

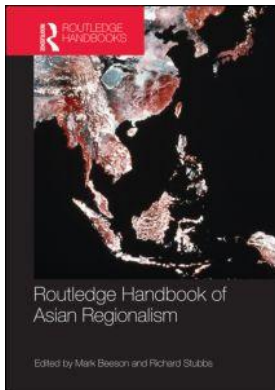
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ASEAN Plus Three

Becoming more like a normal regionalism?

Takashi Terada

The Association of Southeast Asian Nations Plus Three (ASEAN Plus Three, APT) began discreetly in Kuala Lumpur in December 1997 as a symbolic sideline event marking the thirtieth anniversary of ASEAN. Malaysia, which held the ASEAN chair, invited only three leaders from China, Japan and South Korea. It was believed that Malaysian Prime Minister Mahathir Mohamad finally had succeeded in materializing his long-cherished East Asian Economic Caucus (EAEC) plan, which had been strongly opposed by the US during the early 1990s. However, the inaugural APT Informal Summit Meeting was held in the midst of the Asian Financial Crisis of 1997–8, and Prime Minister Mahathir merely proposed that the APT leaders meet in 1998 and decide then whether there would be a need to continue to meet subsequently. Vietnam, the next ASEAN chair, also invited leaders from three Northeast Asian countries, this time to the Hanoi summit, ensuring the further institutionalization of East Asian regional cooperation. It was only after the APT Finance Ministers Meeting in Hanoi in March 1999 that the term ‘ASEAN Plus Three’ was widely used. Finally, the ‘Joint Statement on East Asia Cooperation’ was launched for the first time in history by the 13 heads of government at the 3rd Informal Summit Meeting in Manila in November 1999. The Statement broadly describes the aim of the APT meetings,¹ but more than that, what was of critical symbolic importance was the fact that all leaders from East Asian states gathered and launched the joint statement as a collective voice for East Asia.

It was not until the 2000 APT Finance Ministers Meeting that East Asian regionalism established a substantive and concrete regional cooperation mechanism. This was the Chiang Mai Initiative (CMI), which included a network of currency swapping and repurchasing arrangements, and showed the degree of the impact of the 1997–8 financial crisis on East Asian nations. Since then, the APT process has expanded the areas of functional cooperation, which now includes senior officials, ministerial and heads-of-governments meetings. As a result, APT now covers 20 policy areas with 57 bodies, including one summit, 14 ministerials, 19 senior officials, 2 directors-general, 18 technical-level meetings and 2 other track meetings, and has established itself as a fully fledged regional institution in East Asia. Although another regional institution representing East Asia, the East Asia Summit (EAS), was established in 2005 as a result of a power struggle between China and Japan (and the United States), APT is now viewed as ‘the main vehicle towards achieving an East Asian community’, while EAS – according to the Second Joint Statement launched by APT leaders in 2007 – is referred to as playing a ‘complementary’ role.²

The first ten years of APT were characterized by three features that appeared to challenge established orthodoxies in the study of regionalism. First, APT is the first regional institution in Asia that excludes the United States as an official member. The US had previously demolished any Asian regional proposal that excluded its participation, as seen in cases of the East Asian Economic Caucus (EAEC) and Asian Monetary Fund (AMF). There are at least three reasons behind the US absence or exclusion from APT: the US disengagement from the Asian Financial Crisis; Malaysia's decision not to invite non-East Asian nations to the inaugural APT summit in 1997; and the US 'benign neglect' attitude towards APT development. The second feature is that financial cooperation as embodied in CMI became the first and foremost agenda for APT, illustrating an anomaly from the conventional path of regional integration taken elsewhere (Dieter and Higgott 2003). This bilateral approach to financial cooperation, together with a constellation of bilateral rather than regional free trade agreements (FTAs), signified the lack of a regional approach to formal integration in East Asia. Finally, as the name 'ASEAN Plus Three' signifies, ASEAN, as a group of fragmented and relatively small economies unable to enjoy the benefits of economies of scale in production, has been allowed to organize the annual summits in Southeast Asia, treating the three big powers in Northeast Asia as guests. This position of ASEAN makes it possible for the ASEAN leaders to advocate for ASEAN centrality in East Asian cooperation, while powerful nations such as Japan and China that normally take a leadership role in regional institutions and integration have seemingly taken on a secondary role. However, ASEAN's capability to lead East Asian regionalism has been questioned by scholars such as David Martin Jones and Michael L. R. Smith, and the question of who leads and who becomes a driving force has been a major contested issue in APT intellectual discourse.

This chapter aims to examine these three features in order to illustrate the uniqueness of the birth and growth of APT, an unusual regional institution. It then argues that East Asia, especially in the APT process, has witnessed the transformation of these three features since 2009 due to three factors. First, increased US engagement in East Asia has been propelled by the Obama administration, partly through its participation in the East Asia Summit (EAS), representing a sharp contrast to the apathetic attitude under the Bush administration. Second, the momentum behind trilateral cooperation among China, Japan and Korea has been growing, which appears to challenge the ASEAN centrality formula. Finally, regional integration through 'Plus Three' and 'Plus Six' frameworks officially began, driven by the establishment of government-involved feasibility studies of regional FTAs as well as the multilateralization of CMI, a development that represents a moving away from a bilateralism-oriented integration approach for East Asia. Although Webber (2010) asserts that from the perspective of European experiences, APT has been promoting cooperation and not integration, more than ten years has passed since its establishment and these recent changes may suggest a possible employment of more serious approaches to regional integration in East Asia.

Origins

A regional concept that identifies its geographical boundaries is necessary for any regional grouping; without clear and agreed-upon boundaries, there can be no demarcation of the region upon which regional institutions are based. In the 1990s, the concept of 'East Asia' developed through the combination into regional unity of Northeast Asia and Southeast Asia, which served as the formation and development for the APT meeting. Until the appearance of the abortive EAEC idea, put forward by Prime Minister Mahathir of Malaysia in 1990, there was no strong conceptual framework for regionalism in East Asia as a whole. Although Malaysia's EAEC concept was not realized, it contributed to the establishment of the APT meetings in that EAEC created the East

Asian concept, without which the framework of connecting Northeast Asia with Southeast Asia – the regional setting in the APT meetings – could not have been accepted by the regional states. A Filipino senior official then in charge of ASEAN matters was reflective: ‘any form of East Asia cooperation, be it a Summit, or an ASEAN Plus Three Foreign Ministers’ Meeting, arose out of the initial idea of EAEC that ASEAN should pursue cooperation with its East Asian neighbors, as it showed a link between the concept of the EAEC and the ASEAN Plus Three meetings’ (personal correspondence, 3 March 2001).

I have emphasized elsewhere the importance of acclimation for a new regional concept as a basis for the creation of any regionalism to be accepted among potential members, and applied it to the case of the emergence of APT. This acclimation occurs through the socialization of the new regional concept through official diplomacy, academic or business gatherings, social publications and speeches (Terada 2003). It was stressed that centripetal forces identified as a ‘common other’ and a ‘common experience of problems’ reinforced the acclimation process, helping to distinguish ‘us’ from ‘them’ and to entrench a collective ‘regionness’ among states. The Asian Financial Crisis (common experience) and the expanding regionalism in Europe and the Americas (common others) played important roles, contributing to the clearer sharing of the East Asian concept by the member countries, and culminating in the consolidation of East Asian unity, the establishment of the APT meetings in 1997 and the launch of key policy directions such as a currency-swap arrangement of CMI to prevent a second financial crisis from occurring. From this analytical viewpoint, the creation of APT can be seen as a responsive arrangement to existing (financial crisis) and potential (challenging growing regionalism elsewhere) problems.

As briefly described in the introduction, the APT meetings were discreetly established and, especially in the case of Northeast Asia, leaders’ interest in nurturing this regional institution have gradually grown (Terada 2003). Given this steady beginning, the APT development needed a sound future vision, and it was South Korea who took an initiative.³ In 1998, South Korean President Kim Dae Jung proposed the establishment of the EAVG, which consisted of eminent experts representing each member state, to map out the major purposes, basic principles and specific measures of cooperation. It submitted a report to the APT summit in 2001 that included proposals of the East Asia Summit (EAS), the East Asia Forum and the East Asia Free Trade Area as long-term goals. Then, the East Asia Study Group (EASG), which was composed of senior officials from member states, was assigned to review the EAVG report and to provide more realistic plans for East Asian cooperation in November 2002, breaking down 26 projects into long-term, mid-term, and short-term categories. This mapping-out process of the two study groups’ reports suggested the desirability of a more vigorous political connection between ASEAN and Northeast Asia, enabling East Asian leaders to identify common positions more easily and to mobilize the region more effectively, providing a quick response to further economic problems in the region through coordinating policies and setting cooperative directions collectively for the welfare of the region. Yet, the path towards the realization of the two concrete programmes, the East Asia Summit and the East Asia FTA, proved to be thorny.

US exclusion

ASEAN Plus Three became the first regional institution in Asia to exclude the United States, a major importer of Asian products and a stabilizer of regional security. The US has been a key participant in major Asian regional institutions such Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF) and the Pacific Economic Cooperation Council (PECC). Yet with its geographical position located at the Pacific Rim, its erratic commitments to the region as seen in its hesitation to rescue Thailand and Indonesia during the Asian Financial Crisis, and its

inevitable involvement in global issues that diverts US human and financial resources away from Asian issues, US participation in East Asian regionalism has been always contested.

Fred Bergsten emphasizes the inappropriateness of US participation, borrowing from practices other regional institutions have employed: ‘Asians are not invited to the periodic Summits of the Americas (and that neither Americans nor Asians are invited to the frequent summits of the European Union)’ (Bergsten 2007: 3). Noboru Hatakeyama, a former vice-minister of the Japanese Ministry of International Trade and Industry, also indicated that participation by the US would be difficult if an East Asian FTA were to be formed, because the US does not geographically belong in East Asia (cited in Terada 2010: 87). There is, however, a contrary view that East Asian regionalism such as APT would ‘have little substantive effect if it excludes the United States, the most important provider of markets, capital, technology, and political stability’ (Munakata 2006: 15). Although regionalism is discriminatory, which means that non-members are not allowed to enjoy any benefit accrued from regional cooperation, including trade liberalization *within the region*, the US has not sought to participate in the APT integration process.

There are at least three reasons behind the US absence. First, the establishment of APT amidst the gloom cast over the region in the wake of the Asian Financial Crisis was a factor behind US reluctance. The US turned its back on a strong commitment to rescue the region, and moreover, the US and the International Monetary Fund (IMF) were staunchly opposed to the AMF idea, proposed by Japan’s Ministry of Finance in September 1997 as an Asian financial institution with an initial capitalization of US\$100 billion. The United States thought of the AMF as eroding the significance of the US-dominated IMF, causing a moral hazard-problem for borrowers.⁴ The US attitude was viewed as putting a higher priority on the promotion of ‘Anglo-American style capitalism than [on] solving the financial crisis’, strengthening the perception in East Asia that the IMF was looking to protect the interests of Western monetary institutions and to open Asian markets for Western firms at the expense of Asian workers and the sovereignty of Asian countries (Bowles 2002: 237–238). In East Asia, this led to mistrust towards the IMF and anger against the United States and, since then, has sparked East Asian interest in strengthening ties with each other and forming organizations to prepare for possible future disasters. There emerged an atmosphere in East Asia that did not support the US formal participation in APT.

Second, as mentioned earlier, the Malaysian Prime Minister Mahathir invited only leaders from China, Japan and Korea, and not from any other ASEAN dialogue partners such as the United States. Mahathir’s EAEC proposal had been demolished by the US, indicating its reluctance to share the limelight with another initiative that could drastically lower American influence in the region. The US placed strong pressure on Japan, which was expected by Malaysia to play a leading role in the initiative, not to participate in EAEC. Annoyed by the US opposition, Mahathir boycotted the APEC inaugural summit meeting initiated by US President Clinton in Seattle in 1993. It is thus rational to presume that Mahathir had no interest in sending the US president an invitation letter to the 1997 inaugural APT meeting.

Third, the United States did not oppose the development of APT. For instance, Assistant Secretary of State James Kelly considered it as ‘an interesting development’ and ‘a very healthy kind of dialogue within East Asia’. This view was echoed by the then US Trade Representative Robert Zoellick, who mentioned that the United States ‘welcomes closer regional integration in Asia’ and ‘is not worried about exclusion’ from APT (cited in Capie 2004: 160). This was mainly because, unlike the cases of EAEC and AMF, APT was established without any clear future agenda and with only a tentative path towards institutionalization, leading the Americans to conclude that it would be mostly process-oriented and thus relatively harmless to US interests.

Yet, as discussed later in this chapter, the US was forced to change its ‘benign neglect’ attitude towards East Asian regionalism due to two substantial developments in East Asia in the 2000s: the

rise of China, and the growth of preferential trading arrangements promoted by East Asian states. The US was concerned that China's rapid economic growth was exerting an overwhelming influence on regional trends in East Asia, and that China's rise due to its aggressive trade diplomacy had become responsible for the regional proliferation of FTAs, which excluded the US.

ASEAN-centred approach

The second feature that challenges regionalism orthodoxies is that ASEAN is understood as taking a leading role, as is symbolized in the name of ASEAN Plus Three. Despite the small size of most members, and so the political and economic unfeasibility of their leading the big countries, in the regional integration process, be it ASEAN Plus Three or ASEAN Plus Six, ASEAN is supposed to function as a hub by signing the five ASEAN Plus One FTAs with China, Japan, Korea, Australia/New Zealand and India. Therefore, ASEAN leaders have, on various occasions and platforms, consistently highlighted the central role ASEAN has played in leading and shaping the development of the regional architecture of East Asia, including APT. On the occasion of the 43rd Anniversary of ASEAN on 7 August 2010, for instance, Vietnamese Prime Minister Nguyen Tan Dung declared that 'ASEAN has successfully initiated and played the role as the driving force in [East Asia] regional frameworks' (ASEAN 2010). This regional situation does not sustain a claim informed by hegemonic stability theory, which suggests that leadership in regionalism is premised upon the use of the hegemon's preponderant material capabilities to facilitate the sound development of regionalism; ASEAN is not well unified as a single player, and remains as a group of fragmented, relatively small states that do not enjoy material predominance. ASEAN's source of power may be a non-threatening posture, which seemed valuable while Japan and China were engaged in the power struggles in East Asia and so judged it appropriate to maintain good relations with ASEAN, the third party and a group of ten countries, under such confrontational situations.

Evaluations of ASEAN's role in regional cooperation, including regional integration in a wider East Asia, are starkly divided among international relations specialists. Stressing the contribution ASEAN made by bringing three Northeast Asian countries to participate in APT, Mahbubani (2008: 85) asserts that ASEAN should be viewed as a 'diplomatic superpower' and 'peacemaker' in East Asia, and Zhang views ASEAN as a 'pathfinder in developing regional convergence in East Asia' (Zhang 2010: 23). On the other hand, some cast doubts on ASEAN's commitment towards institutionalizing the APT framework, as they argue that ASEAN norms such as non-intervention and practicals of non-binding consensus prevent deeper integration within ASEAN, not to mention the wider East Asian region (Jones and Smith 2006).

'The ASEAN Way', a guiding principle that informally stipulates non-intervention and non-binding consensus approaches to regional cooperation, has often been cited as an impediment to high-level regional institutionalization, because it tends to avert transnational cooperation that requires regulation and obligation on each state. The ASEAN Way is primarily applied to political and security fields, but the basic idea can also be employed in the economic field. Regional integration through FTAs, for instance, involves legally binding provisions for the reciprocal exchange of preferences that discriminate against non-partner countries, and presents itself as an inharmonious approach with the ASEAN Way. As Eaton and Stubbs (2006: 137) argue, ASEAN has 'few centralized mechanisms' through which it can 'either enforce agreements struck between members, [or] monitor domestic events in members states' in a crisis. It seems that a mismatch between ASEAN norms and economic integration practices has hindered the further institutionalization of ASEAN economic cooperation, not to mention a wider East Asian integration including APT.

In effect, a step towards the commencement of East Asian FTA negotiations depends on ASEAN's willingness to move beyond this framework. ASEAN as a loose group of relatively small

economies inevitably depends upon external economies for its growth through foreign direct investment (FDI) and exports, but its institutional significance would be diminished if a larger arrangement such as EAFTA developed rapidly. ASEAN's reluctance to move trade liberalization by itself, or perhaps its inability to take a political initiative towards a wider regional integration as a unified player, can be seen in the fact that it has never proposed an FTA to any of those 'Plus One' partners.

One of the major factors that have made it possible for ASEAN to host the APT summits is competition or confrontation, especially between China and Japan – because both nations, strongly suspicious of each other's initiatives, tended to lack strong incentives to drive ASEAN to side with either of them. What they tried to do to attract ASEAN to their side was to support ASEAN as a prerequisite for East Asian integration rather than engage in full-scale competition for regional hegemony (Terada 2006). In fact, despite the positive evaluations of an expanded ASEAN machinery 'to socialize the [East Asian] region with the same norms and values that have proved successful in Southeast Asia', it is still difficult to discern any official statement that clearly delineates what ASEAN actually does in this context (Jones and Smith 2007a: 149). In sum, the China-Japan rivalry that checked their mutual initiatives enabled ASEAN to overemphasize its role with successful rhetorical portrayals.

Financial cooperation

One of the significant areas APT has developed is financial cooperation, as seen in the 2000 establishment of CMI, is in promising mutual supply of intervention funds in emergencies and in which China and Japan, holding the world largest foreign reserves, have played a key role. The fact that APT began its cooperation mechanism with financial cooperation, such as CMI, indicated a salient feature of APT, as this initiative represented an atypical path for regional cooperation or integration process. In 1961, Béla Balassa published a study that classified the course of evolution of regional integration into five stages, depending on the level of integration achieved. The work in which the five-stage integration process was outlined has become essential reading, and is still one of the most frequently quoted and referred to in the field of regional integration. However, Balassa's five-stage integration approach was formulated on the course of European integration at the time, and what Dieter and Higgott (2003) call the Balassian understandings of trade-driven regional integration became irrelevant, especially because the development of APT started with financial cooperation.

The *raison d'être* of regional cooperation lies in its function to resolve common problems, which can be achieved only through collaboration, or to gain joint benefit through policy coordination. In this regard, crisis occasionally serves as a powerful stimulus for regional cooperation, and the 1997–8 Asian Financial Crisis is a classic example of this. Despite the failure to create the AMF due to opposition from the United States and the IMF, Japan continued to be engaged through substantial total contributions of forty-four billion dollars in the IMF-led rescue packages for Thailand, Indonesia and Korea respectively, which suffered from severe capital shortages. Subsequently, to establish a mechanism for crisis management and especially to counter the influence of the US dollar, ASEAN and three Northeast Asian countries formed APT and worked to increase their foreign reserves as well as to engage in the CMI, which stipulated the bilateral swap agreements of the mutual supply of intervention funds in emergencies.⁵

While Horst Köhler, then executive director of the IMF, had dismissed the concept of the AMF, he later expressed the opinion that East Asian nations felt that such an institution would best serve their interests (*Asian Wall Street Journal*, 26 September 2000). This can be seen as a growing awareness that the creation of a system to supplement the IMF was essential, because the IMF

alone would not be capable of responding in the event of a recurrence of another financial crisis, given the limits on the amount of funds that it could supply. In fact, the APT Finance Ministers Meeting (AFMM Plus Three) held in Kyoto in April 2007 saw an agreement on the preparation and management of foreign reserves within the APT framework. A system was later established that builds on the CMI to promote a basis for creating a regional lender in the form of multilateral assistance, indicating a possibility that APT was entrenching its position as a more functional regional institution. The AFMM Plus Three, held in tandem with the Asian Development Bank (ADB) annual meetings, has served as a chief platform to advance regional financial cooperation.

Significantly, the crisis triggered China's serious commitment to regional cooperation in East Asia, and since then China, together with Japan, has continued to be committed to regional integration. China's contribution to the crisis was initially found in its pledge not to devalue the renminbi, which was hailed by regional countries. The then Thai Foreign Minister Surin Pitsuwan remarked: 'the Chinese are bearing the burden for their past aloofness' (*Straits Times*, 16 December 1998). China became the first nation to offer aid of one billion dollars when Thailand's currency collapsed. Such a friendly gesture contrasted with that of the United States, who 'castigated the Thai Government for poor economic management' (Vatikiotis 2003: 69). The Asian Financial Crisis brought China and ASEAN closer; as one official close to the Chinese foreign minister commented, 'it was around that time that China "began advocating all countries involved should put aside disputes and develop the region"' (*Asian Times*, 10 February 2004). These strengthened relations with ASEAN acted as a foundation for China's East Asian engagement, and the closer China-ASEAN relations also invited Japan to be more engaged in ASEAN, especially in the proliferation of ASEAN Plus One FTAs (Terada 2010). This process became a powerful force for the development of East Asian cooperation, including the institutionalization of APT.

Transforming features: more like a normal regionalism?

While the development of APT towards an effective regional economic and political integration mechanism has been viewed as sluggish or even problematic (Webber 2010), this stark view can be partly attributed to the three features this chapter has so far highlighted. First, the US absence – together with other Western developed nations such as Australia – contributed to the APT agenda's avoiding of sensitive political issues such as the promotion of human rights, intellectual property rights or democracy, since China and many ASEAN members have been reluctant to deal with these issues. Second, the CMI development – growing out of East Asia's consensus that financial cooperation should be promoted first as a mechanism to prevent a second financial crisis from taking place in the region – remained as a network of bilateral swap arrangements, lacking the political impetus to move into a regional framework. Third, the ASEAN-centred approach symbolized the process by which ASEAN kept the major powers engaged in East Asia as the hub and core player through APT. However, a step towards the commencement of an East Asia FTA negotiation, be it ASEAN Plus Three or ASEAN Plus Six, depends on ASEAN's willingness to move beyond this framework. The lack of willingness and capability on the part of ASEAN would be a major obstacle to the establishment of regionwide integration in East Asia.

However, some recent structural changes in East Asia have contributed to the transformation of these three features: more serious US engagement in East Asian regionalism; more regional approaches to financial cooperation and market integration; and more powerful impetuses towards the East Asian cooperation/integration among 'Plus Three' states, possibly challenging the ASEAN centrality.

US engagement in East Asian regionalism

The United States had never been interested in participating in any East Asian (as opposed to Asia-Pacific) regional institution until Barack Obama assumed office in January 2009 and subsequently declared himself ‘America’s first Pacific President’. One of the first steps the Obama administration took in regard to regional engagement was to sign ASEAN’s Treaty of Amity and Cooperation in Southeast Asia (TAC) in July 2009, fulfilling the only precondition for official EAS participation that had not previously been met by the United States. President Obama underscored American interest in the EAS in a speech he delivered in Tokyo in November 2009, in which he stated that US regional engagement with EAS will be implemented ‘more formally as it plays a role in addressing the challenges of our time’. Soon after, President Obama met with Southeast Asian leaders at the inaugural US-ASEAN Summit, held during the Singapore APEC meeting. This involved the first encounter between a Myanmar leader and a US president in more than four decades. Myanmar had previously been an obstacle to the United States signing the TAC, which includes the principle of non-interference in the affairs of other signatories. A linchpin of ASEAN’s political values, this principle appeared to previous administrations to restrict the scope of American regional policy, including the possible imposition of political pressure on Myanmar to promote human rights and democracy. In the end, the US realized that signing the TAC would not cause serious problems for its diplomacy, as many signatories – including such US allies as Australia and Japan – have demonstrated (Terada 2006). Thus, Obama’s decision to sign the TAC and join EAS does not rule out the option to pressure Myanmar directly, but instead promotes high-level dialogue with Myanmar. This provides a way of enhancing the American presence in Southeast Asia amid the growing Chinese influence in the region, which has been palpably articulated in APT and through which China could gain predominant influence.

The US engagement in East Asia, especially through the participation in EAS, has contributed to the rise of the ASEAN Plus Six framework as a rival institution to the existing ASEAN Plus Three one, which may encourage the latter to accelerate its regional integration programmes, including a regional FTA. Yet, the APT structure – in which most of the members are developing countries and China acts as a representative in this group – remains unaltered, so it is a future question as to how the US engagement in EAS and East Asia as a whole will or will not urge APT to tackle, for instance, the promotion of universal values such as democracy.

Emerging ‘Plus Three’ cooperation

As mentioned earlier, there has been a lingering doubt about ASEAN’s capability to lead East Asian cooperation through APT. For instance, Jones and Smith argue that ‘ASEAN itself is an empty vessel. It can be easily manoeuvred by external powers who, like Japan and China, use the rhetoric of regional solidity to pursue their self-interested competition for regional hegemony’ (Jones and Smith 2007b: 163). This view is further elaborated on by Ravenhill, who asserts that APT cooperation is ‘initiated and financed by one of the Plus Three countries with little or no input from the others’ representing ‘a series of “bilateral” ASEAN Plus One projects ... rather than “East Asian” schemes’ (Ravenhill 2010: 201). Despite these consistent criticisms against ASEAN, the ASEAN-centred approach in APT could be sustained this far because more powerful ‘Plus Three’ states were not interested in taking initiatives based on their superior economic and political capabilities. Yet, the trilateral cooperation among them has started to flourish with the growth of transgovernmental and intragovernmental networks, including summits, as well as ministerial and senior officials’ meetings in finance, foreign affairs, economy and trade, environment, health, culture and tourism. These policy networks in Northeast Asia represent the rapidly

expanding array of cooperative linkages within ‘Plus Three’ nations, and are instrumental in nurturing a sense of cooperation among these officials. Furthermore, the negotiations for a trilateral investment treaty are almost complete and a feasibility study report for the trilateral FTA is expected to be submitted to the 2012 trilateral summit. The three leaders of China, Japan and Korea adopted ‘Trilateral Cooperation Vision 2020’ at the 3rd Summit in May 2010 as a blueprint for the future institutionalization of trilateral cooperation, and agreed to establish ‘Trilateral Cooperation Secretariat’ in Korea in 2011.⁶ Given that 80 per cent of the total amount of Chiang Mai Initiative Multilateralization (CMIM) (US\$12 billion) is provided by these three nations and that their combined GDP accounts for nearly 90 per cent of the total East Asian region, the upsurge of trilateral cooperation appears therefore to have the capacity to challenge the centrality of ASEAN’s role. An editorial article in one of the major Korean newspapers expresses this view: ‘given combined political, economic and military power of [“ Plus Three” nations], it is a matter of time [when] ASEAN Plus Three is changed into 3+ASEAN’ (*JoongAng Daily*, 15 December 2009).

Northeast Asia’s intention to lead APT was already manifest in the 2003 Joint Declaration on the Promotion of Tripartite Cooperation, which formalized trilateral exchanges for the first time. Article One of the Declaration subtly positioned the Tripartite Cooperation as ‘a major driving force for cooperation under the 10 Plus Three framework’ (TCCS 2003). Yet, with the gradual fruition of the various exclusive collaborations under the Trilateral Cooperation framework, which could potentially usurp ASEAN’s centrality in shaping the East Asian regionalism through APT, the trilateral institution has attempted to allay the fears of ASEAN through its explicit statement that the three Northeast Asian countries will ‘support ASEAN as the driving force for cooperation in East Asia’ (TCCS 2010). This may illustrate the seriousness of ASEAN’s concern about the marginalization within APT.

Despite the growth of these cooperative linkages in Northeast Asia, there remains one structural problem for consolidating the trilateral cooperation strongly enough to lead APT, as highlighted by Tommy Koh, Singapore’s ambassador-at-large: ‘Due to historical differences, the three major powers ... don’t trust one another. For this reason, no regional institution can be led by them... any proposal that marginalises ASEAN’s centrality in the region is ... unlikely to succeed’ (Koh 2009). There are historical and territorial disputes in Northeast Asia, especially seen in the loggerhead confrontations over the Senkaku and Takeshima islands – and Koh’s insistence represents a doubt that the ‘Plus Three’ nations can further cooperate without solving these problems.

More multilateral approaches

The first ten years of APT cooperation was predominantly characterized by bilateralism rather than regionalism, as seen in the proliferation of bilateral FTAs and the networks of bilateral swap arrangements in CMI. Yet, APT, as well as ASEAN Plus Six and APEC, has intended to promote regional economic integration, and CMI has been multilateralized. So, these ten years saw regional efforts in East Asia to form more institutionalized multilateral cooperation and integration. The problem of bilateral cooperation lies in its limited impact. For instance, the bilateral FTAs are not well utilized by multinational companies in the region, especially in Southeast Asia (Severino 2006). The number of Japanese companies that have used FTAs with some Southeast Asian countries such as Malaysia is small due to complicated procedures and the expense of the certificates of origin that are required to qualify for duty exemption. This is especially true in the case of automobiles, for which companies would need to obtain tens of thousands of certificates for their parts (Terada 2009). A regional approach is thus considered to be desirable in order to

enjoy the benefits of economies of scale in production and to avoid a ‘spaghetti bowl’ effect (Bhagwati 2008), meaning that a large number of rules of origin with specific standards and involving specific procedures will be formulated, and different rules will be applied to a single commodity. As for financial cooperation, through the multilateralization of the CMI, for instance, the amount of funding could be increased, and negotiations could be consolidated. Therefore the CMI could serve as a regional lender that would be capable of responding with multilateral assistance in the event of financial crisis.

The APT Leaders’ Meeting and EAS endorsed the recommendations covering the accomplishment of regional economic integration submitted by the respective study groups in 2009, and both have entered the next stage of feasibility studies by involving government officials. Although membership is the only institutional difference between APT and EAS, the latter includes India, Australia and New Zealand, and the respective study groups suggested a different approach to regional integration. ASEAN Plus Three FTA, called the East Asian Free Trade Agreement (EAFTA) and proposed by China in 2004, would be formed by consolidating the existing three ASEAN Plus One FTAs with China, Japan and Korea, while the 16-nation FTA or the Comprehensive Economic Partnership in East Asia (CEPEA) that was proposed by Japan in 2006 would focus more on institutional development with an emphasis on economic cooperation and sustainable development. The CEPEA study group suggested the formation of a stable institutional foundation by utilizing a research and technical support mechanism provided by the Economic Research Institute for ASEAN and East Asia (ERIA), which aims to serve as an ‘East Asian OECD’. APEC, once viewed as an ineffectual body for trade liberalization after it failed to implement the Early Voluntary Sectoral Liberalization (EVSL) programme in the late 1990s, has been re-emerging as a potential Asia-Pacific integration framework, especially after the United States advocated a Free Trade Agreement of the Asia-Pacific (FTAAP). The shift became better known after the US announcement of its intention to participate in an FTA formed in 2005 among Singapore, Chile, New Zealand and Brunei, called the Trans-Pacific Strategic Economic Partnership Agreement (TPP), as an initial step towards the eventual formation of an FTAAP.

The 2008 global financial crisis highlighted the growing impact of the rise of China on financial cooperation in East Asia. China emerged as a leader in regional financial cooperation, a position that used to be predominantly occupied by Japan. This played a prominent role in the Asian Financial Crisis – the battle between China and Japan over ‘which country pays more’ was seen as instrumental in the multilateralization of CMI in May 2009; both prolonged talks until they eventually agreed to provide equal contributions of US\$38.4 billion towards the settlement, although the Chinese contribution includes one made by Hong Kong. In the end, the total amount of US\$120 billion was broken down with 32 per cent each from China and Japan, 16 per cent from Korea and 20 per cent from the ten ASEAN countries. Japan’s status as the largest contributor was matched by China, but for the first time in an international financial institution. One reason why the size of the contributions is so contested between China and Japan lies in the tendency for nations to consider their contributions as voting power in the CMIM, culminating in the prolonged negotiations. Despite these battles, the decision to establish the ASEAN Plus Three Macroeconomic Research Office (AMRO) in May 2011 in Singapore – to provide strong financial surveillance and monitoring systems, which East Asia currently lacks – is one the initial first achievement in the multilateralization of bilateral swap arrangements, which in turn is essential for the realization of the AMF.

Conclusion

This chapter has illustrated the origins and development of APT as a basic institution in East Asian regionalism while elucidating three major features that made APT a relatively unique regional

framework: the exclusion of the United States, the most influential external actor in East Asia; the centrality of ASEAN and not of big powers; and financial rather than trade regionalism, with an exclusive focus on bilateral approaches. However, this chapter highlights the reduction of this uniqueness for APT as these features have been vanishing. US engagement began under the Obama administration; the most significant decision he has made in this context has been US participation in EAS in 2011, while also urging the need to promote TPP and FTAAP by hosting the APEC Honolulu meeting in 2011. ASEAN's centrality has been more strongly questioned after China, Japan and Korea have entrenched trilateral cooperation, including the possible conclusion of an investment treaty and an FTA among them, which would snatch more investors from Southeast Asia. Finally, the global financial crisis contributed to the establishment of CMIM with an independent surveillance mechanism from the IMF, a process that was accompanied by a modest impetus towards a regional FTA in East Asia. This means multilateral rather than bilateral formulas have been embedded in the regional integration process in East Asia.

One of the key variables that likely affects the prospects of APT is the influence and role of China with its high economic growth and huge amount of foreign reserves. The global crisis has also provided an impetus for East Asia, in which almost 70 per cent of trades are settled in US dollars, to consider the possibility of its own currency mechanism. Given that the total GDP of APT nations is expected to surpass that of the United States and eventually that of the EU in the near future, Masahiro Kawai, the president of Asian Development Bank Institute (ADBI), comments that 'it's disturbing that the most vigorous economic bloc in the world does not have its own currency system and relies on another currency' (*Nikkei*, 6 July 2009). The crux of the argument rests on whether China will carry out the internationalization of the renminbi by making it float on the international currency market.

Notes

- 1 It was decried as to "enhance interactions and foster closer links through increased opportunities for cooperation and collaboration, thereby strengthening the promotion of mutual understanding, trust, good neighbourliness and friendly relations, in the interest of furthering peace, stability and prosperity in the region."
- 2 <http://www.aseansec.org/21099.htm>
- 3 The East Asian Vision Group (EAVG) Report was published by the Korea Institute for International Economic Policy (KIEP), in which the EAVG Secretariat was also located.
- 4 China was also opposed to the AMF proposal. China was approached by the United States and came to see Japan taking advantage of its neighbours' weakness during the financial crisis to assert regional monetary hegemony (Moore 2004: 120).
- 5 The CMI also includes the following functions: 1) an information exchange mechanism on short-term capital movements in East Asia, including the establishment of an early warning system to monitor signs of emerging financial crises; 2) a dialogue framework for APT group discussions on reforming the international financial architecture; and 3) regularized meetings between deputy or vice-ministers of finance to review all CMI-related developments (Dent 2008a: 157).
- 6 Secretariat was assigned to liaise with 'other international organizations, particularly with other East Asian cooperation mechanisms' (TCCS 2010), assuming the coordination role with ASEAN and other regional or international institution, on behalf of China, Japan and Korea.