

## Japan's Role in Responding to the Crisis in Southeast Asia and the East Asian Regionalism

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### Abstract

*Since the economic crisis erupted in Southeast Asia, there has been a tendency towards the revival of East Asian regionalism. Existing regional cooperation, the IMF and other international institutions were not effective in dealing with the crisis. The US also did not pay much attention. Thus crisis-hit countries sought helps from major powers in the region. On the other hand, Japan saw the chance to play an important role in assisting these countries. Despite some difficulty, Japan proposed some significant initiatives in responding to the crisis such as the Asian Monetary Fund and the New Miyazawa Initiative. In general, ASEAN welcomed Japan's initiatives.*

*This paper analyzes what Japan has done so far to cooperate with the crisis-hit countries cope with the crisis, in spite of its own economic woes. It also analyzes the prospect of East Asian regionalism, what position ASEAN (especially Indonesia) has taken to respond Japan's initiatives, what would be in the future development of regional cooperation there. Indications will be searched for answering these inquiries. Special focus is paid on ASEAN + 3 since it is now the 'only' representative and could go into further East Asian regionalism.*

### . Introduction

During 1997 and 1998, East Asia experienced a severe economic crisis. Many of the Northeast Asian and Southeast Asian economies were plunged into serious difficulties, triggered by currency turmoil. The crisis was the most traumatic experience in the region since de-colonization and the Cold War confrontations of the 1950s and 1960s. This event triggered a fundamental rethink on a range of issues ( Higgott, 2000, 280 ) Existing regional cooperation ( ASEAN and APEC ) were not effective in handling the crisis. Neither were the IMF and other institutions. The US appeared uninterested with the crisis. Some Asians even believe that the crisis was aggravated by the money speculators, which was a part of the US-led globalization. The development of multi-level regionalism was then expected to grow, within which East Asia would be one pillar. Thus, the crisis-hit countries moved closer to each other, and encouraged major powers in the region ( Japan particularly ) to cooperate and establish ASEAN + 3 ( Japan, China and South Korea )

As for Japan, some scholars argue that the crisis has hastened the process of Japan becoming a more active foreign policy player ( Maswood, 2001, 2 ) Japan has a decisively important part to play in

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ASEAN + 3 to help the region. However, it should be understood that Japan also risks its interests, namely its significant relations with the US and the IMF. Japan has however proposed and played roles in initiatives, including the New Miyazawa Initiative ( NMI ) in October 1998 and May 1999, and the Chiang Mai Initiative ( CMI ) in May 2000. For some ASEAN member countries, the ASEAN + 3 framework was expected to provide a kind of new hope to recover from the crisis through cooperation with the Plus 3 countries, especially with Japan.

There has been considerable change regarding the relationships among major actors in the region particularly that of Japan and ASEAN toward the US during and aftermath of the crisis. However, there are some main questions that should be clarified to justify such a statement. First, has Japan's policy toward East Asia during and aftermath of the crisis really changed to be more independent and more regionally oriented? If so, why? Second, what role has Japan played in fostering East Asian regionalism during and after the crisis? Third, what is the possible direction for the future development of ASEAN + 3?

The first and second points are actually related to Japan's efforts in cooperating with the crisis-hit countries, which in turn could encourage a new kind of regionalism in East Asia. This would include initiatives such as the Asian Monetary Fund ( AMF ) and the New Miyazawa Initiative. But whether Japan's efforts really have encouraged East Asian regionalism have to be examined in order to be certain. These two parts will be elaborated in Section III on Japan's Initiatives. With regard to the last question will be presented in Section V on Conclusion, which also covers the other-parts altogether in brief.

### . Analytical Framework

There are several theories and/or concepts that can be applied for analyzing this matter, including foreign policy theory ( Japan's policy to cooperate with the crisis-hit countries ) concepts of national interest *vis a vis* regional interests, regionalism *vis a vis* multilateralism, and regional cooperation.

Japan's foreign policy in general is determined and developed based on its own national interests ( MOFA, Nov 28, 2002 ) The concept of 'national interest' suggested by Abdul Aziz Said *et.al.*, it is a general, long-term, and continuing purpose that the state, nation, and regime would all, ideally, see themselves as serving at any given time. Therefore, national interest is normally slow to change, and the change it does undergo is, unless in special circumstances, evolutionary rather than revolutionary ( 1995, 27-28 ) In a regional grouping, national interests of each country in the region are *vis a vis* with regional interests. So is the Japan's aid policy toward the Southeast Asian crisis.

There are some concerns in Japan's foreign policy, such as: ( 1 ) Bilateral relationship with the US; ( 2 ) The bilateral and multilateral relationships with other powers/countries, namely the EU; ( 3 ) The multilateral relationships with international monetary organizations such as the World Bank, the IMF and the ADB; ( 4 ) The bilateral relationships with relatively powerful neighboring countries, such as

China, Korea and Russia; ( 5 ) The bilateral and multilateral relationships with other powers/countries/organizations in the Asia-Pacific region, such as Canada, ASEAN, and so on. The order is interchangeable based on priority and interests concerned. Until present, the relationship with the US has always been on the top priority for Japan's foreign policy. Therefore, even though Japan considers relationships with other powers, the most important is the relationship with the US. Besides, as for Japan, US presence in the region -directly or not-seems indispensable due to its importance. In this sense, endeavors toward ensuring peace and stability of both Japan and the region are essential for creating a future of greater peace and stability, and it is Japan's alliance with the US that serves as the foundation for this purpose.

However, it is undeniable that Japan has certain interests in supporting the recovery of Southeast Asian economies from the crisis based on some considerations in terms of political-security and economic aspects, particularly protecting Japan's huge FDI and substantial loans within the region. Japan also wants its neighboring region to always be in a stable condition. Japan also has other economic interests, especially import and export. The region is a major source for supplying much-needed natural resources to Japanese. Moreover, there has been an assumption that if Southeast Asian economies collapse, it may impact their neighboring countries in the Asian region including Japan. Thus, it is most likely that Japan would not leave these economies without help. Nevertheless, it is obvious that Japan's strategy has always been to keep the US engaged politically and economically in East Asia through open regionalism, while maintaining economic dominance in the region. Japan is also aware that the crisis did involve a struggle between major powers to shape economic and political order in East Asia, and that in the aftermath of the crisis Japan risked political marginalization as the US, and increasingly China -as a new economic giant--, exerted their presence in the region ( Hughes, 1999, 2-3, Golub, *Le Monde diplomatique*, Oct 2003 )

The terms 'regionalism', 'regionalization' and 'regional cooperation/grouping' have been more or less used interchangeably by scholars and experts. According to Mansfield and Milner, the complex ideas, attitudes, and loyalties contained in concepts of regional identity are usually referred to as 'regionalism' ( 1997, 3 ) Thus, regionalism is considered an ideological concept aimed at creating a sense of regional identity among the people living in a region. In contrast, 'regionalization' is an economic process driven by actors from the private sector, such as multinational corporations. Regionalization is an undirected process that often influences government policies. As a consequence, 'market-led open regionalism' ( Higgott 1998a, 43 ) the prevalent concept or regional identity in the region, took shape. Another consequence of economic regionalization is the formation of regional economic and political institutions aiming at coordinating political and economic activity within the region and also between the region and other areas of the world. 'Regional cooperation' on the other hand addresses the institutional level of policy formation and coordination within a region ( Higgott 1998b, 340 ) The term regional cooperation is used to describe trade arrangements such as NAFTA;

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cooperation like APEC, and also institutionalized organizations such as ASEAN. Regional groupings are usually created by several factors both internal and external to the region. With regard to ASEAN + 3, interdependent relationships, particularly economics between countries in the region have been increasing. Moreover, the regionalisation process was also encouraged by, among others, the increasing globalization and the economic crisis in the region. As a consequence, Japan has spent a great deal of time to develop a strategy to deal with it. A greater political role will be required if it does not jeopardize its primary link with the US. In this case, Tsutomu Kikuchi argues that the crisis became an occasion for Japan to play an important role in building a new mechanism for East Asia through a mix policies including economic assistance ( 2002, 25-26 ) Such a moment could be a proper time and an important for Japan to take its role to lead the region.

There are, at least, 3 types of regionalism, which have been developing in the region: ( 1 ) Asia-Pacific regionalism that includes Asian and Pacific countries. APEC can be considered in this category, ( 2 ) East Asian regionalism, a new type in which Japan, China and South Korea have taken initiatives, and cooperated with the ASEAN member countries. This has culminated in ASEAN + 3, and ( 3 ) Southeast Asian regionalism which consists of all ten member countries of ASEAN.

Another dimension of regionalism is its functions, which could be overlapping with other spheres, such as multilateralism and national interests of each country within the region. When the East Asian Economic Group ( EAEG ) proposed by Malaysia in late 1980s, it was viewed as a "competitor" for multilateralism in the region. Later on, EAEG was changed into the East Asian Economic Caucus ( EAEC ) a caucus within APEC. The second case was between regionalism of AMF *vis a vis* multilateralism of IMF ( Nordhaug, 2000 ) Regionalism also often conflicts with national interests of each country in the region, such as ASEAN + 3 *vis a vis* Japan's own interest. Another principle can be also considered. An action of one country could be responded to by other countries positively or negatively depending on the matters and interests. In the case of Japan's policy in trying to help the ASEAN member countries to get over the crisis, it can be considered positive. Since the action is positive, the reactions and responses from the ASEAN member countries are most likely positive as well.

Concerning the prospect of regionalism in East Asia, it is not easy to predict. Regionalism faces various challenges from other levels, individual, bilateral and a wider regional/ international cooperation from internal and/or external factors. In analyzing regionalism in East Asia, power relations among major countries in the region ( Japan, China, ASEAN ) beside other major powers ( the US ) must be considered. The case of AMF abandonment indicated a clear portrait of power relations among those major actors. It proves that the US influence was the biggest within the region. The US has since changed its attitude, but for the time being the situation is not so conclusive to the development of East Asian regionalism. Reasons for this include various priorities of its members. Malaysia has been enthusiastic, but Indonesia has put more concentration on its own domestic

problems. Thailand has its own considerations by proposing to establish Asian Cooperation Dialogue (ACD) in 2001. The ACD membership has covered a broader and wider scope of membership compared to the ASEAN + 3, since it includes South Asian countries (Pakistan, India and Bangladesh) and West Asian countries (Qatar and Bahrain)

To encourage more cooperation on a broader scope regionally, it requires all the members to be willing to take active roles. Japan's initiatives to help ASEAN to get over the crisis could be one of the significant factors. Japan could accelerate the integration of East Asia and take the lead in economic area. ASEAN's role (particularly Indonesia) could be one of the factors as well. ASEAN has to act and commit itself more for promoting stronger regionalism. The roles of China and South Korea cannot be ignored. Philip S. Golub even argues that China has been serving as the new engine of regional integration in East Asia aftermath of the crisis (Le Monde diplomatique, October 2003). Analytically, more members would bring the more benefits. ASEAN + 3 cooperation would be more desirable than a series of ASEAN + 1 arrangements like ASEAN-China FTA and ASEAN-Japan Comprehensive Economic Partnership (CEP) and bilateral cooperation like Singapore-China FTA and Thailand-China FTA, though in practice it is hard to achieve (ASEAN Memo, 2002, 1). On the other hand, the more members would pose more problems, since it encompasses many countries with diverse interests.

At present, the situation is much different to the past. There have been some signs for the future prospect of East Asian regionalism: (1) The acceptance of the East Asia Study Group (EASG) report<sup>1</sup> by the ASEAN + 3 leaders could indicate the seriousness of its members for achieving further regionalism; (2) Japanese decision makers have been more willing to engage with regionalist ideas and concepts. Japan has proposed a new initiative, the recent Asian Bond Market (MOF, 2003); (3) The US is no longer against East Asian regionalism, because the principle of open regionalism will be adopted. ASEAN + 3 would have been not acceptable to the US if they had a contrary avenue for consultations with APEC (Soesastro, 2003; MOF, 2003). More importantly, as a part of building a world anti-terrorism network after the tragedy on Sept 11<sup>th</sup>, 2001, Southeast Asia became one of the focus regions for organizing international cooperation. The US has a clear will to re-engage once again with Southeast Asia not only in the field of intelligence, but also in economic cooperation; (4) There has been strong political will within ASEAN; PM Goh Chok Tong of Singapore points out that the ASEAN + 3 leaders have started to think as "East Asians" which might provide a positive impact as a basic step towards into further regionalism.

Participation, active roles and improved relations of East Asian countries raise hopes for achieving any form of regionalism. There are other alternative directions for East Asian regionalism to develop, i.e. (1) No significant changes, it means the grouping and collaboration would be similar to the present condition, and would only produces a modest result, (2) Reactionary regionalism, which would proceed overtime due to necessary circumstances (Beeson, 2003, 1) and (3) Further

development, meaning the grouping and collaboration would really develop its EAFTA, East Asia Summit, a kind of collective identity or some other kind of regionalism. Nevertheless, what form it will actually take remains to be seen.

### . Japan's Initiatives

Japan's initiatives to help the ASEAN member countries out of the crisis will be discussed and analyzed based on structural importance and historical process, starting from the AMF, followed by the Manila Framework Group ( MFG ) the NMI, the CMI, and last but not least special attention will be given to ASEAN + 3.

As one of the most crucial countries in economy, Japan's role must always be taken into consideration by other countries within the region. Richard A. Higgott, on one hand, describes that Japan's role has been silent but fundamental as a long-term and ever-present factor in the crisis, since Japan's interest was considerably affected by the crisis. Higgott further illustrates that Japan's trade accounted for 60% of the region ( 40 trillion yen ) and almost 50% of Thailand's total foreign debt and 40% of Indonesia's total foreign debt was Japan's ( 2000, 261 )<sup>2</sup> About one third of bank loans to Southeast Asia on average have been by Japanese banks, and there have been other forms of economic linkages between Japan and the region. Japan has also been the largest single country contributor to IMF assistance packages. As for Japan's foreign direct investment ( FDI ) today it is valued at close to US\$ 100 billion ( Calder, 2000, 14 ) On the other hand, Hughes notes that many considered Japan's role in the crisis was an abject defeat ( a sorry failure ) for Japanese economic and political leadership in East Asia ( 1999, 1 ) Much media expressed disappointment regarding the inability of Japan's government and business to respond to the crisis despite Japan's geopolitical and economic interests in the region. Hughes himself actually argues the reverse by saying that Japan's policy in dealing with the crisis has even consolidated its leadership in the region ( Hughes, 1999, 53 )

#### 1. Japan's proposal of Asian Monetary Fund ( AMF ) and the counter measure by the US-IMF

According to MOF-Japan, there was a meeting in Tokyo, in August 1997, with the intention of assisting with an emergency loan program for Thailand amounting to US\$ 17 billion ( 2003 ) Nakai argues that the assistance provided and understanding on the actual situations of Asian countries by IMF was insufficient. Former Japanese Finance Minister Kiichi Miyazawa and former South Korean PM Kim Jong Pil have the same argument, noting that IMF was incapable of reinvigorating poorly performing East Asian economies ( Nabers, 2003, 123 ) This is among the reasons why idea of the AMF emerged. The idea of the AMF was then formally proposed at the joint annual meeting of the IMF and World Bank held in Hong Kong, September 1997. An official of MOF notes that the AMF was the idea of Prof. Eisuke Sakakibara, former Japanese Vice Minister of Finance ( 2003 ) Japan proposed to provide US\$ 100 billion to stabilize the exchange rate in the region ( Asia Times, March

14, 2002 & Narine, 2002, 176 ) Japan intended the AMF as a regional institution providing emergency financial support to be quickly disbursed to the crisis-hit countries, independent of the US-IMF. Half of the funding was expected to come from Japan and the remaining amount from other Asian countries ( Lin & Rajan, 2000, 20 ) Japanese saw the AMF as the only available means to bridge the gap between US-IMF positions and East Asian countries regarding the crisis ( Hughes, 1999, 25 )

Seeing the good intention of Japan, the AMF idea was enthusiastically welcomed by many East Asian economies ( Lin & Rajan 2000, 20 ) The finance ministers of Indonesia, Malaysia and Thailand, along with representatives of the Japanese business community, expressed strong support for the idea and its realization. But the US-IMF and China came out against it for political and economic reasons. The US worried that AMF would give 'easy money'. This would encourage countries concerned towards "bad behavior." The US government felt that an Asian dominated fund would reduce the US influence in the region. It was also feared that it could undermine the leadership role of IMF and foster a split between Asia and North America ( Bergsten, 1998, 3 ) In the case of China, some scholars argue that China was afraid of yen hegemony with the establishment of the AMF. Rivalry between Japan and China in the region is a part of both countries' concerns. China's pro-IMF line was probably also encouraged by a strategy of accommodating the US. In return China hoped for US concessions in the negotiations on China's entry into the WTO ( Nordhaug, 2000, 24 ) According to Sakakibara ( 2001 ) it was because of Japan's mistake; Japan did not fully consult with China in advance, partly because of that China did not eagerly endorse the idea. China is now however more accepting to the AMF idea ( Narine, 2002, 178 )

The AMF idea finally ended at the 5<sup>th</sup> APEC Vancouver meeting in November 1997 due to the strong opposition from the US-IMF. PM Mahathir criticized Japan that it lost the will to be 'lead goose' in the region. Japan lost a rare opportunity to develop an Asian diplomacy. The US-IMF's ability to shoot down the AMF idea signifies the measure of Japan's defeat. As a consequence, some ASEAN leaders were disappointed by Japan's quick abandonment of the AMF ( Hughes, 1999, 26 )<sup>3</sup> There is a reason to believe that the contagion from Thailand crisis would have been much reduced if the AMF had been in place by September 1997 ( Nordhaug, 2000, 24 ) However, there is little evidence that would suggest Japan's ability to replace the leadership exercised by the US through the IMF. If the IMF is to work, Japan has to first show that these virtues are not the US monopoly. Otherwise, the AMF would serve as just one vast regional reason for avoiding tough reforms ( Lewis, 2001, 5-6 ) Nevertheless, Miyazawa argues that an Asian fund was needed as the global financial system and the IMF have not effectively addressed regional turmoil. Sakakibara ( 2001 ) also said that the region needed an AMF. If successful, Japan's plan for an Asian fund would have enhanced its regional standing.

After the demise of the AMF, finance ministers and governor's of banks of fourteen Asian and non-Asian countries including the US agreed to start a new forum called Manila Framework Group in

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December 1997. The MFG consists of fourteen members: Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, China, Hong Kong, Japan, South Korea, Australia, New Zealand, Canada, and the US, the IMF, the World Bank, the ADB and the Bank for International Settlements ( BIS ) The MFG meets twice a year involving these members. The establishment of MFG was based on the concept of a "New Framework for Enhanced Asian Regional Cooperation to promote Financial Stability." The process was multilateral, with the US as the backing-actor ( Hughes, 1999, 23 ) In general, the purpose of the MFG was to provide a forum to discuss economic issues affecting financial stability in the region and a possible solution to problems such as a strong yen and other economic issues ( JEI Report No. 34, 3 Sept 1999 and Report of 6<sup>th</sup> Meeting, August 2000 )

Keidanren ( 2000 ) argues that where it comes to the matter of regional cooperation for financial stability, the MFG is in need of strengthening so that Asian countries can better cope with market trends that stay too far from their economic fundamentals. But, Hughes argues that the MFG was clearly a toothless substitute forum for the AMF ( 1999, 24 ) Indeed, they have money, but with certain conditions. It was different with the AMF which expected to provide money for helping crisis-hit countries without considering any complicated conditions ( Lin & Rajan 1999, 19-20 ) As for Japan, the MFG was a kind of symbol of Japan's defeat and a regionalism setback. In this case, Japan was in such a difficult situation to make a decision and it apparently did not have many choices except that of following the US-IMF direction to be in line with the international financial architecture. In this forum, Japan's help money was within the framework of the US-IMF. Today, only Australia remains interested in the MFG, the US is no longer interested in it. The East Asian countries express less interest in the MFG compared to the ASEAN + 3, since the forum has not been as effective as first envisaged by East Asian leaders as a substitute of the AMF.

### 2. Japan's counter measure by the New Miyazawa Initiative ( NMI )

In October 1998, at the meeting of Asian financial ministers and central bank governors which was represented by Indonesia, Malaysia, Philippines, Singapore, and Thailand, Japan and Korea, Japan announced a "New Initiative to overcome the Asian Crisis", totaling US\$ 30 billion -with US\$ 15 billion for medium to long term loans and another US\$ 15 billion for short term loans-- under the name of the New Miyazawa Initiative ( MOF, 1998 ) The goals of NMI were: to support governments and firms affected by the crisis to restructure corporate debts, to stabilize financial systems, to strengthen social safety net and to address credit crunch ( MOF, 2003 ) To achieve these purposes, Japan sent missions to target countries and exchange views on how to implement it. These Japanese funds were provided in emergency without stringent conditions ( Rajan, 2000, 13-14 ) In May 1999, the second stage of NMI 'Resource Mobilization Plan for Asia' totaling 2 trillion yen ( US\$ 17 billion ) was announced. It was aimed at achieving a full-scale economic recovery in Asia. Japan implemented measures aimed at stopping further deterioration in countries' real economies and achieving long-term development



( Kikuchi, 2002 ) As of May 2003, the MOF announced that Japan no longer has scheduled the distributing of this money. Thus, the NMI has already been completed.

Hughes notes that the NMI was certainly a policy that was intended to return the focus on what Japan could do in the region ( 1999, 3 ) It is likely a kind of Japan revival initiative or a counter measure after the setback of the AMF. With the NMI, Japan sought to deal with the longer-term considerations of overcoming East Asian countries' economic difficulties and achieving a greater stability in international capital markets. Japan was able to exercise a vital leadership role in the crisis through its cash-dispensing proposal. Japan's government also expected the NMI to be the first step to establish a regional currency support mechanism and for the yen to be more influential in the region. However, the NMI focused mainly on bilateral cooperation and did not aim for the establishment of a regional institution. The major difference between the AMF, the MFG and the NMI is that the AMF was intended as a regional-base power, the MFG involved large-scale multilateral cooperation ( including the US ) while the NMI was primarily, if not solely, funded by Japan on a bilateral basis ( Lin & Rajan, 2000, 21 )

The NMI has enhanced Japan's role within the crisis, since it has improved Japan's regional standing. As Sakakibara points out, "...although it would be presumptuous of me to say that the initiative was praised in Asia, I think our relations with other East Asian countries became favorable as a result of it" ( Keizai Confidential, Nov 10, 1999 ) The NMI was an important initiative, since Japan's economy has been in trouble ( Japan ODA Report, 1999 ) After the AMF failure, Japan had to do something to regain its position. Implementing the NMI was the answer. It appears that Japan intends to set up the AMF without a regionalism connotation and within the US-IMF initiative through the NMI ( Sing, 2001, 2 ) This could mean Japan prioritized the recovery of the East Asian economy while sacrificing East Asian regionalism. Nonetheless, with the NMI, Japan has indicated its seriousness by continuing to find the way to help the crisis-hit countries. Had this not been the case, Japan would have stopped proposing its initiatives after the failure of the AMF. In other words, Japan also considered its efforts to maintain and enhance relationships with neighboring countries.

The Chiang Mai Initiative ( CMI ) was an additional Japanese counter measure, which functioned side by side with the NMI. It was a significant watershed in the emergence of a region-wide financial and economic cooperation ( Nabers, 2003, 120 ) The ASEAN + 3 Finance Ministers met in Chiang Mai, in May 2000 and stated in a joint statement "...in order to strengthen our self-help and support mechanism in East Asia through ASEAN + 3, we recognized a need to establish a regional financing arrangement to supplement the existing international facilities" ( Asia Times, 9 May 2000 ) The ministers reached an agreement on the CMI, designed to expand the existing ASEAN Swap Arrangement ( ASA )<sup>4</sup> The ASA intended to create a network of bilateral swap and repurchase agreement facilities among the members, as complementary to the work of IMF ( Kuroda, 2000 and Kohler, 2000 )

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The CMI was regarded as a good beginning to enhance the financial self-help and support mechanism (Kuroda, 2000 and Huaicheng, 2001). But, only one tenth of the total agreed amount of support could be implemented independently, with the remaining support to be conditional imposed by the IMF (Kikuchi, 2002). The expanded ASA was unconditional and designed for activation and disbursement. It became effective in November 2000 and allowed member banks to swap their local currencies with major international currencies (Manupipatpong, 2002). The CMI aimed to promote regional monetary cooperation to better deal with future financial crises. The Meeting in Honolulu (May 2001) decided that each member country would engage in bilateral exchanges of information on capital flow on a voluntary basis. The member countries had exchanged opinions on an "early warning system" (MOFA-Indonesia, 2003). Meanwhile, Kuroda believes that the CMI will be an effective mechanism to handle future financial contingencies in the region (2001, 6). The CMI can be considered as the region's leverage in negotiating with the IMF. To complement the CMI, the ASEAN + 3 countries agreed to strengthen their economic review and policy dialogues. The difference between the CMI and the AMF is that the CMI conforms with international financial architecture, although its level is regional. Therefore, the CMI is acceptable to the US, unlike the AMF.

According to Kohler (2000), regional initiatives can be helpful in supporting economic growth and stable financial relations among participating countries. The CMI represents the first step towards creating a viable regional crisis-prevention mechanism. A high level of cooperation has been needed to achieve this, in order for East Asia to lessen its dependence on Western financial resources and to gain more clout on the world stage. In fact, the CMI has been underpinned by bilateral agreements (ASEAN + 1). Prime Minister Koizumi called for forging closer ties between Japan and ASEAN under the CMI (Kikuchi, 2002, 25). However, the process of expanding cooperation for ASEAN-Japan in a wider area would be far from easy, considering various challenges faced. As of May 2003, Japan had arrangements with South Korea dollar-won 2 billion, Malaysia in dollar-ringgit 1 billion and Thailand in dollar-baht 3 billion plus China and the Philippines. It was followed by a deal with Indonesia in February 2003. It will be followed by Singapore, which is now still under negotiation (MOF, 2003). Hamilton-Hart, however, notes that Japan and China succeeded in linking all but 10% of the funds to IMF conditionality (2003).

In short, Japan's role in the NMI as well as the CMI, was the way-out for Japan after the defeat in the AMF proposal and the ineffective MFG. In this matter, Japan has played its role in maintaining good relationships with neighboring countries. While, on the other hand, Japan has not risked its special relations with the US, since the initiatives were not against or rejected by the US. By carrying on such strategies, Japan sees itself, and is seen by other regional actors, as slowly but surely shifting from being a support player to the US to a state that seeks a more central role for itself.

### 3. ASEAN + 3

Discussions on ASEAN + 3 were started in 1996 when the Plus 3 countries were invited to a dinner in one of the ASEAN meetings in Kuala Lumpur ( Alatas, 2003 ) One of the background factors was the failure of previous economic regional cooperation, APEC in particular. Compared with APEC, other regional groupings in other parts of the world; EU and NAFTA have been much more advanced in their cooperation. ASEAN + 3 was subsequently established in Kuala Lumpur, December 1997. ASEAN + 3 laid a basis of important framework for their regional cooperation ( Kikuchi, 2002, 24 ) Some experts including former Indonesian Foreign Minister, Ali Alatas argues that ASEAN + 3 was almost the same as EAEC ( 2001, 2 ) The difference between EAEC and ASEAN + 3 is only the name and the time ( Chutikul, 2002 ) ASEAN + 3 is a refined version of the original EAEC. But, Loeis says that EAEC is rather different to ASEAN + 3. EAEC is a caucus within APEC ( 2002 ) Whilst, ASEAN + 3 is not a part of APEC, though it reports regularly to APEC and sometimes to ASEM ( MOF-Japan, 2003 )

More important is the essence of ASEAN + 3, whether it is useful or not. Some observers view ASEAN + 3 as ASEAN's effort to overcome the crisis with economic help from the Plus 3 countries. These observers referred to this as 'a dying ASEAN's new lifeline'. Alatas refused such evaluation by saying that the forum benefits not only ASEAN, but also the Plus 3 countries ( 2001, 1 ) According to MOF-Japan, all members receive benefits ( 2003 ) Japan has found ASEAN + 3 to be more useful than APEC or other organizations in the region. The ASEAN + 3 process has opened an option for Japan to be integrated to the 'rising sense of East Asian identity to contribute to community building in East Asia and to develop its 'Asia' policy contributing to the East Asian economic cooperation ( Molla, 2003, 282 ) Japan has thus used ASEAN + 3 framework to cooperate with crisis-hit countries.

Indeed at the beginning, ASEAN + 3 seemed nothing more than talks. ASEAN and Plus 3 leaders then realized that the forum could bring more benefits for them since there would be a bigger market, more trade --with trade reaching US\$2.5 trillion and encompassing a population of 1.9 billion people, stronger bargaining power for dealing with other regional blocs ( EU/NAFTA ) MOFA-Indonesia ( 2003 ) has further exposed some reasons for the establishment of ASEAN + 3 as follows:

1. Strong political will to create a cooperation framework since there has been an integration process among the ASEAN members with the Plus 3 countries' investments in Southeast Asia;
2. Strong political will to enhance regional dynamics, which was stagnated because of the crisis;
3. Awareness of preventing the future crises in the region.

Some scholars believe that the strong impetus for the creation of a formal ASEAN + 3 framework came from the crisis, also the active involvements of Japan and other East Asian countries in the efforts to deal with this as an East Asian issue ( Yip, 2001, Higgott, 2000; Kikuchi, 2002, 25; Loeis, 2002; and Nabers, 2003, 121 ) ). The crisis sparked a new initiative for regional integration. It compelled

many countries in the region to re-evaluate their place in this part of the world ( Nabers, 2003, 122 ) The crisis had stimulated a new sense of East Asian regionalism and brought the countries closer together ( Financial Times, 13 May 2001 ) Soesastro and Keliat suggest that the crisis provided impetus for the 1<sup>st</sup> ASEAN + 3 Summit in Kuala Lumpur, in December 1997 ( 2000 ) Whilst, Tay argues that there are other factors beside the crisis, i.e. East Asia *vis a vis* US + international financial institutions, some countries in the region were not satisfied with the responses of the US-IMF to the crisis ( 2000, 230-231 ) The second factor is ASEM, in which the 'East Asia' factor has become more considered *vis a vis* other powers such as the EU ( Robertson, 2002 )

At present, there are more complicated factors as reported by MOFA-Indonesia ( 2003 ) *First*, there are different values, norms and other various aspects among countries in East Asia. It is not easy to unite the countries because of this condition. *Second*, there are unresolved territorial disputes and overlapping claims of sovereignty, for example the South China Sea dispute. Hence, the region's political environment is fraught with persistent tensions and apprehensions at potential conflict ( Alatas, 2001, 3 ) There are some other factors to be noted: ( 1 ) Economic structure in East Asia has been moving from a complementary to a competitive one. China and ASEAN are vying for foreign investment and selling their products in international markets; ( 2 ) Relations among the Plus 3 countries are still in question especially in terms of political-security matters; ( 3 ) It is still unclear how ASEAN + 3 fits in with institutions such as. APEC, ARF and the IMF; ( 4 ) Japan and China are not likely either to cede power to each other or to cooperation very closely. Thus a problem of leadership exists. The alternative will be issue-led leadership, which depends on the matters concerned. Another issue is common leadership, in which two or more countries lead the forum; ( 5 ) Japan has been still facing economic difficulty at home. Japan as well as every other ASEAN + 3 member countries, has to consider their bilateral relations with the US. In addition, the US is significant to the region ( Tay, 2000, 231 ) However, Japan's alliance with the US as well as the major powers' influence and competition can be one of the major impediments to regionalism ( Nordhaug, 2000, 2 )

In reality, the present situation has been one of considerable change.. Several years ago, the US was highly sensitive to any move that would bring East Asia close together to the exclusion of the US. Now, the US has been more acceptable to the development of an East Asian regional grouping particularly ASEAN + 3, so long as the US and other major economies ( Canada. ) are informed about its development. The strategic position of the US in East Asia is changing. The role of the US in the region and its military position is different at the end of the decade than it was at the start ( Abramowitz & Bosworth, Foreign Affairs, Jul/Aug 2003 ) More recently, the Final Report of EASG was accepted by ASEAN + 3 leaders at the ASEAN + 3 Summit Meeting, December 2002. The EASG revealed that the EAVG recommendations would be useful in realizing the East Asian vision of peace, prosperity and progress. The EASG concludes that the East Asia Summit will serve to strengthen

East Asian cooperation. The EASG is of the opinion that ASEAN + 3 remains the only appropriate and realistic vehicle to advance the form and substance of regional cooperation in East Asia. By establishing EAVG, ASEAN + 3 called for an EAFTA to be realized significantly in advance of the deadline determined at Bogor by APEC ( EAVG Report, 2001 )

As one of the important participants in ASEAN + 3, Japan's role has always been seriously considered by the other members. Nevertheless, Japan itself seemed active but carefully involving itself in ASEAN + 3. On the one side, Japan has to convince the US that it would not be challenged by such regionalism. The US-Japan close relationship has been the mainstay of Japan's foreign policy in the post-war period. The importance and endurance of this relationship is underpinned by the US-Japan Security Treaty and by their economic linkages ( Maswood, 2001, 6 ) Funabashi notes that Japan acknowledges the US as the cornerstone of its policy even as it attempts to establish better relations with other Asian countries ( 1995, 11 ) Japan would not let East Asian regionalism impede its primary policy objective of maintaining good relations with the US. As Michael J. Green ( 2002 ) argues that Japan has been 'reluctant' to abandon the traditional stance of its foreign policy, alliance with the US. On the other side, Japan has also been pushed by China's rise and steps to be closer with ASEAN economies, e.g. ASEAN-China FTA. China's rise is also being one of the matters which the US is concerned ( Abramowitz & Bosworth, Foreign Affairs, Jul/Aug 2003 ) Japan feared that it would lose its regional leadership to China. Although Japan's economic leadership in the region is well received by Indonesia, Thailand and Malaysia, it is equally challenged by the swift and robust growth of China burgeoning economy ( Molla, 2003, 282-283 )

Thus, Japan has taken a more active approach in responding to its identity ( Lin & Rajan, 1999, 17 ) Surely, regional free trade or closer economic cooperation and partnership will ensure Japan taking pole position because of its economic power. From an economic perspective, Japan hopes to take advantage of an integrated market of 2 billion people and to offset economic challenges posed by the EU and NAFTA. Furthermore, alongside the EU, ASEAN is Japan's second largest trade partner, sharing over \$110 billion in trade annually. Moreover, the accumulated amount of direct investment from Japan to ASEAN exceeds \$100 billion. In the future, Japan expects membership expanded to Australia and New Zealand as well as the US with which Japan has close ties ( JT, April 14, 2002 ) This, accordingly, could mean that Japan, as ASEAN + 3 leader, does not really consider East Asian regionalism. What Japan considers is expanding ASEAN + 3 to include the US included which is more or less the same as APEC. This kind of ambivalent attitude could be an obstacle for realizing further East Asian regional integration.

As for China and South Korea, the US factor is also the most important for both of them due to its political, security and economic. There is no doubt that both countries view the US is guarantor for peace and stability of the region. However, Southeast Asia is quite important for China as well. For China, like any other economy in East Asia, its engagement with ASEAN will not only provide

economic benefits in the form of market penetration to Southeast Asia, but also provide an opportunity to have political vehicle that might be useful in resolving some political-security problems that exist between China and the ASEAN member countries ( Subianto, 2003, 7 ) China's import from ASEAN has increased by more than 30% in 2002. ASEAN has occupied the position of fourth largest partner for China's imports after the US, Japan, and the EU. Indeed, competition between China and ASEAN is an undeniable fact in market and FDI matters. But, a trade-off effect is limited both in market and FDI flow ( Yunling, 2003 ) Yet, China has also interests in terms of political-security matters, i.e. South China Sea dispute. Thus, it is almost nonsense to think that China would allow East Asian regionalism ( ASEAN + 3 ) to develop without its involvement. In practice, China has been more active compared to the other Northeast Asian countries by initiating FTAs with individual ASEAN countries, such as Singapore and Thailand.

In the case of South Korea, Southeast Asia is essential to the interest of South Korea politically, economically and security-wise. The region has been one of the most important partners of South Korea in that the Republic has reaped great benefits in the form of trade, investment and construction contracts in recent decades. ASEAN is South Korea's fourth largest trading partner providing the second most positive balance of payment, with two-way trade amounting to US\$ 292 billion in 2002. Whilst, South Korea is the third largest investor in the ASEAN member countries. In addition, ASEAN + 3 meetings are also a good opportunity for the Korean government to voice its positions in security matters and help establish a close cooperative system for peace in East Asia.<sup>5</sup> As with China, South Korea has been actively involved in the forum by proposing initiatives including the EAVG which recommended concrete actions for realizing further regionalism such as the establishment of the East Asia Forum. But, compared to Japan and China, South Korea has been relatively left behind in its bilateral cooperation with ASEAN.

With regard to the economic competition among these three countries in East Asia, Japan has been still taking the lead. However, Japanese companies doing business in the region face strong competition from both Korean and Chinese companies, as well as competitors from Europe and the US. If Japanese companies are to strengthen their competitive advantages in this increasingly competitive region, JETRO has recommended some strategic actions, one of which is to promote the establishment of East Asia free trade and business zone ( JETRO White Paper, 2003 )

Meanwhile, the establishment of economic partnership in East Asia is gaining ground, as can be seen in the signings of ASEAN-Japan CEP, Japan-South Korea FTA, and ASEAN-China FTA. At the same time, Southeast Asia is becoming a prime battleground among Europe and North American countries seeking to reap the benefits of strengthened cooperation within the region. China, as part of its FTA negotiations with ASEAN, has started reducing tariffs on agricultural products from Thailand in October 2003. Although Japan has signed an FTA with Singapore and is now in preparatory negotiations with ASEAN to set framework for an FTA, some have complained that the

country has been too slow, compared to China. In fact, any slowness on Japan's part could endanger its success to date and derail ongoing efforts to revitalize the economy ( JETRO White Paper, 2003 )

To justify that Japan has really played important roles in cooperating with the crisis-hit countries to respond to the crisis, in turn encouraging regionalism in East Asia, it is necessary to examine not only Japan's initiatives during the crisis, but also Japan's initiatives in the aftermath of the crisis. Today, many of the crisis-hit countries especially South Korea and Thailand, have recovered from the crisis. But, Japan has not stopped its initiatives to pay more attention to the region. According to an official of MOF ( 2003 ), Japan has tried to keep the momentum for East Asian regionalism by proposing new initiatives. There are at least two recent initiatives taken by Japan. First is the Asian Bond Market. Second is Japan's effort to make arrangements beyond the CMI ( MOF, 2003 )

To judge that Japan's initiatives can be significant for further regionalism in East Asia, it is necessary to understand the real motivations of Japan. But, to keep proposing initiatives *per se* can be considered as a way of Japan to show its intention toward the region. As long as the initiatives do not risk or endanger Japan's special relationship with the US, Japan will not mind continuing to take such initiatives. Nevertheless, it is still doubtful that Japan's role in the region has been considered more independent toward the US, since it cannot depart from the US policy direction principally.

### . ASEAN Response to Japan's Initiatives & Its Strategy toward East Asian Regionalism

With regard to the Japan's role in responding to the crisis through various initiatives in bilateral, regional and multilateral ways, at the ASEAN + 1 Summit in Manila, November 1999, ASEAN expressed thanks to Japan for its extensive assistance to the region to help address the crisis amounting to around US\$ 80 billion ( ASEAN Secretariat, 1999 ) It was stated again by the Chairman at the 7<sup>th</sup> ASEAN Summit in Brunei, November 2001 that Japan's support to various ASEAN initiatives had been invaluable. Japan was at the forefront of international efforts to help Southeast Asia adjust to the financial shocks of 1997 ( ASEAN Secretariat, 2001 )

The ASEAN member countries seem to uniformly appreciate assistance by the biggest regional economic power, as can be seen from remarks by Ali Alatas, former Indonesian Foreign Minister: "I look forward to its ( Japan's ) playing an important role in our common endeavors to soften the social impact of the financial and economic crisis upon our peoples, and eventually to overcome that crisis altogether" ( MOFA-Indonesia, 1999 ) This view apparently could be representative of ASEAN, as other similar statements from other ASEAN member countries were made. For instance, Mahathir's comment "As we approach the year 2000, it is our hope that Japan will initiate changes in its policies that will effectively bring about an enhanced political, socio-cultural role in not only the Southeast Asia region but also in the global context." In general, ASEAN sees Japan as a friendly country, which consistently wants to cooperate with them ( Alatas, 2003 ) Therefore, ASEAN expects more efforts

and initiatives coming from Japan within bilateral and/or regional frameworks.

With regard to the ASEAN strategy, according to ASEAN Memo (2002, 2), the ASEAN + 3 processes could be the logical vehicles for promoting economic cooperation in East Asia. In this case, instead of Plus 3 countries, ASEAN will ultimately be placed in the position of being the "hub" for East Asia. ASEAN has gained this position perhaps more so by default, since neither Japan nor China nor even South Korea would take the position. ASEAN has to utilize this position by strengthening its role in crafting various arrangements and managing them. Failure to do so will allow the other parties to dictate the terms of the arrangement. Hence, it is imperative for ASEAN to be pro-active and to assert itself in crafting the arrangements so that they are consistent and build upon each other as well as be building blocks for a multilateral system.

Various initiatives of a sub-regional/bilateral nature have proliferated in East Asia, and many of these initiatives take the form of FTA's. ASEAN could take a pro-active role so that it will be in the position to define the objective and modality for promoting cooperation in East Asia. Several studies have shown that the larger the grouping, the more benefits its members receives. The ASEAN + 3 forum could thus be more desirable than a series of ASEAN + 1. This is difficult to achieve in practice, given the diverse economic interests of the members. ASEAN experts believe that arrangements between individual ASEAN countries and individual Northeast Asian countries appear to be more feasible than an overall arrangement amongst all ASEAN + 3 members. Also, Plus 3 countries find it easier to conclude individual frameworks such as the China-Thailand and the China-Singapore FTA instead of China-ASEAN (10 countries) or ASEAN + 1 or even ASEAN + 3 formats. Yet, individual ASEAN + 1 arrangements are more difficult to manage and could overstretch limited resources of ASEAN. In fact, ASEAN has taken the route of developing economic cooperation frameworks with individual of Plus 3 countries. Such a framework, however, could be expected to facilitate a more comprehensive cooperation among them. It has to be in ASEAN's interest to have a comprehensive agreement that can accommodate members' interests as well as that of partner's.

A further challenge for ASEAN is to strengthen its own organization. The fact that ASEAN is placed at a strategic position must help create stronger leadership by ASEAN. It is reiterated that it is important to strengthen the ASEAN Secretariat by giving it a greater mandate and more resources. It is suggested that the mechanism for an ASEAN consensus and the application of "ASEAN-10 minus X" principle<sup>6</sup> needs to be redefined, but equally important is the mechanism for effective ASEAN caucusing in the regional and international fora. A strengthened ASEAN will strengthen the ASEAN + 3 process. Singapore and Vietnam strongly urge that the process to strengthen ASEAN + 3 and East Asian cooperation has to be conducted through a gradual and building block approach. Thus if EAS really established, the Summit is suggested be held once every ten years (Subianto, 2003, 8). Another possible constraint has to do with the *real-politik* of ASEAN. Substantial asymmetries in the levels of economic development among member countries and the



principle of non-intervention may make it difficult to operate any new policy effectively.

As for Indonesia, ASEAN + 3 is more meaningful compared to other regional cooperation. The broader cooperation of ASEAN + 3 has provided opportunity for a higher efficiency of Indonesian trade than intra ASEAN trade only ( MOFA, 2003 ) The problem is, how would Indonesia manage to utilize the ASEAN + 3 cooperation for its own national interest. Therefore, as the Chairman of ASEAN Standing Committee ( ASC ) and the host for the ASEAN Summit in Bali, 7-8 October 2003, Indonesia set out a “roadmap” of ASEAN + 3 cooperation, directed to achieve a grand scheme of ASEAN cooperation goals ( ASEAN Vision 2020 )

1. It is necessary to create a mechanism for working relations between ASEAN + 3 and other regional cooperation ( APEC, ARF and ASEM ) ASEAN + 3 cooperation projects are not duplications or overlapping with those cooperation.
2. To be alert on Indonesia’s and other ASEAN countries’ readiness for ASEAN-China FTA and other individual FTAs ( Singapore-China FTA & Thailand-China FTA ) since there have been development gaps among them.
3. In connection with South Korea’s EAC proposal, East Asia heterogeneity, overlapping claims and historical sentiments have to be considered. The development is hoped to be in a natural way. Learning from the experience of Western Europe which took such a long time to build the EU, so that initially ASEAN + 3 is better directed along the lines of the OECD. The recent case was when the US decided to attack Iraq -supported by the UK-- but opposed by French. In this case, the EU passed an independent attitude, not just simply following the US. If East Asian regionalism could be directed similarly to the EU, the US would have to regard it more seriously ( Albright, 2003, 5 )
4. The ASEAN + 3 cooperation is a process that has been developed and cannot be hindered. It also attracts other countries surrounding the region to join in. Therefore, it has to be “open-ended”. The principle of “open regionalism” or diluted regionalism has also to be its operational guidance.
5. ASEAN + 3 has also to be “ASEAN-driven”. In this regard, ASEAN expects to take initiative in the implementation of concrete actions as recommended by EAVG.
6. From economic and military perspectives, Indonesia is much smaller than the Plus 3 countries. However, what Indonesia does have is diplomatic force as it has played roles in the ARF in which ASEAN usually determines the agenda before being discussed in a summit, so that major powers like the US cannot lead the meeting to discuss other agenda.

In brief, despite having some difficulties, a majority of the ASEAN member countries --including Indonesia- apparently are not concerned with further development of the East Asian regionalism especially ASEAN + 3 as long as it would be “ASEAN-driven” and built in a gradual way taking deep considerations in its processes.

## . Conclusion on the East Asian Regionalism

Even though activities and concrete agreements within ASEAN + 3 are considered to be still in their infancy, what has been achieved so far is nevertheless significant. Sussangkarn argues that given huge differences in socio-economic situations of the countries in the region, and sensitive issues of the region's history, the speed at which these developments have come about indicate the seriousness of the countries to work more closely together on financial matters for the interest of the region as a whole ( 1998 ) Bergsten sees this as a clear emergence of East Asian regionalism ( 2000 ) Sussangkarn ( 1998 ) believes that this is the appropriate direction for East Asia's long-term interests.

Where then this likely to lead-to? Some argue that East Asia has to imitate Europe. There is talk along these lines, about a common currency, EAFTA, etc. These might be possible in the longer term. Present limits and constraints however must be recognized. It has to be aware of other contrary factors, i.e. the US factor and relations among the Plus 3 countries. The US existence in the region is indispensable. Many countries such as Singapore see the US as a guarantor of the region's stability. While, relations among the Plus 3 countries ( especially between China and Japan ) are sometimes colored by suspicions. Such a situation could undermine the sense of East Asian unity ( Tay, 2000, 229 ) Yet, East Asia is crucially in need of a multilateral mechanism, it is lagging far behind Europe and North America ( Asia Times, Feb 5, 2002 )

With reference to the Report of the Indonesian Delegation at the ASEAN + 3 Summit in Phnom Penh, 2002, the EAS proposal has to be considered deeply before being implemented and taken in a step by step process. There is concern that EAS would be "East Asia-driven" and more influenced by China and Japan. Thus, it is better to consider such matters: ( 1 ) On EAS membership whether limited to the present members or expanded to other countries i.e. Hong Kong and Taiwan; ( 2 ) Regarding country's participation, whether determined by grouping or in an individual way. ASEAN is not willing if the participation is based on an individual basis since it would ignore ASEAN interests; ( 3 ) The principle of modality, in which ASEAN still wants to be the "driving force" by holding meetings in ASEAN countries; ( 4 ) Concerning the decision-making process, the use of "10 minus X" to reach an agreement is necessary. The EAS establishment would lead to the creation of New East Asian Group --an East Asia Community. In this case, ASEAN's role would be weakened. A majority of ASEAN members prefer to choose ASEAN + 3, so that ASEAN could still play a role and fight for their own interests. If EAS is really established, it would impact on ASEAN relations with Dialogue Partners including the US, and influence the PMC ASEAN + 10. In short, there would be more cost incurred rather than benefits made for ASEAN. Therefore, it is necessary to utilize and develop ASEAN + 3 to its maximum level.

After all, regional economic integration in Asia, either across the continent or even just restricted to East Asia, would not be feasible without Japan being at the center of it from the beginning ( JT,

Nov 9, 2003 ) In fact, Japan has indicated some positive initiatives during and aftermath of the crisis, though these could not really guarantee the further realization of East Asian regionalism unless supported by the other ASEAN + 3 member countries. More importantly, Japan has to throw away its doubtful attitude of working more seriously for further regionalism in the region. Otherwise, the regionalism in East Asia will merely exist as a symbol, rather than anything truly meaningful.

In brief, this paper has identified that since the crisis erupted, there has been a kind of changing dimension within Japan's policy. Even though Japan cannot be independent from the US, its own policy has become more regional-oriented. Japan's policy during and in the aftermath of the crisis has -directly or indirectly- significantly encouraged regionalism in East Asia. This can be seen from the developments in the region, starting from the idea of the AMF to the present ASEAN + 3 grouping. As for ASEAN, it apparently expected more from Japan, to take a greater role in the region. Furthermore, ASEAN recognizes that Japan's role is significant for regionalism in East Asia, due to its economic power. ASEAN's ( including Indonesia's ) role is also important for further regionalism, but ASEAN alone is too weak politically and economically. ASEAN cannot promote further regionalism without Japan. While China's strategy and Korea's power cannot be guaranteed, Korea is more promising with its enthusiasm.

Merely hoping however for Japan to play active roles on its-own is impossible. So, ASEAN has to revive and work together with Japan and other Plus 3 countries. In principle, all the member countries have to be willing to work on and cooperate for further regionalism. In East Asia, there seems no single major actor which could really lead ASEAN + 3. Indeed, ASEAN has a chance to play a major role as a 'hub', as do the Plus 3 countries especially Japan. But, to really lead or dominate the forum is almost impossible. Thus, issue-led leadership and/or common leadership could be the alternative. This is rather different in comparison with the EU, in which there have been a kind of dual policies as in the case of Iraq being attacked by the US, namely the EU policy and the French policy. As for the target, the most appropriate form of East Asian regionalism for short term is EAFTA. In this regard, East Asian regionalism could possibly follow the EU or the NAFTA direction, although it is very hard to achieve, given the greater degree of diversity within East Asia.

As for the implementation, it will not be an easy task due to some impediments especially Japan's relations with the US. It has to be kept in mind that in principle, Japan's strategy has always been to keep the US engaged politically and economically in East Asia through open regionalism. Japan would not let East Asian regionalism impede its primary policy objective of maintaining good relations with the US. However, the reaction of the US concerning the establishment of a regional grouping would not be as negative as it was towards the AMF, since the linkage between a regional system and the IMF was made clear in the CMI swap arrangement, ASEAN + 3 reports to APEC and ASEM. Nevertheless, the US --directly or indirectly-- continues to exert a critical influence on East Asian development. Recent US policy such as the 'war on terror' has given some indications on this matter.

## Japan's Role in Responding to the Crisis in Southeast Asia and the East Asian Regionalism

Given the diverse historic, cultural and level of economic development background, the East Asian countries have to pursue regional cooperation in a gradual and orderly manner taking into account their unique characteristics. Yet, ASEAN has embarked on a bilateral FTA with China and Japan. If such agreements are to be seen as building blocks toward further regionalism ( EAFTA or other forms ) how can this be ensured? One possibility is to formulate broader and more comprehensive agreements. The actors in such bilateral cooperation must be reminded that ASEAN + 1 format is only a “bridge” for realizing a wider and further regionalism in East Asia. Early efforts are indeed necessary to push for EAFTA and comprehensive cooperation. This is difficult and will certainly take a long-term process. But, with some recent positive indications, it has become something that could be achieved. At present stage however, the “best” way forward through is individual/bilateral frameworks. For the longer term, although it is difficult to predict, the framework could possibly be a wider grouping including all the members of ASEAN + 3 or perhaps even more. But, the fact has to be examined for to be certain, and a long-term process would prove it.

### Notes:

1. The EASG report contains with the evaluation of the East Asian Vision Group ( EAVG ) recommendations. The EASG had submitted the report, last Dec. 2002 at the ASEAN Summit in Phnom Pen. The EASG consists of high officials, while EAVG consists of academics/scholars from the East Asian region.
2. The total amounts in US\$ taken from the data of MOF, Japan ( 2002 ) at <http://www.mof.go.jp>.
3. Although it was not said clearly which countries were disappointed with Japan's decision to abandon AMF, but it could be guessed that Malaysia and Indonesia were among them. The disappointments were only turned out in ASEAN meetings, never told to Japan formally ( Alatas, 2003 )
4. At first, only 5 ASEAN countries ( Indonesia, Malaysia, the Philippines, Singapore and Thailand ) were the signatories, but after the CMI, Brunei agreed to join ASA. While, for CLMV countries, flexibility has been given for their gradual accession into ASA. ASA has been enlarged to US\$ 1 billion effective on Nov. 17, 2000.
5. Data are taken from Cheong Wa Dae, Office of the President, Republic of Korea at [http://www.president.go.kr/warp/app/home/en\\_home](http://www.president.go.kr/warp/app/home/en_home) & ASEAN Secretariat Discussion Paper, Sept. 2003.
6. “10 minus X” cooperation model has been proposed in the ASEAN+3 forum due to the differences of development levels among the ASEAN member countries. So, if one or more countries were not ready yet, the other countries would still continue the cooperation with one of the Plus 3 countries.

### LIST OF ABBREVIATIONS

ACD: Asian Cooperation Dialogue

ADB: Asian Development Bank

AMF: Asian Monetary Fund

APEC: Asian Pacific Economic Cooperation

ARF: ASEAN Regional Forum  
ASA: ASEAN Swap Arrangement  
ASC: ASEAN Standing Committee  
ASEAN + 3: Association of Southeast Asian Nations + 3 countries ( Japan, China & South Korea )  
ASEM: ASEAN-Europe Meeting  
BIS: Bank for International Settlements  
CEP: Closer Economic Partnership  
CLMV: Cambodia, Lao PDR, Myanmar, Vietnam  
CMI: Chiang Mai Initiative  
EAC: East Asia Community  
EAEC: East Asian Economic Caucus  
EAEG: East Asian Economic Group  
EAFTA: East Asian Free Trade Area  
EAS: East Asia Summit  
EASG: East Asia Study Group  
EAVG: East Asia Vision Group  
EU: European Union  
FDI: Foreign Direct Investment  
FTA: Free Trade Area  
IMF: International Monetary Fund  
MFG: Manila Framework Group  
MOF: Ministry of Finance  
MOFA: Ministry of Foreign Affairs  
NAFTA: North American Free Trade Area  
NMI: New Miyazawa Initiative  
ODA: Official Development Assistance  
OECD: Organization of Economic and Cooperation Development  
PMC: Post Ministerial Conference  
RTA: Regional Trade Arrangement  
WTO: World Trade Organization

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