Political Economy of FTAs in East Asia

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Introduction

With the longstanding bilateral economic interdependence and regional production network, East Asia economic regionalism has witnessed a remarkable development in particular since the economic crisis in 1997-98. Through the crisis, Southeast Asian countries saw the need for greater cooperation with Northeast Asian countries especially Japan and China. In the wake of increased trade interdependence in East Asia, enhanced cooperation was crucial not only for tackling the crisis itself but more importantly for the recovery from the crisis which required steady economic growth through increasing exports and inflows of foreign investments. While the main scope of discussion for regionalism in East Asia has been a financial cooperation, in the trade sector there are unprecedented ongoing FTA negotiations between ASEAN and China, Japan, and South Korea in a form of regional and bilateral agreements.

Those agreements emphasized the comfort level of the parties involved rather than rule governed criteria or products that might prove contentious, for instance, a flexible timeframe for less developed ASEAN members and the early harvest programme in the case of ASEAN-China FTA. Negotiations gave a priority to an agreement at comfortable level rather than disagreement but the exceptional case of ASEAN-South Korea FTA which once faced the stalemate between Thailand and South Korea. Despite the advocating idea of East Asian Community, the FTAs in the region largely remain in a form of ASEAN+1s rather than forming a regional FTA in East Asia. The idea of sub-regional FTAs between the Northeast Asian countries remains infant stage. In such circumstance, the options for regional FTA of East Asia diversifies from ASEAN+3 to ASEAN+6 or APEC-based larger regional FTA.

The complexity of bilateral web of trade deals and contending ideas of FTAs were not products of purely economic calculations but the result of political and strategic concerns among the related parties, in particular, rivalry relations between China, Japan and South Korea. There is however somehow a common feature among them, that is, the engagement with ASEAN. Despite the region’s oldest and sole regional arrangement, ASEAN’s economic integration is yet overruled by its tiny size of economy and shallow economic integration. ASEAN, however, remains a main axis for further regional integration, here specifically East Asian FTA.

This article tries to answer several questions as follows. First, why is there little progress in East Asian regional FTA despite high economic interdependence? Second, how does ASEAN remain a central position in East Asian regionalism? And what is the role of ASEAN? Third, what is the relation between regionalism and bilateralism in the context of East Asia? To answer those questions, the article elucidates key strategic and political factors to understand the dynamic feature of FTAs in East Asia. It argues that political concerns which adopt FTA as strategic policy renders the contending bilateral process and increasing asymmetry should be minimized for the successful completion of FTAs. Lastly, the possibility of the formation of East Asian FTA will be discussed.
Political factors as Supply for Regional Economic Integration

Political factors often become catalysts or hurdles for enhanced economic cooperation and integration. Its significance is best described as ‘supply’ of regional economic integration while economic interdependence and desire of business sector for liberalization in the related parties is called ‘demand’ (Mattli, 1999). The willingness of political elites is a crucial factor for initiating economic deals. Given the nature of FTA, there must be loser and winner as a result of the economic deal, which needs a series of political negotiations. Thus, coordinating between them at a domestic level requires a certain level of political task. The economic preferential deal to be implemented needs consent through political institutions. In this circumstance, yet the political willingness is perceived as a positive and in passive sense as a supplementary factor.

In the case of East Asia, the political factors are featured in a complex form and somehow in a negative sense. In general, the negotiation between the more powerful country and small individual country, would lead to the result in favour of the former due to imbalanced negotiation power. The imbalanced negotiation power problem is the fundamental reason for the grouping among the small states. Thus, allowing the bilateral negotiation with the framework would pave the way for imbalanced negotiation unless the power strictly keeps its courtesy. ASEAN have claimed to be a “central force” not a “driver” in an expanded regionalism in East Asia in an ongoing process of regional FTAs between ASEAN and China, Japan, and South Korea. It was understandable that ASEAN has worried about the possible overrule by Northeast Asian countries that have greater political powers and economic capability. In particular, discussions about the community of East Asia could be seen by Southeast Asian countries as a factor diminishing the cohesiveness of ASEAN if there is no concrete unity and mechanism within ASEAN.

There are several elements which may cause negative East Asian political factors. First, there is increasing asymmetry between Southeast Asia and Northeast Asian region. While the former has only regional institution, ASEAN, the latter possesses actual economic and political powers. Second, and more importantly, there have been long standing historical antagonism and rivalry relations among the latter. Therefore, a somewhat dilemma occurs where ASEAN remains a driving force but lack of actual capacity.

To meet such specific conditions for East Asian level FTA, two conditions should be met. First, the extant regional grouping members, here, ASEAN member states should remain united with minimum asymmetry. Second, non-members of pre-existing group, Plus Three states, should not have low degree of political disputes, antagonism or limited contend. The possible results from each combination of the two factors are illustrated in Figure 1.

The perfect political condition for the formation of East Asian-wide FTA could be provided when there is no or negligible contending relations among China, Japan, and Korea while ASEAN members remain united in a symmetry position. If there is a large asymmetry among ASEAN.
members, each member may behave in pursuing its own national interests rather than that one of the group. In this case, ASEAN+1 form of regionalism may be possible but in favor of non ASEAN members since they could not utilize collective bargaining power during the negotiation. The third case could happen when non-ASEAN members are contending each other while ASEAN remains in symmetry. Under this situation, ASEAN can negotiate the deal with contending partners as a collective unit. Thus, there is ASEAN+1 FTAs in favor of ASEAN but no regional East Asia FTA. Lastly, the case of none of condition is satisfied. Due to the divergence of ASEAN member states, ASEAN could not get any collective deal with external parties. As a result, bilateral FTAs between two individual states could be an only option.

The forms of FTAs in East Asia are not static but dynamic given the nature of political relations. The form once formed still can be changed to other forms. In particular the matter of symmetry should be concerns as it is central force and only institution. The change of symmetry can be brought by two factors that are motives and mechanisms.

As an ideal factor, respecting the norms of ASEAN is crucial insofar ASEAN remains driving force. Despite its little actual effects, ASEAN’s movements toward economic integration are still based on so called ASEAN Way. The unique way of doing business of ASEAN is collective willingness for moving together at comfortable pace for all through consultation and consensus. Observing ASEAN Way is crucial for maintaining and enhancing symmetric nature of ASEAN. If the political willingness is motivated for the fulfillment of political and strategic goals, it connotes the limitation in accommodating the ASEAN Way. Indeed, in East Asia, there is a unique claim for regionalism toward “Community.” The concept of community is based on the certain level of communality including shared beliefs, history, identity, and geographical proximity while now it often related the process of economic integration. As the concept and goal of Community requires long-term process based on mutual interests beyond FTAs, here political motives gain prominent

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1 The terms “Community” with a big “C” and “community” with a small “c” are not only typologically different but also can be distinguished in the conceptual context. The “Community” may be understood in a sense of formal led by governments while the latter informal and non-governmental (Lee, 2008, pp. 15-19). There might be a similar conceptual set. These are “Regionalization” and “Regionalism”, which might be equivalent to “community” and “Community” respectively.
position and role. The pursuit of FTAs itself is not a bar for Community but again the motive and mechanism matter.

Bilateral mechanism is one of main features in FTAs in East Asia. It can be perceived with a similar relation between regionalism and multilateralism. Bilateralism could be a stepping stone for regionalism in a positive sense if it adopts a long-term approach rather than a short-term profit-oriented approach. It can be also a tumbling factor for regionalism if it is employed in narrow economic sense or political strategic means. Thus, possible conditions for successful regionalism must be positive political willingness in esteem for existing rules in regional institution of ASEAN. FTA policies opted as strategic options and explored by bilateral mechanism may result in shallow integration or low quality of FTA and limit further regional economic integration.

The combination of the fulfillment of motive and mechanism may cause change of the form. With a positive set of factors, case (1) would develop the form of Community. If motive and mechanism are adopted in a negative sense, case (1) would be overshadowed by case (3); case (2) may become a fugitive in case (4)-like situation; (3) may have the possibility to be case (2).

ASEAN and China

It has been in general agreed that China’s engagement with ASEAN has been recognized as a case underpinning “China’s peaceful ascendancy” with the absence of fierce conflicts yet in the region (Johnston, 2003; Shambaugh, 2004; Stubbs, 2008). Explaining China’s engagement with ASEAN based on strategic assumption that China is seeking a regional and global hegemonic power in security and economy, however, often failed to catch the dynamic features of interactions among the parties. Engaging ASEAN was an initial and crucial step for China in entering the world.

In strategic concerns, China has been sensitive to the penetration of external powers into the region by gaining military based in the region. Also, China has tried to prevent any sub-regional hegemony in Southeast Asia (Haacke, 2005, p. 116). While the economic crisis was an important motive in creating an East Asian group, the 911 in part contributed to the enhanced ties between Southeast Asia and China. Against the resuming of active role of the US, China responded with the expanded concept of security of New Security Concept which sought a closer cooperation with ASEAN in the security sector.

To some ASEAN members, China’s sizeable economy and military powers continuously constrained the improvement of China’s image. With occasional incidental conflicts with China, some ASEAN countries are still captured by the trauma of the super power’s intervention in the region. China has had to show its sincerity and the absence of intention to be a hegemonic power in the region in the military and economic sense. The rise of China with a rapid economic growth rate and increased FDI at the expense of ASEAN countries in the last decade was initially perceived as threats to ASEAN in terms of economy and security. Subsequently, after 2002, ASEAN reviewed this perception of China when ASEAN recognized its huge domestic market as an export market.
especially for ASEAN services and natural resources. The increased purchasing power in China led by its economic growth is expected to encourage more exports from ASEAN to China.

ASEAN, in which foreign investments play a significant role in economic development, sought a FTA with China as a means to attract FDI not only from the outside but also from China. For China, to sustain economic growth, it must secure a stable supply of raw materials and energy. Indeed, for the ‘peaceful rise’ as a political power, China needs favorable relations and support from its neighboring countries. ASEAN could be a suitable partner to meet such needs given the ASEAN members’ rich resources.

Along with continuing strategic significance of Southeast Asia to China, Southeast Asia’ position marked importantly for economic partnership since China’s economic reforms paired with substantial economic growth over the last decade which inevitably needs sustainable and stable supply of raw materials. The economic relations between China and the ASEAN member states have developed even before having diplomatic relations during the Cold War. For instance, Singapore and Indonesia resumed their commercial and economic relations in 1975 and in 1985 respectively although their official relations were restored in 1991 and in 1990 (Ba, 2003, p. 626; Kuik 2008, p. 167). Since the Deng Xia Ping’s southern tour of 1984 followed by its second tour in 1992, China has changed dramatically to be fully opened for business. The FDI from East Asia with the production network eventually led to the increase of trade with those investing countries. The devaluation of its currency in 1994 greatly contributed to the growth of export easing a trade deficit.²

The increasing trade volume with ASEAN, however, was not attributed to the creation of FTA in 2002. While the total volume of China’s trade remarkable increased, the weight of ASEAN in China’s total trade did not increase. Even Korea and Japan without FTA and with often political tension have recorded more tangible incensement. On the ASEAN-China FTA, there were concerns on the emerging competitive regionalism in the world, material resources for the continuing economic development of China, and balancing U.S. and Japan’ role in the region (Wang, 2005). China’s proposal of FTA with ASEAN was surprising to ASEAN and the other countries in East Asia, in particular, Japan and South Korea.³ However, not surprisingly, the offer did not attract the immediate concession from ASEAN members who showed mixed views and great reservation on the possible influence of China (Ba, 2003, p. 643). As the first FTA between ASEAN and non-ASEAN states, in order to mitigate the ASEAN’s wary, more conductive discussion and the level of China’s consent on agricultural sectors and different time table for new ASEAN members have been provided by China. There were also growing consensual perceptions among ASEAN members on the necessity of cooperation with China rather than remaining a matter of choice.⁴

³ Despite the high trade volume between China, Japan and South Korea, there has no meaningful progress toward trilateral FTAs among them. Instead China has signed a sort of FTA with Hong Kong and Macao towards so called “Greater China FTA.” (Yu, 2007, p. 111).
⁴ Ibid.
The economic structure of China and ASEAN (in particular in ASEAN-5) became rather similar with increasing portion of manufacturing sectors in trade and investment such as electric and electronics sectors. Thus their economic relations basically is competitive rather than complementary (Wong & Chan, 2003). The pace of growing economy of China obviously is faster than ASEAN. In order to offset the possible negative effects from the FTA, the early harvest program was launched as a segment of the framework agreement in 2002. It was an attractive offer to ASEAN to begin the FTA negotiation with China as it provides the elimination of tariff on 600 agricultural products from ASEAN. It, however, did not include sensitive item such as rice and palm oil which are major export items of ASEAN members like Thailand and Vietnam for the former, and Malaysia and Indonesia for the latter.

Despite the collective negotiation in ASEAN-China FTA, the nature of bilateralism still remains strongly. Bilateralism has been a major axis of Chinese foreign policy. Through the amendment of the agreement, one or more individual ASEAN member states may also conduct negotiations and enter into a bilateral or plural acceleration arrangement with China to accelerate their tariff reduction and/or elimination under this Article. The amendment implies that China’s traditional bilateralism has not vanished in the process of regionalism. Allowing the individual states’ actions connotes the possible diminishment of the ASEAN’s unity. Under the new framework, for technical reasons, one or more ASEAN members which perceive the collective movement and negotiation are less efficient or disadvantageous for its own national interests, may look for separate negotiations. It would mean the collectiveness of ASEAN would be transferred to the simple web of bilateralism.

The tug of war on the formation of East Asia Summit (EAS) during 2004 and 2005 has shown China’s new strategic concerns. The original idea of EAS and the role of China were distinguished from the previous regional affairs for several reasons. Along side with Malaysia, China was the initiator for the early transformation of ASEAN Plus Three (APT) to EAS. The original idea of EAS aimed to create an exclusive community, in particular, concerning the membership of the US while it was based on the concept of open regionalism. Ironically China’s intention of excluding the US became clear after the original idea was not realized which resulted in an unexpected form of EAS. The co-existence of APT and EAS refers to the preference of China to the former and its reservation on the latter. For instance, the Chinese Foreign Minister proposed on the eve of the summit that the existing APT and not the new 16-member East Asia Summit should control the formation of any Asian community-building exercise. Indeed, China wanted to have an open

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5 The bilateral ties between China and individual ASEAN member states have witnessed the remarkable improvements since 1991. In particular, since the 1997, and during 1999-2000, all members of ASEAN have reached to sign agreement on bilateral cooperation with China (Haacke, 2005, p. 124).

6 “The article 6(3)(b)(i) of the Framework Agreement shall be substituted by a new Article 6(3)(b)(i) as set out below: One or more ASEAN Member States may also conduct negotiations and enter into a bilateral or plurilateral acceleration arrangement with China to accelerate their tariff reduction and/or elimination under this Article.” See (The Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People’s Republic of China, 2003)

7 The Jakarta Post, 22 December 2005.
membership of EAS to include the US so that it would be too big to get a sense of regional community.

Realists argue that such movement has shown China’s intention to be a hegemonic country within the limited community where the US is excluded. China’s adherence to APT was clearly noted in the Joint Declaration in 2004 as follows: “Make the ASEAN Plus Three mechanism as the main channel to move forward cooperation and regional economic integration in East Asia and Asia as a whole so as to promote sustainable development and common prosperity there.” China’s emphasis on APT-based regionalism is also an expression of its intention of building the identity-based community. China needed a firm regional base while Japan in alliance with the US has been a rival in securing a regional base for further engagement in world affairs. Being a member of a regional institution not through the hegemonic power would improve China’s image and credibility. China’s role to counter the US could be enhanced if China has an Asia-based regional community. These entire things eventually depend on securing the trust of the ASEAN members through enhanced economic ties.

ASEAN and Japan

Like other major powers, for Japan, bilateralism has been a means to develop and maintain its relations with Southeast Asian states. For a decade since the Fukuda Doctrine, economy was yet a locus of Japan’s engagement with ASEAN. With the Plaza Accord in 1985, the boom of Japanese foreign investment strengthened the so called ‘production network’ with high level of intra-industry trade in East Asia. Japan’s decades long engagement with ASEAN mainly through the production network and other financial assistance has contributed to the improvement of its perception.

Japan’s increasing involvement in Southeast Asia other than economic bilateralism was constrained largely by two factors: own historical legacy and high dependency on the US as Japan’s security concerns has lied always in maintaining alliance with U.S. since the WWII. The Cold War-led sub-regionalization in Southeast Asia provided a good environment where the history issue was prevented from being a hindrance for the relations between the two. At the domestic level, Japan was constrained by its Constitution. Multilateralism is a relatively new approach to Japan’s traditional

8 (The Joint Declaration of the Heads of State/Government of the Association of Southeast Asian Nations and the People’s Republic of China on Strategic Partnership for Peace and Prosperity, 2003)
9 Given the nature of Japan’s security dependence on the US, Japan’s relations with Southeast Asia were largely in economic sector. Japan’s economic centric approach has caused once again its bad reputation as ‘economic animal’ (Yeo, 2006), while the memory of WWII did not fade away. Thus, by the 1970s the anti-Japan sentiments were tangible through most of Southeast Asia. The clear example was so called ‘Tanaka Riot’ in 1974. When then Prime Minster of Japan, Tanaka visited Southeast Asia, he faced mass anti-Japan demonstrations in Thailand and Indonesia. The incident called Japan to reflect her past conduct and approach. It resulted in Fukuda Doctrine in 1974. Fukuda doctrine which claimed the heart to heart relations was welcomed by Southeast Asian states. It still remains one of major principles of Japan’s foreign policy toward Asia
10 So called “peace constitution” was the product of international negotiation among the winner of WWII which prohibited the normal practice of military power. Japan’s SDF operation had been limited on within its own territory until recently. Strong alliance with US based on the 1951 U.S.-Japan Mutual Security Treaty has provided the security umbrella which may include nuclear weapons during the Cold War. Such alliance has even greater contribution to the
foreign policy. While there has been gradual enhancement of bilateral relations with the individual countries in the region, Japan’s interest in ASEAN as a collective unit since its establishment remained illegible at least till the early of 1990s (Singh, 2002, p. 281).

Such conditions in part have contributed to Japan’s relative favor of the ASEAN. However, in search of balance of power, economic interests, and sometimes common identity, Japan has sought an active role of leadership, in particular, in dealing with domestic and external changes. Japan’s liberal democracy became a foundation in claiming a leadership role in the region in particular encountering China. Unlike China that has moved from security centric bilateralism to economic multilateralism, Japan has tried to expand its regional engagement from economic centric bilateralism to security multilateralism. A certain point that the two’s approaches can be congruent is probably East Asian regionalism through the engagement with ASEAN. Japan’s long involvement in the economic development of Southeast Asian states has been in an asymmetric form and relied on its economic power in trade, investment and ODAs. Japan has been one of the biggest investors and official development aids (ODAs) providers in Southeast Asia. Japan has built an ‘industrial production network’, which resulted in high trade volumes between Japan and ASEAN member countries.

The economic crisis then became a critical juncture for East Asian regionalism and Japan’s role within. During and the aftermath of the economic crisis in 1997-98, Japan failed to show a leadership role. Japan instead remained with domestic economy issue that could not provide an additional room for export from crisis-hit countries. But the crisis became a turning point of Japan’s active engagement with the region while it kept its close relations with the US (Maswood, 2001, pp. 2-3). “New Miyazawa Initiative” of US$30 billion by Kiichi Miyazawa then became the backbone of Chiang Mai Initiative (CMI).

Japan’s bilateralism-oriented approach has moderately changed since the signing of a framework agreement on comprehensive economic cooperation between ASEAN and China in 2002. For Japan, Southeast Asia has been a strategic area in economic terms and international politics. China’s success over the FTA with ASEAN eventually brought Japan to FTA talks with ASEAN much earlier than the original plan while it continues with existing bilateral FTA talks in the region. Japan’s persistent bilateral approach to economic cooperation mainly in the process of FTAs with ASEAN states is a dominant figure in its Comprehensive Economic Partnership Agreement (CEPA) with ASEAN. Japan has used bilateralism in and after negotiation with ASEAN as a collective unit. Logically, multilateral in which more than two involve may be initiated to solve the problems of the so called “spaghetti bowl”, the complexity of the standard of tariff and non tariff barriers of multiple co-existence of bilateral deals. Japan and ASEAN member states have pursued these two options.
almost simultaneously. Japan has implemented FTAs with Singapore and Malaysia. It has also signed agreements with Indonesia, the Philippines, and Thailand. It has reached an agreement with Brunei and is negotiating with Vietnam and the Philippines.

In the bilateral deal with major economic powers, smaller economies are usually in a weaker position due to its high dependence on the former. The unequal negotiation powers between the parties resulted, not surprisingly, in sidelined trade deals. In this circumstance, the governments of small economy may face strong domestic resistance not only from possible economic loser but also for political reason. None of the Japanese deals with Southeast Asian states, for instance, provided trade liberalization of Japanese rice market. With EPA with Vietnam, one of the major rice exporting economies in the region together with Thailand, Japan excluded the rice and rice-related products, such as rice paper and rice cake, from any tariff commitment. With an advanced deal with that rice-exporting countries through bilateral ways, Japan could avoid or minimize the collective resistance in negotiating with ASEAN as a collective unit, while Japan gained access to industries of its counter parties of Southeast Asia. With Malaysia, Japan, without the inclusion of major corps, has achieved reduction of tariff for automobile industry in which Malaysia has strong sentiments and interests.12 A similar deal has been done with Thailand.

In defining trade goods, there was caution against being a dumping site of industrial waste from Japan. Through the agreement, the party shall consider “scrap and waste derived from manufacturing or processing operations, including mining, agricultures, construction, refining, incineration, and sewage treatment operation, or from consumption, in the party, and fit only for disposal or for the recovery of raw materials”, shall be considered as wholly obtained or produced entirely in a party.13 Thus, a number of NGOs in ASEAN states that had bilateral deals with Japan were wary of the risk of being a dumping site of industrial debris. They argued that Japan who imposes strict environmental regulation domestically may dispose the electronics waste in the form of export of used goods.

Meanwhile, even more serious resistance may come from the agreement of investment which is included in a sort of package deal under comprehensive economic partnership. In the case of the JTEPA, for example, the provision for the treatment of investors in the agreement is considered not consistent with the Philippine constitution. According to the Philippine constitution, foreign investors shall not be allowed to purchase the private land unless it has 60% of local ownership. Indeed, foreign ownership and operation are restricted for the public sectors such as mass media and education. The agreement, however, shall provide equal treatment of Japanese investors regardless of sectors. In a bid for solving disputes, it is guaranteed that investors may sue the government if they are in loss due to the government’s inappropriate policy changes.

12 Malaysia had delayed the implementation of AFTA on automobile industry for protection its national car maker, Proton, till 2005 a time when the reduction of tariff is due under WTO schedule.

The processes of negotiations were usually unrevealed and were often sealed with secretion. It was possible partly because most of the signatory countries lack the democratic policy making process. There hardly seen any policy consultation with various groups but between elites and core business group who have bigger, if not only, lobby power. In fact, the drafts of negotiations in Southeast Asian states with Japan were not revealed at a proper time. In the Philippines, a Civil Society had to submit a petition to the Supreme Court to access the draft of agreement.

Japan’s bilateral-centric approach toward individual states of ASEAN still remains a core strategy. It inevitably ruins the quality of Japan-ASEAN as collective group relations by increasing asymmetries among the ASEAN members. If an individual country is given a direct channel with Japan, the country may not have strong motivations in negotiation as a group. Although individual states aware that bilateral deal would not bring better result, they may still have to look for it to get a sort of direct investment and aids.

On East Asian regional integration or FTA, Japan has proposed the creation of East Asian Community during a commemorative summit with ASEAN leaders in Tokyo in 2003, just three months after ASEAN agreed to the ASEAN Community including a concept of Single Market. Japan has moved toward further expanded free trade area through the EPA with 16 Asian economies including India. In line with pursuing similar expanded economic area, Japan strongly supported the idea of free trade area at the level of Asia pacific through APEC. Prior to the APEC Summit in 2006, the US suggested the members to take serious consideration of the creation of free trade area the so called Free Trade Area of the Asia Pacific (FTAAP). Japan gave an immediate support to the idea(Bergsten, 2007).

Despite Japan’s vigorous proposal, ASEAN’s response was not in favor for the rapid expansion of the grouping. ASEAN’s members were wary about losing its centrality and largely not confident with the pace of rapid development of FTAs with extra ASEAN members except the on-going negotiation of ASEAN plus One scheme. It would mean that ASEAN then still gives priority on ASEAN as a collective unit in dealing with regional grouping at an extended scope.

To counter the increasing political weight of China, Japan proposed a co-chair system with ASEAN chair for EAS of which the idea probably came from experience of co-chairing ASEAN-Japan Summit in Tokyo in 2004. However the proposal was rejected by ASEAN members in 2005, since it was perceived as an attempt to undermine the leading role of ASEAN.15

ASEAN and South Korea

Unlike China and Japan, Korea never championed regional power. It has gained moderate reputation in the region as one senior diplomat officer stated that, “traditionally, South Korea did not

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14 Malaysian minister of International Trade and Industry, Rafidah Aziz who chaired the Ninth ASEAN Economic Ministers Plus Three consultation, said “This (Japan’s proposal) is being looked into within the context of giving priority to ASEAN plus one. ASEAN reiterated that our first priority is ASEAN plus one.” New Straits Times, 25 August 2006.

15 Thailand also suggested three options 1) ASEAN chairman 2) Co-chairman between ASEAN and Three (similar to Japan’s proposal) 3) ASEAN Chairman sectional co-chair like ARF intersectional meetings (Chongkittavorn, 2005).
promise much, but delivered on what they did” (Severino, 2006, p. 307). Politics and security have been largely subordinated to economic reasons in its relations with Southeast Asia. South Korea once played a leadership-like role by providing the vision of East Asian group through the former President Kim Dae Jung’s proposal and formation of ‘East Asia Vision Group’ and ‘East Asia Study Group’ which attracted warm support from related parties. Indeed, South Korea was once expected to play a role in bridging two rival powers, which can be co-opted by ASEAN.

However, through most of the time with its engagement with the region, South Korea has been, in large, more concerned about its own regional position. South Korea which had been passive in FTA till the late 1990s now is pursuing a number of FTAs with major trading partners simultaneously through a so called “multi-track”. Thus, it pursued the FTA with ASEAN not for building an integrated market but enhancing its competitiveness with regional rivals. South Korea’s motive for the FTA with ASEAN was the fear of being lagged behind the FTA race in the region, notably with China and Japan. There was not enough time and capacity for bilateral involvement with individual members of ASEAN. While Japan and China emphasize on bilateralism has played a role in a somehow negative sense, paradoxically, Korea’s lack of bilateralism has also brought negative impacts.

Over the inclusion of rice into the list of tariff reduction, Thailand refused to sign the Framework Agreement on Comprehensive Economic Cooperation with South Korea in Kuala Lumpur in 2005 and the Agreement on Trade in Goods of the Korea-ASEAN Free Trade Agreement in 2006 while the rest of ASEAN members signed it including Vietnam. Given the fact that Thailand signed similar pacts with China and Japan which also excluded rice, it meant that rice was not a real issue of the stalemate between the two parties. With a hindsight, it was rather due to the lack of bilateralism between the two and the relatively less significant political and economic position (Kim, 2008). The incident was also inconsistent with the tradition of ASEAN that has moved at a comfortable pace for all through consultations. In the economic field that is now perhaps considered as a separated segment from politics, the members of ASEAN behaved without much concerns on possible disadvantages for lagging members. As a consequence, without collective bargaining power and strong economic weight, Thailand had to sign the deal without the inclusion of rice in 2008.

The process of solving conflicts with Thailand over ASEAN-Korea FTA might be seen probably as a successful strategic choice for South Korea. In a similar sense, however, Korea is also in a weak position in dealing with major economic partners. For instance, the concluded FTA deal with the US which is the most important, is facing serious hurdle for the implementation within domestic and from the counterparty. The mass protests in 2008 concerning on the safety of imported beef from the US and sovereignty issues of investigation right showed that FTA was an inherently political issue. Indeed, the new leadership of the US is known to request further opening of imported car market. Under such circumstance, the incumbent South Korean government under self-claimed

16 Such motivation has been found expressed continuously in government statements and media coverage regarding the progress of the ASEAN FTA. South Korea which proposed studying the possibility of a FTA with ASEAN in 2003 set a target for a successful conclusion by 2008 earlier than those with China and Japan.
bulldozer or CEO style leadership of the president may decorate further its economic centric approach in dealing with smaller economies.

Conclusion

The emerging East Asian regionalism became a major concern to policy makers and scholars for the last decade. The attempt for regional grouping is not new but rather often a routine phenomenon. Unlike previous failed attempts, the current wave of regionalism has been driven by strong motives with the change of internal and external political economy environment. The stalemate of multilateralism of WTO, the emergence of regional trade blocs, and the aftermath of the economic crisis in 1997-98 were among the driving forces that resumed East Asian regionalism.

Equally, East Asian regionalism has some hindrances. There are mushrooming bilateral and regional FTAs but the complexity of interests over the eventual form of East Asian regionalism rather clearly exists. In contradiction to Northeast Asia, ASEAN as a sole regional entity and with merits of the tradition of consensus and consultation was expected to be a room to foster the idea of Community, requiring a somewhat favorable sense even in economic deals. Therefore, FTAs in East Asia has claimed a partnership based on mutual understanding and benefits.

With the comparison of the FTAs in the region, however, it is learnt that the current status of FTAs in East Asia mostly in the form of (3) and (4) in figure 1 is due to a clear contending approach of non-ASEAN members and increasing asymmetry among ASEAN members.

The extant regionalism itself may be considered as a means for the peaceful ascendancy of China and smooth transition of Japan to a “normal state”. Yet two regional powers did not wipe out the suspicious perception over the nature of intention. The trajectory of the two’s engagement with ASEAN despite a somehow different background has congruent features that are motivated for self-interests, rivalry approach to ASEAN, and reliance on bilateralism when motive and mechanism matter. South Korea has not fully utilized a possible role of mediators which can be shared by ASEAN. Instead, it has adopted a similar way of the two regional powers which is a rivalry race to regionalism without mature bilateralism. Thus it provoked the unprecedented incident of conflicts with Thailand in the process of FTA deal with ASEAN while the former two are able to manage the regionalism and bilateralism without major conflict in the process of FTA-based comprehensive economic deal.

The idea of East Asia regional FTA in the economic sense is well advocated as a means to offset the cost of “spaghetti bowl”. In the political sense, however, the major parties in East Asia not only Japan and China have divergent strategic interests over the membership of the FTA group. It also implies that the claims of East Asian FTA are still clothed in politically motivated “negative sense”. Persistent reliance on bilateralism, the formation of East Asia FTA is unlikely to be seen in the near future unless the political sensitiveness among the Northeast Asian countries is solved.
Indeed, bilateralism is still considered as significant element towards successful regionalism as a means to solve sensitive issues but should be compatible with regionalism based on a long-term approach rather than a short-term profit-oriented approach.

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