Regionalism and Institutional Architecture in East Asia: Current State and Future Prospects

A Special Lecture at University of Vienna

Vienna, June 3, 2008

Professor Sung-Hoon Park
Graduate School of International Studies
Korea University
shpark@korea.ac.kr
The Issue

- East Asia Still Struggling with Its Own Regional Integration Agenda
  - No Region-wide Institutional Framework Yet
  - Trade Integration Progressed through Market Forces, and Comparable to Europe in 1970s
  - Financial and Monetary Integration Became the Vehicle of Regional Agenda since 1997
    - Even “Reversed Order of Integration” Considered as an Option
  - Confusion over the Regional Architecture
  - Three Initiatives Competing with One Another
    - Asia-Pacific Economic Cooperation (APEC)
    - ASEAN+3 (APT)
    - East Asia Summit (EAS)
The Current State of Play: APEC

• APEC: An Inter-regional Cooperation Body
  • Open Regionalism a Guiding Principle
    • Oxymoron? or Still Operational?
  • Bogor Goals a Long-term Vision
    • Member Economies Still Serious about the Goals?
    • What Relationship to FTA of Asia-Pacific Initiative?
      → Credibility Problem Lingering
  • What Future for APEC?
    • An FTA?
    • An OECD-like Organization?
    • A Comprehensive Institution Including Security Issue?
    • Status Quo?
The Current State of Play: APT

- APT a First East Asia-wide Cooperation Framework
  - By-product of the 1997 Asian Financial Crisis
    - Self-Help in the Absence of Immediate Help from Outside
  - Networking of Southeast Asia + Northeast Asia
    - First Such Asia-exclusive Initiative (APEC-ASEM)
  - Annual Summit Meeting and Meetings at Various Levels
  - Established in 1998, and has Focused on Financial and Monetary Cooperation
    - Chiang Mai Initiative (CMI) as a Main Instrument
  - Agreed Upon Establishing “East Asian Community (EAC)”
    → East Asia Summit Pre-empted EAC → Confusion/Overlap
The Current State of Play: EAS

- EAS on the Road towards EAC?
  - Established as a Summit Meeting in 2005
  - “ASEAN+3+2+1” Framework
    - APT
    - Australia
    - New Zealand
    - India
- Confusions over the Role and Membership
  - US’ Interest?
  - Leadership Competition?
  - What division of Labor with APT/APEC?
Increasing Regionalism Initiatives of EA Countries as a New Factor

• East Asia Long Immune to Regionalism Tendency
  • “White Spot” or “Empty Box” in the Regionalism Geography

• East Asia Now Most Dynamic in Making FTA Networks
  • CJK have Become a “Central Power House” of Regionalism
  • ASEAN’s Individual Members also Active

• East Asian Countries Diversifying FTA Networks
  • Trans-continental Regionalism Pursued Actively
  • Intra-Regional FTAs also Increasing

• ASEAN Pursues the Role of “Regional FTA Hub”
  • “ASEAN+1” Strategy \(\rightarrow\) Costs and Benefits Co-exist
What Future for EA Regionalism?

• Which Institution Should Take the Leadership Role?
  • APEC? APT? EAS?
  • ASEAN+1?

• What Long-term Vision Desirable?
  • East Asian FTA?
  • East Asian Community?
  • East Asian community?
  • A Part of an FTA-AP?

• What Roadmap?
  • Trade/Investment → Finance/Money or Reversed?
  • Customs Union? or Common Market on the Road to EAC
Roadmap towards East Asian FTA: Three Scenarios

- Three “ASEAN+1” Initiatives → EA-FTA
  - Practically Established (ASEAN+C, J, K)
  - ASEAN as a “Regional FTA Hub” → Desirable?
    - Level of Liberalization Still Room for Improvement
- Northeast Asian FTA + ASEAN → EA-FTA
  - NEA-FTA Not Easy, but under Feasibility Study
  - Shuttle Diplomacy of Summits → Positive Signal!
  - High Desirability due to Significance of NEA in EA
- Make Bilateral FTAs Overlap → Gradually EA-FTA
  - Too much Transition Costs
  - Realistic, considering the Increasing Interest in FTA
Chiang Mai Initiative (CMI) Revisited

- CMI Evolving

The Chiang Mai Initiative

Asian Financial Crisis

Manila Framework

The Asian Bond Market Initiative/Research Group

The 11th Finance Ministers’ Meeting

May 2008

May 2006

May 2003

May 2000

April 1999

December 1997

Multilateralization or Post-CMI
Chiang Mai Initiative (CMI) Revisited

- CMI Being Multilateralized from BSAs

**Progress on BSAs under the Chiang Mai Initiative (as of July 2007)**

<table>
<thead>
<tr>
<th>BSAs</th>
<th>Currencies</th>
<th>Effective/Expiration Dates</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan-China</td>
<td>Yen/Renminbi or Renminbi/Yen</td>
<td>20 Mar 2002/27 Mar 2006</td>
<td>US$ 3.0 billion(^{(a)}) (2-way)</td>
</tr>
<tr>
<td>Japan-Korea</td>
<td>USD/Won or USD/Yen</td>
<td>24 Feb 2006/23 Feb 2009</td>
<td>US$ 10.0 billion (JPN-KOR) () US$ 5.0 billion (KOR-JPN)</td>
</tr>
<tr>
<td>Japan-Indonesia</td>
<td>Yen/Won or Won/Yen</td>
<td>27 May 2005/3 July 2007</td>
<td>US$ 3.0 billion(^{(a)}) (2-way)</td>
</tr>
<tr>
<td>Japan-Malaysia</td>
<td>USD/Ringgit</td>
<td>5 Oct 2001/4 Oct 2007</td>
<td>US$ 1.0 billion(^{(b)}) (JPN-MAL)</td>
</tr>
<tr>
<td>Japan-Philippines</td>
<td>USD/Peso or USD/Yen</td>
<td>4 May 2006/3 May 2009</td>
<td>US$ 0.5 billion (PHI-JPN)</td>
</tr>
<tr>
<td>Japan-Singapore</td>
<td>USD/Singapore Dollar</td>
<td>8 Nov 2005/7 Nov 2008</td>
<td>US$ 3.0 billion (JPN-SIN)</td>
</tr>
<tr>
<td>Japan-Thailand</td>
<td>USD/Baht or USD/Yen</td>
<td>10 July 2007/7 July 2007</td>
<td>US$ 3.0 billion (THA-JPN)</td>
</tr>
<tr>
<td>PRC-Korea</td>
<td>Renminbi/Won or Won/Renminbi</td>
<td>27 May 2005/23 June 2007</td>
<td>US$ 4.0 billion(^{(a)}) (2-way)</td>
</tr>
<tr>
<td>PRC-Indonesia</td>
<td>USD/Rupiah</td>
<td>17 Oct 2006/16 Oct 2009</td>
<td>US$ 4.0 billion (PRC-INO)</td>
</tr>
<tr>
<td>PRC-Philippines</td>
<td>Renminbi/Peso</td>
<td>30 Apr 2007/29 Apr 2008</td>
<td>US$ 2.0 billion(^{(a)}) (PRC-PHI)</td>
</tr>
<tr>
<td>PRC-Thailand</td>
<td>USD/Baht</td>
<td>6 Dec 2001/5 Dec 2004</td>
<td>US$ 2.0 billion (PRC-THA)</td>
</tr>
<tr>
<td>Korea-Indonesia</td>
<td>USD/Rupiah or USD/Won</td>
<td>27 Dec 2006/26 Dec 2009</td>
<td>US$ 2.0 billion (2-way)</td>
</tr>
<tr>
<td>Korea-Malaysia</td>
<td>USD/Ringgit or USD/Won</td>
<td>14 Oct 2005/13 Oct 2008</td>
<td>US$ 1.5 billion (2-way)</td>
</tr>
<tr>
<td>Korea-Philippines</td>
<td>USD/Peso or USD/Won</td>
<td>17 Oct 2005/16 Oct 2007</td>
<td>US$ 1.5 billion (2-way)</td>
</tr>
<tr>
<td>Korea-Thailand</td>
<td>USD/Baht or USD/Won</td>
<td>12 Dec 2005/11 Dec 2007</td>
<td>US$ 1.0 billion (2-way)</td>
</tr>
</tbody>
</table>

Notes:  
(a) The amounts are US dollar equivalents.  
(b) The amount excludes US$2.6 billion committed (on 10 August 2000) under the New Miyazawa Initiative.  
Source: Update of Table 5 of Kawai (2005a).
Chiang Mai Initiative (CMI) Revisited

- What Future for CMI
  - CMI \rightarrow\ AMF (US Position?)
  - ACU
  - AMS
  - AMU

- Reversed Integration in East Asia?
  - What Pace of CMI in Relation to EA-FTA?
Major Obstacles Still Exist: Political Obstacles

• Political Reconciliation Not Yet Enough
  • East Asia Still in Political Distrust among Each Other
  • Substantive Disputes Still Lingering Between Major Regional Powers
    • China ↔ Japan
    • Japan ↔ Korea
    • Korea ↔ China
• Security Concerns Also an Obstacle
  • North Korea’s Nuclear Issue
  • Concern About Japan’s Rearmament
  • China’s Rise as a Major Regional and Global Power → A Threat?
Major Obstacles Still Exist: Economic Obstacles

- Economic Integration Still not Playing the Role of Catalyst
  - “Leadership Rivalry” a Major Obstacle
  - Confusions with Overlapping Institutions: Relationship between “ASEAN+1”, “ASEAN+3” and East Asia Summit (EAS) not Clarified yet
- East Asia also in the Midst of Other Powers’ Love Calls
  - APEC
  - ASEM
European Integration as a Reference for East Asia

• Point of Departure
  • Europe Started with a Small Number of Like-minded Countries
  • Reconciliation and Mutual Prosperity as Common Values

• Process of Deepening/Widening/Enlargement
  • Negotiation Resulting in Compromises and Consents Built in a Series of “Treaties”
  • Stepwise Approaches Continuously Evaluated and Updated
  • Membership Issue Considered Increasingly Progressively

• Setting Agenda for the Future
  • Long-term Planning Established Over Time
Shaping the Future of East Asia

• Point of Departure
  • “Politics or Economics” or “Politics and Economics” Major Concerns
  • Resolving Conflicts between Overlapping Institutions a Key Issue
  • Whom to Start With? \(\rightarrow\) To be Answered before Designing the Vision
    • Key Trilateral Relations (KTR) as a Main Vehicle?
    • ASEAN at the Center?
    • How Far Stretched in Terms of Geography? (ASEAN+3+1+2? Or More?)

• Process of Deepening/Widening/Enlargement
  • How to Make KTR to be Cooperative with ASEAN (\textit{vice versa})
  • How to Order the Agenda?
    • Balassa Instruction? Or “Reversed” Integration? \(\rightarrow\) Chiang Mai Initiative!
    • How to Make Compromises and Consents as Results of Hard Negotiations an Integral Part of Asian Value?

• Setting Agenda for the Future (5 Years; 10 Years; 20 Years)
  • How Courageous Can East Asia be? (Short-, Mid- and Long-term Vision)
Density Map of RTAs Expected by the WTO:
2000 and 2005 Compared
Scenario 1: Use “FTA + 1 Initiatives”

Granting Individual Membership of ASEAN to NEA Countries

- China
- Korea
- Japan
Scenario 2: Develop CJK FTA First

Make NEA FTA as a Conduit to EAFTA:
NEA FTA → Link with ASEAN → EAFTA

Alternative Scenarios towards EAFTA:
- Scenario 2

Diagram:
- China
- Japan
- Korea
- ASEAN
- EAFTA

Connections:
- NEA FTA to China and Korea
- Link with ASEAN to EAFTA
Scenario 3: Make Intra-regional FTAs Overlap

Link Existing Initiatives with New Ones:
Make Intra-regional RTAs Overlap!
Thank you very much for your attention!!!