even from the general public.¹¹ Globalization is one of the most controversial issues whose many aspects are questioned and debated, the discussion including the scope, structure, reality, and meaning of globalization itself.¹² Thus, it is very hard to define globalization in a way that satisfies all stakeholders. This study takes the most comprehensive definition and indicator of globalization based on academic literature on the impact of globalization.

Most of the empirical studies in relation to the so-called third wave of globalization¹³ employ proxies such as trade, capital flows, and openness as measures of globalization, and they use cross-section data.¹⁴ For example, Heinemann showed that more open countries had lower increments in government outlays and taxes¹⁵ and Vaubel found more open countries having lower government consumption.¹⁶ Rodrik also used cross-section data and found no effects of capital account openness on economic growth.¹⁷ Recently, however, some scholars have used panel data to find the effects of globalization and have shown positive impacts of openness on growth and poverty but revealed mixed impacts on income inequality.¹⁸

These detailed studies, however, fail to consider the overall effect of globalization, as they focus on individual dimensions of globalization. As all the dimensions of globalization are strongly related to each other and are important in explaining the consequence of globalization,

omitting such important variables from the regression equation can generate severely biased coefficients.¹⁹ In addition, as mentioned earlier, most of these studies, motivated by conventional wisdom, focus solely on economic growth, income poverty, and income inequality.

To correct these shortcomings, this study uses the KOF Index of Globalization developed by Dreher, which is considered the most comprehensive indicator of globalization available.²⁰ Although there is another measure of overall globalization developed by A.T. Kearney/Foreign Policy Magazine,²¹ it only ranks the countries in terms of globalization, and the ranking is only available for recent years. Thus, the A.T. Kearney Index of Globalization cannot be used for the purpose of this study.

To define globalization by formulating the KOF Index of Globalization, Dreher referred to the definition given by Keohane and Nye, among others,²² and he summarized the definition of globalization in the following three dimensions:

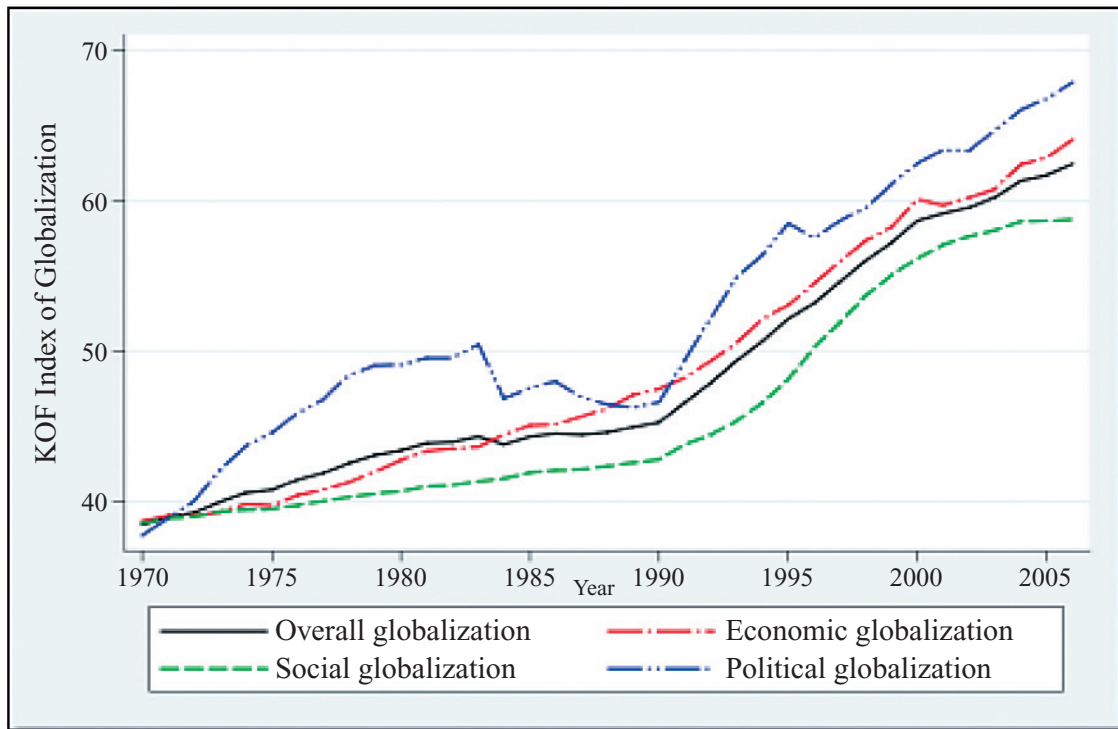
- economic globalization, characterized as the long-distance flow of goods, capital, and services as well as information and perceptions that accompany market exchanges;
- political globalization, characterized by a diffusion of government policies; and,
- social globalization, expressed as the spread of ideas, information, images, and people.²³

Dreher then considered all possible elements for each dimension of globalization and developed the indexes of economic, social, and political globalization by employing appropriate weights systematically for each component following the methodology of Gwartney and Lawson.²⁴ The components of each aspect of globalization were transformed on a zero-to-ten scale before the principle components technique was used to construct a weighted summary index for individual dimensions of globalization. Then the indexes of economic, social, and political globalization were combined into a single index of overall globalization, giving the respective weights for each dimension. The single index is named the KOF Index of Globalization, and it is the working definition and measure of globalization in the present study. Appendix I presents the elements considered and weights assigned to calculate the KOF Index of Globalization.

Figure 1, based on the KOF Indexes, presents the trends of the three types of globalization. Representing the high turmoil in international security as well as an increasing role of global governance, political globalization fluctuates more at higher levels. In comparison, economic globalization has a rather steady upward trend. Although social globalization has the lowest index value, the progress goes along with the pace of other forms of globalization. Overall, globalization has moved faster since the beginning of the 1990s, when the five-decade long Cold War ended.

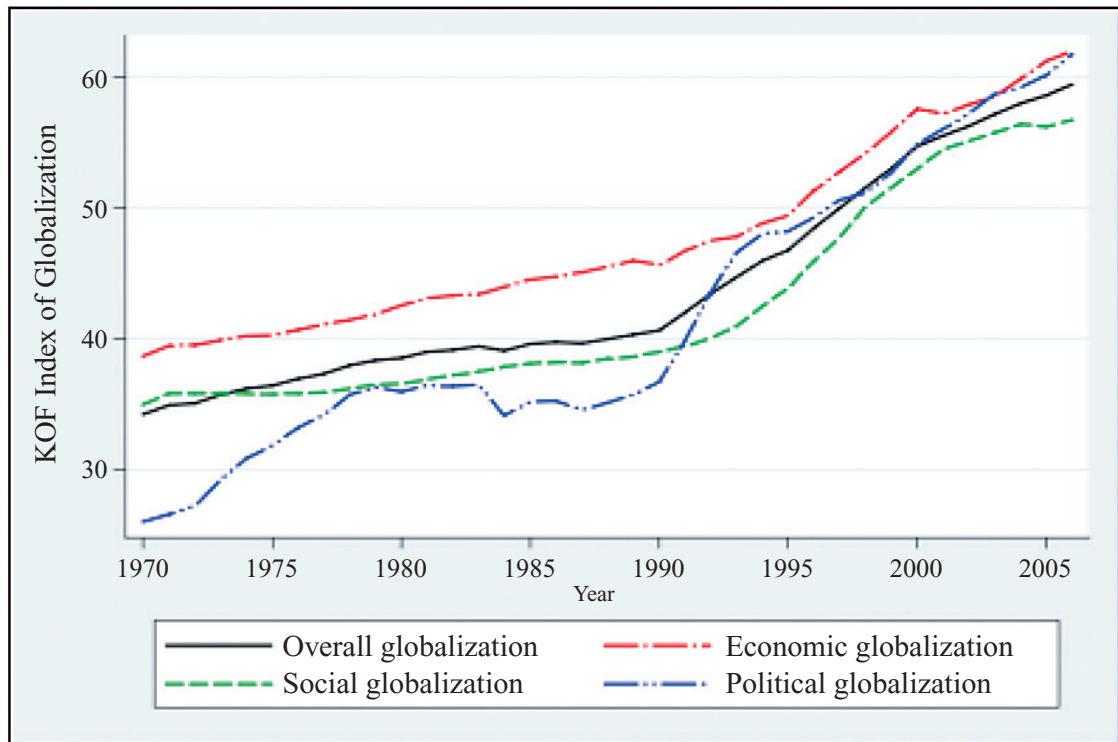
The globalization trends in Asia are somehow different from the global trends. As shown in Figure 2, Asian globalization is highly driven by economic factors. Political globalization was very weak before 1990, but it has gained significant momentum since then. The trend of social globalization is much more similar to the trend at the global level.

Figure 1. Global Trends of Globalization as per KOF Indexes (1970-2006)



Source: Author's calculation using data from Axel Dreher, "Does Globalization Affect Growth? Empirical Evidence from a New Index," *Applied Economics*, Vol. 38, No. 10 (2006).

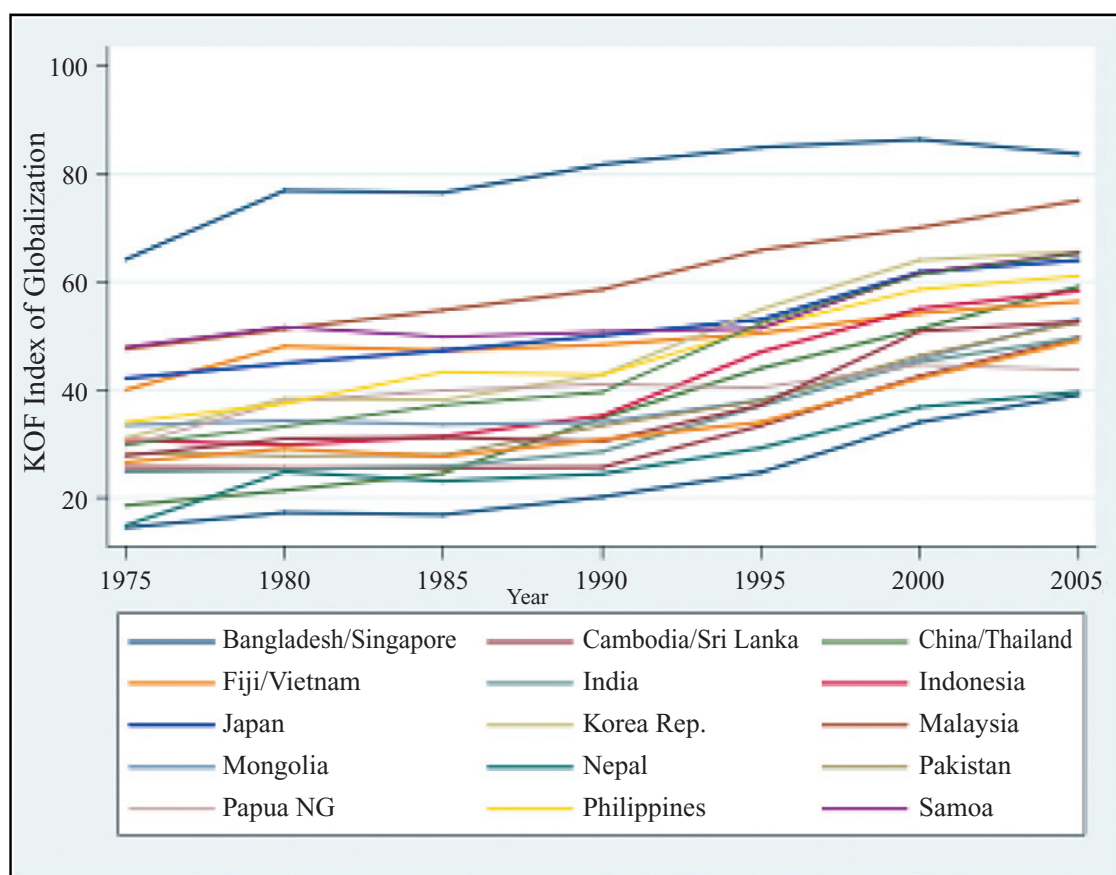
Figure 2. Asian Trends of Globalization as per KOF Indexes (1970-2006)



Source: Author's calculation using data from Axel Dreher, "Does Globalization Affect Growth? Empirical Evidence from a New Index," *Applied Economics*, Vol. 38, No. 10 (2006).

Figure 3 shows the country-level trends of globalization in Asia. As a huge continent lacking a clear-cut common definition, “Asia” in this study includes both East Asia and the Pacific and South Asia.²⁵ Thus, it includes some Pacific countries but excludes Central Asia and Arab regions as these areas are much more integrated with Europe and North Africa than with East and South Asia. The study considers all the countries from East Asia and the Pacific and South Asia, for which all required data are available, but excludes Australia and New Zealand because these countries have had nearly the same human development levels as Japan (the benchmark country of this study) since 1975 (the base year).²⁶ As can be seen in Figure 3, globalization trends are not very different among Asian countries. However, poorer countries such as Nepal and Bangladesh appear to be on low levels of globalization. As expected, newly industrialized countries, such as Singapore and the Republic of Korea (South Korea) have higher levels of globalization. Surprisingly, these countries are marked by even higher levels of globalization than Japan, the second largest economy in the world in terms of real GDP value.

Figure 3. Globalization Trends of Selected Asian Countries (1975-2005)

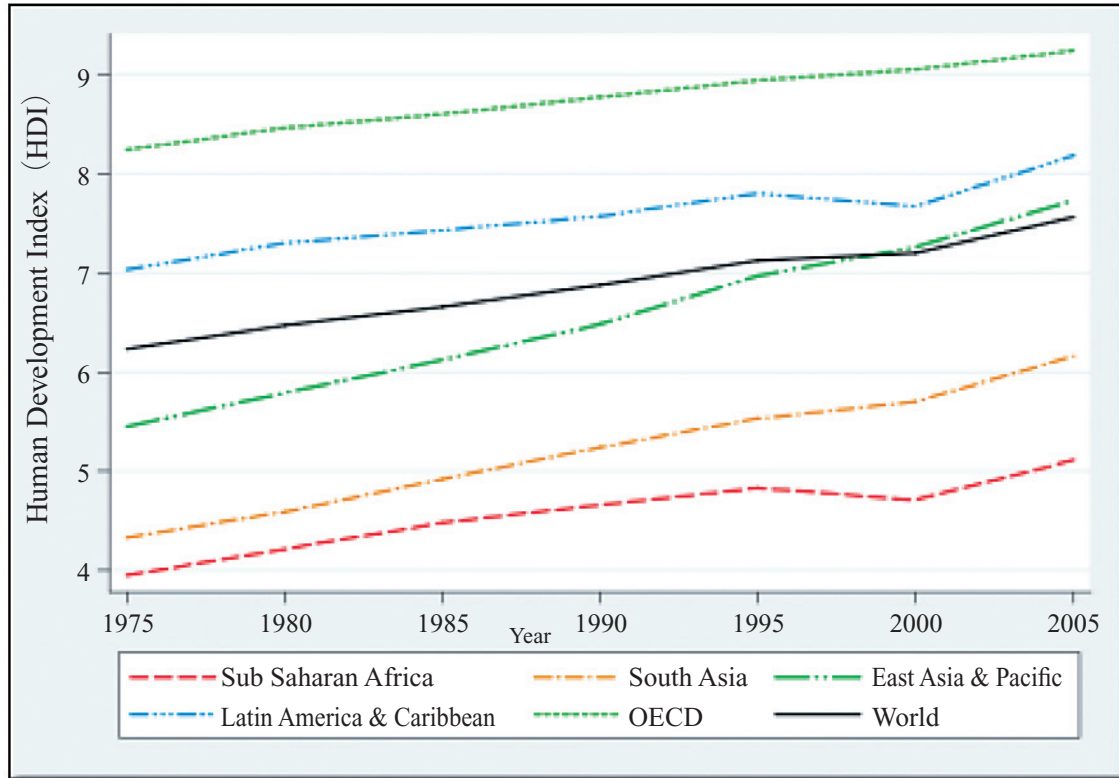


Source: Author's calculation using data from Axel Dreher, "Does Globalization Affect Growth? Empirical Evidence from a New Index," *Applied Economics*, Vol. 38, No. 10 (2006).

The main dependent variable of this study is human QOL. Considering the popularity as well as availability of data, the present study uses the Human Development Index (HDI) developed by the United Nations Development Program (UNDP). Although HDI does not include all the aspects of human QOL, it broadly summarizes the level of human QOL in a single indicator.²⁷ According to the *Human Development Report 2007/08*, the HDI involves three key sub-constructs with corresponding measures: health or longevity (measured by life expectancy at birth indicators), knowledge or education (measured by adult literacy rates and combined

enrollment ratios), and an adequate standard of living or income (measured by adjusted per capita income in dollar purchase power parity terms).²⁸ (See a detailed explanation of the indexes in Appendix II.)

Figure 4. Human Development Trends of World Regions (1975-2005)

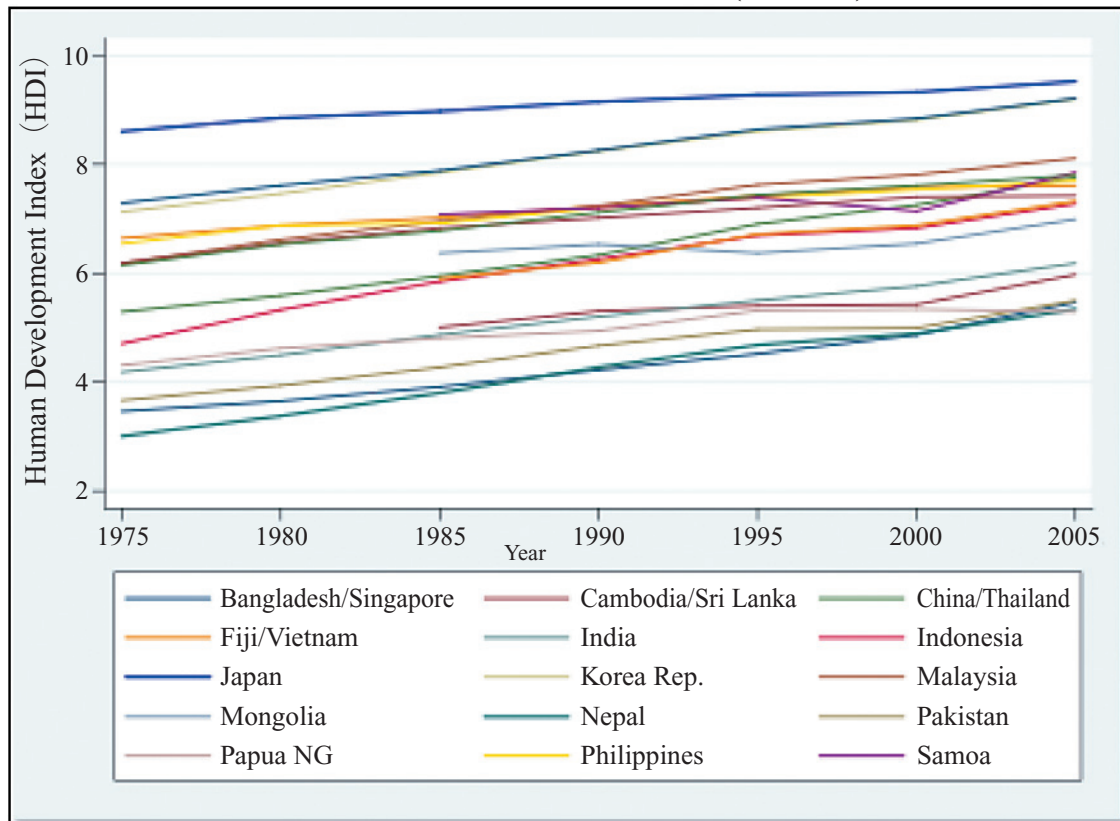


Source: Author's calculation using data from UNDP, *Human Development Reports*, various years.

Figure 4 presents the trends of HDI across world regions from 1975 to 2005. The general observation is that Sub-Saharan Africa has the lowest HDI, followed by South Asia (SAS). This fact is consistent with globalization trends. Notably, the East Asia and the Pacific (EAP) region took a more rapid pace of HDI growth from the beginning of the 1990s and surpassed the global average around the beginning of the 21st century. This is because of its high and shared economic growth as per the World Bank.²⁹

To give a detailed picture of HDI trends in the Asia-Pacific region, the trends for each selected country are drawn in Figure 5. The graph shows that all the countries have an increasing trend of human development over time, though a few countries show some fluctuations and others exhibit steady trends. Interestingly, poor countries have a more rapid growth of HDI. This finding gives a general impression of convergence of human QOL in the region. The next section demonstrates the trends of convergence more concretely.

Figure 5. Human Development Trends of Selected Asian Countries (1975-2005)



Source: Author's calculation using updated data from UNDP, *Human Development Report 2007/08*.

3. Is Human QOL Converging in Asia?

The mainstream literature on convergence argues that globalization raises the living standard of all participants in the globalization process. Theoretically, increased international trade raises the real incomes of all participating countries. Accessing the superior technology embodied in goods or capital, or simply through intellectual exchange, allows greater productivity gains in poorer countries. Similarly, international capital flows bring new technology and allow countries to tap into a larger savings pool, which helps the poor more. Finally, the free flow of labor force also contributes to convergence, as people from poor countries migrate to richer nations. A number of empirical papers on convergence support this view. For example, Baumol, and Baumol and Wolff tested for the convergence among industrialized countries over the period of a century beginning in 1870.³⁰ Other notable papers are on the convergence among OECD countries and among individual U.S. states,³¹ among European Community members,³² among European regions,³³ among Spanish provinces,³⁴ and so forth. As economic theory suggests, all these papers have shown income convergence.

However, many other scholars show diverging trends of income and human QOL. For example, Maddison and Pritchett demonstrated the historical process of income divergence.³⁵ However, they did not fully contradict the mainstream belief of a strong causal link between globalization and income convergence because a major diversion was created by the discrete technological breakthroughs of the Industrial Revolution. Also, the income divergence among countries over the last 20 years was explained by the fact that globalized countries were attempting to reach the same industrial standards, and those who did not globalize were left behind.³⁶ Nevertheless, there are also strong counter-arguments that question the convergence hypothesis

as the world is becoming more unequal in terms of per capita income. Indeed, looking back over the last 100 years or so, initially poorer countries have tended to experience lower subsequent growth rates.³⁷ Poor countries are not catching up with rich ones; rather, it seems the opposite has been happening. For example, Ravallian showed that the average income of the richest countries in the world was about 10 times that of the poorest around the end of the nineteenth century but is closer to 60 times higher today.³⁸ Furthermore, Milanovic argued that inequality between countries increased sharply since the beginning of the 1980s.³⁹

The convergence literature is not very focused on the Asian region. Instead, the focus is generally on groups of countries that have similar characteristics, such as OECD countries, European countries, or American states. In addition, the convergence literature concentrates heavily on the income aspect. Although there are several papers that deal with the convergence of human QOL,⁴⁰ most of them tend to use disaggregated factors of QOL, which cannot give an overall picture of human QOL. For instance, Kenney analyzed the convergence of income, health, and education separately for the East Asian countries.⁴¹ Ram studied the cross-country inequality of calorie supply, life expectancy, and adult literacy, and found that the inequality of these indicators across the world was minimal compared to income inequality.⁴² Ingram found that there was strong evidence of convergence in life expectancy, caloric intake, primary enrollment ratios, and urbanization—fairly strong evidence of convergence.⁴³ All of the studies, however, fail to consider the overall human QOL as a dependent variable, even though the single index of human development has been available since 1990.

Conventional methodology for testing the “convergence hypothesis” is also critically questioned. Ravallian pointed out that methodological differences and data type and quality variations are the main causes of different findings and arguments on convergence.⁴⁴ More importantly, Quah theoretically rejected using the so-called “sigma,” coefficient of variation and beta convergence.⁴⁵ Sigma convergence is defined as decline over time of the cross-sectional dispersion of a variable, which can be measured by looking at the size of standard deviation. For variables that trend upward (or downward) across the world over time, it is argued, the coefficient of variation (standard deviation divided by the mean) might provide a better reflection of convergence or divergence. A third conventional approach is the beta convergence, which is used frequently in the literature on cross-country economic growth. Beta convergence is defined if the variable displays mean reversion, meaning that the value of a variable at the start is inversely correlated with its growth over that period. Quah’s point is valid as he showed how results were misleading because of the famous Galton’s fallacy of regression towards the mean.⁴⁶ Thus, as Quah suggests, this study follows an alternative method, which is more transparent about whether convergence occurs or does not occur. However, the study does not take Quah’s model as it is; instead, it follows his wisdom.

First, this study directly calculates the human QOL indicator gap between each country and the benchmark country over time. As the most developed country in Asia, the study takes Japan as the benchmark country to calculate the human QOL gaps, which are also taken as the dependent variables for regression analysis. Symbolically, the human QOL gaps between Japan and each country are calculated using simple mathematics as follows:

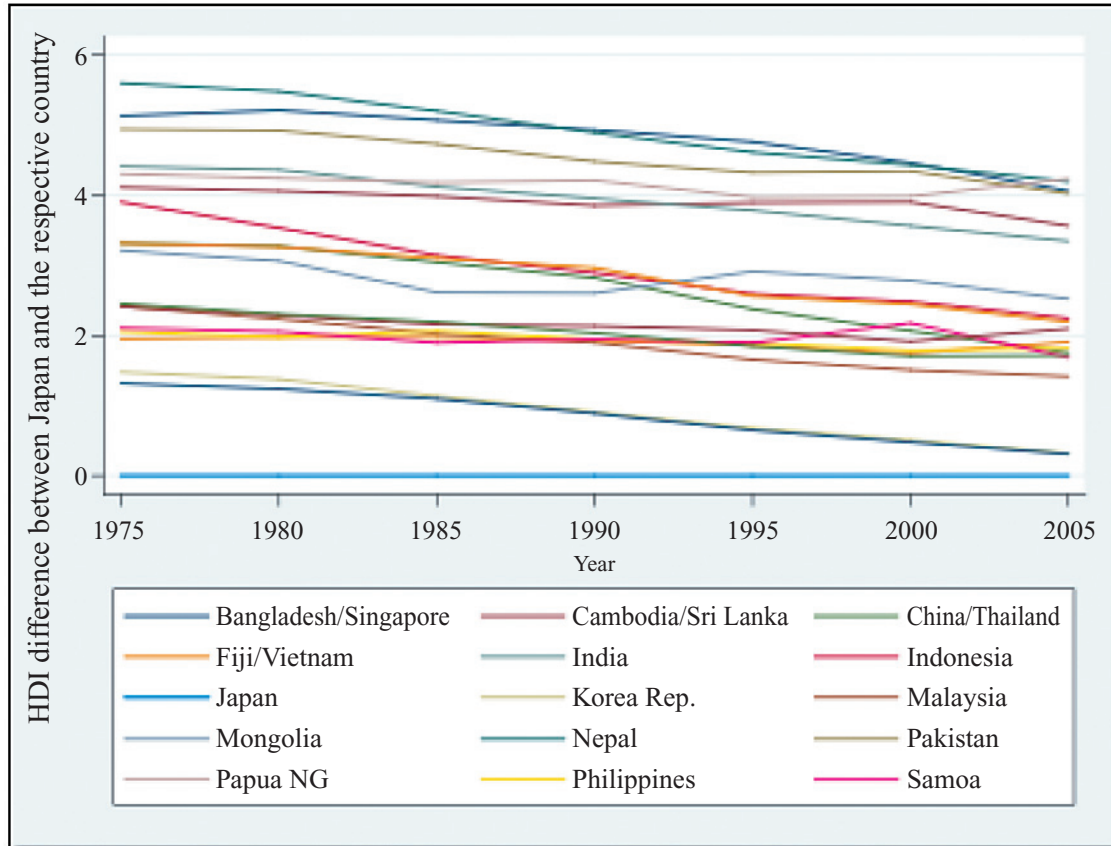
$$\Delta\gamma_{ct} = \gamma_{jt} - \gamma_{ct} \dots\dots\dots (1)$$

where, $\Delta\gamma_{ct}$ is the difference in a particular *human QOL indicator* between Japan and country *c* at year *t*; γ_{jt} is Japan’s *human QOL indicator* at year *t*; and γ_{ct} is country *c*’s *human QOL indicator* at time *t*.

The calculated *human QOL indicator* gaps between Japan and each country for each five-year interval are plotted as lines-graphs to observe convergence (or divergence). First, the HDI

gaps are calculated as the overall measure of human QOL and then the gaps in individual elements of HDI are assessed. As can be seen in Figure 6, most of the countries are catching up with Japan in terms of human development. The trend line for Japan is constant with 0 value because the line represents the difference of HDI value with Japan itself. For almost all other countries, trend lines of this HDI gap are sloping downward, meaning that the gap with Japan is closing. Clearly, human QOL in Asia is converging.

Figure 6. Trends of HDI-Gaps of Asian Countries with Japan (1975-2005)



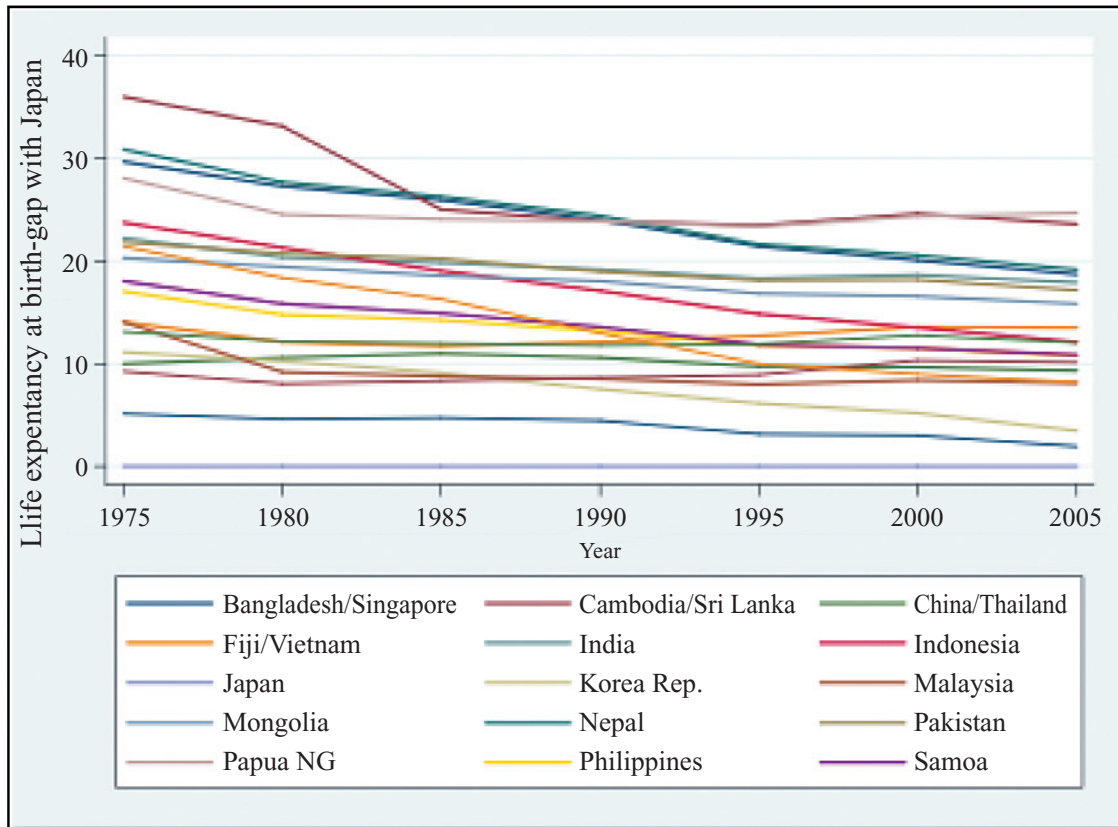
Source: Author's calculation using data from UNDP, *Human Development Reports*, various years.

If we see the trends of each individual country, the pace of catching up is rapid for many countries. For instance, Singapore and South Korea are catching up quickly and nearly reaching the full convergence stage with Japan. This can be explained by their very high level of globalization (see Figure 3 for respective globalization trends). Similarly, countries with a higher initial gap also tend to have a rapid pace of catching up. Nepal and Bangladesh fall in this category. However, in spite of having a higher initial HDI gap, Cambodia and Papua New Guinea are slow to catch up. On the other hand, the Philippines and Samoa also have very slow trends, despite having relatively low initial HDI gaps with Japan. Thus, based on this analysis, we can conclude that the Asian-Pacific countries are converging in terms of HDI.

The remaining part of this section presents the convergence (or divergence) of individual components of HDI. Although there is a clear convergence of HDI, some of the individual variables are converging and some are not. For example, the health indicator, measured by *life expectancy at birth*, is converging as shown in Figure 7. Similarly, one of the major education indicators used to construct HDI, *adult literacy*, is also found converging (Figure 8). As in the case of HDI, the speed of convergence is higher for some countries, such as Nepal, Bangladesh, and Vietnam. On the contrary, another indicator of education, *gross school enrollment* from primary

to tertiary level, is neither converging nor diverging (Figure 9). Some countries, such as Singapore, the Philippines, Bangladesh, and Nepal, were able to narrow their gaps with Japan, whereas gaps grew for Papua New Guinea, Cambodia, and Mongolia, among others. Interestingly, South Korea fully converged with Japan around 1992 and crossed over the benchmark in terms of gross school enrollments.

Figure 7. Trends of the “Life Expectancy at Birth”-Gaps with Japan (1975-2005)



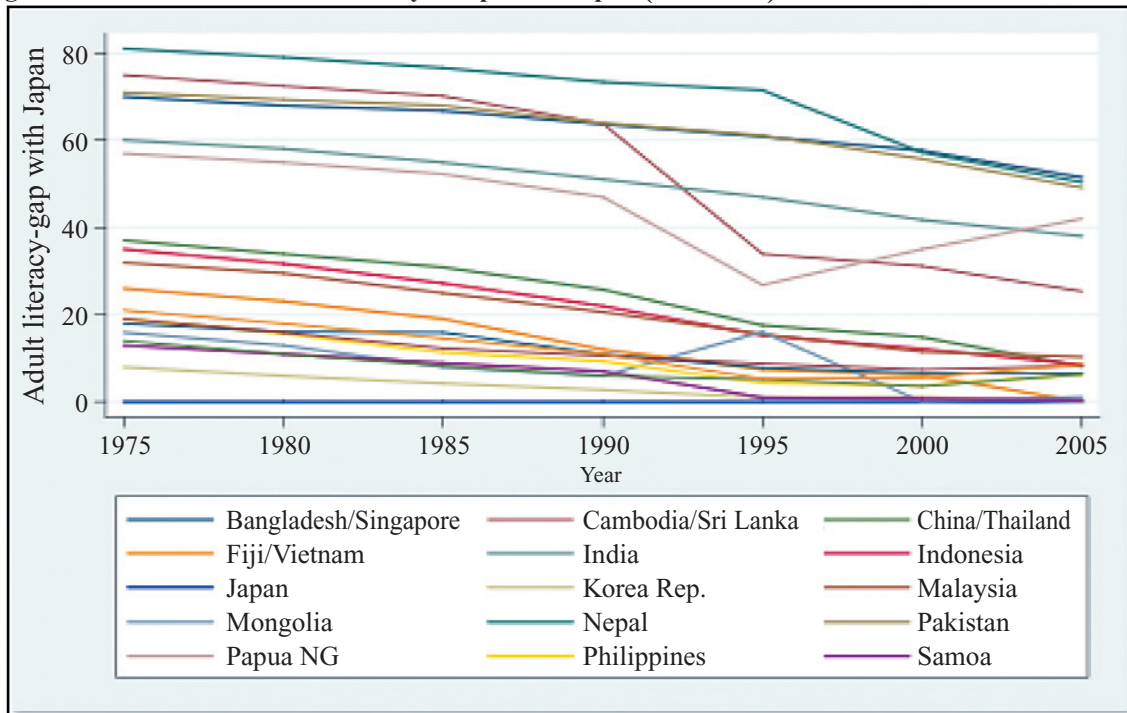
Source: Author's calculation using data from UNDP, *Human Development Reports*, various years.

Supporting the existing literature, Figure 10 shows that the income aspect of human QOL is diverging in Asia. The gap between the benchmark country Japan and the other countries is increasing sharply. Exceptionally, Singapore converged with Japan around 1992, and the rapid growth continued so that the gap increased sharply, leaving Japan far behind. Overall, the gap was raised sharply during the period of 1980-1990. Since then, the gap increased continuously for all the countries except South Korea.

Based on this simple and transparent assessment, the overall measure of human QOL in terms of HDI in Asia was found to be converging. The health aspect of QOL was also converging, but the education aspects of QOL showed mixed results, with adult literacy converging and gross school enrollment neither converging nor diverging. On the contrary, the income aspect of human QOL measured by GDP per capita was sharply diverging.

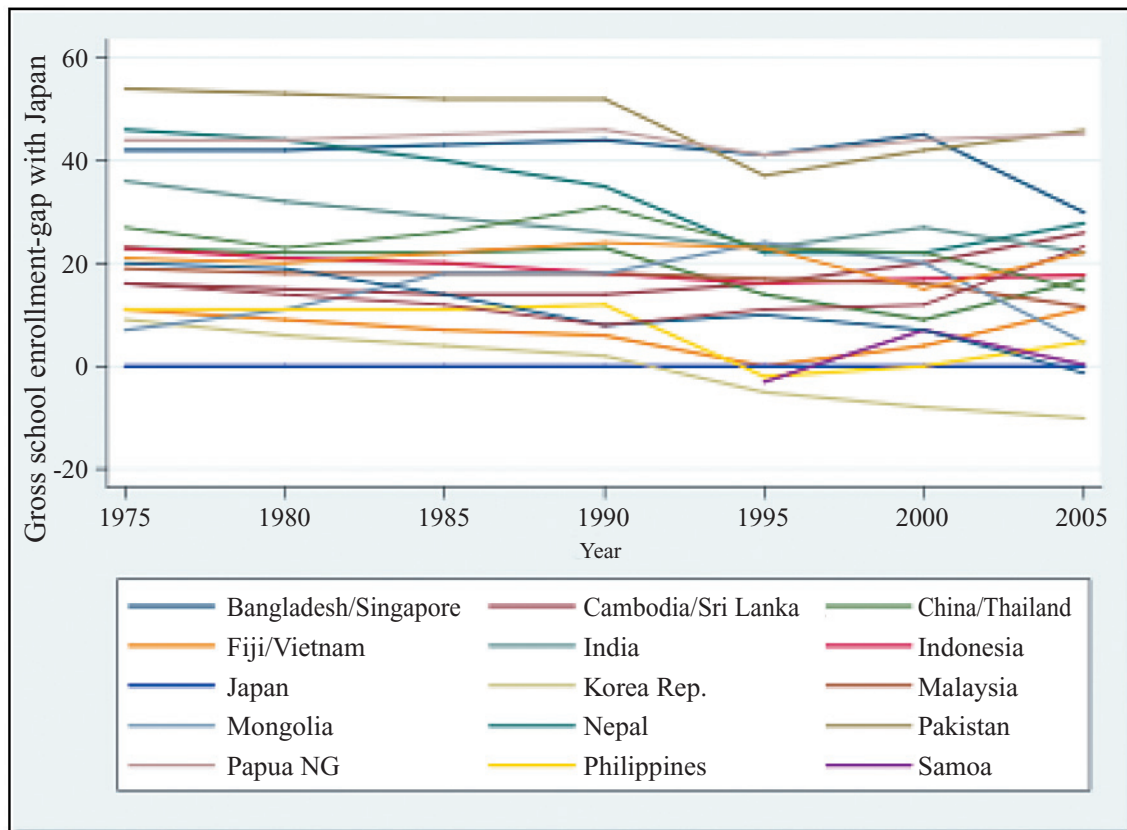
The following section assesses the impact of globalization on these convergence and divergence trends, which is the main question of interest in the present study.

Figure 8. Trends of the “Adult Literacy”-Gaps with Japan (1975-2005)



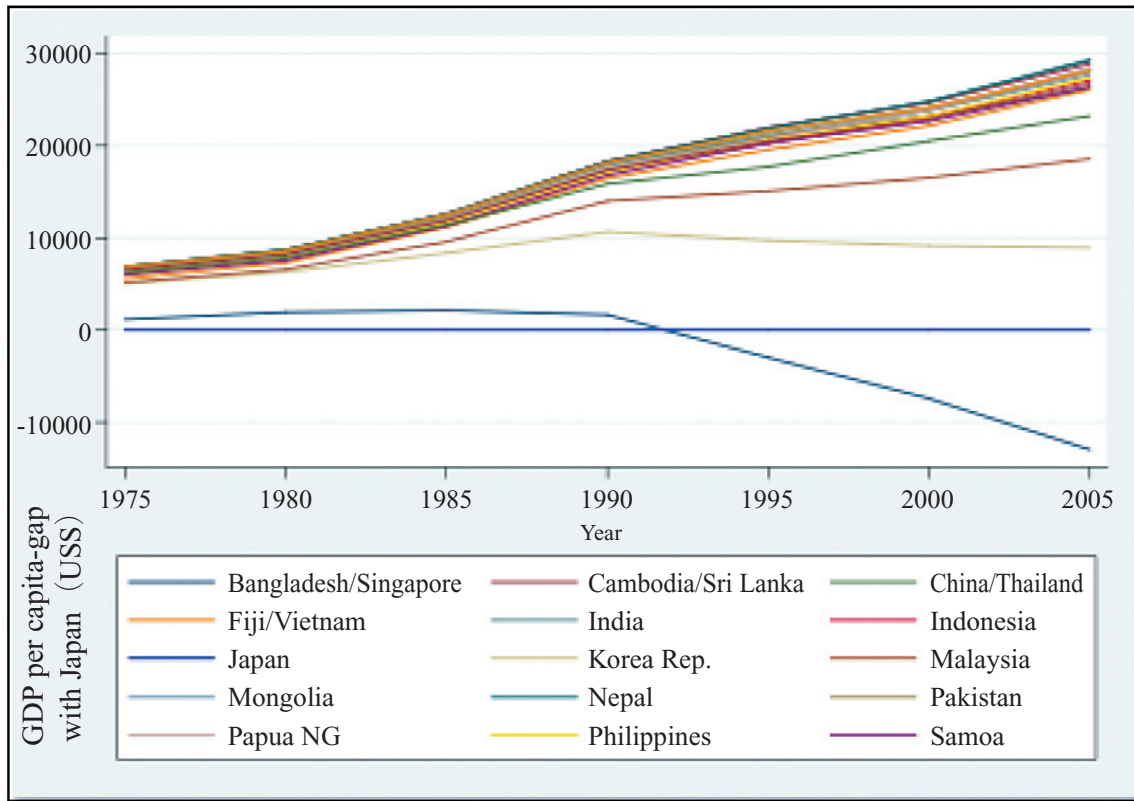
Source: Author's calculation using data from various Human Development Reports by UNDP

Figure 9. Trends of the “Gross School Enrollment”-Gaps with Japan (1975-2005)



Source: Author's calculation using data from UNDP, *Human Development Reports*, various years.

Figure 10. Trends of the “GDP Per Capita”-Gaps with Japan (1975-2005)



Source: Author's calculation using the World Development Indicators online database of the World Bank (accessed August 27, 2009)

4. Has Globalization Affected Human QOL Convergence?

This section addresses the main question of this study. It estimates combined cross-section time-series regressions using the human QOL-gaps of each country with Japan for each period (as reported in the previous section) as the dependent variables. These variables are calculated using the HDI values and the individual components of HDI as reported in the UNDP's *Human Development Reports*, which are publicly available on the UNDP home page. HDI is based on the achievement of three basic aspects of human QOL: health, education and income. A detailed explanation of HDI and its components is presented in Appendix II. All data are taken over five-year intervals from 1975 to 2005. Similarly, the KOF Index of Globalization is the main explanatory variable, which is taken from Dreher, 2006. A detailed explanation of the KOF Index is given in Appendix I.

As some data are not available for all countries in the region, only 19 countries have been selected, and the panel is strongly balanced, meaning that most of the data are available for the selected countries for all the periods. However, as the value of all dependent variables (human QOL-gap) for Japan is 0 over the period, Japan is excluded from the regression analysis.

The regression estimation model is as follows:

$$y_{it} = \alpha + \beta y_{it-1} + \gamma' G_{it} + \eta' C_{it} + \eta_i + \eta_t + \varepsilon_{it} \dots \dots \dots (2)$$

where y represents the difference between the human QOL-gaps between Japan and the specific county (i) in specific time (t), y_{it-1} is the lagged dependent variable, G represents the measures of

globalization (*negative and positive* coefficient of G explains the *convergence and divergence* effect respectively), C represents the vector of control variables, η_i is the country fixed effect, η_t is the period fixed effect, and ε is an error term.

The lagged dependent variable is included because HDI-inequality tends to change slowly over time. However, it creates several serious methodological problems. Given the inclusion of the lagged dependent variable and fixed country effects, the OLS estimator is biased and inconsistent in short panels.⁴⁷ To deal with this problem, the analysis uses the system GMM (generalized method of moments) estimator, as suggested by Arellano and Bover, and Blundell and Bond.⁴⁸ Results are based on the one-step estimator implemented by Roodman, which is explained in detail by Roodman in Stata,⁴⁹ including Windmeijer's finite sample correction.⁵⁰

In choosing the set of control variables, the study follows standard practice as much as possible. All the control variables and their precise definitions and data sources are listed in Appendix III. First, it includes *GDP per capita* at the initial point of each 5 year-period to capture the effect of the initial level of development on convergence. It also includes the share of the under-15 year-olds and the over-64 year-olds relative to the total population (referred to as the "*age-dependency ratio*"). This ratio controls for demographic factors and is expected to vary positively with the HDI gap with richer countries. Similarly, overall and urban *population growth rates* are taken as they affect human QOL significantly. It is expected that the overall population growth rate correlates positively and urban population growth rates negatively to the QOL-gaps.

Similarly, *irrigated land* in percent of total cropland, *electricity consumption* per capita, and annual growth rate of *manufacturing sector value added* are also included as control variables. Irrigated land captures the effect of agricultural infrastructure, which is assumed to be an important factor to uplift millions of poor that mostly depend on subsistent agriculture. Electricity consumption per capita is expected to affect human QOL positively as it is one of the key elements to make human life easier and more efficient. Manufacturing value added is one of the main indicators of industrialization, which is supposed to be crucial in improving people's lives by creating employment and producing cheaper goods. The data on these variables are taken from the WDI online database of the World Bank.

Finally, *democracy indicator* is used to gauge the effect of political as well as social liberty on human QOL and is expected to have a converging impact on human QOL. Indeed, there is a positive relationship between democracy and human QOL.⁵¹ The measures of democracy are taken from Freedom House and are available for 1972-2008.⁵² The democracy index consists of two key rights. Firstly, the political rights measure is a subjective indicator that annually ranks each country on a scale from one (the highest level of political rights) to seven (the lowest level). Secondly, the civil liberties measure is used to capture personal rights such as those to free expression and to organize or demonstrate and is placed on the same scale from one to seven. These two Freedom House measures of democracy are averaged and normalized to range from 0 to 100, with 100 representing full democracy.

The time dummies are included in the equation and it is revealed that time and country fixed effects are jointly significant but the results are omitted from the result tables. The variables are logged if they have absolute values. The percentage form and index numbers are not logged. The descriptive statistics and the correlation matrix are reported in Appendix IV and Appendix V, respectively.

Tables 1 to 5 report the results, each table for each dependent variable. In Column [1], results come from regressing all the three indexes of globalization (economic, social, and political) including the control and lag dependent variables. In Column [2], a single index of overall globalization is regressed instead of three separate indexes. The magnitude and the sign of the coefficients explain the strength and the direction of the effect of regressors, respectively. Thus, the negative sign of a coefficient means convergence effect and vice versa. The three, two, and

one asterisks (***, **, and *) denote the significance of the coefficients at 1%, 5%, and 10%, respectively. The standard errors are reported in parentheses.

In Table 1, the dependent variable is HDI, which measures the overall “human QOL.” The results show that the HDI gap narrows with globalization, with the coefficient being significant at 1% level for economic, social as well as overall globalization and just at 10% for political globalization. This confirms that globalization helps to increase the human QOL more in poorer countries than in richer ones, resulting in HDI convergence. This result is consistent with the theoretical arguments by Sirgy et al. and the empirical findings by Tsai on the positive impacts of globalization on human QOL.⁵³

Table 1: Globalization and Human Development Gaps (1975-2005)

Dependent variable: HDI-gap with Japan ($\Delta HDI_{it} = HDI_{jt} - HDI_{it}$)

	[1]	[2]
Lagged dependent variable (ΔHDI_{t-1})	dropped	dropped
Log of GDP per capita	0.2 *** (0.056)	0.278 *** (0.097)
Globalization: Overall globalization index	--	-0.031 *** (0.009)
Economic globalization index	-0.005 *** (0.002)	--
Social globalization index	-0.014 *** (0.003)	--
Political globalization index	-0.002* (0.001)	--
Population growth rate	0.119 *** (0.049)	0.174 ** (0.076)
Urban-population growth rate	-0.004 (0.009)	-0.004 (0.076)
Age dependency ratio	-0.002 (0.002)	-0.002 (0.003)
Irrigated land (% of cropland)	-0.002* (0.001)	-0.004* (0.002)
Manufacturing value-added (annual growth rate)	-0.001 (0.002)	-0.001 (0.002)
Log of electricity consumption (kWh per capita)	-0.016 (0.02)	-0.004 (0.03)
Democracy index	-0.001 (0.001)	-0.002* (0.001)
Constant	dropped	dropped
Number of observations	53	53

Notes: Dynamic panel one step system GMM estimations are reported. Standard errors are in parentheses. ***, **, and* denote the significance of the coefficients at 1%, 5%, and 10%, respectively.

Sources: Globalization data are taken from Dreher (2006) (<http://globalization.kof.ethz.ch/>); GDP per capita (current US\$), population growth rate, urban-population growth rate, age dependency ratio, irrigated land, manufacturing sector value-added, and electricity consumption per capita are taken from the World Development Indicators (WDI) online database of the World Bank; democracy index is calculated from the data of the Freedom House website (<http://www.freedomhouse.org/>); and human development index (HDI) is taken from UNDP, *Human Development Report* (updated online version of HDR 2007/08). The data cover the period from 1975 to 2005 in 5-year intervals.

The impacts of the control variables are mixed and consistent for both columns. The lag dependent variable is dropped due to a high degree of collinearity with the dependent variable. Unexpectedly, the HDI gap with Japan rises with higher GDP per capita and the coefficient is significant at 1%. This correlation might be explained by the increasing income inequality as shown in Figure 10. Other results are as expected. Population growth has a diverging effect on human QOL with the coefficients significant at 1% and 5% level for Column [1] and Column [2], respectively. As expected, the population growth and age dependency ratio are found to have diverging effects on human QOL. The effects are statistically significant at the 1% level. This assessment shows the importance of controlling the demography of the country to improve human QOL.

On the contrary, although the significance level is weak (at 10%), irrigated land and democracy index have converging effects on QOL. This relationship indicates that the agricultural infrastructure is important in reducing the QOL-gap as most of the poorer countries, and their poor households, are highly dependent on agriculture. If the governments of poor countries cannot provide alternative employment through industrialization, the improvement of the agricultural sector is required to uplift the quality of life of their people. Similarly, democracy provides an opportunity for people to control their own futures and hopefully improve their quality of life. Indeed, no one can make a better decision than the people themselves about their lives. Democracy's significant impact on the converging process of human QOL further reconfirms both the theories and empirics that suggest democracy as one of the vital factors in improving the life of poor people in any country.

Table 2: Globalization and “Life Expectancy at Birth”-Gaps (1975-2005)

Dependent variable: Log of “life expectancy at birth” -gap with Japan ($\Delta lifexp_{ct} = lifexp_{jt} - lifexp_{ct}$)

	[1]	[2]
Lagged dependent variable ($\Delta lifexp_{t-1}$)	dropped	dropped
Log of GDP per capita	0.896*** (0.201)	0.643*** (0.19)
Globalization: Overall globalization index	--	-0.029*** (0.011)
Economic globalization index	-0.014** (0.007)	--
Social globalization index	-0.058*** (0.012)	--
Political globalization index	-0.005 (0.005)	--
Population growth rate	0.209 (0.174)	-0.11 (0.157)
Urban-population growth rate	0.019 (0.033)	0.071* (0.04)
Age dependency ratio	-0.002 (0.008)	0.011 (0.008)
Irrigated land (% of cropland)	-0.011** (0.005)	-0.001 (0.004)
Manufacturing value-added (annual growth rate)	-0.005 (0.006)	-0.001 (0.008)
Log of electricity consumption (kWh per capita)	-0.087 (0.072)	-0.284*** (0.101)
Democracy index	-0.002 (0.003)	-0.000 (0.003)
Constant	dropped	dropped
Number of observations	53	53

Notes: Dynamic panel one step system GMM estimations are reported. Standard errors are in parentheses. ***, **, and * denote the significance of the coefficients at 1%, 5%, and 10%, respectively.

Sources: See Table 1.

Disaggregated analyses of the human QOL are presented in Table 2 to Table 5. Each variable—health, education, and income—is a dependent variable in each table. These analyses not only testify to the impact of globalization on each aspect of human QOL, but also check the validity of the methodology that is applied in this study. In Table 2, log of life expectancy at birth is taken as a dependent variable. As in Table 1, a lag dependent variable is dropped for both columns. The impact of overall and social globalization on the convergence of life expectancy at birth has been found to be significant at 1%, whereas economic globalization is significant at 5%. Political globalization has no significant effect on the convergence process.

The control variables have mixed impacts. As in Table 1, GDP per capita has a diverging effect at 1% level for both columns. Irrigated land has been found to have a significant converging effect at 5% in Column [1], and the urban-population growth and electricity consumption are also significant in reducing the gap at 10% and 1% in Column [2]. The effects of the remaining control variables are not significant. However, the overall results are consistent with the case of HDI in Table 1.

Table 3: Globalization and “Adult Literacy”-Gap (1975-2005)

Dependent variable: Log of “adult literacy” -gap with Japan ($\Delta adultlr_{ct} = adultlr_{jt} - adultlr_{ct}$)

	[1]	[2]
Lagged dependent variable ($\Delta adultlr_{t-1}$)	dropped	dropped
Log of GDP per capita	0.916*** (0.381)	1.488** (0.644)
Globalization: Overall globalization index	--	-0.113** (0.05)
Economic globalization index	-0.04*** (0.015)	--
Social globalization index	-0.035 (0.023)	--
Political globalization index	-0.023*** (0.008)	--
Population growth rate	0.977*** (0.349)	1.93*** (0.667)
Urban-population growth rate	-0.018 (0.089)	-0.017 (0.129)
Age dependency ratio	-0.011 (0.02)	-0.011 (0.029)
Irrigated land (% of cropland)	-0.008 (0.009)	0.013 (0.014)
Manufacturing value-added (annual growth rate)	0.014 (0.017)	0.022 (0.023)
Log of electricity consumption (kWh per capita)	-0.436** (0.209)	-0.547** (0.283)
Democracy index	-0.019*** (0.007)	-0.018** (0.01)
Constant	dropped	dropped
Number of observations	53	53

Notes: Dynamic panel one step system GMM estimations are reported. Standard errors are in parentheses. ***, **, and* denote the significance of the coefficients at 1%, 5%, and 10%, respectively.

Sources: See Table 1.

Table 3 reports the impact of globalization on adult literacy gaps. The main results are consistent with the previous two tables. Globalization has a converging effect with high degree of significance. The main difference is that political globalization is significant to reduce the literacy gap at 1%, and social globalization is not significant. This can be attributed to the fact that the elements of political globalization, such as international non-governmental organizations (INGOs), multilateral organizations as well as bilateral donor agencies, are playing significant roles in education, particularly with respect to informal education compared to the role of national governments.

As for the control variables, GDP per capita and population growth have highly significant diverging effects, as expected. Electricity consumption is found to be significant in reducing the literacy gaps at 5% for both columns. In fact, access to electricity, particularly in rural areas, greatly improves the study environment for students.

In the case of democracy, the result reconfirms the findings of Frey and Al-Roumias; democracy index is significant in reducing the adult literacy gap at 1% in Column [1] and 5% in Column [2]. The effects of the remaining control variables are not significant. These results are also highly consistent with the case of HDI in Table 1.

Table 4: Globalization and “Gross School Enrollment”-Gaps (1975-2005)

Dependent variable: Log of “gross school enrollment” -gap with Japan

($\Delta enroll_{ct} = enroll_{jt} - genroll_{ct}$)

	[1]	[2]
Lagged dependent variable ($\Delta genroll_{t-1}$)	01.116*** (0.297)	1.343*** (0.354)
Log of GDP per capita	0.000 (0.000)	0.000 (0.000)
Globalization: Overall globalization index	--	-0.043 (0.029)
Economic globalization index	-0.037* (0.019)	--
Social globalization index	0.033 (0.025)	--
Political globalization index	-0.001 (0.006)	--
Population growth rate	dropped	dropped
Urban-population growth rate	-0.055 (0.06)	-0.093 (0.074)
Age dependency ratio	0.014 (0.009)	0.01 (0.01)
Irrigated land (% of cropland)	-0.013* (0.007)	-0.004 (0.005)
Manufacturing value-added (annual growth rate)	0.002 (0.009)	-0.003 (0.01)
Log of electricity consumption (kWh per capita)	dropped	dropped
Democracy index	-0.01 (0.006)	-0.006 (0.005)
Constant	dropped	dropped
Number of observations	49	49

Notes: Dynamic panel one step system GMM estimations are reported. Standard errors are in parentheses. ***, **, and * denote the significance of the coefficients at 1%, 5%, and 10%, respectively.

Sources: See Table 1.

The dependent variable for Table 4 is gross school enrollment—another education-related indicator—used to construct HDI. Gross school enrollment is the combined enrollment from primary to tertiary level education. In this case, lag dependent variable is significant in increasing the gap at 1% level for both columns. However, GDP per capita is not significant.

Surprisingly, only economic globalization is found to have a converging effect at 10% level. The other kinds of globalization and overall globalization are insignificant. Control variables are also found not to be significant save for irrigated land, which has a significant converging effect at 10% level, but only in Column 1. These results indicate that school enrollment is affected more by the domestic policies rather than globalization. Further analysis is essential to explore this issue.

The result for this particular dependent variable is different from that of previous dependent variables; in fact, gross school enrollment has been found neither converging nor diverging (Figure 9).

However, it is interesting to find the significant converging effect of democracy on school enrollment. This result is consistent with the findings of Brown, who empirically showed the positive impact of democracy on primary school enrollment.⁵⁴

Table 5: Globalization and “GDP Per Capita”-Gap (1975-2005)

Dependent variable: Log of “GDP per capita” gap with Japan

($\Delta gdp_{it} = gdp_{it} - gdp_{jt}$)

	[1]	[2]
Lagged dependent variable (Δgdp_{it-1})	1.022*** (0.009)	1.028*** (0.009)
Globalization: Overall globalization index	--	-0.001 (0.001)
Economic globalization index	0.001 (0.001)	--
Social globalization index	-0.001 (0.001)	--
Political globalization index	0.001* (0.001)	--
Population growth rate	-0.004 (0.019)	0.007 (0.019)
Urban-population growth rate	-0.008** (0.004)	-0.007** (0.004)
Age dependency ratio	0.001 (0.001)	0.001 (0.001)
Irrigated land (% of cropland)	-0.001** (0.001)	-0.001*** (0.001)
Manufacturing value-added (annual growth rate)	-0.002*** (0.001)	-0.002*** (0.001)
Log of electricity consumption (kWh per capita)	0.009 (0.008)	0.005 (0.009)
Democracy index	-0.001** (0)	-0.001*** (0)
Constant	dropped	dropped
Number of observations	53	53

Notes: Dynamic panel one step system GMM estimations are reported. Standard errors are in parentheses. ***, **, and * denote the significance of the coefficients at 1%, 5%, and 10%, respectively.

Sources: See Table 1.

Finally, Table 5 presents the results for GDP per capita, the income measure of human QOL, as a dependent variable. As in Table 4, the lag dependent variable is significant at the 1% level in increasing the income gap. This means that the initial level of GDP per capita is a very good predictor of future income levels. This phenomenon leads to income divergence. In fact, a clear divergence is found by this study (see Figure 10 in the previous section).

However, globalization has no significant impact on the rising income gap in Asia. The result shows that only political globalization has a diverging effect at the 10% level. This is consistent with many existing studies, which claim that although the world income inequality is rising sharply, it is not the effect of globalization that is changing it; instead, it is the lack of globalization in poorer countries.⁵⁵

The impact of control variables, however, is quite interesting. As expected, urban population growth has a significant convergence impact on GDP per capita at the 5% level for both columns. Indeed, urbanization leads to better living conditions, offering better facilities and opportunities compared to rural areas. Irrigated land and manufacturing sector value-added are also highly significant in reducing income gaps in both cases. Expanding irrigated land generates higher agricultural productivity and increasing the share of manufacturing value-added to GDP enhances technological advancement, industrial productivity and also generates more employment in poorer countries, which ultimately leads to reduced income gaps. Finally, as the existing literature suggests,⁵⁶ democracy is highly significant in reducing income gaps. It is significant at the 5% and 1% levels for Column [1] and Column [2], respectively.

Overall, although the converging effect of globalization is found insignificant for gross school enrollment and GDP per capita, the effects are highly significant for the other variables. More importantly, the effect is highly significant in reducing the overall human QOL convergence in terms of HDI. Although the income inequality is rising, the growing level of globalization helps to reduce the gap in the overall quality of life for the people of Asia.

5. Conclusion

In the context of contradicting arguments on the convergence hypothesis, the results of this study reveal that globalization has significantly reduced the gap between the rich country Japan and the rest of the selected Asian and some Pacific countries in terms of human QOL. The results reconfirm the convergence hypothesis as far as the human development index and the health and education indicators are concerned. The results are also supported by Sab and Smith's findings about education and health convergence from 1970 to 1996.⁵⁷ Even though GDP per capita is found diverging, globalization does not have a significant effect on this diverging trend. Instead, most of the control variables are found to have converging effects. Thus, what are the factors that are playing a vital role in income divergence? Further analysis is needed to explore this issue.

Similarly, in spite of the sharply diverging trend of GDP per capita, there is a visible convergence of HDI. It is more dichotomous when considering the literature on the relationship of income with health and education. However, the economic theory of diminishing marginal return of the health and education expenditure explains this dichotomy. Furthermore, even if poorer countries gain less income than richer ones, they can improve their people's health and education level at a faster pace.

It is more important to find the significant impact, as we did in this study, of globalization on this convergence process because many politicians, policymakers, social organizations, activists, and some academics criticize globalization for increasing income inequality. Of course, income is one of the leading measures of human QOL, but health and education are also equally,

and sometimes more, important. Income is just a means of life, but arguably, health and education are ends or goals in life. Therefore, it is argued here that convergence in human QOL matters more than convergence in income.

Furthermore, in the context of growing discussion as well as initiatives for Asian regional integration and debate on regionalism versus globalization, the findings of this study support the view that globalization accelerates regional integration by reducing the human QOL gap between the rich and poor countries in the region. Intuitively, the high level of developmental gap is one of the main obstacles for regional integration in Asia. Thus, anything that is converging has a favorable impact on the regional integration process.

What are the policy implications of these findings? Clearly, both rich and poor countries should promote globalization. In view of the questions being raised about the effectiveness of development aid,⁵⁸ and the clear findings of the converging effect of globalization, rather than providing more aid, richer countries should be more open towards poorer countries, particularly the low-income countries.

This study is not enough to offer specific policy recommendations, and to do so the author calls for a study of some country cases; more specifically, for an assessment of the impact of globalization on human QOL convergence within countries. Such studies will facilitate the development of policy recommendations tailored towards countries in their own cultural contexts for the purpose of promoting their globalization with a positive (or at least neutral) impact on the reduction of human QOL gaps within them.

Notes

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Appendices follow

APPENDICES

Appendix I. Variables and Their Weights of the KOF Index of Globalization

A. Economic Globalization	[38%]
i) Actual Flows	(50%)
– Trade (% of GDP)	(19%)
– Foreign Direct Investment, flows (% of GDP)	(20%)
– Foreign Direct Investment, stocks (% of GDP)	(23%)
– Portfolio Investment (% of GDP)	(17%)
– Income Payments to Foreign Nationals (% of GDP)	(21%)
ii) Restrictions	(50%)
– Hidden Import Barriers	(21%)
– Mean Tariff Rate	(29%)
– Taxes on Int'l Trade (% of current revenue)	(25%)
– Capital Account Restrictions	(25%)
B. Social Globalization	[39%]
i) Data on Personal Contact	(34%)
– Telephone Traffic	(26%)
– Transfers (% of GDP)	(3%)
– International Tourism	(26%)
– Foreign Population (% of total population)	(20%)
– International Letters (per capita)	(26%)
ii) Data on Information Flows	(34%)
– Internet Users (per 1000 people)	(36%)
– Television (per 1000 people)	(36%)
– Trade in Newspapers (% of GDP)	(28%)
iii) Data on Cultural Proximity	(32%)
– Number of McDonald's Restaurants (per capita)	(37%)
– Number of Ikea (per capita)	(39%)
– Trade in books (% of GDP)	(24%)
C. Political Globalization	[23%]
– Embassies in Country	(25%)
– Membership in International Organizations	(28%)
– Participation in U.N. Security Council Missions	(22%)
– International Treaties	(25%)

Notes: The number in parentheses indicates the weight used to derive the indexes.

Weights may not sum to 100 because of rounding. All indexes range between 0 (not globalized) and 10 (globalized).

Source: Axel Dreher, "Does Globalization Affect Growth? Empirical Evidence from a New Index," *Applied Economics*, Vol. 38, No. 10 (2006), updated in Axel Dreher, Neol Gaston, and Pim Martens, *Measuring Globalization - Gauging Its Consequence*, New York: Springer, 2008. Also available at: http://globalization.kof.ethz.ch/static/pdf/variables_2009.pdf

Appendix II. List of Dependent Variables and Their Definitions

1. **Human development index (HDI)** is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:
 - a long and healthy life, as measured by life expectancy at birth.
 - knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary, and tertiary gross enrollment ratio (with one-third weight).
 - a decent standard of living, as measured by GDP per capita in purchasing power parity (PPP) terms in US dollars.

Source: UNDP, *Human Development Report 2007/08*.

2. **Life expectancy at birth** indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

Source: World Bank staff estimates from various sources including census reports, the United Nations Population Division's World Population Prospects, national statistical offices, household surveys conducted by national agencies, and Macro International.

3. **Adult literacy rate** is the percentage of people ages 15 and above who can, with understanding, read and write a short, simple statement on their everyday life.

Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics. *Note:* Break in series between 1997 and 1998 is due to change from International Standard Classification of Education (ISCED76) to ISCED97. Recent data are provisional.

4. **Gross enrollment ratio** is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Primary education provides children with basic reading, writing, and mathematics skills along with an elementary understanding of such subjects as history, geography, natural science, social science, art, and music.

Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics.

Note: Break in series between 1997 and 1998 is due to change from International Standard Classification of Education (ISCED76) to ISCED97. Recent data are provisional.

5. **GDP per capita** based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the US dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars.

Source for No. 2 - No. 5: World Bank, WDI online database.

Note: GDP per capita is also used as control variable for the rest of the dependent variables other than GDP per capita.

Appendix III. List of Control Variables and Their Definitions

(Note: All the variables, except Democracy Index, are taken from WDI online database of the World Bank, hence the definitions are sourced from WDI online database)

1. **Annual population growth rate (annual %):** Population is based on the *de facto* definition of population, which counts all residents regardless of legal status or citizenship—except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of the country of origin.

Source: World Bank staff estimates from various sources including census reports, the United Nations Population Division's World Population Prospects, national statistical offices, household surveys conducted by national agencies, and Macro International.

2. **Urban population growth (annual %):** Urban population is the midyear population of areas defined as urban in each country and reported to the United Nations.

Source: World Bank staff estimates using United Nations, World Urbanization Prospects.

3. **Age dependency ratio** is the ratio of dependents—people younger than 15 or older than 64—to the working-age population—those ages 15-64. For example, 0.7 means there are 7 dependents for every 10 working-age people.

Source: World Bank staff estimates from various sources including census reports, the United Nations Population Division's World Population Prospects, national statistical offices, household surveys conducted by national agencies, and Macro International.

4. **Electric power consumption** measures the production of power plants and combined heat and power plants, not including transmission, distribution, and transformation losses and own use by heat and power plants.

Source: International Energy Agency, Energy Statistics and Balances of Non-OECD Countries and Energy Statistics of OECD Countries.

5. **Irrigated land** refers to areas purposely provided with water, including land irrigated by controlled flooding. Cropland refers to arable land and permanent cropland.

Source: Food and Agriculture Organization, Production Yearbook and data files.

6. **Democracy indicator** consists of two key rights: political and civil. Political rights measure is based on subjective indicators that annually rank each country on a scale from one (highest level of political rights) to seven (lowest level of political rights). Similarly, the civil liberties measure is used to capture personal rights such as those to free expression and to organize or demonstrate, measured on the same scale from one to seven. These two Freedom House measures of democracy are averaged and normalized to range from zero to one hundred, with one hundred representing full democracy. The measures of democracy are taken from Freedom House (2009) and are available from 1972 to 2008.

Source: Freedom House, *Freedom in the World 2009: The Annual Survey of Political Rights and Civil Liberties*, Lanham, MD: Rowman & Littlefield, 2009. <http://www.freedomhouse.org/template.cfm?page=1>

Note: GDP per capita is also used as the control variable for the rest of the dependent variables, not including GDP per capita.

Appendix IV. Summary Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
HDI gap	126	0.285	0.128067	0.031	0.56
Life exp. gap	126	15.564	6.953864	1.935	36
Adult literacy gap	126	27.466	23.84905	0	81
Gross enrollment gap	122	20.919	14.42645	-10.1	54
GDP per capita gap	126	14801.7	8408	-13023.5	29349.9
Overall globalization index	126	42.467	15.756	14.45	86.36
Economic globalization	119	44.613	20.029	9.84	96.34
Social globalization	126	33.419	20.875	8.05	91.04
Political globalization	126	53.251	19.250	12.07	90.62
Population growth rate	126	1.806	0.814	-0.557	4.178
Urban-population growth rate	126	2.971	4.549	-42.905	11.277
Age dependency ratio	126	69.631	15.094	37.087	96.422
Irrigated land (% of cropland)	78	22.276	16.435	0	85.365
Manufacturing value-added (annual growth rate)	107	5.767	8.516	-22.77	30.29
Electricity consumption (kWh per capita)	99	992.333	1707.165	6.569	8507.197
Democracy index	126	46.495	27.026	0	91.667

Appendix V. Correlation Matrix

	dhdi	dlifexp	dadultlr	denrol	dgdppcp	gblz	egblz	sgblz	pgblz
HDI gap (dhdi)	1								
Life exp. gap (dlifexp)	0.8771	1							
Adult literacy gap (dadultlr)	0.9212	0.7924	1						
Gross enrollment gap (denrol)	0.8511	0.6966	0.7984	1					
GDP per capita gap (dgdppcp)	0.1623	0.0836	-0.0121	0.1249	1				
Index of overall globalization (gblz)	-0.6588	-0.5358	-0.5819	-0.5127	0.3322	1			
Index of economic globalization (egblz)	-0.6156	-0.4796	-0.6222	-0.5004	0.2713	0.8964	1		
Index of social globalization (sgblz)	-0.7597	-0.641	-0.645	-0.5661	0.1845	0.9215	0.7795	1	
Index of political globalization (pgblz)	-0.0855	-0.0721	0.0235	-0.0667	0.4099	0.5444	0.2116	0.3576	1
Population growth rate (Png)	0.382	0.4628	0.4768	0.3381	-0.2812	-0.1751	-0.0833	-0.2358	-0.1138
Urban-population growth rate (urpgrwth)	0.4034	0.5367	0.4555	0.3248	-0.2101	-0.2221	-0.1105	-0.3061	-0.1249
Age dependency ration (agedepr)	0.5639	0.6174	0.5173	0.3934	-0.2454	-0.4863	-0.2809	-0.5358	-0.4067
Irrigated land % of cropland (irrland)	0.0497	-0.1594	0.0829	0.1015	0.2488	-0.1441	-0.329	-0.0729	0.184
Manufacturing value-added (Manvadd)	-0.081	-0.0991	-0.0831	-0.139	0.2199	0.206	0.2116	0.1134	0.1792
Electricity consumption (Elecpcp)	-0.6006	-0.4951	-0.419	-0.5077	-0.1058	0.6152	0.4365	0.6979	0.3411
Democracy index (dindex)	-0.2023	-0.0871	-0.0985	-0.1214	-0.1596	0.2246	0.008	0.3386	0.2659
	png	urpgrwth	agedepr	irrland	manvadd	elecpcp	dindex		
Population growth rate (Png)	1								
Urban-population growth rate (urpgrwth)	0.6279	1							
Age dependency ration (agedepr)	0.8036	0.5282	1						
Irrigated land % of cropland (irrland)	-0.3819	-0.2709	-0.3629	1					
Manufacturing value-added (Manvadd)	-0.1445	-0.0741	-0.2062	0.1042	1				
Electricity consumption (Elecpcp)	-0.2782	-0.2099	-0.593	0.1312	0.2041	1			
Democracy index (dindex)	-0.0089	-0.2649	-0.1509	-0.1801	-0.2438	0.3028	1		

Significance of the Japan-India Partnership for East Asian Regionalism

Céline Pajon

"I believe the time has come for our two ancient civilizations to build a strong contemporary relationship involving strategic and global partnership that will have a great significance for Asia and I believe for the world as a whole"

Prime Minister of India Manmohan Singh, Address to the Joint Session of the Japanese Diet, December 15, 2006

Abstract

The construction of an integrated East Asia and an "East Asian community" is an important objective of the strategic partnership built by Tokyo and Delhi. Since the 1990s, India has indeed been keen on reintegrating East Asia for economic and political reasons. For its part, Japan is interested in getting closer to India, which shares its desire to build a multipolar Asia and counterbalance Chinese power. In this regard, Japan played an essential role in securing the participation of India in the East Asia Summit.

The regional project is underpinned by a discourse on shared democratic values, common interests, and cultural references. Since the late 19th century, Japan and India have indeed tried in their own way to theorize, promote and lead East Asia as a region. These efforts, along with the famous interactions between Japanese and Indian intellectuals and independence leaders, are used today to justify their rapprochement.

Despite the diplomatic discourse, it seems that the Japan-India partnership is mainly responding to neorealist concerns in East Asia dealing with the balance of power. This nascent partnership shall be closely considered as an interesting new element in the Great Game unfolding in East Asia, even if the Japan-India relationship is still shaped to a great extent by Chinese and US factors.

1. Introduction

The Japanese partnership with India is of particular significance regarding the construction of an East Asian Community. This nascent relationship between "the most developed and the largest Asian democracies,"¹ grounded on a rich historical legacy of contributions toward East Asian regionalism, hopes to play a central role in the current regional construction.

The rapprochement between Japan and India since 2000 mainly results from the evolution of the geopolitical context: the rise of China and the new strategic partnership between Delhi and Washington. The Indo-Japanese relationship also builds on Indian economic growth and the re-discovery of common values, interests and strategic objectives between the two nations.²

India has indeed been keen on reconnecting with East Asia since the 1990s for economic and political reasons, while Japan started a "re-asianization" process after the 1997 crisis. Japan takes interest in getting closer to India, which shares its desire to build a multipolar Asia and

counterbalance Chinese power. In this regard, Japan played an essential role in integrating India into the East Asia Summit. This “mutually beneficial” relationship is also very significant for this new wave of Asian regionalism, which seems to shift from an “Asia-Pacific” to a “broader East Asia” focus.

As Paul Evans³ has suggested, it is useful to distinguish between *regionalization* and *regionalism*, the latter dealing with the expression of an identity and a cultural bedrock that allows the construction of a regional organization based on economic and political convergence (*regionalization*). From a methodological perspective, this means that the Japan-India contribution shall be examined for these two dimensions of the East Asian regional construction. The complex reality of Asian international relations justifies an “analytic eclecticism”⁴ in order to grasp the most comprehensive image of the ongoing processes. While drawing from a broad realist perspective, I will test some constructivist and functionalist approaches when reviewing Japanese and Indian policy and discourse about the construction of an integrated Asia.

This paper aims to discuss the implications of Japan-India partnership for the regional project, the regional identity, and the regional balance of power. The importance of the nascent Japan-India relationship in Asia will be assessed, as well as its capacity to “make sense” for East Asia identity and current regionalism.

2. The Regional Project behind the Current Indo-Japanese Rapprochement

The conjunction of exogenous and endogenous factors explains the current Japan-India rapprochement. The rise of China transforming the power paradigm in Asia is an object of concern for both Delhi and Tokyo. The bilateral partnership is part of their effort to hedge against Chinese power. The about-face of the American administration toward India since the year 2000 is another important reason behind Tokyo’s new approach toward Delhi.

The rapprochement also builds on Indian economic growth. Prompted by liberalization reforms since 1991 and accompanied by a charm offensive toward East Asia, it is an important element that motivated Japan to reconsider India as an attractive economic partner. The two countries also share common values (democracy and market economy) and strategic interests (building a multipolar world, gaining a permanent seat at the United Nations Security Council).⁵

The historic visit of Prime Minister Mori to India in 2000 marked the turning point in the bilateral relationship; Japan and India decided to build a “global partnership for the 21st Century.”⁶ Most of the motives underpinning the Japan-India rapprochement directly or indirectly relate to the two countries’ ambitions in East Asia.

(1) Reinvesting the New Asia: Common Interests

Since the 1990s, the re-engagement in East Asia takes place in the context of the “Look East policy.” Aiming at reconnecting India with a dynamic, integrated East Asia, it is part of an overall strategy to become a regional power. Accordingly, the Indian national interest has been widened to embrace the greater Indian Ocean, “from the Persian Gulf to the strait of Malacca.”⁷ This new strategic orientation is accompanied by a build-up of maritime capacity.⁸

Japan adopted a more proactive role in Asia in the wake of the 1997 Asian fiscal crisis, when it provided a large amount of assistance for Asian countries and proposed the creation of an Asian Monetary Fund. Even though this initiative, opposed by the U.S. and China, eventually failed, Southeast Asian countries came to see Japan as the real economic leader of Asia, and asked Tokyo to take a greater political role in the region.⁹ Since then, Japan has been very active in promoting regional agreements in the economic, political, and security fields¹⁰ in an effort to refocus its diplomatic efforts toward Asia. This Japanese interest in East Asia also has to do with

the rise of China and Beijing's attempt to take the lead in the region.

India and Japan share the perception that Asia is the new development locomotive of the 21st Century. Asia represents half of the world's population, includes the world's second economic power, two giant nations that have grown at a fast pace (more than 7%), and a collection of new industrialized countries. Asia has a high potential for economic cooperation with a vertical specialization, dense regional networks for production, and more than 55% intra-zone trade. In this context, Tokyo and Delhi wish to support this "new Asian era" by defining ways to cope with the US-defined "arc of instability," building an "arc of advantage"¹¹ and contributing to the construction of an East Asian Community.

(2) The Diplomacy of the "Arcs"

In 2004, Manmohan Singh, the father of Indian liberal reforms in the 1990s, floated his vision of an "arc of advantage and prosperity"¹² across Asia, in the context of the failure of multi-lateral trade negotiations and the strengthening of regional groupings. Considered as an extension of the "Look East Policy," the "arc of advantage" is a new vision to promote a regional zone of shared prosperity. This expression emphasizes the importance of reconnecting India to East Asia through the multiplication of trade exchanges and development of reliable transportation routes.

This objective was to be reached by the completion of a Free Trade Agreement with ASEAN.¹³ Furthermore, an Asian Economic Community¹⁴ encompassing the ASEAN+3 "from the Himalayas to the Pacific Ocean" would be built. This integrated market would enable "large scale movement of people, capital, ideas, and creativity."¹⁵

Further elaborating on his vision, Singh proposed a Pan-Asia Free Trade Agreement in December 2005 based on an ASEAN+6 framework,¹⁶ taking the European Union as a model.¹⁷ This vision is mainly a project of economic reintegration in East Asia, for India to take part in the construction of a large pan-Asian free trade area, which could sustain the country's economic growth.

At the end of November 2006, Taro Aso, then Minister of Foreign Affairs (MOFA), introduced the expression "Arc of Freedom and Prosperity."¹⁸ It was one of the rare attempts to approach Japanese diplomacy in conceptual terms. Because this bold move provoked some negative reactions, especially from China and some Middle Eastern countries, the rhetoric soon disappeared from the political discourse. This vision holds that Japanese foreign policy is founded on a new pillar, "value-oriented diplomacy," based on universal values such as democracy, freedom, human rights, the rule of law, and the market economy. Accordingly, Japan shall assist the young democracies in the outer rim of the Eurasian continent in order to build an "arc of freedom and prosperity." As an Asian pace-setter in terms of democracy and economic development, Japan is presented as a legitimate leader in the region. In the same statement, Aso stated that Japan must also "make its ties even firmer with friendly nations that share the common views and interests." Comparing Japanese bilateral relations with China and India, Taro Aso also called for an improvement in the relationship with Delhi.

In contrast with the Indian "arc," which is mainly of an economic nature, the Japanese vision of the "arc" is much more political and deals with the promotion of democracy, to allow a more balanced economic freedom and shared prosperity. However, in March 2007, Minister of Foreign Affairs Aso and his Indian counterpart Mukherjee "reaffirmed that there exists common objectives and values between the idea of "Arc of Freedom and Prosperity" proposed by Japan and the idea of "Arc of Advantage and Prosperity" proposed by India, and that realisation [*sic*] of such common ideas would benefit not only Japan and India but also the whole of Asia."¹⁹

It must be added that in a recent speech on foreign policy given at the end of June 2009, Prime Minister Aso elaborated on the concept of "Arc of Freedom and Prosperity" as a basis for forming "a modern-day version of the Silk Road." This new vision, calling for connecting routes

“from the Pacific Ocean to Europe,” clearly meets the Indian version of the “arc.”²⁰

Japan and India used the “arc” metaphor in order to advance their vision of an integrated, multipolar East Asia, extended from India to Australia and New Zealand.

(3) Japan, India, and the Genesis of the East Asia Summit

Since the beginning of the 21st century, in the context of the failure of global trade mechanisms, numerous bilateral and multilateral Free Trade Agreements were tied up in East Asia. With more than 80 agreements, the question is now how to shift from a complex noodle bowl of overlapping FTAs to a meaningful pan-Asian framework. The idea of building an “East Asian community” eventually came up after a process of reflection led by the countries of ASEAN+3 (or APT for ASEAN Plus Three).

In 1998, APT established successively the East Asian Vision group (1999-2001) and the East Asia Study Group (EASG). The EASG report, issued in 2002, concluded that “the ASEAN+3 framework remains the only credible and realistic vehicle to advance the form and substance of regional cooperation in East Asia.”²¹ The report made no mention of India or Australia. However, intense diplomatic pressure from Singapore, Japan, Indonesia, and Vietnam succeeded in including India in the project, and in less than 3 years.²² The main reasons behind this change of heart were both *realpolitik* concerns and an economic rationale; ASEAN countries eventually agreed that the presence of two demographic and economic giants in the East Asia “Community” would be better than one. This concern matched perfectly with Japanese interest to balance China in the region.

In the meantime, Prime Minister Koizumi proposed an “East Asian community” in 2002, with ASEAN+3, Australia, and New Zealand as the core founding members, while remaining open to the U.S., India, and others.²³ India was later included as a full member in the Japanese vision of a regional project. This invitation resulted from the recognition that India is no longer “a local power” but “one of the three major powers of Asia.”²⁴ Also, the Japanese vision of Asia broadened from “East Asia” (APT) to “the entirety of Asia,” including South Asia. Three main reasons accounted for this new strategic horizon: economic globalization (linked with India’s economic growth), the regional security issue (especially the revelation of proliferation connections between North Korea and Pakistan) and Japan’s security interest (in particular, the safety of maritime routes and the JMSDF missions in the Indian Ocean after 2001).²⁵

In April 2005, a strategic orientation was outlined for the Japan-India partnership which included the realization of an East Asian Economic Community as an “Arc of Advantage and Prosperity.”²⁶ On this occasion, Tokyo conveyed its decision to support India’s membership in the East Asia Summit. Before the first EAS, Japan and India lobbied to have a Chair declaration in which EAS (and not APT) would be presented as the basis for an East Asian Community.²⁷

In addition, Tokyo proposed a CEPEA (Comprehensive Economic Partnership in East Asia or “Nikai initiative”) in April 2006. The CEPEA consists of a fund to start a comprehensive economic partnership (CEP) and a policy-oriented research institution based on the model of OECD: the ERIA (Economic Research Institute for ASEAN and East Asia). This consultative body will study the feasibility of a regional FTA, the ultimate end of the initiative.

The “Greater East Asian Community” would be organized around ASEAN at the core, with Japan, China, and South Korea as principal members and Australia, New Zealand, and India as the outer circle.²⁸ This larger framework allows Japan to counteract and contain China which had stolen a march on Japan in knotting up bilateral FTAs in the region. Enlarging the East Asia framework to embrace India also allows Japan to win U.S. approval for this new regional organization and thereby reconcile potentially contradictory interests: to become more actively involved in East Asian regionalism while maintaining a strong alliance with the U.S.²⁹

Despite the first mixed reactions to this ambitious project, Japan could count on India and

its Pan-Asia free trade proposition (see *supra*), inasmuch as this latest proposal made India a full, original member of a community founded on an ASEAN+4 concept, and could eventually extend to include Australia and New Zealand.

Both projects had two rival proposals: the East Asia Free Trade Area (EAFTA), promoted by China at the second EAS and based on ASEAN+3; and the Free Trade Area of Asia-Pacific (FTAAP) supported by the U.S. in late 2006 (partly in reaction to East Asian regionalization), and viewed as a revival of APEC (excluding India). Japan supported the U.S. proposal “as one of the multilayered efforts in the region,”³⁰ meaning that it does not compete with the CEPEA project, generally seen as more feasible than a broad FTAAP. At the Second EAS (January 2007), the Chair Statement eventually announced that the CEPEA proposal would be studied. A *modus vivendi* was found between Japan and China by stating that ASEAN would stand as the driving force.³¹ Although the legitimacy of the ASEAN+6 framework has been debated, especially by China and Malaysia, it was eventually endorsed by ASEAN; in the Chairman’s Statement of the 2006 and 2007 ASEAN Summits, the EAS is described as “an important component of the merging regional architecture [that] would help build an East Asian Community.” Besides, the ASEAN+6 framework makes sense economically; most economic assessments conclude that an ASEAN+6 Free-trade zone would be more efficient than an ASEAN+3 FTA.³²

(4) The East Asia Summit and the Question of Asian Identity

The EAS is generally presented as a larger, improved version of the East Asia Economic Caucus (EAEC) proposed by Malaysian President Mahathir in 1990. The EAEC proposal was designed to counter the ASEAN’s integration in APEC and create a purely “Asian” economic organization, without the Western nations. As such, it drew extensively from the discourse on the superiority of Asian values (mainly equated with Confucian values) that explain the success of the Asian model of development.

It was an early vision of the ASEAN+3—notwithstanding the discourse on Asian values—but the project failed because Japan did not want to commit to this organization that excluded the U.S. Also, the Asian countries lacked a common experience and common “others” to make their organization meaningful enough. The 1997 Asian crisis provided for both elements.³³ Moreover, in 1996, the constitution of the Asia-Europe Meeting (ASEM) confirmed that the EU equated Asia with “East Asia.” At that time, the candidacy to involve India in the forum was rejected.³⁴

Japan and India share a functionalist approach toward East Asian regionalization. Aiming at preserving peace and prosperity in Asia, they both support the construction of a free-trade area in order to sustain growth and connect the whole Asian region, from India to Australia.

According to a recent survey, 81% of the Asian strategic elite expresses support for building an “East Asian Community”; however, the membership is still debated.³⁵ This debate highlights the lack of a well-defined East Asian identity. In the EAS, “East Asia” is understood as a geopolitical, constructed concept, rather than a purely geographical expression. Actually, the origin of the idea of a “broader East-Asia” or “Greater Asia” community can be traced back to the prewar period, when, in the context of anti-imperialism and anti-westernism, Japanese and Indian intellectuals conducted a national discussion on the Asian identity.

3. Coming Back to the Roots: Significance of Past Interactions on Pan-Asianism

Historical and cultural references on bilateral connections regarding Asianism and Asian identity are extensively used in the Indian and Japanese diplomatic discourses. Most of the time, both Indian and Japanese diplomats or leaders elaborate on a “romantic vision” of the relationship, referring to early Buddhist connections (travel of the Indian monk Bodhisena to Japan in

the 8th Century), the friendship of Tagore and Okakura Tenshin (end of the 19th Century until 1913), the Japanese support of the revolutionary activities of Rash Behari Bose (1915-1945), and Chubas Chandra Bose (1943-1945), and the dissenting judgment of Justice Radhabinod Pal at the Tokyo war crimes trial in 1948.³⁶

These references are significant at the bilateral level, but also at the regional level. It is then important to look at the true history behind the recurrent clichés used by the politicians to understand their meaning. It is also a unique occasion to study the Indian and the Japanese vision of pan-Asianism and to think about the current significance of this ambivalent ideology for current Asian regionalism. Even if pan-Asianism is a rejected discourse today because it underpinned the Japanese violent militarism in the region, it is still an important part of the cultural and intellectual bedrock of Asian identity.

(1) Ambivalence of the Pan-Asianist Discourse in Japan and India

The discourse on “Asia” (labeled as “Asianism” or “pan-Asianism”) in Japan and India was designed in the context of both countries’ nationalist projects against Western domination at the turn of the 20th century. Asianism claims that despite their diversity, the Asian countries share common cultural values, especially a high degree of spirituality and aesthetic sensitivity, in opposition to the materialist and decadent West. The aim is to give the Asian countries a sense of unity based on a renewed pride in Asian identity, different from the Western vision of Asia as a backward region. Ultimately, “Asia” is a rallying cry for Asian nations to come together to escape or emancipate themselves from colonization.

As such, “Asia” is a malleable concept that was invested in by ambivalent, contradictory political projects. Koschmann successfully captured this idea in a nutshell: “Without the West there is no East. The very idea of Asia is ultimately empty and variously exploitable. The ideology of Asianism rejects that emptiness by attributing positive, essential meaning to Asia, however it might be conceived geographically.”³⁷ This analysis is shared by an important Japanese historian, Takeuchi Yoshimi, in his book *Nihon to Ajia* (1st edition 1966).

In India and Japan, pan-Asianism was used both as a project of national emancipation and a project of domination in the region.

In Japan, Asianism could be characterised by three elements: (1) the resistance to western influence in the region; (2) the belief in a common identity in Asia; and (3) the claim of Japan to take the lead against Western imperialism.³⁸

Originally, Asianism was developed as a reaction to the westernization of Japan during the Meiji era (1868-1912). At that time, Japanese authorities, in order to protect national independence, decided to take a shortcut to modernization by rapidly adopting and mimicking Western institutions and cultural habits. At Fukuzawa Yukichi’s call in 1895, it was time to escape the fellow Asian countries, considered as backward, and to join the modern West (*datsuA nyûO*). As a reaction, several intellectuals and politicians began to advocate a return to Asian values and traditions. They claimed that Asia, not the Western club of Great Powers, should be the place for Japan’s national project.³⁹ While the “liberal” school called for Japanese solidarity with the oppressed nations of Asia, the “hardliners” asserted Japanese superiority and hegemony in the region.⁴⁰

On the other hand, the Indian elite had to get rid of the inferiority complex infused by the British colonizers in order to develop its own nationalism. This process involved a rediscovery of Indian traditional values and history reconsidered in a positive light.⁴¹ In this context, the concept of an Asian identity and unity was very appealing and supported the formation of an Indian national identity. Thus, the two processes worked in synergy. In India, the “universalist” school (Tagore, Gandhi, Nehru) called for an Asian Federation, that would serve to better advance the interest of Asian countries toward freedom and independence,⁴² while the “Greater India” school

advocated a new Indian supremacy within its cultural sphere of influence, “from Kerala to Indonesia.”⁴³ The “Greater India” ideology saw India as a benevolent hegemon that has spread its culture and spirituality (Buddhism and Hinduism) in South and Southeast Asia, making the region its cultural backyard.

(2) Japanese and Indian Contributions to Pan-Asianism Thinking

The early references in Japan to Asianism (*ajiashugi*), which first appeared in 1892, referred to a community of history and values among Japan, Korea, and China.⁴⁴ The stress put on the anti-westernism and anti-imperialism explains the later extension of the concept to embrace Southeast Asia, and eventually South Asia.⁴⁵

In India, meanwhile, the fascination with Japan’s modernization process and its victory over Russia in 1905 was huge, and several opinion leaders came to see Tokyo as an example and a valuable partner in the Indian fight for independence.

The interactions between Japan and India on pan-Asianism were mainly via individuals. India, of course, was under British colonial rule. On the other hand, the role of the Japanese state was ambivalent. Tied to its alliance with Great Britain from 1902, Tokyo was not supportive of the pan-Asianist trend until the 1920s. When Japan gained the status of quasi-great power, pan-Asianism emerged as a practical ideology that could be implemented to demonstrate Japan’s cultural and political might in Asia.⁴⁶ Meanwhile, growing Japanese differences with its British ally led to greater attention and protectiveness toward the Indian anti-colonial nationalists who sought Japanese support. Despite this involvement, one must keep in mind that support for Indian anti-colonialism actually “came from the margins of Japanese society.”⁴⁷

(3) Okakura and Tagore

The Japanese art critic Okakura Kakuzo (or Okakura Tenshin, 1862-1913) asserted in 1903 in the first sentence of his major work *The Ideals of the East* (1904): “Asia is one.” This book describes the striking spiritual values of the East and deems Japan to represent the quintessence of Asian culture. As such, Japan is presented as the central actor (but not hegemonic actor) in Asian modernization and emancipation from the western powers.⁴⁸

The strong friendship that united Okakura with the Bengali poet Tagore (1861-1941) is well known. Okakura met Tagore in India, where he traveled and lived for a while (1901-1902). Working on Asian art, he wrote in English and mostly for a foreign audience (two of his four masterworks were written in India), which made him an exception in the Japan of his day. Okakura developed a particular definition of Asia, similar to Tagore’s view, that evolved from a broad European-biased view to a Buddhist-tinged vision in which “Asia” equated with the Buddhist civilization “Buddhland.”⁴⁹

Okakura was actually more famous abroad than in Japan, where the political and intellectual elite (including Okawa Shumei) rediscovered his work in the 1930s in their attempt to build the concept of a “Greater East Asia Sphere of Co-prosperity” (*Daitōa Kyōeiken*). Okakura is even regarded by some as one of those who inspired the Bengali revolutionaries of the Secret society Anushilam Samiti at the origin of the terrorist independence movement in Bengal (though others question his real influence).⁵⁰

Tagore also traveled to Japan, and in a 1916 message he expressed his admiration for an Asian nation that could embrace modernity and defeat a Western country in military combat. He called upon Japan to lead as a virtuous example of a benevolent, spiritual, alternative modernity.⁵¹ But Tagore also worried about the rising Japanese nationalism. In his lecture “Nationalism in Japan,” he stated: “What is dangerous for Japan is not the imitation of the outer features of the West but the acceptance of the motive force of the Western nationalism as her own.”⁵²

In 1938, in his correspondence with the poet Yone Noguchi, Tagore bemoaned Japan’s ag-

gressive expansionism and wrote that “the doctrine of ‘Asia for Asia’...as an instrument of political blackmail has all the virtues of the lesser Europe which I repudiate and nothing of the larger humanity that makes us one across the barriers of political labels and divisions.”⁵³

The friendship between Okakura and Tagore is idealized as being representative of India-Japan close interactions for pan-Asianism. However, upon closer inspection, we discover that Okakura’s liberal vision of Asianism was not heard in Japan, and that his work was distorted in the 1930s by expansionists. Also, this reference obscures Tagore’s critical evaluation of Japanese nationalism after the 1920s and Okakura’s passing.

(4) Imperialist Japan and Indian Revolutionaries

In the 1930s and 1940s, the pan-Asianist ideology was fully part of the Japanese state imperialist project. As the invasion in China advanced, most Asian leaders turned their backs on Japan. Tokyo then sought to legitimize its behavior by referring to an early, liberal pan-Asianism of the sort promoted during the pre-World War One era.⁵⁴

Even though Japan was harshly criticized⁵⁵ by the core leaders of the Congress Party like Gandhi and Nehru, its connections with some Indian revolutionaries were maintained as long as both parties saw a way to advance their respective interests.

Rash Bihari Bose, who had been living in Japan since 1915, married a Japanese woman and was given Japanese nationality. He used his network in ultra-nationalist circles⁵⁶ to gain access to Prime Minister Tojo Hideki, persuading him to support the Indian anti-colonial cause. As a result, two conferences gathering Indian expatriates in Asia were held in Tokyo and Bangkok in 1942 where it was decided to establish the Indian Independence League and the Indian National Army (INA).

Tokyo was actively involved in the formation of the INA in Singapore, initiated by the intelligence agency F-Kikan, composed of Indian prisoners of war captured in the Malaya and Burma fronts. But the constitution of the INA complicated the relationship between the Indian revolutionaries and the Japanese Central command who wanted to use the army as a bulwark for the Greater East Asian Co-Prosperity Sphere on the Burmese front. However, the charismatic revolutionary Subhas Chandra Bose, who took command of the INA in 1943, reversed the situation and convinced the Japanese to attack Imphal in Northeast India. The operation turned out to be one of the most decisive early defeats for the Japanese Imperial Army.⁵⁷

In the wake of the war, the dissenting judgment by Indian Justice Radabhino Pal at International Military Tribunal for the Far East reflected the magnanimity of some Indian nationalists toward imperialist Japan. Justice Pal, who had studied in Kolkata, was well aware of the connections between independence-seeking Bengalis and Japanese nationalists. He had a great admiration for Japan.⁵⁸ He denounced the political bias of the Tokyo trial as “victors’ justice.” He considered that the Tokyo trial wrongly judged and condemned oriental civilization, identified as the cultural root of Japan’s militarism.⁵⁹ However, Pal’s opinion was his own, and was not representative of the Indian government.⁶⁰

(5) A Utilitarian Relationship

This short survey of Japan-India historical interactions regarding Asia reveals, first of all, the asymmetry of interest between the two countries; while Japan is clearly identified as a leader and key player in the region by Delhi, India is viewed as a country at the margin of East Asia and the Japanese strategic horizon. The Japanese interest in India at that time was a very contextual one and resulted more from an anti-western sentiment than a genuine interest in India’s situation. Anand Mohan Sahay,⁶¹ who spent almost twenty years (from 1923) in Kobe and was very disappointed to find no Indian or Japanese allies to support India’s independence, is illustrative of Indians who felt deceived by the Japanese position. Also, the interest in India nurtured by Okawa

Shumei, a major theorist of imperialist pan-Asianism in Japan, actually originated from his anti-westernism and racism; he never sought to travel to India and thus developed an exotic, romantic view of the country.⁶²

On the Indian side, it is important to recall that as Japan turned imperialist, the core leaders of the Congress Party became very critical and turned their attention to China. The emotional attractiveness of China stemmed from a belief in the spiritual unity of India and China and a common experience of oppression. Both countries were described by Nehru in 1938 as “sister nations.”⁶³ The reality is that only a minority of Indian anti-colonial nationalists placed their bet on Japan.

The links between Japanese nationalists and Indian revolutionaries were therefore marginal and fueled by self-interest. Each party used its contacts to further its own interests and agendas. This is revealed by the efforts made by Subhas Chandra Bose to find an alternative ally in China or the USSR to support the Indian liberation movement when the Japanese war effort began its slide toward eventual defeat by late 1944.⁶⁴ The initial common understanding centered on an Asian identity was soon corrupted by the Japanese imperialist project.

(6) What is the Significance of These References Today?

In the 1990s, India grounded its Look East Policy in a cultural discourse that harked back to the heritage of Tagore and Nehru. These references, coupled with a diplomacy focused on economic cooperation and exchange, were used to reassure East Asian investors for whom India was a turbulent, distant country. This strategy was particularly used vis-à-vis Japan.⁶⁵

The legacy of Tagore and Okakura served to establish common Asian values based on spirituality: Prime Minister Rao asserted in a speech in Japan in 1992: “Asia is one, the essence of this oneness being spirituality.”⁶⁶ At the same time, he asserted that Asia was based on syncretism, citing the Indian spiritual contribution to the Asian identity as the cradle of Buddhism and Hinduism in an attempt to integrate India into East Asia, at least culturally.

In Japan, the use of these references has several meanings. First, the reminders that India and Japan share only positive history are supposed to reassure the business community, scalded by the anti-Japanese demonstrations that took place in China in 2005 because of their historical disputes.

These references also portrayed India in a positive light, as an historically friendly nation to Japan, and a stable partner that shares its democratic values. This attempt to mold a positive perception of India in Japan complements Tokyo’s gradual softening of its stance toward India’s nuclear power status.

Finally, these references are particularly used by right-wing, nationalistic politicians and intellectuals. These elements that focus on positive Japanese attempts to unite Asia and assist Asian independence movements, and the mention of Justice Pal, can be used to present a prettier, sanitized vision of Japan’s wartime history.⁶⁷ By softening the perception of Japanese war crimes and questioning the legal validity of the Tokyo trial, the neo-nationalists are trying to “break away from the *postwar* regime,” instil a new sense of pride in the Japanese nation, and call for a strong Japanese political role in the region without dwelling on the details of the past. Former Prime Minister Shinzo Abe, who elaborated his nationalistic agenda for Japan in his book “Toward a Beautiful Country,”⁶⁸ is a striking example. He is also an Indophile. When he traveled to India in August 2007, he talked before the Indian Parliament about a “broader Asia” at the confluence of the Pacific and Indian Oceans,⁶⁹ he went to Kolkata to visit the house of Subhas Chandra Bose,⁷⁰ and he met with the son of Justice Pal.

Several Japanese scholars, like Takako Hirose,⁷¹ worry about the danger of such nationalist rhetoric that does not represent healthy ground on which to build the current relationship. Moreover, it lends itself to an old-fashioned and stereotypical view of India, still an exotic country in

the minds of many Japanese.

As the legacy of Japan's wartime imperialism prevented its postwar political influence and intimate involvement in the affairs of East Asia, India's engagement with Southeast Asian countries was similarly impeded by that nation's earlier rhetoric on an Indian cultural sphere ("Greater India"). This meant that both powers had to make creative efforts to involve themselves substantively in the evolving architecture of postwar relationships within East Asia. Since they had never fought or sought to dominate each other, and because they shared common values and perspectives arising from their status as democratic nations with market economies, Japan and India found a basis for joining together in an effort to raise their influence in the region.

Cultural and historical reference points are thus used to advance national interests in building ties and integrating into a region. But India and Japan are, above all, pragmatic nations; as such, they are also engaged in a classic diplomatic strategy of power balance.

4. Constructing an Integrated Asia or a Balanced Asia?

The China and United States factors are determining, to a great extent, the future shape of relationships within East Asia and between East Asia and the rest of the world. What is the position of the Japan-India partnership regarding these two powers? Are they participating in a new axis of democracies against China? Are they trying to balance U.S. power in Asia?

(1) The China Factor

Rising China is regarded with concern by both Japan and India. While both countries view Beijing's economic growth as an opportunity, they also worry about the military build-up and the growing diplomatic influence of Beijing in Asia and in the world. Their diplomatic rapprochement is thus a way for Tokyo and Delhi to hedge against China. This is particularly clear with respect to the Japanese side, as Tokyo is competing with Beijing to take the lead in shaping the new architecture for the region. Japan is now ready to assume a greater political role in the region as the most advanced Asian democratic power, and seeks to weaken Chinese influence by highlighting the authoritarian nature of their regime.

If the relationship between New Delhi and Beijing is any warmer since 2002, it is still characterised by suspicion and mistrust. Several contentious issues like Tibet, the territorial disputes (in Kashmir, Sikkim, and Arunachal Pradesh) and the competition for influence in the Indian Ocean still loom large in the relationship.⁷² The military-strategic community in India is thus very receptive to the adoption of a containment strategy toward China.

On the other hand, even as India is open to a discussion on values,⁷³ Delhi still sticks to its strategic autonomy rhetoric and refuses to get embroiled in any diplomatic or security arrangements that openly aim at containing China.⁷⁴ Despite official reluctance to use balance of power rhetoric, and its rhetorical commitment to a traditional non-alignment policy, India is *de facto* playing the realist game of balancing power in Asia in order to advance its national interests.⁷⁵

In this context, the East Asia Summit framework has been characterized as an "anti-region."⁷⁶ Shaun Breslin argues that the EAS is clearly not the most relevant and consistent framework to build the region, considering the diversity of the participants. He asserts that the EAS is actually advocated by the regional elite, in reaction to the nascent regional mechanisms that are taking shape within the APT framework "in an attempt to neutralize Chinese power."⁷⁷

(2) The U.S. Factor

While the goal of balancing China is clearly shared by Japan and India, both countries are also trying to find a balance in their relationships with the United States. The history of the quad-

ilateral initiative is telling with respect to Japanese and Indian expectations toward the U.S. and China.

Tokyo supports the rise of complementary and alternative poles of power in Asia and the creation of a network of like-minded partners. Highlighting the importance of drawing closer to India, Prime Minister Abe (September 2006-September 2007) suggested that Delhi be included in the ongoing strategic trilateral dialogue between Tokyo, Washington, and Canberra.⁷⁸ This proposal received the blessing of Vice President Cheney in February 2007. This strategic quadrilateral is underpinned by a unity of democratic values that implicitly aims to exclude China.

The strategic component of this “quadrilateral initiative” was seen in the MALABAR 07-2 naval exercises, when 20,000 military personnel, 28 ships, 150 airplanes, and 3 aircraft carriers assembled in the Bay of Bengal during October 2007.⁷⁹

So far, it has been the only naval gathering of the four countries. The Chinese authorities indeed voiced concerns about what they labeled as a foreshadowing of an “Asian NATO.”⁸⁰ As a result of that, plus related domestic sensitivities, the Rudd administration in Australia decided to withdraw from the quad, and the Indian communists put pressure on the Singh government to avoid it. As a result, the quadrilateral initiative is currently in abeyance.⁸¹

In this context, it seems unlikely that the rhetoric of a “coalition of democracies” will reappear in the short term. Moreover, this does not appear to be the diplomatic orientation of the new Obama administration,⁸² nor of the Hatoyama government in Tokyo since September 2009. Even so, it is worth noting that Japan participated twice in India-U.S. naval exercises in April 2007 and June 2009.

If multilateral initiatives centering around the U.S. seem difficult to pursue because of Chinese sensitivities, it would, however, be more acceptable to include Washington in certain forms of a multilateral regional framework.

The question of U.S. integration into an Asian regional organization is central. The U.S. is a *de facto* Asian power. It still maintains 80,000 soldiers in the Asia Pacific theatre and it is a major trading partner for East Asian countries; the current crisis has shown how dependent the ASEAN+3 countries are on U.S. economic growth. From a realist point of view, it therefore seems inconceivable to build a viable regional economic and security structure without including the U.S. Accordingly, 80% of APT experts strongly support the inclusion of the U.S. in EAS; the same percentage supports the inclusion of India.⁸³

Neither Japan nor China nor India really opposes the inclusion of the U.S. in the EAS, and there is a broad consensus on an “open and inclusive” regional institution. The Obama administration is currently studying the possibility of signing the Treaty of Amity and Cooperation with ASEAN,⁸⁴ required to take part in the EAS. This signature could mean a greater U.S. commitment to the East Asia regional process in the next few years. In terms of balance of powers, this scenario would enhance the weight of Japan and India in the region. However, a revival of FTAAP, based on APEC, is also foreseen.⁸⁵ In this perspective, India, which is not part of APEC, would be marginalized. In terms of membership, the Rudd proposal on an Asia Pacific Community (EAS + United States) could be a compromise solution.⁸⁶

The APEC Summit held in Singapore in November 2009 featured the new U.S. political will to get back to Asia. Few days before the summit, in Tokyo, U.S. President Obama, reaffirming the strong ties binding the U.S. and Asia, stated: “As an Asia Pacific nation, the United States expects to be involved in the discussions that shape the future of this region, and to participate fully in appropriate organizations as they are established and evolve.”⁸⁷ More importantly, U.S. Trade representative Ron Kirk announced that the U.S. will take part in the negotiations toward a Pacific Partnership (TPP) trade agreement, to be built on the Trans-Pacific Strategic Economic Partnership (P4) between Chile, New Zealand, Singapore, and Brunei. These negotiations, involving Australia, Brunei, Chile, New Zealand, Peru, Singapore, the U.S., and Vietnam, aims to build a

high-quality FTA that would form the basis for a future FTAAP.⁸⁸

On the other hand, the new Japanese Prime Minister Hatoyama, who took power after the historic victory of the Democratic Party of Japan in late August, is a strong advocate of an “East Asian Community” gathering the ASEAN+6 countries, inspired by the European Union model. Although Hatoyama repeatedly emphasized the importance of the U.S.-Japan partnership in East Asia after Obama’s visit to Tokyo, the Japanese prime minister never formally listed the U.S. as a core member of the East Asian community.⁸⁹

Examining these declarations, it seems that the Japanese and U.S. approaches to Asian regional architecture are increasingly diverging, which could cause additional friction within the alliance as the Hatoyama government is trying to adjust and balance its relationship with Washington.

What about India? By hosting his first state dinner in Indian Prime Minister Singh’s honor, Obama tried to reassure him about the solidity of the U.S.-India partnership. However, Obama did not elaborate on India’s role in Asian regional integration. New Delhi still hopes to be allowed to join APEC next year, as the moratorium on new members will expire. The Australian government recently reiterated that it would back India’s bid,⁹⁰ while Japan has remained mute thus far. The DPJ government will have to make up its mind, as Yokohama will host the 2010 APEC summit. However, India’s accession will raise many questions, such as the geographical limits and the regional balance within the Asia Pacific Forum, and the issue of Pakistan’s place.

While Prime Minister Hatoyama has been devoting most of his energy to managing Japan’s relationship with China and the United States, he has also attempted to reassure India about his government’s interest in developing their bilateral relations by visiting Delhi toward the end of 2009. Hatoyama and Singh agreed to establish a 2-plus-2 high level dialogue involving senior foreign and defence ministry officials of the two countries, to strengthen their political partnership.⁹¹ Hatoyama also expressed his resolve for an early conclusion of the bilateral FTA negotiations.

(3) Values in the East Asian Community

The debate between Peter Drysdale and Hugh White posted on the East Asia Forum website is representative of the arguments on the role of values in the context of East Asian regionalism.⁹² While White argues that a regional political and security organization needs to be built on a common set of principles, Drysdale retorts that his vision is hopeless, considering the diversity of the actors. He calls for a “rule-based, not a principle-based Asia Pacific Community”⁹³ to secure the cooperation of all the regional players.

What about Japan? While the Japanese government favors the construction of an Asian Community in principle, different approaches coexist and contend; some favor APT over EAS (for the Ministry of Finance), or the opposite (for the Ministry of Economy, Trade, and Industry), while the mainstream supports a multilayered architecture with both APT and EAS (as MOFA). Within the Japanese expert community, the realists tend to be against the EAS framework, deeming it to be romantic and unrealistic regarding the clash of interests between Japan and China, and the importance of the United States in the region. Proponents of the East Asian community argue that this common project would slowly engage all of the powers in the region and complement the respective nationalisms with a regional identity sentiment.⁹⁴ While Tokyo supports a functionalist approach toward East Asian regionalism, it also increasingly emphasizes the role of values. But while the Japanese discussion of values and the “arc” does not necessarily reflect an idealist vision of international relations, it does have the merit of offering an alternative vision in opposition to regional domination by a rising China, and that could become the strategic platform for a coalition.⁹⁵

India still maintains an ambiguous posture regarding support for “values” diplomacy. Sev-

eral opinion leaders are calling for a greater emphasis in the country's foreign policy on Indian democratic values and the Indian political model.⁹⁶ Delhi will have to redefine its diplomacy in the years to come. For the moment, India will avoid emphasizing liberal values so as to launch an overt contest aimed at marginalizing or countering China, and it will probably seek to employ Asian cultural norms so as to promote its own profile and influence within the broad Asian region.

A third set of conceptual visions has recently emerged, following the prewar concept of a united Asia; based on anti-westernism and the cultural characteristics of the region, it also heeds the 1990s emphasis on "Asian values" aimed at assigning priority to economic development—hence the Asian economic miracle—over so-called (implicitly "western") universal human rights. While it recognizes the originality of Asian culture and values, this new concept also includes universal values and norms like democracy, that are deemed suitable for Asia.⁹⁷ This third wave of regionalist values is called "Neo-Asian Values."⁹⁸ This new approach is consistent with the Japanese and Indian visions of East Asian regionalism.

Governments emphasize the conceptual ideal of "community" while they are hedging one against another in Asia. The fluid balance of power in Asia dictates that mutual suspicion and pragmatic behaviour will remain characteristic features of the region's political landscape. While India and Japan share interests, they do not assign a high priority to their bilateral relationship, compared to their partnerships with China and the U.S. The Japan-India partnership is an interesting element in the current evolution of the Great Game in Asia, especially when there may be some prospects for a future concert of powers. However, it is not yet strong enough to significantly shape the course of international relations in Asia, and it is still very much dependent upon the U.S. and China factors.⁹⁹

5. Conclusion

Japan and India adopt a functionalist approach toward East Asian regionalism: their aim is to preserve peace and prosperity in the region and build a free-trade zone in order to sustain economic growth and promote Asian stability. At the same time, they support a broader vision of East Asia, from India to Australia, in order to encourage multipolarity in the region and create a favorable context in which they may advance their national interests. From a constructivist point of view, the Japan-India vision of a Greater Asia, which draws upon a common pre-war reflection on Asian identity, could be persuasive and relevant for current regionalism, especially in the context of a blurred or unarticulated Chinese vision.¹⁰⁰ Finally, from a realist point of view, Japan-India rapprochement cannot feasibly represent a new axis against China, even if the balancing motive is present.

However, this nascent partnership is still dependent upon the international context and is not yet in a position to shape the system to any significant degree. Also, the relationship suffers from the gap between Indian's political will to draw nearer to Japan as part of a strategy to become a central player on the Asian scene, and Japan's interest in engaging with India, although this position is consistent with its strategic priority of balancing against China.

Despite these limitations, the Japan-India partnership is significant in that it strengthens the third leg of the China-Japan-India triangle in Asia. Their historical experience in dealing with the themes of Asian identity and regionalism in the prewar period could form the basis for allowing the two countries to make a significant contribution to the construction of a new East Asian identity and community.

Notes

- 1 To borrow the Indian terminology: Prime Minister Singh, Speech to the Japanese Diet, December 15, 2006. See the Appendix.
- 2 N.S. Sisodia and G.V.C. Naidu, *India-Japan Relations, Partnership for Peace and Security in Asia*, New Delhi: Institute for Defence Studies and Analysis, 2006.
- 3 Paul Evans, "Between Regionalism and Regionalization: Policy Networks and the Nascent East Asian Institutional Identity," in T.J. Pempel, ed., *Remapping East Asia: The Construction of a Region*, Ithaca: Cornell University Press, 2005.
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- 5 In 2004, Japan, India, Brazil, and Germany formed the G4 in order to gather their claim to get a permanent seat in the UN Security Council.
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- 8 This is a revival of Mahan and Panikkar doctrine (K.M. Panikkar, *India and the Indian Ocean: An Essay on the Influence of Sea Power on Indian History*, London: Macmillan, 1945). See Indian Navy, Strategic Defence Review: The Maritime Dimension-A Naval View, May 20, 1998.
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- 10 For example, Tokyo is the origin of ReCAAP (Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia).
- 11 Japan-India Summit Meeting-Summary, November 29, 2004.
- 12 Inaugural Address by Dr. Manmohan Singh, Prime Minister of India, Third India-ASEAN Business Summit, October 19, 2004, New Delhi.
- 13 The agreement is still not finalized, one of the main obstacles being the liberalization of the Indian agriculture sector.
- 14 This expression was first used in the Indian context by Prime Minister Vajpayee at the 2nd India-ASEAN Summit in 2003.
- 15 Inaugural Address by Dr. Manmohan Singh, Prime Minister of India, Third India-ASEAN Business Summit, October 19, 2004, New Delhi.
- 16 ASEAN+ China, Japan, Korea, India, Australia, and New Zealand.
- 17 Amit Baruah, "Manmohan Calls for Creation of Pan-Asian Free Trade Area," *The Hindu*, December 13, 2005.
- 18 Taro Aso, Minister of Foreign Affairs on the occasion of the Japan Institute of International Affairs Seminar, "Arc of Freedom and Prosperity: Japan's Expanding Diplomatic Horizons," November 30, 2006.
- 19 Joint Press release-Visit of External Affairs Minister of India to Japan, March 2007.
- 20 "Japan's Diplomacy: Ensuring Security and Prosperity," June 30, 2009, at JIIA. However, the Japanese concept includes a larger group of countries, among them Central and Middle East Asian countries.
- 21 *Final Report of the East Asia Study Group*, ASEAN+3 Summit, November 4, 2002, Phnom Penh, Cambodia, p. 5.
- 22 G. V. C. Naidu, "India and the East Asian Summit," *Strategic Analysis*, Vol. 29, No. 4 (Oct-Dec 2005), p. 716.
- 23 Speech by Prime Minister of Japan Junichiro Koizumi, "Japan and ASEAN in East Asia - A Sincere and Open Partnership," Singapore, January 14, 2002.
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- 25 Ibid.
- 26 Japan-India Partnership in the New Asian Era: Strategic Orientation of Japan-India Global Partnership, April 28, 2005.
- 27 Bruce Vaughn, "East Asian Summit: Issues for Congress," *CRS Report for Congress*, December 9, 2005, p. 3.
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 - 32 Nagesh Kumar, "Relevance and Challenges of Broader Regionalism in Asia," *India Quarterly*, Vol. 61, No. 2, pp. 79-105; Masahiro Kawai and Ganeshan Wignaraja, "EAFTA or DEPEA. Which Way Forward?" *ASEAN Economic Bulletin*, Vol. 25, No. 2 (2008), pp. 113-139.
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 - 34 However, in 2007, India (along with Pakistan and Mongolia) was integrated as a regular member in the ASEM summit.
 - 35 Bates Gill, Michael Green, Kiyoto Tsuji, and William Watts, *Strategic Views on Asian Regionalism, Survey Results and Analysis*, CSIS, February 2009, p. 8.
 - 36 For details, see the quotations of the discourses in the Appendix.
 - 37 Victor Koschmann, "Asianism's Ambivalent Legacy," in Peter J. Katzenstein and Takashi Shiraiishi eds., *Network Power, Japan, and Asia*, Ithaca, NY: Cornell University Press, 1997, p. 83.
 - 38 Yves Bougon, "Le Japon et le discours asiatiste," pp. 241-253, in Philippe Pelletier dir., *Identités territoriales en Asie orientale (NORAO)*, Les Indes Savantes, 2004, p. 243.
 - 39 Sven Saaler, "Pan-Asianism in Modern Japanese History – Overcoming the Nation, Creating a Region, Forging an Empire," in Sven Saaler and Victor Koschman, eds., *Pan-Asianism in Modern Japanese History, Colonialism, Regionalism, and Borders*, London: Routledge, 2007, pp. 2-3.
 - 40 The pan-Asianism discourse cannot be identified entirely with the Japanese imperialist approach, as some intellectuals did not support the Japanese invasion of Asia; conversely, the imperialist school mainly did use this pan-Asianism approach as a pretext for military expansion. See Cemil Aydin, "Japan's Pan-Asianism and the Legitimacy of Imperial World Order, 1931-1945," *Japan Focus*, March 12, 2008.
 - 41 Christophe Jaffrelot, "L'émergence des nationalismes en Inde. Perspectives théoriques," *Revue Française de Science Politique*, Vol. 38, No. 4, 1988, pp. 555-575.
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 - 43 Ibid., p. 230.
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 - 45 In 1917, Okawa Shûmei established the "All-Asian Association" (*Zen Ajia Kai*) that included India and Western Asia.
 - 46 Saaler, pp. 5-7.
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- 51 Rabindranath Tagore, *The Message of India to Japan*, New York: The Macmillan Company, 1916.
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 - 53 See the reproduction of the letters in Zeljko Cipris, "Seduced by Nationalism: Yone Noguchi's 'Terrible Mistake.' Debating the China-Japan War with Tagore," *Japan Focus*, November 17, 2007.
 - 54 Cemil Aydin, op cit.
 - 55 When Japan began to invade China, the sympathy of the Congress Party toward Tokyo faded and turned to the destiny of China. This caused concern for Indian activists in Japan, mainly because they feared that it would diminish Japanese support for Indian independence. In 1938 the Congress Party ordered a boycott of Japanese goods. Goodman, op. cit.
 - 56 He had close contact with Toyama Mitsuru and the Black Dragon Society.
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 - 60 *Pal Hanji, Tokyo Saiban Hihan to Zettai Heiwa-Shugi* (Justice Pal: His Criticism of the Tokyo Trial and His Absolute Pacifism) by Takeshi Nakajima, Hakusui-sha, 2007, p. 308. Review by Fumiko Halloran, *The Japan Society Review*, Issue 14, Volume 3 Number 2 (2008).
 - 61 Goodman, op. cit.
 - 62 Yukiko Sumi Barnett, "India in Asia: Okawa Shumei's Pan-Asian Thought and His Idea of India in Early Twentieth-Century Japan," *Journal of the Oxford University History Society*, Issue 1, 2004.
 - 63 Keenleyside, pp. 212-213.
 - 64 Goodman, op. cit.
 - 65 Isabelle Saint-Mézard, *Eastward Bound, India's New Positioning in Asia*, Manohar, Delhi: Centre de sciences Humaines, 2006, pp. 200, 202.
 - 66 Ibid., p. 197.
 - 67 "Decades after War Trials, Japan still Honors a Dissenting Judge," *The New York Times*, August 31, 2007.
 - 68 Shinzo Abe, *Utsukushii Kuni e*, Tokyo: Bungei Shunju, 2006. See Tsuneo Akaha, "The Nationalist Discourse in Contemporary Japan: The Role of China and Korea in the Last Decade," *Pacific Focus*, Vol. 33, No. 2 (August 2008), p. 160.
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 - 71 Personal interview, February 6, 2009.
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 - 78 Abe, op. cit., p.160.
 - 79 *East Asian Strategic Review 2008*, Tokyo: NIDS, 2008, p. 222.
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 - 87 Remarks of President Barack Obama, Suntory Hall, Tokyo, Japan, November 14, 2009.
 - 88 Ann Capling, "The Trans-Pacific Partnership," *East Asia Forum*, November 23, 2009; Deborah Elms, "U.S. Trade Policy in Asia: Going for the Trans-Pacific Partnership?" *East Asia Forum*, November 26, 2009.
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 - 90 "Rudd Backs India's APEC Bid," AAP, November 23, 2009.
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 - 94 Akiko Fukushima, "Japan's Perspective on Asian Regionalism," pp. 103-127, in Michael J. Green and Bates Gill, eds., *Asia's New Multilateralism*, New York: Columbia University Press, 2009, pp. 113-114.
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Appendix

ANALYSIS OF JAPAN-INDIA JOINT STATEMENTS AND (SOME) JAPANESE AND INDIAN DIPLOMATIC SPEECHES ON BILATERAL RELATIONS

Quotations of references to “Asia,” regional organization in Asia, cultural and historical references to bilateral relations, the ultimate objectives of Japan and India in the region, and the common values of the partners.

“Asia”	Regional organization	Historical and cultural references	Ultimate objective in the region	Common values
JOINT DECLARATIONS				
Japan-India Joint Declaration, December 10, 2001				
Asia		Tradition of profound inter-changes from time immemorial; the wisdom to benefit from the distinctive characteristics of their civilizations and cultures.	Contribute towards the stability and prosperity of Asia.	Democracy and market economy, spirit of tolerance, receptivity to diversity.
Japan-India Summit Meeting (Summary), November 29, 2004				
	To find a way to cope with the “arc of instability” and cooperate to realize an “arc of advantage,” referred to by Prime Minister Singh.		Stability and economic development; invigorate current dynamism in Asia	
Japan-India Partnership in a New Asian Era: Strategic Orientation of Japan-India Global Partnership, April 29, 2005				
The New Asian era: emerging as the leading growth center of the global economy.	A new surge: strengthening of economic linkages, initiatives for greater regional integration as well as multilateral trade liberalization. Need concerted efforts to translate these developments into an “Arc of Advantage and Prosperity.”		To realize an East Asian Community and work together to promote the vision of an Asian Economic Community as an “Arc of Advantage and Prosperity.” The Japanese side conveyed its decision to support India’s membership in the East Asian Summit.	Nations sharing common values and principles
Joint Statement, Towards Japan-India Strategic and Global Partnership, December 15, 2006				

	<p>While acknowledging the ASEAN as the driving force [...], they reaffirm the need for all 16 EAS countries to fully participate and actively contribute to the objective of closer cooperation and community building in the region. Promote regional economic integration further: recall their respective proposals for a Pan Asian Free Trade Area and for a Comprehensive economic Partnership in East Asia.</p> <p>The two leaders share the view on the usefulness of having dialogue among Japan, India, and other like-minded countries in the Asia-Pacific region on themes of mutual interest.</p>	<p>Japan and India share ancient bonds and a proud civilizational heritage. Relation unencumbered by any historical differences.</p>	<p>The progressive realization of an East Asian community in the EAS framework.</p> <p>To pursue a comprehensive partnership [...] in open and cooperative regional frameworks.</p>	<p>India-Japan relation is rooted in similar perception of the international environment, converging long-term interests and common commitment to democracy, open society, human rights, rule of law, and free market economy.</p> <p>They are natural partners as the largest and most developed democracies of Asia.</p>
Joint Press Release, Visit of External Affairs Minister of India to Japan, March 22, 2007				
			<p>To foster the EAS as a pillar of East Asian community building in the future.</p>	<p>The Ministers reaffirm that there exist common objectives and values between the idea of “Arc of Freedom and Prosperity” proposed by Japan and the idea of “Arc of Advantage and Prosperity” proposed by India.</p>
Joint Statement on the Roadmap for New Dimensions to the Strategic and Global Partnership between Japan and India, August 22, 2007				
	<p>The partnership between Japan and India [...] is an essential pillar for the future architecture of the entire region.</p> <p>Japan and India should actively cooperate to promote multi-layered frameworks and dialogues for regional cooperation in Asia.</p> <p>They shared the view on the usefulness of having dialogues among Japan, India, and other like-minded countries in the Asia-Pacific region on themes of mutual interest.</p>		<p>Establishing an East Asian community in the future.</p> <p>The EAS can essentially contribute in the process of community building based on universally recognized values, and in enhancing the role of the region at the global level.</p>	<p>Japan and India share universal values of democracy, open society, human rights, rule of law, and market economy; they share interests in promoting peace, stability, and prosperity in Asia and in the world.</p>

Joint Statement on the Advancement of the Strategic and Global Partnership between Japan and India, October 22, 2008				
	Support to the EAS as an open, inclusive, transparent and Leaders' led forum [...] to deepen regional economic integration towards the progressive realization of an East Asia Community.		Promoting peace, stability, and prosperity in Asia and the world.	India and Japan share common values and interests.
Joint declaration on Security Cooperation between Japan and India, October 22, 2008				
			Bilateral cooperation within multilateral frameworks in Asia, in particular the East Asia Summit, ASEAN Regional Forum, and ReCAAP processes.	Common commitment to democracy, open society, human rights, rule of law.
JAPAN AND INDIAN DIPLOMATIC SPEECHES ON BILATERAL RELATIONS				
Ambassador Yasukuni Enoki, "The Japan-India Partnership," Lecture at USI, May 28, 2004				
It is time for Japan to position India from "a local power" to "one of the three major powers of Asia." The scope of Asia for Japan has also undergone a change: from East Asia (up Arakan mountains in Myanmar) to "entire Asia" (including South Asia and India). Due to: economic globalization, regional security issue (proliferation from DPRK to Pakistan), and Japan's security interest (maritime route, intervention in Indian ocean).	A network of FTA, with ASEAN as the hub in the region. Japan's Asia policy should be structured around two vectors, namely: North to South "East Asia cooperation" and East to West "cooperation among Japan, China, and India." Three great Asian powers to foster stability and peace in the region. Bad historical memories are counterbalanced by good historic relations between Japan and India. --> Tripartite dialogue between Japan, China, and India.	No negative history. Only positive historic memories: interchange between Tagore and Okakura Tenshin, Subhas Chandra Bose, the great anecdote of Justice Pal.	Tripartite dialogue between Japan, China, and India.	

Manmohan Singh's Banquet Speech in Honour of Japanese Prime Minister, April 29, 2005			
New Asian era.	Age-old spiritual, cultural, and civilizational ties; India refused to attend San Francisco peace conference in 1951; separate peace treaty with Japan in 1952; India waived all reparation claims; dissenting judgement of Pal (affection and regard); quotation of Okakura Tenshin.	To renew and reinvigorate our Asian identity, building on the commonalities of our interests, aspirations, and values.	Shared commitments to the ideals of democracy, peace, and freedom. India hopes to incorporate Japanese values of maintaining harmony and balance between social traditions and economic modernization.
Prime Minister Singh, Speech to the Japanese Diet, December 15, 2006.			
	Civilizational neighbours; heritage of Buddhism, Bodhisena, Tagore, Okakura Tenshin; judgement of Pal.	"Arc of advantage and prosperity"; Asian economic community.	As the largest and most developed democracies of Asia.
Shri Shyam Saran, Special Envoy of the Prime Minister in JIIA, January 15, 2007			
			We are democracies, we have respect for the same human values and history of a very benign and very positive relationship.
Address by the External Affairs Minister Sri Pranab Mukherjee, at JIIA, March 23, 2007			
	Heritage of Buddhism.	A pan-Asian free trade area or comprehensive economic partnership in Asia.	Common values of democracy, human rights, and the rule of law.

Ambassador Ronen Sen's Address at the CIIS-JIIA Conference "Building Strategic Asia – The United States, Japan, and India," June 28, 2007.			
The old links between India and the Asia-Pacific region are now being revived and revitalized.		<p>Trilateral cooperation: India, the U.S., and Japan have shared values and aspirations of democracies based on the rule of law. Also recognize that democracy and development are not just compatible but inextricably linked.</p> <p>It is thus evident that the trilateral interaction of India, the United States, and Japan did not emerge from a decision to forge a new grouping or alliance.</p>	
"Confluence of the Two Seas," Speech by Shinzo Abe, Prime Minister of Japan, at the Parliament of the Republic of India, August 22, 2007			
"The Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity. A "broader Asia": an immense network spanning the entirety of the Pacific Ocean, incorporating the United States of America and Australia.		<p>He began his speech with a quotation of Vivekananda. Okakura, Pal, Chandra Bose, Tagore. Ashoka, Gandhi. Kishi, first Japanese PM who visited India.</p>	<p>A broader Asia takes shape at the confluence of the two seas of the Indian and Pacific Oceans; Open and transparent, this network will allow people, goods, capital, and knowledge to flow freely.</p> <p>A discovery of India as a partner that shares the same values and interests. Spirit of tolerance in India; sacredness of nature.</p>

When the Pacific Ocean Becomes an “Inland Sea,” Yasuo Fukuda, Prime Minister, May 22, 2008			
Pacific Ocean as an Inland Sea for: Japan, ASEAN, North and South America and Russia. China and Australia, and new Zealand. “And in my view this sea also continues beyond India to connect to the nations of Middle East” New Japan-China, Japan-ROK Relations.			India will become one of the pillars supporting the future of Asia.
Japan’s New Commitment to Asia – Toward the Realization of an East Asian Community – Yukio Hatoyama, Prime Minister, Singapore, November 15, 2009			
<p>Consensual statement: “Who will be the members of my initiative for an East Asian community. To that, my answer is - people who share these ideals and dreams.”</p> <p>First of all, we need to cooperate to prosper together. Second, we must cooperate to save a “Green Asia.” Third, we need to cooperate to protect human lives. Fourth, we need to cooperate in building a “sea of fraternity.”</p>	<p>“The new government of Japan has declared that it attaches great importance to Asian diplomacy. The main pillar of this policy is the initiative for an “East Asian community.”</p> <p>“In my initiative, I propose that countries sharing a common vision promote cooperation in various fields. This would be based on the principle of “open regional cooperation.”</p>	<p>“The concept behind my initiative for an East Asian community stems from the philosophy of “<i>yū-ai</i>.”</p> <p>“The central idea of my “East Asian community” initiative is based upon reconciliation and cooperation in Europe.”</p>	<p>Only a brief mention of India: “Going forward, we will accelerate EPA negotiations with the Republic of Korea, India, and Australia and pursue the possibilities of EPA negotiations with other countries as well.”</p> <p>“Through this, our region would develop a multi-layered network of functional communities.”</p>

Banking on East Asian Integration? Implications of Global Financial Crisis for Regionalism

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Abstract

This paper examines the impact of the current global financial crisis, sparked by the collapse of the US banking sector in late 2008, on integration efforts in East Asia. Following the first wave of regionalism brought about by the Asian financial crisis of 1997-98, it reviews the effects of the current crisis on the pace of regionalism in East Asia. Through the lens of a neo-realist, this paper looks at how the present financial upheaval has influenced foreign policy calculations and behaviors of countries in relation to its impact on the momentum of East Asian regionalism. The central argument is that the current global crisis, whose effects on the world economy are second only to the Great Depression of the 1930s, will not be a catalyst to the integration process in the region. The conditions leading to the first rush of East Asia regionalism after the Asian financial crisis are not present in the current crisis. Rather than a second wave of regionalism as seen in the decade following the events of 1997-98, bilateralism is likely to take precedence over regionalism as East Asian countries' preferred modus operandi in responding to the accelerated rise of China precipitated by the present crisis.

1. Introduction

The current financial upheaval, which started with the collapse of the United States banking sector in September 2008, has had a deep impact on the global financial system. Economies across the world experienced severe strains to their banking industries causing some governments to nationalize their banks and put in place stimulus packages to reinvigorate their domestic markets. In a recent article in *Forbes Asia*, Singapore Minister Mentor Lee Kuan Yew shared his views that East Asian countries were the hardest hit in the current world crisis.² Former US Deputy Treasury Secretary Roger Altman wrote in *Foreign Affairs* that “the financial and economic crash of 2009, the worst in over 75 years, is a major geopolitical setback for the United States and Europe.”³ What started as a US banking problem has turned into a global crisis affecting all countries. Governments across the world from Asia-Pacific to Europe scrambled to assure markets that their banking structures were sound and not in danger of bankruptcies.

To deal with the unprecedented crash of the global financial system, some countries resorted to using what are perceived as anti-free trade instruments to protect and spur their domestic industries. Their actions appear to vindicate the common retort that economic crises impede regional integration due to the tendency to apply unilateral protectionist measures by member countries. US President Barack Obama, for example, had pushed for a “Buy American” clause in his economic stimulus package, requiring new infrastructure projects to use American-made manufactured materials.⁴ While the clause was eventually softened with a provision that constrained procurements to be aligned with the United States' international trade obligations, several US cities and states were not bound by the rules of the World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA).⁵ The “Buy America” provision led to mounting calls by manufacturers in Ontario and Quebec for the Canadian government to enforce the use of

Canadian-made goods on government-funded projects, having lost out on several key US contracts. In another tit-for-tat response, Beijing also announced a "Buy China" policy in June 2009, mandating its government procurement to use only Chinese products or services unless they were not available within the country.⁶ In an exclusive interview with *China Daily* on July 15, 2009 during an official visit to Beijing, US Commerce Secretary Gary Locke conceded that it would be difficult to find "the right balance between free trade and protecting domestic companies, especially in tough economic times."⁷ These two episodes illustrate how even the world's superpower and rising power had to turn their backs to the ethos of free trade in the face of a major economic downturn.

In Southeast Asia, some analysts have begun to cast doubts on the Association of South-east Asian Nations' (ASEAN) plan to create an ASEAN Economic Community (AEC) by 2015, which was, in better times, already seen as an ambitious target to achieve.⁸ A case in point is Indonesia's push for a "Buy Indonesia" program that directs its civil servants to purchase only locally made products.⁹ Malaysian Prime Minister (PM) Najib Razak also announced a doubling of the country's foreign worker levy in March 2009 to encourage the hiring of locals.¹⁰ Such protectionist measures have led ASEAN Secretary-General Surin Pitsuwan to caution that protectionism will harm ASEAN's integrated market plan.¹¹ Pitsuwan's sentiment is echoed by Asian Development Bank (ADB) President Haruhiko Kuroda who acknowledged at a public lecture in Singapore on June 22, 2009 that we were "faced with the rise of protectionism in Asia-Pacific and all over the world."¹² It should be highlighted here that the revival of protectionism cuts across both developing and developed countries. In April 2009, World Bank (WB) President Robert Zoellick revealed that nine of the Group of 20 (G-20) nations were considering or had taken measures to restrict trade in the face of the current economic downturn.¹³ WTO Director-General (DG) Pascal Lamy also acknowledged at a General Council meeting in May 2009 that the global trading system would face added political strain as the economic crisis heightened protectionist pressures.¹⁴

The evidence suggests a creeping disposition among members of both regional and international organizations to embark on unilateral solutions, which are detrimental to regional cooperation and integration efforts in the present crisis. This paper aims to address the pertinent theme: Will the current global financial crisis present an opportunity or impediment towards East Asian regionalism?

The second section begins the discussion by taking stock of current literature on the effects of global crises on geopolitical and economic interactions. With the benefit of hindsight, the analysis looks into the implications of the Asian financial crisis of 1997-98 for the progress of East Asia regionalism. The findings show a broad consensus that the Asian financial crisis has hastened the pace of regionalism in East Asia with a slant towards ASEAN-centric regional forums.

The third section proposes a theoretical framework to examine the implications of the current crisis for regional cooperation in East Asia. It highlights the dearth of a system-level theory to appraise the impact of global crises on regionalism before surveying the effects of the current financial turmoil on regional cooperation through the lens of a neo-realist. The main thrust of the discussion is that global crises could narrow the disparity of capabilities among countries, and hasten the rise of new powers. The accelerated change in the distribution of capabilities among countries will influence a state's foreign policy calculations, including its decision on the forms of regional cooperation.

The fourth section accounts for the shifting distribution of capabilities in the present crisis between the United States and China. It addresses the pertinent question of how this defining event will impact East Asian integration. The results suggest that the crisis has hurt Americans more than Chinese, and that current efforts by China to reduce its reliance on the United States could be seen, in a wider context, as a more assertive China with greater foreign policy options.

The section then highlights how the rest of East Asia, as secondary states, have responded to the accelerated rise of China, and how this would impact the destiny of East Asian regionalism in the next decade.

This paper is primarily focused on the impact of the present global crisis on the integration of East Asia. Historically, developments of worldwide consequence such as the 9-11 terror attacks have the ability to reshape the international geopolitical and economic landscape. Pollack makes a more definitive assertion that future regional strategic patterns will be driven by events.¹⁵ In the words of Jayasuriya, economic crises unsettle prevailing entrenched interests and regional arrangements while providing opportunities for new reformist coalitions to form.¹⁶ The findings of this paper suggest that the present crisis will not lead to a second wave of regionalism in East Asia as seen during the Asian financial crisis.

2. Literature Review

Notwithstanding the conspicuous shift towards protectionism in the current crisis as highlighted in Section 1, there is another school of thought that purports that economic catastrophes could hasten regional cooperation. A 2007 Organization for Economic Cooperation and Development (OECD) report indicated that the Asian financial crisis of 1997-98 had acted as a trigger for enhanced financial cooperation in Asia, especially in the area of finance and Foreign Direct Investment (FDI).¹⁷ The underlying assumption is that countries understand the interdependence of their economies and realize that survival depends on their willingness to work as a regional grouping to overcome the economic downturn. This group of scholars maintains that crises play a "catalytic role in developing a sense of common identity, particularly in the image of a region in adversity besieged by outsiders."¹⁸ In support of their case, they explain that the economic upheaval of 1997-98 has propelled ASEAN countries' pursuit for solutions to reduce the effects of the financial disruption, as well as their subsequent alignments with China, Japan, and South Korea through the ASEAN+3 platform.¹⁹ The most important outcome and often-cited achievement of the region in the post-crisis period was the creation of the Chiang Mai Initiative (CMI) announced by the finance ministers of ASEAN+3 in May 2000. The Asian financial crisis was also seen as a stimulus which kick-started regional discussion on the ASEAN Bond Market Initiative (ABMI) and Asian Currency Unit (ACU), among others.

In addition to the concerted accomplishments by the region at the institutional level, there was also a noticeable spike in the number of Free Trade Agreements (FTAs) established in the post-crisis period. Urata, for example, points to the active formation of Regional Trade Agreements (RTAs) among Asian countries since the early-2000s, and concludes that the Asian financial crisis has led to an awareness of the need for regional cooperation, such as a region-wide FTA, to avoid another crisis and promote economic growth.²⁰ Several analysts were also quick to highlight that the proliferation of RTAs during the post-crisis period was significant given that China, Japan, and South Korea were not parties to any FTAs up to the 1990s.²¹ By contrast, China expedited the negotiation and conclusion of the ASEAN-China FTA shortly after the Asian financial crisis, which was to be followed by the ASEAN-Japan and ASEAN-Korea FTAs.

A mention should be made here about China and Japan's considerations in the formation of the ASEAN+3 grouping. China's unequivocal support of an East Asian institution in the post-crisis period was expected given its interest to further enhance its prestige in the region after its initial loan offers to crisis-affected countries and resistance to devalue the yuan. Chinese assistance was seen as "free coals in cold weather" and heightened its influence in East Asia.²² On the other hand, Japan's decision was less straightforward because it had not supported Malaysia's suggestion for an East Asian Economic Caucus (EAEC) that excluded Japan's staunchest ally,

the United States, in 1992. Terada attributes Japan's policy shift to its realization that a consensus had developed that the time was ripe to create East Asian regionalism to tackle regional problems, and that the United States was not critically opposed to the ASEAN+3 institution.²³

More significantly, observers like Dittmer underline that the events of 1997-98 have led to a shift in the focus of regional cooperation from wider Pacific Rim organizations such as the Asia-Pacific Economic Cooperation (APEC) to all Asian forums including the ASEAN Plus groupings and bilateral FTAs.²⁴ That ASEAN countries have moved closer to their Northeast Asian counterparts, especially with China, was, in part, due to the United States' poor leadership during the financial meltdown. The United States' nonchalant response led to a widespread perception that the country could not be depended on during a crisis. There was a strong resentment among some East Asian countries against the "Washington Consensus" of rapid deregulation and privatization, which underpinned the International Monetary Fund (IMF) policy prescriptions for crisis-affected countries.²⁵ The conditions associated to the financial rescue packages laid down by the US-backed IMF were deemed too severe, especially in Indonesia. Furthermore, the US veto of Japan's proposal for an Asian Monetary Fund (AMF) on grounds that it would undermine IMF's efforts and allow wayward governments to postpone reforms was interpreted as an attempt by the United States to maintain its hegemony in Asia. The lesson for East Asian countries was that they could not count on outside assistance during a crisis.

The current body of literature reflects a general consensus that the economic collapse of several East Asian economies during the crisis of 1997-98 paved the way for regional cooperation. The study also suggests that the region has resorted to self-help in the absence of strong leadership from the United States. The post-crisis period also witnessed ASEAN becoming the centerpiece of an accelerated East Asian regionalism through the ASEAN+3 framework. East Asian countries have come to the realization that regional cooperation insulates them from global shocks and reduces their economic dependency on the United States, as well as Europe.

Turning to the current crisis, a few emerging studies suggest that the ongoing financial turmoil has reshaped the international financial and economic order. Henning, for example, argues that the US banking catastrophe presents an opportunity for Asia to bolster financial cooperation by enhancing regional surveillance and policy dialogue.²⁶ Among the first initiatives proposed, ADB President Kuroda mooted the idea of an Asian Financial Stability Dialogue (AFSD) to strengthen regional ties among finance ministers, central bankers, and other supervisory agencies.²⁷ The AFSD will enable Asian governments to develop a coordinated plan of action to monitor potential vulnerabilities and internalize regional spillovers. In addition, an *Economist* report highlights that China is using the current financial upheaval to boost its strategic influence in Asia.²⁸ At the time of writing this paper, available analyses on the present crisis tended to focus on the causes of the US banking crisis and how it led to the current global financial meltdown rather than looking at the influence of such external shocks on states' foreign policy considerations on regional cooperation—what this paper has set out to achieve. The remaining discussion therefore aims to address the following question: In light of the present worldwide economic crunch, will East Asia experience a second wave of regionalism in the next decade as seen after the Asian financial crisis?

3. Theoretical Framework

Current research on global crises offers few theoretical explanations on how a catastrophic economic event can influence the momentum of regionalism in East Asia. Calder proposes a critical juncture framework to account for how the Asian financial crisis has called into question the existing geopolitical arrangement, and led to an urgent stimulus for change among East Asian

countries.²⁹ Critical junctures, as defined by Calder, are historical decision points at which there are clear alternative paths to the future.³⁰ Broadly summarized, crises galvanize national governments in taking steps to forge closer economic cooperation.

On the other hand, Beeson describes the post-crisis collaborative phenomenon as “reactionary regionalism,” which is defined as the direct result of regional initiatives designed to mediate and moderate external influences, especially the US policies in East Asia.³¹ According to Beeson, a key motivating factor was the possibility that regional institutions might have the potential to provide collective regional responses to external challenges.³² This framework is similar to Wade’s assertion that post-crisis policy responses could only be understood by examining the role played by the United States as the world’s leading international financial actor.³³ The United States has been instrumental in inducing East Asian governments to undertake rapid financial opening and liberalization, without which market integration in the region would not have been possible.³⁴ Wade’s proposition is corroborated by Ito’s second-level research on the behaviors of firms in the post-Asian financial crisis period. Ito’s findings suggest that market-led integration of production and investment was responsible for the process of East Asian regionalism.³⁵ Diverse economic conditions in terms of wages and technology in the post-crisis period made it possible for firms in East Asia to enjoy the advantages of an extensive cross-border division of labor, which in turn motivated firms to lobby governments to seek lower trade barriers. Urata also characterizes the nature of regional economic integration in this region as market-driven rather than institution-driven regionalization by explaining that it is trade and FDI liberalization policies, rather than the formation of RTAs, that prompted integration in East Asia.³⁶ This view is shared by Otsuji and Shinoda who contend that regionalism in East Asia is driven largely by market forces in the form of substantial FDIs by the Chinese, Koreans, and Japanese, as opposed to political will.³⁷

What could be inferred from Beeson and Wade’s hypothesis is that East Asian regionalism during the post-crisis period was made possible only because of pressures applied by the United States and its financial intermediaries such as the IMF and WB. On balance, however, critical junctures and reactionary regionalism could not explain why RTAs and ASEAN+3 took center stage in East Asian regionalism over other forums in the aftermath of the Asian financial crisis. The current body of literature on crises does not adequately explain how an economic catastrophe influences the degree of interaction among states or why they turn toward or away from cooperation in times of crisis. Will the decade following the current crisis lead to a second wave of East Asian regionalism as it did after the Asian crisis of 1997-98? If so, will the post-crisis architecture of East Asian cooperation follow that of the post-Asian financial crisis, viz., favoring and accelerating the ASEAN+3 cooperation, the ASEAN-China relationship in particular, over other forums such as APEC?

The theoretical basis of this paper is founded on Waltz’s neo-realist interpretation of international relations. Using a system theory, Waltz defines international politics as a structure comprised of units with three characteristics, namely, (i) an ordering principle which is anarchy (all states are equal); (ii) each unit performs similar functions; and (iii) changes in distribution of capabilities across units affect the structure of the system.³⁸ Waltz’s theory needs no introduction here, except for a brief elaboration on the third principle, which forms the thrust of this paper. According to Waltz, “the structure of a system changes with changes in the distribution of capabilities across the system’s units. And changes in structure affect expectations about how the units of the system will behave and about the outcomes their interactions will produce.”³⁹

This paper argues that global crises, such as the current global financial turmoil, have the capacity to reorganize the distribution of capabilities among states, especially those of the United States vis-à-vis China. The change of distribution of capabilities, whether perceived or actual, will affect foreign policy calculations of secondary states, which will, in turn, influence their be-

haviors and interactions. That China is a rising power that will challenge US supremacy is not a new observation, but the key theme here is that global crises have the ability to expedite the rise of a superpower-to-be. The hastened structural change at the system level will affect how East Asian countries behave and interact with one another.

This hypothesis, if true, will lead to two observable state behaviors. First, rising powers will seize the opportunity of a global crisis to reduce their dependency on the superpower in an attempt to move away from a unipolar world. Second, secondary states will exploit these external shocks to maximize their interests, as Waltz argues that “secondary states, if they are free to choose, flock to the weaker side; for it is the stronger side that threatens them.”⁴⁰

At first glance, it would seem counter-intuitive to suggest that Waltz’s theory of international relations offers an explanation for the pace of regionalism in East Asia in the present crisis—to apply a political framework to an economic event. However, this paper takes a strong assumption that economic might equates to power as many scholars have likewise purported. Ikenberry, for example, notes that state power today is ultimately based on sustained economic growth. Cox also asserts that the economy is the foundation stone of all viable empires.⁴¹ While the United States could wage wars in Middle East without the endorsement of the United Nations (UN) following the 9-11 attacks in the security realm given its military might, its economy was too intertwined with the rest of the world’s, especially China’s, for Americans to undertake any unilateral economic actions. Moore therefore concludes that US policy options are increasingly constrained by the interdependence of its ties to East Asia, especially in economic affairs.⁴² Section 4 illustrates the drifting capabilities of the United States vis-à-vis China and suggests that the latter has taken bolder steps to move away from a unipolar world. It then addresses the pertinent question of how the rest of East Asia has responded to a more assertive China in the present crisis in relation to the likelihood of a second wave of East Asian regionalism.

4. Accelerated Shift in Distribution of Capabilities

The late Chinese leader, Deng Xiaoping, said in the early 1990s that China should “hide its capabilities and bide its time.”⁴³ This section describes how the US banking crisis has reconfigured the calculations of East Asian countries on the capabilities of the West, especially the United States vis-à-vis China. It maintains that while China has been hurt by the present crisis, its economic and financial power has been strengthened relative to those of the West, especially the United States. No longer content with hiding its capabilities in the present crisis, China has assumed a more assertive posture in its dealings with the United States and the wider East Asian region.

(1) The Crisis Hurts the United States Much More Than China

The US banking crisis has been described as “the most destructive 30 years of finance in world history.”⁴⁴ The IMF attributed US\$2.7 of the US\$4.1 trillion global losses in this crisis to the United States.⁴⁵ Countries that depended on exporting to the US market were the most affected. For instance, the *Wall Street Journal* reported that the economies of the three largest trading partners of the United States, namely, Japan, Germany, and Mexico, plummeted since the onset of the global recession.⁴⁶ At the macro-level, the WB highlighted that the OECD economies, which accounted for 71 percent of the world’s Gross Domestic Product (GDP) in 2007, had shrunk by 4.2 percent in the first quarter of 2009 from a year earlier.⁴⁷ The United States and Japan alone contributed to 0.9 and 1 percent of that decline respectively. By contrast, the WB raised the GDP forecast for China from 6.6 to 7.2 percent in 2009, and expected the Chinese economy to grow 7.7 percent in 2010.⁴⁸ When asked for their estimates of China’s GDP in 2009 at an interview with

McKinsey & Company in May 2009, four leading Chinese economists projected the Chinese economy as growing within the range of 7 to 9 percent in 2009, representing only a slight decline from its average of 9.7 to 9.8 percent in the past 30 years.⁴⁹ True to their forecasts, the Chinese economy grew by 7.9 and 8.9 percent respectively in the second and third quarter of 2009.⁵⁰ The impressive comeback posted by China a year into the crisis drew a prompt admission by a Merrill Lynch economist that “China’s recovery is real, strong, and sustainable.”⁵¹ Summing up the impact of the banking crisis, Nobel Prize-winning economist Paul Krugman said that the United States “risks a Japan-style lost decade of growth.”⁵² With the US dollar in steep decline and the US financial system in crisis, most economists agree that the United States’ financial prowess will wane over time.

At the micro-level, US multinational companies such as American International Group (AIG), Lehman Brothers, General Motors (GM) and the like, which at one time were considered prospective challengers to usurp the traditional role of the state, collapsed one after another like a deck of cards. The implication and reputational damage to the United States cannot be understated. Bank of America (BoA), for example, was forced to sell its stake of China Construction Bank (CCB) in January 2008 and again in May 2009 to boost its own capitalization, a move which reduced its holding of the prominent Chinese bank from 30 to 11 percent.⁵³ Likewise, Citigroup had to sell off its holdings of Nikko, one of Japan’s top three securities groups, less than three years after gaining a foothold in the Japanese market.⁵⁴ In a ranking of the world’s best banks, the *Economist* assesses that the Chinese banks now dominate the standing by market capitalization.⁵⁵ Outside of the finance sector, a July 2009 *Fortune* report also named 43 Chinese companies in its list of the world’s 500 largest companies for the first time, registering a sharp increase from only 8 Chinese companies a decade ago.⁵⁶ While there were still 140 US companies on the list, 2008 marked the worst year in history for the United States’ largest companies with Wal-Mart displaced from its pole position by a non-US company for the first time. Furthermore, as the list was based on the operating revenue of companies in 2008, it is expected that the ranking next year will show a further weakening of US economic prowess when the full force of the crisis on US companies in 2009 is factored in. A *Bloomberg* report in July 2009 affirmed that the Chinese stock market might surpass the US market as the world’s largest by value within three years.⁵⁷

Both the micro and macro examples reinforce the point that the current financial turmoil has a disproportionate impact on the capabilities of the United States vis-à-vis China. China is well-placed to ride out the crisis, which has, in turn, expanded its foreign policy options. By contrast, the economic and ensuing reputational damage to the United States, as well as the collapse of its once powerful commercial enterprises, are not to be taken lightly. McKinsey & Company surmises that the United States’ role in the world economy, and its leadership of capitalism and democracy, as well as moral authority, have been severely weakened.⁵⁸ The United States recognizes its own dwindled position relative to the Chinese, as well as the shifting distribution of its capabilities in the current crisis. During an official visit to Beijing in June 2009, US Treasury Secretary Timothy Geithner conceded that “China is playing a very important stabilizing role in the international financial system.”⁵⁹ But how exactly have the Chinese responded to their accentuated dominance?

(2) China Is Seizing the Opportunity to Reduce Its Reliance on the United States

According to Waltz, a change in the distribution of capabilities across the system’s units changes the structure of the system. As the international structure alters, so does the extent of interdependence.⁶⁰ If Waltz’s hypothesis holds true, we will observe China attempting to break away from the status quo by seeking measures to reduce its dependence on the United States and exert greater international influence.

Waltz considers two or more countries as “interdependent if the costs of breaking their re-

lations or of reducing their exchanges are about equal for each of them.”⁶¹ This definition aptly describes the current state of the US-China relationship. The Chinese State Administration of Foreign Exchange (SAFE), responsible for investing China’s US\$2.27 trillion in currency reserves (as of November 2009), conceded that the financial crisis had “struck a heavy blow to the international prestige of the dollar.”⁶² However, approximately 70 percent of the Chinese reserves are held in US dollar-dominated assets.⁶³ The Chinese are in a Catch-22 situation because selling away the US-dominated assets will further depress their overall market value and hurt the Chinese even more. In a revelation of China’s growing concern about the security of its US assets, PM Wen Jiabao conceded that the Chinese had lent a massive amount of capital to the United States and called on the United States to guarantee the safety of China’s assets.⁶⁴ The sudden flurry of Chinese anxieties following the onset of the US banking crisis compelled Secretary Geithner to give the assurance that “Chinese assets [in US dollar-denominated investments] are very safe” in an address to Peking University.⁶⁵

Yet the Chinese have taken steps in the last few months to reduce their reliance on the US dollar. According to Yu Yongding, Head of the Chinese Academy of Social Sciences International Economics and Politics Research Centre, China has done this in three ways, namely by stimulating domestic demand, diversifying funds from US dollar-dominated assets, and making sensible adjustments to the structure of its US dollar-denominated debt.⁶⁶ The Chinese government has unveiled a 4 trillion yuan or US\$586 billion package to stimulate the domestic economy, in addition to currency swaps with various countries amounting to US\$95 billion that will enable its exports to be settled in yuan. In April 2009, the Chinese State Council also announced that the yuan could be used in overseas trade settlements in five Chinese cities following a trial run with Hong Kong, Macau, and ASEAN in December 2008.⁶⁷ After the first successful completion of cross-border trade deals amounting to 14.38 million yuan by three Shanghai companies in July 2009, many companies in Singapore, Indonesia, and Malaysia have shown great interest in switching to using the yuan in their trade.⁶⁸ These post-crisis measures were clearly aimed at reducing China’s reliance on the US dollar as its trading currency.

Furthermore, China had been vocal in making a strong pitch for the internationalization of the yuan in the past six months. Pushing for the replacement of the US dollar as the world reserve currency is a significant proposition by the Chinese. Traditionally, empires that hold the global reserve currency are also net foreign creditors and net lenders.⁶⁹ In a press release issued by Bank of China (BoC) in March 2009, Governor Zhou Xiaochuan attributed the outbreak of the crisis and its spillover into the entire world to the “inherent vulnerabilities and systemic risks in the existing international money system.”⁷⁰ Zhou was referring to China’s dependence on the US dollar as the world reserve currency. Calling for reforms to the international monetary system, he further proposed for a super-sovereign reserve currency to reduce the risks of a future crisis while enhancing crisis management capability.⁷¹

It should be mentioned here that many experts agree that it will take a long time for the yuan to be used as a global benchmark, especially since it is difficult to buy and sell yuan outside of the country. China recognizes this and is realistic about its ability to reduce its reliance on the US dollar in the near term. Shortly after PM Wen and Governor Zhou’s comments on the stability of the US dollar, the PRC Ministry of Foreign Affairs reiterated that “the US dollar is still the most important and major reserve currency of the day,” and “the situation will continue many years to come.”⁷² In a speech made on behalf of Chinese President Hu Jintao to the Group of Eight (G-8) in Italy on July 9, 2009, State Councilor Dai Bingguo pressed for reforms to the global financial system and urged members to maintain the stability of major international reserve currencies, but stopped short of calling for the replacement of the US dollar.⁷³ Evidently, the Chinese government is avoiding a head-on collision with the Obama Administration, but their overtures, as seen through the flexing of their economic muscles and heightened lobbying of governments in the

present crisis, reflect a more assertive China setting the stage for a greater role in world politics. At the inaugural US-China Strategic and Economic Dialogue in July 2009 in Washington, State Councilor Dai and Vice Premier Wang Qishan repeatedly reminded their US counterparts of the importance of ensuring the stability of the US dollar.⁷⁴

The Chinese government is also making use of the current crisis to augment the country's capabilities and search for new opportunities outside of the United States through its Sovereign Wealth Funds (SWF). At the Boao Forum for Asia in April 2009, Luo Jiwei, Head of China Investment Corp (the main vehicle of Chinese SWF), disclosed that he was considering investing in Europe again now that the "European officials have been humbled by the global financial crisis."⁷⁵ Through its central bank and SAFE, China has reportedly accumulated assets amounting to approximately US\$22.7 billion worth of shares in various British industries since the onset of the crisis in 2008.⁷⁶ It is noteworthy that this sum represents only a small portion of China's US\$2.13 trillion of foreign exchange holdings.

The disproportionate impact of the current financial crisis on the United States and Chinese economies should therefore be seen in the broader context of a more assertive China that is utilizing the present crisis to reduce its dependency on the United States in an attempt to move away from the unipolar world. The remaining section addresses the pertinent question of how the rest of the East Asian countries have responded to the accelerated change in distribution of capabilities between the United States and China.

(3) East Asian Countries Recognizing and Adjusting to the Power Shift

If Waltz's theory is true, we will observe Southeast Asian countries again moving closer to their Northeast Asian counterparts, especially China, rather than bandwagoning with the United States. Does this mean that a second wave of regionalism as witnessed in the post-Asian financial crisis period is in the cards for East Asia?

According to a mid-year UN report in 2009, the recovery of Chinese domestic demand is expected to enable East Asian economy to enjoy a relatively robust growth rate of 5.6 percent in 2010.⁷⁷ The latest field research undertaken by McKinsey & Company reveals that China will hold the world's fourth largest concentration of wealthy people by 2015.⁷⁸ The writings of a powerful Chinese economy accentuated by the present crisis are on the wall. Southeast countries are beginning to realize the shifting distribution of capabilities between the United States vis-à-vis other powers such as China and, to some extent, Japan. Consequently, the outbreak of the crisis saw several key ASEAN countries going all out to woo the Chinese on a bilateral basis.

Signaling their intention to end trade in US dollars, Chinese PM Wen and Malaysian PM Najib announced during the latter's working visit to China in June 2009 that Malaysia and China would consider conducting their trade in Chinese yuan and Malaysian ringgit for the first time.⁷⁹ Burdekin explains that even if the yuan is not yet ready to take on a greater role in Asia at this juncture, the absence of other obvious contenders within the region suggests that this is the most viable long-term option.⁸⁰ Such comments mark the genesis of an East Asian awakening to the growing might of China accentuated by the present crisis. At the same meeting with PM Wen in Beijing, PM Najib even offered a commercial banking license to China's central bank on the condition that the Chinese would reciprocate by allowing Malaysia greater access to China's financial and banking sector.⁸¹ PM Najib's gesture was highly significant during this crisis given that no foreign commercial banks had obtained approval to operate in Malaysia for more than a decade.⁸² Malaysia's rejuvenated pursuit of the Chinese market on a bilateral modality is not at all surprising given that the country is China's largest trade partner among the ASEAN countries, with trade value amounting to US\$39.06 billion in 2008.⁸³

Likewise, Thailand is redoubling its efforts to deepen its economic relations with China. In the face of a domestic crisis with pro-Thaksin supporters, Thai PM Abhisit Vejjajiva went ahead

with a state visit to China in June 2009, leading a 300-member strong contingent comprised of government officials and businessmen to Beijing. Both premiers officiated the signing of an agreement to formalize a five-year trade deal between China and Thailand. During the visit, PM Abhisit went so far as to extend an invitation to PM Wen for Chinese companies to participate in the infrastructure projects in Thailand made available by the Thai government's 1.4 trillion baht economic stimulus plan.⁸⁴ This is an unusual and unprecedented proposition by the Thais given that stimulus packages are mostly intended to spur domestic industries rather than overseas companies. In Singapore, the de-facto investment arm of the government, Temasek Holdings, divested its entire stake of BoA in the United States at an estimated loss of US\$3 billion in the first quarter of 2009, and explained that it would like to "focus on global companies that aim to grow in Asia."⁸⁵ It is telling that, in the same period, Temasek Holdings raised the value of its investment foray in the Chinese banking sector through the purchase of a bigger stake in CCB, which has become the world's second-largest lender by market value.⁸⁶

The emerging evidence indicates that key members of ASEAN have attempted to deepen their bilateral relations with China in the current crisis, cultivating the Chinese markets by using the government-to-government approach. Separately, the largest market of ASEAN, Indonesia, is seeking closer ties with Japan. Following Japanese Finance Minister Kaoru Yosano's offer for Japan to guarantee US\$5 billion of bonds sold by developing countries in Bali on May 3, 2009, Indonesia announced that its seven banks would auction US\$500 million of "samurai bonds" or yen-dominated notes with the support of Japan as yet another indication of the waning interest in the US dollar.⁸⁷ What is common in the examples presented thus far is that ASEAN countries are tending towards the use of bilateralism to respond to the hastened rise of China in the present crisis. Yung warns that East Asian regionalism is at risk of evolving into an isolated region, shallowly integrated, with China as the center.⁸⁸ Apart from the manifestation of a Southeast Asian penchant for bilateralism rather than regionalism in the present crisis, the issues to consider here are three-pronged, namely, leadership in Northeast Asia, Chinese growing interest to cultivate other regions, and political uncertainties in East Asia.

First, China has stepped up its cultivation of the ASEAN countries with the aim to harness a stronger leadership role in the region. That ASEAN's FTAs with South Korea and Japan were realized much later than the ASEAN-China FTA reinforces the view that China is acutely aware of its increasing importance in the region and how it may use that importance to fulfill its leadership aspirations in East Asia. Shortly after the ASEAN Summit in Pattaya in April 2009, Chinese Ambassador to Indonesia Zhang Qiyue met with Secretary-General Pistuwan to follow up on PM Wen's eight proposals on strengthening the ASEAN-China cooperation, including the signing of a US\$10 billion ASEAN-China Investment Agreement to promote infrastructure development in the region,⁸⁹ and the provision of US\$15 billion credit to ASEAN countries.⁹⁰ Explaining that the current global crisis is likely to spur further integration among Asian markets, Dominic Barton, Director of McKinsey's Shanghai Office, suggests that the current global financial problems provide the leadership in this region a unique opportunity to pull together.⁹¹ However, what Barton has critically failed to point out is that leadership is not a given matter in East Asia.

The intense competition for regional leadership, especially in light of the weakened US position in the present crisis, will be a major impediment to the deepening of East Asia regionalism or creation of an East Asian FTA. Evidently, no FTAs involving the three Northeast Asian countries have been concluded. For example, in a bid to fob off recent calls made by China to use the yuan as the world reserve currency, Japan counter-offered a 6 trillion yen loan to financially stricken Asia to entrench the yen as the region's currency for trade in May 2009.⁹² The offer, which came just a month after Governor Zhou's announcement, was on top of the 3.8 trillion yen Japan had committed to the revised Chiang Mai Initiative Multilateralization (CMIM), which ostensibly also matched the Chinese obligation. The unprecedented push by Japan for Asian coun-

tries to take up yen-dominated loans is a testament to what Urata describes as an intense rivalry among East Asian countries, especially China and Japan, in a race to assume a leadership role in the region.⁹³

The rivalry could also be observed during the negotiation of ASEAN+3 finance ministers on the components of the CMIM, aimed to pool together regional foreign reserves amounting to US\$120 billion by the end of 2009.⁹⁴ While China, Japan, and South Korea agreed to contribute 80 percent of the fund based on a 2:2:1 ratio, a high-ranking Thai official disclosed that negotiations appeared to be heading nowhere until the ASEAN countries asked Japan and China to contribute equal amounts to the CMIM funding.⁹⁵ On top of its CMIM commitments, Japan initiated a new currency swap agreement with Indonesia amounting to 1.5 trillion yen (US\$15.7 billion) in July 2009.⁹⁶ Unlike the CMIM agreement that will be carried out in US dollars, the Japan-Indonesia swap agreement is denominated in yen. These two examples again illustrate how China and Japan are jostling for regional leadership in East Asia. Furthermore, the stalemate is accentuated by what Pempel describes as a strong US resistance to any forms of regionalism in Northeast Asia and the wider East Asian region.⁹⁷

Second, the crisis has presented China with foreign policy options beyond East Asia. Amako has pertinently observed that Chinese policymakers have begun to move toward the idea of turning East Asia into a regional space that reflects China's intentions and interests in the last decade.⁹⁸ Yet China is acutely aware that market integration can raise the vulnerability of the host economy. There will therefore be an increasing bias of the Chinese government towards a diversification of trading partners and export destinations. For example, China has started to expand its basket of FTAs to include more non-East Asian countries. Since late 2008, China has conducted FTA talks with countries like Chile, Costa Rica, Norway, and Pakistan, and concluded a FTA with Peru in April 2009.⁹⁹ Since the onset of the crisis, China has also signed a series of accords for future cooperation with Russia including some in the areas of natural gas and coal during President Hu's state visit to Moscow in June 2009.¹⁰⁰ Chinese Foreign Minister reportedly indicated to the new Indian Foreign Secretary Nirupama Rao that China was ready to work with India to promote bilateral relations.¹⁰¹

It is worth a mention here that non-Asian countries are as eager to court the Chinese, especially after seeing how economies in the West were badly affected by the global financial crisis. The Chinese, in turn, are playing their cards right. Their Ministry of Commerce, for example, has assured the African continent that the world economic crunch will not affect China's aid to Africa. At the same time, the financial crisis has given China the opportunity to go global by securing strategic assets at fire-sale prices such as those in the mining sector of South Africa.¹⁰² Separately, President Hu and Brazilian President Lula da Silva issued a joint communiqué on May 19, 2009 to further promote trade and bilateral economic cooperation between Brazil and China, which had also replaced the United States as Brazil's top trade partner in April 2009.¹⁰³ After the issuance of the Brazil-China joint communiqué, Brazilian officials revealed that the governors of the two countries' central banks would be meeting soon to discuss replacing the US dollar with the yuan in their trade transactions.¹⁰⁴ Finland and China also concluded a series of high-tech contracts worth US\$1 billion, and kick-started discussion for trade deals amounting to US\$2 billion during Chinese Vice-Premier Li Keqiang's visit to Helsinki in June 2009.¹⁰⁵ During a working visit to Beijing, Hungarian Foreign Minister Peter Balazs asserted to his Chinese counterpart that developing relations with China was a priority for Hungary.¹⁰⁶ The evidence therefore suggests that the Chinese have accelerated their charm offensive in the present crisis from Africa and Scandinavia to emerging markets in Eastern Europe and Latin America. The coming months will attest to even more Chinese advances into the non-East Asian region.

Third, the initial postponement and last-minute cancellation of the 14th ASEAN Summit and 4th East Asia Summit in April 2009, when anti-government protestors stormed the meeting venue

in Pattaya, highlighted the importance of domestic stability in Southeast Asia for any effective regional collaboration to take place. It has been acknowledged that ASEAN's role in brokering East Asian cooperation is central to the first wave of regionalism after the Asian financial crisis. Mahbubani, in his recent book, goes so far as to say that ASEAN's remarkable diplomatic achievement is enabling the "peaceful emergence of new Asian powers like Japan, China, and South Korea."¹⁰⁷ PM Abhisit's Democrat Party is still locked in an intense political standoff with pro-Thaksin supporters. As the current ASEAN chair, Thailand's looming domestic crisis does not bode well for the Southeast Asian grouping. In Malaysia, the Barisan Nasional government is still picking up the pieces after its heavy loss of five Malaysian states to the opposing coalition led by Anwar Ibrahim during its General Elections last year. Turning to Indonesia, President Susilo Bambang Yudhoyono was compelled to make many political accommodations by awarding key cabinet positions to members of the fringe political parties who had supported his re-election bid in October 2009; more than half are career politicians as opposed to technocrats or professionals.¹⁰⁸ Moreover, the new cabinet, led by President Susilo's Democrat Party, has to face off with its longstanding ally Golkar, now the de-facto opposition party. Presidential and legislative elections are also expected in the Philippines in mid-2010, during which President Gloria Arroyo will step down as the Filipino constitution prohibits an elected president from seeking a second term. Such domestic uncertainties, coupled with the age-long issue surrounding Myanmar that has returned to the fold of international attention in recent months with the trial of Aung San Suu Kyi on charges violating the terms of her house arrest, do not augur well for the next wave of regionalism.

5. Conclusion

At an interview with Reuters in May 2009, the prophetic economist, Nouriel Roubini, who famously predicted the current banking crisis in 2006, suggested that the US recession would last for two years.¹⁰⁹ His forecast was substantiated by credit rating agency Standard & Poor's (S&P) estimation that the US banking crisis might end in 2013.¹¹⁰ At first glance, the current crisis presents an excellent window of opportunity for East Asian countries to redouble their efforts in creating the next wave of regionalism as seen in the decade after the Asian financial crisis of the 1990s. However, given the findings of this study a year into the crisis, this paper is less sanguine about the second wave of regionalism in the near term.

The conditions that led to the first wave of cooperation after the Asian financial crisis of 1997-98 no longer exist in the current crisis. Section 2 has shown that the need to create a regional institution to meet the challenges of the Asian financial crisis, as well as the widespread perception of unhelpful US leadership, was largely responsible for East Asia's push towards greater regional cooperation during the Asian financial crisis. As summarized by Thomas, the subsequent five years saw an explosion of new regional meetings between officials and ministers from every sector, which created a stronger sense of community between countries in ASEAN+3.¹¹¹ Such conditions are not present in the current crisis.

The recurring theme of this paper is that the present crisis has accelerated changes to the distribution of capabilities between the United States and China. Premised on Waltz's theory of international relations, the conceptual framework presented in Section 3 suggests that the recent US banking crisis has propelled the rise of China, affording the country wider foreign policy alternatives.

Section 4 has demonstrated how the structural change at the system-level has caused ASEAN countries to intensify their efforts to seek closer ties with China through the bilateral track, as opposed to using the regional platform. As highlighted by Leifer, the balance of power in Asia

is alive and well.¹¹² In his recent book, Beeson makes a parallel case for the declining importance of the American economy in East Asia, arguing that China may come to be seen as a force for stability in the global economy while the United States will be cast as a source of instability in the aftermath of the current financial crisis.¹¹³ Likewise, China has geared up its efforts to diversify its trade links with non-East Asian countries in the present crisis. Even the United States is cognizant of the rise of China and its implications. US State Secretary Clinton conceded that the United States was “seeing particularly China come in right behind us, because countries get tired of talking to our bureaucracy and decide that they’re going to cut a deal with someone else.”¹¹⁴ Adding to the preference for bilateralism displayed by ASEAN countries (and China) less than a year into the present crisis, competition for leadership in Northeast Asia and continued uncertainties in several ASEAN countries are not favorable conditions for the next wave of regionalism.

Despite the somewhat dismal findings on the likely pace of regionalism in this paper, there is a silver lining on the horizon that could substantially change the landscape of East Asian cooperation and warrant further research. Following Singapore’s chairmanship of APEC in 2009, the next two years will see Japan and the United States taking turns to host the annual APEC Meeting. A year into the US banking crisis, the recently concluded APEC leaders’ meeting in Singapore called on its member economies to resist protectionism and accelerate regional integration.¹¹⁵ Evidently, Japan and Singapore are close allies of the United States, and the latter has long been pushing for a regional arrangement that encompasses more countries so that no large country may dominate any regional discussions. Despite celebrating its 20th anniversary this year, APEC has regrettably been widely perceived as an institution that is in relative decline when compared with emerging forums such as the ASEAN+ groupings, leading to recent calls for a broader regional framework. Notably, Japanese PM Yukio Hatoyama is pressing for the establishment of an East Asia Community based on the spirit of fraternity and friendship, and on the principle of “open regional cooperation,” which will cover a broad range of areas such as finance, trade, investment, and education.¹¹⁶ On the other hand, Australian PM Kevin Rudd is pushing for the fruition of his proposed Asia-Pacific Community which “seeks to bring together in a single institution” the countries in the region “to encourage the habits of cooperation” on all areas of concern, ranging from socio-cultural to economic and political by 2020.¹¹⁷ Differing views about their membership and roles in the region notwithstanding, both leaders have not ruled out the inclusion of the United States in the proposed grouping.

Of vital consideration here is the rekindled US interest in the region. On his return from his four-nation tour of Asia in November 2009, President Obama conceded to the importance of the Asia market, explaining to Americans that a 5 percent increase in US exports to the region would result in the creation of hundreds of thousands of jobs for Americans in the current economic downturn.¹¹⁸ Indeed, prior to his Asia tour, the US accession to the Treaty of Amity and Cooperation in July 2009—a cornerstone of the ASEAN grouping that had been largely ignored by the Bush Administration—along with Secretary of State Clinton’s participation in the ensuing ASEAN Regional Forum were among the earliest indications of Washington’s intention to increase its engagement in the region. Furthermore, President Obama made an unprecedented decision to reverse the Bush Administration’s policy of shunning Myanmar in order to “step up and increase our [US] engagement with ASEAN,” in the words of US Ambassador for ASEAN Affairs Scot Marciel.¹¹⁹ On November 15, 2009, President Obama met with Myanmar Prime Minister Thein Sein, along with the nine other ASEAN leaders, marking the first ever meeting for the 42-year old grouping with a US President.¹²⁰

In what was yet the clearest signal of Washington’s renewed interest in the region, in his major policy speech in Tokyo in November 2009, President Obama repeatedly referred to the United States as a nation of the “Asia Pacific,” and even addressed himself as “America’s first Pacific President.”¹²¹ In the same address, President Obama asserted that the United States “expects to

be involved in the discussions that shape the future of this region, and to participate fully in appropriate organizations as they are established and evolve.”¹²² Developments in the past year have certainly attested to the new engagement strategy of the United States with the region as a whole, in stark contrast to its longstanding *modus operandi* to cultivate key allies on a bilateral basis. It is perhaps ironic that this milestone policy adjustment on Asia by the world’s superpower is taking place at a time when countries in this region are turning towards bilateralism in light of the current financial upheaval, as this paper has discussed. Sustained leadership from the Obama Administration and coordinated maneuverings with its allies are critical to invoke the next wave of regionalism whether through a revitalized APEC, Asia-Pacific Community, or East Asia Community.

Notes

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The Nexus between Traditional and Non-Traditional Security Cooperation in Japan-China Relations: Environmental Security and the Construction of a Northeast Asian Region

Christian Wirth

Abstract

This paper aims to contribute to the understanding of regional international relations by looking at bilateral and multilateral security cooperation. It focuses on the two major East Asian states, Japan and China. Mostly limited to questions of traditional security, Japan-China relations are often characterized as the result of a power shift, contentions about history or conflicting identities. However, since the 1990s, dynamics of globalization are dramatically changing and complicating the socio-economic and political environment in East Asia. It is thus necessary to analyze regional and bilateral security cooperation comprehensively. This paper therefore seeks to explain the nexus between questions of traditional and non-traditional security in Japan-China relations. It evaluates policy coordination through bilateral and multilateral channels in the areas of environmental security against the background of their overall security-political relationship since the mid-1990s. In this regard, the study analyzes the development of cooperation within the frameworks of the Tripartite Environment Ministers Meeting (TEMM) and the North-west Pacific Action Plan (NOWPAP). Subsequently, it assesses the proposition that cooperation in areas of non-traditional security is politically easier to realize than cooperation in the area of traditional security, and that such functional cooperation is conducive to the improvement of international relations through the building of political trust. Finally, the study aims to contribute to the understanding of how dynamics of globalization transform the nature of international relations and influence the course of future regional cooperation in East Asia.

1. Introduction

Over the past decades, waves of economic development caused a surge in intra-regional trade flows, which led to a certain degree of division of labor between East Asian countries and to the emergence of nascent regional structures. More importantly, the spread of similar patterns of increasing economic production and consumption, as well as other dynamics of globalization such as the accelerating spread of new means of telecommunication and transportation, are rapidly changing socio-economic conditions in Northeast Asia. Subsequently, social, energy, maritime, environmental, and human security issues became part of the political agendas. Given their transnational character, all of these developments foster the expansion of interests and practices beyond established boundaries.¹ Despite steadily growing interdependence, however, regional political cooperation has remained modest. Mutual distrust continues to hinder further integration of communities and prevents effective solutions to transnational security challenges. Most striking is the lack of collective action due to the complicated relations between the two major actors of the region, Japan and China.

By looking at Japan-China security relations, this study shall contribute to the understanding of regional cooperation in Northeast Asia. It analyzes the interplay between the manage-

ment of traditional security policy on the one hand and non-traditional security on the other. While traditional security involves the prevention and defense from attacks by organized, state-controlled armed forces, non-traditional security encompasses a wide range of threats to national and human security as well as the responses to them. Similar to neo-functionalist explanations of regionalism, it is often argued that East Asian regional cooperation in response to non-traditional security concerns is politically easier to achieve than cooperation in traditional security matters.² The main argument is that non-traditional security threats create imperatives for states and political communities to work together in order to solve the problems affecting their stability. Moreover, it is argued that cooperation in areas of non-traditional security in functional issues contributes to the building of political trust and therefore leads to enhanced international security-political cooperation. Other reasons might be that relevant issues are not associated with deliberate, targeted, and sudden state action which threatens the core national security interests of another state, that is, territorial and political control.

In the context of globalization and its important impact on East Asian states and societies, an important puzzle arises, involving the interlinking of non-traditional security problems and traditional national security concerns. This problem leads to the following questions: How did Japan-China cooperation in the area of non-traditional security develop since the mid-1990s compared to cooperation in areas of traditional security? Did the nature and quality of cooperation in non-traditional security differ from cooperation in traditional security? If so, what accounts for the differences? And why did cooperation in areas of non-traditional security happen in some cases and not in others?

Rapid industrialization and changing patterns of consumption as hallmarks of East Asian development lead to the increasingly salient depletion of natural resources and are the sources of transboundary air and ocean pollution. Therefore, environmental security—the focus of the present study—is of particular importance to regional cooperation.

This paper argues that, provided a basic political will, environmental security cooperation can serve as a diplomatic tool to develop and improve bilateral relations in the security-political sphere. The analysis of two cooperation mechanisms reveals that inter-governmental cooperation at the working level is fraught with various problems of collective action ranging from questions of financing and transparency to governing capacity. Despite the limited progress of environmental security cooperation at the working level, however, the study concludes that cooperative rhetoric and symbolic action, which put other countries in a positive light, are able to build political trust between states and societies. As a result of the growing awareness of the need for environmental protection, the fact that Northeast Asia is ecologically a region translates into enhanced political regional cooperation.

The argument is presented as follows. The second section of the paper clarifies the concept of security and discusses its application to environmental problems. The third section elaborates on how non-traditional security cooperation may lead to the improvement of political relations. The fourth section outlines the development of the security-political relationship between Tokyo and Beijing to be used as a benchmark. The fifth section explores environmental security cooperation in Japan-China relations at the high diplomatic level. The sixth and seventh sections assess environmental security cooperation at the ministerial and working levels by looking at the cases of the Tripartite Environment Ministers Meeting (TEMM) and the Northwest Pacific Action Plan (NOWPAP). The final and concluding section assesses the proposition that environmental security cooperation is conducive to the improvement of bilateral relations and subsequently leads to better regional cooperation in Northeast Asia.

2. Security as Stability of Social Order

In order to operationalize the concept of security, it is necessary to answer the questions about the referent of security and the range and nature of threats that are of concern. The conceptualization of security developed by Buzan, Waever, and De Wilde³ explains how specific issues become objects of security politics and analysis. An actor describes a problem or a phenomenon as something exceptional that is existentially threatening a specific referent object. The argument is that emergency measures that go beyond the common political process will need to be taken. The success of these securitization moves in the form of “speech-acts,” mostly performed by political actors, depends on whether the audience accepts it and adopts the threat perception. According to this definition, security is of a subjective quality and is essentially a product of communicative interaction. Caballero-Anthony et al.⁴ point to the importance of closer analysis to determine why securitization occurs and how it takes place. This analysis includes questions about the motives and intentions of securitizing actors as well as the impact of securitization on political outcomes. The fact that certain social groups or individuals are often unable to voice their concerns in political processes means that securitization may not occur, despite the objective presence of existential threats to individuals and communities.

This study raises the question of whether the state as referent object is the appropriate unit of analysis. As Dupont stresses, “[T]he security of states has no real meaning if divorced from its human constituents.”⁵ This is even more so when one tries to define the desirable outcome of activities to render human communities secure. Camilleri asserts that the critical issue is the maintenance of a social order that is able to generate sufficient degrees of confidence into the future.⁶ Security is therefore a psychosocial condition. In an effort to give the concept explanatory power despite its multidimensional character, Camilleri, in line with McSweeney, conversely defines *insecurity* as “related to the experience of social disruption, the fragility of social relationships, the absence of cognitive control over, or affective empathy with, various forms of human interaction (which obviously include the ecological implications of such interaction).”⁷ Camilleri consequently defines insecurity as the “perceived disruption—actual or potential—of the social order.” In this paradigm where insecurity is inextricably linked with the problem of collective identity, nationalism, and the nation-state are modern and far-reaching responses to the experience of insecurity.⁸ However, problems such as the lack of capacity and good governance, as well as the increasing salience of transnational phenomena, challenge the conventional notion of states as single providers of security for their citizen. This is especially the case in East Asia, where the distinction between state and government is often blurred, as the latter itself is constituted by the ruling party. Opposing the ruling party therefore means opposing the state.⁹ The resulting priority of the preservation of political power by governments has the implication that the safety and welfare of citizens, let alone environmental concerns, are of secondary importance. As a consequence, there can be no reliable analysis of security problems without a close look at the underlying social and institutional conditions.

With the development of new concepts of security after the end of the Cold War, it has become common to speak about environmental security, and globalization is increasingly understood in this context. The main reason is that beginning in the 20th Century, human development is characterized by the enormous expansion of the global population and its movement into urban areas. As a result, systems have been established to move various commodities from rural areas to burgeoning cities.¹⁰ This phenomenon is especially true for Northeast Asia. The question is therefore what meaning environmental security has for the authorities in Tokyo and Beijing and how it influences bilateral relations. Empirical evidence does not support the general argument that environmental security problems lead to interstate conflict. Rather, environmental degradation does affect local communities and may contribute to domestic instability.¹¹ However,

transnational environmental problems do have high potential to affect the relations between states adversely.¹² In this context, it is useful to look at the securitization of environmental degradation because it shows how issues become part of political agendas and earn a certain level of priority. Securitization triggers two debates: one about the underlying risk assessment and one about the strategic answer to it. Moreover, if the security discourse persists, it will result in community building and institutionalization. De Wilde also notes that in large parts of these discourses, more often than the environment itself, the preservation of existing levels of civilization is the referent object. Ultimately, the debate is therefore about which groups (professions, industries, and countries) need to change their behavior in order to render the patterns of consumption sustainable and reduce the threats to common environmental security.¹³ On this background, Deudney opposes the securitization of environmental problems and their linking with national security, as he fears that it would reinforce the “us”-versus-“them” thinking, which he sees as inherent to nations and apt to intensify interstate tensions.¹⁴

The analysis of official documents and the discourses among opinion leaders in Northeast Asia reveals that, with the exception of climate change and hydrocarbon supplies, environmental concerns are securitized only to a very limited extent. Instead, resource scarcity, pollution, and environmental degradation are widely understood as technical problems. One reason might be that the environmental security agenda, due to its dimensions which require the fundamental change of much of the present global structures in terms of world economy, international system, and cosmopolitan values, is simply unmanageable.¹⁵ Moreover, environmental threats appear in various shapes and affect communities in different, often gradual ways, and to different extents. It is therefore difficult to include these phenomena in a consistent securitizing act. Lastly, those actors who would be in positions to securitize environmental problems, despite their salience in view of social stability, may not be interested in allowing for any social mobilization out of fear they may lose some political control.

Despite these drawbacks, the analytical lens of security studies is applied in this research as it provides a consistent conceptual framework, while also helping to answer the question of social (and political) mobilization with regard to international cooperation. The fact that non-traditional security concerns such as environmental scarcity and pollution are often of transnational character means that transnational and international cooperation is necessary to address these common problems. The strict adherence to norms of non-interference and classical understandings of state sovereignty often hinder pragmatic cooperation and even prevent effective domestic responses. The next section briefly reviews propositions for why and how increasing interdependence among states leads to stronger intergovernmental cooperation and may weaken the “us”-versus-“them” and “inside hierarchic order and security”-versus-“outside anarchy and insecurity” conceptions of the global system.

3. Explaining Regional Intergovernmental Cooperation

In view of the difficulties in substantially improving the relations between Japan and China in the area of traditional security due to the lack of political trust, it is often argued that instead of focusing on the disputed issues only, one should shed more light and devote more effort to areas in which common interests can be identified more easily. It is argued that, by focusing on more technical questions, there are possibilities to build trust through cooperation that will eventually spill over into the security-political realm, and also help alleviate politico-military threat perceptions. At the least, such cooperation in East Asian maritime affairs in particular is seen as an effective confidence and security building measure.¹⁶ This perspective becomes salient when the increasing interdependence of East Asia societies and states is considered.

The question to be explored is how, and under what conditions political communities are able to improve cooperation between them. Deutsch elaborated on several factors that determine political integration, understanding “‘state of mind’ or disposition to be cohesive, to act together, and to be committed to mutual programs.”¹⁷ The argument that is most often invoked with regard to East Asia is that of the importance of shared functional interests. In his transactionalist approach, Deutsch points to the necessity of determining the relevance and extent of shared functional interests according to the belief of the people involved rather than on the basis of reality. Moreover, as functional interests may change, a closer look at the politically dominant interest groups is in order. Haas’ neofunctionalist approach is best known for the argument that cooperation in one sector generates spillover effects and leads to the deepening and the broadening of cooperation in other sectors, and eventually makes political loyalties shift to new institutions.¹⁸ The weaknesses of the seminal works of Deutsch and Haas that make their approaches difficult to apply to Northeast Asia are twofold. First, the diversity of political and economic systems in the region means that the necessary background conditions are partly nonexistent.¹⁹ Second, both approaches, although they do mention ideational factors, neglect the importance of socialization processes, which determine the values and norms held by political communities that consequently affect domestic as well as international integration.²⁰ With regard to security studies, the second shortcoming means that the interplay between so-called “high-politics” of traditional security and the “low-politics” of non-traditional security can hardly be explained.²¹ In view of the salience of history disputes, territorial disputes, and military modernization that characterize international relations in East Asia, however, the discussion of changes in mutual images, norms of non-interference and sovereignty, as well as the construction of threat perceptions, is essential in explaining the lack of collective action.

In order to assess the influence of globalization dynamics on Northeast Asian international relations and the relevance of non-traditional security cooperation, this paper will first explore if and why cooperation in non-traditional security issues may be easier to achieve than cooperation in traditional security issues. Second, it seeks to verify and specify how functional cooperation may increase political trust between two state actors. Functional cooperation, or cooperation in non-traditional security issues, may be easier to realize between Japan and China because:

1. it is suitable for individual politicians to serve as diplomatic tools to bring positive contributions into high-level meetings with their foreign counterparts, and results from their efforts to show their constituencies;
2. it is less publicized in the media and is thus less risky for politicians in weak power positions to undertake; and they can sell compromises to their constituencies;
3. it is less controversial because the concerned issues do not directly affect founding myths (historical understandings) of a social group and a particular state;
4. compromising in functional areas is not perceived as reducing the state's own security in view of a threat from the other party, because non-traditional security threats do not originate from deliberate state action. As a result, structural (geopolitical) constraints are largely nonexistent;
5. it is easier to find non-controversial areas to engage the counterpart, because the possibilities for technical cooperation far outnumber the contentious issues of traditional security issues; and,
6. technical questions allow it to advance cooperation through small steps because they are often more complicated and can be deconstructed.

In short, one could ask whether the distinction between non-traditional security cooperation and traditional security cooperation is one of technical, fact-based action versus symbolic, idea-

tional actions of a state. With regard to the second argument to be assessed in this paper, functional cooperation, or non-traditional security cooperation, may build political trust because:

- A) functional cooperation reinforces the parties' qualities as partners, equal actors, and political subjects instead of making one party an object of international politics;
- B) successful cooperation demonstrates the ability and capacity of a political actor as a common problem-solver, thereby increasing its domestic and international legitimacy;
- C) it helps to de-securitize a relationship through technical dialogues, the exchange and generation of common knowledge, and the dissemination of this knowledge to increase transparency and predictability;
- D) it engages, nurtures, and creates cooperative elements (epistemic communities) of a social group or a state and gives each a bigger role;
- E) it allows for social mobilization and the strengthening of political leadership without the necessity of the "othering" of another social group or state; and,
- F) it increases the amount and the quality of communication between the respective state administrations.

In order to evaluate the similarities and differences between traditional and non-traditional security relations, the development of Japan-China bilateral cooperation in the area of traditional security shall be compared with the area of environmental security as an example of one non-traditional security concern. For the purpose of this research, environmental security is limited to transboundary ocean and air pollution that affects public health and has detrimental effects on farming and fishery in neighboring states.²²

The sphere of environmental security has been chosen because it is increasing in salience due to the rapid growth of industrial production and consumption, and because of the enlargement of common markets combined with other systemic dynamics such as population growth, the spread of new technologies, and the increasing mobility of people. It is relevant since it is related to the ability of the respective societies to meet their basic needs, to secure and improve their living standards, and ultimately to maintain political stability. As a result, environmental issues are a significant factor in the bilateral relations between Japan and China. Moreover, national governments as regulators are heavily involved and remain important actors. Lastly, environmental cooperation is clearly more technical in nature and is purported, for the reasons outlined above, to offer better opportunities for cooperation between states than issues of traditional security.

In order to strengthen the analytical coherence of the study, the impact of climate change on international security and international cooperation is excluded because it is of global nature. Second, the study will not directly discuss the politics of Japanese official development assistance (ODA) to China. The reason is that ODA, as a term describing the way of funding, is a form of cooperation that is largely motivated by material incentives rather than being based on normative grounds. Thus, such forms of cooperation in which one party is paid for changing its behavior are less suitable for the assessment of understandings that may lead to policy-changes in the long-term. The mechanisms of the Tripartite Environment Ministers Meeting (TEMM) and the Northwest Pacific Action Plan (NOWPAP) are chosen as case studies because they make it possible to cover three different levels of interaction between the Japanese and Chinese state administrations: the head of state (diplomatic), the ministerial, and the working level. Moreover, as indicated below, these mechanisms feature prominently on the foreign policy agendas of both Japan and China.²³ The cases do not necessarily provide enough evidence to generalize the conclusions. Nevertheless, the insights help to understand the argument that increasing

interdependence leads to better cooperation.

4. The Evolution of Cooperation in Traditional Security between Japan and China

In order to make the fields of traditional and non-traditional security comparable, it is not only necessary to outline the general trends, but also to describe the changing patterns of cooperation ranging from the head of state down to the working level. With regard to the general trends since the mid-1990s, two points are most important. First, the Japanese side is worried about the modernization drive of the People's Liberation Army (PLA), which is accompanied and financially bolstered by the rapid growth of the Chinese economy. Prime Minister Hashimoto, during his visit to China in September 1997, clearly addressed this concern, which became more and more pronounced with the continued increases in defense spending, especially in the areas of strategic weapons, the air force, and the navy.²⁴ The Chinese navy's enhanced activities around Japan from spring 2000 on, along with the lack of transparency on matters of national defense, have contributed to rising threat perceptions until today.²⁵ Second, on the Chinese side, there is a longstanding anxiety over the status of Taiwan. China is equally anxious about the reaction of other East Asian states and the US to the increase of its political and military weight. In this regard, the development of more active Japanese security policies and the continued strengthening of the military alliance with the United States are of importance.²⁶

When Prime Minister Hosokawa visited Beijing in March 1994, a series of cooperative projects in various fields were agreed upon. These plans included the resumption of the defense dialogues that had been suspended after the Tian An Men incident. Subsequently, bilateral security dialogues were held annually. These talks continued even through the difficult times when the tensions between Taiwan and the Mainland strongly affected Japan-China relations, the Diaoyu/Senkaku Islands dispute escalated, the Guidelines for US-Japanese Defense Cooperation were revised, and Prime Minister Hashimoto visited the Yasukuni Shrine in 1996.

On the occasion of the visit of Chinese Defense Minister Chi Haotian to Tokyo in February 1998, an agreement on defense exchanges was signed with the intention to give the previous meetings, which were largely symbolic and superficial, more depth and content.²⁷ During Jiang Zemin's visit to Japan in November 1998, similar to those in 1994 and 1997, a wide range of areas of cooperation were identified. Among the so-called thirty-three points were also new proposals for confidence and security building measures in the military sphere. These included the establishment of a "hotline" between Beijing and Tokyo through which, in case of an unforeseen incident, both governments could immediately clarify a critical situation related to national security with competent authority on the other side. Moreover, mutual port-calls by naval ships were proposed. The promotion of defense exchanges was again a main point on the agenda when the Chief of the Japan Defense Agency visited Beijing in May 1999. When Prime Minister Zhu Rongji visited Tokyo in October 2000 amid intense diplomatic negotiations on various issues—such as increased Chinese naval activities, the flaring up of the East China Sea territorial disputes, tensions between Taiwan and the Mainland, and Japan's UN Security Council bid—the hotline proposal had not yet been implemented, although it had been agreed upon in principle several times before.

Only in 2003, when the Chinese National Defense University and the Japanese National Institute of Defense Studies started to exchange colonel-class personnel, were the limited plans for defense exchanges put into practice.²⁸ A prior notice system for ocean research around disputed areas in the East China Sea, agreed upon by the foreign ministries in February 2001, could not prevent confrontations around the Diaoyu/Senkaku Islands. The situation became most critical in 2004 and 2005 when the Japan Coast Guard arrested Mainland activists on one of the

Diaoyu/Senkaku Islands, and Beijing dispatched ships of the People's Liberation Army Navy to the island group.²⁹ Only after Prime Ministers Wen Jiabao and Shinzo Abe again agreed on mutual port calls of naval ships and defense exchanges in April 2007 were the proposals dating back to 1998 partly implemented. On the occasion of President Hu Jintao's visit to Japan in May 2008, there was an understanding that cooperation between Chinese and Japanese defense forces should be enhanced in areas such as disaster relief and peacekeeping operations down to the military unit level. The proposal of hotlines between political and defense authorities of Japan and China, however, has not been implemented until today. Nor does a memorandum of understanding (MOU) on search and rescue at sea between Japan and China exist, although the Council for Security Cooperation in the Asia-Pacific (CSCAP) encourages littoral states to create one.³⁰

Apparently, cooperation in the area of traditional security is strongly influenced by the changing state of bilateral political relations. While defense dialogues and exchanges became slightly more sophisticated over the years, they did not lead to an alleviation of mutual threat perceptions, and there was no significant progress in the area of security cooperation. When we explore the causes hindering the establishment of basic confidence and security building measures, not to mention political compromises to de-escalate tensions and build trust, several points are worth discussing in order to compare them with obstacles to cooperation in the non-traditional security sphere.

First, given their wartime history, there is a longstanding enmity between the military establishments in both countries, which may in many cases be rooted deeper than those among politicians, directly translating into threat perceptions and strategic calculations.³¹ The Cold War and post-Cold War security order in East Asia did not change these perceptions.³² Second, since military thinking and planning is designed and tasked to prepare the defense of national security interests in any contingency, territorial disputes in the East China Sea put the PLA and the Japan Self Defense Forces (JSDF) automatically in adversarial positions. Third, the prevailing public opinion of each country toward the other, coupled with the weakness of the incumbent political leaders, makes it difficult for politicians to compromise on territorial disputes and other long-standing controversial issues. As a result, there is not much room to improve the situation. The stalling of the cautious attempt of President Hu and Prime Minister Fukuda in 2008 to separate the exploration of natural gas in the East China Sea from territorial claims is a good illustration of this point. Chinese commentators saw the deal as giving in to groundless Japanese claims. An additional reason, however, may have been the change in political leadership with the election of Taro Aso to Prime Minister, and the increasing unpredictability due to the lack of political continuity in Tokyo. Fourth, structural (geopolitical) factors seem to inhibit the establishment of bilateral confidence and security building measures as well. In 2008, hotlines between the Chinese and Korean navies and air forces, as well as relevant Chinese and US authorities were set up. In contrast, different definitions of "hotline" seem to be the obstacle between Tokyo and Beijing. Thus, for the Japanese side, Beijing's desire to include information exchange on JSDF activities conducted under the US-Japan alliance, such as the prior notice of combined US-Japanese exercises, is not acceptable. On the other hand, the Chinese side has the impression that the Japanese authorities, due to their strong desire to not upset US interests and instead strengthen the alliance, show too little flexibility and are thus unable to conclude a reciprocal agreement when it comes to the exchange of information.³³

In summary, one is compelled to conclude that in the area of traditional security cooperation, very little, if any substantial progress has been made since the mid-1990s, despite the significant improvement of diplomatic relations from September 2006 on. Against this backdrop, the significant cooling down of diplomatic relations around 1996, especially in the period from 2001 to 2006, provides a good frame of reference for a comparison with the evolution of cooperation

concerning non-traditional security matters.

5. Environmental Cooperation in High-level Bilateral Diplomatic Relations

When Prime Minister Hosokawa visited Beijing in March 1994, the first agreement between Japan and China on environmental protection was signed. Its main purpose was to establish the “Japan-China Joint Committee on Environmental Protection and Cooperation,” which serves as a means to exchange views on environmental issues, as well as bilateral and multilateral cooperation in the field. In May 1996, to commemorate the 10th anniversary of the Japan-China peace treaty, the “Sino-Japan Friendship Center for Environmental Protection” and the “Japan-China Comprehensive Forum on Environmental Cooperation” were established.

At the bilateral summit between Prime Minister Hashimoto and President Jiang Zemin in September 1997, the project titled “Japan-China Environmental Cooperation Toward the 21st Century” was proposed. It consisted of two pillars: the “Japan-China Environmental Development Model Cities Plan,” and the “Project for Improvement in Environmental Information Network.” In his analysis of international relations in East Asia and between China and Japan, Prime Minister Hashimoto mentioned environmental issues, including climate change, energy conservation, and trade and investment as particularly important areas for bilateral cooperation.³⁴ Subsequently, in April 1999, the 3rd Joint Experts Meeting selected Guiyang, Chongqing, and Dalian as model cities, and the two governments agreed on the exchange of notes in regard to the portion of the 4th ODA Yen Loan that included related projects. During Jiang Zemin’s visit to Japan in November 1998, thirty-three points of cooperation, including environmental protection, were agreed upon. Also, as a positive gesture, Jiang brought with him the declaration of full membership of China in the Japan-sponsored initiative to monitor acid rain deposition in East Asia (EANET).³⁵ On the occasion of Prime Minister Obuchi’s July 1999 visit to Beijing, the Japanese leader proposed the establishment of a 10 billion yen fund in Japan, encouraging Japanese citizens’ groups and other bodies to engage in greening cooperation in China. The proposal was meant to become a third pillar in Japan-China environmental cooperation, together with the two initiatives undertaken by his predecessors Takeshita and Hashimoto. Japanese assistance to China in environmental protection continued as the priority of the revised ODA policy implemented in 2001.³⁶ However, environmental cooperation only resurfaced in official statements again, together with other areas, when Prime Minister Abe visited Beijing in October 2006.³⁷

The plan to promote bilateral relations with environmental cooperation became more concrete when Wen Jiabao visited Tokyo in April 2007. Now, environmental cooperation was declared as one of the main means, and a significant one, to “construct a mutually beneficial strategic relationship based on common strategic interests.” The “Joint Statement on the Enhancement of Cooperation for Environmental Protection” included a comprehensive and detailed list of areas and projects in which cooperation should be enhanced. Moreover, the statement explicitly mentioned the Tripartite Environment Ministers Meeting (TEMM), the Northwest Pacific Action Plan (NOWPAP), the Acid Deposition Monitoring Network in East Asia (EANET), and ASEAN+3 as frameworks to promote regional environmental cooperation. Bilateral mechanisms such as the Japan-China Joint Committee on Environmental Protection and Cooperation, the Japan-China Comprehensive Forum on Environmental Cooperation, and the Sino-Japan Friendship Center for Environmental Protection were included as well.³⁸ On the occasion of the visit of Hu Jintao to Japan in May 2008, a number of cooperation projects related to environmental protection and management were positively mentioned and enhanced cooperation was agreed upon.³⁹ Finally, when Communist Party of China’s (CPC) Politburo Standing Committee Member Li Changchun (the head of the CPC’s propaganda department) visited Tokyo in March 2009, the main message

delivered to the public was the call for enhanced environmental cooperation. In addition to those mentioned above, environmental issues were included as items on the agendas of the meetings between China, South Korea and Japan on the sidelines of ASEAN+3. These included the Tripartite Environment Ministers Meetings (TEMM), the Northwest Pacific Action Plan (NOWPAP), and others.⁴⁰

From the analysis of the official press releases, statements, and declarations associated with the above events, one can conclude the following. First, environmental protection is seen as a common interest and is frequently put forward as a means to strengthen bilateral and regional cooperation. Second, when political relations are most tense, environmental cooperation is not mentioned because there is no will to cooperate, or even communicate. The diplomatic use of environmental cooperation suggests that the impetus required to start major projects presupposes a relatively improved political situation and mutual willingness to advance by changing the basic framework of bilateral relations. This was the case in 1994, 1998, and 2007, but not during the period from 2001 to September 2006. The following sections will look at two cases in order to analyze the nexus between environmental cooperation and traditional security cooperation at the ministerial and working levels.

6. The Tripartite Environment Ministers Meeting (TEMM)

The TEMM mechanism, established in 1999, is the highest level of intergovernmental cooperation on environment in Northeast Asia. At the annual meetings, the three environment ministers from Japan, China, and South Korea exchange information, views, and concerns about regional problems. They also discuss potential measures to address those problems and further promote environmental cooperation. Additionally, there exists a working group that acts as secretariat and proposal-making body. Recently, an ad hoc working group of the three Directors-General has also been convened to address dust and sandstorm problems. The priority areas of TEMM are: (1) raising the awareness that the three countries belong to the same environmental community; (2) promoting information exchange; (3) strengthening cooperation in environmental research; (4) fostering cooperation in environment-related industries and transfer of environmental technologies; (5) exploring appropriate measures to prevent air pollution and to protect the marine environment; and (6) strengthening cooperation to address global environmental issues such as biodiversity and climate change. In addition, the scope of meetings was expanded to include waste management, chemical pollution, energy, water-related issues, as well as the reconstruction of societies upon sound material cycles and circular economies.⁴¹

Over the last ten years, annual meetings were hosted and chaired on a rotating basis. Each meeting produced a joint communiqué and identified various projects within the priority areas listed above. Thus, according to those involved, officials of the three countries have been working closely together and built mutual trust.⁴² In this respect, personal relationships are explicitly mentioned as being significant to ensure the sustainability of TEMM. As such, it is probably the politically most stable mechanism among the three countries, only comparable to the finance ministers meetings.⁴³ Despite the fact that the projects implemented by TEMM have been small compared to the environmental problems in the region, its importance for concrete outcomes in the promotion of environmental cooperation in the region is allegedly widely acknowledged.⁴⁴

A closer look at the joint communiqués of the annual meetings shows that there have been discussions on various environmental concerns, as well as approaches and initiatives to address them. Also, the agenda has been expanded to include new and increasingly salient problems such as marine litter and transboundary movement of hazardous wastes. While the joint communiqué of 2004 reveals that there has been discontent because of the lack of output orientation, effective-

ness and efficiency of TEMM projects, the more recent communiqués all convey the message that the cooperation at the ministerial level has been good and that TEMM projects have been output-oriented and effective. The communiqués do acknowledge, however, the need for the promotion of collaborative research, information and data exchange, and the enhancement of specific measures to address environmental degradation in Northeast Asia.⁴⁵ In order to make TEMM more efficient and able to contribute more to the management of the regional environment, a recent tripartite report proposed to lay down basic principles and objectives of TEMM, to set up a secretariat, to create a body for proposal-making and implementation supervision, to establish a financial mechanism, and to coordinate project implementation.⁴⁶

Various programmes and projects undertaken at the national and multilateral level are regularly recognized as important and worth supporting by the three ministers. This includes initiatives such as the COOL BIZ campaign which obliges Japanese government officials to work in offices with air-conditioning set at 28°C in summer while being allowed to dress less formally. At the same time, other concerns and programs such as acid deposition, waste management, and ocean pollution have been continuously discussed with little, if any, visible progress over the years. This result suggests that TEMM operates at the lowest common denominator. While the commissioning of a tripartite research report on environmental management in Northeast Asia may be seen as an achievement, better coordination among the various initiatives is urgently needed if substantial progress is to be made.⁴⁷ This situation has not changed since the publication of previous research.⁴⁸ Apart from the fact that projects implemented under the auspices of TEMM are small-scale and mostly limited to the organization of conferences and workshops, it remains questionable whether TEMM has been able to provide political impetus and support for more substantial projects in priority areas.⁴⁹ Nevertheless, TEMM seems to be a political-diplomatic success as the working atmosphere between the ministers has been good and constructive, despite considerable diplomatic tensions between the countries, like those in 2004 and 2005.

TEMM is arguably the most important mechanism for the promotion of environmental cooperation in Northeast Asia and is an indication of the strong will of the participants to cooperate on matters related to the environment.⁵⁰ Thus, it can be seen as an umbrella framework within which other initiatives and projects are conducted. In order to see how the allegedly good cooperation at the ministerial level translates into effective action, it is necessary to analyze the progress of specific projects that have been implemented under the political sponsorship of the three environment ministries. The following section therefore aims to assess the effective output of environmental cooperation by looking at a project repeatedly mentioned in the TEMM joint communiqués, the Northwest Pacific Action Plan.

7. The Northwest Pacific Action Plan (NOWPAP)

NOWPAP was adopted by the People's Republic of China, Japan, South Korea, and Russia as part of the United Nations Environment Programme's (UNEP) Regional Seas Programme in 1994. This form of cooperation dates back to 1991, when national representatives of the four countries met in Vladivostok to discuss an action plan for the environmental management of the Northwest Pacific.⁵¹ The overall goal of NOWPAP is "the wise use and development of the coastal and marine environment so as to obtain the utmost long-term benefits for the human population of the region while protecting human health, ecological integrity, and the region's sustainability for future generations." More precisely, this plan leads to a strategy for wise management of the Northwest Pacific area which consists of five elements: monitoring and assessment of the environmental condition; creation of an efficient and effective information base; integrated coastal area planning; integrated coastal area management; and the establishment of a collabora-

tive and cooperative framework.⁵²

The implementation of the action plan is principally to be financed by the member states' contributions to a trust fund of at least 400,000 US Dollars (USD) annually. Initial financial and administrative support was available from UNEP while the littoral states are responsible for the plan's implementation. The annual intergovernmental meetings (IGM) represent the main governing body of NOWPAP. Moreover, UNEP was aiming for the early establishment of a regional coordinating unit (RCU) to be responsible for the execution and coordination of the projects under the action plan.

The following history shows the most important steps in the development of the regional action plan and its implementation. The first IGM in 1994 formally adopted the action plan and included the identification of five priority areas. The second IGM in 1996 approved the geographical scope and a tentative scale of contributions to the trust fund for 1997. The fourth IGM in 1999 led to the agreement on the establishment of four Regional Activity Centres (RAC). The sixth IGM in 2000 agreed in principle to establish a co-hosted regional coordinating unit (RCU) in Toyama, Japan and Busan, South Korea. The seventh IGM in 2002 led to a detailed agreement on a plan for the establishment of the RCU in Toyama and Busan. Moreover, in 2002, the RACs in Beijing (Data & Information Network RAC/DINRAC), Daejeon (Marine Environmental Emergency Preparedness & Response RAC/MERRAC), Toyama (Special Monitoring & Coastal Environmental Assessment RAC/CEARAC), and Vladivostok (Pollution Monitoring RAC/POMRAC) became operational. The technical coordination and information exchange between the four RAC's and the RCU on their respective projects, apart from the IGM, is ensured through so-called national Focal Points Meetings (FPM) held annually by each RAC. The eighth IGM in 2003 adopted the NOWPAP regional oil spill contingency plan. In 2004, the co-hosted RCU was opened in Busan and Toyama and a Memorandum of Understanding (MOU) on Regional Cooperation Regarding Preparedness and Response to Oil Spills was signed. The tenth IGM in 2005 approved new directions for RAC's, expanded the geographical coverage of the NOWPAP oil spill contingency plan, and approved a marine litter activity. The twelfth IGM in 2007 approved, in principle, the draft of a regional action plan on marine litter and the draft text of the NOWPAP Regional Oil Spill Contingency Plan, expanded to include noxious substance spills. The latter was formally adopted at the thirteenth IGM in 2008. Most recently, the fourteenth IGM in 2009 agreed on the development of a project on the assessment of the current status of marine and coastal biodiversity in the NOWPAP region.

Looking at the development of the NOWPAP mechanism, we note that steady progress has been made in terms of organizational development and the implementation of projects. The biggest success of NOWPAP is the MOU on a regional contingency plan in the event of oil and noxious substance spills. Subsequently, oil spill exercises were conducted in the Aniva Bay (Sakhalin) in 2006 by Russia and Japan, and in 2008 near Qingdao with participation of South Korea and China. The NOWPAP contingency plan went through a reality check when Korean, Chinese, Japanese, and Russian authorities joined hands to fight "the worst ever oil spill in the Korean history," which happened in December 2007 near the port of Incheon.⁵³

A first complication in regional cooperation happened when Japan and South Korea could not agree on where to establish the regional coordinating unit (RCU). Both countries vied for the leadership and control in establishing NOWPAP. Eventually, its functions were split between a branch in Busan and one in Toyama, and UNEP stayed in charge of it. The most pressing concern, however, was financial. NOWPAP started with the goal of establishing an initial trust fund of \$400,000. For the year 2008, the tentative contributions of Japan and South Korea covered the major shares of \$125,000 and \$100,000, respectively, while Russia was ready to commit \$50,000, and China, \$40,000.⁵⁴ Here, it is necessary to note that Russia did not contribute for about eight years. Moreover, the operation of the two-site RCU consumes a big proportion of the

small budget.⁵⁵ Given the enormous problems with water and air pollution around industrial areas, NOWPAP, focused on environmental protection in coastal areas, is of second or third priority to the Chinese government. This attention may differ from that which Japan and South Korea attach to the protection of their long coastlines. Moreover, there is a general attitude in China that developed countries carry greater responsibility and need to take on a bigger burden in environmental protection, since their earlier economic development caused irreversible environmental damages. As a result, China is willing to increase its contribution proportionately based on the principle of "common but differentiated responsibilities," if other countries increase their shares. While Seoul is relatively flexible, Tokyo seems only willing to increase its share if Beijing shoulders a proportionately bigger share.⁵⁶

When it comes to the technical operation of NOWPAP RACs, the diverging national priorities are also reflected. Japan attaches importance to marine litter and coastal environmental assessment whereas South Korea and China want to focus on alien invasive species in the future. While this kind of technical discussion is inherent to multilateral frameworks, the differences grow in salience when the tight budget and unequal cost-sharing are considered. Further, the administrative structures in each state are prone to complicate national and international cooperation. In China, the Ministry of Environmental Protection is responsible for NOWPAP while the effective environmental management of coastal and marine areas is in the realm of the State Ocean Administration, directly subordinate to the State Council and therefore not obliged to report to the Ministry of Environmental Protection. Issues related to sea-traffic, on the other hand, fall into the competence of the Ministry of Transportation's Maritime Safety Administration (MSA), and the ships of the Fishery Bureau of the Ministry of Agriculture patrol the seas as well.⁵⁷ In Japan, the Coast Guard, as part of the Ministry of Land, Infrastructure, and Transport is comprehensively responsible for the coastal environment and needs to coordinate with the Ministry of the Environment. The inter-agency coordination problem becomes even more pronounced when considering the important role of local governments in the success of reaching NOWPAP's goals. Despite this fact, NOWPAP does not include local governments. It can thus be concluded that maritime environmental management, which naturally includes coastal areas, is a complex undertaking, as it requires extensive national and international collaboration. A further major obstacle to effective environmental management has been the unwillingness, and partly the inability, of national agencies and the involved researchers to disclose and exchange scientific data within NOWPAP. This shortcoming is very significant as consensual scientific knowledge is the indispensable base for any future strategies and projects. Another political issue that affects the goal of NOWPAP is the absence of North Korea in the framework. Last, but not insignificant, are the difficulties caused by the lack of English language competence among the involved officials.⁵⁸ According to one source, this limitation stands in contrast to the UNEP Regional Seas Program covering Southeast Asia, where communication between officials is much easier in this respect.

In summary, one is compelled to conclude that the positive rhetoric at high-level meetings between heads of state, prime ministers, and environment ministers, which have very often stressed the importance of environmental protection and programs such as NOWPAP in particular, has not translated into much action and output at the working level. Although there have been a number of concrete projects implemented, they remain small scale, are insufficiently coordinated, and suffer from basic problems due to the lack of political will to invest resources and cooperate better. Does this mean that the cooperation in environmental security is meaningless for the improvement of the security-political relations between Japan and China?

8. Conclusion: The Meaning of Environmental Security Cooperation for Northeast Asia

The first part of this section determines whether and why cooperation is politically easier to realize in environmental security issues than in traditional security issues. From the analysis of high-level diplomatic meetings since the mid-1990s, it can be concluded that environmental cooperation serves as a diplomatic tool to promote intergovernmental cooperation between Japan and China. This is possible since there is an understanding that the advancement of environmental protection is a win-win situation for all. In this area, both countries have been able to find a role that is acceptable to them. While China can learn from Japan's experience and technological knowledge to alleviate its environmental problems, Japanese firms are able to sell their products and services while reducing the negative effects of environmental degradation originating in China and affecting Japan. This kind of cooperation is therefore seen as mutually beneficial. However, the lack of progress between 2001 and 2006 shows that a basic willingness for cooperation at the top political level is a precondition for the improvement of existing cooperation, as well as for the establishment of new frameworks of intergovernmental cooperation.

Despite the prevailing mistrust, cooperation in environmental protection may be easier to achieve because it is not considered to be politically sensitive. This means that politicians and bureaucrats who cooperate with the other side are far less scrutinized for the engagement with the difficult neighbor. One reason is that environmental security cooperation does not touch upon questions that are linked with the historical understandings that underpin the modern Japanese and Chinese states.⁵⁹ Moreover, environmental problems are perceived to be more connected to the lack of governing capacity than to deliberate hostile action of one state against another. Cooperation in this field is therefore not seen as potentially harming national security. This may also be the reason why structural constraints in the form of geopolitical calculations that inhibit confidence building in the traditional security sphere are affecting environmental cooperation much less.

Furthermore, cooperation is most likely facilitated because the area of environmental protection offers a wide range of potential projects such as those seen in the discussions of the three environmental ministers at TEMM. These issues are often very technical in nature. As technicalities are rather complex for the public to understand, and discourses about environmental security are highly fragmented, it is possible to undertake relatively small cooperative projects and advertise them in a positive light without the need to take high financial and political risks. The assessment of the effectiveness and efficiency depends on the small groups of experts involved, and the possibility to gain an overall picture is even more difficult for the general public. Cooperation projects such as TEMM and NOWPAP, once established, continue to run despite diplomatic tensions. Only when frameworks of cooperation are to be upgraded, the political dimension comes into play again. As higher authorities need to commit financial and other resources, and review and establish new procedures and understandings of how to relate to the other side, political concerns start to affect functional cooperation significantly again.

With regard to the question of whether and how environmental security cooperation can build trust in the security-political area, a few conclusions may be drawn. As demonstrated above, the area of environmental security is very useful to engage in cooperative rhetoric and positive (symbolic) action. This tactic may help counter negative images and threat perceptions in the politico-security area. Despite the limited output of the few and rather small-scale environmental protection projects, and the reluctance to exchange scientific data, cooperative action is likely to contribute to the de-securitization of the bilateral relationship. Because security-political frictions also are created and reinforced by symbolic and rhetoric action, they can—and probably even need to—be improved by symbolic and rhetoric action as well. Instead of depicting the other

side as a potential enemy or rival, environmental security cooperation helps politicians who are willing to find a *modus vivendi* engage in positive identification of the other party as a partner.

There are limitations of this effect, however. In view of the relatively small scale of cooperative action and the consequently weak environmental management, the proposition that environmental security cooperation reinforces states' capacity as problem-solvers and allows for social mobilization without the "othering" of one party could not be confirmed by this study. As soon as environmental problems become bigger and threaten bilateral relations more directly, calls for output-oriented action on a bigger scale may become louder. Subsequently, conflicts over priorities and cost-sharing may challenge the cooperative symbolism and limit positive effects on political relations between neighboring countries. The differences in political commitment, willingness to bear costs equally, and ability to improve state capacity may also lead to additional complications. If solutions to new challenges can be found and new roles established, cooperation may be elevated to higher levels, lead to stronger cooperation, and produce positive spill-over effects into the political sphere. However, in order to gain reliable insights into such mechanisms, further research encompassing several case studies in various spheres of functional cooperation should be undertaken.

Last, it should not be forgotten that this study did not assess one of the outstanding strengths of cooperation in environmental security, which is the involvement of stakeholders beyond the national level. Since environmental issues directly concern societies across state boundaries, the engagement in environmental protection has the potential to bring not only politicians and bureaucrats but also provincial and local governments, as well as civil society actors in contact.

In conclusion, the findings of this study suggest that, given the fact that Northeast Asia is ecologically already a region, the slowly growing awareness of the need to protect the environment is conducive to the political construction of Northeast Asia. First, environmental security cooperation serves as a substitute for the lack of confidence and security building measures in the traditional security sphere and contributes to the improvement of Japanese-Chinese relations which are central to any region-building project. Second, cooperation in environmental management, together with functional cooperation in other areas, can serve as a means to enhance mutual knowledge among Northeast Asian societies; it also has the potential to change negative images and roles based on previous and outdated understandings. Third, environmental security cooperation needs to take into account the imperatives of regional ecological interdependence, after which it may eventually promote political awareness of their common existence in a Northeast Asian region.

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Asian Integration's Low Visibility in the United States Elite Press: A Vicious Cycle of Rational Ignorance?¹

Troy Keith Knudson

Abstract

Two recent concerns regarding United States foreign policy toward Asia are the lack of coordination between different types of policy and the lack of policy designed with an understanding of the region as one integrated entity. These concerns are indicative of a lack of perceived relevance of Asian integration to the United States. An examination of New York Times coverage of Asia shows that (1) Asian integration is not visible in the reporting of correspondents stationed at news bureaus in Asia; and (2) when Asian integration is covered, it is not portrayed as particularly relevant to the United States. It is argued here that more external recognition of Asian integration (by global news media outlets, etc.) would facilitate the region's goal of fostering an identity toward an Asian community by further legitimating regional integration to Asian citizens.

1. Introduction

The Asian Financial Crisis in 1997 propelled Asian countries into establishing formal institutions such as ASEAN Plus Three (ASEAN+3) and the East Asia Summit (EAS) in order to better coordinate the deepening integration within the region and to channel existing rivalries among countries toward more constructive and cooperative ends. Although recognized as a long-term endeavor, one objective of these institutions is to facilitate the eventual growth of an Asian community.² The United States has been notoriously ambivalent about the efficacy of such institutions,³ an attitude that has been explained and/or justified by its indifference toward their stated goals, which are often defined loosely in terms of the very process of integration.⁴ Moreover, the United States has been said to be indifferent toward Asian integration because of its current focus on the Middle East and its inability to contemplate a regional structure other than the system of bilateral alliances that have contributed to the region's peace and prosperity since the beginning of the post-war period.⁵

Nevertheless, the United States, though not an Asian country, remains by some accounts "the region's most prominent power," and "any discussion on how to solve global challenges—from energy security, environmental degradation, and transnational crime; to trade, investment, and finance—must include the United States."⁶ For this reason, some policy analysts have recommended the United States put more effort into understanding and engaging in the processes of Asian integration that are expanding the capacity of Asian countries to address these global challenges. They argue that even though institutionalized integration in Asia only currently exists at the economic level, the region's focus on integrating regional markets has increased the relevance of *Asian* institutions such as ASEAN, ASEAN+3, and the EAS, and will lead to a diminished role for the United States and *Asia-Pacific* institutions such as the ASEAN Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC). Thus, although it might be argued that integration limited to the market is hardly important enough for the United States to note, it has also been argued that this limited integration is merely the seed of a much larger phenomenon that will eventually require substantial attention from the United States.⁷

One of the main objectives of policy analysts making this argument is to put the United States on a course toward creating a coherent policy toward the region sooner rather than later. Although the United States is already present in the region militarily, politically and economically, the two major concerns of American policy analysts with an interest in Asia are the lack of coordination between different types of foreign policy directed toward Asia and the lack of foreign policy designed with an understanding of the region as one integrated entity.⁸ These concerns are indicative of a lack of perceived relevance of Asian integration to United States foreign policy makers. The first concern suggests an inability to identify integration as an essential element of the peace and prosperity of the Asian region. The second concern suggests that foreign policy makers are unable to identify the United States as an essential element of Asian integration. This study argues that these *identification deficits* of United States foreign policy makers are too fundamental to be explained either by ambivalence or by a lack of resources due to the United States fighting two wars in the Middle East. Rather, they stem from a lack of perceived connections between Asian integration and the interests of the United States in Asia.

2. International Perception and Foreign Policy Making

How are the international interests of the United States in Asia formed? Weber once argued, "Not ideas but material and ideal interests directly govern men's conduct; yet very frequently the 'world images' that have been created by 'ideas' have, like switchmen, determined the tracks along which action has been pushed by the dynamics of interest."⁹ For the purposes of this study, it is necessary to understand what information is utilized to create world images inside the minds of United States foreign policy makers. Information upon which foreign policy is made comes from a variety of official and unofficial sources. The content of all such sources, from compilations written by intelligence analysts at the State Department and collected by Congressional staffers, to reports written by researchers at the Congressional Research Service, to policy papers written by scholars at think tanks, is worthy of close descriptive and analytical scrutiny. This study examines a ubiquitous source of information that foreign policy makers consume daily—international news stories from the elite press.¹⁰

Although content from the elite press alone cannot sufficiently represent world images existent in the minds of foreign policy makers, scholars of political communication view this daily source of information as "an atlas of places, personages, situations, and events; and to the extent that the press discusses the ideas that men have for coping with the day's ration of problems, it is an atlas of policy possibilities, alternatives, choices."¹¹ When utilized as such, the elite press becomes "a significant force shaping our cultural and political future."¹² The theoretical position of scholars making this argument is related to the social construction of reality. In this sense, Lynch argues that each decision involved in the news making process contributes to whatever actions result from the information the news provides: "The jobs of commissioning, editing, producing and reporting involve choices; choices of which facts to include and which to leave out...These choices combine, over time, into discernible patterns, which exert a cumulative influence over the course of subsequent events."¹³

The constructing of these patterns, often interpreted as a process of the elite press manifesting its control over which events become news and how they are reported, is known as *framing*.¹⁴ Especially with international news, where "alternative narratives against which to contrast those found in the news media" are less likely to exist,¹⁵ this process of "selection, emphasis, exclusion, and elaboration" is a vital aspect of the elite press' ability to provide "a central organizing idea for news content that supplies a context and suggests what the issue is."¹⁶ A lack of alternative narratives, in turn, makes the effect of framing that much more potent with international

news. Thus, as Movahedi argues that “images and perceptions of other nations provide the basic framework within which the conduct of international relations and conflict resolution takes place,” inquiries into how the elite press frames international news become worthy of academic research.¹⁷

3. International News Research

One way to measure news frames of the elite press is to reduce the information provided within the news to “smaller, more basic, individual parts” that can be quantified.¹⁸ Using this type of methodology, researchers focusing on the ‘cumulative influence’ that international news in the elite press have “over the course of subsequent events” (see Lynch above) typically examined one of three behaviors as dependent variables: how other derivative news media report international news, how the public responds to questions about international affairs, and how foreign policy makers determine the most appropriate course of action in response to international events. While most research to these ends has focused on what the content of coverage actually is, this study, by assessing the content of coverage of Asian integration against the standard of the existential phenomenon of Asian integration, is also an examination of what the content is not. In this way, this study serves as what Wimmer and Dominick describe as a “reality check.”¹⁹

Concretely, the purpose of this study is to show that integration among Asian countries is not visible in the elite news reporting by foreign correspondents stationed at news bureaus within Asia. Furthermore, this study attempts to show that when Asian integration is covered, it is not portrayed as particularly relevant to the United States. If this is indeed the situation in elite news coverage flowing from Asian bureaus, then the information provided within the news is in fact a type of misinformation. Were it not for foreign policy makers’ reliance on international news from the elite press to help form their world images, such misinformation might seem harmless. However, as Graber argues, “Officials and publics who rely on foreign affairs news may be misled, and faulty policies may ensue.”²⁰ Such faults are argued by Jervis to result from discrepancies between “the ‘psychological milieu’ (the world as the actor sees it) [of foreign policy makers] and the ‘operational milieu’ (the world in which the policy will be carried out).”²¹

4. Why This Type of Research Is Necessary Now

Since the United Nations Educational, Scientific, and Cultural Organization’s International Commission for the Study of Communication Problems published a 1980 report that exposed the transnational media’s practice of transmitting to developing countries only news that they have “cut, filtered, and distorted, [thereby] imposing their own way of seeing the world upon the developing countries,”²² ‘reality check’ research (see Wimmer and Dominick above) has yielded insight on various types of distortion within international news coverage. Most research has focused on Western media outlets, especially those from the United States, and has sought to highlight distortions and/or bias within news about certain regions of the world, including Asia. In this regard, findings typically illustrate a lack of coverage about anything other than natural disasters and political conflict. While these findings have been useful in delineating some determinants and effects of international news, little attention has been devoted to examining the way the phenomenon of regional integration is portrayed by another region or country’s news media. This lack of attention, especially from transnational media, is odd in that regional integration has been defined as a force that relates to—if not overlaps—globalization.²³

One exception is a study by Chaban, Bain, Stats, & Sutthisripok, who investigated “media

images of the European Union created in, and disseminated through, the news media discourses of four Asia-Pacific countries.”²⁴ Their study examined press coverage from the complete year of 2004 and found that in each Asia-Pacific country studied, the portrayal of the European Union by the news media was overshadowed by coverage of individual European Union member countries. They concluded:

*It is possible that the prominence of Member States actually indicates a lack of understanding of the European Union’s complex political reality by international newsmakers, or a tendency on their part to assume that their readers and viewers will only understand Member State actors and not the Community ones. Yet, this newsroom practice may mean a vicious cycle for the international media representations of the European Union. The more newsmakers portray only the Member State components, the more the public will come to view the European Union only in this fragmented way and the more newsmakers will have to prioritize such images in the future in order to retain their audience’s interest.*²⁵

A similar argument could be made about the portrayal of Asian integration by the United States elite press. Through such a vicious cycle, the press exhibits a *rational ignorance*²⁶ about Asian integration that may be exacerbating the ability of foreign policy makers to design policy toward Asia with an understanding of the region as one integrated entity, and to better coordinate different types of foreign policy directed toward the region.

What difference would it make if United States foreign policy makers were able to design policy toward Asia with an understanding of the region as one integrated entity, and better coordinate different types of foreign policy toward the region? The answer lies in the fact that while the process of becoming more integrated is itself a stated goal of Asian regional institutions such as ASEAN+3 and the EAS, the more difficult processes of building and fostering the identity of an Asian community are also cited as longer-term goals.²⁷ Writing in the context of the European Union, Chaban and Holland argue that such processes can be facilitated or thwarted by how a region’s *international identity* is represented externally: “A lack of external recognition might negatively influence internal integration...[by] undermining the very legitimacy of the integration process for European Union citizens. In light of these potential risks, an account of the existing external imagery of the European Union becomes a necessity.”²⁸

Similarly, this study argues that recognition of Asian integration by United States foreign policy makers would facilitate the Asian region’s goal of building and fostering an identity toward an Asian community by further legitimating the process of regional integration to Asian citizens. However, results from this study’s examination of how the United States elite press frames Asian integration suggest that such recognition from the United States might require an overcoming of the current rational ignorance being exhibited by the press toward the region’s integration. Thus, it may be in the best interest of regional institutions such as ASEAN+3 and the EAS to enhance the region’s international profile to supplement internal efforts made toward fostering a common identity.

5. Research Questions

This study is exploratory and seeks to yield preliminary results that can be used in future, more formal and systematic analyses. First, in order to acquire a general assessment of the state of coverage about the Asian region, the following research question is put forth: How has the newsworthiness of the Asian region changed since the Asian financial crisis? Second, as most literature on integration in the Asian region emphasizes the critical moment of the Asian financial

crisis in 1997 as an instigator of the deepening integration that exists today,²⁹ it is assumed that some characteristics suggesting the existence of integration would be detectable in the elite press of the United States. Thus, the following research question is put forth: To what extent has the elite press in the United States shown the Asian region to be integrating since the Asian financial crisis? Specifically, it is expected that since the crisis, coverage of the Asian region would become more illustrative of issues that are relevant to more than one Asian country. Third, having argued that United States foreign policy makers designing policy toward Asia lack an understanding of Asian integration, the following research question is put forth: to what extent has the United States been portrayed as relevant to the issues of the Asian region?

6. Design of Analysis

Because the press industry in the United States is made up of thousands of local newspapers with limited budgets, each focusing primarily on issues most relevant to local populations, the international news that appears in most newspapers across the country comes from just a few news outlets. The *New York Times* is considered among the most influential of these outlets due to its ability to affect the content of the nightly news programs of the major television networks and its wide circulation among those with political power, including foreign policy makers. Thus, although it is impossible to generalize the daily consumption of international news by foreign policy makers, the *New York Times* alone was selected for this study because a realistic execution of the analysis required a media sample that was relatively narrow. In order to obtain a more comprehensive survey of United States news coverage of the Asian region and to determine whether or not regional integration is an aspect of that coverage, future studies might also employ any of the following news outlets: the *Washington Post*, the *Wall Street Journal*, the *Los Angeles Times*, the Associated Press, and the Cable News Network. Furthermore, this study only takes into account the verbal content that appears within news articles; the content of photographs and other visual images that often accompany news articles could also be examined to obtain a more comprehensive survey of news content.

Also to make the analysis more manageable, a comprehensive assessment of every year's worth of coverage after the 1997 financial crisis was not conducted. Instead, coverage from the following three years was employed to determine the presence of general trends: 1999, 2003, and 2007. Content analyses that utilize United States news outlets to examine the news coverage of a given topic often avoid years in which general elections are held, as unpredictable aspects of the election itself can become the most newsworthy topic and distort the trends of otherwise normal coverage. Thus, because general elections at the national level are always held on even-numbered years in the United States, this study used only coverage from odd-numbered years.

The year 1999 was chosen because it was the first odd-numbered year after the Asian financial crisis. It represents the time when Asian countries were beginning to collectively consider the inevitability of their interrelatedness and its effect on their future as a region. The year 2007 was chosen because it is the most recent odd-numbered year to have been completed. Although it was two years prior to the time of this writing, in this study it represents the current situation of the *New York Times*' coverage of the Asian region. The year 2003 was chosen because it is exactly between 1999 and 2007; thus, any observable change in coverage from 1999 to 2007 might be checked by coverage from 2003. In order to obtain a more comprehensive survey of news coverage, future studies might incorporate additional years. Specifically, as it may prove useful to know if general elections had an effect on the portrayal of Asian integration, coverage from even-numbered years could be included with a prior understanding that the amount of coverage from these years might range from several times as much as odd-numbered years to nonexistent. Also,

including coverage from before 1997 would allow a comparison of pre- and post-financial crisis portrayals of the region. Furthermore, obtaining continuous coverage would enable the conducting of a time series analysis to determine more conclusively the presence of statistical trends within the data.

Because this study is exploratory, specific issues covered by the newspaper, ongoing or otherwise, are not examined in detail. Entire years are used as units of analysis in order to mitigate the effects of dramatic increases in coverage due to minor crises. Indeed, although the news media do tend to increase coverage in response to crises, the increase is often temporary. This study assumes that crises occur every year and are thus difficult for researchers to avoid. However, by placing the coverage of crises in the context of the coverage of an entire year, it is believed that their effect on the daily coverage of otherwise normal affairs will be minimized. Due to the exploratory nature of this study, no statistical techniques more sophisticated than a comparison of means are employed. In this regard, the objective here is to acquire a general assessment of the characteristics of United States news coverage of the Asian region after the Asian financial crisis in order to construct more sophisticated hypotheses and employ more sophisticated statistical techniques for future studies.

7. Research Methodology

LexisNexis was used to obtain the newspaper data. Within the LexisNexis database, international news articles from the *New York Times* are categorized by world region. In order to obtain only the articles about the Asian region, article searches were limited to articles from the *Asia Pacific* category. Although it is likely that articles including Asian countries can also be found from other international news categories such as *Africa* or *Latin America*, this study assumes that articles covering any aspect of Asian integration would likely be placed in the *Asia Pacific* category. However, this category also includes articles about countries that are not typically considered in the context of Asian integration, such as Afghanistan, Iraq, Iran, and Pakistan. Thus, article searches were further limited to include only articles that mentioned at least one EAS member country.³⁰ The EAS was chosen as an entity representative of Asia because it is the most comprehensive Asia-based international entity that does not include any countries outside the *New York Times*' international news category of *Asia Pacific*.³¹

Also, all articles from the *New York Times* are categorized by LexisNexis as being from a certain *Desk* (for example, Foreign Desk, Business/Finance Desk, Sports Desk, Arts/Culture Desk, etc.). The article searches were limited to only those that came from the Foreign and Business/Finance Desks. This procedure was taken because this study limits the concept of integration to a process that occurs across borders or between countries. Although Asian integration also occurs and exists in forms unrelated to politics and economics, this study assumes that its representation in a United States news media outlet would be most easily portrayed as a function of international relations.³² Articles are categorized by LexisNexis as being from a certain *Desk* regardless of whether they were written by journalists from the *New York Times* or from a news wire agency to which the *New York Times* subscribes. On average, about 80% of the *New York Times* coverage used in this study was written by a *New York Times* journalist with the remaining 20% being from a news wire agency.

8. Newsworthiness of Asia

This study assessed the newsworthiness of the Asian region by comparing the number of

articles that appeared in the newspaper over the three years with the average length of the articles. In newspaper research, the number of articles about a given topic is the most widely used variable to measure a newspaper's attention toward that topic. However, one setback in using this variable alone is that not all news articles are the same length, and length is often attributed to an article's capacity to provide contextual and implicative analysis. Thus, although it is often neglected, article length is an appropriate complement to the actual number of articles when examining the degree of media attention to a given topic.

The length of each article was provided as a word count by LexisNexis during downloading. Because some investigatory articles can be exceptionally long, creating a large gap between the longest articles and those just above average length, the raw word counts were codified to give this variable a normal distribution. After the raw word count was recorded for each article, the word counts were rearranged in ascending order and separated into sixty categories with an equal number of articles belonging to each category. Each category was then assigned a value ascending by 0.1 from 0.1 to 6.0. Thus, each of the sixty values was assigned to an equal number of articles. The values and the word count range to which they were assigned are provided in Appendix 1.

The total number of articles retrieved from the years 1999, 2003, and 2007 was 3,535, thus the mean number of articles for the three years was 1,178. Results suggest that in terms of the number of articles, the Asian region became less newsworthy over time, as the number of articles in 1999 and 2003 were above the mean (1,297 and 1,288, respectively) and the number of articles for 2007 (950) was below the mean. However, results for article length suggest that the number of articles alone cannot comprehensively illustrate the region's newsworthiness over the three years. The mean article length score for all 3,535 articles was 3.04, suggesting an average word count of between 616 and 639 words. The years 1999 and 2007 had scores above the mean (3.23 and 3.16, respectively) while the score for 2003 was below the mean (2.77). These results suggest that articles from 2003 were on average about one hundred words shorter than articles from 1999, despite the similarity between the years in number of articles. In sum, judging by the number of articles and article length, the year in which Asia as a whole was the most newsworthy was 1999, as it scored above the mean with both variables. Coverage from 2003 scored above the mean in number of articles but below the mean in article length, while coverage from 2007 exhibited opposite characteristics, scoring above the mean in article length but below the mean in number of articles.

However, it is not conclusive from these results alone that the Asian region, as defined by member countries of the EAS, has become more newsworthy over time. A more certain conclusion in this regard might be drawn by examining how extensively countries in the region were covered over the three selected years. A list of countries mentioned in each article was obtained from LexisNexis during downloading, which also provided a score representing the extent to which each country received coverage in each article. The range of score is similar to a scale of one through forty, with forty representing the highest level of coverage. However, because some scores were used more extensively than others, the raw scores were codified to give this variable a distribution closer to normal. Similar to article length, after the raw score was recorded for each country, the scores were rearranged in ascending order and separated into six parts. Divisions were made between categories so that they would be as equal as possible. Each part was assigned a value ascending by one from one to six. A review by the author of a selection of articles confirmed that a score of one was given when a country was hardly mentioned, while a score of six was given if an article was basically about that country. Scores two through five represent points along a continuum bridging these two extremes, creating a scale that quantifies how extensively countries are covered.

In order to determine how often some aspect of the Asian region was given considerable

depth of coverage, this study examined the percentage of articles that gave any member country of the EAS a coverage score of six. The percentage of all 3,535 articles that covered any EAS member country at this level was 21.33. Individually, the years 1999 and 2003 were below this percentage (20.89% and 19.72%, respectively) while 2007 was above (24.11%). This finding seems to correlate somewhat with article length, suggesting that adequate space is required for countries to receive a high level of coverage. This finding also seems to negatively correlate with the number of articles appearing per year, suggesting that foreign correspondents stationed in the Asian region are now writing more in depth coverage about the region, albeit with a more limited number of articles. The findings from the four variables examined here, which suggest that Asian integration, though covered more extensively in recent years, may not be a phenomenon worthy of much coverage in the United States press, are shown in Table 1.

Table 1: General Characteristics of News Coverage

	1999	2003	2007	Total (Mean)
Articles (Count)	1,297	1,288	950	1,178
Length (Mean)	3.23	2.77	3.16	3.04
Level 6 (Percent)	20.89	19.72	24.11	21.33
Countries (Mean)	1.43	1.59	1.56	1.52

9. Portrayal of Asian Integration

While the above findings regarding the newsworthiness of the Asian region are important to assess the general characteristics of coverage, they suggest little about the newspaper's coverage of integration among the nations of the EAS. Indeed, findings from the number of countries mentioned in each article suggest yet another trend. Keyword searches of the term *integration*, as well as the names of regional institutions such as ASEAN, ASEAN+3, the EAS, and APEC, yielded samples of articles too small for statistical comparison. Thus, this study sought to examine less explicit representations of Asian integration; the portrayal of Asian integration was assessed by comparing the number of Asian countries mentioned in each article over the three selected years. It is assumed that as integration deepens within the region, issues become relevant to a larger number of countries in the region. If this phenomenon is considered newsworthy by the newspaper's reporters, the evidence should be found in the number of countries appearing together in the daily coverage of the region.

Because this study defines the Asian region as the member countries of the EAS, each time a member country was denoted by LexisNexis as having been mentioned in an article, its presence was recorded. The mean number of countries appearing in all 3,535 articles was 1.52. The years 2003 and 2007 had scores above the mean (1.59 and 1.56, respectively) while the score for 1999 was below the mean (1.43). Thus, similar to articles exhibiting a high level of coverage, even though the trend in the general newsworthiness of the Asian region seems to have decreased since the Asian financial crisis, the coverage itself seems to be congruent with the fact that Asian countries are indeed integrating. However, this finding should be interpreted with caution since, as Table 2 shows, the large majority of articles from each year include coverage of only one country, suggesting that the United States' propensity for bilateral relations in the Asian region may be existent in this characteristic of news coverage.

Table 2: Number of EAS Countries Mentioned per Article

	1999	2003	2007
1 Country	952; 73.40%	833; 64.67%	626; 65.89%
2 Countries	235; 18.12%	277; 21.51%	192; 20.21%
3 or More Countries	110; 8.48%	178; 13.82%	132; 13.89%

10. Presence of the United States

In order for the United States to design foreign policy based on an understanding of one integrated Asian region, it is assumed that issues relevant to integration in the region must also be perceived as relevant to the United States. Coverage of the Asian region within elite news media outlets such as the *New York Times* should provide some indication, symbolically or informatively, of whether or not an integrating Asia is considered as relevant by American foreign policy makers. This study examined the percentage of articles that mentioned the United States, as well as how extensively the United States was covered in each article. The method of collecting the data for these variables was the same as that explained above regarding the data collection for the EAS countries.

The percentage of all 3,535 articles that mentioned the United States was 52.39, or 1,852 articles. The years 1999 and 2003 were below this percentage (50.81% and 51.09%, respectively) while 2007 was above (56.32%). This finding shows that on the surface, issues relevant to the Asian region seem to have been portrayed as increasingly relevant to the United States after the Asian financial crisis. The fact that data from this variable and the percentage of articles covering an EAS member country at the highest level were by far the highest during 2007 suggests that coverage of the Asian region is moving in an auspicious direction, with Asian integration portrayed as relevant to the United States. However, this finding suggests little regarding the level of coverage the United States received in these articles. The mean score for the level of coverage the United States received in all the 1,852 articles in which it was mentioned was 3.07. The years 1999 and 2007 had scores below the mean (2.97 and 2.91, respectively) while the score for 2003 was above the mean (3.29). Thus, even though the United States was most often mentioned during 2007, the level of coverage it received was the lowest, dampening the validity of any conclusion implying an increase in relevance of Asian issues to the United States over time. The findings from the two variables examined here are shown in Table 3.

Table 3: Mention of the United States within the News Coverage

	1999	2003	2007	Total (Mean)
Articles (Count)	659; 50.81%	658; 51.09%	535; 56.32%	1,852; 52.39%
Level (Mean)	2.97	3.29	2.91	3.07

11. Newsworthiness of Individual Asian Countries

Having established that coverage of the Asian region has mentioned more countries per article in recent years than just after the Asian financial crisis, suggesting that foreign correspondents stationed in the Asian region perceive its integration, it would be useful to know if some countries are receiving more coverage than others. Particularly, if it is argued that the perception of Asian integration in the elite news media is symbolic and constitutive of the perception leading to

certain policies toward the region, it would be important to know which countries are perceived as the most important actors in the integration process; it is with these countries that the United States will most likely be interested in engaging.

To this end, this study examined the articles from Table 1 that covered EAS member countries at the highest level to determine which countries were most often given this type of coverage. Results show that for each of the three selected years, China not only received the largest amount of high-level coverage articles among EAS countries, but it also received more than all other EAS countries combined. Similar results were found when looking only at articles that covered the United States at the highest level, as shown in Table 4. Clearly, in terms of extensiveness of coverage, China is perceived as the most newsworthy country in the Asian region. Results indicate that the most extensive coverage devoted to the phenomenon of Asian integration, whether perceived as relevant to the United States or not, is portrayed through a China lens. Indeed, most of the time, relevance of an issue to China seems to be a prerequisite for highly extensive coverage.

Table 4: Highest Level Coverage of Individual Countries

	1999		2003		2007	
	Level 6	w/US – 6	Level 6	w/US – 6	Level 6	w/US – 6
Brunei						
Cambodia	8; 3%	1; 4%	6; 2%		1	
Indonesia	6; 2%		7; 3%	2; 5%	7; 3%	
Laos	1		2; 1%		1	1; 4%
Malaysia	8; 3%		2; 1%		1	
Myanmar	2; 1%		9; 3%		11; 5%	
Philippines			8; 3%	1; 3%	1	
Singapore	1		2; 1%		4; 2%	
Thailand			2; 1%		1	
Vietnam			2; 1%		4; 2%	1; 4%
China	162; 60%	19; 76%	131; 50%	18; 49%	128; 55%	13; 57%
Japan	38; 14%	4; 16%	29; 11%	2; 5%	24; 10%	2; 9%
S. Korea	8; 3%		34; 13%	12; 32%	15; 6%	4; 17%
Australia	3; 1%		7; 3%	1; 3%	9; 4%	
India	34; 13%	1; 4%	18; 7%	1; 3%	26; 11%	2; 9%
N. Zealand	1		1			
Total	272	25	260	37	233	23

12. Conclusion

This exploratory study sought to uncover some characteristics of *New York Times*' news coverage of the Asian region from the period just after the Asian financial crisis (1999) until two years prior to the time of writing (2007). Because all of the data used in the analysis were automatically generated by LexisNexis, the usage of human coders, and subsequently, an inter-coder reliability test, was unnecessary. The objective of this study was to expose the low visibility of Asian integration within the coverage, as well as the lack of perceived relevance of Asian integration, to the United States. The argument put forth began with the fact that, despite its prominence

within the region, the United States is notoriously ambivalent toward institutions that represent and symbolize the deepening of Asian regional integration. It was argued that current accounts of this ambivalence, which focus on the indifference of the United States resulting from its propensity to see the region through the lenses of its alliances and through bilateral relations, neglect to address the perceived irrelevance of Asian integration to the United States. Literature from the field of political communication was used to show that foreign correspondents of the United States elite news media are partially responsible for rectifying this lack of perceived relevance.

It was shown that even though fewer articles from the region have been published recently compared to just after the Asian financial crisis, recent articles tend to be longer and, to an extent, include more EAS countries per article. However, overshadowing this finding is the fact that most articles still only mention one country, which precludes any discussion of regional integration as a function of international relations. As for the perceived relevance of regional integration to the United States, results are similar. Recent coverage shows a higher percentage of articles that mention the United States; however, this increase in appearance is coupled with a decrease in the extent to which the United States is covered, which precludes any discussion of why issues related to Asian integration are relevant to the United States. Thus, this study concludes that Asian regional integration does indeed have a low visibility and is not portrayed as relevant to the United States, at least in the *New York Times*. Although it was beyond the scope of this study, future studies might compare the valence of the articles used here to determine if the increasing trend in characterizing the countries of the region as integrating is portrayed by more positive or negative coverage.

Even though the content of *New York Times* news articles may never directly reach the hands of Asian policy makers, policy analysts, or citizens, the international content influences the way American foreign policy makers perceive the world outside the United States. Over time, the impact of coverage of Asia can be found in the nuances of American foreign policy toward Asia. It has been argued here that United States' recognition of Asian integration would facilitate the region's goal of building and fostering an identity vis-à-vis an Asian community, as it could further legitimate the process of regional integration to Asian citizens. There has been much debate about whether the United States should be a participant of Asian integration. To the extent that this study has argued for United States participation, it has done so with the belief that the participation of a major non-Asian world player would enhance the attractiveness of Asian integration internally. For this reason, it may be in the best interest of Asian regional institutions such as ASEAN+3 and the EAS to enhance the region's international profile in addition to the efforts made internally toward constructing a common identity. How can this be done? Because of the layered nature of Asian integration (from the existence of many overlapping institutions), the process of defining and enhancing a coherent international profile will likely require an unprecedented amount of cooperation between different regional institutions. It may prove useful to create a committee under the joint auspices of ASEAN, ASEAN+3, and the EAS whose main objective is to promote the understanding of Asian solidarity to other parts of the world.

The political communication research used in this study suggests that one method by which such an objective should be pursued is the winning over of major international news media outlets. In addition to the methodological limitations listed above regarding the sample of articles used in this analysis, the current study is further limited in that detailed explanations are not given for why the *New York Times* and/or other news outlets neglect the integrative aspect of Asia. Hamilton's argument on *rational ignorance* within the news media was incorporated to suggest that foreign correspondents ignore this aspect of the region because, in their view, the cost of understanding Asian integration and explaining its relevance to the United States would outweigh any potential benefit. Future studies might employ interviews with foreign correspondents and editors of American news outlets in Asia to determine if this is indeed the case. If such an argu-

ment is valid, then it is essential that efforts to enhance the international profile of Asia include explaining the relevance of Asian integration itself to desired targets, as the rational ignorance within the current media situation can only be overcome by competitive, alternative interpretations of reality.

Notes

- 1 The research in this paper was made possible by a fellowship and research grant provided by the Japan Society for the Promotion of Science. The author alone is responsible for its contents.
- 2 Sung-Joo Han, Tommy Koh, and C. Raja Mohan, "Asia's Views of America's Role in Asia 2008: An Overview," in The Asia Foundation, *America's Role in Asia: Asian and American Views*, San Francisco: The Asia Foundation, 2008, p. 3.
- 3 Han, Koh, and Mohan argue, "The remarkable differences among Asian countries in history, culture, religious traditions, and levels of economic development contribute to American skepticism that creating an East Asian Community is not possible" (ibid.).
- 4 Ellen L. Frost, "America's Role in Engaging with Asia's New Regionalism," in The Asia Foundation, *America's Role in Asia: Asian and American Views*, San Francisco: The Asia Foundation, 2008, p. 117.
- 5 Campbell, Patel, and Singh argue, "The nations of Asia are integrating, innovating, and investing in ways remarkably different from what American statesmen and international relations theorists have grown to expect and understand," in Kurt M. Campbell, Nirav Patel, and Vikram J. Singh, *The Power of Balance: America in Asia*, Washington, D.C.: Center for a New American Security, 2008, p. 5.
- 6 Frost, "America's Role in Engaging with Asia's New Regionalism," p. 115. Han, Koh, and Mohan argue, "From Japan to Afghanistan, the United States plays a crucial role in the security, political, and economic affairs of the region. The United States is either the first or second largest trading partner of almost every Asian nation in all three sub-regions [Northeast, Southeast, and South Asia]" (Han, Koh, and Mohan, p. 2).
- 7 Bergsten argues, "It is clear that the time has come for the United States to take seriously the likely construction of new Asian economic arrangements since these arrangements could well have important consequences for the United States itself and for global economic (and possibly political) patterns and institutions," in C. Fred Bergsten, *China and Economic Integration in East Asia: Implications for the United States*, Policy Briefs in International Economics, No. PB07-3, Peter G. Peterson Institute for International Economics, 2007, p. 9.
- 8 Regarding the former concern, Frost argues, "For at least the last ten years, United States policies toward Asia have been compartmentalized by issue and by country, with little attention paid to Asia's new regionalism and even less interagency coordination. Region-wide economic and security policies are rarely discussed in the same room" (Frost, pp. 122-123). Campbell, Patel, and Singh argue, "the sum of America's tactical successes does not add up to a successful and comprehensive strategy," in Kurt M. Campbell, Nirav Patel, and Vikram J. Singh, *The Power of Balance: America in Asia*, Washington: Center for a New American Security, 2008, p. 5. Regarding the latter concern, Campbell, Patel, and Singh argue, "Failure to more fully interact in Asian institutions may undermine many gains America has made in the past 50 years. Asia is integrating at an unprecedented rate; America should respond by investing greater diplomatic capital and aligning focus toward the region" (ibid., p. 80).
- 9 H. H. Gerth and C. Wright Mills, *From Max Weber*, New York: Oxford University, 1946, p. 280.
- 10 O'Heffernan argues, "On a daily basis, the various levels of foreign policy makers in the United States government read, watch, and listen to the media for news of what is going on around the world before the cables and reports come in. What they see and hear and read is often a broader and more diverse worldview than what they receive officially," in Patrick O'Heffernan, *Mass Media and American Foreign Policy*, Norwood, NJ: Ablex, 1991, p. xi.
- 11 Bernard Cohen, *The Press and Foreign Policy*, Princeton: Princeton University, 1963, p. 13.
- 12 O'Heffernan, p. xi.
- 13 Jake Lynch, "Reporting the World: The Ethical Challenge to International News," in Chris Paterson and Annabelle Sreberny, eds., *International News in the 21st Century*, London: John Libbey, 2004, pp. 262-263.
- 14 Natalia Chaban, Jessica Bain, Katrina Stats, and Paveena Sutthisripok, "Mirror Reflections? The EU in

- Print and Broadcast Media in the Asia-Pacific," in Martin Holland and Natalia Chaban, eds., *The European Union and the Asia-Pacific: Media, Public, and Elite Perceptions of the EU*, New York: Routledge, 2008, p. 22.
- 15 Ibid.
 - 16 James Tankard, Laura Hendrickson, Jackie Silberman, Kriss Bliss, and Salma Ghanem, "Media Frames: Approaches to Conceptualization and Measurement," paper presented at the Annual Meeting of the Association for Education in Journalism and Mass Communication, Boston, 1991, p. 3.
 - 17 Siamak Movahedi, "The Social Psychology of Foreign Policy and the Politics of International Images," *Human Affairs*, Vol. 8, October 1985, p. 19. On this same note, Jervis argues that "it is often impossible to explain crucial decisions and policies without reference to the decision makers' beliefs about the world and their images of others," in Robert Jervis, *Perception and Misperception in International Politics*, Princeton: Princeton University, 1976, p. 28.
 - 18 W. Paul Vogt, *Dictionary of Statistics and Methodology: A Nontechnical Guide for the Social Sciences*, Thousand Oaks, CA: Sage, 1999, p. 238.
 - 19 Roger D. Wimmer and Joseph R. Dominick, *Mass Media Research: An Introduction*, Belmont, CA: Wadsworth, 2003, pp. 142-143.
 - 20 Doris A. Graber, *Mass Media and American Politics*, Washington, D.C.: Congressional Quarterly, 1989, p. 345.
 - 21 Robert Jervis, *Perception and Misperception in International Politics*, Princeton: Princeton University, 1976, p. 13.
 - 22 Mustapha Masmoudi, "The New World Information Order," *The Journal of Communication*, Vol. 29, No. 2 (1979), p. 174.
 - 23 Arie M. Kacowicz, *Regionalization, Globalization, and Nationalism: Convergent, Divergent, or Overlapping?* Working Paper, No. 262, Kellogg Institute, Notre Dame University, 1998, pp. 12-14.
 - 24 Chaban, Bain, Stats, and Sutthisripok, p. 23.
 - 25 Ibid., p. 56.
 - 26 Hamilton explains that one factor leading to the lack of public affairs coverage in the news media is the low demand for it from news consumers: "The low demand for public affairs information translates into fewer incentives for outlets to offer the coverage and sparse rewards for journalists interested in providing this type of news. Rational ignorance among consumers generates rational omissions among reporters. The result may be less than optimal amounts and types of public affairs coverage," in James T. Hamilton, *All the News That's Fit to Sell: How the Market Transforms Information into News*, Princeton: Princeton University, 2004, p. 12. The same argument can be made for news about Asian integration, which does not seem to be in high demand among news consuming foreign policy makers (or the public).
 - 27 In a 2001 report, the East Asia Vision Group listed the following as its first guiding principle: "Shared Identity – Together we shall develop a shared regional identity by working to galvanize the aspirations of our peoples, promote greater trust and confidence, and advance common interests so as to foster a new sense of regional community" (East Asia Vision Group, *Towards an East Asian Community: Region of Peace, Prosperity, and Progress*, East Asia Vision Group, 2001, p. 8).
 - 28 Natalia Chaban and Martin Holland, "Introduction: Research Rationale, Theoretical Underpinnings, and Methodological Considerations," in Holland and Chaban, eds., p. 4.
 - 29 According to the East Asia Vision Group, "The Asian financial crisis of the recent past has provided a strong impetus to strengthen regional cooperation. This has given rise to the recognition that East Asia needs to institutionalize its cooperation to solve similar problems and prevent new ones" (East Asia Vision Group, p. 7).
 - 30 The EAS member countries are: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam.
 - 31 For example, ARF and APEC include a much more comprehensive set of countries that could be defined as Asian, but they also include countries from the European Union and Latin America, which would make the sampling of articles much more difficult.
 - 32 Thus, for example, even though Korean soccer players who play for clubs in the Japanese professional league, and a tour of a Chinese ballet company throughout Asian cities can both be considered forms of Asian integration in the cultural sense, articles about these issues would not be represented by this study's findings unless they came from either the Foreign or Business/Finance Desks.

Appendix 1: Word Count Value Assignment

Value	Words	Value	Words	Value	Words	Value	Words	Value	Words	Value	Words
0.1	28~	1.1	179~	2.1	462~	3.1	639~	4.1	860~	5.1	1111~
0.2	71~	1.2	209~	2.2	479~	3.2	662~	4.2	889~	5.2	1140~
0.3	81~	1.3	246~	2.3	499~	3.3	687~	4.3	904~	5.3	1167~
0.4	88~	1.4	279~	2.4	519~	3.4	715~	4.4	931~	5.4	1211~
0.5	95~	1.5	310~	2.5	540~	3.5	739~	4.5	953~	5.5	1251~
0.6	100~	1.6	335~	2.6	559~	3.6	759~	4.6	975~	5.6	1314~
0.7	109~	1.7	359~	2.7	570~	3.7	776~	4.7	1003~	5.7	1387~
0.8	119~	1.8	379~	2.8	580~	3.8	796~	4.8	1028~	5.8	1480~
0.9	132~	1.9	406~	2.9	597~	3.9	816~	4.9	1051~	5.9	1653~
1.0	155~	2.0	436~	3.0	616~	4.0	839~	5.0	1080~	6.0	1903~

Reviving Japanese “Traditional” Industries: Prospects and Strategies for Asian Regional Integration¹

Jennifer Beamer

Abstract

In the 1980s, most Asian traditional craft industries severely declined, deeply impacted by the process of globalization. Japan’s craft industry was no exception, and in looking for new ways to expand the shrinking domestic market for crafts, Japan’s Ministry of Economy Trade and Industry (METI) began to look for opportunities outside its borders. Several prospects emerged in the form of cooperative and developmental craft exchanges designed to raise awareness and create an appreciation for traditional commodities among Asian neighbors.

While research to date concerning Asian regional integration has focused mainly on economic analysis, this paper argues that focusing on the social and cultural benefits of such craft cooperatives is potentially a more effective means for successful regional integration and advancement of Asian community building. Furthermore, as traditional crafts are material objects that can represent aspects of local, ethnic or cultural identity, therefore symbolizing not only the economic, but also social and cultural elements of a society, they can be part of the discourse of grassroots integration focused away from the elite.

This paper investigates the case of a regional community initiative—Japan’s Kiso Lacquerware Technical Cooperation Project and educational exchange with the Union of Myanmar in 1998. As an initial investigation, this paper will suggest preliminary strategies for regional cooperation and the survival of traditional industries.

1. Introduction

In the 1980s, most Asian traditional craft industries severely declined, deeply impacted by the process of globalization.² For most developed nations, the causes of the decline were the rapid economic growth in the post-World War II era, the introduction of new technologies, and the full-fledged mass production of products made of new synthetic materials. Japanese traditional goods were no exception. Though still produced today, these goods have been delegated as traditional crafts, and their domestic production and distribution is in a state of crisis. This is confirmed in a statement made by Urushihara in 2004, a member of the Association for the Promotion of Traditional Crafts Industries and researcher at the School of Policy Studies, Hosei University, Tokyo:

“One major factor behind the slump [in] the demand for traditional crafts in Japan is the preference towards homogenization that has affected culture and lifestyle as a result of expanded globalization. [Examples of the decline in demand are] the mass production and marketing of standardized industrial products at low prices, the role of traditional crafts in daily life continues to decline, with demand domestically for traditional crafts dithering, new avenues of distribution and consumption must be found [sic].”³

Thus the producers of Japanese traditional crafts are desperately seeking new markets and

consumers for their craft-goods, not only domestically, but especially among their neighbors in Asia. While some scholars may suggest that such economic trade and investment opportunities are the basis for regional integration,⁴ this paper argues that Asian regional integration may only be achieved after the development of a regional identity and, therefore, opportunities for the development of a common identity must be explored. Traditional craft cooperatives can provide such opportunities, not only as the production of commodities but with the prospect of a strategy to enhance the process of Asian regional integration—to build more than just an economic community. The production of traditional crafts and the cooperation of crafts persons could form a foundation for mutual understanding of values and culture to thereby increase Japan's opportunities for regional integration activities. Comparable craft traditions exist for lacquerware, ceramics, and textiles in Asian countries and regions such as China, Taiwan, South Korea, Thailand, Myanmar, Vietnam, and Bhutan. Historically, some of these craft production processes have been imported and exported to Japan from these countries. Japan possesses a rich and diverse craft industry that, in sharing with the region, could be a bridge of common values in an effort to build more than just an economic region.

Furthermore, it is proposed that these types of community-building craft cooperation initiatives could be regarded as a central part of integration within the Asian region, as they will contribute to the enhancement of social and economic development of the member countries using crafts as an agent of development and social cohesion. It may be obvious that people-to-people contact is an important bond and basis for cooperation between states, and thus, diversified cultural exchanges together with Japan's neighboring countries should be undertaken.

In order to more fully explore this issue, this paper will examine cultural-theoretical approaches to globalization and regionalism thus far, where it is argued that much of the scholarly literature focuses on processes of regionalism as related to economics.⁵ Then craft is described as something linked to identity and value to be used as a starting point or tool for integration. Finally, the paper presents a review of the current situation of traditional craft in Japan and provides strategies for integration based on the preliminary investigation of the case of the Japanese Kiso Lacquerware Cooperative with Myanmar.

2. Theoretical Approach: Where Is the “Social” in Asian Regional Integration?

The volume of literature on Asian regional integration to date emphasizes the economic features in regionalism. Higgots, for instance, defines regionalization as processes of “integration that arise from markets, private trade and investments flows and from the policies and decisions of companies rather than the predetermined plans of national or local governments,”⁶ while Breslin observes that regionalization involves “processes by which societies and economies become integrated—particularly but not only in the economic sphere.”⁷ However, to sociologists interested in the construction of identity for societies and regions, which have the potential to embrace a common set of values, a genuine lack of discourse on the non-economic aspects such as identity in regional integration is evident. Few scholars have addressed how regions with economic and political arrangements⁸ have enhanced their social cohesion and/or determined issues of relations concerning distinct cultural groups.⁹

In sociology, cultural approaches to economic growth and regional development are not new, especially in comparative research. Max Weber drew conclusions regarding the relative strengths of religious cultures for economic expansion. However, in the wake of the Cold War and the rapid rate of change in the “age of globalization,” cultural discourse has become particularly popular and controversial. Within sociology, there are two broad arguments.

First, with the weakening of global and political-ideological conflicts, economic and politi-

cal regionalism has become more common. Of course this has not been immediate, but has been a process of gradual development over a number of decades.¹⁰ Parallel to this ideological debate, a cultural debate has arisen and been attached to various political and economic indicators. It has also been argued to bolster economic and political friction. For example, Huntington states:

*The fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural...[The] principal conflicts of global politics will occur between nations and groups of different civilizations. The clash of civilizations will dominate global politics.*¹¹

Therefore, socially or culturally based arguments often underscore the homogenizing consequences of the forces of globalization. In some cases, they highlight the unpleasant effects of this process. That is, regions and the people in them become more aware of their differences as cultures interact with each other. They hypothesize that this has been heightened by a resurgence of traditional identity and values resulting from the uncertainties of socio-political change in some societies.

The second, more popular argument holds that culture and regional values are declining as a result of domestic and international politics in the context of the pressures of globalization.¹² The process is discouraging traditional values and institutions, while producing a convergence of cultures through communication, travel, and trade: a fledgling homogenizing “world culture” as a consequence of increasing shared experiences or, as explained by Havel, creating an “amalgamation of cultures” in a “transcendent global ethos.”¹³ Also, Fukuyama argues that the spread of free-market economics and democratic politics is a process which “guarantees an increasing homogenization of all human societies, regardless of their historical origins or cultural inheritances.”¹⁴

3. What Function Could Social and Cultural Values Serve For the Prospect of Integration?

This question is under-explored and answers to it are ambiguous at best. What is unclear is the prospect of creating a common social or cultural community, and what is necessary to define or even understand what those values or commonalities might be. The concept of common identity for regional integration relies upon a number of assumptions, which have serious methodological and practical problems.

First, the construct of a regional or national identity is founded on the idea that the components that characterize a nation tie sub-cultures together within a national boundary. Keillor and Hult suggest that national identity has four components: cultural identity or a set of meanings that set it apart from other cultures; a belief structure facilitating cultural participation and solidarity; national heritage defined as a sense of the culture's unique history; and ethnocentrism, the way in which individuals or societies make judgments and attributions using their own cultural perspectives as baseline criteria.¹⁵ National identity is therefore an abstraction, an imagined communion,¹⁶ whereby individuals are united not by a geographical space but by a collective identity.¹⁷ In fact, Despres argues that this identity can be self-ascribed and need not correspond to identities that others impose, with the most important criterion being that individuals want to belong to a group.¹⁸ Therefore, national culture, or the signs and symbols of such identity, is a way of constructing meanings that influence people's actions and conceptions of self.¹⁹

The challenge in constructing or imagining a common Asian identity is that doing so means that social, economic, and political characteristics of Asian countries are based upon shared val-

ues which are identifiable and distinct, and which transcend national, religious, and ideological differences. The arguments presented thus far in the literature posit Asia as a value system in the context of an East-West dichotomy. Those arguments maintain that cultural values have underpinned the growth rates of Asian countries and conditioned the orderly social and political characteristics of the region.²⁰ The role of common values, identity, and regionalism, however, is a matter of debate. Scholars such as Leifer who have adopted a perspective based on international relations have minimized the importance of values, seeing them as being “convenient instruments of states.”²¹ In spite of this view, the importance of social, cultural or common values cannot be easily discounted with respect to the idea of Asian regional integration. Early functionalists like Karl Deutsch²² identified the formation of common identity as the driving force of regional institutional integration.

The second challenge is that regional integration appears to occur at the official and elite levels, where value struggles seem to be most often presented as economic aspects of regionalism. This approach effectively dismisses the concept of a grassroots-level regionalism, or regionalism among the people. The tendency is to emphasize the role that economics plays in regionalism.

It may be naive to overstate the importance of identity and values in the process of regionalism and regionalization. It is understood that regional organizations, especially in Asia, are forged due to the national interests of its regional members who heed their economic and geopolitical interests for the region over any sense of shared belonging. These interests are often economic in nature, and this favor explains why the economic aspects of regionalization and regionalism are often stressed. Nonetheless, citizens of individual member states who distrust or hold negative attitudes towards one another will make it difficult for regional organizations to work effectively on nontraditional security issues that carry a human dimension—for example, the case of illegal migration or transnational crime. Acharya, writing in the context of Southeast Asia, observes:

*The success or failure of Southeast Asian regionalism is explained not just by the great power balance, but also by ideational forces; including norms and the politics of identity building. Norms and identity matter; while they are not the only determinants of regionalism in Southeast Asia, they are a central determinant...while norms do matter, and they do not necessarily matter in a positive, progressive manner. They can matter negatively, by creating barriers or obstacles to change.*²³

Examining regional integration requires a comprehensive, balanced analysis of its formal and informal characteristics. At the institutional (formal) level, integration addresses “official” aspects like economy and security, while at the informal level, it refers, as Rumley suggests, to “a sense of belonging or feelings of community in a social or cultural sense—that is, it is a construct associated with identity.”²⁴ Additionally, it is also important to shift efforts from discussing integration at the elite level to that of non-state actors. As Thomas observes, “If a regional community is to be forged, then it has to go beyond the policy elites to include the peoples, societies, and nations [of the region].”²⁵ Even if a regional sense of values is vague in Asia, such sense is necessary to further common interests and initiatives.

4. Japanese Traditional Crafts: Common Ground for Integration

Traditional crafts may be considered unique in comparison to other commodities that are frequently used in the construction of a society’s local, national, or global identity. In the following analysis, it is necessary to subscribe to the beliefs of anthropologists who take “objects seri-

ously,” like Douglas, who regards material objects as “carriers of meaning,”²⁶ and Miller, who emphasizes that objects are constructed as social forms.²⁷ Crafts are defined as products that are created either completely by hand or with the help of tools. Crafts are made from raw materials and can be produced in unlimited numbers. Such products can be utilitarian, aesthetic, artistic, creative, culturally expressive, decorative, functional, traditional, religiously and socially symbolic and significant.²⁸

According to Schlereth, objects such as crafts can reflect the beliefs, values, ideas, attitudes, and assumptions of a particular community or society at a given time.²⁹ The common assumption underlying craft objects made or modified by humans is that those objects can reflect the belief patterns of individuals, and of the larger society to which they belong. It could then be said that material objects produced and consumed by large collective groups of humans, or nations, could offer insight into how those individuals and groups sustain life and society, how they reproduce or transform their social relations, and how they can mediate differences in interests and values.³⁰

Japanese crafts are said to be a reflection of Japan’s “traditional past” and are promoted as symbols of local identity, serving to thwart the threat of culture and identity-loss engendered by globalization. At the same time, these crafts are asserted to be somehow different from similar traditions found in other Asian countries. Craft has a long history in Japan, and is a modern marker of identity because it contrasts with traditions of western countries. It is also presented as distinctive from production in other Asian areas; but at the same time, Japanese craft is also viewed as a unique hybrid of identity influenced greatly by its surrounding Asian neighbors. One could assert that many crafts thought to be indigenous representations are in fact not unique to Japan, as some traditional craft processes were imported or created by Asian immigrants and craftspersons.³¹ Crafts elsewhere have similarly been used as symbols of national identity. For example, in both the United States and Canada, quilting becomes a symbol where craft and concepts of national heritage merge. The fact that quilting can be embraced by both societies as a cultural symbol representing a particular historic tradition shows that a craft need not be unique to a given society to be embraced as a symbol of cultural identity.

There are parallels surrounding economic segregation in modern societies, and the paradoxical nature of consumerism surrounding craft. As acknowledged by Creighton, the desire to re-capture crafts, or to engage in them as craftspeople, often involves an ideological rejection of commercialism and consumerism.³² However, despite such desires, these processes are infused throughout the place of craft in modern societies, seen in examples such as craft tours, the marketing of craft classes, the selling of craft products, and the survival of craft techniques in the market.

The economics in which craft is embedded still evoke considerations of identity and values. For William Morris (1834–1896), a leader in Britain’s nineteenth century craft re-vitalization movement, the commitment to craft ultimately fostered a commitment to socialist thought. He believed that alleviating economic differentiation was necessary to reach the ideal of paradise on earth, and to allow all people to appreciate the beauty that can potentially exist in everyday life through the close interface with crafted material goods.³³ However, making a living out of craft in the present economic climate usually means catering to an affluent elite.³⁴

5. The Present Condition of Japanese Crafts and the Need for Integration

Japanese formal authorities have been vigorously involved in protecting and reproducing “traditional” cultural properties. Commencing in the 1950s, the Japanese government began protecting intangible cultural properties and traditional craft techniques, and designated the people who make them as “human” or “national” treasures.³⁵ “Traditional” production locations are also

protected by Japanese authorities, as in the case of the Japanese Folklore Society designating places with titles such as the “most traditional village left in Japan.”³⁶ Nevertheless, the annual production value of traditional crafts, according to the Ministry of Economy, Trade, and Industry (METI), maintained a monetary value of 500 billion yen throughout the 1980s, although a gradual decreasing trend occurred. However, in the 1990s, the rate of decrease suddenly accelerated, and in 10 years, that figure was slashed in half, dropping to about 260 billion yen in 2000 (see Table 1 for a more detailed breakdown of the decline).

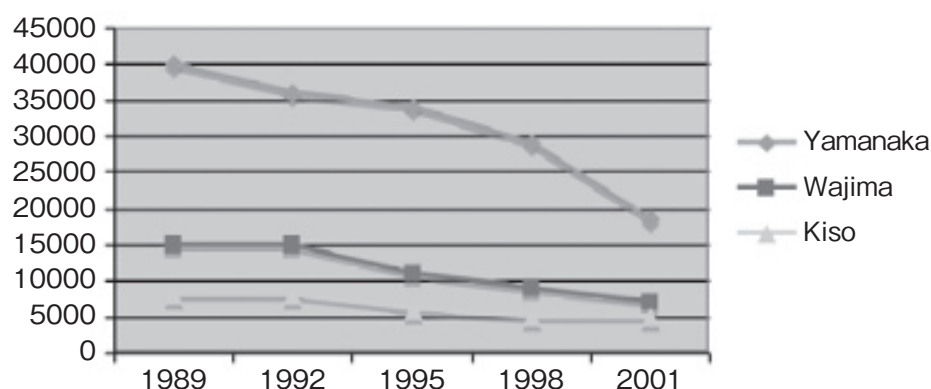
Table 1. The Present Condition of Japan’s Traditional Craftwork Industry

Item	2006	Reference Value (Peak Year)
The number of people engaged in the craft	93,000 people	290,000 people (1979)
The number of companies	16,700 companies	34,043 companies (1979)
The amount of production	177.3 billion yen	540.0 billion yen (1983)
Percentage of craftspeople under 30 years old	6.1%	28.6% (1974)

Source: Association for the Promotion of Traditional Craft Industries, Japan <http://www.kougei.or.jp/english/> (accessed July 1, 2009). Table created by author.

The decline has presented serious economic and social repercussions for Japan’s traditional craft work industry. The decline is obvious in the regions where large-scale traditional craftwork industries have historically been located. For example, the volume of production per annum in Yamanaka Lacquerware in Ishikawa Prefecture decreased from 40 billion yen in 1989 to 18.5 billion yen in 2001. This decrease in production volume can also be seen in Wajima City, a well-known production region of lacquerware, decreasing its amount from 14.8 billion yen to 7.6 billion yen in the same period of time (see Figure 1).

Figure 1. Changes in the Production of Lacquerware: Three Japanese Locality Examples



Source: Data collected from the Association for the Promotion of Traditional Craft Industries, Japan, <http://www.kougei.or.jp/english/> (accessed July 1, 2009). Figure created by author.

The decrease in demand for traditional crafts has thus reached a state of crisis, shaking the very foundations of the economic, social, and cultural livelihood of traditional Japanese craftspeople. To counter this situation, measures aimed at promoting crafts domestically were implemented by METI and local governments, according to the Law for the Promotion of Tra-

ditional Craft Product Industries enacted in 1974 and re-reformed in 2004. To date, the Ministry has identified over 200 types of traditional crafts that must meet its five conditions (see Table 2), and the Association for the Promotion of Traditional Craft Industries, the primary body backing the craft making business, has certified over 5,000 master craftspeople.

Table 2. Five Conditions for “Traditional” Authorization

1	The article must be used mainly in everyday life.
2	The article must be primarily manufactured by hand.
3	The article must be manufactured using traditional techniques.
4	The materials should be mainly those which have been traditionally employed.
5	The industry must be of a regional nature.

Source: Association for the Promotion of Traditional Craft Industries, Japan, <http://www.kougei.or.jp/english/> (accessed July 1, 2009)

In recent years, the declining production value of traditional crafts has resulted in a sharp drop in the number of practicing handicraft firms as well as craftspeople. Despite the implementation of rigorous promotional measures, the atrophy afflicting the craft making business has not been effectively stemmed. In order to prevent the decline and to urge development of the traditional craftwork industry, various attempts at revival have been linked with other industries such as tourism and the development of innovative traditional goods all over Japan. The Association for the Promotion of Traditional Craft Industries recognizes Japanese craft as more than just commodities to be sold; they believe that the attachment of individuality, fineness, expression, and aesthetic appreciation of Japanese ideals is essential to the production of handicrafts. It is critical for the products to survive as reflected in this statement:

METI's efforts to promote traditional Japanese crafts is [sic] done in the hope that the Japanese people as well as the people of the world do not forget the quality of hand-work [sic] and keep a place in their hearts for the unassuming and innocent products of direct human effort as well as the products of contemporary technology. Handmade objects are not a thing of the past...but are our contact with something basic and profoundly precious.³⁷

Outside of Japan, while the demand for Japanese crafts is somewhat limited, the demand for Japanese craftspersons to share or evaluate the level of craft of other nations has been notable. The Council for Local Authorities (CLAIR) is among several agencies in Japan that has been the most active in pursuing opportunities for international cooperation projects that relate to traditional craft. CLAIR states:

International exchange between local governments has begun to move beyond “international exchange” and other exchanges of goodwill. Still building upon the established foundations of goodwill, local authorities are now actively developing “international cooperation projects” by making use of the special human resources and expertise they possess.³⁸

Since 1996, the goals of such cooperation activities have been well defined by CLAIR and involve the cooperation of both Japanese and various Asian local governments, which state that the objectives of such cooperative projects should:

- (1) Be diverse and take advantage of unique regional characteristics;
- (2) Have increased citizen participation;
- (3) Be undertaken by local governments and their partners as equals; and,
- (4) Be carefully crafted to meet the wishes of cooperative partners.³⁹

Recently, examples of some of the local cooperative projects have included: in 2007, Japan-China Friendship Forum in Kitakami; 2006, Japan Specialist Dispatch Project on Pottery in Cambodia; and 2004, the Kiso Lacquerware Cooperative.

6. Case Study: The Kiso Lacquerware Cooperative

(1) Background and History

One type of protected craft that has a following outside of Japan is that of Kiso lacquerware. In 1975 METI (then MITI) designated the craftsmen, the involved processes, and final products of Kiso style lacquerware as traditional crafts. According to the local government in the Kiso Valley, Nagano Prefecture, lacquerware has been produced in considerable quantities for around 600 years. Unlike other lacquerware industries in Japan, this region produces large items of lacquerware including low tables, dining tables, screens, and folding screens. According to its remaining craftspeople, the greatest distinguishing feature of Kiso Lacquerware is the way in which items are lacquered in many layers and designs and painted in different colors of lacquer.⁴⁰ A large workforce of craftsmen produces unique pieces such as trays, lunch boxes, and tiered boxes, making a major contribution to the economy of the region.

The idea for the Kiso Myanmar Cooperative came about in 1994, when the Myanmar Governor General, who oversees small and medium-sized enterprises, visited the village of Narakawa-mura and signed a statement of agreement for technical cooperation. The Narakawa-mura village office then dispatched an exploratory commission to Myanmar, and beginning in 1998, three delegations of master craftspeople were sent to impart their technical skills to local Myanmar craftspeople. In addition, trainees from Myanmar were sent to receive technical instruction in lacquerware production at the Kiso lacquerware craft high school. In order to implement the project, the lacquerware district in Kiso utilized a support system co-sponsored by the Ministry of Foreign Affairs, the Japan International Cooperation Agency, and the Council of Local Authorities for International Relations (CLAIR). Initially, this type of cooperation was part of the Specialist Dispatch Project, an international cooperation project initiated by CLAIR.

Under the project, an employee (including retirees) of a Japanese local authority with specialized knowledge or experience is dispatched upon request from an ASEAN local government, to improve technology in the local area, train local personnel, and promote friendly cooperative relations between Japanese and ASEAN's local governments. The main objectives of the Specialist Dispatch Program are to:

- (1) Survey the raw materials of the locality;
- (2) Observe the craftspeople at work to determine their skill levels, and also survey commonplace problems in the traditional methods of manufacturing pottery in the village;
- (3) Provide training on craft techniques; and,
- (4) Offer training on marketing know-how: Participants are given insights into the importance of understanding local needs in order to market their products effectively.

As part of the series of cooperative schemes, the project put into effect strategies that involved local Japanese residents' study trips to other countries and conducting elementary school

classes aimed at raising global understanding. These served to raise appreciation among the Kiso residents of the lacquerware that was produced.

Myanmar lacquerware is also thought to have had a long history of production, originating from techniques imported from China in the 11th century. The techniques used in Myanmar production are similar to those of the Kiso craftsman's (see Figure 3). Lacquerware production in Myanmar is a cottage industry and there is a training school that was set up under the Department of Home Industry in the post-Independence period; it was upgraded to institute-level by the present government and trainees are recruited from around the area. They receive stipends and scholarship grants from the government. Myanmar's Department of Tourism states, "with the promotion of local and foreign tourism, the adoption of market-orientated economy and accession of Myanmar into the ASEAN (in 1997), lacquerware making has become a thriving industry."⁴¹

(2) Prospects and Challenges for the Cooperative

According to a CLAIR report, "both the socio-economic impacts of the projects were numerous."⁴² Additionally, the Myanmar government has stated that the partners in their country seem to:

*have greatly appreciated the exchange program to dispatch technical instructors and to receive trainees, and [the cooperative project] is thought to be useful in improving craft production skills. The fruits of the programs have started to show in the quality of the lacquerware being produced. New buds of exchange have started to sprout such as in future discussions for more overseas training.*⁴³

However, the Kiso Cooperative Project was not entirely without challenges. According to CLAIR the Kiso project and future exchanges with Myanmar have been suspended because, "As it is a small-scale local governmental program, the greatest challenge is securing funds for the cooperative exchange programs."⁴⁴

With local government finances strained, financing is also difficult to secure at the village office level. Moreover, the lacquerware making businesses are unable to identify any justifiable economic merits to the program. Also, due to the high value placed on Kiso Lacquerware domestically, Japanese officials have concerns about cheaper, lower quality Myanmar-made products flooding the Japanese market as a result of the cooperation project. As for the expansion of lacquerware sales overseas, stable distribution channels have yet to be established.

(3) Is That All?: Future Strategies for Cooperation

While the cooperative was not entirely a success in terms of its economic outcomes for local government officials, for CLAIR, the social and economic aspects are somewhat dependent upon one another:

*International exchange is regarded as the promotion of mutual understanding, with emphasis placed on human interaction. However, it's becoming increasingly necessary to consider such exchange in terms of its benefits to the regions, especially to regional economies. Given this situation, it's getting more important than ever to achieve specific outcomes in the activities of CLAIR. CLAIR will support in particular the promotion of economic exchange between local governments in Japan and those in ASEAN, regions which are increasingly gaining the attention of Japan and the world for their expected higher economic growth.*⁴⁵

For the artists and trainees involved in the cooperative, it is more than an economic prospect.

One craftsman is quoted as saying, "For Japan, I feel it is necessary to establish and respect local cultures and values while engaging in global collaboration and systematization, teaching someone who is interested in my craft is a good way to do this."⁴⁶

Though the tension between the economic and the social will always exist, with economic prospects first on the minds of officials, it is imperative to take an interest in the traditional crafts of the world, and approach the idea of traditional crafts with a global vision in order to foster the development of traditional crafts on a regional level. Craft can be a tool for this, as lacquerware is produced in many of Japan's neighboring countries and areas such as China, Taiwan, South Korea, Thailand, Myanmar, Vietnam, and Bhutan.

Owing to the exchanges with Myanmar, the local citizenry has acquired a better understanding of Japan, and the experiences gained have led to the development of new products.⁴⁷ For Japanese craftspeople, the sharing of techniques should not be a point of distress; rather, having a point of contact with other cultures could breed ideas for new crafts. They may not find an answer to their dilemma by looking solely at the economic benefits of the exchange and its impacts. There may be ways to thwart the influx of overseas products while building understanding of another's identity, values and culture at the same time. Moreover, as Japan relies heavily on foreign sources of raw materials, the entire production process cannot be domestically self-contained. There is a need to widen the scope of vision and draw together the respective energies of various actors, and ideas for fostering the traditional craft industry should be generated from a "regional" point of view; it is essential that the resulting measures also be implemented from that perspective.

The objective of these types of cooperation should not be wholly focused on economic outcomes or the setting up of institutions. Rather, emphasis should be on enhancing regional cooperation in terms of culture, promoting a better understanding of Asia's civilization, arts, culture, and possibly a common craft heritage. Craft collaboration has the potential to promote mutual respect and greater understanding of Japan and its neighbors' diverse cultural backgrounds, to strengthen the foundations for making a stronger, more cohesive, and more competitive Asian regional community. Further strategic objectives should also consider:

- (1) The support for intercultural dialogue within the region, by ensuring the preservation of cultural heritage and promotion of contemporary cultural productions.
- (2) The fostering of cultural and artistic cooperation among regions with regard to cultural activities related to arts, architecture and literature, as well as the promotion of activities, namely, exhibitions and festivals; and,
- (3) The promotion of cross border, bilateral, and multilateral cooperation among countries.

Initiatives that keep these strategies in mind cannot help but create a community of common values that exist for the preservation of cultural heritage as an instrument of social, human, and economic development.

7. Conclusion

A difficult challenge for Japan and East Asia in the twenty-first century is to transcend "the economic" aspects of regional integration and attempt to understand the identities, values, and cultures of its neighboring nations. This paper has argued that the emphasis thus far on Asian regional integration has been placed primarily on issues of economics and politics and, from that perspective, it has examined the possibility for regional collaboration in the form of traditional

craft cooperatives.

The paper has proposed that economic ties may not only make an Asian identity stronger, but they can also pave the way for a promising Asian community in which common values and cultural underpinnings are based on similarities in the production of traditional craft goods. Traditional craft embedded in identities, values, and cultures has the potential to enhance long-term efforts towards community building, especially when economic integration takes place. It may be in the best interest of the countries involved to focus on the sharing of grassroots commonalities, beginning with traditional goods that represent meaning and value.

However, future research and initiatives need to be undertaken to understand the concerns of the producers, craftsmen, and local organizations. Many questions remain to be explored concerning the role of identity, value, and culture. Whether and how much identity and value matter as an independent variable to regional integration is also a question that requires further inquiry. Moreover, what constitutes an Asian identity, if anything at all? Additional study is also needed on the types of approaches that might be mutually beneficial for Japanese crafts and their cooperation partners, to protect their techniques and human resources so that they feel comfortable sharing tradition.

A longer-term objective of future research might be to explore ways for Japan to collaborate with its neighbors in the creation of crafts not necessarily unique to Japanese identity and pride, but rather as emblems of a greater Asia that are engaging, appealing and profitable beyond Japanese shores. If that scenario were to come to fruition, it may create a more meaningful discourse about the traditional crafts of Asia and not merely that of a single country. A new vision could be that of a people-centered ASEAN, where cooperation, as opposed to solely government-driven economic regional association exists. A regional awareness of identities and common values would lead to regional cohesion and some level of cooperation among likely member states at the grassroots level. There is hope. The governments of South Korea, Japan, and China agreed to celebrate 2007 as the year of cultural exchanges. In fact, many of the proposed cultural exchanges on that occasion were based on pop culture exchanges, objects with meaning and identity across the various regions.⁴⁸ While continued economic prosperity will accelerate the development of regional integration, an understanding of a common culture or common identity will be susceptible to domestic political whims if it does not surpass the elite level; there is greater strength when values are shared by ordinary citizens throughout the region. Only then may the potential for true regional integration be secured.

Notes

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**Mireya Solis, Barbara Stallings, and Saori N. Katada, eds.,
Competitive Regionalism: FTA Diffusion in the Pacific Rim, New York:
Palgrave Macmillan, 2009.**

Masato Kamikubo

1. Introduction

Competitive Regionalism: FTA Diffusion in the Pacific Rim is the first major publication that has come out of the international conference on “Competitive Regionalism,” co-organized by the Waseda University Global COE programme: Global Institute for Asian Regional Integration (GI-ARI) in May 2008.¹

The objective of this book is to investigate the nature of the international trading system and the future of regional integration, by focusing on the worldwide explosion of Free Trade Agreements (FTAs). In the past 15 years, the world trading system has been quickly transformed with the rapid proliferation of free trade agreements (FTAs), whereby members make special exemptions to the “most favored nation” principle of the World Trade Organization (WTO) and exchange preferential market access commitments. In the second half of the 1980s and early 1990s, the “new regionalism” emerged in the Western Hemisphere. The 1989 Canada-US FTA was the first manifestation of this phenomenon. Subsequently, Mexico negotiated an FTA with the United States, leading to the trilateral NAFTA (North American Free Trade Agreement) that marked the turning point in the spread southward of the new type of FTA. In 1991, the four countries of Brazil, Argentina, Paraguay, and Uruguay expressed the desire to create more outward-looking economic integration agreements named “Mercosur.” In 2001, the United States shifted its trade policy toward “competitive liberalization,” which is the negotiation of bilateral FTAs with certain nations in order to stimulate talks on other trade fronts. With competitive liberalization, the active FTA policies of the United States, Mexico, and Chile have driven a veritable boom of preferential trade agreements in the hemisphere, as well as in Europe and East Asia. On the other hand, East Asia was widely praised as a high performing region prior to the 1997 financial crisis. Nevertheless, since the late 1990s, East Asian countries have negotiated multiple FTAs, which accord preferential market access, impose binding commitments, and embrace numerous WTO-plus commitments.

2. Previous Studies on FTA Proliferation

In previous studies, there are three conventional views on FTA proliferation: economic interdependence; domestic lobbying and rent-seeking; and state autonomy. Several scholars, who focus on economic interdependence, have argued that trade concentration is the most important spark for regional integration, and integration in one sector increases pressure to integrate in other related industries (Haas, 1964; Mattli, 1999). The economic interdependence approach indicates that high levels of economic interdependence can energize the private sector to demand that a regional economic governance structure transaction costs.

Several academics focus on the role of domestic lobbies in pushing for trade-diverting FTAs that yield rents for specific producer groups. Baldwin (1997), for example, has advocated a

“domino effect” model which describes how negotiation of trade-diverting agreements triggers a chain reaction of subsequent FTA enlargement or negotiation of alternative trade blocs, as disadvantaged non-member producers seek to minimize the trade and investment diversion caused by previous FTAs. The domestic lobbying model indicates that industries can lobby for FTAs that either offer rents through preferential market access or aim to dissipate these rents by negotiating countervailing FTAs.

The state autonomy approach argues that states consent to pool sovereignty via regional integration to achieve joint gains that cannot be realized with pure national measures, or to gain leverage over domestic interest groups (Moravcsik, 1993). In this model, governments can be firmly in control of the integration agenda and use these agreements to gain leverage over domestic interest groups.

3. New Perspectives on FTA Proliferation: Emulation and Competition

Competitive Regionalism: FTA Diffusion in the Pacific Rim firstly evaluates the above three approaches in previous studies. Initially, the book finds that economic interdependence is, in fact, a poor indicator of shifts in favor of regionalism. For example, intra-regional trade has consistently been higher for East Asia than for North America (as of 2003, 54% in East Asia and 46% in North America), and yet the United States, Canada, and Mexico moved much faster to negotiate the regional trade agreement (NAFTA) than the nations of East Asia. Next, this book criticizes that the trade-diversion motive can only explain a subset of such FTAs. For example, Japan firstly concluded a preferential trade agreement with Singapore, but this accord was not informed by the desire to counter trade diversion since Singapore was already one of the most open economies in the world. Finally, this book points out that the state autonomy approach’s narrow description of regionalism as a series of discreet summitry events leaves out ongoing processes (market exchange), assumes away problems of implementation of high-level official bargains, and fails to explain the reasons behind the convergence of regional integration preferences among key members. The book also observes that states are not interested only in supplying an integrated governance structure to lower risk and transaction cost, but they also try to achieve other economic, security, and diplomatic goals.

This book agrees that Baldwin’s domino effect has addressed the issue of FTA proliferation most effectively by highlighting how trade and investment diversion effects from initial FTAs can generate a chain reaction of subsequent preferential trade agreements. Thus, this book assumes that a government’s decision to pursue this policy innovation is influenced by the actions of other countries and is not determined purely by domestic factors.

The book presents the concept of emulation and competition. It considers the interplay of multiple competitive objectives in FTA negotiations, which go beyond the defensive economic interests of the domino theory and include regional leadership contests and dissemination of alternative standards in regional integration. Also, this book assumes an alternative hypothesis about FTA proliferation, which focuses on the role of ideas or policy paradigms as countries emulate successful FTA strategies of leading reference nations. Moreover, the volume examines more directly how domestic policy formation processes influence the manner in which governments respond to external diffusion pressures.

After clarifying the concepts of emulation and competition, the book proceeds to draw three testable hypotheses: non-diffusion hypothesis, emulation hypothesis, and competition hypothesis. The non-diffusion hypothesis states that a country’s decision to launch an active FTA policy is not affected by the prior decision of other countries to negotiate preferential trade agreements. In the emulation hypothesis, a country is assumed to have copied others based on their close so-

cial and policy connections and therefore should negotiate similar FTAs with as many partners as possible. The competition hypothesis posits that countries will counteract the FTA policies of their competitors. It assumes that a country moves toward FTAs due to competitive pressures in economic (market access, investment promotion, and averting losses), political (diplomatic considerations and political rivalry), and/or legal (standard setting and rulemaking) spheres. According to this hypothesis, the country then negotiates agreements on a carefully targeted basis with different terms depending on the partner.

Through examining the above three hypotheses, this book illustrates an alternative explanation for FTA diffusion with markedly different expectations about the nature of regional integration. This book argues that if competition is the dominant force behind diffusion, the recent FTA proliferation is expected to work against the emergence of coherent regional integration projects. Competitive pressures are multifaceted and should be disaggregated into different types of competition ranging from economic to political and legal. Also, this book claims that if emulation prevails, it is anticipated that bilateral FTAs will be supportive of region-wide integration efforts.

4. The Three Thematic Chapters

The book confirmed that the competition and emulation hypotheses have significant implications for a bedrock expectation in the FTA literature: that these preferential trade agreements promote regional integration. Instead, this book argues that if competitive incentives behind FTA proliferation predominate, these preferential trade agreements may weaken the emergence of coherent trade blocs in several ways. This book presents three thematic chapters, and they identify important sources of economic, political, and legal competition.

(1) Economic Competition

The book points out that FTAs offer interest groups and governments the ability to get ahead in international economic competition in several different ways: preferential trade and investment access, onerous rules of origin for non-members, targeting of rents for investors and exporters while maintaining the mantle of protection for uncompetitive sectors, and concession linkage to secure better deals in subsequent trade talks.

In Chapter 2, Shujiro Urata comments on the theories of economic determinants of FTAs and empirical analyses of the welfare impacts of these agreements. Through the review of the previous studies, he finds that defensive economic motives (the perceived need to counter trade diversion) have largely driven the FTA wave in East Asia. In particular, Urata emphasizes that this competition has been most acute between Japan and China.

In addition, Urata contrasts economic motivations with respect to FTAs between those that are included and those that are excluded. He points out that FTAs are relatively important for small countries that try to become large as they eliminate cross-border trade barriers through FTAs. On the other hand, he explains that for large countries, the impact of FTAs in increasing their size is limited, although they do benefit from improving terms of trade.

(2) Political/Security Competition

The book indicates that FTAs are also pursued to achieve non-economic foreign policy objectives. More specifically, the book argues that FTAs can establish closer economic links with security partners by employing the trade agreements as confidence building measures vis-à-vis rivals, or by using them instead to isolate competitors by excluding them from economic cooperation agreements negotiated with other nations. Consequently, FTAs can influence interstate alignment patterns.

In Chapter 3, by using the insights of major IR traditions (offensive/defensive realism and commercial liberalism), Mike M. Mochizuki explores the political-security dimensions of FTA proliferation in the Asia-Pacific. Mochizuki explicitly distinguishes between large countries (the United States, China, and Japan) and a smaller one (South Korea) in terms of the use of FTAs as a foreign policy strategy. He finds that FTAs have not been used by the large powers among themselves to counter competitive pressures, and they have instead signed FTAs with smaller states to hedge against negative security trends. So far, large powers have competed against each other to prevent the predominance of any hegemonic FTA project. Meanwhile, Mochizuki indicates smaller countries often use FTAs to reduce their perceived security vulnerability.

(3) Legal Competition

This book asserts that some countries have incentives to compete through their FTAs in the definition and dissemination of new rules in international trade. The reason for this is that the WTO has faced difficulties in adopting trade rules on “new” issues, such as investment protection, competition policy, and labor or environmental standards.

In Chapter 4, Junji Nakagawa first reviews the influence that the failure of multilateral rule-making through a stagnant Doha Round and the collapse of the multilateral agreement on investment had in persuading East Asian nations to join the global trends of regionalization and legalization. He argues that the major players in rule and standard-setting in trade and investment have changed their strategy from the multilateral forum to bilateral and regional forums to pursue their “bottom-up” rule-making in areas such as antidumping, trade facilitation, and intellectual property rights.

5. Country Chapters

Following the three thematic chapters, this book reviews countries engaging in FTAs. The country chapters in this book examine how diffusion dynamics influence the FTA policies of countries on both sides of the Pacific Rim.

In Chapter 5, Cintia Quiliconi and Carol Wise discuss the competitive liberalization campaign that the United States launched in the early 2000s to achieve key competitive goals: the dissemination of new rules on trade and investment that could be adopted later at the multilateral level, which in the Western Hemisphere generated a “coalition of the willing,” as only a subset of Latin American nations were willing to endorse the US-proposed FTA formula; and preventing China’s domination of the regional integration process in East Asia.

In Chapter 6, Barbala Stallings examines how Chile adopted an autonomous FTA strategy, putting it to a distinct political use in the early 1990s by reintegrating itself into the region after long years of authoritarian rule. Economic competition was also of great importance to Chile vis-à-vis emerging Latin American markets; Chile attempted to capture FDI inflows from industrialized nations and to strategically place itself as a bridge between East Asia and South America. Chile actively used FTAs not only to expand its market access and investment potential, but also to regain its legitimacy in the Latin American region after a long period of military dictatorship. In Chapter 7, Aldo Flores-Quiroga investigates the Mexican business community’s attempt to put pressure on NAFTA in order to secure market access and investment flows in a bottom-up manner.

In East Asia, Singapore has played a key role for the region’s adoption of an FTA strategy. Singapore shares common traits with Chile in that the two countries are relatively small and vulnerable to the external economic and political environment. They have decided to utilize FTAs to help mitigate these vulnerabilities. In Chapter 8, Takashi Terada discusses the political and

economic uncertainty in the region after the Asian financial crisis, which also stalled the ASEAN integration movement and encouraged Singapore to venture into FTA negotiations with advanced countries, such as the United States and Japan. Singapore exerted competitive pressures on other large ASEAN countries to follow suit, and ASEAN as a grouping has attempted to become an FTA hub. Also, Singapore tries to overcome its security vulnerability, strengthen its economic ties and facilitate mutual economic benefits and business transactions through FTAs.

In Chapter 9, Min Gyo Koo observes that Korea's more moderate attempts to emulate the FTA policies of other countries soon gave way, under the Roh Moo-hyun administration, to a proactive FTA strategy of negotiating with the United States and the EU. According to the author, while the top-down policymaking process allowed this policy shift, Korea has faced a domestic backlash (as in the United States), and its campaign to become an FTA hub of the region has been hindered. Koo argues that the Kim Dae-jung administration learned lessons from other countries after the Asian financial crisis. For example, the author mentions that the South Korean government launched an FTA with Chile to learn negotiating techniques that would be useful in later agreements.

In Chapter 10, Mireya Solis argues that Japan has utilized FTA policy to offset trade and investment diversion from other FTAs, to disseminate its own FTA formula in East Asia, and to compete with China in cementing relations with Southeast Asia. However, the Japanese government has faced a major dilemma: whether to negotiate a bilateral FTA with China to maximize economic gains, or to emphasize political competition and develop rival FTA networks in the region.

In Chapter 11, Jian Yang argues that China is keen to emphasize the absolute gains from trade liberalization, but its selection of FTA partners and the timing of trade negotiations show that competition, both economic and political, is driving the Chinese strategy. According to the author, China is economically using its FTAs to enhance the efficiency and productivity of domestic enterprises and to promote the international acceptance of China as a market economy. Also, the author states that China is politically using FTAs as an important instrument in its pursuit of influence and security goals.

In the country chapters, this book looks for evidence of patterns regarding how large and small countries respond to FTAs and prioritize economic and political/legal interests behind FTA engagement. The country chapters illustrate that as FTA development enters a competitive stage, economic competition becomes the predominant concern for smaller countries with weaker bargaining power, such as Chile, Mexico, South Korea, and Singapore. Those countries have preferred countries that have large markets as FTA partners, especially the United States, but also the EU and Japan.

The country chapters indicate that for the large countries, such as the United States, Japan, and China, the motivation for their aggressive FTA policies includes both economic and non-economic goals. For instance, China chooses FTA partners based on their willingness to recognize China as a "market economy." Also, the United States has been promoting its political and legal agendas through multiple FTAs with small countries, in addition to economic gains in trade access vis-à-vis relatively large countries in Asia. By contrast, an important international concern is that the existing markets in Japan are closed to foreign producers and exporters. Simultaneously, the Japanese government is subjected to the pressure of the country's uncompetitive domestic sectors, particularly agriculture, so that it cannot engage in FTAs with countries such as the United States or China that threaten those sectors.

The studies demonstrate that for large states with hegemonic ambitions, pressures of political and legal competition are particularly important reasons to engage in FTAs. Most of the FTAs involving the United States, from the early accords with Israel, Canada, and Mexico to the later ones with Asian countries, have been driven by Washington's security and political interests and

concerns. The United States has utilized FTAs to solidify or strengthen its security relations with distant countries such as Singapore and South Korea. At the same time, the United States has felt pressures from China's increasingly active pursuit of FTAs both in East Asia and in Latin America.

According to the chapters, for large countries, the dissemination of their own models of economic integration is also important. For example, Japan and China are rivals in their active pursuit of FTA negotiations within the Asian region. Both want not only to demonstrate their trade leadership but also to establish their own model of FTA standards.

6. Conclusion

In short, this book analyzes both emulative and competitive dynamics promoting FTAs in the countries studied. In particular, the volume shows that emulative diffusion can influence the countries' trade strategy in the early stages of FTA policy cycles. Competitive pressures start to mount at a later stage as FTAs spread throughout both the Western Hemisphere and the Asia-Pacific region, which trigger more aggressive and targeted FTA strategies and negotiations among the countries reviewed.

One shortcoming of this otherwise excellent collection of studies is that, although the book emphasizes the importance of domestic political elements to the countries' FTA policy, it is unclear how domestic political elements, including the power of so-called veto players, accelerate the countries' response to emulation and competition pressures on FTA negotiations. Instead, it can be said that these elements hinder movement toward FTA negotiations. For instance, the domestic agricultural opposition in Japan has constrained the Japanese government's options in terms of its FTA partners and the speed at which the country can pursue FTAs.

The above limitation notwithstanding, this book's suggestion that emulation and competitive hypotheses were at work in different countries and at different stages of FTA engagement is a very important contribution to the study of the international trading system and regional integration.

Note

- ¹ The International Symposium "Competitive Regionalism" was held in Ibuka International Conference Hall, Waseda University, Tokyo, Japan, May 30-31, 2008.

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Jemma Kim

1. Introduction

The new wave of regionalism has become an important feature of global political economy today. Since the 1990s, the number of bilateral or regional free trade agreements (FTAs) that have been signed has increased dramatically. In the Asia Pacific region, for instance, countries like the United States, Canada, Mexico, and Chile have pursued FTAs as one of their trade policy options since the early 1990s. Christopher Dent (2003) has called the sudden proliferation of regional bilateral free trade agreements “one of the most important recent developments in the Asia-Pacific regional political economy.”¹ Baldwin (1995) points to the existence of a “domino effect” in terms of FTAs from the second to the early third wave. Mansfield and Milner (1999) identify a “contagion effect.” While the number of FTA agreements has also surged on a global level since the early 1990s, the rapid increase in FTAs in the Asia-Pacific is particularly noteworthy given the relative dearth of such arrangements in the region before the 1990s.

Regarding East Asia, despite the diffusion of the FTAs, known as “the third wave”² in the 1990s, the region was characterized by a near absence of formal FTAs and regional institutions. Among East Asian countries, Japan and Korea pursued a single-track approach for almost fifty years, focusing their trade negotiation efforts exclusively on the multilateral forum while shunning regionalism as harmful to the GATT/WTO system. However, both governments today are actively and strategically pursuing bilateral FTAs with their trade partners. East Asia was engaged in 120 FTAs (including those under negotiation or study) as of 2009, and there are more to come.

Several questions arise. Why do countries pursue regional trade strategies, instead of relying solely on unilateral or multilateral ones? Will this new wave of regionalism be benign or malign? How is Asia-Pacific bilateralism likely to evolve over the next decade? To address those questions, there have been several reviews of research on FTAs in the field of IPE (Mansfield and Milner, 1997 and 1999; Hurrell, 1995; Yamamoto, 1997; Yamakage, 1983), but they did not generally focus on the transformation of FTAs beginning in the 1990s.

Drawing on the institutional bargaining approach (pp. 13-16, p. 280; see also Aggarwal 1998 for a more detailed discussion of bargaining games), in this outstanding book, Aggarwal and Koo address the above questions. The volume analyzes the rise of bilateralism in the Asia Pacific region with a view for understanding the origins and rapid evolution of these arrangements, and for comprehending their potential economic, political, and strategic impacts on regional economic relations.

The main aim of this book is to extract lessons from the empirical analyses of the political and economic factors that have driven Asia-Pacific bilateralism, and the implications of these arrangements for broader trading arrangements. The examination is conducted from theoretical, institutional, and empirical perspectives. The volume contains detailed case analyses of the trade strategies of nine countries: Japan, China, Singapore, South Korea, Malaysia, Taiwan, Thailand, the United States, and Mexico.

This book examines the negotiations of bilateral trade accords in the Asia-Pacific with specific attention to the following three questions (p. 4): “(1) Why does bilateralism develop? How does the context of informal and formal trade relationships drive the formation of bilateral agreements? (2) How will bilateralism evolve? What are the different paths that bilateralism might take? Will it be deepening or widening? Trade diverting or trade creating? (3) How will bilateralism affect other types of trade arrangements? Will it play a complementary or substitutive role? Will conflict arise among different accords and spill over into broader political relations among states?” Answers to these questions are sought through the analytical framework of the institutional bargaining game approach.

2. Theoretical Framework and Economic Overview

Part I consists of three chapters that deal with theoretical and institutional perspectives. In Chapter 1, Vinod Aggarwal develops the theoretical framework for the book. He addresses two questions. First, how might one categorize bilateral trade agreements in the broader context of the possible array of arrangements that might be used? Second, how can one explain the origins, evolution, and impact of bilateral accords? He argues that the motivations for concluding bilateral trade agreements have varied widely among countries, and simple economic welfare analysis does not adequately explain the rise of such accords. He incorporates political factors into his analytical framework. Regarding the political forces driving bilateral trade arrangements, Aggarwal focuses on four factors: the role of pressure groups, regime types, ideas, and international context. He also highlights the role of some types of external shocks. According to him, the pressure for a shift toward new Asia-Pacific bilateralism came about through three external shocks. First, broader security shifts such as the end of the Cold War made it politically easier for Asia-Pacific countries to pursue bilateral FTAs with each other. Second, against the backdrop of the unprecedented economic hardships for the small and medium-sized economies in the region during the last years of the 1990s, many of those countries came to recognize that tighter institutionalization rather than loosely-structured regional production networks might be a better commitment mechanism for providing economic security. Thirdly, the Seattle meeting of the WTO and the breakdown of the September 2003 WTO meetings in Cancun created fears that the multilateral trading system would not continue to function. Also, Aggarwal notes that the characteristics of an initial bilateral agreement and its possible expansion in scope will be critical to how actors perceive their relationship to broader agreements. Countries’ changing perceptions regarding the importance of supporting multilateral institutions have affected the choice of bilateral mechanisms. Many Asia-Pacific trade experts now are part of an “epistemic community,” which shares the view that bilateral agreements can be trade enhancing and serve a similar purpose to multilateral trade liberalization.

In Chapter 2, John Ravenhill looks into both the economic and political implications of FTAs on potential and existing, regional and global trading arrangements. Specifically, he argues that bilateral accords may well diminish prospects for future regional or global negotiations, and that both APEC and the WTO are likely to be negatively affected. He notes that the extent to which bilateral preferential agreements are consistent with Article 24 of the GATT/WTO will greatly influence the degree to which they might be disruptive to the broad-based trading system. Ravenhill provides a detailed analysis of how the exclusion of sectors in the accords under negotiation may affect the domestic balance of power, and thus change the political atmosphere for negotiating further agreements. He suggests that while such agreements provide governments with political benefits, the agreements create a new structure of protectionism that may harm consumers, create trade diversion, and encourage further lobbying by those who manage to secure

exclusion from bilateral liberalization efforts. He notes that some analysts believe that liberalization along bilateral lines may lead to the strengthening of pro-liberalization forces, which may then foster overall market opening. He argues that piecemeal liberalization is likely to undermine the creation of a broad coalition for opening trade by giving pro-liberalization lobbyists what they want through sector-specific agreements, thus diminishing their incentives to lobby against protectionist interests.

In Chapter 3, Fukunari Kimura deals with the economic motivation for bilateral trade agreements in the Asia-Pacific. Drawing on the development of international production and distribution networks as an important aspect of economic development in the region, he argues that FTAs in the region are oriented toward increasing the competitiveness of previously protected sectors in various countries while simultaneously enhancing production networks. He presents an economic overview of Asia-Pacific bilateralism. He examines five aspects of FTAs: (1) the economic motivation driving bilateralism; (2) the role of international production and distribution networks in economic development; (3) the effects of FTAs on development strategies; (4) the limitations of computable general equilibrium (CGE) model simulations; and (5) future prospects for broader bilateral accords. Kimura notes that although FTAs have been developed on a bilateral basis for the most part, the common view in the Asia-Pacific is that these efforts will ultimately result in economic integration of the entire East Asian region. As latecomers to FTA formation, according to the author, East Asian countries share several distinct elements that have characterized their efforts in developing bilateral FTAs. These include: pressure to formulate FTA networks quickly; motivation from external rather than domestic sources; and the advantage of learning from the experiences of other regions. Aided by fragmentation, agglomeration, and internationalization theories, Kimura demonstrates the importance of production and distribution networks in East Asia by citing a case study on the machinery industry's production/distribution network involvement. The analysis provides insight into the future prospects of Asia-Pacific FTAs. If East Asian countries are to continue towards region-wide integration, Kimura argues, several policies must guide the construction of FTAs. These include trade liberalization with minimal exceptions, forming bilateral FTAs with wide scope, learning from the experience of other regions, and utilizing other policy modes. The author concludes that this approach will allow bilateral accords to foster broader Asia-Pacific arrangements.

3. Case Studies

Part II offers nine case studies of bilateral trade arrangements involving China, Japan, the United States, South Korea, Malaysia, Thailand, Taiwan, Singapore, and Mexico. They address three common questions: What are the underlying political and economic factors driving these accords? What are the implications of these arrangements for broader trading arrangements? To answer these questions, each case study explores implications of the FTA policy and policy making for the theoretical and institutional explanations discussed in Part I, as well as the practicability of FTA multilateralization mechanisms.

Each chapter is similarly structured for a comparative analysis with an eye for understanding the different political and economic factors driving bilateralism in the region. Each case study begins with a general overview of the trade policy of each country/area analyzed as well as an overview of the bilateral agreements. It then examines both the economic and political factors that have driven the ultimate agreements. Each case study also provides an in-depth analysis of one or more bilateral agreements to provide readers with a more precise understanding of different countries' strategies.

In Chapter 4, T.J. Pempel and Shujiro Urata focus on the structural reform agenda. They

predict that FTAs would force non-competitive sectors to face difficult structural adjustments. In the presence of a dualist Japanese economy of protected inefficient firms and highly competitive exporters, the political cost of liberalizing the protected industries has been prohibitively high. Yet in the face of worldwide proliferation of FTAs, Japanese ministries with a structural reform agenda have argued that Japanese exporters are being damaged by these trends. According to the analysts, the Ministry of Economy, Trade and Industry and the Ministry of Foreign Affairs are pressing for FTAs as devices to bolster national economic restructuring in a more palatable manner due to their gradual impact rather than the alternative of sweeping domestic reforms driven by multilateralism.

In Chapter 5, Richard Feinberg examines the FTA policy of the United States, the most influential country in shaping the direction of multilateral trade regimes. The author argues that the United States has begun to dramatically shift its position on trade negotiations. Under the new rhetoric (Robert Zoellick's idea) of "competitive liberalization," the United States is currently mobilizing different types of trade arrangements, unilateral, bilateral, regional, transregional, and global. He notes that a consensus that FTAs advance US interests domestically and internationally has emerged within the policy circles in Washington.

Elaine Kwei analyzes China's FTA policy in Chapter 6. She argues that the course of China's bilateralism is informed by the interaction of four logics: (1) China believes that its future lies with multilateral or minilateral regional frameworks rather than strictly bilateral options; (2) as a highly attractive market with economic leverage, China is more likely to pursue multilateral or minilateral trade arrangements, especially "one-to-many" deals, while taking advantage of private and informal overseas Chinese business networks; (3) China will not completely discard bilateral options as long as it can exercise control over the process; and (4) China is interested in bilateralism primarily for political rather than purely economic motives, as illustrated by the inclusion of confidence and security enhancing measures in the China-ASEAN FTA framework agreement. Based on this analysis, Kwei points out that China is more inclined to pursue FTAs for their political benefits rather than for economic reasons, while at the same time continuing to pursue broader trade arrangements.

Min Gyo Koo focuses on the trade policy shift of South Korea's FTAs in Chapter 7. He analyzes Korea's trade policy change from multilateralism as the first priority to the promotion of bilateral FTAs including a multidimensional trade strategy. Koo argues that the socio-economic restructuring that followed the financial crisis of 1997 has resulted in a new internationalist social coalition that overshadows protectionist interests, particularly in agriculture and import-competing industries. He stresses the importance of the political leadership change, especially reform-minded Kim Dae Jung's presidential appointment in 1998, as the most crucial factor behind the policy shift.

In Chapter 8, Roselyn Hsueh examines Taiwan's troubled attempts to form FTAs with its "natural" trading partners, which have run into obstacles raised by China's opposition; according to the author, for Taiwan's trading partners, there are few economic and political incentives to risk economic and political retaliations with China by forming an FTA with Taiwan. Hsueh points out that, for bilateralism to be of any consequence for Taiwan, Taiwan has to find a new political formula that makes China more tolerant toward its bid for bilateral FTAs.

Skeungjoo Lee, in Chapter 9, discusses Singapore's two-track strategy for trade liberalization. Singapore's efforts at bilateral FTAs clearly mark a fundamental shift in its trade policy, which had hinged upon multilateralism and close ties with ASEAN members for the last four decades. Lee argues that a strong political leadership of former Prime Minister Goh Chok Tong and the institutional strength of the Ministry of Trade and Industry have been essential in making possible the policy shift to bilateralism, with domestic interest groups and foreign companies playing only a secondary role.

Kozo Kiyota examines in Chapter 10 why and how the incumbent populist government of Thailand led by Prime Minister Thaksin Shinawatra began to seek trade and investment expansion through FTAs beyond ASEAN. He argues that Thailand's new interest in FTAs is a result of political leaders' response to growing domestic pressure due to economic stagnation. According to the analyst, international factors influencing the nation's policy include the stalemate in AFTA negotiations and competition with Singapore and China for new FDI. He points out that the combination of an AFTA and bilateral FTAs will be more beneficial to Thailand than geographically dispersed minilateral trade agreements.

In Chapter 11, Yumiko Okamoto analyzes Malaysia's surprising policy shift from multilateralism toward bilateralism. Okamoto notes that because tariff rates between Malaysia and its prospective FTA partners are relatively low, the reduction of tariff alone may not create substantial trade and investment. Instead, Okamoto predicts, Malaysia will gain from trade and investment liberalization in the service sector.

Ralph Espach, in Chapter 12, focuses on the economic and institutional rationale for Mexico's bilateral trade agenda. He argues that Mexico's recent efforts at bilateral FTAs with East Asian countries are a logical extension of its long-term program for economic liberalization in the Western Hemisphere. The motivation for bilateral talks has increased as efforts at the multilateral and regional levels have slowed down or faced significant impediments. Espach predicts that bilateral FTAs with East Asian countries are not likely to significantly diminish Mexico's deepening economic ties with the United States.

4. Key Findings

Part III concludes the volume. Following the examination of theoretical and institutional factors for FTA formation and proliferation in Part I, and the concrete case studies in Part II, Chapter 13 suggests the implications. Using the empirical results from the case studies, Aggarwal and Koo summarize their key findings and their implications in three aspects (p. 292): (1) How should one evaluate the extent to which the trade policy of individual Asia-Pacific countries has evolved toward bilateralism over the past several years? (2) Of the three economic motivations including trade expansion, investment expansion, and financial cooperation, which is more important in determining individual countries' move toward bilateralism? (3) Of the four political and institutional factors, interest groups, political institutions, ideas, and international balance of power, which one is the most important driving force toward bilateralism and which one is the least important?

With regard to the first question, Aggarwal and Koo conclude that the most striking feature in the Asia-Pacific bilateralism is that small and medium-sized countries—particularly Singapore, Mexico, South Korea, and Thailand—have played a central role in setting the pace toward bilateralism. The authors add that the new Asia-Pacific bilateralism has resulted from a bottom-up rather than top-down strategy of small and medium-sized countries, as opposed to the post-war multilateralism that was largely imposed from the top (the United States) down to US allies in the region.

On the second question, the two authors observe that for the United States, China, and Thailand, facilitating the inflows and outflows of foreign investment is the number one consideration concerning bilateral FTAs. For other countries, expanding trade in goods and services through bilateral FTAs is the highest priority when they negotiate bilateral FTAs. For all the nine countries, Aggarwal and Koo conclude that financial cooperation appears to be the least important economic incentive.

Regarding the third point, Aggarwal and Koo maintain that for the majority of the countries

(six out of nine) selected for case studies in this book, political leadership and institutions are the most important driving force. For the United States, according to the authors, the new view of bilateralism as a building block rather than a stumbling block for multilateralism is the most important determinant. As for the two Chinas, international balance of power is the most important factor that drives their somewhat slow move toward bilateralism. The authors also note that interest groups play a relatively minor role in the politics of new bilateralism. It is in conflict with Solis' (2009) argument that Japan's fragmented decision making process, or "patterned pluralism," gives interest groups influence over the direction of Japanese trade policy. In fact, interest group politics appears to be the least significant factor in five countries and the second least important for two countries out of nine analyzed in this volume. This implies that new bilateralism is driven from the top at the national level. In addition, these findings are closely related to the emerging consensus at the political leadership level that FTAs will advance national interests while presenting an alternative road to trade liberalization compatible with multilateralism.

5. Conclusion

Based on the above observations and the implicit and explicit suggestions presented by each chapter, common features are derived: the relatively small economic impacts of the agreements, the importance of political factors in choosing negotiating partners, and the fear of being "left out" amidst the burgeoning waves of FTAs in the Asia-Pacific. Similarly, Mansfield and Reinhardt (2003) have argued that countries may develop FTAs in order to obtain bargaining leverage within the multilateral regime.

On the fear of being "left out," for example, for Korea at the initial stage of FTA policy development, the main drive was to prevent isolation from falling behind the tide. The Japanese case also shows that one of the main reasons for pursuing FTAs has been that "everyone else is doing it." According to Okamoto (2003), Japan has been particularly motivated to seek FTAs when major economic powers such as the United States and China are involved in FTA arrangements. Christopher Dent (2003) also has observed that the new FTA trends can be understood in terms of "FTA catch-up." Mansfield and Reinhardt (2003) have argued that countries may develop FTAs in order to obtain bargaining leverage within the multilateral regime.

In international political economy, whether the recent surge of the "third wave" of FTAs promotes or hinders multilateral liberalization remains unclear. Whether bilateral FTAs and multilateral trade agreements such as WTO and APEC are compatible has long been a topic of heated debate. As Ravenhill notes, there are sharply competing views on bilateral agreements, whether they are possible "stepping stones" or "stumbling blocks" to broader accords. There is noted concern over the implications that signing FTAs will eventually have for region-wide trade agreements. Indeed, once a number of different FTAs are set up, it would get technically complicated and costly to establish a single regional multilateral FTA because each FTA may have different rules of origin, exclusion lists, and external tariffs. How to induce convergence towards harmonized rules and standards among the web of FTAs will become an issue that needs to be resolved on the road to an East Asian free trade area, if it is to come in the future. For now, the question of why bilateral forms of FTAs rather than multilateral arrangements are burgeoning seems to be answered by political explanations, such as those offered in the book reviewed here. This volume cautions that there is a real danger that Asia-Pacific bilateralism will likely lead to pernicious, conflicting arrangements, rather than becoming nested within broader institutions. To make the future of Asia-Pacific bilateralism stable, conscious efforts of coordination among the countries concerned are very important.

This reviewer finds three possible points for further research. Firstly, there are theoretical contributions that can be made to the study of FTAs and international political economy. Recent literature on FTAs has focused on economic explanations for their attractiveness to governments. For example, FTAs are considered a vehicle for promoting deeper integration of economies or for dealing with trade-related issues such as investment and competition policy, and as an instrument for making economies more attractive to foreign investors. Contrary to those conventional explanations, by bringing in political and institutional factors, both domestic and international, as a key part of the explanation, this book provides us with considerable analysis showing that the motivations and implications in concluding bilateral FTAs vary widely among Asia-Pacific countries and that static economic analyses alone cannot adequately explain the growth of such accords.

Secondly, the institutional bargaining approach developed by Aggarwal and Koo in this book provides a more systematic basis for examining both policy choices and connections among different types of arrangements. Their approach focuses on goods, countries' individual situations, and the fit with existing arrangements. With respect to goods, they assumed that any disturbances in the provision of trade liberalization as a public good motivate countries to seek club goods as a viable alternative. In looking at the nine countries' individual situations, Aggarwal and Koo focused on their international strategic and economic interests and their beliefs about the value of pursuing trading arrangements in the face of the proliferation of FTAs in other parts of the world. To understand the varieties of trade governance measures, this approach can help us classify East Asian trading arrangements more systematically.

Thirdly, will bilateral trade agreements eventually lead to the economic integration of the East Asian region or not? This reviewer would like to point out that the subsequent development of plurilateral FTAs could be a step towards a higher goal. For example, Goh Chok Tong remarked on Singapore's "intention to spin a web of interlocking free trade agreements between APEC members, which could help move the organization toward achieving free trade in the Asia-Pacific."³ Similarly, Dent (2003) pointed out that "the inconsistent bilateral FTA rules and schedules provide the basis to rationalize them into a wider plurilateral agreement in which common rules and provisions can be established between subregional groups, thus creating the need to network these separate bilateral FTAs together."⁴ Asia-Pacific states have clearly demonstrated their preferences for the concerted bilateral liberalization of FTAs over APEC's multilateral liberalization. However, whether Asia-Pacific FTAs can prove their longer-term compatibility with the WTO multilateral trade order remains to be seen. By systematically evaluating the driving forces underlying the turn to bilateral trade agreements in the Asia-Pacific, this book has provided the first comprehensive analysis of this crucial phenomenon. A growing number of countries both in the region and elsewhere in the world are now considering further negotiation of bilateral trade accords. Further research is also required to understand how these arrangements will fit or conflict with existing institutions in the Asia-Pacific and with the WTO.

This book is highly informative, well organized, and clearly written. Although it was published three years ago and the country data obviously do not extend to the present, it is still very valuable as it deals with important ongoing issues in Asia-Pacific regionalism. Its contributions include extensive case studies, comparative insights, and conceptual and theoretical innovations. The book will likely inform scholarly discussions and policymaking and will serve a useful base for further research on issues of regionalism in the Asia-Pacific and East Asia. Further research that links domestic politics and the preferences of domestic actors to the national preference toward institutionalization of the Asia-Pacific will complement this book. This reviewer highly recommends this book to scholars, policymakers, and students who are interested in contemporary political economy and International Relations.

Note

- 1 Christopher M. Dent, "Networking the Region? The Emergence and Impact of Asia-Pacific Bilateral Free Trade Agreement Projects," *The Pacific Review*, Vol. 16 (2003), p. 2.
- 2 The "first wave" was seen in the 1950s and 1960s. It appeared with the development of the European Coal and Steel Community and then the European Economic Community in Europe, and subsequent regional agreements in Africa and Latin America. The "second wave" emerged in the middle of the 1980s. The US-Canada Free Trade Agreement in 1989, the Single European Act of 1985, the establishment of the Asia-Pacific Economic Cooperation (APEC) in 1989 and so on, came one after another.
- 3 *Straits Times*, January 26, 2001.
- 4 Dent, p. 22

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