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# REGIONALIZATION OF EMERGING COUNTRIES :

## A CASE STUDY OF EAST ASIA

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Regionalization today has become a main trend of the world side by side with globalization. Regionalization in general has experienced two waves since WWII. The first wave started in 1960s, the second wave took place in mid and late 1980s and has lasted till now.

The first regional economic grouping in Asia was ASA (Association of Southeast Asia) established by Malaysia, Thailand and the Phillipines in 1961, then Singapore and Indonesia joined in 1967 and the Association was renamed as ASEAN (Association of Southeast Asian Nations). But regional cooperation in Asia in that period and the decade after did not make much important result.

This paper will mainly concentrate on regionalization in Asia in the second wave.

[ I ]

Regionalization process in East Asia reactivated comparatively late, but they have displayed remarkable characteristics and push forward

fairly fast.

There are external as well as internal factors for the rapid development of regionalization process in East Asia today.

The External factor is the impact of present world situation: regional cooperation and integration in major areas—such as EU and NAFTA---has made noticeable progress. For instance, euro came into effect formally in January 2002, this marked the transition of EU to a healthier and closer economic union and the gradual formation of a grand European market with unified monetary and fiscal policies. Besides, EU actively promotes bilateral and unilateral inter-regional cooperation with countries and regions outside of EU. And NAFTA has the ambition of expanding to a free trade area covering all Americas.

On the other hand, there are two main internal or regional factors that speed up regionalization efforts in East Asia. The first one is the 1997 Asian financial crisis which served as a profound lesson for Eastern Asian countries on the vulnerability of combatting financial and economic dangers owing to lack of regional cooperative mechanism. This understanding also greatly strengthened the positive attitude of the major countries in this region---China, S. Korea and Japan---towards economic cooperation and integration in East Asia, hence their active response to ASEAN's efforts of promoting regional economic community. The second factor is the influence of China's emergence. The most important

consequence is that it ended the traditional Eastern Asian development process characterized with the “flying goose model” and created a new economic pattern and growth mechanism in this region which greatly strengthened intra-regional investment and trade among Eastern Asian countries. This is also a strong impetus for regional cooperation and integration.

## [ II ]

Regionalization in East Asia has displayed a number of features of its activities.

1, Maybe one of the important features of regionalization in East Asia is the speedy development of multidimensional and multilevel “horizontal cooperation”. This reflects the broad needs and various comparative advantages of the countries in this region and the formation of a regional pattern of mutual-benefit and complementarity for accelerating economic growth and protecting interests in economic, social, political, and cultural areas. Those cooperation activities of different dimensions and levels include:

(1) sub-regional economic cooperation within East Asia, which are fairly active at present. Such as: the Sub-regional Development and Cooperation Project on River Mekong among China, Burma, Thailand,

the Laos and Vietnam; the Joint Construction of Kunming-Bangkok Highway between China and Thailand; the Cooperation Project of Growth Areas in Eastern ASEAN countries; the Pan-Asia Railway Project; and the proposed Development and Cooperation Project on River Tumen among China, Japan and S.Korea; etc. Those sub-regional cooperation activities are important contents of regionalization in East Asia

(2) Bilateral and multilateral cooperation between countries/areas. Those forms of cooperation are popular arrangements today, such as: bilateral agreements between Japan and Singapore, Japan and Malaysia, Japan and S.Korea, S.Korea and Singapore, Japan and the Philippines, Japan and Thailand. Hong Kong and Macao of China are both independent tariff areas in WTO, so the arrangement of closer economic & trade relations (CEPA) signed by each of them respectively with the mainland of China also belong to this category.

(3) AFTA (ASEAN Free Trade Area) and possibly NEAFTA (Northeast Asia Free Trade Area). They are economic cooperation systems among neighbouring countries in the region. Geographically, one is in Southeast Asia, and the other in Northeast Asia.

Regional cooperation among ASEAN countries is taking the lead in the cooperation process of East Asia. At the 4<sup>th</sup> ASEAN Summit Meeting in 1992, the ASEAN leaders made the decision to accomplish the basic framework of AFTA within 15 years, and finally this time-table

was proposed to shorten to 10 years. While concrete measures toward this direction have been gradually achieved, including preferential tariff plan, reduction of non-tariff barriers, etc. Furthermore, at the 9<sup>th</sup> ASEAN Summit Meeting in 2003, ASEAN leaders agreed on the grand goal of establishing the ASEAN Economic Community, Security Community and Social & Cultural Community in 2020. At the same time, a system of better division of labor and resource deployment within ASEAN is taking shape, this helps to improve the competitiveness of ASEAN enterprises.

Comparatively, the NEFTA plan is proceeding much slower than AFTA, as cooperation among 3 giants of the region---China, Japan and S.Korea---is more complicated and difficult, although the growing economic interdependence and complementarity between them is undoubtedly helpful to the formation of future free trade area among them. Anyhow, they are making efforts towards this direction. In 2003, leaders of China, Japan and S.Korea met and issued joint declaration of promoting cooperation among the 3 countries.

(4) Free Trade Areas based on three 10+1 mechanism (ASEAN+China, ASEAN+Japan, ASEAN+S.Korea). This special form of regional economic cooperation is an invention of East Asian countries. This reflected that the economic community of emerging countries (ASEAN) adopted a mechanism of bilateral dialogue and negotiation with

each of the regional economic powers (China, Japan and S.Korea) on cooperation including separate free trade areas. This is an ingenious method enabling different cooperation interests and cooperation demands to realize different targets on different platforms, and at the same time, enabling each of the regional economic powers to integrate into the overall process of regionalization in East Asia. Consequently, the common points of interest of different parties are achieved to reach consensus on some common targets, so that the overall regionalization of East Asia will be promoted. At the 10+3 Summit Meeting of November 2001, China and the ASEAN countries reached an unanimous agreement to establish China-ASEAN Free Trade Area (CAFTA) in 10 years. This promoted the efforts towards the other two 10+1 models, namely, JAFTA (Japan-ASEAN Free Trade Area) and KAFTA (S.Korea-ASEAN Free Trade Area)..

(5) The planned EAFTA (East Asia Free Trade Area), or the future development of what is known as 10+ 3 today. This is the prospect of the present East Asian regionalization centered with ASEAN. The 10+3 mechanism is accepted unanimously by East Asian countries and is well on the way forward. Now, in addition to cooperation in the fields of trade and finance which are already going on, the member countries will strengthen their cooperation in political and security fields, and further to the fields of social, cultural, and science & technological cooperation.

2, The cooperation between ASEAN and China---the biggest emerging country in East Asia and in the world--- is an important positive factor for successful progress of regionalization in East Asia. China has been fairly active to participate in regional cooperation in East Asia, and ASEAN countries also take very positive attitude, they turn their eyes more and more to the vast Chinese market as well as the regional market of ASEAN and Asia. Both China and ASEAN feel the urgent need of closer cooperation. According to the appraisal of the China-ASEAN task force on the prospect of CAFTA (China-ASEAN Free Trade Area), with the establishment of CAFTA, export from China to ASEAN countries will reach USD10.6 billion (an increase of 55%) and export from ASEAN countries to China will reach USD 1.3 billion (an increase of 48%); the annual increase of GDP of China and ASEAN will be 0.3% and 0.9% respectively. In addition to the agreement of establishing CAFTA in 10 years, China formally signed and joined the Southeast Asia Treaty of Friendship and Cooperation at the 10+3 Summit Meeting in 2003. This marked a new stage of mutual trust between China and ASEAN. As we know, this Treaty is an important mechanism to guarantee peaceful order in the region, it stipulates the main principles of respect to sovereignty and territorial integrity, non-interference of internal affairs, and peaceful settlement of disputes. China as a biggest regional power joining this



Treaty had important repercussion and profound significance. Thus, in the three 10+1 models of ASEAN, the free trade area between China and ASEAN is expected to be the first to materialize; and, China as the biggest power in the region will be the most active impetus and most stable mainstay for regional cooperation today and regional integration tomorrow in East Asia.

3, So far, Japan is the only developed industrial power in the present regional cooperation of East Asia. In the recent years, Japan's attitude towards regional cooperation in East Asia has apparently improved. It is because Japan's external economy is undergoing some basic re-orientation. As Japan experienced recession recently for more than 10 years, it has urgent need for economic revival, that is why it has turned its trade and investment more to East Asia and regard Asia as its focus of investment. This economic orientation and need undoubtedly explains Japan's attitude-shift. Japan has strengthened economic cooperation with East Asian countries, has given more attention to regionalization in East Asia and participated more actively in this process. For instance, after China took initiative to establish free trade area with ASEAN (CAFTA) in 2010, Japan declared to establish JAFTA (Japan-ASEAN Free Trade Area) in 2012 - 2017. And, following China, Japan declared in the Japan-ASEAN Special Summit Meeting at the end of 2003 to join the Southeast Asia

Treaty of Friendship and Cooperation. Besides, Japan proposed the idea of establishing an “East Asia Community” with “Asian tradition and Asian values”. Japan is the second biggest economic power of the world, it was and is the main investor and high-tech leader in Asia, it will definitely play important part in regionalization in East Asia.

4, India has shown great interest in entering into development and cooperation process of East Asia, as regional cooperation in South Asia lags behind owing to political as well as economic reasons. After the 9.11 event and the start of international anti-terrorist efforts, India’s reform and development has oriented more and more to East Asia. While improving relations with China, India also strengthens cooperation with ASEAN and makes effort to participate into the process of regionalization in East Asia. Thus, India is noticeably entering into the regional cooperation system led by ASEAN and becoming the 4<sup>th</sup> 10+1 model. At the ASEAN Summit Meeting of 2003, India joined the Southeast Treaty of Friendship and Cooperation, and reached agreement with ASEAN of economic cooperation centered on free trade area arrangement with ASEAN in 2011–2016. Besides, India also proposed a railroad construction plan of New Delhi – Thailand – Singapore – Vietnam.

The active attitude of India in regional cooperation also serves as an inspiration to Russia, other South Asian and Central Asian countries in

this direction.

5, The long term prospect of an expanded regionalization in East Asia--- Pan East Asia Community--- which may include India and South Asia, Central Asia and Russia. Then, people also mentioned Australia and New Zealand expressing interest to this community.

We must re-emphasize here that the role of China, Japan and India is decisive in regionalization of East Asia/ Asia. Japan is the second biggest economic power in the world, it is a factor of prime importance to East Asia which is also an important link of Japan's economic structure. While China and India are both emerging powers of Asia and of the world, they are No.1 and No.2 powers of population (together they constitute 40% of world population), their development and future transformation are of extreme importance to regionalization of East Asia.

### [ III ]

Some outstanding characteristics of regionalization in East Asia are:

1, Regionalization in East Asia is mainly a regionalization of the emerging countries, all but Japan are developing economies. As we know, the two most important regional communities today---EU and NAFTA---are both centered with developed countries. Thus, the two strongest economies of Europe, Germany and France, form the core of EU,

and the strongest developed country in the Americas and the world, the US, is the major initiator and promoter of NAFTA. While regionalization in East Asia was first promoted by ASEAN---the community of emerging nations, and at present it is still proceeding with ASEAN in the center. ASEAN is undoubtedly playing an important and irreplaceable role in the process of regional cooperation in East Asia. With the initiative of ASEAN, the cooperative relation with 3 major economic powers of the region--- China, Japan and S.Korea (the so-called 10+1 mechanism) was formed.

2, An important characteristics of regionalization in East Asia is that the process and contents of regional cooperation lay prime emphasis on the guiding principles of Equality, Mutual Benefit, Negotiation and Unanimity. This has much to do with the fact that most of the countries in this region were colonies or semi-colonies before the war, even after they won independence politically in the post-war years, they still suffer inequality and dependency economically and technologically (hence politically too) in international affairs. Naturally, in regional cooperation, they cherish the above-mentioned principles as of prime importance.

3, So far, in regionalization of East Asia, there is no “leader” in its real sense. It is true, in the present 10+3 mechanism, 10 acts as “host” and 3 acts as “guest”, in other words, the 10 nations which hold less economic weight in the region (in 2001, for instance, the general GDP of the 10

nations of ASEAN was 8.8% of that of the regional total in East Asia) are the core of the process while the 3 big economies are invitees. There might be some change in the future with the progress of the regional cooperation. For example, S.Korea did raise at the 2001 Summit Meeting the idea of transforming 10+3 Summit Meeting into East Asia Summit Meeting by eliminating the host-guest status. But there will not be a leader of dominating role. Different economies may play different part and contribute differently, yet they are all on equal basis and have equal say for common good in this community of cooperation.

4, Finally, we may mention that regionalization in East Asia is an “open regionalization” which stresses coordinated development with other regional communities and global economic and political organizations, and pays much attention to inter-regional cooperation.

#### [ IV ]

Looking at the development process of regionalization in East Asia, we may realize that the current wave of regional cooperation which started in the 1990s has apparent changes in purpose and objective as well as in ways and means comparing with regionalization process of the previous period. It bears important impact to international relations and economic patterns in this age of globalization.

Firstly, the ongoing process of regional cooperation in East Asia, as

I pointed out, is mainly a regionalization of developing countries. It is trying to benefit all members according to their different needs and different backgrounds through measures and arrangements of cooperation and mutual support to achieve co-development of participants, so that all of them are able to make better use of globalization opportunities and avoid or reduce globalization damages.

Secondly, this regionalization process is an open regionalization. It will on the one hand promote and strengthen intra-regional cooperation and on the other hand will not discriminate extra-regional or inter-regional cooperation of all levels. So, this process is helpful to global cooperation and development.

Thirdly, the fact of fruitful development of regionalization in East Asia in these years has proved that the regional cooperation among developing countries is no less effective than that between developed and developing countries.

Fourthly, some scholars tend to conclude that the leadership of powerful nation/nations is indispensable to the success of regional cooperation of any kind. The case of East Asia is an example of a practical alternative. The fact that this regional community is not dominated by any leader or leaders of economic power does not pose a barrier to its progress. Different country may play different role and contribute differently according to their different conditions and weights, but all

members are on equal status. Consensus through democratic negotiation is an accepted principle.