4. Comparing summitry, financial and trade regionalisms in East Asia: from the Japanese perspective

Shintaro Hamanaka

1. INTRODUCTION

The main analytical focus of this chapter is whether preferences of certain states regarding membership of regional frameworks will vary according to the issues at hand. Some may question why this research centres on the membership of a regional framework, which is just one of the various institutional features, others including scope, control/flexibility and the level of centralization (Koremenos et al., 2001). The perspective that a particular membership is ‘required’ may be helpful in explaining institutions (Mack and Ravenhill, 1995). However, in reality, the membership and other features of institutions are determined or designed endogenously (Snidal, 1994). Moreover, in actual international relations, while the rough idea on the field of cooperation exists from the outset, it is the participants who decide the relevant scope of cooperation.

This chapter argues that there may be a relationship between membership and leadership, in particular with regard to them being different sides of the same coin. When membership of a regional framework is determined, who is likely to hold the leading position in it becomes clearer. What is important is the leading position, not the leadership behaviour (Young, 1991).\(^1\) Given the fact that membership and the leading position are closely linked, the overarching question of this chapter can be summarized as follows: when a regional framework with a particular membership is likely to enable a certain country to hold the leading position, what kind of response is made by that country and others?

This chapter first analyses a ‘preferable’ membership with regard to summitry, financial and trade regionalisms in East Asia. It addresses the question concerning who should be included or excluded, with a special reference to the Japanese perspective and to a lesser extent to the Chinese perspective. After addressing the empirical facts on membership
preferences, the chapter’s final section attempts to generalize the logic concerning states’ behaviour with regard to membership of a regional framework.

2. REGIONAL SUMMITRY

The Koizumi Administration (2001–2006) clearly prioritized foreign policy, as illustrated by its desire to acquire a permanent seat on the UN Security Council. Koizumi’s Southeast Asian tour in January 2002 provided a good opportunity for Japan to explain its regionalist policy to the Association of Southeast Asian Nations (ASEAN) countries. Two months beforehand, China proposed a free trade agreement (FTA) with ASEAN by 2010. In Singapore, Koizumi delivered a speech and proposed establishing an East Asian Community. Taniguchi Makoto, the former Japanese Ambassador to the United Nations, explained regarding this proposal that ‘its membership is not limited to APT and includes Australia and New Zealand, and Japan seems to intend to make it more open, considering the US’s engagement with it, which could be an issue in the future’ (Taniguchi, 2004: 41). Japan later requested ASEAN’s support of its East Asian Community proposal in the Japan–ASEAN Special Summit held in December 2003 in Tokyo. The Tokyo Declaration of the Summit confirmed that Japan and ASEAN would cooperate as the basis for an East Asian Community. Tokyo’s hosting of the Special Summit, together with the ASEAN Summit held back-to-back with it, was helpful in demonstrating Japan’s influence on ASEAN, because it was the first ASEAN Summit held outside ASEAN. As Terada (2004) notes, Japan insisted on hosting the Special Summit in December in Tokyo, even though another Japan–ASEAN Summit was held just two months before in Jakarta. Taniguchi (2004) observes that the Ministry of Foreign Affairs (MOFA) considered the Special Summit as an example of Japan’s diplomatic victory over China.

China, in contrast, attempted to strengthen the ASEAN Plus Three (APT) grouping. While China was reluctant to be involved in regionalism until the early 1990s, it has clearly attempted to establish an (East) Asia-only regional group excluding the US. In the APT process, however, ASEAN has ownership, and ‘Plus Three’ countries – China, Japan and South Korea – are treated as ‘guests’. This was the reason why China attempted to transform the APT Summit into the East Asia Summit where both ASEAN countries and Northeast Asian countries would participate on an equal footing. Beijing proposed to change the APT Summit to the East Asia Summit (EAS), and expressed its desire to host the first EAS.
What is interesting is the place where such a proposal was made, at the China–ASEAN Foreign Ministers’ Meeting held in June 2004 in Qingdao. The Statement of the China–ASEAN meeting in Qingdao emphasized the importance of the APT framework, stating that ‘the Ministers exchanged views on Asian regional co-operation, East Asia co-operation in particular. Both sides agreed that an East Asian community is a long-term objective for East Asian co-operation to be developed through the existing ASEAN Plus Three mechanism’.5

At the APT Foreign Ministers’ Meeting in July 2004 at Jakarta, China officially proposed the upgrade of the APT Summit to the East Asia Summit, without changing the participants. Meanwhile, Japan considered that EAS membership should not be limited to APT countries. MOFA prepared a discussion paper on East Asian cooperation, which pointed out institutional problems with regard to objectives, agendas and membership of the EAS. The section on the ‘Difference between APT Summit and an East Asia Summit’ of the MOFA paper argues:

> Will membership differ between the APT Summit and an East Asia Summit? If the membership is different, who will be new members? Will such new membership prejudice the scope of an East Asian Community? If the membership is the same, is there a merit in holding an East Asia Summit? Can we continue to regard APT as the basis of evolution toward an East Asia Summit? (MOFA, 2004: 16–17).

The APT meeting in Jakarta did not reach a consensus about the modality of the EAS.6 At the ASEAN Summit in November 2004 at Vientiane, it was agreed that the first EAS would be held in Kuala Lumpur in late 2005, and the decision was subsequently supported by the APT Summit. In Vientiane, while China supported Malaysia’s hosting of the first Summit, it expressed its desire to host the second Summit.7 A few months later, the Japanese government hosted the APT Foreign Ministers’ Meeting in May 2005 in Kyoto and tried to confirm the participation of Australia, New Zealand and India in the first EAS.8 However, Malaysia – the chosen hosts of the first East Asian Summit – were opposed to this and the proposal was not realized at this point.9 In addition, Japan has raised the idea of including the US in the EAS as an observer. The US could only be offered observer status because it had not signed ASEAN’s Treaty of Amity and Co-operation (TAC) – signing the TAC is a precondition for full membership in the EAS, which was set by ASEAN.

The diplomatic competition between Japan and China over the membership problem continued. After the inclusion of non-APT countries in the EAS was decided, China started to assert that the APT Summit, not the EAS, should be the basis of a future East Asian Community.
conversely insisted that the EAS should play an important role with regard to the establishment of an East Asian Community. Japan expected to inhibit the increase in Chinese influence, in association with India and Australia. At the first EAS, Japan successfully inserted the sentence ‘the East Asia Summit could play a significant role in community-building in this region’ in the Summit’s draft statement, although it did not mention an East Asian Community at all. Furthermore, the Statement of the East Asian Summit includes the phrase ‘participation will be based on the criteria for participation established by ASEAN’, this referring to the signing of the TAC. This means that neither Japan nor China could realize a favourable membership without the support of ASEAN.

In the 14 December, 2005 editorial of the Asahi Shimbun, the paper criticized the Japanese and Chinese governments over their regional policies, arguing that ‘the two parties spent all their energy to reduce the other’s influence, and did not discuss which framework, the APT process among 13 countries or the EAS among 16 countries, is more effective’, and that ‘there is no need to choose either of them, and it can be either 13 or 16, based on the theme of cooperation’. In a similar vein, Cossa et al. (2005) contended that East Asian regionalism should have functionality, not political fixity, and that an ideal East Asian grouping is a kind of ‘coalitions of the willing’ led by issues (p. 22). However, in reality they argued, the function and issues of a framework are discussed among prospective members of a framework; membership comes first.

The US has been cautious regarding the EAS. On 30 November, 2004, immediately after the decision to hold the first summit in Kuala Lumpur was made, Michael Reiss, the Director of Policy Planning in the State Department, stated in Tokyo that ‘The US, as a power in the Western Pacific, has an interest in East Asia. We would be unhappy about any plans to exclude the US from the framework of dialogue and cooperation in this region’ (Johnson, 2005). Many US commentators also criticized the government’s indifference to Asian affairs. For example, Richard Armitage, who was the Deputy Secretary of State until February 2005, insisted, after leaving office, that the exclusion of the US from an East Asian Community is wrong.

Nevertheless, the US government has not requested membership of the EAS. As mentioned above, this is partly because the US is not satisfied with the observer status and partly because it is not prepared to sign TAC. Besides these, there is at least one important reason for its decision not to participate in the first EAS. The US could assume influence on an East Asian Community through its allied countries such as Japan and Australia. In fact, it had a close consultation with Japan about the Statement of the Summit. However, one should note that it is uncertain whether this
method is effective or not. When the US realizes its limitation of influencing East Asian states, it may convert its regionalist policy regarding the EAS.

3. REGIONAL FINANCIAL ARRANGEMENTS

In December 1998, the second APT Summit was held in Hanoi. At this event, China proposed establishing the APT Finance Ministers Deputies Meeting (FMDM), the first convening of which occurred in March 1999, and then the first Finance Ministers Meeting (FMM) in the following month held back-to-back with the ADB Annual Meeting in Manila. The third APT Summit held in November 1999 at Manila marked a watershed in the development of financial regionalism in Asia. It adopted the ‘Joint Statement on East Asia Co-operation’, which emphasized the significance of the enhancement of self-help and support mechanisms in East Asia through the APT framework. In this meeting, China insisted on the significance of strengthening the APT financial process. The Chinese proposal was supported by other participants and it was agreed to regularize the APT’s FMM arrangement (Kikuchi, 2001).

Following the discussion among high senior officials of financial authorities of APT countries, the Chiang Mai Initiative (CMI) was agreed at the second APT FMM held in May 2000 in Chiang Mai, Thailand. As Chapter 1 examines, at the core of the CMI arrangement was a region-wide system of bilateral currency swap arrangements (CSAs) among APT countries. In addition, it comprised a series of new regional economic surveillance and policy dialogue mechanisms. Chapter 1 discussed how Japan took the initial lead in advancing the CMI, its progenitor being the 1998 New Miyazawa Initiative (NMI) that consisted of short-term financing facilities of a combined total potential value of US$15 billion. These aimed to provide liquidity to East Asian countries to avoid balance of payment problems. A further US$15 billion of long-term facilities funds was included in the NMI made available for the reconstruction of crisis-hit economies.

Under the NMI scheme, Japan signed bilateral CSAs with South Korea and Malaysia in January and July 1999 respectively (initially South Korea US$5 billion and Malaysia US$2.5 billion valued agreements) then attempted to spread a network of CSAs through the framework of CMI. By May 2002, Japan had concluded agreements with five countries (South Korea, Malaysia, Thailand, the Philippines and China), while China concluded with two countries (Thailand and Japan). Consequently, the APT’s FMM was dominated by Japan up to this point, although the process had
itself been initially proposed by China. Furthermore, as ex-Ministry of Finance (MOF) official Sakakibara commented in relation to these developments at the time:

I think that the era of APEC was already over. This is because APEC includes the US. However, APT does not include the US. Regional co-operation including the US is rarely meaningful, because the inclusion of the US is nearly a synonym of global co-operation. The role of such a framework is merely to supplement the ongoing international system owned by the US (Sakakibara, 2001: 16).

By September 2005, the CMI system operated on a US$54.5 billion total, and by May 2007 this had risen to US$82.5 billion based on 16 bilateral agreements (Figure 4.1). As originally a series of bilateral currency swap agreements among regional financial authorities, there was no ‘one decision’ on managing the CMI (Ravenhill, 2002). Third party APT members (that is outside one of the CMI’s bilateral agreements) had no voice on whether it should be activated or not. This may change with future plans to multilateralize the CMI system, the intention to do so made at the May 2007 FMM (Dent, 2008). Another important original feature of the CMI was that the US had an effective de facto veto over activation of CMI agreements. Originally, only 10 per cent of total facilities of CMI (later raised to 20 per cent at the Eighth APT FMM held in May 2005 at Istanbul) could be disbursed without the approval of the International Monetary Fund (IMF). The US, which has the largest voting power in the IMF, has significant influence on the decisions of the IMF. Thus, it could block the activation of the CMI by, say, opposing or delaying the conclusion of IMF programmes. Some APT countries were opposed to such features of the CMI, especially Malaysia. Although they eventually acquiesced in the IMF linkage in order to avoid the US opposition to the CMI project, this aspect is likely to be reviewed in the planned multilateralization of the scheme, with the possibility of the ratio being significantly raised. How the US will respond to any future complete de-linkage of CMI from the IMF may be crucial to the development of this aspect of East Asian financial regionalism (Henning, 2002).

It is certain that Japan’s Ministry of Finance has been in favour of the de-linkage of CMI from IMF. Itō Takatoshi, the former Deputy Vice Finance Minister, argued in 2003 that the ‘adjustment’ [chōsei] of the percentage of IMF linkage is an important question, once the economic surveillance is established (Itō, 2003). He carefully avoided using the word ‘increase’, but ‘adjustment’ is nearly a synonym of ‘increase’ in the context (p. 27). Japan’s MOF has also made a significant effort to establish the APT surveillance system, which is essential to avoid the CMI facilities becoming ‘easy money’ (Zaimushō, 2005). For example, at the APT’s FMM held in 2001, it was


Figure 4.1 Bilateral currency swap agreements under the Chiang Mai Initiative (by May 2007)
agreed to organize a study group to produce a blueprint for an effective economic surveillance mechanism for the operation of CMI. Japan, together with Malaysia, became a chair of the group (Park and Wang, 2005).

A further important factor that contributed to the avoidance of potential frictions between Japan and the US (and some Asian countries) is Japan’s maintenance of a low profile after the failure of its AMF proposal of 1997. In 1998, MOF established an Asian Monetary Office (Ajia Tsūka Shitsu) that covered the financial crisis-related issues. However, its official English name was International Financial Markets Office, which emphasized the international rather than the regional (Suehiro, 2001). Japan’s strong commitment to financial regionalism was thus hidden in a wider international context. Similarly, although it was possible for Japan to insist on the name which implies Japan’s large contribution, since the lion’s share of the CMI funds were from Japan, the then Finance Minister, Miyazawa Kiichi, decided to give the host country (Thailand) the meeting credit. Accordingly, the project was named the Chiang Mai Initiative (Kuroda, 2004).

China has been supportive of regional dialogue on financial matters, as its proposal of the FMM arrangement suggests. However, it does not seem supportive of independent East Asian financial arrangements. As both Japanese and South Korean officials admitted, it is certain that China insisted on a 100 per cent linkage of the CMI facilities with the IMF (Amyx, 2004b). This means that China in effect opposed East Asian financial arrangements that were independent from the IMF. Amyx emphasizes economic rationality and insists that China was afraid of risking its capital under the CMI scheme, because the CMI lacked effective economic surveillance that would lead to a moral hazard risk for its borrowers. While such an economic argument is plausible, one should not overlook the political aspects. The fact that it is also China that is reluctant to establish economic surveillance systems (Park and Wang, 2005; Amyx, 2004a) implies that non-economic factors came into play. From the Chinese perspective, East Asian financial arrangements without the US mean the domination of Japan. The ‘indirect’ inclusion of the US in East Asian financial arrangements was best for China, because it can avoid both the US-dominated and Japan-dominated frameworks.

4. REGIONAL TRADE ARRANGEMENTS

Japan was at the forefront of East Asia’s new free trade agreement (FTA) trend that took off in the late 1990s. Prior to this, it had been one of the most ardent supporters of trade multilateralism led first through the
General Agreement on Tariffs and Trade (GATT) and then the World Trade Organization (WTO). Japan export-oriented economic development had prospered in an era of progressive international trade liberalization from the 1950s onwards, and was by the mid-1990s the world’s only major economy that had not signed an FTA. Indeed, Tokyo was openly disapproving of FTAs at this time. The 1995 edition of the Ministry of International Trade and Industry’s (MITI) annually published *White Paper on International Trade* critically analysed the North American Free Trade Agreement (NAFTA) – that had come into effect the year before – on the grounds that it would be inconsistent with GATT stipulations on rules of origin.

However, a combination of factors changed Japan’s views on FTAs, primarily the impact of the 1997/98 financial crisis, the fact that other trading competitors such as the EU and US had already signed FTAs, and also the breakdown of talks at the 1999 WTO Ministerial Meeting at Seattle (Dent, 2006). Japan’s switch from a pure multilateralist to a multi-track approach to trade liberalization – thus leading to an FTA policy – first emerged in the second half of 1998, this being a relatively sudden shift. In MITI’s 1998 *White Paper on International Trade*, priority was placed on the ‘steady implementation of WTO rules, and constant surveillance of and counter-measures for protectionist behaviours of foreign countries’ (MITI, 1998: 322). Moreover, comments on the global FTA trend were referred to only in negative terms, noting for example how FTAs carried certain ‘dangers’ like ‘discriminatory treatment through sophisticated techniques such as substantial tightening of rules of origin’, and the ‘substantial increase of trade barriers when expanding the area coverage of an RTA [regional trade agreement]’ (MITI, 1998: 142). Later on that year, though, discussions within MITI’s International Trade Policy Bureau on regional economic integration resulted in a proposal to explore new FTA policy options. South Korea, Mexico, Singapore and Chile were chosen as Japan’s first FTA partners, and moves towards initiating these bilateral projects were made from late 1998 through to late 1999.

MITI’s 1999 *White Paper on International Trade* published in May that year marked an important turning point in Japan’s trade policy by acknowledging that FTAs could also have positive effects upon the multilateral trading system, for example the provision of new models of rule-making in multilateral forums (MITI, 1999). There remained, however, elements within the Japanese Government that argued for maintaining a multilateral purist approach to trade liberalization and trade agreement diplomacy generally, and hence resisted the development of an FTA policy. Yet these were gradually overcome. Singapore was chosen as Japan’s first FTA partner not because it was a close regional partner as such but mainly
because its agricultural trade sector was virtually non-existent. Mexico became Japan’s second FTA partner, because Japanese exporters faced disadvantages in the Mexican market vis-à-vis American and European exporters: the US and EU had established FTAs with Mexico. In short, Japan’s trade ‘regionalist’ policy had not been proactive until 2002.

Meanwhile, China was actively pursuing an FTA policy, especially after securing WTO membership in December 2001. In anticipation of WTO accession, China and ASEAN agreed in November 2000 to conduct a joint study of a possible FTA between them. However, ASEAN considered maintaining the balance between China and Japan as important for Southeast Asia’s interests. Thai Vice Prime Minister Supachai Panitchpakdi stated after the ASEAN Economic Ministers’ Meeting later that month that the formation of similar study groups on FTAs with Japan and South Korea was necessary. Singapore’s Prime Minister Goh Chok Tong also expressed the view that forging a trade framework involving not only China but also Japan was preferable, in the meeting with Chinese Premier Zhu Rongji. At the 2000 APT Summit, convened just a couple of days after the ASEAN–China meeting, Thai Prime Minister Chuan Leekpai proposed the idea of establishing an East Asian FTA. Goh, as the chair of the meeting, successfully guided the discussion, and an East Asian FTA became the study item of the East Asian Study Group. A *Nikkei Shimbun* editorial published on 24 November 2000 was of the view that ASEAN had attempted to maintain the same distance from China and Japan by making a counter-proposal vis-à-vis the ASEAN–China FTA. While China initially planned to forge an economic cooperative framework exclusively for ASEAN and itself, it finally accepted the necessity of coordination with Japan. In Japan, however, the dominant perception of the Chinese proposal about the ASEAN–China FTA (ACFTA) was that it was simply an unrealistic idea, and many regarded it just as lip-service, and did not pay sufficient attention thereto, as Taniguchi Makoto (the former MOFA official) admits (Taniguchi, 2004).

In the China–ASEAN Summit of November 2001, leaders of China and ASEAN agreed to establish the ASEAN–China FTA by 2010, and this was embedded within a wider ‘framework agreement’. Thereafter, Japanese policy-makers fully realized just how proactive China’s trade regionalist policy was, and the perception that Japan was excluded spread. For example, articles with sensationalist titles such as ‘China forestalled, and successfully fenced around Asia’ and ‘Regional economic diplomacy: Concerns of leaving Japan out?’ were seen in a number of major Japanese newspapers. The Japanese government’s reaction was prompt. Prime Minister Koizumi Junichirō visited Southeast Asia in January 2002 and proposed the Japan–ASEAN Comprehensive Economic Partnership (JACEP). Negotiations on
bilateral FTAs with Thailand, and FTA proposals with the Philippines and Malaysia occurred in mid-2002 (the Japan–Singapore FTA, which was signed in 1999 by Singapore, was concluded during his state tour). The press statement of the Japan–ASEAN Summit in November 2002 stated that, ‘Leaders declared that measures to realize the partnership, including elements of a free-trade area, should be fully implemented as soon as possible within 10 years’. In August 2007, Japan and ASEAN concluded their negotiations on the ‘trade in goods’ element of JACEP, while the ‘trade in services’ element had yet to be concluded.

Given the number of interested parties involved in policy matters concerning trade regionalism, the introduction of ministerial-level perspectives is helpful. Compared to the case of financial regionalism (where MOF and to a lesser degree the Bank of Japan are the main players) and the case of a regional summit (where MOFA is the only main player), more agents are involved in the case of trade, and this is especially true for Japan: at least three ministries, namely MOFA, Ministry of Economy, Trade and Industry (METI) and Ministry of Agriculture, Forestry and Fisheries (MAFF) are involved. We can assume that the views on trade regionalism are significantly diverse. The assessment on JACEP made by each ministry may not be the same.

MAFF maintained a cautious attitude towards Japan’s FTAs, otherwise known as ‘Economic Partnership Agreements’ (EPAs). Due to some sensitive products in Japan’s agricultural sectors, together with sensitive products in ASEAN’s industrial sectors, the negotiations between the two parties were prolonged: they were supposed to be concluded by May 2006. Japan’s position regarding sensitive agricultural imports has been firm, and rice was consequently excluded from the JACEP agreement. In short, MAFF was compliant because it deemed special treatment afforded to agricultural products in JACEP as acceptable.

METI has long been interested in promoting trade or economic regionalism between Japan and ASEAN. This is partly because it would help Japan spread its commercial practices and standards throughout East Asia. It should be noted that JACEP covers not only trade liberalization but also additional economic cooperation and commercial regulation matters, including the harmonization of standards. This is undoubtedly beneficial for Japan, as it helps diffuse Japanese commercial practices further into Southeast Asia. Hatch (2004) asserts that the agenda for Japan, especially for METI, with regard to JACEP is not trade but various economic harmonizations. The reason why Japan always insists on such ‘FTA plus’ arrangements is simply because agreements additional to trade liberalization are of benefit to Japan, which may compensate for the costs of trade liberalization.
While the economic aspects of the Japan–ASEAN EPA were important for MOFA, it can be said that its fundamental concern was geopolitical, namely competition with China. The Ministry’s main concern was that future formation of ACFTA would result in greater Chinese influence in Southeast Asia. In order to neutralize the Chinese influence and to maintain its own influence in the region, Japan needed to have an FTA or EPA with ASEAN countries. In short, JACEP brings Japan relatively low economic costs due to its exclusion of agricultural sectors, and potentially significant economic gains and political gains.

Finally, it is interesting to note that modes of competition between Japan and China differ in relation to summitry/financial regionalism and trade regionalism. In the case of summitry and finance, the two countries are competing within the aforementioned frameworks of the EAS and APT. In contrast in the case of trade, the rivalry between the two takes the form of competition between the frameworks proposed by them, that is ACFTA and JACEP. Why do these differences exist? The reason is simple: neither Japan nor China is interested in the trade regionalism of APT members. This is in sharp contrast with summitry regionalism where China was active in realizing the East Asian Summit, or financial regionalism where Japan was a promoter of financial cooperation among APT members.

The next question is why neither Japan nor China prefers trade regionalism that includes the other. The absence of an APT (that is East Asia) FTA is nearly equal to the absence of an FTA between Japan and China. One may argue that the political frictions between China and Japan that resulted from the Yasukuni Shrine problem are one of the essential reasons. The weakness of such an explanation is that the existence of political frictions is a given condition that affects not only trade regionalism but also summitry/financial regionalism. It may still be possible to assert that the frictions became strong enough only after the cooperative framework of regional summit and finance among APT members was fixed in the late 1990s, but before trade regionalism became active. However, one should note that ACFTA was proposed before Koizumi came to power and the political frictions were not serious at that time. In short, competition between the frameworks became certain before the political frictions became significant. Thus, although political frictions between the two could be one of the reasons why the idea of establishing the APT (East Asia) FTA lost momentum, it does not explain why both countries had a strong desire to create a framework excluding the other only in the case of trade.

The essential reason why both Japan and China are reluctant to form an FTA including the other seems to be based on the economic costs entailed. An FTA between Japan and China would bring significant economic
burdens for both. Because of similarity in crops produced between the two countries, China’s agricultural products have the potential to completely ruin Japanese farmers, unlike in Southeast Asia, where tropical fruits are the main exports. In 2001, the Japanese government exercised safeguards against shiitake mushrooms, tatami mats and leeks from China. The main exporters of these products were Chinese farmers technologically assisted by Japanese trade companies and agro-business firms. This means that China’s agricultural products are competitive enough in Japanese markets, as long as their quality is improved by Japanese companies. In a similar vein, an FTA between Japan and China, which is supposed to be based on GATT Article XXIV, would render China unable to establish its own industries, such as the automobile industry. If Japanese automobiles were to be exported to China without tariff, it is very unlikely that Chinese automobiles could compete with them. Accordingly, both JACEP and ACFTA exist while realizing that an East Asian FTA faces difficulties. In short, none behave as the driving force of East Asian trade regionalism, unlike the case of regional summitry or financial regionalism.

5. CONCLUSION

Table 4.1 summarizes the membership preferences of Japan and China. As long as regional summits are concerned, China is the proponent of an East Asia-only group, and Japan welcomes the US engagement and the inclusion of other Asian and Pacific countries in order to block the Chinese attempt. Both countries’ membership preference regarding financial regionalism is a reverse to the case of regional summits; Japan prefers an East Asia-only financial group while China welcomes the engagement of the US. In the case of trade, both Japan and China maintain a negative attitude towards the formation of a pan-East Asian group that includes the other.

The above mentioned behaviours outlined in Table 4.1 suggest four interesting theoretical implications regarding regionalism. First, the preferred membership by a certain country depends on the issue. The preferred membership of a regional framework on a certain issue also varies from country to country. As a result, for example, members included in East Asian regionalism are not always the same. The geographical scope and participants of a regional framework are not given. Thus, when a certain country is not included in a regional framework, this does not mean that the country is not a regional country, it is rather relevant to consider that the decision not to include the country was made.

Second, a country that proposes a regional framework with a limited membership, attempting to hold the leading position in it, tries to avoid
the inclusion of a more powerful country in the framework that could deprive it of the leading position. In the context of this study, China, in the case of regional summitry framework, and Japan, in the case of regional financial framework, fall into this type of behaviour. This implies that holding the leading position in summitry or financial regionalism is beneficial.

Third, when a certain country (Country A) faces a proposal on establishing a regional framework that is likely to enable an unfavourable country (Country B) to hold the leading position, Country A has an incentive to include a favourable and more powerful country (Country C) that could deprive Country B of the leading position. In the context of this study, Japan, in the case of regional summitry framework, and China, in the case of regional financial framework, fall into this type of behaviour.

Finally, a regionalist project that has no strong advocate faces difficulties to be realized. In the context of this study, pan-East Asian trade regionalism, where neither Japan nor China holds strong interest, is an example of this. This implies either that holding the leading position in trade regionalism does not bring large benefits or that it entails large costs, compared with the case of summitry or finance where Japan or China attempts to hold the leading position. The cost–benefit structure varies from trade regionalism to finance and summitry regionalism, and this is one of the reasons why the modalities of regionalism are different across issues.

It is relevant to consider that the four points above are ‘rough sketches’ of state behaviour in terms of membership, based on empirical observations in this chapter, rather than established theories regarding regionalism. The attempts to theorize regionalism in this chapter are still very preliminary. Assessing the explanatory power of these conjectures, based on

Table 4.1 Membership preferences of Japan and China

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<td>Summit</td>
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more rigid empirical evidence, is an important future research agenda for understanding East Asian regionalism and regionalism in general more profoundly.

NOTES

1. Young (1991) differentiates three types of leadership behavior: entrepreneurial leadership, intellectual leadership and structural leadership. The concept of structural leadership, which is useful in translating the position of material resources into bargaining leverage, links the concept of leading position and leadership behavior.


8. At the ASEAN Foreign Ministers’ Meeting (AMM) in Manila in April 2005, India’s participation was agreed. But that of Australia and New Zealand was not (Asahi Shim bun, 12 April 2005).


10. Asahi Shim bun, 8 December 2005.


13. Christopher Hill, US Assistant Secretary of State, expressed the strong interests of the United States to participate in the East Asia Summit in a March 2006 press conference, insisting ‘we want to be a part of the emerging and evolving architecture of East Asia’. See: http://manila.usembassy.gov/wwwhr_738.html (1 September 2006).


16. This study group was proposed by South Korea to examine the possibility of holding an East Asian Summit (see Chapter 12).


20. Due to the strong opposition from China after Nakasone’s visit to the Yasukuni Shrine on 15 August 1985, the Chief Cabinet Secretary of the Nakasone administration, Gotōda Masaharu, released the document on 14 August, 1986 in which he stated that the Prime Minister decided not to visit the Shrine on 15 August. Immediately after assuming office in 2001, Koizumi insisted that he would visit the Shrine on 15 August regardless of the opposition from other countries. Koizumi visited the Yasukuni Shrine every year, as he declared he would immediately after assuming office.


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