



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

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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 → 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



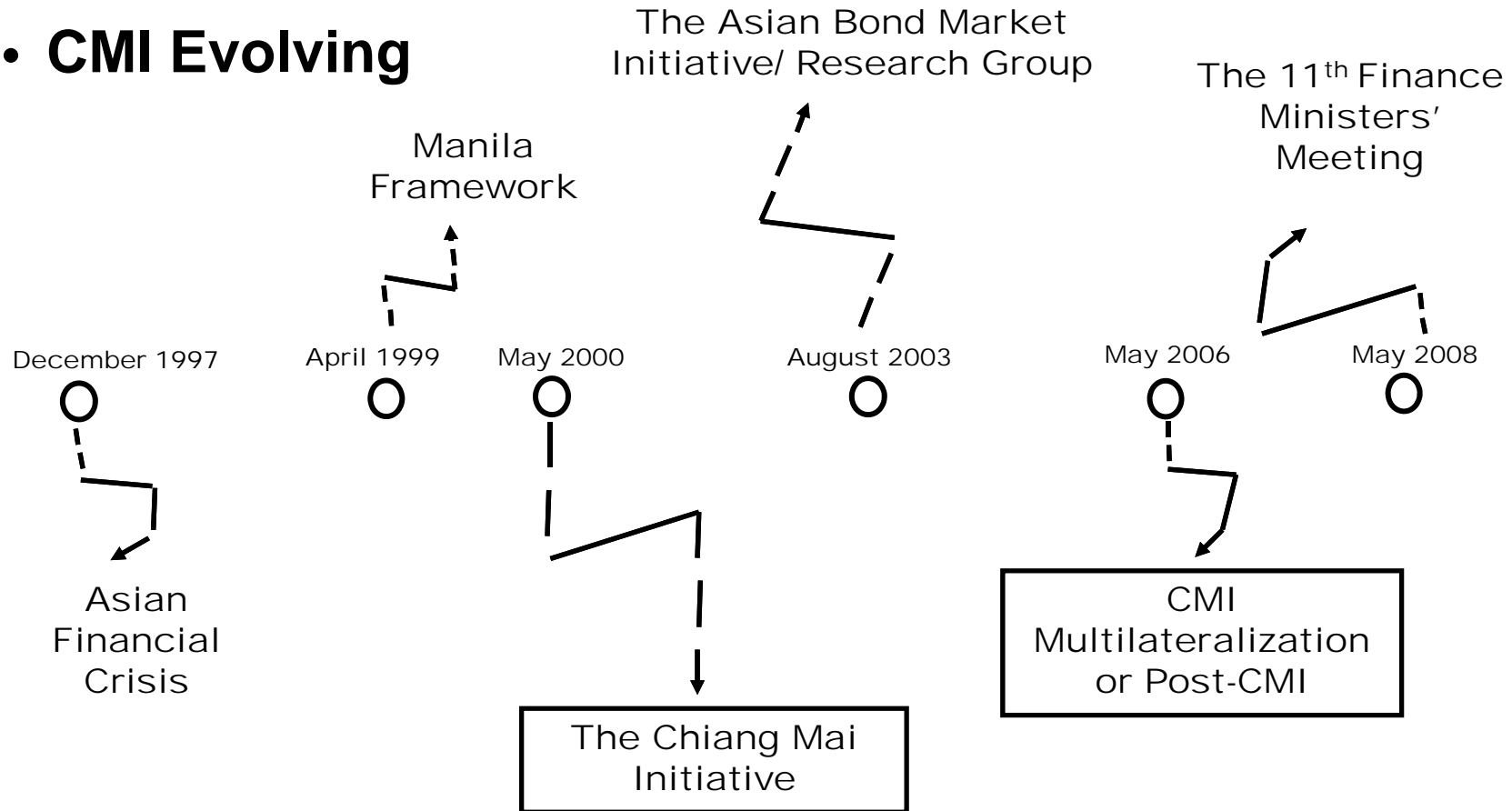
Roadmap towards East Asian FTA: Three Scenarios

- **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**





Chiang Mai Initiative (CMI) Revisited

- CMI Being Multilateralized from BSAs

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

BSAs	Currencies	Effective/Expiration Dates	Size
Japan-PRC	Yen/Renminbi or Renminbi/Yen	28 Mar 2002/27 Mar 2006	US\$ 3.0 billion ^(a) (2-way)
Japan-Korea	USD/Won or USD/Yen	24 Feb 2006/23 Feb 2009	US\$ 10.0 billion (JPN-KOR) US\$ 5.0 billion (KOR-JPN)
	Yen/Won or Won/Yen	27 May 2005/3 July 2007	US\$ 3.0 billion ^(a) (2-way)
Japan-Indonesia	USD/Rupiah	31 Aug 2005/30 Aug 2008	US\$ 6.0 billion (JPN-INO)
Japan-Malaysia	USD/Ringgit	5 Oct 2001/4 Oct 2007	US\$ 1.0 billion ^(b) (JPN-MAL)
Japan-Philippines	USD/Peso or USD/Yen	4 May 2006/3 May 2009	US\$ 6.0 billion (JPN-PHI) US\$ 0.5 billion (PHI-JPN)
Japan-Singapore	USD/Singapore Dollar USD/Yen	8 Nov 2005/7 Nov 2008	US\$ 3.0 billion (JPN-SIN) US\$ 1.0 billion (SIN-JPN)
Japan-Thailand	USD/Baht or USD/Yen	10 July 2007/--	US\$ 6.0 billion (JPN-THA) US\$ 3.0 billion (THA-JPN)
PRC-Korea	Renminbi/Won or Won/Renminbi	27 May 2005/23 June 2007	US\$ 4.0 billion ^(a) (2-way)
PRC-Indonesia	USD/Rupiah	17 Oct 2006/16 Oct 2009	US\$ 4.0 billion (PRC-INO)
PRC-Malaysia	USD/Ringgit	9 Oct 2002/8 Oct 2005	US\$ 1.5 billion (PRC-MAL)
PRC-Philippines	Renminbi/Peso	30 Apr 2007/29 Apr 2010	US\$ 2.0 billion ^(a) (PRC-PHI)
PRC-Thailand	USD/Baht	6 Dec 2001/5 Dec 2004	US\$ 2.0 billion (PRC-THA)
Korea-Indonesia	USD/Rupiah or USD/Won	27 Dec 2006/26 Dec 2009	US\$ 2.0 billion (2-way)
Korea-Malaysia	USD/Ringgit or USD/Won	14 Oct 2005/13 Oct 2008	US\$ 1.5 billion (2-way)
Korea-Philippines	USD/Peso or USD/Won	17 Oct 2005/16 Oct 2007	US\$ 1.5 billion (2-way)
Korea-Thailand	USD/Baht or USD/Won	12 Dec 2005/11 Dec 2007	US\$ 1.0 billion (2-way)

Notes: (a) The amounts are US dollar equivalents.

(b) The amount excludes US\$2.5 billion committed (on 18 August 1999) under the New Miyazawa Initiative.

Source: Update of Table 5 of Kawai (2005a).



Chiang Mai Initiative (CMI) Revisited

- **What Future for CMI**
 - CMI → 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 \Leftrightarrow Japan
 - Japan \Leftrightarrow Korea
 - Korea \Leftrightarrow 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 \rightarrow 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? → 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 (*vice versa*)
 - How to Order the Agenda?
 - Balassa Instruction? Or “Reversed” Integration? → 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)





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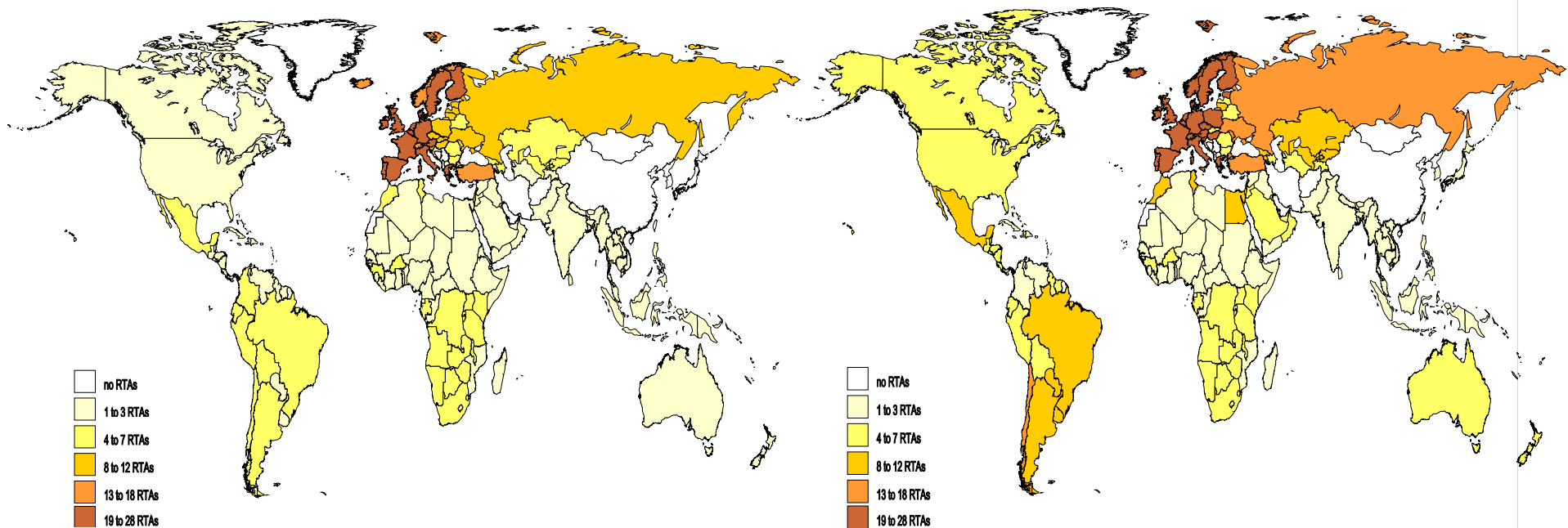
Density Map of RTAs Expected by the WTO: 2000 and 2005 Compared

2000

2005

Map/Carte/Mapa: 15
2000

Map/Carte/Mapa: 16
2005



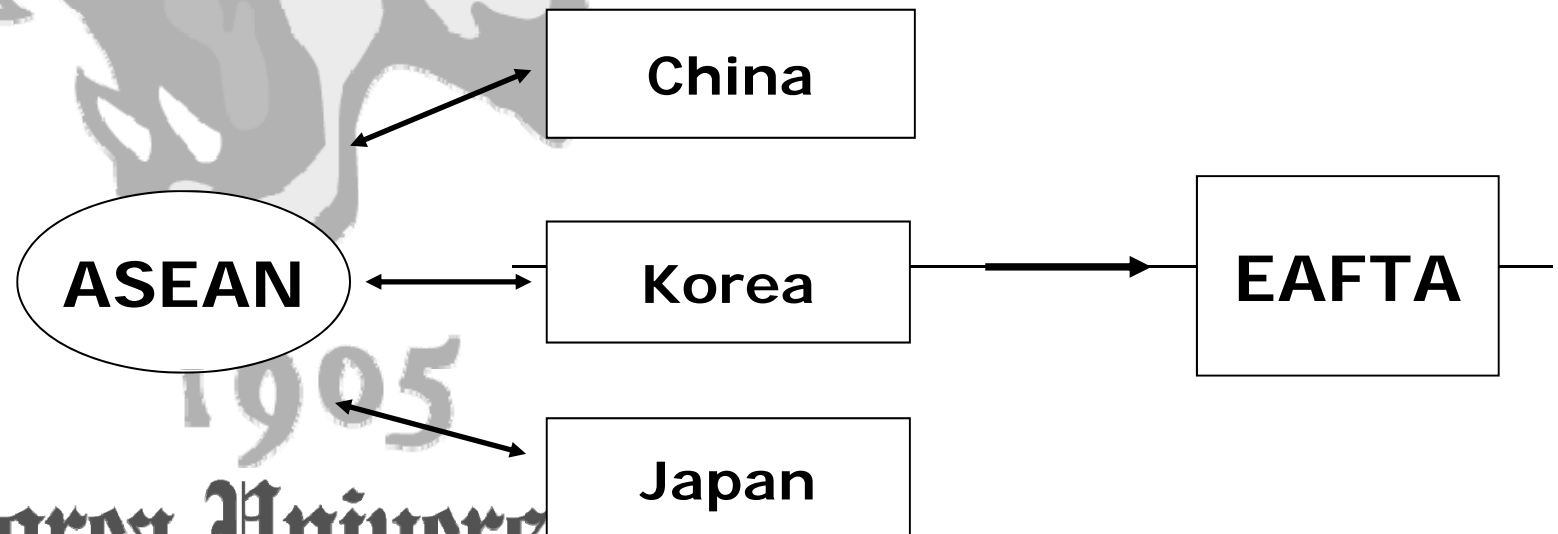


**Alternative
Scenarios
towards EAFTA**

Scenario 1: Use "FTA + 1 Initiatives"

Scenario 1

**Granting Individual Membership
of ASEAN to NEA Countries**



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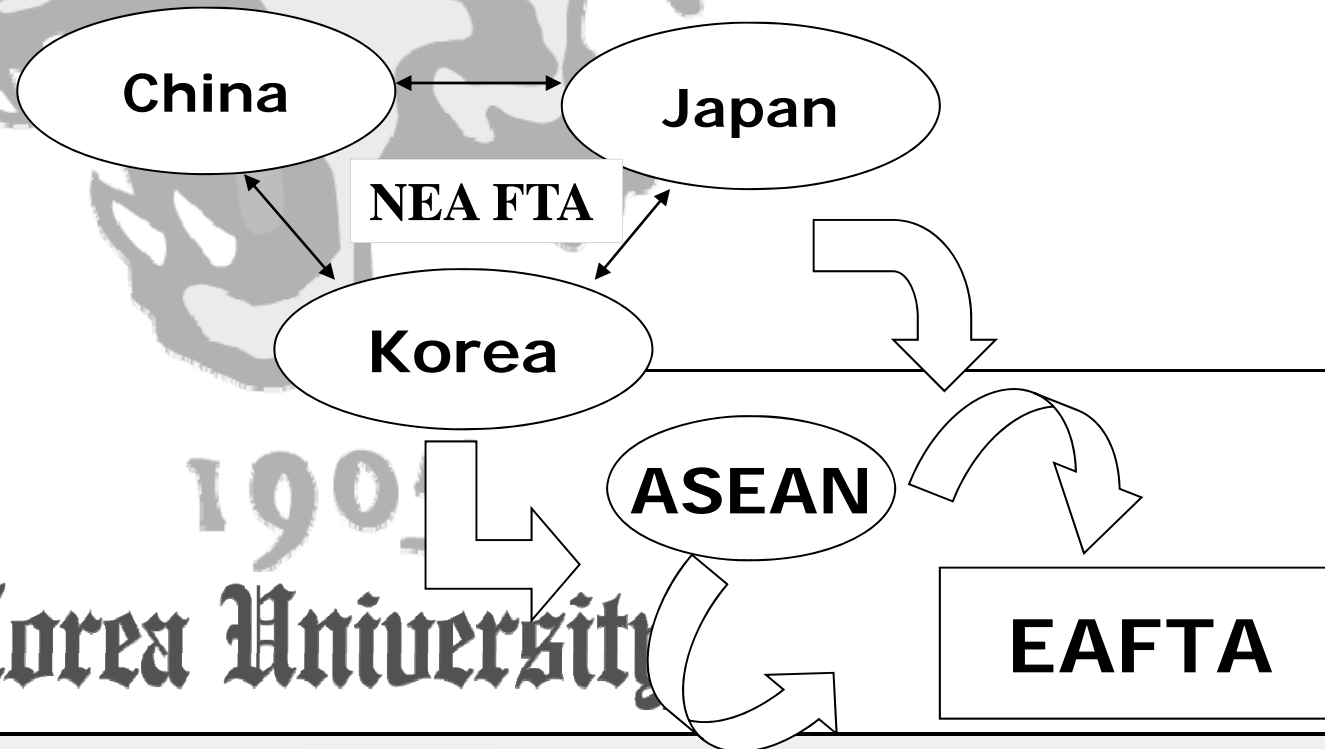


**Alternative
Scenarios
towards EAFTA**

Scenario 2: Develop CJK FTA First

Scenario 2

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



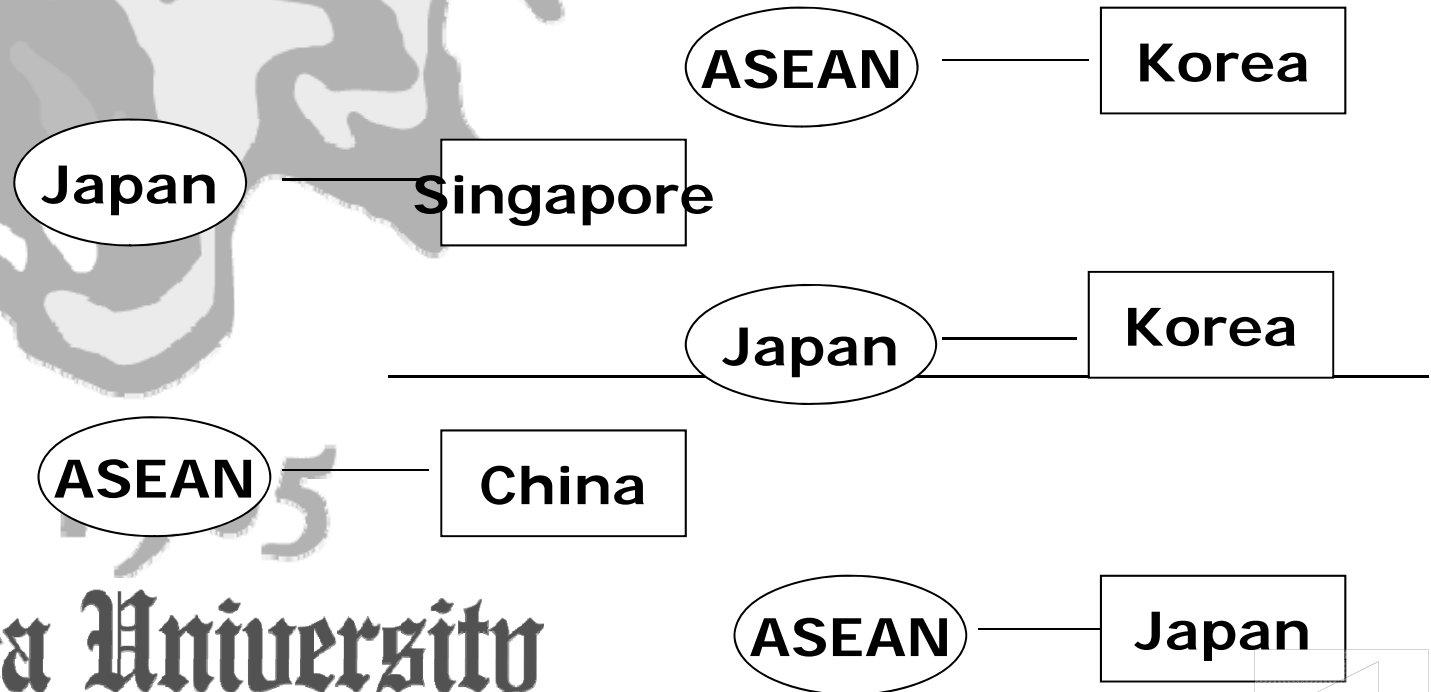


**Alternative
Scenarios
towards EAFTA**

Scenario 3: Make Intra-regional FTAs Overlap

Scenario 3

**Link Existing Initiatives with New Ones:
Make Intra-regional RTAs Overlap!**



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**Thank you very much
for your attention!!!**