Explaining “Asia’s Paradox”: Intergovernmentalism and the Development of East Asian Regionalism

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Introduction

As a geographic region, East Asia represents a complex candidate for regional integration. Within East Asia are, in fact, two different sub-regions of Northeast and Southeast Asia. Northeast Asia is characterized by the presence of the region's great powers, China and Japan. It also, however, features a long history of mutual mistrust, political rivalry, and limited cooperation. Southeast Asia, in contrast, consists of weaker states, but has featured a more peaceful and cooperative environment centered around the Association of Southeast Asian Nations (ASEAN), the most powerful organization in Asia (Yoshimatsu 2008). In addition to these differences, the prospects for integration to East Asia are further challenged by "diversity, ideological polarization, as well as competing national and sub-regional identities" (Acharya 2007: 24).

Nevertheless, in the past two decades the region of East Asia has shown a trend towards integration. Beginning in the late 1980s, East Asian states have become mutual members of a web of regional initiatives such as the Asian-Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF), the ASEAN Plus Three (APT), and the East Asian Summit (EAS), to name a few. The development of the region, however, has been based on what former South Korean President Park Gyeun-hye has described as "Asia's Paradox", meaning "the disconnect between growing economic interdependence, on the one hand, and backward political, security cooperation on the other" (Council on Foreign Relations 2013). Given the challenges for integration in East Asia and the complicated web of regional cooperation arrangements, which theoretical framework(s) would render the strongest explanatory power for this paradox? We argue that realist intergovernmentalism most accurately explains the current form of regionalism in East Asia. This paper demonstrates that integration in East Asia is largely
reflected by relational power differences and a mix of the convergence and divergence of preferences among the most powerful states in the region, especially China and Japan, consistent with the expectations of realist intergovernmentalism. At the same time, this pattern of regional cooperation is reinforced by the exogenous forces of globalization as well as the power and interests of the United States, which is also accounted for by a realist perspective.

**Intergovernmentalist Theory and East Asian Regionalism**

As the first and the most outstanding case of regional economic integration, the integration process of Western Europe has served as a benchmark to examine regional integration initiatives in the other areas of the world. On one hand, although we view the European experience as a point of reference, the political, economic, cultural, and historical differences between Europe and Asia do not make the comparisons of integration arrangements between these two regions particularly useful. We agree with Katzenstein (1997) that the experience of regionalism in Asia is qualitatively different from that in Europe. On the other hand, theoretical explanations for integration based on the European experience, particularly intergovernmentalism, may be beneficial in understanding the process in East Asia.

A major feature of international politics in East Asia is the asymmetry of power of states in the region. China and Japan are global powers, and substantially stronger than the other states in the region; South Korea and Indonesia are both modest regional powers, while the states of ASEAN are small and relatively weak in comparison. With that said, realism might be able to adequately account for the influence of these discrepancies in power, but it does not have quite as much to say about regionalism per se as the liberal approaches to regional integration, given that realism is not optimistic about prospects for cooperation due to its assumption that states are constrained in interactions with others because of their concerns about relative gains (Grieco
According to the logic of realism, regional integration arrangements would be assumed to be a tool for states to achieve their national interests and be structured around the preferences of the most powerful states. But why would the less powerful states want to be partners in such an arrangement? In his study of the formation of the European Union (EU) with the Treaty of Maastricht, Grieco (1995) suggests that weaker states may be still be attracted to join a regional organization with the more powerful states as a means to increase their influence by binding the stronger actors to regional institutions. To the extent that the realist perspective on integration can account for regionalism as product of the interests of strong and weak states to further their power in regard to each other, this perspective does not fully explain the dynamics of the process. Alternatively, another state-centric perspective on regional integration, intergovernmentalism, provides a greater insight into these issues. Intergovernmentalism supports the proposition that regional integration is controlled by the national governments through interstate bargains, especially among the most powerful member states. The national governments desire the benefits from integration, but they are also very protective of their sovereignty when negotiating a regional arrangement and granting open-ended authority to supranational institutions. Comparable to realism, intergovernmentalism suggests that the outcome of bargaining will be based on "the lowest common denominator of large state interests" (Moravcsik 1991: 26), which exercise de facto veto power over fundamental changes in the scope and rules of regional integration. Smaller states join to receive some form of side payments to support the bargaining outcome dictated by the larger members. Unlike realists, however, intergovernmentalists find the established institutions play a significant role in assisting states in cooperation and overcoming collective action problems (Moravscik 1991). Additionally, Moravscik's (1993) "liberal intergovernmentalism" moves even further from realism by
advocating that the national interests of the state are not exogenous, but rather a result of domestic economic interests and thus integrating the theory of national preference formation into the framework of intergovernmental negotiation.

Realist intergovernmentalism’s main contention with the liberal approaches to regionalism is that it sees the process as structured more by exogenous national interests and tightly controlled by the states, especially the more powerful ones. As a result, realist intergovernmentalism does not see the possibility of unintended consequences resulting from political spillover in cooperative arrangements as a significant factor. In the eyes of intergovernmentalists, the decision to establish and maintain weak institutions in Asia is based on a strategic calculation by states in the region (Kahler 2000). Although he did not explicitly use the term “intergovernmentalism” in his comments on East Asian regionalism, Pempel (2010) argues that the bulk of regional institutions in East Asia, which are characterized by “increasing number”, “little overlap in purposes and membership”, and “limited policy successes”, are largely a result of disjointed, ad hoc and pragmatic responses and strategies of individual states, who aim to address discrete challenges in global and regional interdependence (either in the form of devastating financial crisis ignited by exogenous forces or daunting intraregional security concerns) while at the same time still define interests and challenges significantly differently from one another and still hesitate to give up certain proportion of their sovereignty to regional institutions.

While liberal approaches to regional integration are correct in that East Asian states have a functional incentive to cooperate based on geographical proximity, the predominance of export-oriented economic policies by states in the region, and the regional distribution of natural resources and labor, they may neglect that these states are very statist in their policy orientation.
Even Japan, the region's oldest and most established democracy, continues to have strong
tendencies of state interventionism and neo-mercantilist polices (Beeson 2009). Although
interest groups, especially those from the transnational business sector, are by no means
irrelevant in East Asia, the statist nature of East Asian states limits their influence. Yoshimatsu
(2008), for instance, found that in comparison to Europe, Southeast Asian national governments,
rather than the private sector, initiated the creation of regional business associations. This
difference contributed to a much less influential role of the private sector in East Asian
integration process than in the European case. The influence of supranational institutions in East
Asia is even weaker. ASEAN is the most established regional institution, and not only are East
Asia's two most powerful states, China and Japan, not members of the organization, but ASEAN
states have delegated little authority to it. In contrast to regional integration in Europe, regional
integration in East Asia does not render itself to the interpretation and expectations of
neofunctionalism, which emphasizes the initiatives of interest groups with transnational
functional goals and interests to push their governments to cooperate and expand integration as
well as the autonomy and decisive influence of supranational institutions to partner with the
interest groups and advance regional integration. (Haas 1958, Stone Sweet 2012) However,
neofunctionalism failed to account for the lack of emergence of supranational institution in the
Asian context, let alone the potential trajectory of regional integration without such supranational
institutions. Furthermore, neofunctionalism seemed to suggest that “spillover” and thus
integration will automatically happen while fails to specify the conditions for “spillover”,
especially how national preferences form and how states choose during strategic interaction.

While constructivist approaches to regional integration are correct in that a regional
identity based on “ASEAN Way”, which is characterized with non-interference in others’ affairs,
peaceful settlement of disputes, informality of rules, consensus building, and a dislike of institutions, has been emerging first among Southeast Asia countries and then begun to successfully socialize Northeast Asia countries (especially China, Ba 2006, Johnston 2008), this regional identity is still very much in a nascent stage of development. For one thing, this regional identity is based on political interactions among countries since the end of the WWII rather than shared cultural values. As Archarya (2001) argues, for instance, values and norms of “ASEAN Way” are more likely the principles that were accepted first by the heads of states who founded ASEAN, then the succeeding ASEAN leaders, and finally developed into the norm of the “ASEAN Way” of conducting diplomacy among the states rather than something associated with local culture. Similarly, Ba (2009a) argues that the driving force behind an East Asian regional identity has not been a shared culture, but rather a response among East Asian states to distinguish themselves from the U.S. and European states. For another thing, norms for a wider East Asia are not as clearly established as they are for members of ASEAN. As this identity and its corresponding norms continue to grow, we would expect it to have an even greater impact on future regional relations. At present, however, we believe that since the norms for East Asian cooperation are still emerging, the regionalism process is driven more by the material interests of the states.

Furthermore, we find that “institutional Darwinism”, the key concept in Pempel (2000), while persuasive in describing the process and potentially the outcome of institutional evolution, fails to provide a substantive explanation for the adaptability of different institutional setups to changing environments and their capability of satisfying members’ demands and winning members’ trust. In another word, “institutional Darwinism”, no matter whether it results in institutional survival, expansion and thriving or institutional languishment and apoptosis, could
result from either material interests and strategic calculation and negotiations of nation states (as realists and intergovernmentalists might argue), or functionalist interests of nonstate actors (as liberalist, neofunctionalists, and liberal intergovernmentalists might argue), or norm- and identity-building (as constructivists might argue).

Instead, we argue that the strong power dynamics and the history of political rivalry in the region direct East Asia towards integration based on intergovernmentalism. Since the state plays such a strong role in the domestic society of East Asian states, we believe that a realist version of intergovernmentalism, where the preferences of state in international bargaining are based on its national interest, provides the most suitable explanation for the process and outcome of East Asian regionalism. East Asian states are motivated to cooperate to primarily achieve economic gains. Because these states are wary about potential loss of sovereignty and the relative gains of others through such cooperation, they wish to be very careful about the nature of their commitments. Due to the fact that this is a common belief among states in the region, bargaining outcomes should gravitate toward informal arrangements. Institutions should still be necessary to overcome potential collective action problems resulting from multilateral cooperation, but it is expected that such institutions would be designed to be weak to limit the possibility of unforeseen consequences from their establishment. To test this hypothesis we trace the key developments in East Asian regionalism over time and analyze whether the outcome of cooperation in the region fits with the expectations of the realist version of intergovernmentalism. In particular, we highlight the genesis of these regional institutions, their institutional design, and their organizational mandate and political dynamics of these institutions as important variables to account for the pattern of integration in this region.

**The Genesis of East Asian Regional Institutions**

*Origin and Early Development*
The roots of regionalism in East Asia can be traced back to the reconstruction of the international system following the devastation of World War II, which was largely directed by the power and the preference of hegemons at the global and regional level. The more significant preponderance of power of the United States vis-à-vis East Asia than vis-à-vis Europe not only made the U.S. lack any interest in supporting institutions in East Asia, which might constrain its influence in the region (Katzenstein 1997), but also made it easier for the U.S. to act against any indigenous initiative for regional institution-building in the region (Webber 2001). Due to concerns over sovereignty, ideological divisions, and continuing hostility of East Asian states towards Japan, the U.S. promoted a system based on bilateral economic and security arrangements with itself serving as a hub rather than a system based on multilateral institutions (Aggarwal and Koo 2007). Besides being relative powerless, the preferences of East Asian countries also made them more willing to surrender to this particular style of regional relationships in the early postwar years characterized with hegemonic dictating. For one thing, East Asian states valued economic development and mercantilism and historically lacked traditions of economic and social liberalism as Western Europe, therefore tended to define their national interests more likely in a protectionist way and less likely emphasizing political openness and community-building than their Western European counterparts (Katzenstein 1997). For another thing, the colonial experience in East Asia also made them much warier about the prospect of having their sovereignty constrained by regional institutions than their Western European counterparts (Katzenstein 1997).

The idea to begin transforming the cooperative patterns of relationships in East Asia from a bilateral system to a multilateral arrangement was first developed by Japan in the mid-1960s. This proposed Pacific Free Trade Area (PAFTA), however, only included Japan as an East Asian
member along with a few non-East-Asian states including the U.S., Canada, Australia and New Zealand for reasons. At that time, Japan was the world's fastest growing economy and was concerned about the growing trade bloc in Europe and the possibility that the U.S. might move its economic activity more towards its European allies and their growing market. Additionally, Japan did not feel particularly comfortable with other states in East Asia due to its more advanced economy, the other states' lack of experience as independent actors, and a continuing strained relationship between Japan and its neighbors based on Japan's aggressive actions in the region prior to the conclusion of World War II (Korhonen 1994). As a result, this idea did not come into fruition.

Regionalism gained a much stronger foothold in Southeast Asia, where we could find Asia’s oldest and most established regional organization, ASEAN. ASEAN was developed out of an earlier but unsuccessful effort of forming the Association of Southeast Asia (ASA) in 1961 among Malaysia, Thailand and the Philippines and expanded to include Indonesia and Singapore when it was established in 1967. The impetus behind the establishment of ASEAN was not growing economic interdependence among the business sectors within the region, but rather a political desire of relevant countries to develop an anti-communist coalition whose members pledge peaceful relations with one another so that they could each focus on internal political and economic stability (Webber 2001). Similarly, the concerns over the rise of communism in Vietnam motivated the initial (although very limited) integration in 1970s. But even with security as a very significant consideration in establishing ASEAN, its members largely treated it as a nonaggression pact rather than a step toward any military alliance. ASEAN's founding document, the Bangkok Declaration (1967), resulted from a compromise among its member states, especially with Indonesia as the region’s largest and most powerful state preferring for
informality, non-alignment, and independence from external powers (largely the U.S.), Philippines insisting on the presence of American military bases, vis-à-vis the other members intending to mitigate Indonesian power within the organizational framework (Cockerham 2010).

*Acceleration of Integration in the Post-Cold War*

While regional integration in Southeast Asia began to gain momentum in the late 1980s as the Cold War waned, the movement toward a wider community in the Asia-Pacific was also revived. After decades of developing non-governmental policy networks around the idea of forming a multilateral economic organization for the area, APEC was established in 1989.

According to Komori (2009), sufficient political will to finally create such an organization resulted from a culmination of several events outside of the region during the late Cold War. The first was the stalemate in the Uruguay Round of trade negotiations under the General Agreement on Tariffs and Trade (GATT) and the resulting frustration across the globe on multilateral liberalization process. The second was the potential that Europe and North America would form trade blocs and thus restrict access to those markets for Asian states.

Upon this background of looming protectionism in the world economy, Asian-Pacific countries explored ways to strengthen their bargaining position in international trade. In January 1989, Australia took the initiative in calling for an Asian-Pacific economic forum due to its fear of becoming marginalized in the evolving global economic system (Komori 2009). Japan, sharing similar concerns, was also motivated to participate in such a cooperative arrangement. However, Australia excluded the U.S. from its original proposal desiring to create some leverage against the U.S. (Komori 2009), while Japan intended to include the U.S. as a member (Funabashi 1995). ASEAN states were initially very cautious to join a wider Asia-Pacific economic cooperation beyond ASEAN and very reluctant to accept US membership out of fear that the U.S. could dominate the arrangement and promote a dependency of ASEAN states on
the US market (Ba 2009a). By the end of 1980s, ASEAN members became increasingly confident in their own economic liberalization policies and manufacturing competitiveness and therefore became less resistant to the idea of Asia-Pacific regional cooperation; moreover, the extra-regional challenge of inward-looking regionalism and rising protectionism as well as alarming unilateralism followed by the U.S. (with the proposed ASEAN-US Free Trade Agreement in 1980s) finally made ASEAN members choose to join APEC and accept U.S. membership (Komori 2009). Meanwhile, Asian countries, represented by Malaysia, preferred to keep loose membership criteria which could allow a greater number of states to counter the influence of the economically powerful U.S., although the other (more developed) countries advocated for much stricter membership criteria for the purpose of deeper integration and cooperation. (Gallant and Stubbs 1997) So far Asian countries have been successful in keeping APEC membership inclusive as they preferred so that APEC has expanded from its original 12 members to the current 21 members. The U.S. gradually stepped up its support to APEC in order to neutralize the underlying regional interest in more exclusive groupings. (Ba 2009a)

Malaysia and its Prime Minister Mahathir, one of the strongest opponents of the formation of APEC, proposed an alternative arrangement in 1990, the East Asian Economic Group (EAEG) consisting of ASEAN states along with Japan, China, South Korea, Hong Kong, and Taiwan. On the one hand, Malaysia was motivated to form a formal regional coalition to promote economic cooperation that would exclude and counter the influence of the Anglo-American group, which included the U.S., Canada, Australia, and New Zealand. On the other hand, the proposal also signified that ASEAN was not enough for the Southeast Asian states to be economically competitive in a post-Cold War system without linking their economies to China and Japan (Ba 2009a). EAEG ultimately failed to become much more than an informal,  

1 Some other countries which were proposed to include in EAEG were Cambodia, Laos, Vietnam, and Myanmar.
loose and consultative body in the form of the East Asian Economic Caucus (EAEC), which would supplement and support ASEAN and APEC as a dialogue group. The U.S. had pressured both Japan and South Korea to not participate in the group and to maintain their loyalties to APEC (Mattli 1999). Additionally, Indonesia was not supportive of the plan because of its potential to dilute the influence of ASEAN (Ba 2009a).

The end of the Cold War also created uncertainty in regional security and raised concerns about potential and possibly unsettling changes to security in Asia. The most outstanding concerns include (1) whether, with the collapse of the Soviet Union, the retreat of the communist movement and the resulting erosion of the previous balance of power, the U.S. would continue its substantial commitment to security in the region or choose to strategically withdraw from the region; (2) whether Japan would adjust its security doctrine accordingly; and (3) whether China would resume a dominating role in the region, given its breathtaking economic transformation as a consequence of its economic reform and opening since 1978, its historical record of using force against neighboring countries since 1949, and its ongoing claims over the island of Taiwan and the East and South China Seas, along with its gigantic size, vast population and long borders shared with other countries, which are defended by its armed forces with numerical superiority and strategic nuclear capacity. (Foot 1998) Both Australia and Canada presented proposals at ASEAN's Post Ministerial Conference in 1990 for a regional security dialogue. These proposals finally led to the establishment of ARF in 1994 as the first multilateral intergovernmental arrangement to promote security dialogue and confidence-building measures that includes states of both Northeast and Southeast Asia.

As with the issue of economic cooperation in the Asia-Pacific, ASEAN was initially reluctant to accept these proposals. In addition to the fact that these proposals were coming from
Anglo-American states, ASEAN was wary that a security arrangement, following APEC, could reduce its influence. The legalistic nature of these proposals and the potential they had to bind ASEAN states to Western interests were also problematic (Ba 2009a). As with APEC, ASEAN's response to a regional security arrangement was to establish one, but with ASEAN in a leadership role and with the arrangement based on the norms and principles of the ASEAN Way.

Besides ASEAN countries, great powers also enrolled themselves into such a regional security arrangement given that ARF serves, or at least does not harm, their core interests. China was initially reluctant to join ARF due to its concern over the possibility that the status of Taiwan and its territorial disputes with several ASEAN countries over islands in the East and South China Seas might fall into ARF’s deliberation, as well as the potential for ARF to become an outlet for greater American hegemonic power in the region and a tool for the U.S. to marshal collective criticism against China’s policies. (Foot 1998) China, however, did hope to overcome its international isolation (especially after 1989) (Heller 2005), desire an improvement in its relationship with its neighboring states following the Cold War (Johnston 1999), and try to avoid confirming the anxieties of its neighbors (Heller 2005); ARF provides such an arena for China to regularly engage in regional multilateral dialogue and negotiation, to develop deeper intergovernmental relation with its neighbors, and to construct a more responsible and cooperative outlook regionally and internationally. The prominent role of ASEAN (instead of Anglo-American countries) within ARF as well as ASEAN and ARF’s emphasis on protection for sovereignty, non-interference in internal affairs, deliberate and consensus decision-making, and step-by-step building of trust and moving forward with non-binding and voluntary agreements were peculiarly appealing to China and therefore helped to allay some of China's fears (Foot 1998). Later on, China even used its commitment to ARF and multilateral security
cooperation as a tool of campaigning against and weakening US-led bilateral alliances in the region. (Foot 1998)

Japan was compelled to also join ARF as a strategic response to the prospect of China joining ARF and the potential increase of leverage that China might gain with ASEAN, as a means to promote a multilateral response to various disputes in the region, especially the Korean and the Taiwan conflicts in its vicinity, and as an alternative to bilateral arrangements in the region which have been limited by its militarist past (Heller 2005). Although initially disinclined to join ARF out of concern that it might weaken American security commitments in the region (Ba 2009a), the U.S. did ultimately find that joining ARF would be in its interest in the sense that ARF could provide a means to include American two key allies, Japan and South Korea, into the same security arrangement and therefore would not hurt its close alliances with the two countries. Participation in ARF would also demonstrate a continuing security commitment by the U.S. to Asia and it would act to balance China's influence in the region (Heller 2005).

As with APEC, ARF has a very diverse and inclusive membership. In addition to ASEAN, the Anglo-American group, China, Japan, South Korea, and Russia from APEC, India became a member in 1996. Since then, its membership has not only extended from East Asian states to a few states in the Pacific, but also to states in the South Asia (such as India, Pakistan, and Sri Lanka) as well as those in Europe (with EU as one of its members). A unique aspect of ARF is that as a multilateral security arrangement that includes great powers, it is centered around the weaker states of ASEAN (Leifer 1996).

Increasing Focus on “East Asia” after the Asian Financial Crisis

By the mid-1990s, the only regional arrangements in Asia were either ASEAN, which narrowly revolved around Southeast Asian countries, or those initiatives (like APEC and ARF)
which widely covered the Asia-Pacific. No arrangement had been established that was exclusive to East Asia. The Asian Financial Crisis (AFC) of 1997-1998, however, provided an impetus for East Asian states to form a collective group to coordinate economic cooperation outside of APEC (Webber 2001, Wang 2004, Ba 2009b, Pomfret 2011). The collapse of Thailand's currency was soon followed by a financial crisis that quickly spread to other countries in the region. The severely affected Asian economies found their interpretation of the crisis and thus understanding of the responses to the crisis significantly diverging from the Western ones, and this divergence partially explained the reluctance and deficiencies of existing mechanisms led by the International Monetary Fund (IMF) and the U.S. to manage and respond to the crisis. (Ba 2009a) Without enough financial support from IMF or sufficient financial resources and know-how among hard-blown ASEAN countries and within ASEAN framework, the idea of an “Asian Fund” rather than just an “ASEAN Fund” began to receive more and more attention. With the greatest resources and capacity in the region, Japan suggested the establishment of an Asian Monetary Fund (AMF) to assist these economies in recovery and prevent future financial crises in the region. Japan based its AMF proposal on the inadequate response of IMF to the AFC, the lack of East Asian representation in IMF decision-making, and the prospect for AMF in both better monitoring the financial conditions in the region and being more prepared to intervene in a timely manner the IMF (Pomfret 2011). More implicitly, Japan’s AMF proposal was also motivated by its desire to expand its influence and leadership in the region and to defend the Asian development model against neoliberalism advocated by the U.S. and IMF. (Chey 2009) Japan, however, also advocated that AMF would be a complement, rather than a replacement, to IMF's role in the region. Despite this assurance, the U.S. and IMF strongly opposed such an institution. Although the U.S. official objections were based on a concern that an AMF would
duplicate the activity of IMF and increase the potential for moral hazard of financial irresponsibility in the region, Higgott (1998) suggests that the US position was more motivated by the prospect of losing its influence over Asian economic policies if an alternative to IMF were to be established in the region. China was also not particularly enthusiastic about the AMF proposal, due to its historical disinclination to participate in multilateral arrangements as well as its worry about the possibility that AMF could allow Japan to increase its economic power and strengthen its leadership in the region (Chey 2009), and this further weakened the support for the proposal. Although the AMF initiative failed to materialize, the financial crisis and the response to it led to a loss of confidence among East Asian states in the U.S., IMF, APEC, and neoliberal economic policies in addressing the region's economic needs.

Although the relationship between East Asian states and the U.S. undoubtedly suffered from AFC, these states had been looking to decrease their dependence on the U.S. and playing with the idea of “East Asian organization” even before AFC. Increasingly confident about their economic success but increasingly averse to the criticism from the West and dissatisfied with ASEAN’s diluting influence and Western countries’ advocating for trade liberalization agenda and more comprehensive, result-oriented and legalistic regionalism within APEC, East Asian countries began to create new institutional opportunities to facilitate the interaction and meetings between Southeast Asian states and economies and their Northeast Asian counterparts. (Ba 2009a) These institutional arrangements, either formal (such as APEC and ARF) or informal (such as those meetings between ASEAN and China, Japan and/or South Korea on the sidelines of ASEAN or ARF or APEC meetings in the first half of 1990s) not only made East Asian interaction more familiar but also paved the way for the “ASEAN Plus Three (APT)” framework based on an emerging East Asian identity. A summit with European states in the first Asian-
Europe Meeting (ASEM) in 1996 was not just a means of seeking an alternative economic arrangement outside of APEC, but also facilitated the development of a regional identity in distinguishing the negotiating position and interests of the East Asian states from those of the European coalition (Gilson 2002) and seeking an equal standing with the Western counterparts (Ba 2009a).

Again, AFC starting in July 1997 provided an impetus for East Asian states to explore an Asian solution to their economic cooperation. IMF and Washington’s reluctance to provide assistance to Asian economies and their active opposition to the AMF proposal, especially when compared with their enthusiastic reactions to the Mexican peso crisis in 1994, made ASEAN countries further question Washington’s intention, neutrality and reliability and further realize the necessity to develop a regional but non-U.S. based arrangement. (Ba 2009a) With that said, APEC was gradually out of favor with ASEAN countries given that it had become a vehicle for the U.S. to actively advocate economic and political liberalization in Southeast Asia in mid 1990s. Meanwhile, East Asian states were also keenly aware of ASEAN’s limitations: its lack of resources and institutional capability and its weakened solidarity among membership countries which had been continuously hit by economic crises and political turmoil shook the centrality of ASEAN in wider regional arrangements like ARF and APEC, allowed the U.S. to exert more influence, and further undermined ASEAN’s capability to influence important crisis-related policy decisions. (Ba 2009a) Upon this background and also thanks to the frequent meetings between Northeast Asian and Southeast Asian countries in 1990s and especially throughout the crisis, an East Asian framework, beyond ASEAN but still revolving around ASEAN, received more and more attention and popularity. Japan proposed a summit meeting with ASEAN in January 1997. ASEAN, however, wanted to include China and South Korea in such a dialogue
The leaders of these states agreed to meet in December 1997, a few months after the financial crisis began. This summit began the framework for APT. In contrast to its previous stance on East Asian multilateralism (such as EAEG and AMF), the U.S. did not express firm opposition to APT even as its members pledged more extensive cooperation this time. American preoccupation with terrorism and the Middle East, or just the fact that the Bush Administration did not see the arrangement as a potential threat to US influence in the region, have been suggested as reasons for its change in position (Wesley 2006).

Emerging Competition and Division in the 21st Century

The Sino-Japanese rivalry remains a consistent undercurrent for any prospects of East Asian integration. The impact of this rivalry was clearly evident with the evolution of EAS. The idea for EAS emerged from recommendations by the East Asian Vision Group (EAVG), a collective of intellectuals from APT members, in its 2001 report calling for an East Asian Community (EAC). In addition to establishing an East Asian free trade agreement (EAFTA), the group also recommended that the APT summit meetings be converted into EAS. China was the most active supporter of the proposal transforming APT into EAS as early as possible. Along with its support for APT, China believed in the value of a regional forum excluding the U.S. to mitigate American historical preponderance in the region as well as American strategic efforts to contain China. Furthermore, it viewed EAS as a means to garner more influence in the region, because APT placed ASEAN in the central role as ASEAN states would host APT meetings and set the agenda. EAS, however, would allow the plus three states to play a more equal role in the process of agenda-setting and institutional building. With China's superior power, it viewed the EAS arrangement as a means to become the center of East Asian regional integration (Kim 2010).
Japan, however, wanted to counter-balance the potential expansion of China's influence by proposing that EAS include other Asia-Pacific states as members. Initially, Japan lobbied for inclusion of the U.S., but such a proposal was opposed by other APT members. Australia and New Zealand proved to be more politically acceptable candidates, and India was soon invited as well. Some ASEAN states, such as Indonesia, were also concerned about the spread of Chinese power in EAS diluting ASEAN’s influence. China strongly opposed the inclusion of these states, but was unsuccessful in blocking their membership. As a result, EAS was launched in 2005 and effectively became ASEAN+6 arrangement. Similarly, China and Japan disagreed to and competed for the site of EAS summits while ASEAN insisted that only ASEAN member countries could host the EAS. As with the other regional arrangements in East Asia, the power competition between the big powers allowed ASEAN to counterbalance their more powerful Northeast Asian counterparts and serve once again as the organization hub. Since then, China and Japan have been supporting APT and EAS respectively as the major mechanism for economic cooperation and integration in East Asia.

Another regional security cooperation mechanism is on the ministerial level. When ASEAN decided in 2006 to form an ASEAN Defense Ministerial Meeting (ADMM) and declared it to be the highest security consultative mechanism for ASEAN, they soon decided to transform it into another ASEAN-plus arrangement, by adding defense ministers from China, Japan, South Korea, Australia, New Zealand, India, the U.S., and Russia. While the membership of ADMM+ is smaller than ARF, it consists of the same members of EAS.

In examining the formation of regional institutions in East Asia, three features in particular stand out. The first one is the persisting and outstanding role of the U.S. in the region since World War II. In East Asia, the U.S., as a global superpower, has promoted either

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2 EAS membership was further expanded to the U.S. and Russia in 2011.
bilateralism or regional institutional arrangements in which it is a member. In fact, the U.S. is a member of all regional institutions with the exception of ASEAN and APT, making it unlikely for Asian states, especially those outside of ASEAN, to pursue deeper multilateral integration without U.S. approval. The second feature is that ASEAN serves as the hub in all of these regional institutions or framework. The third feature has to do with the rivalry between East Asia's most powerful states, China and Japan. While both of these states have strong incentives to cooperate with each another on various economic, security, and functional transnational issues, each state's concern over balancing each other and their allies has influenced them in accepting the weaker states of ASEAN as the center of these regional institutions.

The Institutional Design of East Asia Regionalism

ASEAN as the Benchmark

In creating regional institutions in East Asia, a common feature of their design is that they tend to be based on consensus decision-making and strong protections for state sovereignty. This tendency can be traced to the establishment of ASEAN. During its first two decades of activity, ASEAN was based on a weak institutional structure with little movement towards integration. The Bangkok declaration was not designated as a treaty but largely served as a normative advocation for collaboration to further mutual aims and purposes but with little institutional obligation or foundation. As a result, in the 1960s and 1970s, ASEAN produced a very limited number of legally binding agreements (Cockerham 2010). The Declaration only called for an annual meeting of foreign ministers and committees. In fact, ASEAN did not hold its first summit meeting or establish a secretariat until 1976, almost a decade after its founding. After its second summit meeting in 1977, ASEAN did not conduct another summit meeting again until 1987. Any dispute among members would be tackled by a council composed of a minister from each state. (ASEAN Treaty of Amity and Cooperation or TAC, 1976).
Momentum towards enhanced cooperation began to develop in ASEAN in 1980s, although very slowly. Before the late 1980s, ASEAN had initiated efforts at promoting deeper regional integration in the form of intra-regional trade and investment and industrial cooperation through more binding legal obligations. However, these efforts resulted in little progress because of, for instance, lack of an effective preferential trading arrangement, lack of a binding dispute settlement mechanism, and lack of commitment from the states and the private sector (Ravenhill 1995). During this time, ASEAN could also be characterized as an organization with a lack of trust among members (Chatterjee 1990) and divergent economic interests of the member states as the biggest barrier for further regional integration (Cockerham 2010). It took ASEAN two and a half decades since its founding to establish the region's first free trade area in 1992 in the form of the ASEAN Free Trade Area (or AFTA).

Although AFTA represented the most significant step toward regional integration since ASEAN's founding, it was still based on fairly weak institutional ground. Its provisions are fairly ambiguous and it lacks an effective mechanism for interpreting the agreement and settling disputes (Ravenhill 1995). More extensive institutionalization efforts were made in 2000s for further regional trade liberalization and integration. The most prominent of these efforts included the proposal in 2003 to create the ASEAN Economic Community (AEC) aiming to establish a single market and economic base by 2025 and the adoption of an ASEAN Charter in 2007 to provide a firmer constitutional foundation and a legal personality for the organization.

Despite these recent developments, ASEAN still has some significant institutional weaknesses which prevent further meaningful regional integration from happening. Although AEC went into effect in 2015, it lacks an obligation for all of its members to adopt a common external tariff. In terms of the ASEAN Charter, even though it strengthens ASEAN's rules by
codification, it does not include any binding mechanisms for compliance and dispute resolution. As a result, the practice of compliance in ASEAN is still largely voluntary in nature and encouraging members’ commitment to obligations is largely carried out through negotiation and persuasion (Caballero-Anthony 2008). These issues would still be left for leaders to negotiate at the ASEAN Summit meetings which are composed of ASEAN head of states and are designated by ASEAN Charter as the supreme policy-making body. Furthermore, the codification in the Charter of the longstanding organizational practice of decision-making by consensus further hampers the prospect of establishing credible enforcement mechanism and also raises concerns as to whether this more "legalistic" ASEAN would be an effective actor (Caballero-Anthony 2008). In regards to AEC, a study by Inama and Sim (2015) found the legal instruments of ASEAN to be incompatible with the goal of creating a single market. In particular, an aversion to dispute settlement within the ASEAN structure and a lack of oversight and sanctioning power by the organization are problematic.

Institutional Design beyond ASEAN

ASEAN’s limited institutionalism carried over to other East Asian institutions that include membership of ASEAN states. For example, ASEAN requested that APEC would be a loose institution based upon ASEAN principles regarding informality, non-confrontational diplomacy, and consensus-decision-making. Despite being a coalition of relatively weak states, ASEAN was able to exert extensive leverage on APEC negotiations due to its strong unity on its position (Ba 2009a) of keeping APEC as more of a process of “community building” and “confidence building” rather than a formal result-oriented organization as preferred by Western countries (Gallant and Stubbs 1997, Ravenhill 2000). ASEAN’s view of APEC was also supported by Japan, who believed that a loose institution was a more appropriate model due to
the different levels of economic development among its members along with the importance of
gaining acceptance by ASEAN states (Funabashi 1995, Komori 2009). This vision of APEC
persisted even as the Anglo-American coalition of the U.S., Canada, Australia, and New Zealand
sought to develop APEC into more of a rules-based organization, while the Asian states have
preferred that it remain as more of a process rather than a formal organization (Gallant and
Stubbs 1997).

Out of APEC members’ (especially those Asian members’) concern over potential
impingement on their sovereignty by a substantial international secretariat, APEC did not
establish a permanent secretariat until 1993 and since then have had a rather small and weak
secretariat, which is staffed by a small team of program directors seconded from APEC member
economies3 and less than 60 professional and support staff members4 overseeing more than 250
APEC-funded projects5. The primary tasks of APEC secretariat have been “limited to providing
logistical and technical services for arranging meetings, keeping records and publishing policy
documents, and facilitating and coordinating APEC activities” (Komori 2009, p163). APEC is
headed by Executive Director whose position had been held on an annually rotating basis by an
officer of Ambassadorial rank from the host economy until 2010.6 Such a small, weak and under-
resourced secretariat lacking autonomy could barely monitor APEC’s activities and provide
coordination among projects let alone provide any leadership. As a result, cooperation under
APEC’s auspices has largely been based on informal consultative exchanges of views among

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program directors overseeing 41 areas of APEC’s activities. APEC website,
appointment of Executive Director has been made on a three-year fixed-term basis and is open to professional
candidates from any of APEC’s 21 member economies.
member economies as well as the preferences and bureaucratic capacity of the government hosting the APEC annual summit meeting in a certain year, given that APEC’s institutional arrangement is still based on the annual summit meeting and its host system and has only gradually and incrementally strengthened only to the extent of increasing number of committees and working groups at the ministerial and bureaucratic levels (Gallant and Stubbs 1997). Furthermore, APEC has repeatedly rejected the proposal of adopting a dispute settlement mechanism (Komori 2009).

As with APEC, ARF continues to have a weak institutional framework based on the norms and principles of ASEAN. ARF is an intergovernmental institution, which is centered on an annual summit of its members' foreign ministers, supplemented by Senior Officials’ Intersessional Groups (ISGs) and Intersessional Meetings (ISMs) which are installed and mandated by the foreign ministers meeting between two ministerial meetings (Heller 2005). Although, besides those official channels, there is an unofficial dialogue process where scientists, experts and officials meet and discuss in their private capacity performing certain facilitating functions, the ARF decisions have still been made by the official deliberation and consensus of its member countries in the official meetings and consultations. Emphasis on consensual decision making reflects ASEAN’s firm stand on its conditions to accept the proposal of establishing ARF as well as ASEAN and China’s strong commitment to move forward only at a pace “comfortable” to all participants with non-binding and voluntary agreement. Combining formal intergovernmental dialogue channel with informal dialogue channel and referring the intersessional dialogues in a more passive way as “ISGs” and “ISMs” instead of “intersessional

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7 In APEC’s host system, the designated host economy for a certain year takes on the responsibility for setting the agenda and coordinating satellite workshops and meetings of ministers and officials. (Gallant and Stubbs 1997)

8 Those functions include, for example, facilitating exchange of unofficial positions on sensitive issues, pushing agenda further in the interests of active ARF members, and neutralizing a proposal before it goes onto the official channels. See Heller 2005.
working groups” which would seem more permanent reflected the reluctance of certain countries such as ASEAN states and China to further institutionalize ARF. (Heller 2005) Furthermore, ARF does not have a secretariat or other formal organizational structure either; instead, ASEAN established the ARF Unit at the ASEAN Secretariat in 2004 to provide secretarial works and administrative support and the Chairman of the ASEAN Standing Committee also chaired ARF and its summit on a yearly basis. Neither ARF nor the ARF Chair has capacity for autonomous action beyond the mandate of its member states. Moreover, ARF does not have either a formal verification and sanction mechanism in case of aggressive actions by any of its members or a mutual assistance mechanism in case of external attacks (Heller 2005), since its member states, no matter whether they are Asian or Anglo-American, were never interested in a system of collective security. Instead, it emphasizes the principle of non-interference in internal affairs and relies upon step-by-step building of trust and reputation with frequent dialogues, consultations and interactions and moving forward with non-binding and voluntary agreements.

As with APEC, APT was an informal arrangement. It is based on informal summits of ASEAN and Northeast Asian states, at either the top leadership level or at the ministerial level, events held in conjunction with the ASEAN summit rather than events of itself. (Ba 2009a) It lacks a secretariat or other organizational structure. It even lacks an official name. Although there were some sporadic proposals, especially by Malaysia’s Prime Minister Mahathir, for establishing a secretariat or renaming APT to explicitly reference “East Asia”, most of ASEAN countries opposed out of fear of ASEAN losing visibility and centrality and being dominated by the Northeast Asian giants. (Ba 2009a) Similarly, the EAS and ADMM arrangements are also based on the summit meeting model similar to APEC.

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11 This also illustrates that ASEAN plays a dominating role in the activities of ARF.
The dominant feature in the institutional design of East Asian institutions is the "ASEAN Way". This term refers to a style of cooperation that is characterized with informality, an aversion to institutionalization, consensus decision-making, and non-interference in internal affairs (Archarya 2001). Although the "ASEAN Way" has been often associated as a normative system that frames cooperation in the region, some studies, however, have made the case that the relatively weak institutional form of ASEAN is a strategic preference by member states. Based on strategic preference theory, Kim (2011) argues that the interests of ASEAN states were modified due to international and domestic changes. Internationally, the rise of Communism in the region motivated the initial development of ASEAN in 1960s and 1970s, the end of the Cold War, the new wave of regionalism in the 1990s, the slow progress in the World Trade Organization (WTO) negotiations, and the increasing competition from China as a major destination for foreign direct investment all motivated ASEAN states to develop a unified market to protect themselves against the diversion of trade and investment to other locations. Domestically, the enhanced role of liberal reformers in domestic politics, as well as perceived economic gains from a common market scheme also influenced the preferences of these states. Simultaneously, a lack of political will to move ASEAN beyond a free trade area does serve as a constraint on integration in Southeast Asia. Evidence provided by Caballero-Anthony (2008) shows that, although there were some efforts to get civil society and business network involved into the drafting of the ASEAN Charter, the member states still dominated the drafting process by eliminating certain progressive elements (such as sanctions, changing the consensus decision-making process) from the discussion and the final version of the ASEAN Charter.

The Organizational Mandate and Political Dynamics of East Asian Institutions

As previously discussed, ASEAN originated as a general purpose organization, which called for cooperation with little obligation. The creation of AFTA in 1992 gave the organization
a more specific cooperative purpose of promoting trade among its members. Although some of AFTA's targets (for example reducing internal tariffs to 5 percent or less by 2008) was reached earlier (2002) than planned, evidence indicates that AFTA was driven more by external political motivations than internal economic functionalism. ASEAN states did not depend on intra-regional trade very much and a regional free trade agreement did not promote an increase in intra-regional trade either. Before the AFTA agreement, intra-ASEAN trade only accounted for 19 percent of ASEAN's total trade. Of that total it would be only 4 percent if Singapore's trade with Indonesia and Malaysia were excluded (Stubbs 2000). Even with the agreement, intra-ASEAN trade only increased to 25 percent by 2005 (Kim 2011).

Then why AFTA was created even though ASEAN states primarily engage in commerce outside of the region? Scholars have suggested several reasons as to why this was the case. Political motivations, such as the end of the Cold War resulting in declining threat from the communist regime in the region, the sweeping victory of democratization and economic liberalization across the globe which brought incentives and external pressures for developing states to open their markets and attract foreign investment (Kahler 2000), and the new wave of regionalism of the 1990s (for example Mattli 1999) have been suggested as reasons. In addition, AFTA can also be viewed as a response to the competitive pressures from China and India for export and foreign direct investment. (Kahler 2000:553). Internally, Stubbs (2000) credits the rise of liberal reformers during the late 1980s in the domestic political systems of Malaysia, Indonesia, Thailand, and the Philippines.

The recent development of ASEAN shows that the diversified membership and informal institutional framework continuously prevented the organization from specifying, deepening or expanding its organizational mandates. While the adoption of ASEAN Charter in 2007 was a
major achievement in formalizing ASEAN as an intergovernmental organization, it largely reaffirmed member states previous commitments to stepping up economic and security cooperation. The only exception was a commitment to human rights, including the creation of an ASEAN human rights body, as the most significant new purpose for the organization. (Leviter 2010) As for economic cooperation, Singapore and Thailand were the strongest supporters of promoting greater trade liberalization in ASEAN, but their interests were constrained by the other members of the organization who desired to maintain the status quo of the "ASEAN Way" to manage economic integration, which was reflected in the Charter (Leviter 2010). While on the surface AEC appears to be a substantial step towards regional economic integration, the imbalance in economic development, the weak institutions, and the strong norm of the ASEAN Way make a successful creation of a single market unviable. Similarly, as for security cooperation, Indonesia's interest in using ASEAN as a forum to critically engage Myanmar's oppressive government's practices were effectively blocked by Cambodia, Myanmar, and Laos' insistence of sticking with the "ASEAN Way's" norm of non-interference in the internal affairs of other member states (Leviter 2010).

As ASEAN serves as the hub for other East Asian institutions, the ASEAN Way plays a role in both the design and politics of these institutions. In APEC, the debates on its organizational mandates have also tended to be contentious due to a conflict of interests between the Anglo-American coalition and the Asian states. The Anglo-American group has advocated a neoliberal agenda emphasizing individual economic welfare, free market, restricted government, and free trade by negotiating binding and enforceable international rules and regulations that systematically reduce tariffs and non-tariff barriers to international trade while the Asian states have sought to maintain their statist economic policy with a strong link between government and
business (Gallant and Stubbs, 1997) and facilitate economic development and institutional capacities of less developed economies (Ba 2009a). This contrast in economic development philosophy and model projected onto the debate about APEC’s organizational mandate, with the western members committed to trade and financial liberalization while most Asian economies (such as Japan, China, Singapore, Indonesia, the Philippines, Thailand) committed to trade facilitation and economic and technical cooperation. Most Asian economies desire that APEC would not evolve into another international forum where the Western economies could attack their trade policies and exert pressure for market opening, or trade liberalization would not proceed in sectoral approach preferred by the U.S. and therefore trigger political backlash from domestic sensitive sectors, or APEC would not develop into a preferential and discriminatory trade area which might trigger a global trade war and therefore hurt their economic interests given that East Asian members have been more dependent on inter-regional trade with countries of Western Europe and North America than intra-regional trade with other East Asian countries (Ravenhill 2000). It is interesting to note that although the Anglo-American members did succeed in shifting APEC’s focus to trade and investment liberalization during 1993-1997 since hosting APEC in 1993 gave an opportunity for the U.S. to push its preferred agenda forward with support of its western allies12, ASEAN and Japan successfully resisted the Western members’ attempt to transform APEC into a result-oriented and rule-based organization for trade negotiation. (Komori 2009) As a result, trade liberalization under APEC’s auspices have unfolded in a unilateral, voluntary, flexible, non-binding, non-discriminatory, and non-reciprocal form in vogue and loose language without uniform and fixed timetable.

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12 In 1994, the Bogor Declaration was adopted, with target set to open trade for developed economies by 2010 and developing economies by 2020. See Komori 2009.
As discussed earlier in regard to the establishment of ARF, the strong attitude of ASEAN to assume leadership as one of the conditions to establish ARF vis-a-vis the lukewarm attitude of the major powers toward ARF gave ASEAN an opportunity to exert greater influence over ARF, although it consists of much weaker states than the major powers, like the U.S., Japan and China. As with APEC, ARF’s inclusive membership could allow ASEAN (as well as China) to counter the influence of the U.S. and its western allies.

Continuing to rely on the norms and principles of the ASEAN Way, ARF’s member states have closely monitored and controlled ARF’s organizational mandate. Since its founding, ARF’s agenda has been gradually expanded with new topics introduced. Especially after 9/11 attacks, non-traditional security threats, such as terrorism, piracy, transnational crime, money laundering, smuggling and slave trade, were deliberated under ARF’s auspices along with the traditional security matters (such as proliferation of weapons of mass destruction and territorial conflicts). (Heller 2005) In order to deal with all kinds of security challenges, ARF members originally envisioned in 1995 that this multilateral forum would go through three stages of evolution, from confidence-building to preventive diplomacy and then to conflict management. (Heller 2005, Haacke 2009) However, progress on security cooperation within ARF has been slow, if any. So far, most of the progress has been made in the first stage of confidence building, especially in terms of increasing transparency, after instituting a lot of confidence building measures (CBMs) within ARF; however, once certain CBMs began to go beyond encouraging transparency and touch upon state sovereignty, states became cautious about any evolution of CBMs to more intrusive measures under preventive diplomacy and began to negotiate harder (Heller 2005). As for the second stage of preventive diplomacy, it had turned out impossible to reach a consensus among members in ARF’s early years on how to define “preventive
diplomacy” and even if a consensus was finally reached in 2001, it was regarded as quite conservative and cautious (Haacke 2009). This reflects diverse interests of member states, especially ASEAN and China’s preference to move slowly and cautiously with a pace comfortable to all as well as how procedural rules of consensual decision making instituted by member states could further block more consequential progress. As for the final stage of conflict management, which is even more intrusive than preventive diplomacy, no enforcement structures, verification mechanisms or official sanctions for uncooperative behavior have been instituted in ARF; in another word, ARF still works on voluntary basis (Heller 2005). This reflects ASEAN’s adherence to its principle of absolute state sovereignty as well as the preference of great powers, such as China and even the U.S., not to limit their options with legalization. As a result, we have not observed any direct significant influence of the ARF on the most prominent conflicts in the region. For instance, in the most recent development of South China Sea dispute triggered by a ruling made in July 2016 by a tribunal at the Permanent Court of Arbitration in Hague, even ASEAN could not reach a consensus to respond to the ruling, let alone ARF with a messier membership and political outlook.

In addition to weak institutional structure and consensual decision-making process, longstanding disagreements between the Asian states and the Anglo-American group continued to create difficulties in reaching a consensus and making progress on practical operation. The Anglo-American group and Japan have sought to use ARF to push implementation of practical measures to build confidence in the arrangement, while the other Asian states have tended to favor the development of an agreement on general principles (Simon 1998). Furthermore, there has been serious divisions among ASEAN countries as regards to practical cooperation under

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ARF’s banner, with Singapore more active than Malaysia and Indonesia on maritime security, with Singapore, the Philippines and Indonesia more active than the others in organizing ARF desktop and field exercises, and with Indonesia more cautious on disaster relief. (Haacke 2009)

As Haacke (2009) showed, even if ARF has made some limited steps beyond dialogue and confidence building and toward practical and operational cooperation in the areas of terrorism, maritime security, and disaster relief over the last decade, most of these practical security measures have been taken outside ARF, either nationally (such as strengthening anti-terrorist law enforcement and intelligence capabilities) or bilaterally by the more activist members (such as intelligence sharing on terrorism, extraditing terrorists, maritime patrol and surveillance), because of member states’ concern over state sovereignty and territorial integrity, their diverse security interests, lack of trust between countries, and constraint on capacity and resources. As a result, in regard to its three stages of security cooperation, ARF is still in its first stage of confidence-building and dialogue without significant progress on the other two higher stages after more than two decades and thus has been criticized as an ineffective organization serving primarily as a "talk shop."

In the APT arrangement, the major impetus and therefore the major focus was financial/monetary cooperation. This area was tied to APT’s first major act, the Chiang Mai Initiative (CMI) in 2000. This plan was based on a regional surveillance mechanism providing early warning system on capital flow as well as a series of bilateral currency swap agreements where East Asian states would exchange currencies with one another to avoid speculative attacks on their national currencies, such as the case with AFC. By 2007, 16 bilateral swap agreements were concluded by East Asian states. (Ba 2009a) The success of the initiative led to the conclusion of the Chiang Mai Initiative Multilateralization (CMIM), which established a
multilateral framework for currency swaps among APT members. When CMIM went into effect in 2010, it consisted of a fund of over US$ 120 billion. China and Japan each provided for 32 percent of the fund and South Korea contributed 16 percent (Ja-young 2009). Compared with the defeated AMF proposal with the similar intention and arrangement, the success of CMI and CMIM is surprising. Chey (2009) credits improved cooperation between China and Japan as well as less opposition from the U.S. as the main reasons. Japan's motives with CMI were the same as its AMF proposal. It wanted to exert more influence in Asian regional finance as well as to promote the Japanese yen as an international currency in order to hedge the continuous dominance of the U.S. and, to some extent, the growing impact of China in the region. China's interests, however, changed with its involvement with APT. It began to view the U.S. as a bigger challenge to its regional interests than Japan, especially after AFC in 1997-1998 and US-led NATO bombing Chinese Embassy in Belgrade during Kosovo War in 1999. Additionally, it started to develop a stronger identity as an "Asian" state with its involvement in APEC, ARF, ASEM, and APT, where it found its interests to be increasingly aligned with other states in the region. At this point in time, China was more acceptant of potential gains by Japan than it was during the 1990s and therefore more acceptant of East Asian-only regional financial cooperation as a means of representing Asian identity and voices and reforming the existing international economic order dominated by the U.S., even if such a new regional order is spearheaded by Japan. China also saw the direct benefit that it could derive from establishing renminbi-denominated bilateral swap agreements with Japan and a few ASEAN countries. In fact, the enhanced financial cooperation between China and Japan also constrained US opposition due to its fear that strong opposition to such a coalition could lead to more anti-American sentiment in the region (Chey 2009).
APT's next major achievement was the Asian Bond Markets Initiative (ABMI) in 2003. Although there was a parallel effort by APEC to create securitization and guarantee mechanism for regional bond market, dominance of Western countries (especially the U.S.) on APEC’s agenda for trade liberalization and political liberalization made the APEC initiative less appealing than an East Asian initiative under APT. The purpose of ABMI was to take advantage of the high levels of savings in East Asian states by promoting investment in local and regional bonds, which would then recycle these savings back into the national economies. East Asian states had usually invested in bonds and securities outside of the region, but ABMI was established to develop more regional bond markets and keep more of these investments in East Asia. ABMI is based on more of a long-term view of economic development than CMI. While CMI would provide a pool of financial resources to stem a currency crisis, ABMI was designed to promote deeper financial development. Establishing local and regional bond markets would make East Asia less dependent on foreign markets for sources and destinations of investment (Dent 2008). Although the Asian bond market is still developing, the size of local currency bond markets almost doubled in the first six years of ABMI, going from US$ 9 trillion in 2003 to US$15 trillion in 2009. China's debt securities alone went from US$448 billion to US$2.6 trillion during that time period (Moon and Rhee 2012).

Diplomatic wrangling continued with the lunching of EAS and the focus switched to EAS’s organizational mandate and objectives. Disappointed by the negotiation on EAS’s membership and summit site, China responded by changing its strategy and shifting its support back to APT as the leading institutional arrangement in East Asia and the "main vehicle" for regional integration while with EAS only playing a supplementary role. (Kim 2010: 128) Given that the relationship between APT and EAS has not been formally specified, Japan has used this
ambiguity to promote EAS framework as a competitor to APT. It tried to make building EAC a mission of EAS, proposed an EAS-based rather an APT-based free trade agreement, and promoted and addressed “universal values” such as human rights and democracy within EAS. (Kim 2010). With the U.S. and Russia joining EAS in 2011, the membership and issue areas of APEC and ARF became further duplicated in another regional institution, the regional identity behind this institution was further diluted, and this made the regional cooperation and integration further difficult.

In contrast, security cooperation is much less extensive in East Asia than economic affairs. As discussed, ARF is the region's primary security institution. Its influence, however, is greatly mitigated by its unwieldy and diverse membership, in addition to informal institutional structure. The security agreements that Japan and South Korea have with the U.S. also complicate the prospects for security integration to be covered under an APT framework. Although the institutional arrangement for regional security cooperation in East Asia may be accurately considered as weak, the dynamics of security relationships in the region may be more robust than its institutional forms may indicate. This feature is particularly apparent in China-ASEAN security cooperation. Arase (2010), for instance, has argued that that security cooperation between China and ASEAN has far exceeded all other security arrangements in East Asia. This cooperation has been based on non-traditional security issues such as piracy, drug trafficking, terrorism, and natural disasters. China and the ASEAN states have a mutual interest in combating these security threats, and because this security cooperation is structured around the norms of the ASEAN Way, all parties are comfortable that such cooperation will not impact their sovereignty. While such a regime centered around non-traditional security threats may seem to lack substance, it does enhance the political partnership between China and ASEAN beyond their
economic relationship. It is certainly possible for Japan and South Korea to become more immersed in non-traditional security cooperation with the other APT states, as such involvement would not compromise their more traditional security relationship with the U.S.

The major sticking point in any East Asian security arrangement, however, is the unresolved island territorial disputes that Japan and some members of ASEAN have with China in the East and South China seas. The U.S. offered to help mediate the South China Sea conflict during the first ADMM+ meeting in 2010, but was rebuffed by China, who remains strongly opposed to third party involvement in that dispute (Chung 2013). While ADMM+ may replace ARF as the main focal point for regional security cooperation, its agenda has also been tailored towards non-traditional security threats. Whether security cooperation will be closer in the ASEAN-plus-China arrangement or the newer ASEAN +8 arrangement remains to be seen.

The nature of security cooperation is consistent with a theme of strategic incrementalism in the evolution of East Asian regionalism. The process has not been due to a grand design, a comprehensive treaty, or strong organizations, but from a series of modest initiatives that have evolved over several decades. It has also been strategic in nature. Cooperative relationships were often prompted by common external threats faced by states in the region such as ASEAN as a response to communism, APEC and other bilateral or multilateral free trade agreements (FTAs) as a response to emerging regional trade blocs, and APT as a response to inadequate financial support of IMF. Balancing and counter-balancing have also been consistently reflected in regional dynamics. ASEAN states increased their level of cooperation and came closer together as a coalition when the Cold War ended and the commitment of the U.S. to regional security became more uncertain. APT was a means for East Asian states to counter the influence of the U.S., however, Japan and ASEAN states then supported the inclusion of the U.S. and India in
EAS to constrain China. Both China and Japan have supported ASEAN as the organizational hub for APEC, ARF, APT, and EAS to act as a buffer so neither state can use regionalism as a means to expand their relative power. While East Asian states have economic and functional incentives to cooperate, they have been very careful to prevent being marginalized in the process.

A few feature of organization mandates of East Asia regional institutions stand out. Firstly, compared with economic cooperation, security cooperation is more of a secondary interest to East Asia, given that sovereignty is harder to secure with security cooperation and integration. Secondly, the formation and development of organizational mandates has been initiated and directed by state actors\(^\text{14}\) and based on interstate bargaining and consultations among ministers and heads of government representing their home countries during summit meetings, with little involvements by the non-state actors or little autonomy by the secretariat of regional institutions. The strategic calculation of national interests by major regional powers and external powers and their relative power not only shaped the contour of membership and institutional setting of regional institutions as discussed above but also the organizational mandates of regional institutions. Thirdly, the organizational mandates of East Asian regional institutions have been based on and to a certain degree bound to “the lowest common denominator of large state interests” (Moravcisk 1991). In particular, ASEAN as a group exercised de facto veto power over the regional institutions’ rules and scope. Fourthly, the interests of key actors and their diverse interests and preferences as well as the principle of consensual decision making have further made any fundamental change in institutional setting or organizational mandates very difficult.

\(^{14}\) For example, although there were a lot of network activities of nongovernmental groups involving academics, business representatives, and government officials in their private capacities promoting Pacific economic cooperation before APEC was founded, as Komori (2009) argued, they did not cause the creation of APEC. APEC was not founded until the governmental officials became receptive of the idea.
Bilateral Trade Agreements: A Complement or Competitor to East Asian Institutions?

While the experience of the 1997-8 AFC spurred APT as well as East Asian cooperation in financial and monetary matters, it did not have the same impact on regional trade. As noted, AFTA was the only free trade agreement in the region prior to 2000. China, Japan, and South Korea were not yet parties to a free trade agreement. However, the first decade of the new millennium has been seen as proliferation of FTAs in East Asia, both among countries in the region and between countries in the region and outsiders. ASEAN and its AFTA emerged as a hub of FTA networks inside East Asia, with each of the Northeast Asia countries, China, Japan, and South Korea, concluding its own ASEAN+1 FTA. During the China-ASEAN Summit meeting in 2000, China proposed a free trade agreement with ASEAN members. This proposal was part of China’s developing interest in formulating FTAs to gain broader access to foreign markets as China emerged as an economic powerhouse and manufacturing center and acceded to the WTO. Negotiations concluded in 2002 with the signing of the ASEAN-China Comprehensive Economic Cooperation Agreement (ACFTA). The agreement established a foundation of preferential trade that went into full effect in 2010. China and the states with longest membership in ASEAN\(^{15}\) agreed to eliminate tariffs on 90% of traded goods. By 2015, these same conditions will apply to China's trade with ASEAN's newer members such as Cambodia and Vietnam. Further negotiations under ACFTA also led to agreements covering trade in services and investment. This agreement made ACFTA the world's largest free trade area in terms of population, and the third largest, behind the North American Free Trade Agreement (NAFTA) and EU, in terms of economic size.

China's proposal was a major breakthrough for a state that had historically eschewed multilateralism. Ravenhill (2008) suggests that China's motivation for the proposal was as

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\(^{15}\) These countries are Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
political as it was economic. In addition to potentially increasing its political leverage in the region, ACFTA also was a means to assuage fears of ASEAN states that China might direct more of its trade efforts outside of the region with its entry into the WTO. China’s FTA with ASEAN quickly aroused responses from other countries, particularly South Korea and Japan. Stimulated by China’s surprising initiative in the region, South Korea jumped ahead of Japan and signed its own FTA with ASEAN in August 2006. Alarmed by the Chinese rivalry in the Southeast Asia, Japan signed the Comprehensive Economic Partnership Agreement (AJCEP) with ASEAN in April 2008.

This development of regional trade integration, with ASEAN as the hub engaging the bigger economies in East Asia, was stimulated by several external reasons. Firstly, the slow (if not little) progress in the Doha Round of WTO negotiations since its inception in 2001 has encouraged countries to turn to more bilateral or regional approaches, which have been regarded as more flexible, practicable, and manageable. Secondly, as one of the region-wide efforts, APEC has been unsuccessful as a formal mechanism to facilitate economic integration due to its voluntary approach for trade liberalization, diversity of members and their economic structures, and its failure in the face of AFC. Third, regional FTAs have been regarded as a strategy to defend East Asia against proliferation of regional trade agreements and regionalism in the other parts of the world.

However, at the same time when ASEAN emerged as a hub of FTA networks in East Asia, the states in the Northeast Asia have not concluded a single FTA among themselves, either bilaterally or trilaterally. The idea of China-Japan-South Korea FTA was proposed early in 2003 and under study and consultation since then. The trilateral dialogue was upgraded from the think-tank level to include representatives from government, industry and academia in 2010, while the
formal negotiation was not launched for a decade until 2013. Despite the resilience of economic relationship among these three states, the prospect of a trilateral FTA has been plagued largely by political obstacles as well as partially by economic concerns over relative gains from such an agreement. Politically, ideological division since World War II, unresolved territorial sovereignty issues, diplomatic attritions resulting from comments made by conservative Japanese politicians that misrepresent the nation’s colonial history, history depictions in textbooks, and officials visits to the Yasukuni Shrine have continuously plagued political reconciliation and diplomatic relations among the three countries (and largely between Japan on the one side and the other two on the other side). Economically, the three countries have seemed more concerned about their relative gains from a trilateral FTA than their absolute gains. It has been argued that although a trilateral FTA could bring major macroeconomic benefits to all three countries, Japan would see the greatest absolute gain in income among the three while South Korea stands to see the largest stimulating impact on its GDP growth (Corning 2011). All three countries are also concerned about potential negative effects on their protected import-competing sectors as well as unknown effects on downstream and upstream industries.

The sluggish process in negotiation for a trilateral FTA among the three Northeast Asian countries drove negotiations at the bilateral front, but so far those bilateral negotiations have not produced any progress either, with the bilateral negotiation between China and South Korea as an exception. Partially as part of its passionate pursuit of FTAs and supported by its accumulated experience in FTA negotiation with the U.S. and EU and partially driven by its desire to become the hub for regional economic integration in East Asia, South Korea initiated its bilateral dialogue with China for a bilateral FTAs in 2006 (with the formal negotiation starting in 2012). China, without the same painful historical memories with South Korea and as the number
one export market for South Korea, definitely serves as a more desirable negotiating partner for a bilateral FTA than Japan. South Korea’s more aggressive and impressive records on FTAs also give China more incentive to strike a deal and allow Beijing to seize the diplomatic initiative vis-à-vis Japan. As a result, China-South Korea FTA was the first one signed and implemented in 2015. Once again, the movement between South Korea and China (as well as South Korea’s activeness in cross-regional FTAs, especially with the U.S. and EU) increased pressure on Japan and stimulated the bilateral dialogue between Japan and South Korea on the potential FTA proposed in 2008. However, so far this bilateral consultation has not upgraded into formal negotiation because of South Korea’s chronic trade deficit with Japan, the possibility of aggravation of that deficit in the short run under a bilateral FTA, as well as opposition from the South Korean electronics and mechanical parts industries (Corning 2011). Furthermore, there is a very slim prospect that a bilateral dialogue between Japan and China could be even initiated because of aforementioned political obstacles and frequent diplomatic attritions as well as economic concerns over relative gains and different economic systems.

Against the backdrop of three fragmented ASEAN+1 FTAs and lack of bilateral or trilateral FTAs among China, Japan, and Korea, it is not difficult to understand why the proposal for an APT FTA (ASEAN Plus Three FTA or East Asia Free Trade Area (EFTA)) in the end of 2004 and a Comprehensive Economic Partnership for East Asia (CEPEA or ASEAN+6) in the end of 2005 are going nowhere. ASEAN+1 FTAs were inconsistent with each other, since ASEAN was unable to pursue a coordinated approach in its negotiation for those agreements. Without trade liberalization among China, Japan and Korea, it is impossible to push forward harmonization among those existing ASEAN+1 agreements. Apparently, ASEAN is not in a position to lead Northeast Asia either in the latter’s integration in its own northeast front or its
broader integration in East Asia because of ASEAN’s relatively weaker economic role than the three Northeast Asian countries in the region. For similar reasons, without the strong incentives for negotiations among China, Japan and Korea, CEPEA does not face a brighter future than APT FTA. Negotiation for a CEPEA would be even more difficult to negotiate than EAFTA, with more parties and with those new parties possibly coming from India, Australia and New Zealand and undermining the geographic identity of East Asia. The prospect for any process in CEPEA negotiation is also shadowed by China-Japan rivalry, considering that CEPEA is promoted by Japan for the purpose of countering what Japan sees as an EAFTA, which may inevitably be dominated by China.

The lack of political will for moving forward in economic liberalization in East Asia becomes more striking if the failure of reaching a more coordinated FTA in East Asia was examined in a larger context of competitive bilateralism and cross-regionalism in the region. East Asian countries have concentrated heavily on negotiating bilateral FTAs than plurilateral FTAs. As shown in Table 1, besides aforementioned AFTA (the FTA for ASEAN), three ASEAN+1 FTAs (between ASEAN and China, South Korea, and Japan respectively), the efforts for EAFTA (a FTA for APT), and the efforts for either trilateral or bilateral FTAs between China, South Korea, and Japan, ASEAN states have been active in negotiating bilateral FTAs with Japan, South Korea, and/or China beyond the institutional basis of ASEAN. Most of these bilateral FTAs entered into effect between 2006 and 2009 and around the same time when ASEAN+1 FTAs entered into effect. Most of these in-effect bilateral FTAs are with Japan and Singapore seem to be the most aggressive country among ASEAN states in pursuing those bilateral FTAs with China, South Korea and Japan.
As latecomers to FTAs, East Asian countries prefer bilateral FTAs as an expedient way to catch up with other parts of the world for several reasons. For one thing, bilateral FTAs involve fewer countries and therefore take fewer resources in the negotiation process and shorter period to conclude. More importantly, when negotiating for bilateral FTAs, East Asian countries can be more selective in their negotiation and liberalization partners as well as liberalization commitments and terms. As a result, the existing FTAs are largely limited to tariff cuts, but have barely tackled non-tariff regulatory barriers, services and investment. However, considering that tariffs in East Asia have come down to relatively low levels while non-tariff barriers remain stubbornly high, the existing FTAs are regarded as weak to very weak (Sally 2010). Furthermore, the existing FTAs in East Asia are bedeviled by complex rules of origin requirements using different criteria for different products and of varying complexity and restrictiveness within the same agreement as well as between agreements, with low application of FTAs by the private sector (Sally 2010). This simply suggests that the proliferation of bilateral FTAs is driven by political motivations resulting in copying other countries’ FTA initiatives and bandwagoning on these initiatives rather than strong commercial motivations for domestic liberalization. As a result, the current proliferation of bilateral FTAs does little more than adding more weak FTAs with complicated rule of origins to the expanding noodle bowl and could potentially discourage further regional economic integration in East Asia.

This proliferation of shallow bilateral FTAs within the East Asia region is accompanied by a tendency of East Asian states to actively pursue cross-regional FTAs with extra-regional partners. So far, East Asian states, either individually or collectively, have 60 FTAs (up from 44 in 2014) in effect and another 4 FTAs signed (and not in effect yet, down from 8 in 2014) with countries or country groups in other parts of the world, let alone the fact that another 40 (up from
(44 in 2014) cross-regional FTAs are under negotiation and another 21 (down from 29 in 2014) have been proposed (See Table 2). The most popular cross-regional FTA partners include countries from Oceania, South America, South Asia, West Asia, the European economic blocs, and North America. The major economies in East Asia, such as Japan, South Korea, Singapore, and Malaysia, are the most active pursuers for cross-regional FTAs, with China trying to catch up with others. The fact that East Asian states still actively pursue cross-regional FTAs with extra-regional partners even when their own regional integration is moving slowly also indicates a lack of commitment to a strong and comprehensive FTA for East Asia.

**Intergovernmentalism and the Constrained Regionalism of East Asia**

While tracing the key developments in East Asian regionalism over time, in different issue areas and in different institutional settings, we find that intergovernmentalism, in particular the realist variety, provides a fairly accurate account of the process and results of those developments. Our first observation is that, as intergovernmentalism predicts, East Asia regional integration is tightly controlled by states, through interstate bargaining between leading states and their heads of state or heads of government or ministers. Major states in the region initiated the discussion of the regional institutions in East Asia. The preferences of those major states and convergence and divergence of their preferences shaped the contours of membership, institutional designs and organizational mandates. Business interest groups, civil society, NGOs, regional institutions and their bureaucrats, or any alliance between those non-state actors exert very limited influence over East Asian regionalism.

In East Asia, four major actors are involved in shaping the outcome: China, Japan, ASEAN, and South Korea. (See Figure 1) These actors vary significantly in terms of their power, illustrated by the different sizes of the oval shapes representing each actor in Figure 1. China
stands as the most powerful actor. In addition to having the world's largest population, China ranks only behind the U.S. in economic size and military expenditures, exhibits one of the world’s fastest rates of economic growth as a rising power, and exercises great influence in global governance as one of the five permanent members of the United Nations (UN) Security Council. Japan, while declining economically in comparison to China, remains a formidable power as the world's third largest economy, one of the world's major actors in global finance\(^\text{16}\), and the powerhouse of technology for the region. It maintains a much higher GDP per capita than China and its security relationship with the U.S. also enhances the perception of its military strength beyond its own military expenditures. ASEAN, as a coalition of much weaker states, is at a great disadvantage in comparison to China and Japan in terms of hard power. However, as the oldest and most established regional organization in East Asia, ASEAN has played a leadership role in East Asian institutions, especially with its non-confrontational style of engagement and upon the background of power competition between China and Japan. ASEAN's relative weakness has in practice served as its strength. South Korea lacks the power of China and Japan and does not have the influence of ASEAN in regional politics. Nevertheless, South Korea does have one of the strongest economies of developing states and, like Japan, it benefits from a security agreement with the U.S. Despite its weakness in relative power, South Korea is still valuable as a potential balancer in regional bargaining between China and Japan and as a potential icebreaker for further economic integration in East Asia and Northeast Asia particularly, as shown in the recent China-South Korea FTA.

Our second and more specific observation is that, as intergovernmentalism predicts, the outcome of interstate bargaining for East Asia regionalism converges towards “the lowest

\(^\text{16}\) Japan has the second most voting shares in IMF (6.16%), although China are catching up with Japan (6.09%). For voting shares in IMF, see [https://www.imf.org/external/np/sec/memdir/members.aspx](https://www.imf.org/external/np/sec/memdir/members.aspx), accessed on Jun.8, 2017.
common denominator of large state interests”. (See Figure 1 for a summary of national interests and foreign policy preferences as for regionalism for the four major actors). Big powers and large regional coalitions of states exercise veto power over fundamental changes in membership, institutional designs and rules, and organization mandates. Given that China is the most powerful of the East Asian actors, it would be expected that the bargaining process for East Asian regionalism should be more oriented towards China's interests. The central concern for China is its sovereignty. This interest can be related to China's modern history of having its sovereignty compromised by imperialist powers as well as its contemporary concern with ethnic nationalism and the possibility of separatist movements within its borders (Zhao 2012). China has also been a latecomer to multilateralism; in addition to its sensitivity to sovereignty, different political ideologies from its neighbors, the US containment strategy against the Communist regime, and China's early foreign policy under Mao Zedong based largely on self-reliance and autarky also isolated China from cooperative relationships with its neighbors. When China began to institute its economic reforms in the late 1970s, it also began to become more open to the prospect of multilateralism. Although China did enter into APEC with some reticence, it became more comfortable with multilateralism over time and improved its relationships with its regional neighbors.

By the late 1990s, China became a much more active state in multilateral arrangements as demonstrated by China's proposal for ACFTA and expansion of APT activity into EAS. According to Kuik (2008), four factors in particular have motivated China to favor regionalism as part of its foreign policy interests. The first has to do with China's need for sustained economic growth, which is necessary to maintain the legitimacy of the Chinese Communist Party. Kuik (2008). To enhance its economic development, China has sought partnerships with its
neighbors to foster trade, investment, and access to energy and raw materials. Secondly, China also wants to use regional arrangements to help stabilize the regional environment. East Asia features several significant sources of conflict including the islands disputes, the Korean peninsula, and the status of Taiwan. The multilateral arrangements in East Asia can act to reduce tension in these conflicts, and make the political climate more conducive for economic transactions. The third factor has to do with China's sovereignty issue. China can use the regional forums to weaken Taiwan's political influence in the region, and gain political support for, or at least mitigate opposition to, China's actions against separatist movements. The fourth has to do with China's aspiration for great power status. For China to become a world power, it must first establish regional hegemony. In order to accomplish this goal, without disrupting its gains from economic partnerships, China realizes that it must use diplomacy as well as its economic resources to gain influence over other actors in the region. Comparing with bilateralism, multilateralism is a more efficient means to expand its power and to demonstrate to its neighbors that it commits to “peaceful rising” and “becoming a responsible stakeholder in the region” even with its great power.

Meanwhile, the lack of institutionalization and the informality of East Asian regionalism fit with China's preferences. China can pursue benefits from economic partnerships without constraining its sovereignty. China, however, has also been thwarted by other states from becoming the center of regionalism in East Asia. It is conceivable that China could, at some point, potentially become more interested in institutionalized arrangements as a means to bind weaker states to its own interests. However, the fact that Japan and the U.S. are parties to most of these arrangements makes this pursuit unlikely. It is not coincidental that China's strongest
commitments are in ACFTA, which is the only regional agreement with a Chinese commitment to a dispute settlement mechanism, where it is aligned with much weaker states.

Japan also has economic incentives to support East Asian multilateralism. US actions in the 1990s, such as the establishment of NAFTA and its lack of financial support during AFC, have caused Japan some concern as to how much it can depend on the U.S. to support its economic productivity. Japan also favors informal arrangements, but much of its motivation might be to avoid more formal rules which could be used by China to weaken Japan's influence in the region. Although Japan wants closer economic cooperation with China, it has been very careful to limit the potential for such cooperation to increase China's power in the region even further. Chung (2013) characterizes Japan's relationship with China in East Asian regional arrangements as evolving through three stages: 1) attempts at establishing a mode of cooperation between the mid-1990s and 2004, 2) toleration and a mutual rivalry between 2005 and 2009, and 3) increasing attention to achieve diplomatic gains in East Asian institutions to constrain each other between 2010 and the present. Even though China has demonstrated interest in a FTA with Japan, the Japanese government has been lukewarm in such an agreement beyond a feasibility study (Wan 2010). Japan's strategic interests are consistent with the weak institutionalization in East Asia. The lack of binding rules, the multiple and overlapping regional arrangements in East Asia, and support of the involvement of non-East Asian states in these arrangements, act as a safeguard for Japan to maximize its economic benefits with regional partnerships while inhibiting the potential that such arrangements could be used to expand Chinese power.

ASEAN member states have their own separate interests in the bargaining outcomes. For example, as Chen and Yang (2013) show, Vietnam has been adopting a “soft” balancing strategy against China by looking to the U.S. for informal military cooperation and other states for
cooperation in the economic realm due to its geographical proximity, their territorial dispute in the South China Sea, and economic competition; Cambodia has been inclined to bandwagon with China given that it does not have conflict of interests with China on most issues and China provides much lending and foreign aid; and Singapore has adopted a “hedging strategy” with China, seeking closer relations with China on economic issues while avoiding similar alignment on security due to territorial disputes on the South China Sea. Our review of the key development in East Asian regionalism also reveals that, for example, Malaysia supported China in limiting EAS membership to APT states and developing an East Asia institution given its preference to be more independent from the U.S. while Indonesia sided with Japan on expanding EAS membership to non-East Asian states in order to prevent China from exercising leadership. ASEAN member states’ selection of various partners in more selective bilateral FTAs with Northeast Asian countries (Table 1) also indicates their divergent preferences. Although ASEAN states may have divergent interests, it has still tended to function as a consensus-driven organization. ASEAN hopes to maintain its relevance and strengthen its influence in regional cooperation and integration as a group. One way to accomplish this goal is by sustaining “ASEAN Way” and incorporating “ASEAN Way” in any regional institution with ASEAN as a member. ASEAN hopes to develop and maintain friendly relationship with all three Northeast Asian powers by avoiding to take side, especially between Japan and China, which reflects for instance in its balanced efforts to negotiate FTAs with all three countries (see Table 1) and its acceptance to the parallel but ambiguous development of APT and EAS without specifying the relationship of the two. As for China, more specifically, ASEAN hopes to engage with China by seeking closer economic relations while simultaneously hedge China by showing support to the inclusion of regional outsiders (such as the U.S. and Oceania states) in many of the

17 The Philippines has the similar concern over security situation.
regional institutional arrangements. While ASEAN may be more amendable to integration with China than Japan has been willing to be, it still poses some resistance to China.

South Korea's position is similar to ASEAN's in that it is a relatively weaker power; however, it is also similar to China in that it is a fairly new participant in East Asian regionalism. As the region's third largest economy, South Korea certainly does not want to lose prospective benefits from regional cooperation while must also have been concerned about the potentiality of regional institutions to be used as a means for China to expanding its power. A hedging strategy benefits South Korea's interests as well. Weak institutionalization can provide some more comfort because of greater uncertainty as to whether more binding rules could tie South Korea more towards China's interests. Involving the U.S. in regional institutions is even further in South Korea's interests than in ASEAN’s because of their close security connection. In recent years, South Korea has also been actively engaged into cross-regional integration with outsiders in the hope that such an aggressive movement could give itself an upper hand in negotiations for regional arrangement in East Asia.

The current outlook of East Asian regionalism, which is characterized with largely inclusive membership, a coalition of weaker states (ASEAN) serving as a hub, informal institutional design based on “ASEAN Way” emphasizing consensus decision making and non-interference, organizational mandates limited to economic and financial cooperation rather than security cooperation, and its multiple and overlapping institutional arrangements, fits as a common denominator among the region's actors for both large and small states, illustrated by the overlapping shaded area in the middle in Figure 1. One striking feature is that although China is the region’s most powerful actor, it has not been able to completely direct the process to meet its preferences, illustrated by the closer adjacency of the overlapping shaded area to the interests of
Japan, South Korea, and ASEAN than to China (see Figure 1). China has been constrained from resuming stronger leadership by the striking commonality of Japan, ASEAN, and South Korea in their preference to engage China while simultaneously acting to prevent its expansion of power. One strategy followed by those countries is to accept non-East Asian states into many of the region’s institutions. As Moravcsik (1991: 26) notes, large states can be compelled to accept the status quo, even if they does not prefer it, by the threat of exclusion. Despite that, the outcome of East Asian regionalism still largely conforms to China's preferences.

The second striking feature is that relatively weaker actors could effectively direct the development of regional institutions according to their preference. This is especially true for ASEAN. As the region’s oldest and most developed multilateral institution, it has achieved a leadership role by serving as a hub for East Asian regionalism. Its non-confrontational style of engagement based on “ASEAN Way” has been demonstrated as something which can be accepted by every major states in the region and has made ASEAN able to improve its relations with Northeast Asia’s “big three” in the process of regional integration. “ASEAN Way” has not only helped to maintain solidarity among ASEAN members but also greatly improved its relationship with China and successfully involved China into the regional integration process since the end of the Cold War. It has also allowed ASEAN to play as a politically acceptable buffer between China and Japan and neutralize the effort of big powers to further institutionalize East Asian regionalism and exert leadership in the region. Furthermore, ASEAN has also been a source of contestation between China and Japan as they have both cultivated ASEAN +1 arrangements in addition to the other regional forums. As much weaker states, the members of ASEAN have benefited from working as a coalition to enhance their bargaining power and taking advantage of the power competition between Japan and China. In a word, although
ASEAN is a coalition of much weaker states in the region, it has benefited the most among all relevant actors from the current system of regionalism in East Asia. Our third observation is that, as intergovernmentalism predicts, the pattern of East Asia regionalism is not only shaped by the outcome of intergovernmental relations within the region, but also reinforced by important external factors of globalization and American power and interests. The process of regional integration in East Asia has often resulted as responses to events outside of the region. As globalization has emerged, especially in the post-Cold War era, East Asian states have increasingly turned toward regionalism as part of their strategies to protect and strengthen national interest. The proliferation of regional trade arrangements in other parts of the world has created incentives for East Asian states to cooperate more closely with their neighbors to maintain and further their economic growth and development. Globalization has also opened financial markets, making these states more vulnerable to economic shocks from both inside and outside of the region. East Asian states do have an incentive to integrate to reap the benefits from enhanced cooperation as well as assist in managing the effects of globalization.

East Asian regionalism has also been shaped by the changing power and policies of the U.S. During the Cold War, the U.S. promoted and maintained a system of bilateral economic and security arrangements with the U.S. serving as a hub rather than a system based on regional multilateral institutions out of its need to contain Communism. American hegemonic power made less powerful East Asian states ready to accept those dictating arrangements. After the end of the Cold War with waning threat from Communism, the U.S. tried to maintain its influence over East Asia while at the same time seemed to shift American foreign policy focus to other parts of the world. As a result, in East Asia, we can see that sometimes the U.S. supported the proposal for a stronger and more institutionalized regional arrangement if the proposal involved
America (like APEC in the mid of 1990s) while sometimes it opposed such a proposal if the proposal did not involve America (like AMF in 1997) In response, East Asian states, with concerns about the uncertainty of US actions and/or desires to become less dependent on US helps to meet their economic and security needs, explored more East-Asia-focused regional arrangement (such as APT and CMI). As a regional arrangement that centered on ASEAN and includes Asia's "big three," APT was a diplomatic breakthrough, which the U.S. had been consistently hindering over time. APT is exceptional in terms of excluding the U.S. as a party, considering that the U.S. had been successful over several years serving as a hub for external relationship for many East Asian states and that most institutional arrangements composed of East Asian states include the U.S. as a member. However, given that APT does not involve the U.S. formally, the weak institutionalization of APT does fit with US interests. APT provides another mechanism for the American allies Japan and South Korea to cooperate, and its existence may also mitigate some fears over U.S. power in the region. Perhaps more importantly for the U.S., its informal structure greatly limits its prospects to create a coalition that could potentially challenge U.S. interests in the region.

In the most recent decade, American foreign policy saw a significant shift back to Asia, highlighted by Obama Administration’s “Pivot to East Asia” regional strategy in 2012, which focused on strengthening bilateral security alliances, engaging with regional multilateral institutions, expanding trade and investment, forging military cooperation and presence, and advancing democracy and human rights. This policy was widely regarded as efforts to contain China. A successful conclusion of the negotiations of the Trans-Pacific Partnership (TPP) in 2016, which would create a preferential trade agreement for the U.S. more selectively with the East Asian states of Brunei, Japan, Malaysia, Singapore, and Vietnam, could have provided
another means of weakening East Asian solidarity and limiting China's potential power in the region. However, the effect of recent withdrawal from the agreement under Trump Administration remains to be seen.

Our fourth observation is that, as intergovernmentalism predicts, East Asian regionalism is highly influenced by states’ preference for protecting their sovereignty. East Asian countries have been more interested in economic cooperation and integration than security cooperation and integration, given that sovereignty is much easier to be infringed on in the latter. They have been preferring to work through intergovernmental arrangements rather than supranational bodies and trying to avoid granting any open-ended authority to regional institutions which might infringe on their sovereignty. The rule of consensus decision making also helps to prevent any unwanted sovereignty-related reforms from happening. The informal institutional rules, along with diverse membership, makes any expansion and deepening of regionalism less likely.

Our analysis of East Asian regionalism suggests that this region will retain its informality, with multiple and overlapping arrangements into the foreseeable future. In which case, prospects for enhanced integration are limited at best. Calder (2008) has argued that regionalism, in East Asia has largely resulted from "critical junctures." This concept is based upon a certain event, usually a crisis, which creates a mutual interest for a significant change in the status quo. AFC of 1997-1998 was the critical juncture to spark East Asian regionalism into its current form. Another critical juncture could potentially steer East Asia to deeper cooperation in the future. It is difficult, however, at present to foresee that possibility. The 2008 global financial crisis did not serve as such a critical juncture for East Asia. In fact, as Katada (2011) points out that unlike 1997-1998, East Asian states' strategy to the 2008 crisis was to turn more towards global governance rather than regional cooperation in response. While we may be
skeptical about enhanced integration in East Asia, these states do have material incentives to deepen their cooperation. When the Cold War ended nearly 25 years ago, the current version of East Asian regionalism would have been viewed as a remarkable and an unforeseen achievement in international relations. In another 25 years, East Asia may continue its incremental path to gradually deepening integration, or the region may find that the process has peaked and too many constraints are in place for the process to go further.
### Table 1: FTAs inside East Asia

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<tr>
<td><strong>Taiwan</strong></td>
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</tbody>
</table>

Notes:

1. This table shows all the FTA agreements which have been in effect, signed (but not in effect yet), under negotiation, with framework agreement (FA) signed, and/or proposed among East Asian countries. It does not include any FTA agreement with East Asian countries as members but also with non-East Asian countries as members.
2. FTA agreements at different stages have been shown with different colors in this table. Green represents those FTA agreements in effect; light green represents those FTA agreements signed but not in effect yet; yellow represents those FTA agreements under negotiation; orange represents those FTA agreements with FA signed; red represents those FTA agreements proposed.
3. “Korea” refers to South Korea or the Republic of Korea.
4. “HK” refers to Hong Kong.
5. “Taiwan” refers to Chinese Taipei.
Table 2: FTAs between East Asian Countries and Non-East Asian Countries

<table>
<thead>
<tr>
<th>South Asia</th>
<th>West Asia</th>
<th>Central Asia</th>
<th>Russia, Belarus, and Ukraine</th>
<th>Oceania</th>
<th>EU</th>
<th>EFTA and its members</th>
<th>North America</th>
<th>Central America and Caribbean</th>
<th>South America</th>
<th>Africa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
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<td>1 negotiated</td>
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</table>

| Indonesia |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 negotiated |        |              |                               |         |    |                     |                |                               |               |        |       |
| 1 signed |           |              |                               |         |    |                     |                |                               |               |        |       |
| 2 in effect |           |              |                               |         |    |                     |                |                               |               |        |       |

| Malaysia |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 signed |           |              |                               |         |    |                     |                |                               |               |        |       |
| 3 in effect |           |              |                               |         |    |                     |                |                               |               |        |       |

| Philippines |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 proposed |           |              |                               |         |    |                     |                |                               |               |        |       |

| Singapore |           |              |                               |         |    |                     |                |                               |               |        |       |
| 2 negotiated |        |              |                               |         |    |                     |                |                               |               |        |       |
| 1 signed |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 in effect |           |              |                               |         |    |                     |                |                               |               |        |       |

| Thailand |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 FA signed |        |              |                               |         |    |                     |                |                               |               |        |       |

| Brunei |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 proposed |        |              |                               |         |    |                     |                |                               |               |        |       |

| Vietnam |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 negotiated |        |              |                               |         |    |                     |                |                               |               |        |       |

| Myanmar |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 in effect |           |              |                               |         |    |                     |                |                               |               |        |       |

| Japan |           |              |                               |         |    |                     |                |                               |               |        |       |
| 2 proposed |        |              |                               |         |    |                     |                |                               |               |        |       |

| Korea |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 negotiated |        |              |                               |         |    |                     |                |                               |               |        |       |

| China |           |              |                               |         |    |                     |                |                               |               |        |       |
| 2 proposed |        |              |                               |         |    |                     |                |                               |               |        |       |

| HK |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 in effect |           |              |                               |         |    |                     |                |                               |               |        |       |

| Taiwan |           |              |                               |         |    |                     |                |                               |               |        |       |
| 1 in effect |           |              |                               |         |    |                     |                |                               |               |        |       |

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<table>
<thead>
<tr>
<th>Country Group</th>
<th>Total</th>
<th>1 FA signed</th>
<th>1 FA signed</th>
<th>1 negotiated</th>
<th>1 negotiated</th>
<th>1 in effect</th>
<th>2 in effect</th>
<th>4 in effect</th>
<th>5 in effect</th>
<th>8 in effect</th>
<th>15 in effect</th>
<th>1 in effect</th>
<th>6 in effect</th>
<th>4 in effect</th>
<th>7 in effect</th>
<th>14 in effect</th>
<th>2 in effect</th>
<th>4 in effect</th>
<th>60 in effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Asia</td>
<td>1 FA signed</td>
<td>1 FA signed</td>
<td>1 negotiated</td>
<td>1 negotiated</td>
<td>1 in effect</td>
<td>2 in effect</td>
<td>4 in effect</td>
<td>5 in effect</td>
<td>8 in effect</td>
<td>15 in effect</td>
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<td>6 in effect</td>
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<td>14 in effect</td>
<td>2 in effect</td>
<td>4 in effect</td>
<td>60 in effect</td>
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<tr>
<td>East Asia</td>
<td>6 negotiated</td>
<td>6 negotiated</td>
<td>1 negotiated</td>
<td>2 negotiated</td>
<td>8 negotiated</td>
<td>5 negotiated</td>
<td>6 negotiated</td>
<td>2 negotiated</td>
<td>3 negotiated</td>
<td>2 negotiated</td>
<td>40 negotiated</td>
<td>1 signed</td>
<td>4 signed</td>
<td>1 in effect</td>
<td>6 in effect</td>
<td>4 in effect</td>
<td>7 in effect</td>
<td>14 in effect</td>
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<td>North America</td>
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<td>40 negotiated</td>
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<td>14 in effect</td>
<td>2 in effect</td>
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</table>

Notes:
1. The meanings of all abbreviations are as follows:
   a. EU: the European Union;
   b. EFTA: the European Free Trade Association;
   c. FA: Framework Agreement.
2. The countries/economies in different geographic regions\(^\text{18}\) which have FTAs implemented, signed, under negotiation, or proposed with East Asian countries include as following respectively:
   a. South Asia: Bangladesh, India, Iran, Maldives, Pakistan, and Sri Lanka;
   b. West Asia: Armenia, Bahrain, Georgia, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, and the Gulf Cooperation Council (GCC) as a country group (including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates);
   c. Central Asia: Kazakhstan, Kyrgyz, Mongolia, Tajikistan, and Uzbekistan;
   d. Oceania: Australia and New Zealand;
   e. EFTA: Switzerland, Iceland, and Norway, beside EFTA as a country group;
   f. North America: Canada, Mexico, and the U.S.;
   g. Central America and Caribbean: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama;
   h. South America: Chile, Columbia, Ecuador, Paraguay, Peru, and Mercosur as a country group (including Argentina, Brazil, Paraguay, Uruguay, and Venezuela (suspended on 2016));
   i. Africa: Benin, Burkina Faso, Cameroon, Chad, Comoros, Cote Divoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Libya, Mauritania, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Tunisia, Uganda, and Southern African Custom Union as a country group (including Botswana, Lesotho, Namibia, South Africa and Swaziland).
3. FTA agreements at different stages have been shown with different colors in this table. Green represents those FTA agreements in effect; light green represents those FTA agreements signed but not in effect yet; yellow represents those FTA agreements under negotiation; orange represents those FTA agreements with FA signed; red represents those FTA agreements proposed.
4. This table does not cover:
   a. Asia-Pacific Trade Agreement in effect since 1976, with Bangladesh, China, India, Korea, Lao, Sri Lanka as its members;

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\(^{18}\) Countries and economies are grouped into different geographic regions, largely following the grouping standards used by the UN Statistics Division, with several exceptions: (1) we treat those countries which are regarded as "Eastern Asia" by the UN as "Northeast Asia" and thus define "East Asia" as including Northeast Asia and Southeast Asia; (2) we group Mongolia as a country of Central Asia instead of East Asia; (3) we group Mexico as a country of North America instead of Central America. Please see [https://unstats.un.org/unsd/methodology/m49](https://unstats.un.org/unsd/methodology/m49), accessed on Jun.2, 2017.
Figure 1: Intergovermentalism: The Least Common Denominator of National Interests in East Asian Regionalism

China:
- maintain sovereignty
- sustain economic growth
- stabilize regional environment
- gain higher power status
- become responsible and peaceful rising power
- constrain weaker states

ASEAN:
- sustain "ASEAN way"
- play leadership role in East Asian regionalism
- improve relations with "big three"
- engages China but hedge China

Japan:
- support regionalism in East Asia
- maximize economic benefit
- prevent China from expanding its power

Korea:
- benefit from regionalism
- hedge China

Informal rules; non-binding commitments; consensus decision-making
Works Cited


