

The Financial Crisis and Regional Institutionalization in East Asia

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ABSTRACT

This paper reports on theoretically grounded empirical research aimed at shedding light on Northeast Asian countries' (South Korea, China and Japan) approach to East Asian regionalism. It questions the viability of institutionalized regional collaboration in East Asia. The East Asian crisis of 1997-8 was a turning point for the burgeoning campaign of institutionalized regional arrangements. This may be seen as a calculated response to the complex process of regional institutionalization from the East Asian Economic Caucus (EAEC) to the Association South East Asian Nations (ASEAN) + 3 occurred in parallel with not only the formation of monetary regionalism through Japan's policy initiatives such as the Asian Monetary Fund (AMF) proposal and the New Miyazawa Initiative (NMI), but also the emergence of trade regionalism through East Asian countries' involvements in a number of bilateral and multilateral Free Trade Areas (FTAs) negotiations. These forms of regional arrangements are seen as instruments to further intensify the formation of 'institution-led' regional institutionalization in the context of the ASEAN + 3 process.

Keywords: ASEAN + 3, East Asian economic crises, East Asian regionalism, institutionalized collaboration, regional integration

1. Introduction

Since the East Asian financial crisis (1997-98) East Asia's economic horizon has changed dramatically. Against that backdrop the emergence of regionalism figures prominently in the restructuring of political and economic order in East Asia.

Regionalism refers to a political project that political actors in the region correspond to rationalization to strengthen economic dependence and integration within a regional framework towards institutionalizing regional integration through negotiations, mediation and collaboration. Above all, institutionalized collaboration can be pointed out as the characteristic of East Asian regionalism. Institutionalized collaboration is a mechanism formed by interactions between changing knowledge and social goals of actors and defined as established community, regime, and organization by institutionalized negotiation (Haas, 1980).

This research thus aims to investigate changes in East Asian regionalism following the East Asian financial crisis. For this purpose, the paper borrows the concept of institutionalized collaboration as the basic analytical framework for investigating the dynamic relationship between East Asian regionalism and regional integration. The research focuses on three countries; South Korea, China and Japan, based on initiatives they have taken since the crisis. While all three implemented similar development models in the process of industrialization, they used different processes to overcome the East Asian financial crisis. Accordingly, South Korea, China and Japan share a common understanding of causes as well as strategies to overcome crises, but on the other hand, they are competitors. In this regard, East Asian regionalism after the East Asian financial crisis has become a common characteristic.

East Asian regionalism, which is based on the rivalry and confrontation between three uniquely industrialized countries, requires an equally unique analytical approach. Therefore, this research will take an *ex ante* perspective to analyze the financial crisis, focusing on the three countries in the historical context of modern industrialization. The study attempts to avoid traditional research methods that focus on development of East Asian regionalism, rather, emphasizing international, political perspectives and providing

chronological *ex post* explanation. For this, the research looks at how interest relationships of the three countries, each with a different process of industrialization, i) conflict and integrate in the perspective of East Asian regionalism and ii) undergo the process from East Asian regionalism to institutionalized collaboration.

This paper proceeds as follows. Chapter 2 examines theories on East Asian regional cooperation to provide a theoretical framework explaining the process of East Asian regionalism as it moves towards institutionalized collaboration. Chapter 3 explains the evolving discussion of East Asian regionalism *vis a vis* the financial crisis. Chapter 4 discusses tendencies of East Asian regionalism after the financial crisis with relation to initiatives of South Korea, China and Japan. Chapter 5 reviews characteristics of East Asian regionalism of South Korea, China and Japan. Chapter 6 concludes the research.

2. Theories of East Asian regional cooperation: institutionalized collaboration

The East Asian financial crisis catalyzed and accelerated theoretical disputes on East Asian regional cooperation. Generally, research on East Asian regional cooperation failed to overcome the limitations of existing theories, including the complex mixture of international politics and domestic policy decision-making processes. Since the financial crisis, recent trends of East Asian regionalism are as follows: i) theory on institutional limits of the role of APEC and ASEAN (Narine, 2003; Yu, 2003); ii) theory on opposition to Western capitalism against the functions of Anglo-American globalization (Higgot, 1998; Webber, 2001), and iii), theory on hegemonic leadership rivalry of China and Japan as an essential element hindering regional cooperation (Bowles 2002; Haacke 2003).

These arguments rather limit themselves in providing *ex ante* explanations of accelerated East Asian regional cooperation after the East Asian financial crisis than base on theory of East Asian regional cooperation. As such, this research presupposes that East Asian regionalism is strengthening institutionalized cooperation after the financial crisis and tries to apply experiential analysis. For the purpose, this research develops

institutionalized behavior suggested by Haas (1980) and takes a multi-level institutional approach focusing on the political and economic collaboration, mediation and interdependence of South Korea, China and Japan in the process of East Asian regionalism. This chapter examines and compares institutional approaches – constructive institutionalism, negotiation institutionalism among liberal governments, rational institutionalism – to explain East Asian regionalism from the institutionalized collaboration perspective. And it will be further applied as a theoretical framework to explain and analyze various types of regional cooperation in South Korea, China and Japan after the financial crisis. Constructive institutionalism develops a theory based on the role of normative and cognitive elements such as ideology, norms and identity in institutionalized cooperation (Nabers 2003; Acharya 2004).

It believes that regionalism is not the whole simply rules but ideology, norms and identity are leading the institutionalization. And based on these, it focuses on searching for regional identity that is leading to the institutionalization. It tries to consider institutionalized regional collaboration as a product of spiritual values such as ideology, norms and identity. Therefore, constructivists consider “socialization” as one of purposes towards institutionalized collaboration.

The approach of the constructive institutionalism puts emphasis on the importance of ideological and cognitive elements that other theories ignore due to too much emphasis on logical elements. This approach only can provide theoretical explanation on practical effectiveness of institutionalized collaboration when ideology, norms, and identity are changing.

According to Finnemore and Sikkink (1998), the life cycle of norm creates new order as time goes by in the process of the emergence of norm, expansion and institutionalization. Although, the approach of the constructive institutionalism explains ‘East Asia’ as one ‘region’ in the process of East Asian regionalism towards institutionalized collaboration and can be seen as providing useful theoretical framework to develop one of important roles in developing emotional common sense.

Negotiation institutionalism among liberal governments takes liberal perspective in domestic political aspect and believes that intergovernmental negotiation develops into institutionalized regional collaboration. Moravcsik

(1998) explains the process of EU institutionalized collaboration into three stages. First, the adoption process of domestic political system that is favorable to member states, second, the agreement process in negotiation among member states, third, the process of collaboration on the agreed agenda. This approach is characterized as multi-level governance where various actors make decision on policy through negotiation.

Negotiation institutionalism among liberal governments provides an important explanation on the East Asian regional cooperation. This emphasizes the role of a nation presuming that various interest groups pursue maximum interests by lobbying and pressuring the central government thus clearly identifies the subject of the regional cooperation. (Ravenhill, 2002: 172). Above all because it emphasizes the inevitability of finding a regional mechanism in promoting a regional collaboration, it can be applied as an important framework in predicting the future of East Asian regional collaboration that is ultimately directed to regional integration through institutionalized collaboration.

Rational institutionalism explains the theory of regional cooperation with relation to domestic political variables such as nation, interest group and individuals in the process of institutionalized collaboration. Rational institutionalism regulates institutionalized collaboration as an acceptable behavior of members in various realistic limitations and emphasizes rules and inducing system that caused the selection. Especially, rational institutionalism focuses on pursuing regime formation base on rational selection to maximize a regional cooperation. Particularly, Kaisa (2001) points out that regional regime is an important catalyst **to lead the process of institutionalized regional collaboration.**

According to rational institutionalism, a regime formation exists in all issues and fields and it is produced and changed according to its need. According to Haggard and Simmons (1987), a regime formation closely interacts with existing politic, economy, society, culture and develops into particular institutionalized collaboration or extinct. For example, with East Asian financial crisis as a momentum of **the East Asian Economic Caucus (EAEC)** project by Mahathir resulted as an institution of ASEAN + 3 (Hara, 2002: 96-111), and this opened a possibility to be developed as East Asian regional integration regime.

Approaches of institutionalism examined above differs in subject, analysis method and contents of institutionalization, however, it can be seen as providing an useful theoretical framework in explaining how East Asian regionalism is emerging as institutionalized collaboration. On the other hand, what is important to be noted here is that the undergoing East Asian regionalism characterizes itself by including various institutional approaches and cannot be fully understood with one institutional explanation. In this perspective, this research does not take one particular institutional approach but tries to complement and compare various institutional approaches and look into the process of East Asian regionalism proceeding to institutionalized regional collaboration

3. East Asian financial crisis and the transformation of East Asian regionalism

Regarding the East Asian financial crisis, South Korea, China and Japan has revealed different industrial processes and perceptions of others of the Western world. South Korea was a direct victim of the financial crisis and paid a severe price for restructuring. It tried to transform itself into as a Western economic system by actively accepting the restructuring measures of IMF. China is recognized for its positive role that led East Asia to overcome the financial crisis by overcoming internal and external temptation to devaluate Renminbi instead of avoiding direct influence of East Asian financial crisis. Japan became a target for criticism of providing cause of financial crisis by providing Japanese economic system to South Asia. However, Japanese accepted this as Western attack to Japanese development model and interpreted it in self-defense perspective. Based on these differences, South Korea, China and Japan took different confrontation and individual roles in emerging East Asian regionalism in post financial crisis.

1) Comparison of different industrialization of South Korea, China and Japan

Among three countries South Korea, China and Japan, Japan succeeded in early industrialization. According to "Theory on generation of industrialization" (Kim YC, 1988), Japan is among the third generation of industrialization countries. Although Japanese industrialization ran parallel to the expansion of imperialism to East Asian neighboring countries, it had undergone process of imperfect civil revolution that resulted in "Japanized" development process. This historical condition became an important element for Japan to have a characteristic of a developmental state.

Japanese economy and East Asian economy is inseparably related. East Asian countries experienced colonialism under Japanese imperialism with disparity of periods. Through Japanese colonial period East Asian countries indirectly absorbed Western economic system through a window of Japan that experienced industrial development for the first time in East Asia. In this process, East Asian industrialization formed flying geese pattern, Japan leading the front and other countries achieving industrialization in due sequence. As a consequence, East Asian countries inherited Japanese elements in the process of industrialization. The common characteristic phenomena shown in developmental states of East Asian countries are resulted from slower modern state formation process compared Western states and shortage of democracy settlement and capacity of civil society.

Japan in the process of industrialization expanded overseas investment to South East Asian countries. Japanese investment to South East Asia till mid 1980s were towards domestic market but after Plaza agreement in 1985, with rapidly increased expanded overseas investment to South East Asia, it headed towards securing production base and promoting circuitous export (Araki, 1991: 177-95). Japan made good use of East Asian countries as a production base for Japanese export products to solve weakened competitiveness in exports due to the high exchange rate of the Yen. In this process, economy of South East Asia has undergone major industrial strategic transformation into export dependant structure. As a consequence, South East Asian countries dependence on Japan has been increased and fixed.

The industrialization of South Korea proceeded during the Japanese colonial period. The industrialization of South Korea started with incorporation to subordinate division system of Japanese industrialization

and became regularized during the Korean War and under Cold War system resulting in foreign dependant economic system and became the characteristic of South Korean economic development. Export oriented industrial structure and foreign capital dependent financial structure formed conforming relationship with foreign market intervening in amity with Korean industrialization process and become an important background of highly achieved South Korean economic development.

Division structure and Cold War system influenced South Korean external economic relationship to become one-sided relationship with Western countries including US and Japan. This contributed to South Korean government's passive political, diplomatic policy towards South Asian countries including ASEAN. However, since South Korea enabled industrialization with post industrial South Asian countries under the colonial experience and later accepted the justification of government's intervention as a developmental state in the process of industrialization, it was treated as same capitalistic countries as other East Asian countries in the discussion of East Asian way right after the financial crisis.

China, different from Japan and South Korea, moved towards its own way of industrial model called Socialist Market Economy (Ahn, CY, 2001). China transformed from self-supply, central planning economy to open policy since 1978 Chinese communist party Central Meeting on 3rd November. Compared to Japanese industrialization with imperial expansion and South Korean and other post developing South Asian countries' starting industrialization through colonialism, China differentiated it by promoting industrialization with globalization. As China chose industrialization policy through globalization, it tried to be actively involved in existing world economic order. In 2001 China officially joined WTO and its continued efforts for official entrance to world commerce stage has been successfully realized. Since China's joining WTO, recent Chinese economy has been rapidly united to world economic system.

The emergence of China has become a big threat to East Asian countries that has been promoting industrialization through foreign direct investment. China is rather heading towards full-set division structure with South Asian countries than following Japan led flying geese development performing industrialization in due sequence. As a consequence of the emergence of

China, flying geese pattern of East Asian economic development led by Japan is experiencing unstable tail formation (Park BS, 2004). This circumstance has become a cause of East Asian financial crisis and at the same time it has become a background to bring necessity of searching for new economic development pattern and regional cooperation.

2) The outbreak of East Asian financial crisis and countermovement of South Korea, China and Japan

The causes of the East Asian financial crisis can be categorized into two. Insolvency and liquidity (Kim YC, 1999). Insolvency puts emphasis on the domestic aspects of the East Asian financial crisis that it takes an approach to find the cause of the financial crisis in the lack of fundamental economy in East Asia. According to this, IMF led restructuring gains logical explanation. On the other hand, liquidity focuses on the external elements that the substance of the financial crisis is in financial panic phenomena caused by international adventure capital. According to this perspective, the East Asian financial crisis could be overcome by providing short-term liquidity and looks at IMF led restructuring management being accompanied in the process of shifting IMF's responsibility for releasing capricious international finance market practice to East Asian countries.

Concerning the East Asian financial crisis, South Korea accepted insolvency (Kim YC, 2000). It is unusual for South Korea, a victim of the East Asian financial crisis, to recognize its shortage of internal and external economic structure and to accept performance conditions of restructuring (IMF Conditionality) requested by IMF. In fact, South Korea designed the framework of the restructuring in IMF Plus way with IMF requested original performance conditions of restructuring plus autonomic reformation management. South Korea accepted IMF Conditionality to justify internally and externally its economic restructuring. The KIM Dae-Jung government anticipated opposition from the generation in power and interest groups on the economic restructuring against deep-rooted economic practice that he made the best use of IMF to avoid this opposition. South Korea's active acceptance of IMF led restructuring started with an intention to promote

domestic economic restructuring with the use of Western capitalistic authority names IMF.

South Korea's active acceptance of the restructuring management of Western capitalistic countries including IMF, despite the fact that it is a victim of the financial crisis, is related to external dependent structure in the process of industrialization under the Cold War system. As a divided country, South Korea in the process of industrialization did not at least accept the ideology related to in the process of Western capitalistic country as ideal. In other words, South Korea considered the West as an ideal other and aimed at achieving modernization through transplanting its economic structure. This can be understood as Orientalism, West distorting East as pre-modern society and promoting its modernization, has been monopolized into South Korean condition and Occidentalism, inventing West as an ideal other dominated the industrialization process of South Korea.

South Korea taking restructuring management of Western capitalistic countries including IMF and used as a model for restructuring after the financial crisis is a result of Occidentalism accepted to an extreme as a discourse on restructuring. However, internal economic restructuring management dependant to IMF ignored the original characteristic of South Korean industrialization process and enforced US, UK ways of Anglo-American economic system over the transformation, a split in cognitive framework looking IMF as an ideal other has been made (Chang HJ, 2004; Kim YC, 2004). This transformation in perception has been developed into an interest in East Asian regionalism with the emergence of China as a potential economic partner rival to US, experience of the East Asian financial crisis and the formation of a sense of unity with East Asia that shared common feeling of being victimized.

Japan recognized the cause of the financial crisis not from the shortage of internal and external economic structure in the process of East Asian industrialization process but from the aggressive attitude of international short-term capitals towards East Asian currency. In other words, Japan accepted the financial crisis in the perspective of liquidity (Hughes, 2000). Japan has actually shown its intention by agreeing with the argument of Mahathir, Prime Minister of Malaysia, who criticized that IMF led economic

restructuring after East Asia financial crisis is not more than a 'Washington Consensus' reflecting interest relationship of consortium of IMF- Wall Street – U.S Treasuries. In fact Japan provided loans to Malaysia, who refused IMF relief loan, with a certificate of payment for 57 billion dollar bond Malaysian government issued in 1998 and mid-long term loan of a billion dollar.

While South Korea in the process of the East Asian financial crisis considered IMF as a ideal other and actively accepted its restructuring management, this kind of Japanese attitude can be seen as a reveal of Japanese position of 'Double Orientalism' internalized in the process of modern industrialization (Kang SJ, 1996). Japan expressed its opposition on flying geese economic development pattern being recognized as lack of progress by Western perspective symbolized with IMF and at the same time it tried to firmly maintain a sense of superiority in economic structure as a patron of East Asian countries. In other words, in the double structure of relationship between West and Japan as underdeveloped other and relationship between Japan and South Asia as underdeveloped other, the East Asian financial crisis has been developed in a circumstance where a sense of inferiority in the formal relationship overwhelmed a sense of superiority derived from the later relationship.

Japan accepted IMF led restructuring management on East Asian countries as an intention to remove Japanese developmental model transplanted to East Asian countries. Japan advocated that Japanese East Asian economic model losing its competency in late 1990s was not due to its shortage but due to confusion caused by Chinese intervention to stable flying geese economic development pattern (Watanabe, 2004), and the failure of East Asian counties' currency pegged in US thus unable to disperse its risk. Japanese plan to overcome the East Asian financial crisis suggesting a creation of AMF and Miyazawa Plan can be understood as an mixed intention to create alternative East Asian structure against international financial order led by US and on the other hand to continue its patron role of East Asia winning over China (Hook et al., 2002).

China is cautious in standing one of extreme positions of insolvency and liquidity on the causes of the East Asian financial (Zhang, 2003). However, china has accepted its position that Japan led flying geese economic development pattern caused structural problem of East Asian economy and

at the same time highly criticized on the arbitrariness of UN-Japan currency regulation which caused high exchange rate of the Yen by 1985 Plaza agreement and reversed as the low exchange rate of the Yen in 1995. China as Japan did to china is in the position to raise Japanese responsibility in the cause of the East Asian financial crisis.

However, China by enduring the pressure to devalue Chinese Renminbi in the process of dealing with the financial crisis successfully confirmed the regional identity of East Asian economic community but failed in linking its regional leadership to restructure global governance which was the case of Japan. China different from Japan made positive evaluation on the role of IMF in the process of the East Asian financial crisis. For example, China expressed its opposition to Japanese proposal to create AMF and aided 45 hundred million to Thailand and Indonesia through IMF program. This is one of Chinese effort to construct 'responsible' country image in the stage of international economy

Before China pursued reform and open policy, China underwent self-centered Occidentalism process considering West as a oppressive other. However, with reform and open policy and industrialization through globalization China had to experience inevitable cognitive transformation. If China consistently regulates West as a oppressive other, China has to face an ideological contradiction in the process of globalization. China actively searches for better relations with West to complete industrialization through globalization. In the process China considers East Asian countries as laboratories of globalization and attempts active promotion. China in the process of overcoming the East Asian financial crisis actively promoted FTA with South Asian countries thus putting down 'China Threat Argument' raised among East Asian countries, and domestically has a purpose to complete industrialization through globalization.

4. The development process of East Asian regionalism after the East Asian financial crisis

After the East Asian financial crisis, East Asian regionalism, with ASEAN + 3 meeting mediated, is in the process of concretization and institutionalization. ASEAN + 3 meeting was held for the first time as an

unofficial meeting by Prime Minister Mahathir inviting China, Japan and South Korea to celebrate the 30th anniversary of ASEAN and to discuss on the counter measurements of the East Asian financial crisis. It was in 1999 Manila meeting ASEAN + 3 meeting became official annual meeting and this is evaluated as the argument of East Asian regionalism overcoming planning stage and setting up institutional framework.

East Asian regionalism in economic perspective can be differentiated with financial cooperation and FTA. Financial cooperation is highly influenced by Japanese initiative, and China is taking the initiatives in FTAs. Japanese active leading in financial cooperation since the international currency structure has shown expanded regional tendency with the emergence of EURO in 1999 can be understood in the context of realization of Japan's long dreamed 'Globalization of Yen' (Hook, 2002: 29-31). In case of China, the effort is intended to unite capitals of Chinese Diaspora through FTA with ASEAN and to strengthen Chinese influence towards East Asia by exporting state-owned business to South East Asia. In case of South Korea different from China and Japan, it was not active in economic cooperation with South East Asian countries. Instead South Korea is searching a mediation role against competitive movements of China and Japan towards regionalism in East Asia. South Korea is clinging to North East Asian regional territory than East Asia and has set 'Developing North East Economic Hub' as a national policy.

1) East Asian financial cooperation and Japanese initiative

Japan understands the East Asian financial crisis as liquidity and pursues the possibility of financial cooperation as a regional counter measurement to overcome the crisis. When the financial crisis was on the peak, Japan proposed the creation of AMF to prevent the reemergence of the East Asian financial crisis and to systemize interstate currency cooperation in East Asian area during the ASEM Finance Ministers' Meeting held in Bangkok, Thailand on 19th September 1997 (Hamada, 1999: 33). However, US and IMF opposed the proposal by stating that creation of individual Fund in Asian area can weaken existing international finance system led by IMF and

lessened trust provision condition of AMF can cause laxity of moral. China and South Korea also took tepid position on Japanese proposal for the creation of AMF and in fact expressed opposing position.

To continue the argument on the creation of AMF Japan and ASEAN invited Finance Vice-Ministers of 14 countries, concerned persons of Central Banks, representatives from IMF, World Bank and ADB to Manila, Philippines, in November 1997. However, the argument on the creation of AMF proposed by Japan was dispersed from the beginning stage and instead the creation of Manila Framework has been agreed. This is to introduce regional watch mechanism in Asia area to compensate IMF's pan-global watch function. Manila Framework can be seen as a breakdown of Japanese AMF plan by US only looked into the agreement itself, however, in broader perspective it can be evaluated as successful brought up of a question on the necessity of East Asian financial cooperation by Japan and an momentum to expand the common sense (Green, 2001: 249).

After this attempt, Japan has sought new ways for East Asian financial cooperation by announcing New Miyazawa Initiative in October 1998, a concretized support plan for South Korea and South East Asian countries. New Miyazawa Initiative was a total support plan to expand domestic demand in South East Asian countries, to overcome economic slump and to stabilize financial system. The size of the support funds was in total 3billion and is targeted at South Korea, Thailand, Indonesia that received financial support from IMF during the crisis and Philippines and Malaysia. The background of the New Miyazawa Initiative is intended to realize Japanese plan on East Asian regionalism that has been frustrated with AMF plan and to plan internationalization of Yen in mid-long term to be used as a key currency in East Asian region (Whang YJ, 2000; Kim YB, 2002).

Interstate financial cooperation in East Asia face an important stage with Chiang Mai Initiative agreed during the ASEAN+3 Finance Ministers' Meeting in May 2005, Chiang Mai, Thailand. This is to allow currency swap agreement among Central Banks between South Korea, China and Japan and ASEAN thus enable a construction of a fund supply network to provide funds within amount agreed upon in financial crisis. The size of swap agreement as of 2004 is total 16 agreements with 36.5billion dollar that the Chiang Mai Initiative has been largely expanded. Japan strongly argued and

succeeded in including a provisory clause that agreement with IMF should be included in the Chiang Mai Initiative and this was because Japan did not want to repeat the experience of frustration by US to create AMF in the Chiang Mai Initiative. With the departure of the Chiang Mai Initiative with the cooperation of Central Banks in the region, Japan's intention hoped to be fulfilled with the creation of AMF has been de facto indirectly realized.

Although China and South Korea showed tepid position concerning Japanese creation of AMF, they actively participated in the Chiang Mai Initiative. This is because the initiative is not led by Japan but initiated in the ASEAN+3 framework and on the other hand it premises cooperation with IMF. Chinese Daily Express concerning the Chiang Mai Initiative expressed that many Asian countries still have a bitter memory of IMF's relief load. Also it comments that the combined total foreign exchange holdings of Japan, China, Singapore, South Korea, Hong Kong, Taiwan is approaching 80 billion and if it is well utilized, it will definitely contribute to the revival of Asian economy. This reveals Chinese intention to actively participate in the financial cooperation plan with a momentum of the Chiang Mai Initiative.

South Korea in a separate way is initiating the creating of multiparty financial supply system 'North East Asian Development Bank' as one of East Asian financial cooperation to provide funds in SOC investment of North Korea, development of inner China, resource development in far-east Russia. The reason for South Korea to be active in creating North East Asian Development Bank is because it predicts that the know-how of restructuring South Korea and East Asian countries has experienced after the financial crisis can be applied in fund supply therefore creating an important momentum to shift North East Asian order including North Korea (Ahn, CY, 2001; Nam DW, 2002).

2) East Asian FTA and Chinese initiative

While Japan with abundant foreign currency holdings implementing New Miyazawa Initiative and making swap agreement with individual countries in the region through the Chiang Mai Initiative, China is leading FTA in East Asia. Although China as well provided 4hundred million financial support to Indonesia in March 2002, it is not compatible to 3billion

New Miyazawa Initiative and China cannot be compatible to Japan in planning East Asian regionalism through financial cooperation when development fund is needed for its own development. Accordingly, China utilizes FTA as a useful diplomatic means and tries to secure economic leadership in the trend of East Asian regionalism.

In China-ASEAN Top Summit held during the ASEAN + 3 Meeting in November 2000, China suggested FAT relationship between China and ASEAN and proposed an expert meeting. In November 2001, Zhu Rongji, Chinese prime minister, officially suggested FTA between China-ASEAN and agreed that China will initiate the negotiation to create FTA within 10 years. China entering 2002 started framework agreement on "Comprehensive Economic Cooperation" and agreed on abolishing tariff by 2010 with 6 countries including Singapore and by 2015 with 4 countries including Vietnam. And China is creating an environment to create FTA with overall ASEAN by treating Vietnam and Laos most-favored-nation status and reduced accumulative debt.

As opposed to China actively leading FTA Japan's FTA promotion is limited due to importing agricultural products. Japan in January 2002 agreed upon 'Japan-Singapore Economic Agreement for a New Age Partnership' (MOFA, 2002). Japan chose Singapore as a partner as Singapore does not have agricultural foundation. China took over the situation of Japan against importing agricultural products and actively utilizing it to compromise the import to ASEAN. For example, China agreed to lower tariff of HS Category 1 and 8 in early stage and phase out by January 2006. Management called Early Harvest is evaluated as Chinese compromise to ASEAN's request (Watanabe, 2004: 125-310). On the other hand, a part of Early Harvest has been implemented with Thailand that tariff on 188 items of Category 1 and 8 has been already abolished. Chinese active attitude is well compared to Japanese slow progress in FTA with ASEAN due to the lack of compromise in some agricultural free trade. In November 2001, Prime Minister Zhu Rongji officially suggested a research on South Korea, China and Japan FTA (Chao, 2005).

According to Chinese movements described above Japan is promoting comprehensive economic cooperation. Japan declared 'Japan-Singapore Economic Agreement for a New Age Partnership' in November 2002 and

signed 'Japan-Singapore Economic Framework for a New Age Partnership' (MOFA 2003). After that Japan signed agreement for ASEAN friendship and cooperation in December. According to this Japan will start EPA negotiation including FTA with Thailand, Malaysia and Philippines from 2004 and will put its effort in starting EPA negotiation towards all ASEAN completing the negotiation till 2012 (Urata, 2002; Kimura and Suzuki, 2002; Taniguchi, 2003; Ouyama, 2004).

While China is active in promoting FTA with ASEAN, Japanese behavior can be considered as to obtain political capital rather than to seek for economic benefit (Zha, 2002). In fact according to Japanese economic news paper in October 2002 reported that priority of Japanese FTA is given to following order of South Korea, ASEAN and China. According to a report from the Samsung Economic Research Institute, South Korea also gives FTA priority to Japan. China follows and FTA with ASEAN is suggested after completing Korea-Japan FTA and Korea-China FTA when policy management among three countries becomes easy (Park BS, 2003). Japan and South Korea agrees on FTA between two countries without developing practical arguments on each country making FTA with China. This is because Japan concerning the loss of leadership in East Asia with the rise of China and Korea heading towards North East Asian economic center believe that they can mutually promote interest relationship.

5. Characteristics and evaluation of regionalism in South Korea, China and Japan

Characteristic and evaluation on the regionalism with initiations of South Korea, China and Japan after the financial crisis can be summarized as follow. Following three elements suggested is reconstruct of chapter 3 and 4 based on the institutional approach discussed in chapter 2.

First, the East Asian financial crisis has accelerated arguments on East Asian identity such as 'East Asian way', 'East Asian values' or 'East Asian identity' (Onuma, 2000). This is related to regional identity raised by constructive institutionalization meaning history, culture, identity is considered to have played an important role in the settlement of institutionalized collaboration in East Asia. As seen in the chapter 3 although

recognition on the cause of the financial crisis is different among three countries, South Korea, China and Japan due to different industrialization process and realistic interest relationship, they share common position in recognizing the necessity of pursuing regional collaboration in the region to deal with Anglo-American way.

This is related to the emergence of substantial reflection on Western modernization and industrialization among East Asian countries. With this the new emergence of arguments of East Asian identity has provided a factor to accelerate 'regional institutionalization' in the development of East Asian regionalism. Especially, South Korea and China in the process of industrialization slowly started to lose 'Occidentalism' structure distorting the other 'West' for its own purpose during the East Asian financial crisis. In other words, whilst in South Korea a reflection on one-sided imitation of Western modernization process, in China globalization led by West is seen to be conversely accepted. In this process, South Korea and China experienced dialogue structure of 'Occidentalism' that embodied the extreme confrontation of recognition on other named West to be mutually converged in the middle. This at the same time is creating a condition where Japanese 'Double Orientalism' with mutual contracting recognition structure against West can be mutually reconciled. However, to secure common identity on 'East Asian Way' itself is too abstract that it still leaves room for arguments in explaining realistic political economic structure. For example, different historical recognitions between South Korea and Japan, China and Japan are hindering elements in the development of institutionalized regional collaboration. In other words, if the concept of 'East Asian Way' is emphasized merely as an economic collaboration approach without solving historical mistrust in North East Asia, the regionalism can be possibly trapped in superficial regionalism.

Second, multinational and bilateral negotiations are simultaneously held. According to the explanation of liberal-intergovernmental negotiation institutionalists, rational selection based on practical thoughts plays an important role in the settlement of institutionalized collaboration. As discussed in chapter 4, South Korea, China and Japan are dealing FTA negotiation within East Asia in the process of bilateral negotiation under the framework of ASEAN+3, and this negotiation processes are simultaneously

preceding as multinational negotiation among participating countries towards long-term East Asian FTA. This has been exactly revealed in the process of negotiation of Chiang Mai Initiatives aimed at financial cooperation in the region (Simizu, 2002).

What is to be noted here is that three countries, South Korea, China and Japan where industrialization has been pursued according to the intervention of developmental state, the regionalism is also being pursued dominated by intervention of developmental state. For East Asian regionalism to be shown as a concrete result, it should be emerged as a supranational governance structure. However is hardly expected in the condition of North East Asia where strong state authority is in power. For example, FTA agreement in China and South Asian with low level of market economy expansion is relatively preceded with speed because the intervention of developmental state is relatively each in those states. The competition between China and Japan in the flow of regionalism after the East Asian financial crisis is in fact has a strong characteristic of confrontation between states. However, the domestic policy decided in the process of liberal policy preference is creating new opposition groups on the pursue of East Asian regionalism and these opposition groups has possibility to gradually become a new variable in forming South Korean, Chinese, Japanese regionalism led by developmental state. Despite this fact, in East Asia regionalism with interstate cooperation in the center where strong state authority is kept will be continued for a while. Accordingly, different from the West where the framework of market economy is centering the integration, other forms of regionalism will be sought in East Asia.

Third, newly developing regionalism with initiations of South Korea, China and Japan is found to have consistent flow towards institutionalization of the region in ASEAN + 3 framework (Hyun JD, 2003). Although three countries are proclaiming different positions to maximize their own interest, it can be seen that they are pursuing regional collaboration with ASEAN + 3 as an institutional framework. As seen in chapter 4, in concreting the 'economic community' base through financial cooperation and trade cooperation in East Asia, the institutionalization of ASEAN+3 can be considered as a base to form regional integration regime

(Tanaka, 2003). In this perspective, 'Declaration on East Asian Cooperation' adopted in 1999 by leaders of ASEAN+3 can be seen as a starting point of the East Asian regional institutionalization formation.

Therefore, ASEAN + 3 process has an important meaning in forming regional integration regime. This means that Mahathir's EAEC project that provided conceptual framework of 'regional integration' has revealed into a concrete result of 'institutionalization of a region. Above all, South Asian countries have fully realized limited role of APEC during the financial crisis and experienced ineffectiveness of ASEAN is now showing active attitude in regional integration regime formation with the institutionalization of ASEAN + 3 (Dieter and Higgott, 2003). In this perspective, the possibility of one effective regional integration regime formation after the financial crisis in East Asia is actively discussed. However, to guarantee the most distinguished term of regional integration regime formation in the region, the reality requires the expansion of sympathy among East Asian states and matured political and economic conditions in the region.

6. Conclusion

East Asian regionalism after the East Asian financial crisis is evolving fast. East Asian countries before the crisis are faced with different industrialization stages forming vertical division structure. In the process the economic interdependency has been deepened but East Asian regionalism could not self create an opportunity to be developed into institutionalized collaboration. However, the financial crisis raised arguments on East Asian identity and in the process, one of the most important dividing edge for the development of East Asian regionalism has been provided. In this process ASEAN + 3 is considered as an important anchor in developing East Asian regionalism towards institutionalized collaboration. Since Manila ASEAN + 3 Meeting in November 1999, the framework developed related Ministerial Meetings and Track 2 Meetings consisted with scholars and financial experts into regular base. In this aspect, it is an important progress that during the Vientiane ASEAN + 3 Meeting in November 2004, under the title 'ASEAN + 3 Solidarity' 'The second declaration on East Asian cooperation' has been agreed to be proclaimed by 2007 (ASEAN, 2004).

However, North East Asian political security issues around Korean peninsula unable to overcome the post Cold War structure is still acting as an obstacle for the development of East Asian regionalism. Nevertheless, on the one hand, mutual dependant relationship among North East countries around Korean peninsula can be seen as providing both opportunity and threat for the development of East Asian regionalism. For example, although North Korean issue is a politically insecure element of North East Asia, if North Korea accepts external open policy influenced by active inclusion policy of neighboring countries, it has an enormous SOC investment demand that requires East Asian common counter measurement and this according to circumstances can provide an important term for the development of East Asian regionalism.

Although East Asian regionalism is headed towards institutionalized collaboration, leverage effect consistently demonstrated by US in the process has been identified as its clear limit (Kim YB and Koo GW, 2000: 154-55). US is a country on whom East Asian countries' politic, security and economy are the most dependant. For example, South Korea and Japan are security alliance through bilateral relationship with close military relationship, and China prioritizes relationship with US to promote industrialization through globalization. Above all, North Korea cannot develop open economic policy without solving political and military complexity relationship with US. In this perspective, the development of East Asian regionalism can have different appearance according to the phase of US in the region.

This research looked into East Asian regionalism with focus on South Korea, China and Japan that the role of ASEAN in contributing practical institutionalization of the region has been slightly ignored. Considering the complex political and economic dynamics of North East Asia in the development of East Asian regionalism in the future, ASEAN initiative in fact is anticipated to play more important catalyst role. In fact, the East Asian regionalism has been evolved with confrontation, restrain, mediation of political and economic positions of ASEAN and South Korea, China and Japan. In this aspect, analysis on the role of ASEAN is essential in analyzing the process of the development of East Asian regionalism. This can be pointed out as a limit of this research and it will be remained as future task of it.

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