

# “When East Asia Meets Europe”

**Explaining the Different Approaches of South Korea and Japan  
Toward East Asian Regionalism During 1998-2007**

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**Joo Hee Kim**

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Erstgutachterin: Prof. Dr. Tanja B ö r z e l

Fachbereich Politik- und Sozialwissenschaften

Freie Universit ä t Berlin

Zweitgutachter: Prof. Dr. Hyung Kook Kim

Department of Politics and International Relations

Chung-Ang University

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## Abstract/ Zusammenfassung

In the wake of the financial crisis in East Asia in the second half of 1997/8, East Asia has taken serious consideration of the prospects for regional community building. Since then, East Asian countries became more competitively engaged with their region. South Korea and Japan, who had limited engagements in foreign/regional policy during the Cold War, developed different responses and approaches toward East Asian regionalism in East Asia. Observing their efforts in building regional cooperation during the period between 1998 and 2007, it is notable that South Korea had been relatively active, whereas Japan had been passive in response to its neighbour's involvement in the East Asian regional framework, particularly in regard to China's role in shaping regional cooperation. South Korea's EU-inspired vision of regional integration and its assimilation of European ideas about regional integration associate strongly with its active engagement in a newly emerged East Asian regionalism. While precedent explanations such as external crises/shocks and external influences can account for the stimulation of regionalism in East Asia, these factors alone cannot explain the different approaches taken by South Korea and Japan to shape regional cooperation frameworks. In order to solve the puzzle, the thesis investigates two specific questions: (1) How can we explain South Korea's active engagement with (North) East Asian regionalism in contrast to Japan's passive, reluctant involvement? (2) Why have European ideas concerning regional integration been accepted by South Korea but ignored by Japan?

Drawing on four mechanisms of diffusion (coercion, competition, lesson-drawing, emulation), this thesis tries to explain the differential approaches of South Korea and Japan towards East Asian regionalism. Although the mechanisms of coercion and competition do not give satisfactory explanations for the different approaches of the two countries, both the role of the US (coercion) and the rise of China (competition) should be considered as significant explanatory factors which still prevail in South Korea and Japan. Therefore, the thesis incorporates structural conditions and domestic constraints which mediate the impact of coercion and competition on South Korea and Japan into the theoretical framework. The empirical part of the thesis analyzes the differential approaches of the two countries in light of the theoretical framework. By complementing inductive narrative and process tracing, this dissertation employs comparative analysis of different stances of South Korea and Japan toward East Asian regionalism during the period 1998-2007.

This thesis argues that South Korea was inspired to form policy ideas concerning regionalism by drawing lessons from the European experience and emulating European ideas concerning regional integration. It is this which explains South Korea's active participation as a pace-setter in regional cooperation arrangements as well as FTAs. Japan, however, has taken an ambivalent and unstable stance toward East Asian regionalism. It has lacked policy ideas, followed the dictates of U.S. interests in the region, and only became involved in regionalism as a means to oppose China's rise to prominence. Whilst, South Korean leaders developed policy ideas for regionalism and attempted to overcome its structural condition and domestic constraint such as national division by balancing its relations with the United States and China, the Japanese, under Koizumi, reinforced the U.S.-Japan alliance and displayed indifference or ignorance toward their neighbours. This thesis provides not only explanations for the two countries' differential approaches toward East Asian regionalism, but also advances a plausible account of how European ideas concerning regional integration were transmitted to South Korea's political leaders.

Nach der Finanz-, Währungs- und Wirtschaftskrise in Ostasien im Jahr 1997/1998 wurde in Ostasien verstärkt über die Chancen des regionalen Zusammenwachsens nachgedacht. Die ostasiatischen Staaten haben sich seitdem aktiver in ihrer Region eingebracht. Zur Zeit des Kalten Krieges stand die regionale Außenpolitik Südkoreas und Japans für eingeschränktes Engagement. Hiernach entwickelten die beiden Staaten jedoch neue Ideen und Vorgehensweisen bzgl. des ostasiatischen Regionalismus. Bei einer Betrachtung der Bemühungen beider Staaten um den Ausbau regionaler Kooperation zwischen den Jahren 1998 und 2007 fällt auf, dass Südkorea relativ aktiv war, wohingegen Japan der Beteiligung seines Nachbarn am ostasiatischen Regionalstruktur eher passiv gegenüberstand, insbesondere bzgl. der Rolle Chinas bei der Gestaltung regionaler Kooperation. Südkoreas von der EU inspirierte Vision regionaler Integration und seine Nutzung europäischer Konzepte regionaler Integration gehen Hand in Hand mit seiner aktiven Teilhabe am neuen ostasiatischen Regionalismus. Bisherige Ansätze wie z.B. externe Krisen bzw. Schocks und externe Einflussfaktoren sind geeignet, die Belebung des Regionalismus in Ostasien zu erläutern. Allerdings können diese Faktoren für sich genommen nicht die unterschiedlichen Ansätze Südkoreas und Japans zur Gestaltung regionaler Kooperation erklären. Daher sollen in dieser Arbeit zwei grundlegende Fragen beantwortet werden: 1. Worauf gründet sich Südkoreas aktives Vorantreiben des (nord-) ostasiatischen Regionalismus im Gegensatz zu Japans passiver, zurückhaltender Beteiligung? 2. Warum wurden europäische Gedanken zur

regionalen Integration von Südkorea aufgegriffen, aber von Japan ignoriert?

In dieser Arbeit sollen die unterschiedlichen Ansätze Südkoreas und Japans zum ostasiatischen Regionalismus durch vier Mechanismen der Diffusion (Zwang, Wettbewerb, Lernprozess und Emulation) untersucht werden. Zwar können die unterschiedlichen Ansätze der beiden Länder durch die Mechanismen des Zwangs und des Wettbewerbs nicht vollständig ergründet werden. Aber sowohl die Rolle der USA (Zwang) als auch der Aufstieg Chinas (Wettbewerb) sollen als bedeutsame Faktoren begriffen werden, die nach wie vor Einfluss auf Südkorea und Japan ausüben. Im Theorieteil dieser Arbeit werden deswegen strukturelle Rahmenbedingungen und innenpolitische Sachzwänge, welche die Wirkung von Zwang und Wettbewerb auf Südkorea und Japan beeinflussen, behandelt. Im empirischen Teil der Arbeit werden die unterschiedlichen Ansätze der beiden Länder mittels des theoretischen Rahmens analysiert. Mittels Verbindung von induktiver Erzählung und Ablaufverfolgung wird in dieser Arbeit eine vergleichende Untersuchung der unterschiedlichen Haltungen Südkoreas und Japans zum ostasiatischen Regionalismus zwischen den Jahren 1998 und 2007 durchgeführt.

Es soll in dieser Arbeit dargelegt werden, dass Südkorea zur Ausformulierung politischer Konzepte zum Regionalismus animiert wurde, indem Lehren aus den in Europa gesammelten Erfahrungen gezogen und europäische Entwürfe zur regionalen Integration adaptiert wurden. Dies gibt Aufschluss über Südkoreas Rolle als treibende Kraft hinter Übereinkünften zu regionaler Kooperation sowie Freihandelsabkommen. Japan Haltung zum ostasiatischen Regionalismus ist indes ambivalent und unstet; dem Land fehlen in diesem Zusammenhang konkrete Politikansätze. Japan folgte den aus den regionalen Interessen der USA erwachsenden Vorgaben und sein Interesse am Regionalismus entspringt dem Bestreben, Chinas Aufstieg ein Gegengewicht zu schaffen. Während südkoreanische Politiker politische Konzepte zum Regionalismus entwickelten und darauf bedacht waren, strukturellen Rahmenbedingungen und innenpolitischen Sachzwängen, die z.B. durch die Teilung des Landes auferlegt sind, durch ein ausbalanciertes Beziehungsgeflecht mit den USA und China entgegenzuwirken, hat Japan unter Koizumi das Bündnis zwischen den USA und Japan gestärkt; seinen Nachbarstaaten gegenüber war es gleichgültig oder ignorant. In dieser Arbeit wird erklärt, warum die beiden Staaten unterschiedliche Ansätze zum ostasiatischen Regionalismus verfolgen, und aufgezeigt, wie europäische Konzepte zur regionalen Integration südkoreanischen Politikern übermittelt wurden.

## Abbreviation

**ACU** Asian Currency Unit

**ADB** the Asian Development Bank

**AFTA** the ASEAN Free Trade Area

**AMF** the Asian Monetary Fund

**AMM** ASEAN Ministerial Meeting

**APEC** the Asia Pacific Economic Cooperation

**ARF** ASEAN Regional Forum

**ASEAN** Association of Southeast Asian Nations

**ASEAN+3** ASEAN Plus Three

**ASEM** Asia-Europe Meeting

**ATOM** the Atomic Community

**BSA** the Bilateral Swap Arrangement

**CEPEA** Comprehensive Economic Partnership in East Asia

**CFSP** the Common Foreign and Security Policy

**CMI** the Chiang Mai initiative

**CSCE** the Council on Security Cooperation in Europe

**DPJ** the Democratic Party of Japan

**EAEC** the East Asian Economic Caucus

**EAEG** East Asian Economic Grouping

**EAFTA** East Asia Free Trade Area

**EAS** the East Asia Summit

**EASG** the East Asian Study Group

**EAVG** the East Asian Vision Group

**EC** the European Community

**ECSC** the European Coal and Steel Community

**EEC** the European Economic Community

**EPA** Economic Partnership Agreement

**EU** the European Union

**FKI** the Federation of Korean Industries

**FTAAP** Free Trade Area of the Asia-Pacific

**IMF** the International Monetary Fund

**IPAP** the Investment Promotion Action Plan

**JDA** the Japan Defence Agency

**JSP** the Japan Socialist Party

**KEDO** the Korea Peninsula Energy Development Organization

**LDP** Liberal Democratic Party

**MAFF** the Ministry of Agriculture, Forestry and Fisheries

**METI** the Ministry of Economy, Trade and Industry

**MITI** the Ministry of International Trade and Industry

**MOCIE** the Ministry of Commerce, Industry, and Energy

**MOAF** the Ministry of Agriculture and Forestry

**MOF** Ministry of Finance

**MOFA** the Ministry of Foreign Affairs

**MOFAT** the Ministry of Foreign Affairs and Trade

**MOFE** the Ministry of Finance and Economy

**NAFTA** the North American Free Trade Area

**NEA** Northeast Asia

**NSC** the National Security Council

**OMT** the Office of the Minister for Trade

**OSCE** the Organization for Security and Cooperation in Europe

**PMC** Post-Ministerial Conference

**SDPJ** Social Democratic Party of Japan

**TAC** Treaty of Amity and Cooperation

**TC** Trilateral Cooperation

**TFAP** the Trade Facilitation Action Plan

**UNESCO** the United Nations Educational, Scientific, and Cultural organization

**WTO** the World Trade Organization

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## 1. Introduction

Compared with the remarkable European achievement of regional integration East Asia's efforts to develop a regional cooperation have been weak. Up until the mid-1990s it was difficult for the three Northeast Asian countries (China, Japan and the South Korea) to actively participate in regional cooperation. Despite increasing intra-regional trade and investment ties in the East Asian region,<sup>1</sup> Northeast Asia seemed averse to integration in ways that political theorists struggled to explain. However, in the wake of the financial crises that began in Asia in the second half of 1997/98, East Asia as a region has taken serious consideration of the prospects for regional cooperation. Since then, community building in East Asia has actually progressed considerably. Following the inauguration of the ASEAN Plus Three (ASEAN+3) Summit<sup>2</sup> in Kuala Lumpur in 1997, the leaders of ASEAN, China, Japan, and South Korea have met annually to promote dialogue and to consolidate their collective efforts with a view to advancing mutual understanding, trust, good relations, peace, stability and prosperity in East Asia. These efforts were followed by the East Asia Summit in 2005 that also included Australia, India and New Zealand, and since 2008 the three Northeast Asian countries have formalized an annual Trilateral Cooperation out of ASEAN+3 as a celebration of 10 years of collaboration.

### **Empirical Puzzling**

Since the Second World War the USA became the dominant power in East Asian region. External relations in this region, above all those of Japan and South Korea, have been strictly oriented toward the USA. This has chiefly involved the unification of defense policy, with both countries incorporating themselves into the US security umbrella when dealing with the

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<sup>1</sup> In Manila of 1999, the leaders of the three Northeast Asian countries gathered for an informal breakfast. This was unprecedented: there had never been a summit among the leaders of the three countries before. At the suggestion of Japan's Prime Minister Obuchi, the three leaders agreed to hold a separate meeting of their own for the first time (Tanaka 2007: 64-65).

<sup>2</sup> The 13 countries of ASEAN Plus Three (ASEAN+3) are called "East Asia", and comprise the 10 members of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and its Northeast Asian neighbors (China, Japan, and South Korea). ASEAN has emerged in 1967 as the main focal point for multilateral engagements in East Asia. The first step was taken when ASEAN invited the foreign ministers of its dialogue partners for a Post-Ministerial conference (PMC) at the ASEAN Ministerial Meeting (AMM) in 1979. PMCs were the only occasions in which foreign ministers of major countries in the Asia Pacific region could gather together to discuss political issues. However, they had their own limitations, namely that the issues discussed in the ASEAN PMCs were largely limited to those related to Southeast Asia, while the major countries in Northeast Asia were not involved in the process (Tanaka 2005).



threat of communism, nuclear provocation from North Korea, or unsolved territorial disputes.

It was in response to America's dominance that countries in this region accepted the concept of "East Asia" (a concept that excluded the USA) as the basis for the regional forum APEC; this was because the member-nations of APEC did not see the efficacy of building a conception of regionalism that would recreate an American hegemony over their agenda (Maull 2001; Ravenhill 2001; Krauss 2000). As a result of the dominant role of the U.S., the prevailing geopolitical constellation, and mutual indifference between Europe and East Asia, the diffusion of European ideas on East Asia was unlikely to meet much success.

In 1997/8 the Asian economic crisis brought about the urgent need for the creation of a regional mechanism to deal with economic problems in the region. This is in accordance with constructivism, which predicts both the development of new regions under conditions of crisis or external coercion, and that actors will be more open to learning and persuasion when they share problems (Risse 2004; Wendt 1999). It was not, therefore, the necessity of regional cooperation itself that established new regional mechanisms. If that is the case, Asian countries would strengthen the efforts for regional cooperation within the existing framework, APEC. Asian countries also found out that the current regional cooperation framework did not work for their interests. There was serious conflict of interest between the U.S. and Asian countries (Webber 2001). Because they were disappointed that APEC was incapable of responding to a regional economic crisis, Asian countries, instead, looked for alternatives (Yu 2003; 2006).

ASEAN+3 has surprisingly served as a mechanism for promoting East Asian cooperation, and it now constitutes the most important political development in the region, providing an 'embryo of an East Asian regional organization' (G.C. Bae 2002; Hund 2003; Hund and Okfen 2001; Nabers 2003; Soestro 2003; Stubbs 2002; Tanaka 2007; Terada 2003; Webber 2001). The most distinctive feature of ASEAN+3 is that it expresses a restricted understanding of regionalism. Unlike trans-Pacific groupings like APEC, ASEAN+3 is exclusive, effectively marking the boundaries of East Asia in a way that ruled out countries on its periphery: the United States, Australia and New Zealand. The East Asian Economic Caucus (EAEC), considered as the first exclusive East Asian grouping, was initiated by Malaysian Prime Minister Mahathir in 1992 to act as a counter-weight to the American policy of imposing liberalization on the Asia Pacific Economic Cooperation (APEC) forum

(Jones/Smith 2007: 172). As a result, the EAEC, due to its anti-Western component, faced fierce opposition from the U.S., Australian, Japanese, and South Korean governments.

Since then, East Asian countries became more competitively engaged with their region. South Korea and Japan, who had limited engagements in foreign/regional policy during the Cold War, developed different responses and approaches toward shaping regional formations/frameworks in East Asia. During the period 1998-2003, South Korea took an active role in shaping regional cooperation by utilizing the EU as a model. In contrast, Japan was a reluctant leader of regional cooperation, and the policies it promoted made no reference to the EU. During the period 2004-2007, both South Korea and Japan played an active and increasingly competitive role in attempting to form an “East Asian” regional grouping. South Korea focused on supporting the Northeast Asian (Trilateral) Cooperation as well as the ASEAN+3 in terms of an EU model of regional cooperation, whereas Japan focused on Asia developing the Asia Pacific East Asian Summit, principally by expanding the ASEAN+3 to include Australia and New Zealand (ASEAN+5). Observing their efforts in building regional cooperation during the period between 1998 and 2007, it is notable that South Korea had been relatively active, whereas Japan had been passive in response to its neighbours’ involvement in the East Asian regional framework, particularly in regard to China’s role in shaping regional cooperation. South Korea’s EU-inspired vision of regional integration and its assimilation of European ideas about regional integration correlate strongly with its active engagement in a newly emerged East Asian regionalism.

While external crises/shocks (like the economic crisis in 1997/8) and external influences (e.g. competitive regionalism or interaction between Europe and East Asia) can account for the stimulation of regionalism in East Asia, these factors alone cannot explain the different approaches taken by South Korea and Japan to shape regional cooperation frameworks, or future regional integration. I will raise two more specific questions: (1) How can we explain South Korea’s active engagement with (North) East Asian regionalism in contrast to Japan’s passive, reluctant involvement? (2) Why have European ideas concerning regional integration been accepted by South Korea but ignored by Japan? By dealing with these questions, this dissertation aims to discover how and under what conditions, the diffusion of (European) ideas concerning regional integration occurs in (North) East Asia, a region which currently has few shared institutional frameworks.

## **The Structure of the Dissertation**

This dissertation contains two parts. In the theoretical analysis, I firstly conceptualize my dependent variable, namely the differential approach of South Korea and Japan toward East Asian regionalism as the diffusion outcome of European ideas concerning regional integration in chapter 2.

I then provide an overview of four relevant mechanisms for the diffusion of theories: coercion, competition, lesson-drawing, and emulation (Dobbin, Simmons and Garrett 2007; Gilardi 2011; Simmons/Dobbin/Garrett 2006). In order to elucidate the different responses taken by South Korea and Japan, in chapter 3, I present a framework for theoretical explanation. The causal mechanisms for the empirical case study will be outlined by collating data from five separate areas: (1) A review of precedent studies of diffusion mechanisms, such the work of Bärzel and Risse (2009). (2) The identification of mechanisms for the diffusion of regional integration ideas focusing on the EU as a (in)direct promoter/sender of ideas. (3) A review of the literature on international political economy (Braun/Gilardi 2006; Braun et al. 2007; Dobbin, Simmons and Garrett 2007; Gilardi 2005; 2011; Jordana/Levi-Faur 2005; Levi-Faur 2005; Meseguer 2004, 2005; Simmons/Elkins 2004; Simmons/Dobbin/Garrett 2006). (4) An analysis of studies on Europeanization focused on member states of the EU (Bärzel/Risse 2002; 2003; Olson 2002). (5) An exploration of the work of Schimmelfennig and Sedelmeier (2005), which concentrates on non-member states in central and eastern Europe in order to identify intervening variables, that is, the necessary conditions for the diffusion of European ideas about regional integration (see Aggarwal/Koo 2008; Choi/Moon 2010: 364; H.K.Kim 2007a; 2008). In addition to this exploration of the literature, this chapter will provide my research strategy to establish causality.

The following chapters provide empirical analyses. It will explicate why South Korea and Japan had taken different approaches toward East Asian regionalism. And it will further implicate why, how, and under what conditions European ideas can spread to East Asian countries, especially South Korea.

In the empirical analysis, chapter 4 maps dependent variable. I firstly provide an overview of East Asian Regionalism, namely the new movements that have arisen in East Asian regionalism following the founding of the ASEM. I then contrast the different responses of South Korea and Japan, namely differential approaches toward East Asian regionalism: South

Korea's active engagement/ Japan's passive engagement in East Asian regional cooperation frameworks; South Korea's enthusiastic acceptance to European ideas of regional integration/ Japan's non-acceptance.

In the following two chapters (5 and 6), I explore the conditions that have shaped the different responses of South Korea and Japan were generated by dealing with a variety of external and internal factors. Chapter 5 focuses on how the structural conditions of each country can explain the divergent approaches they take toward regional cooperation frameworks. This involves taking into consideration historical constraints, orientation toward the US, the rise of China, regime change, veto players and the role of political leadership.

Chapter 6 elucidates the reasons why, in contrast to their Japanese counterparts, South Korean political leaders accepted European ideas about regional integration, and then examines the conditions which have facilitated reference to these ideas. Firstly, I examine the interactions level of interactions between East Asia and Europe: Inter-regionalism; bilateral relations, describing interactions between two regions: between the EU and South Korea, and between the EU and Japan. Secondly, the different responses taken by South Korea and Japan to European ideas concerning regional integration will be analysed by reflecting upon the diffusion theories previously outlined in chapter 3 and by controlling for diffusion mechanisms with weak explanatory power. Thirdly, the two South Korean presidents had frequently referred to the EU and European integration which will be discussed in chapter 6.2 in more detail. The causal mechanisms of emulation and the conditions needed for the diffusion of European ideas regarding regional integration will be identified and traced.

Finally, the conclusion summarises my empirical findings by incorporating the two causal narratives into the theoretical framework developed from the diffusion theories; this is done in order to demonstrate the significant role played by political leaders in learning about European ideas of regional integration. In the closing sections, the main contributions and limitations of this thesis are discussed by reviewing the results of the empirical study, and further research agendas for comparative studies of regionalism are considered.

# I Diffusion Theories and Differential Approaches of South Korea and Japan toward East Asian Regionalism

## 2. The Diffusion of European Ideas Concerning Regionalism

According to Rogers (1983: 5) diffusion is defined as “the process by which an innovation is communicated through certain channels over time among the members of a social system.” Because diffusion processes are characteristically uncoordinated processes (Elkins and Simmons 2005), a rational perspective is limited in its ability to fully explain the processes involved (Dobbin/Simmons/Garrett 2007; Meseguer 2006; Simmons/ Dobbin/Garrett 2006). Studies of diffusion investigate “not simply about whether and how ideas matter, but also which and whose ideas matter” (Acharya 2004: 239). While conventional approaches of policy diffusion focus only on domestic variables (Sugiyama 2008: 194-195), diffusion theories commonly suppose that a country’s regional integration policy has an impact on the choices of others (Dobbin/Simmons/Garrett 2007). However, a country’s domestic beliefs regarding the diffusion of European ideas of regional integration, as well as the beliefs supported by organizational institutions or the intelligentsia, all combine to constitute a “legitimate normative order” which also determines whether foreign ideas are accepted (Acharya 2004: 239). As studies of government innovation have showed, these two principal forms of explanation for the diffusion of ideas by a state could be incorporated into a model reflecting the simultaneous effects of both internal determinants and diffusion models (Berry/Berry 2007).

The regional diffusion model posits that states are influenced primarily by other states that are geographically proximate. Neighbour models (Berry/Berry 2007) assume that states are influenced exclusively by those with which they share a border. A more realistic regional diffusion model might assume that states are influenced most by their neighbours, but also by other states that are nearby. Berry and Berry (2007: 229) “hypothesize that the probability that a state will adopt a policy is positively related to the number or proportion of states bordering it that have already adopted it”. In trying to understand the new movements in East Asian regionalism since 1997 and regional integration policies of South Korea and Japan, the limitations of the neighbour model are exposed: APEC, based on Asia-Pacific transregional cooperation, was the first regional arrangement in which South Korea and Japan participated, this was followed in 1996 by the ASEM based on Asia-Europe interregional cooperation. Both of these trans-/inter-regional frameworks promoted exclusive East Asian regionalism, namely the ASEAN+3, Trilateral Cooperation among China, Japan, and South Korea.

Rogers' individual-level diffusion model assumes that the people who are most likely to emulate European ideas are those who share common beliefs, education and social status (Rogers 1983: 274-275). This isomorphism (DiMaggio/Powell 1991: 66) is best described as a "process of homogenization", which Berry and Berry argue means "that a state is most likely to take cues about adopting a new policy from other states that are similar, as these states provide the best information about the nature of the policy and the likely consequences of adopting it" (Berry/Berry 2007: 230). Therefore, as Berry and Berry (2007: 230-231) indicate, while isomorphism leads to regional diffusion, where nearby states tend to be similar in many aspects, states share also similarities with states that are not geographically proximate. Therefore, the diffusion of (European) ideas concerning regional integration into East Asia could be based on ideological similarity (Baturu/Gray 2009; Grossback/Nicholson-Crotty/Peterson 2004; Sugiyama 2008), as well as a wide range of political, demographic and budgetary similarities (Volden 2006). In addition, cultural commonality and historical connection can be important factors in this diffusion model (Weyland 2004: 256). An idea could diffuse within peer groups of nations, organized on the basis of shared geopolitical and economic characteristics (Brooks 2005: 281).

Diffusion mechanisms are not necessarily dependent on a direct influence that serve as an active promoter of ideas, but can also be subject to indirect influences. The indirect diffusion of ideas will likely take the form of imitation and voluntaristic borrowing of successful policies or institutions (Börzel/Risse 2009). While the diffusion of European ideas has sometimes reflected a "form of colonialization, coercion and imposition" on Southeast Asian countries, the recipients of these ideas might copy European arrangements because of their perceived functionality, utility or legitimacy (Olson 2002: 938). Drawing on case studies showing the different responses that have been taken toward East Asian regionalism (in terms of the active and passive reactions to regional policy in South Korea and Japan, as well as their acceptance of European ideas concerning regional integration), I try to answer questions about whose ideas matter, why they matter, and how and under what conditions they spread.

As Olson (2002: 938) argues, the diffusion of European ideas about regional integration will be determined "by the interaction between outside impulses and internal institutional traditions and historical experiences", consequently the outcome of diffusion might depend on the process of diffusion. Therefore, the different responses in South Korea and Japan regarding European ideas about regional integration and East Asian regionalism could be

explained by tracing the interaction between external and domestic factors.

In the wake of external crises/shocks, especially the Asian financial crisis, East Asian leaders had an opportunity to consider the need to create a regional mechanism to solve financial/economic problems in the region (Aggarwal/Koo 2008; G.C. Bae 2002; Hund 2003; Hund and Okfen 2001; Nabers 2003; Soestro 2003; Stubbs 2002; Tanaka 2007; Terada 2003; Webber 2001; Yu 2003; 2006). These factors did not necessarily come about as a result of the different responses of East Asian countries. The variations depend significantly on countries' international positions, existing institutions in the region, and domestic constellations: domestic power structures and beliefs and ideas held by the political elite (Aggarwal/Koo 2008).

While external shocks/crises stimulated the need for creating regional cooperation in East Asia (Aggarwal/Koo 2008), there were a whole range of varying responses to regionalism that either facilitated or hindered the development of regional frameworks. The different responses can be defined as pace-setters, fence-sitters and foot-draggers (Börzel 2002); these often took the form of competing visions of how regional political/economic/security interests should be shaped. While I recognize that other factors play a role in shaping regional cooperation in East Asia, I aim to highlight the effect that the diffusion of European ideas has had on the perceptions and policies of East Asian countries, particularly in regard to South Korea and Japan. Therefore this dissertation focuses on the diffusion processes of European ideas concerning regional integration, while not ignoring the diffusion processes of regionalism in East Asia itself.

In this chapter, in order to conceptualize the diffusion of (European) ideas of regional integration, I will firstly suggest two operational variables of dependent variable: (1) the active or passive response to East Asian regionalism, (2) the acceptance or non-acceptance of European ideas concerning regional integration. Then, I will show what would be considered as a European idea of regional integration for East Asia.



## 2.1 Conceptualizing the Diffusion of (European) Ideas about Regional Integration in East Asia as Differential Approaches of South Korea and Japan toward East Asian Regionalism

This section conceptualises the dependent variable used in this dissertation. If European ideas about regional integration are diffused to East Asian countries, they will show active responses to regionalism, although other factors could also explain their various responses to East Asian regionalism (see chapter 3). In section 2.1.1 countries' responses to East Asian regional cooperation will be operationalized in terms of active and passive approaches of East Asian. With the help of the conceptual framework of Börzel (2002), I borrow the notion of differentiated responses: pace-setting, foot-dragging and fence-sitting. However, the diffusion of European ideas is not the only reason for countries' different responses to grouping and shaping new institutions for regional integration. So, this dissertation needs a second additional operationalizing variable, which will check whether the EU/European idea of regional integration is accepted for countries' different approaches.

Section 2.1.2 addresses the question of how we can recognize the diffusion of (European) ideas concerning regional integration when we see it. In particular, I intend to show how ideas are spread by indirect diffusion. Ideas are spread not by passive recipients of foreign political ideas, but by active and inspired borrowers (Acharya 2004: 244). Therefore, which ideas are transferred will depend on the recipients. I look at what kinds of perspective recipients take on (European) ideas about regional integration. Then, looking from particular recipients' perspectives I detail how these ideas have been transferred (Lee/Strang 2006; Schmitter/Kim 2008).

In order to clarify why countries take different approaches toward East Asian regionalism and furthermore, how the diffusion of European ideas about regional integration has taken place, South Korea and Japan during the period 1997-2007, have been selected as case studies: South Korea is shows the diffusion of European ideas about regional integration (active action in shaping regional policy inspired by European ideas; learning and emulation of European ideas about regional integration); Japan presents a contrary case (ambivalent action in shaping regional policy; no diffusion of European ideas about regional integration).

### 2.1.1 Diffusion Outcome of (European) Ideas about Regional Integration

This thesis argues that European ideas about regional integration constitute one of the most significant factors on the differential approaches of South Korea and Japan toward East Asian regionalism. Although most East Asian politicians and scholars do not deny that the EU is the most advanced and successful regional polity, they all fail to borrow or emulate the model of the EU in formulating their regional policy. Therefore, in order to research the diffusion of European ideas about regional integration, this study aims to investigate the divergent responses of two countries. My dependent variable has two operationalizing dimensions: (1) East Asian countries' differential approaches in shaping regional cooperation/integration frameworks and the formulation their respective policies; (2) the acceptance of European ideas about regional integration. These two dimensions are related to South Korean and Japanese policy made during the period 1998-2007.

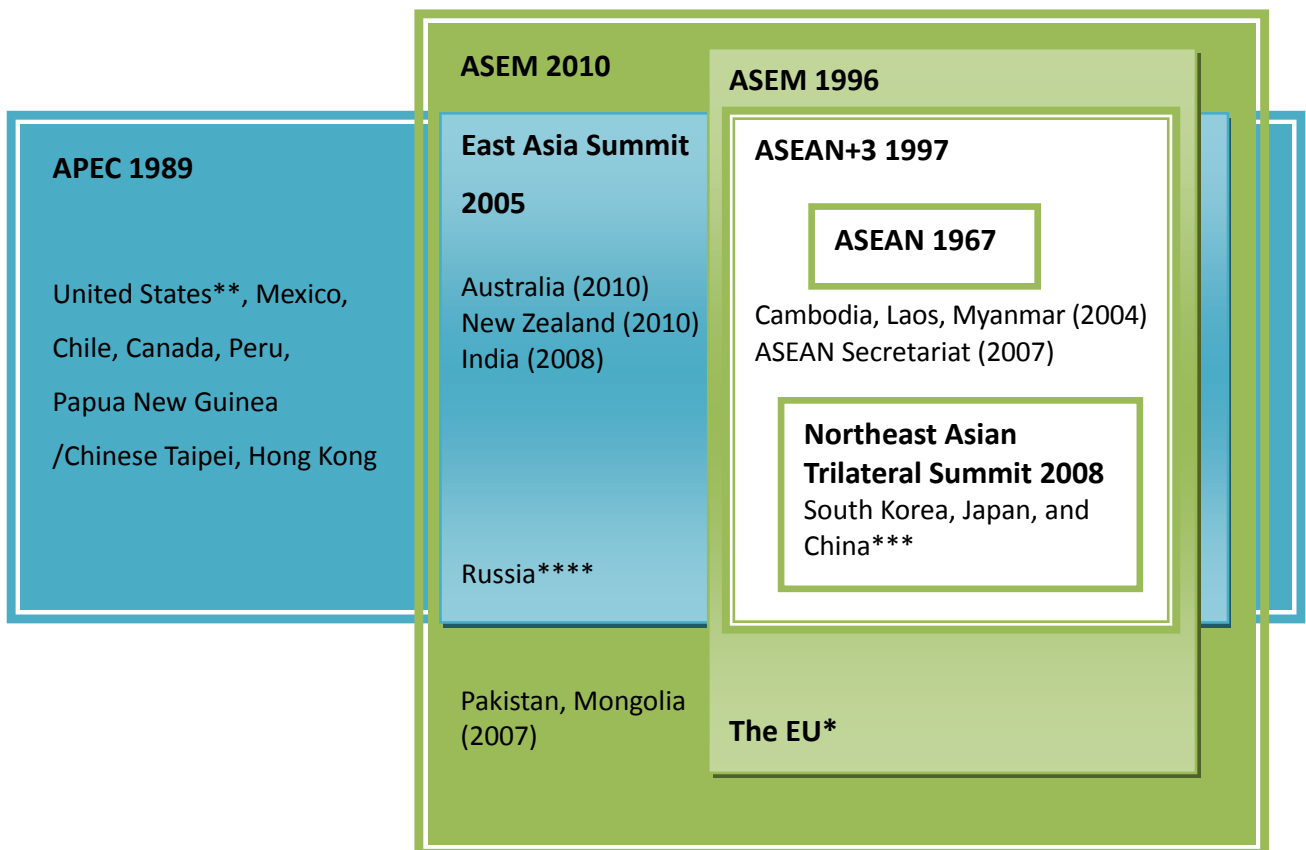
#### **Countries' Responses to Regionalism: Pace-Setter/Fence-Sitter/Foot-Dragger**

With the help of the conceptual framework of Börzel (2002), which strives to account for the different ways in which Member States have responded to Europeanization, I borrow the notion of differentiated responses: pace-setting, foot-dragging and fence-sitting. Pace-setting involves an active attitude toward shaping East Asian regional cooperation; foot-dragging is exactly opposite of pace-setting. It aims at stopping or at least containing the attempts of other member states' active efforts at shaping integration, although foot-dragging has been hardly observable in shaping East Asian regionalism. Before 1998, both South Korea and Japan had been foot-draggers regarding the formation of an exclusive East Asian community, e.g. the formation of the EAEC grouping; Fence-sitting, "is a more ambivalent strategy, which consistently aims neither at initiating or promoting specific policies" related to regional cooperation, "nor at preventing the attempts of others to do so" (Börzel 2002: 206).

Considering the exclusive geographical character of European integration, "East Asia" has gained its regional meaning only recently. As Nakamura (2008) observes, "Southeast Asia and Asia-Pacific predate East Asia as a regional reference". Also notable is fact that the ASEAN+3 countries have even convened an East Asian Summit that includes Australia, India, and New Zealand and has even expanded its membership to the U.S. and Russia. Therefore, the East Asia Summit has the character of a global forum. It is deniable, though, that

ASEAN+3, along with ASEAN, surely helped the formation of the Trilateral Cooperation of China, Japan, and South Korea. Therefore, as the figure 2-1 shows, “the definition of “East Asia” hinges more on economic and political purposes than on precise geography ... The 10 members of ASEAN, along with China, Japan, and Republic of Korea, are not only the primary participants in East Asia with exclusive character but also constitute the most consistent centrality in the various ad hoc arrangements” (Nakamura 2008: 4). In the course of regional formation in East Asia, competition among East Asian countries could be one of the main factors driving new regional activism towards cooperation. This, therefore, points us towards the need to outline the second operationalizing dimension of the dependent variable of this study.

**(Figure 2-1) Regional Formations in East Asia**



Source: Author.

Note:

\*the EU side of the ASEM expansion including the ten new members of the EU at the 5<sup>th</sup> ASEM Summit in Hanoi (October 2004); the second round of enlargement included Romania and Bulgaria (2007)

\*\*United States: East Asia Summit 2010

\*\*\*China: APEC 1991

\*\*\*\*Russia: APEC 1998/ East Asia Summit 2006/ ASEM 2010 (Year) ASEM accession

## **Countries' Acceptance of European Ideas about Regional Integration**

How do we know about the diffusion of these ideas? The second operational variable requires us to check whether the diffusion of European ideas concerning regional integration has taken place. To clarify this matter, this thesis aims to develop hypotheses capable of explaining the conditions under which South Korea has adopted European ideas about regional integration. The existing literature dealing with the impact of European integration on domestic changes (Europeanization) raises rule/norm adoption as a dependent variable and provides a rich resource of information on the institutionalization of the EU's rules, norms and ideas (see Bärzel/Risse 2003; Risse/Cowles/Caporaso 2001; Schimmelfennig/Sedelmeier 2005). Therefore, with the help of these studies on the process of Europeanization, it becomes possible to assess the degree to which countries accept European ideas concerning regional integration and thus concretize this as an important dimension of the dependent variable.

In pursuing this avenue of approach, this thesis will not ignore the formal and behavioural dimensions relevant to this issue, e.g., the establishment of formal institutions for implementing ideas, and the concrete actions of political leaders in shaping policy (see Bärzel/Risse 2003; Schimmelfennig/Sedelmeier 2005). One can also gauge whether a country has accepted certain European ideas about regional integration by assessing whether domestic actors are provided with a positive reference point which can guide their discussions (as determined by a discursive conception of norms – see Risse 2000; Risse/Sikkink 1999: 2-18; Schimmelfennig/Sedelmeier 2005; Schimmelfennig 2000). While the prevalence of positive references to European ideas about regional integration may, of course, only imply that domestic actors are simply employing rhetoric, one cannot discount the fact that it must also legitimately register a high degree of acceptance and emulation.

From the perspective of their recipients, what exactly do European ideas of regional integration look like? These ideas need to be understood as forming the functional logic employed by the EU in overcoming domestic constraints and regional conflicts. From the perspective of their East Asian recipients, these ideas manifest in the following two ways: (i) the belief that security and community can be established through economic cooperation; and (ii) the belief that regionalism should be predicated upon the universal values of human rights, democracy and the rule of law. The following subchapter will explain which ideas have been adopted in Northeast Asia. It will be my claim that the adoption of European ideas concerning

regional integration has occurred in two primary ways: (1) by providing an exemplar of regional integration, e.g. a successful case of regional integration; and (2) by providing practical, empirical knowledge about the conditions required for regional integration.

### 2.1.2 What Recipients Consider European Ideas Concerning Regional Integration?

Considering the diffusion of European ideas concerning regional integration, it is at first, important to identify precisely what is transferred. However, those who have attempted to identify its more generic ‘integrative properties’ tended to disagree about what these were and how far they would carry the process (Schmitter/Kim 2008). Indeed, few scholars and practitioners from the East Asian region have found it easy to utilize their work and hence invariably conclude negatively that Asia could not possibly expect to replicate the relative success of Europe (see Haas/Schmitter 1964). In regard to diffusion of European ideas of regional integration to Northeast Asia, there have been some attempts to draw lessons by comparing the EU to East Asia/Northeast Asia and that focus on “with the prospects for an eventual transnational regional organization/polity across two regions of differing national cultures, social structures, patterns of state-building, political regimes and geo-strategic locations” (Schmitter/Kim 2008: 15). While Southeast Asian governments have failed to find any positive lessons from the European model of regional integration, it is nonetheless a notable fact that the institutional framework of ASEAN bears many striking similarities to that of the EU (see the ASEAN Charter 2008). On the other hand, although regional entities such as ASEAN+3 or Trilateral Cooperation are still in the early stages of development and the institutionalization of regional organizations in (North)East Asia are far from the level of EU, the past of Europe is considered to be the future of Asia. This was the belief, for example, of the two presidents of South Korea during the ten years between 1998 and 2008; indeed, as Kim Dae-jung (2006) pointed out “as the example of the European Union has shown, Asia will eventually take the same course of integration”<sup>3</sup> (also see Roh 2006). It is notable that Japanese Prime Minister Hatoyama,<sup>4</sup> even though his period in office was short, referred to

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<sup>3</sup> This is based on the following assumption: that the units to be integrated into the ‘world’ or ‘transnational regions’ are “merely sovereign national states at various early stages in their formation” and which “will therefore follow already established developmental trajectories” (see Kim/Schmitter 2008).

<sup>4</sup> Hatoyama, Yukio. A New Path for Japan. The New York Times, August 27, 2009.

[http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html?\\_r=1&pagewanted...](http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html?_r=1&pagewanted...) 14.09.2009 (14.09.2009).

European integration as important for drawing lessons from when trying to achieve regional integration in East Asia.<sup>5</sup>

In order to conceptualize European ideas about regional integration which could be transferred, it is necessary to refer to regional integration as both a product and as a process. According to Schmitter and Kim (2008: 16-17; 24), “regional integration is a process, not a product.” As there has been no precedent for the “peaceful and voluntary integration of sovereign national states”, except for the European Union, no one can tell what the eventual outcome of the process will be (Ibid, 16). As the case of Western Europe shows, once East/Northeast Asian countries have sincerely committed to constructing a region, they might coordinate their motives for doing so. Their initial motive might be built around “security and geo-strategic reasons” and they might also find their shared goal to be “economic prosperity”, these then lay the ground for fostering a “unity of political action” (Ibid, 16). As Schmitter and Kim (2008: 16-17) note, “actors are more likely to resolve the inevitable conflicts of interest that emerge from the integration process by enlarging the tasks and expanding the authority of their common, supranational institutions” (also see Börzel 2005), which implies that “spillovers” are a likely outcome (see Herz 2002: 41-45). This means that neo-functionalism can be employed to explain the process of regional integration in order to formulate regional cooperation/integration policies.

In pursuing regional integration in East Asia or Northeast Asia, as was the case with European integration, no one could predict where the process will be heading for. The process of regional integration is inherently uncertain and unpredictable. Therefore, if one formulates one’s regional (integration) policy and then draws lessons from somewhere considered most successful, actually the only example of such integration in the world, one might benefit from paying attention to the products of European integration, namely the European Economic Community (EEC), the European Community (EC) and, of late, the European Union (EU) (Schmitter/Kim 2008: 14). Following this model, therefore, East Asian countries might start with economic integration. This means that East Asian countries could easily follow the functional spillover: intensification of economic integration leads to political integration. This idea is reflected in the report of the East Asian Vision Group (EAVG) (2001: 2), the EAVG envisioned East Asia as a regional community for peace, prosperity and progress. In order to

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<sup>5</sup> Although this is a rather isolated case in Japanese politics, with most politicians overlooking the relevance of the EU to these matters.

establish a regional community, they first focused on the economic field: “The economic field, including trade, investment, and finance, is expected to serve as the catalyst in this community-building process.” The range of economic integration in East Asia is narrowed down to financial coordination through a multilateral currency swap agreement called the Chiang Mai initiative and through the establishment of FTAs.

Southeast Asian countries have now established closer economic ties through the ASEAN Free Trade Area (AFTA) and also through the already existing ASEAN (even though it is more loosely institutionalized when compared with the EU), therefore, they might also be able to emulate or imitate the organizational structures and institutions of the EU. However, East Asia, including Northeast Asian countries, might naturally concentrate on the initial phase of economic integration that occurred in Europe which proceeded through a number of steps or stages. A similar trajectory has occurred in other regions of the world, although nowhere has the level of economic cooperation matched that found in the EU (Dinan 2003). FTAs are relatively new developments in East Asia. Except for the AFTA (see Dent 2006), East Asian countries did not establish FTAs during the mid-1990s. Now, however, the situation in this region, from the Asian financial crisis onwards, has changed significantly with the establishment of ASEAN+3. Most East Asian countries have since been involved in initiating and negotiating FTAs (see chapter 4.1).

However, some realized that economic cooperation in East Asia, especially in the form of FTAs was stuck, and that economic cooperation/integration did not automatically lead to political integration, as they had planned. Therefore, some might think that European integration could have no relevance for East Asia. Others however might pay careful attention to the evolutionary process of European integration. They might try to understand the products of European regional integration as a successful model of regional integration and to consider what the different development stages and (pre)conditions of regional integration are. With this more nuanced position, one then might focus carefully on the evolutionary process of regional integration, e.g. the particular conditions that Western Europe seems to have fulfilled.

As Börzel (2005: 218) points out that many studies start with the Treaty of Rome instead of the Treaty of Paris, she argues that the Treaty of Paris represents the core idea of (neo) functionalist logic better. Following this line of thought, Börzel (2005: 218-219) extracted the

core idea of neofunctionalist logic from the treaty of the European Coal and Steel Community: “close cooperation in specific economic sectors is the key to overcoming national sovereignty and achieving European unity.” As the case of Western Europe shows, the process of regional integration starts with fields “that are initially considered the least controversial and, hence, easiest to deal with” (Schmitter 2005: 259). “The expansive logic of sectoral integration” constitutes the cornerstone of Haas’s theory of regional integration (Haas 1958: 311).

Although the point of departure for describing the evolution of European integration is likely to be different, most studies start with economic integration. Hence, the foundation of the European Coal and Steel Community (ECSC) in 1951 is barely even considered by most scholars (Börzel 2005; Schmitter 2006; Schmitter/Kim 2005; 2008).

As Schmitter and Kim (2008: 24) suggest, in Northeast Asia “it will be critical to find the contemporary equivalent of ‘coal and steel’ ... where the EU began in the early 1950s.” Following the logic of neo-functionalism, they identify priority areas with a functional area that has “relatively low political visibility, that can apparently be dealt with separately and that can generate significant benefits for all participants”; they suggest that policy-makers could look at “transport (one functional area) or better, transport and energy (two highly interrelated functional areas)” (Ibid, 24-25).

While the EU has been considered as a genuinely successful product of economic integration, without consideration of the ECSC, its inception was however about peace and security rather than economic wealth. Namely, the initial attempts at European integration after the Second World War started in the area of high politics, although the focus shifted to the low politics of economic integration by establishing the European Atomic Energy Community and the European Economic Community (Börzel 2005: 219). Therefore, the European Union as a model of peace, security and unity developed from out of a long integration process might give some lessons to policy-makers in East Asia (Börzel/Risse 2009). In particular, it can provide important ideas for dealing with the problems of Northeast Asia: nuclear tensions, territorial conflicts, and strong and competitive nationalism.

This chapter aimed to show that the different approaches of South Korea and Japan toward East Asian regionalism could be considered as the result of a growing diffusion of (European) ideas concerning regional integration. In the following chapter, potential explanatory factors will be discussed that could further elucidate the different attitudes these two countries have



taken toward regionalism.

### 3. Diffusion Theories for Explaining Differential Approaches of South Korea and Japan toward East Asian Regionalism

This chapter discusses the four prominent diffusion mechanisms that explain the differential approaches of South Korea and Japan toward East Asian regionalism: coercion, competition, lesson-drawing, learning, and emulation (Dobbin, Simmons and Garrett 2007; Gilradi 2011).

Börzel and Risse (2009) have categorized these four diffusion mechanisms into two forms of social explanation: a rationalist “logic of consequentialism” and a constructivist “logic of appropriateness.” The rationalist logic of consequentialism is the basis for the diffusion mechanisms of coercion, competition, and lesson-drawing. The mechanisms of learning and emulation are based on the “logic of appropriateness” extracted from the constructivist perspective (March/Olson 1998).

The rationalist perspective (March/Olson 1998: 949) argues that “actors choose among alternatives by evaluating their likely consequences”. From this perspective, actors are rational, goal-oriented, and purposeful and interact strategically in order to maximize their utilities. The mechanism of coercion has a foundation in manipulating cost and benefits, and even monopolizing information or expertise (Dobbin, Simmons and Garrett 2007: 454). The diffusion mechanisms of competition and lesson-drawing follow an instrumental rationality by calculating the costs and benefits and by anticipating other actors’ behaviour (March/Olson 1998).

Compared to the rationalist model, the logic of appropriateness means that “action involves evoking an identity or role to a specific situation” (March/Olson 1998: 951). The constructivist model can work also through habitualization (Börzel/ Risse 2009; Hall 1993). Social constructivism is the most prominent alternative to rationalist explanations (Börzel/Risse 2003; Zürn/Checkel 2005) and focuses on the intersubjectivity of meaning or definition - both legitimate ends and appropriate means are socially constructed (Dobbin, Simmons and Garrett 2007: 799). This perspective is sceptical that policy-makers can draw lessons from an example of ‘best practice’ in a given policy area. This is because constructivists emphasize the uncertainty and contingency of any field of knowledge or practice: thus they hold that there are no universal or ahistorical solutions to be found.

Constructivists claim, therefore, that policy-making is more often supported by theoretical abstraction and rhetoric than actual empirical evidence. This perspective requires that political actors shift from the “logic of consequentialism” to the “logic of appropriateness” (Checkel 2005).

### 3.1 Diffusion Mechanisms of Coercion and Competition

Whereas coercion mechanisms in diffusion processes deal with vertical relationships, competition mechanisms concern horizontal relationships (Simmons, Dobbin and Garrett 2006: 792-793). Because one government can apply pressure until the other targeted government adopt its policy, coercion can also be achieved with a horizontal approach (Graham, Shipan, and Volden 2008: 26), examples of which include: policy leadership and hegemonic ideas (Simmons, Dobbin and Garrett 2006). Gilradi (2011: 15) defines competition as “the process whereby policy makers anticipate or react to the behaviour of other countries in order to attract or retain economic” or political resources. Tews (2005: 64) adds that competition mechanism work best when they endeavour to secure competitive advantages from their competitors or fear exclusion of access to export markets (Koo 2008: 8), rather than when they intend to adopt identical policies for the sake of reaching a degree of similarity. A country’s policy-making is thus dependent on the policy decisions of other countries and on whether they anticipate the same policy results (Gilradi 2011: 15). Consequently, in this case, and contrary to coercion mechanisms, the changes or policy adoptions effected by competition mechanisms are induced “not by powerful actors, but by direct competitors” (Dobbin, Simmons and Garrett 2007: 457).

#### 3.1.1 The Diffusion Mechanism of Coercion<sup>6</sup>and East Asian Regionalism

Coercion theorists define the mechanism of coercion as involving powerful actors, such as international organizations and dominant countries, influencing other states to adopt certain policies (Dobbin/Simmons/Garrett 2007: 454-457; Gilradi 2011: 13). Powerful countries can encourage or compel weaker countries to adopt their preferred policy by manipulating costs and benefits and by providing opportunities and constraints (see Börzel/Risse 2003). This can be achieved either directly or indirectly through international and nongovernmental

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<sup>6</sup> According to Dobbin, Simmons, and Garrett, while conditionality, policy leadership, and hegemonic ideas (as soft forms of coercion) are incorporated into the mechanism of coercion, military force as a mechanism of policy diffusion is excluded from this category (2007: 454-457).

organizations (Dobbin/Simmons/Garrett 2007).

Thus, the United States, the EU, the IMF, and the World Bank have the ability to force other countries to adopt their preferred policies, because these weaker countries rely upon strong actors for trade, foreign direct investment, aid, grants, loans, and security (Dobbin/Simmons/Garrett 2007: 454-457; Gilradi 2011: 13-14).

Dobbin, Simmons, and Garrett (2007: 456) introduce 'policy leadership' as a soft form of coercion. Policy leaders - powerful governments such as the United States, China, and Japan in the East Asian region - not only serve as focal points in policy coordination but also provide verified models for application. In this regard, see the work of Garrett and Weingast (1993) who demonstrate the importance of Germany as a focal point in the EU. The European Central Bank displays similarities with the German Bundesbank in many aspects, and the EU's political structure seems to follow the model of Germany's Bundesrat and Bundestag. According to Garrett and Weingast (1993), even if Germany never sought to influence Europe, supranational developments in the EU have probably formed in emulation of German institutions.

The Asian financial crisis in 1997/98 led East Asian countries such as South Korea to appeal to the IMF for conditional aid. Lenders and donors typically set conditionality for support on economic or political reforms they are willing to shape (Dobbin, Simmons, and Garrett 2007: 455-456). For that reason, East Asian countries confronted with crisis could not help accepting the neoliberal economic policy prescriptions of the IMF. Given the fact that the United States dominates the IMF (Stiglitz 2002), and that the East Asian countries involved in the crisis considered the policies imposed by the IMF as improper and counterproductive, it is not unsurprising that many criticized the American response to the Asian crisis as an example of undue coercion (Beeson 2008: 238).

The crisis made East Asian policy-makers keenly realize how the region was dependent on external assistance and wholly defenceless against the imposition of absurd neoliberal measures dictated by actors from outside the region. Despite the USA's objection to the formation of the EAEG, later the creation of the ASEAN+3, the construction of new regional institutions was, according to Beeson (2008: 240), "one of most tangible manifestations of America's diminished influence and centrality in East Asian affairs".

Aside from some debate about the extent, basis, durability and nature of American leadership,

few policy-makers would directly confront the fact that the United States had exerted such powerful influence over East Asia, and particularly over Japan and South Korea. However, in the aftermath of the Asian financial crisis, the IMF was increasingly discredited as a result of the response of America, whose actions were frequently seen to be “opportunistic, insensitive and unhelpful” (Beeson 2008: 311). While before the crisis, the United States had played a leadership role to impose liberalization on the APEC, these liberalization measures were resisted by most East Asian countries (Ravenhill 2002). East Asian countries recognized that the region had been incapable of dealing with the crisis and exercising effective policy leadership within the region itself. According to Beeson (2008), East Asian countries discussed leadership failure and mounted a challenge to America’s weakening leadership of the region. Consequently, the IMF and the US linked financial support for East Asian countries to a set of condition that impose neoliberal reforms. Paradoxically, emerging regionalism was one of East Asia’s responses to the measures. Ultimately, the conditionality employed by the IMF was counterproductive: financial support for East Asian countries was made conditional on neoliberal reforms, rather than on the promotion of regionalism. In an effort to prevent further possible damage from the crisis, East Asian countries moved toward a regionalism that would more exclusively meet their own needs.

Japan’s role shaping regional cooperation is usually compared with Germany’s leadership role in the EU (see Katzenstein/Shiraishi 1997: 341-381).<sup>7</sup> Yet, despite its economic superiority, Japan remains dependent on, and subordinate to, American bilateralism and has thus been unable to exercise effective regional leadership.

As the name “ASEAN+3” shows, ASEAN has played a role in initiating this regional cooperation framework. Due to ASEAN’s anxiety that the three Northeast Asian countries would exercise a dominant influence over East Asian regionalism (Dent 2008: 293; Kim 2006), China, Japan, and South Korea have taken an “ASEAN first and Northeast Asia later” posture (Lee/Moon 2008: 55).<sup>8</sup> From the point of view that focuses on the leadership role of capable actors in establishing a functioning regional entity, this sort of “detour regionalism” might not be thought to support the process of regional integration in East Asia (Ibid.). Consequently, as economic giants, the three Northeast Asian countries do not share a single

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<sup>7</sup> A comparison between the role of Japan and Germany is not so simple, because the United States treated post-war East Asia very differently from Western Europe and also because the Americans decided to play a more active role in directly shaping East Asia’s post-war order (Beeson 2005).

<sup>8</sup> This has also been described as an “ASEAN driver’s seat and Northeast Asia back seat” stance. Interview with an expert on East Asian regionalism, Prof. Bae, Geung-chan from IFANS.

free trade agreement.<sup>9</sup> The lack of regional leadership, namely the reluctance of the two big regional leaders, China and Japan, to assume a commanding role, is a plausible explanation for the weak level of regional integration in East Asia (see Dent 2008).

The EU sets conditions for association agreements to membership (see Schimmelfennig/Engert/Knobel 2005), and when compensating for non-membership (Börzel and Risse 2004: 4). Since East Asian countries have no intention to be members of the EU, the EU membership conditionality should not be of any concern. However, as Börzel and Risse (2004) argue, the EU has been attempting to export European values – European democracy, welfare-state standards, and ideas of European regional integration. Since the early 1990s, the EU has deliberately set out to promote the European values and ideas that condition the democracy and human rights clauses in all its agreements with third countries (Ibid, 4). However, the EU's decision to set political conditionals for its negotiations with Asia has not been effective, even after its adoption of a new Asian Strategy in 1994 (Ibid, 18). As of the ASEM II in 1998, though, the EU's attempt to set the agenda on value issues was considered to have been a great success (Ponjaert 2008). It seems difficult to find agreement on these matters. According to a former foreign minister of South Korea, during their ministerial meetings at ASEM, EU member countries were still having vehement arguments with Southeast Asian countries over issues pertaining to human rights and democracy.<sup>10</sup> As regards the EU's support of regional integration processes in East Asia, the EU has been giving top priority to strongly supporting South East Asia in ASEAN's development of regional integration; e.g., the EU has been active in strengthening the ASEAN secretariat (Regional Indicative Programme 2005-2006: 7), supporting decisions to create an ASEAN charter (ASEAN 2008) and by providing a blue-print for the construction of a Single Market by 2015 (Pietrangeli 2009: 25-28). Although the EU's promotion of regional integration was firstly a part of development policy, which grants preferential trade agreements and financial aid with conditions attached (Börzel and Risse 2004), the EU has been expanding its approach to include support for regional integration (see European Commission 1995; 2002). However, according to Pietrangeli (2009), the EU's approach to focusing on relations between trade and development policies has progressed in its promotion of regional economic integration, while it adopts different forms of political dialogue with Asian countries. ASEM,

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<sup>9</sup> South Korea and China formally announced their intent to begin FTA negotiations on 2<sup>nd</sup> of May 2012.

<sup>10</sup> Interview with a former foreign minister Yoon, Young-gwan whose current position is a Professor of International politics in Seoul University.

as an inter-regional forum that includes both South Korea and Japan, does not reflect any of the EU's efforts to promote regional integration in Asia. In regard to the diffusion of European ideas about regional integration in South Korea and Japan, it is clear that the mechanisms of lesson-drawing and emulation have greater explanatory power to describe the current situation than would be possible through thinking of this diffusion in terms of coercive mechanisms.

Simmons, Dobbin, and Garrett (2006: 791) argue that hegemonic ideas, as propounded through mechanisms of coercion, should show that "the policy ideas actively promoted by strong countries are more likely to be put into practice in weaker countries structurally or situationally dependent on them". Despite the fact that the EU represents the most remarkable example of regional integration, and has actively sought to attach conditions to its negotiations with non-member states, it has not achieved a coercive influence over East Asia, and especially not on South Korea or Japan. By virtue of their central positions in policy networks, more powerful countries may be influential in the framing of policy discussions, because "powerful countries may be closely aligned with theories, information, or ideas that favour particular policy moves" (Ibid.). Therefore, given that relations between the EU and East Asia are developing so slowly, and that the EU maintains an ambivalent approach to East Asian regionalism, we cannot explain the proliferation of European ideas on the basis of hegemony achieved through coercive mechanisms.

The mechanism of coercion could partly explain the emergence of East Asian regionalism in terms of its relation to the declining influence of the US, and even in terms of its ambivalent ties with Europe. However, the mechanism of coercion cannot satisfactorily explain the different approaches taken by South Korea and Japan. Therefore, the explanatory factor of the coercion mechanism can be considered as a structural condition which still prevails in East Asia, (and particularly in South Korea and Japan).

### 3.1.2 The Diffusion Mechanism of Competition and East Asian Regionalism

The mechanism of competition also provides a plausible explanation for the rise in East Asian regional cooperation policies (in particular growth of FTAs). As the proliferation of liberalization shows (Gourevitch 1986), FTAs spread when countries compete for capital and export markets. If their direct competitors have already done so, governments have little

choice but to choose market-friendly policies to attract global investment and keep exports competitive. Rivalry between competitors, such as occurs between China and Japan, may promote the diffusion of FTAs as means of adjusting to each other's actions (Lee/Strang 2006: 890).

China showed a responsible attitude in dealing with the East Asian crisis. Other countries in the region took note of China's willingness to maintain the value of its national currency, the Yuan, as a means to prevent the further worsening of the regional economy (Beeson 2008: 311; Breslin 2008: 138). Compared with either the United States and or Japan, China's regional position in East Asia was thus explicitly improved. As a result, Japan felt compelled to guard against China's strengthened role in East Asia.

With the regard to regional integration, the development of ASEAN+3 has significant meaning in that this grouping is the first exclusively East Asian regional entity to include the three Northeast Asian countries.<sup>11</sup> As the disagreement over membership at the East Asian Summit shows (see chapter 5), rivalry between China and Japan hinders regional cooperation (Hamanaka 2008). At the present time, the EAS looks like global forum (see Figure 2-1).

After signing the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation in November 2002, which included preparation for FTA, China and the ASEAN then signed the China-ASEAN FTA in November 2004, which entered into force in July 2005.<sup>12</sup> After initiation of an FTA between ASEAN and China, Japan's movement toward an ASEAN-Japan FTA has progressed rapidly.<sup>13</sup> Japan responded to China by starting with discussions on an FTA with ASEAN in order to avoid losing its established regional economic position to China (Cheong 2005). South Korea initiated the first FTAs with Thailand and Japan in the East Asian region (Dent 2006: 263-267), and it also similarly arranged an FTA with ASEAN. However, the FTA negotiations among China-Japan-South

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<sup>11</sup> The ASEAN+3 countries reaffirmed at their 13<sup>th</sup> summit in October 2010 that the ASEAN+3 process with ASEAN as the driving force would continue to be the main vehicle to achieve its long-term goal of building an East Asian community and contributing to the sustainable development in the region. The meeting also reaffirmed their strong support for ASEAN's central role in the existing regional mechanisms and in the evolving regional architecture. The meeting recognized the mutually-reinforcing and complementary roles of the ASEAN+3 process, and other regional bodies such as the East Asia Summit (EAS) and the ASEAN Regional Forum (ARF), to promote East Asian community. The Chairman's Statement from the 13<sup>th</sup> ASEAN Plus Three Summit, Hanoi, Vietnam, 29 October 2010. [www.meti.go.jp/policy/trade\\_policy/asean/dl/2010ASEAN+3.pdf](http://www.meti.go.jp/policy/trade_policy/asean/dl/2010ASEAN+3.pdf). (June 30, 2012).

<sup>12</sup> China FTA Network: <http://fta.mofcom.gov.cn/topic/chinaasean.shtml>. (June 30, 2012).

<sup>13</sup> ASEAN-Japan Comprehensive Economic Partnership Agreement. <http://www.mofa.go.jp/policy/economy/fta/asean.html>. (June 30, 2012).



Korea and between China-South Korea, China-Japan, and Japan-South Korea stalled during the period of 1998-2008. South Korea, who shared the same reactive stance on FTAs as Japan for the first five years, changed its position to adopt a proactive posture for the last five years (Lee/Moon 2008; Rhyu 2011).

The mechanism of competition provides plausible explanations for why there are too many regional groupings and it also gives a partial explanation of the East Asian trend toward arranging FTAs. This mechanism is limited, however, in its ability to explain differential approaches to East Asian regionalism. Accordingly, the next subchapter discusses the mechanisms of lesson-drawing and emulation which have more relevance to the actors' perspectives and also serve as additive explanations.

### 3.2 The Diffusion Mechanisms of Lesson-drawing and Emulation

Learning is commonly studied as one of most important mechanisms of diffusion (Bennett/Howlett 1992; Braun/Gilardi 2006; Elkins/Simmons 2005; Meseguer 2004; 2005; 2006; Simmons/Elkins 2004). The learning mechanism is best served by integrating learning processes into mechanisms of lesson-drawing (rational learning), and emulation (constructivist learning) (see Levy 1994; Schimmelfennig /Sedelmeier 2005). Levy (1994: 286) helpfully understanding categorizes learning into two different kinds considered as two opposing theories of policy choice in political science:

- Rational learning: “the simple tactical level (how to better achieve a particular goal: simple learning, economic Bayesian learning)” and
- Constructivist learning: “a deeper level (what goals they should pursue: complex learning and bounded- and channelled learning)”

Precedent studies about lesson-drawing (Dolowitz and Marsh 2000; Meseguer 2006: 38-45; Rose 1991; 1993; Schimmelfennig/Sedelmeier 2005) share the recipient's perspective of diffusion. This excludes an examination of the forms of inducement issued by the originators of ideas; namely, as Dolowitz and Marsh (2000: 13) indicate, lesson-drawing is the “ideal type” of recipients-initiated diffusion.

A further point to note about lesson-drawing is that studies tend to combine two forms of social explanation, the rationalist and constructivist perspectives, without distinguishing

between their behavioural logics (see Richard Rose 1991; 1993; Schimmelfennig/Sedelmeier 2005). The study of Dolowitz and Marsh (2000: 13) provides four basic outcomes of lesson-drawing. Their concepts of lesson-drawing contain the well-established diffusion mechanism of emulation. I have attempted to extract from this study the rationalist diffusion mechanism of lesson-drawing and the constructivist diffusion mechanism of emulation. Thus, their outcomes are categorized according to the dichotomy of rationalist/constructivist learning as follows (Schimmelfennig/Sedelmeier 2005: 256):

- Rationalist mechanism of lesson-drawing (outcomes of rational learning): “combination (mixtures of policies from different places)” and “inspiration (another program inspiring policy change with the final outcome not drawing on the original)”;
- Constructivist mechanism of emulation (outcomes of constructivist learning): “copy (direct and complete transfer)” and “emulation (adoption, with adjustment to different circumstances, of a program already in effect elsewhere, or the transfer of the ideas behind the program)”.

The following sections discuss the two mechanisms of lesson-drawing and emulation in order to identify the conditions for the differential approaches of to East Asian countries toward East Asian regionalism. Sections 3.2.1 and 3.2.2 provide an analytical explanation of why South Korean and Japanese responses to regionalism and European ideas of regional integration diverge. The conditions involved will be identified as intervening variables.

### 3.2.1 The Diffusion Mechanism of Lesson-drawing

This diffusion mechanism is subsumed under the logic of consequentiality/ instrumental rationality (March/Olsen 1998; Bärzel/Risse 2003; 2009). The most general proposition of the lesson-drawing mechanism can be outlined as follows: European idea concerning regional integration is likely to be accepted if a government expects the idea to solve regional/domestic policy problems effectively (Schimmelfennig/Sedelmeier 2005). According to Levy (1994: 300-306), relationships between learning and external variables are important, “beyond the obvious point that external events are the primary source of learning about international politics”. While people try to learn from failure in an attempt to lead to policy change, they also attempt to learn from successes in order to replicate them (Dolowitz and Marsh 2000; Goldstein 2005; Levy 1994; Meseguer 2006; Schimmelfennig/Sedelmeier

2005). Levy (1994) identifies two factors, (1) external events and (2) examples of success or failure, which can affect the relationship between learning and domestic politics. For example, external events influence the constellation of domestic political forces and hence the likelihood that certain ideas will influence policy (Aggarwal/Koo 2008). Policy failure can delegitimize a regime and provide opportunities for new elite who share different beliefs and are open to new ideas (Levy 1994: 305-306).

The different responses of South Korea and Japan, as exhibited in their varying approaches to learning and lesson-drawing, may derive from interaction effects within systemic and domestic political variables: political regime change and domestic coalition (Aggarwal/Koo 2008; Choi/Moon 2010), as well as formal institutions and veto players (Börzel and Risse 2003).

Democratic regimes are more likely to have veto players than non-democratic regimes, although the number of such players varies considerably among democracies (Mansfield/Milner/Rosendorff 2002; Mansfield/Milner/Pevehouse 2007). According to Pempel (2001: 27-28), a regime is defined as the interrelated mixture of three things: socio-economic cleavages and coalitions; political and economic institutions; and public policy profiles. When regimes are stable they consist of a patterned set of ongoing, consistent, and mutually reinforcing relationships among all three. Such a combination provides longstanding predictability and cohesion in a nation-state's political economy. Such stability is especially conducive to the formation of FTA policies as it allow one to talk meaningfully of a national pattern of politics, a *Weltanschauung*, a gestalt, an underlying mobilization of bias, or prevailing paradigm (Pempel 2001: 27-28).

In most democratic polities, the legislature and the executive, or sometimes two or more political parties or coalitions, compete to hold decision-making power (Mansfield/Milner/Pevehouse 2007). In a presidential system like South Korea, changes in the National Assembly over time are small, but changes in the Blue House may be of more significance. In other words, while replacement of legislators will not greatly affect policy stability, replacement of the president may make a difference if the new president has a different agenda.

The political situation in Japan is notable for the long dominance of its Liberal Democratic Party (LDP), who ruled from the Second World War up until 2009, when they were finally

defeated by the Democratic Party of Japan (DPJ). Thus, According to Tsebelis (1995: 314), elections in Japan did not result in a change of veto players. Without the possibility of factionalization in the party, “there is only one veto player” and, even if factionalization were a possibility, “the veto players have still remained same” as long as the ruling party still holds power. As a result, policy changes occur when the policy position of the ruling party is modified; without this change in policy position, neither election results, nor even a change in the identity of the veto players, can induce any policy changes (Ibid.). However, it is worth noting that if a veto player who possesses a starkly different agenda or opinion from their coalition partners enters or leaves the government coalition, policy changes are likely to take place or at least be marked on a rhetorical level.

While South Korea and Japan have different political systems, I follow Tsebelis’(1995) argument that the logic of decision-making in presidential systems (South Korea) is quite similar to the logic of decision making in multi-party parliamentary systems (Japan), thus both countries can be shown to be readily comparable.

### **External Crisis**

Aggarwal and Koo (2008) identified three major external crises/shocks as the initial impetus for changes in institutions and interactions in East Asia: the end of the Cold War, the Asian financial crisis, and the September 11<sup>th</sup> attacks. As regards regionalism, the Asian financial crisis was the major impetus to integration for East Asian countries (Nabers 2003; Terada 2003; Webber 2001), particularly for South Korea and Japan.

East Asian countries had shared an exogenous shock: the financial crisis in Asia proved that East Asia had been deeply interdependent. The Asian financial crisis, starting from Thailand, spread to its neighbours in Southeast Asia, such as Indonesia, to Hong Kong, and then to South Korea. This chain of events highlighted the negative aspect of interdependence (see Nabers 2003; Terada 2003; Webber 2001; Yu 2003; 2006). Japan’s economy was also substantially affected by these events (Terada 2008: 226). The Asian crisis as an experience shared by all the members of the ASEAN+3, had a number of effects: it caused countries in the region to become aware of their interdependence, it enhanced their sense of belonging to the same region, it helped demarcate its boundaries, according to some scholars (Nabers 2003; Terada 2003), it promoted the emergence of an East Asian regional identity, and it produced an urgent effort to establish a cooperative approach to East Asian integration (Breslin etl.

2002; Nabers 2003; Okfen 2003; Terada 2003).

Considering that East Asian regionalism emerged in the wake of the Asian financial crisis, the general proposition to derive about lesson-drawing is this: *A country will accept (European) ideas of regional integration if it expects the ideas to solve domestic/regional problems effectively.*

### **Dissatisfaction with the Existing Regional Framework**

According to the lesson-drawing model, a fundamental condition for a government to search for policy models elsewhere is (perceived) policy failure and regional/domestic dissatisfaction with the status quo (Dolowitz and Marsh 2000; Schimmelfennig/Sedelmeier 2005).

Asian countries found out that the existing international/regional cooperation frameworks (IMF/APEC) did not work for their interests. Therefore, the U.S. and Asian countries could not avoid a serious conflict of interest (Berger 1999; Webber 2001). At the same time, Asian countries also were disappointed at the inept responses of APEC to the financial/economic crisis. Asian countries henceforth began searching for alternatives (Yu 2003; 2006). Consequently, there was a consensus amongst East Asian countries that they should establish an exclusive regional gathering, despite the fact that such an ideal had previously been rejected by most of those involved (see Nabers 2003; Terada 2003; Webber 2001).

*The likelihood of accepting policy ideas about regionalism, in particular European ideas of regional integration, increases, when there is a strong perception that present regional frameworks are not working satisfactorily, and thus when the search alternative regional framework becomes widespread.*

*A country's acceptance of European ideas concerning regional integration increases, when it views the EU as providing evidence of successful regional integration.*

Gilson (2004) indicates that the significance of ASEAN+3 was due to the weakening of APEC as a regional cooperation arrangement. The latter was weakened because it failed to respond in an effective manner to the crisis and was also unsuccessful as either a political or cultural project. The concept of Asia, in the form of the ASEAN+3, seemed to have all the requisite elements- felt to be lacking with APEC: genuine geographic proximity and a shared cultural history that promoted a notion of Asian values (see chapter 4.1 in detail). Notions of

identity and culture are the result of a new kind of interaction among East Asian countries, and so are not among the conditions that truly account for the emergence of ASEAN+3 itself.

### **Political Regime Type/Government Change and Domestic Coalition**

Although there are many reasons why countries choose to cooperate, Mansfield, Milner, and Rosendorff (2002) suggest that a country's regime type creates incentives for leaders that influence this choice. The regime type of states can strongly affect their propensity to cooperate on economic issues. Leaders in democracies have a greater incentive to pursue international cooperation in trade than do their nondemocratic counterparts. East Asia contains a wide variety of regime types: ranging from highly democratic regimes such as Japan and South Korea, to highly authoritarian regimes such as China and North Korea (Aggarwal/Koo 2008). As regards the factor of regime type, Japan and South Korea can be controlled.

Though to different degrees, the governments in South Korea and Japan have experienced challenges to their political legitimacy and even political turnarounds achieved by opposition groups (Aggarwal/Koo 2008: 23). Thus, to take two examples, we can see that (1) in Japan, the ruling Liberal Democratic Party lost its electoral dominance in 2009; and (2) in South Korea, military rule ended in 1993 and the opposition party held power for the first time five years later in the middle of the 1997/8 Asian financial crisis. Considering the factor of domestic regime change, the change in government in South Korea is correlated with different positions on East Asian regionalism. Therefore, government change serves as a variation factor in a comparison between South Korea and Japan.

### **Formal Institutions and Veto players**

I follow Tsebelis' (1995: 293) definition of a veto player as "an individual or collective actor whose agreement is required for a policy decision." Most of research into the veto players (Tsebelis 1995; Börzel/Risse 2003; Mansfield/Milner/Pevehouse 2004; Mansfield/Milner/Rosendorff 2002) suggests that countries with more veto players are less likely to cooperate with other states. Similarly, in the case of negotiating an FTA, a rise in the number of veto players never increases, and in most cases lowers, the probability of an agreement. If several domestic groups with diverse preferences can block policy initiatives effectively, the executive faces difficulties in trying to conclude international agreements (Mansfield/Milner/Pevehouse 2004).

The executive usually sets the agenda and initiates FTAs, and then it needs to rely on domestic and strategic support in order to negotiate and implement any of them (Mansfield/Milner/ Pevehouse 2004: 405-406). To be entered into properly, FTAs require that domestic veto players appropriately influence legislative ratification (Ibid, 407).

Consistent with Mansfield, Milner and Pevehouse (2004: 407), a broad notion of ratification will be employed: In addition to formal ratification, implementing an FTA can also involve informal ratification, “if a leader needs to change a domestic law, norm or practice in order to implement a FTA, even if no formal vote on the arrangement itself required, a legislative vote on any necessary domestic change becomes a vote on the agreement.” Although the veto players do not have any competence to make changes to the proposed FTAs, the executive understands this in advance and realizes that the proposed agreements must pass domestic tests before they can be ratified and implemented. It is pivotal, therefore, that the executive accurately predict the reaction of veto players: whether they will accept, or reject, an FTA. In this way, veto players can influence international trade agreements (Mansfield/Milner/ Pevehouse 2004).

Building upon the veto player framework, some studies examine how contingent shocks and critical junctures such as the Cold War, economic crises, military coups, and civil wars affect economic policy-making processes (Calder/Ye 2004; Mansfield/Milner/Pevehouse 2004; Haggard/Kaufman 1995). A study by Haggard and Kaufman (1995) argues that when countries liberalize trade and investment (such as when they implement large-scale neoliberal reform packages), they also weaken the influence of veto players both inside and outside the government. A prime example of this occurred during the Asian financial crisis, when the neoliberal reforms imposed by the IMF effectively negated the power of numerous veto players in South Korea (Lee/Moon 2008; Koo 2008).

In order to understand the different actions taken by South Korea and Japan in regard to FTAs, it is necessary to focus on how these countries dealt with veto players, especially those from sensitive fields, e.g., agricultures, fishery etc. An accurate comparison can easily be made given the fact that South Korea and Japan share many similarities in terms of their models of economic development and their industrial structures (see MacIntyre/Naughton 2005). Therefore, I included the factor of veto players as one of the structural constraints on regional integration (see Table 3-1).

### 3.2.2 The Diffusion Mechanism of Emulation

The mechanism of Learning and Emulation assumes that an actor operates with the logic of appropriateness (March/Olsen 1989; 1998). This approach views actors' definitions of their goals and their perception of rational action as being influenced by collective understandings and intersubjective meanings (Börzel/Risse 2003). If actors consider European ideas of regional integration as appropriate in terms of goals and means, the ideas will likely be accepted by actors.

The argument of March and Simmons (1993 as quoted in Simmons/Dobbin/Garrett 2006: 797) shows the distinction between rational learning and bounded/channelled learning: the rational action of individual decision makers is reliant on their capacity to access and evaluate relevant information about a policy approach or policy ideas. In other words, policy makers may use "cognitive shortcuts", such as representativeness, availability and anchoring (Braun/Gilardi 2006), which means that actors pay more careful attention to highly successful countries or to highly successful outcomes, rather than assessing all available information as the rationalist believe they do (Dobbin/Simmons/Garrett 2007).

Gilardi (2003; 2011) combines the process of bounded/channelled learning and the mechanism of emulation. Emulation can be defined as "the process whereby policies spread because of their normative and socially constructed properties instead of objective characteristics" (Gilardi 2011: 22). According to Gilardi (2003), social or cultural mechanisms of emulation entail that information is sought for utilitarian purposes, but only from a relevant peer group; namely, only policy-salient information is socially channelled or bounded, with some sources being more important than others (Dobbin/Simmons/Garrett 2007).

#### **External Crisis**

The structural changes, such as marked the Asian financial crisis, serve as a stimulus for policy ideas concerning regionalism, as well as further contributing to cognitive changes (Aggarwal/Koo 2008; Stern 1997; Yi 2008) and the diffusion of new policy ideas. External shocks have significantly eroded the traditional normative orders held by East Asian political and business leaders regarding global economic and security institutions (Yi 2008). Hence external crises can lead to constructing new ideas/beliefs that create regional alternatives for



pre-existing forms of economic and security cooperation (see Checkel 2001; Yu 2003). Although identity generally changes slowly, special social events may influence the variability of identity (Yi 2008). The underlying ideational and normative structure cannot revert to its previous condition because the events of crisis create new understandings and attitudes (Higgs 1987 as quoted in Yi 2008). According to Stern (1997), collective learning often becomes prominent during crisis. Collective experience of crisis, when the existing order is widely perceived as working poorly or even breaking down, often challenges the existing normative beliefs about friendly or opponent actors, as well as “the character of the environment and the adequacy of existing organizational, and political arrangements designed to cope with that environment” (Ibid., 292). As a result, the group defines and accepts new normative beliefs and relational content (Yi 2008). However, the pre-existing beliefs do simply not disappear, but continue to coexist; therefore, many cooperative regional entities have emerged out of a strong out of a strong competition among countries with different interest.

Accordingly, structural changes and external shocks provide opportunities for the intellectual and political elites of a given state to learn (Aggarwal/Koo 2007; Stern 1997). This learning may be facilitated by communication networks among actors who already are connected in other ways (Simmons/Dobbin/Garrett 2006), or by newly established communication networks in which actors search for solutions.

### **Increasing Interaction between East Asia and Europe**

The EU is the formal organization of an international European community defined by a specific collective identity and a specific set of common values and norms. Constructivists argue that interregional dialogues are spurring collective identities (Gilson 2002; see Stubbs 2002). Interregionalism, as embodied in institutions like ASEM, may stimulate intra-regional identity-building of Asian side of ASEM (the then members of ASEAN+3) in heterogeneous and newly formed regional groupings (Rüland 2001). In this way, East Asian countries might promote an awareness of the distinction between self and other within the region (Terada 2003) and thus help “stimulate regional solidarity on the basis of shared norms” (Rüland 2002: 10). ASEM provides the locus for a firmly interregional setting in which face to face cooperation can be facilitated. ASEM thereby reifies the respective forms and characters of member states, which provides them with possibilities for mutual recognition and self-

reflection. The introduction of the euro has not only prompted the creation of a regional currency within Asia, but it has been recognized as a viable model, if ever the region might wish to secure its currency for itself in the face of US dollar (Gilson 2002: 103). It reflects how “Europe’s example of closer economic integration has planted the seed in many Asian minds that their region too must forge closer ties and coordinate exchange rate regimes”.<sup>14</sup>

If governments are searching for solutions to new or changing problems, then they are increasingly likely to look for solutions abroad (Dolowitz/Marsh 2000). A competitive world, the success of early movers is likely to accelerate the spread of new policy ideas (Weyland 2005). Like in the ASEM process, direct contacts at the intergovernmental level may reflect well-established channels of communication: frequent intergovernmental meetings at multiple official levels can transmit information to policy-makers about “what works” in other settings (Simmons/Elkins 2004: 175).

*The more that interaction with Europe increase, the more possibilities of learning about European ideas concerning regional integration also increase. Thus, the more active involvement in a regional framework there is, the more likely it is that European ideas of regional integration will be accepted.*

Actors model their behaviour on the examples provided by others. Interaction between peers leads them to take the viewpoint other actors. Countries that see themselves as members of intra-, inter-, and sub-global groupings may emulate one another’s policy ideas because they infer that what works for a peer will work for them (Dobbin, Simmons and Garrett 2007). Communication between peers leads them to recognize the other and accept their ideas (Rogers 1995). The notion of peer-based emulation implies: The diffusion of European ideas concerning regional integration will most likely occur in East Asia when countries are engaged in closer interaction through ASEM (Lee/Strang 2006: 889). Moreover, *Countries’ acceptance of European ideas about regional integration increases when situations or problems are characterized by bounded rationality and uncertain cause-effect relationships*, because such characterization helps decision-makers save on research costs, sort out alternatives and legitimize their actions (DiMaggio/Powell 1991).

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<sup>14</sup> *Financial Times* 16 January 2001.

## **Beliefs and Ideas held by the Political Leadership**

According to Levy's (1994) concept of individual learning, in order for individual learning to have an impact on the diffusion of European idea concerning regional integration, the key questions to ask are who learns? Who has capability to initiate and implement their preferred policies or to influence others to follow them? Additionally, there are further interesting questions that arise: whether learning occurs; when it occurs; how learning contributes to foreign policy change.

*The Likelihood of the acceptance of European ideas about regional integration increases (i) if domestic ideas pertaining to integration are absent, (ii) if such an issue is new, (iii) if the issue has become delegitimized as a result of a crisis or a clear and serious policy failure (Checkel 2001: 562-563).*

European ideas of regional integration might spread when these ideas resonate with the beliefs of the socio-political elite. Such resonance can be found in political discourse, regional policy initiatives, and in the kinds of learning and emulation that are operative (Börzel/Risse 2003; Schimmelfennig/Sedelmeier 2005).

*The likelihood of the acceptance of European ideas concerning regional integration increases if political leaders believe the European ideas of regional integration represent "good policy"; i.e., if EU ideas correspond to existing or traditional domestic ideas.*

It has to be specified where on the causal chain learning occurs and how it interacts with other variables, because learning is neither necessary nor sufficient for policy change (Levy 1994.). Thus, the relations between learning and the political elite have to be considered, how the intelligentsia and political elite interact in the policy-making process to formulate policy (Hall 1993). Political leaders enthusiastically promote their ideas among key governmental elites and academic groups to facilitate those ideas, so that intellectual entrepreneurship causally influences the learning and diffusion of European ideas concerning regional integration (Börzel/Risse 2003: 67-68; Levy 1994).

## **Ideas Entrepreneurship**

Epistemic communities, as networks of actors with "recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge" and a normative agenda (Haas 1992: 3) might be relevant facilitating agents for the diffusion of new ideas in

both South Korea and Japan. However, the ideas promulgated by epistemic communities are a necessary, but not sufficient, causal factor in the diffusion of European ideas about regional integration (de Prado Yepes 2003: 4). This concept of epistemic communities has usually focused on describing actors in the international sphere (Bennett/ Howlett 1992; see Keck/Sikkink 1998). In order to explain their differential impact on South Korea and Japan, this thesis concentrates on epistemic communities which exist at the national level (see Rose 1991).

Epistemic communities influence policy-makers when European ideas about regional integration resolve particular domestic issues and reconcile conflicting tendencies in domestic institutional structures (Schimmelfennig/Sedelmeier 2005). There is a long tradition of research and consultation which has greatly affected both South Korea and Japan. Actors in epistemic communities help others learn within their epistemic community by interpreting the historical experiences of either themselves or of others; in so doing they attempt to shape the views of political leaders through political processes (Levy 1994). It is important to note that all learning does not take place within epistemic communities, political leaders can also learn about issues of peace and war, as particularly common in centralized political systems (Levy 1994). If a political leader engages in learning lessons about the EU as a successful model of regional integration, then he can charge officials associated with epistemic communities to research the process of regional integration and the role of its member states. Lee and Strang's (2006) research regarding the diffusion of public-sector downsizing has implications for how European ideas of regional integration are embedded into South Korea's policy-making process. The government draws lessons from successful cases; usually the president then sets the requisite goals to be pursued; before, finally, the policy-makers learn how to successfully implement practical measures in order to achieve the goals that were supported by theory.

*The likelihood of the acceptance of European ideas concerning regional integration increases when policymakers have institutionalized relationships with epistemic communities that promote European ideas of regional integration.*

More sociological accounts of the transferability of knowledge emphasize that European ideas concerning regional integration have to be well-matched with the terms of the domestic

political discourse. Domestic political discourses are constituted by the “network of associations that relate common political ideals, familiar concepts, key issues, and collective historical experiences to each other” (Hall 1993: 289-290; Schimmelfennig/ Sedelmeier 2005: 24).

*The likelihood of the acceptance of European ideas concerning regional integration increases with the ideas’ success in solving similar challenges in the process of European integration and the possible transferability of this success; Transferability increases with the compatibility of ideas vis-à-vis the national political discourses.*

In addition, the theory of neo-functionalism is a significant mechanism that helps South Korean governments to emulate knowledge and lessons from the European experience of regional integration. Lee and Strang (2006) offer a fusion model of emulation and learning for explaining the diffusion of policy pertaining to public-sector downsizing in South Korea; this policy resulted when an influential epistemic community estimated that the problems of poor economic performance could be solved by downsizing. This epistemic community ignored evidence that was inconsistent with their definition. However, this was not a “process of blind imitation,” but rather a theory-driven learning dynamic in which “best practice” was selected and codified by policy experts (Lee/Strang 2006: 905).

*A country’s acceptance of European ideas concerning regional integration increases when uncertainty about cause and effect relationships in a certain policy area among policy-makers, and with the consensus among the experts involved, increases.*

The previous subchapter raised potential explanatory factors from learning, lesson-drawing, and emulation. The following section suggests causal mechanisms and hypotheses for this dissertation.

### 3.2.3 Causal Mechanisms for Explaining Different Approaches Toward East

#### Asian Regionalism

Lesson-drawing is a potential outcome of rational learning (Bennett and Howlett 1992), one that is primarily based on instrumental reasoning (Börzel/Risse 2009). In my understanding, rational learning is subsumed under the mechanism of lesson-drawing. According to a common hypothesis in the literature on rational learning, evidence of success increases with

the likelihood that ideas are accepted elsewhere (Dolowitz and Marsh 2000; Goldstein 2005; Levy 1994; Meseguer 2006; Schimmelfennig/Sedelmeier 2005). This connection to a reasonable measure of success becomes more questionable as one moves away from a form of lesson-drawing associated with rational learning and moves toward diffusion processes of emulation that are coupled with bounded/channelled learning. Thus, lesson-drawing, and emulation are not necessarily mutually exclusive (Meseguer 2005; Stone 2001).

Diffusion mechanisms may also have mutual relations, this occurs when lesson-drawing and emulation mechanisms are employed either simultaneously or sequentially. Or, in another example, we can see this when competing countries wish to influence their opponent through coercive actions, or to persuade them by other means when possible, and thus change both the beliefs and behaviour of political leaders (see Graham, Shipan, and Volden 2008).

In addition, diffusion theories need to highlight the reciprocal forms of interaction that occurs between these mechanisms and domestic politics, and thus to also examine how those relationships are affected by external events and crises. They need to specify when on the causal chain diffusion occurs, under what conditions, and through which mechanisms. Accurately outlining the causal chain (Figure 3-2) in this way will contribute to the analysis of the different approaches toward East Asian regionalism taken by South Korea and Japan (see Börzel/Risse 2003; Levy 2001).

### **Causal Mechanisms and Hypotheses**

#### *Structural Conditions and Domestic Constraints as Explanatory Factors*

As sections 3.1.1 and 3.1.2 have illuminated, the mechanisms of coercion and competition do not give satisfactory explanations for the different approaches toward East Asian regionalism taken by South Korea and Japan. However, both the role of the US (coercion) and the rise of China (competition) can be considered as significant explanatory factors which still prevail in East Asia (particularly in South Korea and Japan).

In the explanations they give as to why South Korea and Japan have not been active in establishing an exclusive East Asian regional framework, both coercion and competition theories share the realist perspective of international relations. According to the realist perspective, international organizations are understood as merely another arena where nation states compete for power. Thus cooperation will only persist as long as any given state

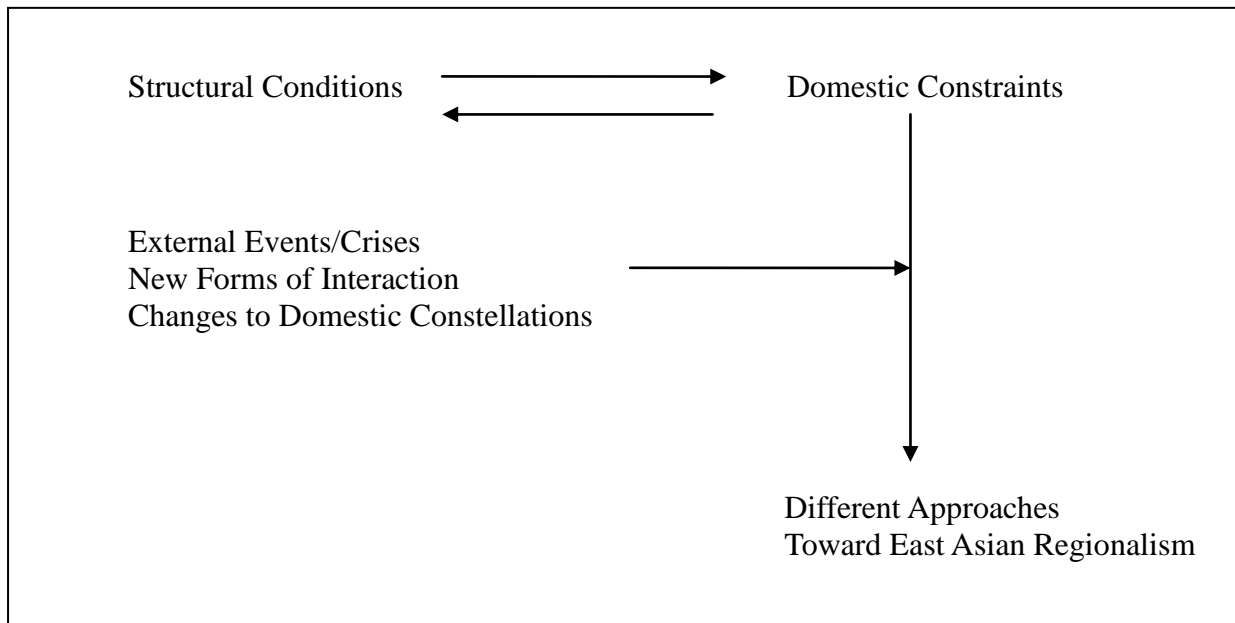
believes it enhances their power. Cooperation is then maintained when states fear that exclusion from a particular group would lead to a relative loss of power. Consequently, Realism and Neo-realism assume that frameworks for regional cooperation cannot be sustained. The trouble with such realist approaches is that they fail to address a host of relevant explanatory factors, such as historical legacies and institutions that serve as restrictions on policymaking, or else structural and normative changes which can lead to transformations in domestic politics. It is unsurprising therefore that the theories of coercion and competition also encounter difficulties when accounting for changes in the attitudes of South Korea and Japan to East Asian regionalism.

Thus, in the analysis offered here, I seek to incorporate not only the structural conditions faced by these two countries during the cold war (existence under a US security umbrella; a dominantly pro-US orientation in foreign policy; the need to contain China), but also their domestic constraints (in Japan's case, this concerns the status of its Peace Constitution (Article 9) and the historical legacy of its violent imperialism; while in South Korea's case, this concerns its division along the 38<sup>th</sup> parallel and the subsequent desire for national Reunification). The result of this is that I am able to utilize a single, general explanatory variable to explain a significant range of effects on the policy-making of South Korea and Japan (see Table 3.1).

Japan's passive approach seems to be explained by both her rivalry with China and the USA's objection to the formation of an exclusive East Asian regional bloc. However, in order to explain South Korea's active engagement with East Asian regionalism, additional factors inducing such changes should be incorporated into this causal mechanism. The two countries' foreign policy decisions, including their regional cooperation policies, are conditioned by the apparently fixed nature of their respective domestic constraints. Such domestic constraints can be redefined as variations in the structural conditions, especially in terms of external events or crises (lesson-drawing/emulation), or through new forms of interaction (emulation) (see Table 3-1). Importantly, these do not vary between comparisons of South Korea and Japan (see Figure 3-1). Hence, South Korea's active approach cannot be accounted for purely in terms of such structural explanations. Therefore, it needs to be recognized that it is the actors themselves that (re-)define the situations for their foreign policy decisions. Additionally, then, changes that affect a nation's domestic constellation (lesson-drawing/emulation) need to be integrated into this causal explanation (see Figure 3-1; Table

3-1).

**(Figure 3-1) Structural Conditions and Domestic Constraints as Alternative Explanatory Factors**



Source: Author

As a result, the hypotheses concerning structural explanation can be formulated as follows:

*If the dominant structural conditions and domestic constraints in one of these countries prevail, then their approach toward East Asian regionalism is less likely to change.*

*If the dominant structural conditions and domestic constraints in one of these countries are changed (e.g. by external events or crises, new forms of interaction, and changes to domestic constellations), then their approach toward East Asian regionalism is more likely to change.*



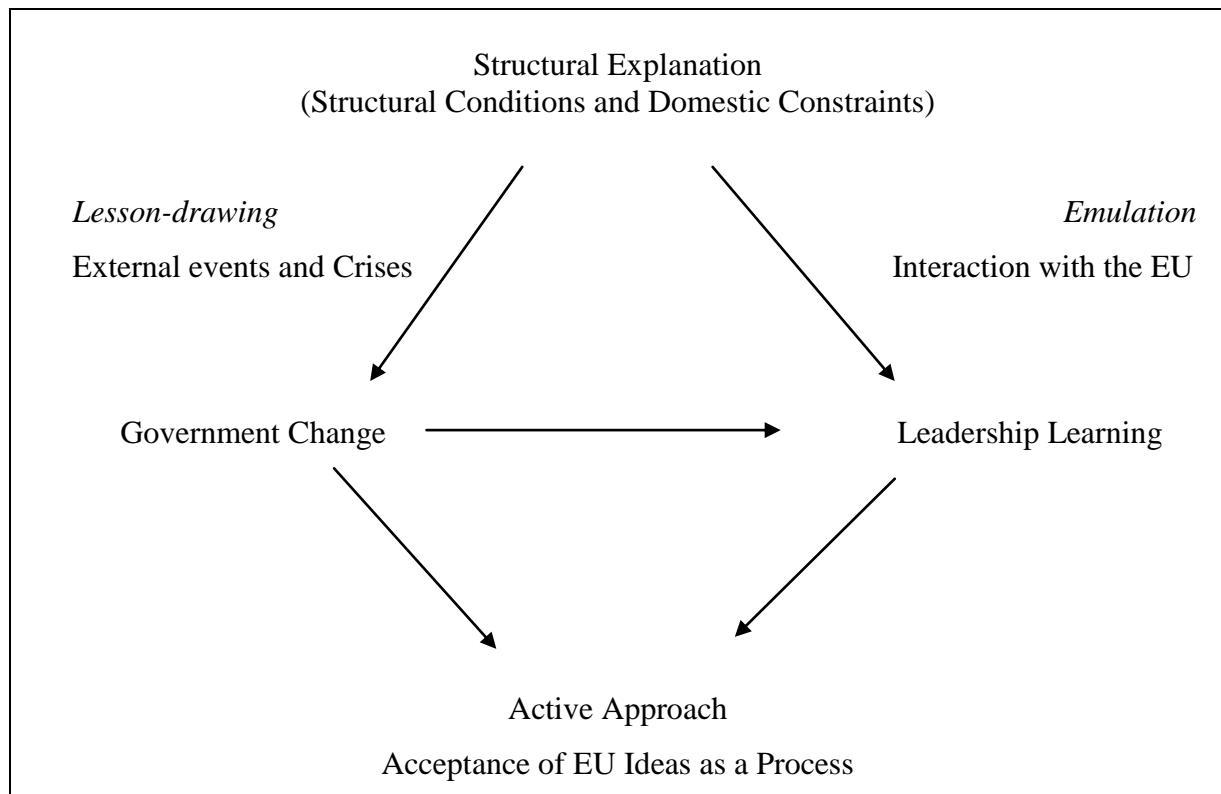
**(Table 3-1) Structural Conditions and Domestic Constraints as Explanatory Factors**

	Japan	South Korea
Structural Conditions	<p><u>During the cold war</u></p> <p>Under US security umbrella</p> <p>US orientation in foreign policy</p> <p>Containment of China</p>	<p><u>During the cold war</u></p> <p>Under US security umbrella</p> <p>US orientation in foreign policy</p> <p>Containment of China</p>
Domestic Constraints	<p><u>The Pacific War</u></p> <p>-Peace Constitution (Article 9)</p> <p>-Historical legacy of Japan's role in Asia</p> <p><u>FTA related traditional constraint</u></p> <p>-strong veto players</p>	<p><u>The Korean War</u></p> <p>-A divided country</p> <p>-Reunification as a priority</p> <p><u>FTA related traditional constraint</u></p> <p>-strong veto players</p>
External Events/ Crisis  (Changes of Structural and Domestic Constraints)	<p><u>End of cold war</u></p> <p>-Rise of China (Containment of China)</p> <p>-US orientation (No change)</p>	<p><u>End of cold war</u></p> <p>-Rise of China (As a partner dealing with North Korean issues)</p> <p>-US orientation ((Dis)agreement over North Korean issues)</p>
	<p><u>Asian Financial Crisis</u></p> <p>-US opposition to ASEAN+3 (participation in ASEAN+3)</p>	<p><u>Asian Financial Crisis</u></p> <p>-US opposition to ASEAN+3 (participation in ASEAN+3)</p>

Source: Author

In order to establish causal mechanisms capable of accounting for the different approaches of South Korea and Japan toward East Asian regionalism, this thesis needs to provide complementary explanations of the role of Lesson-drawing and Emulation (see Figure 3-2).

**(Figure 3-2) Additive Explanations for Different Approaches Toward East Asian Regionalism**



Source: Author.

Lesson-drawing and Emulation

External events or crises and increasing interaction with the EU have granted domestic actors, especially political leaders, the opportunity to (re-)define domestic constraints. The structural conditions of South Korea and Japan made it possible for conservative parties to monopolize power. While the Japanese Liberal Democratic Party had unbroken electoral dominance during 1997-2007, South Korea’s opposition party only attained power in the middle of the 1997/8 Asian financial crisis. The conditional variable of a change in government vary between these two countries. Therefore, this lesson-drawing mechanism is capable of producing an active approach that increases the overall probability of policy-makers adopting European ideas about regional integration (see Figure 3-2).

Interaction with the EU through the ASEM, a forum which provides well-established channels of communication, can encourage political leaders in both countries to emulate European ideas. If leadership learning takes place, the emulation mechanism can stimulate a proactive approach and increase the likelihood that policy-makers will accept European ideas concerning regional integration (e.g., given the widespread adoption of these ideas, it becomes more probable that formal institutions will be established in order to put them into practise) (see Figure 3-2).

The chief hypotheses that govern the different approaches taken toward East Asian regionalism are as follows (see Figure 3-3):

### **Different Approaches to East Asian Regional Cooperation Frameworks**

*If the dominant structural conditions and domestic constraints prevail and the domestic constellation does not change in one of these countries (viz. if the government does not change), then the country's approach toward East Asian regionalism is unlikely to change (passive: foot-dragging).*

*If the dominant structural conditions and domestic constraints prevail and the domestic constellation changes in one of these countries (viz. if the government changes), then the country's approach toward East Asian regionalism is more likely to partially change (passive: fence-sitting; partial pace-setting).*

*If the dominant structural conditions and domestic constraints are altered by external events or crises and the domestic constellation does not change in one of these countries (viz. if the government does not change), then the country's approach toward East Asian regionalism is more likely to partially change (passive: fence-sitting; partial pace-setting).*

*If the dominant structural conditions and domestic constraints are altered by external events or crises and the domestic constellation changes in one of these countries (viz. if the government changes), then the country's approach toward East Asian regionalism is more likely to change (active: pace-setting).*

### **Differential Acceptance of European Ideas Concerning Regional Integration**

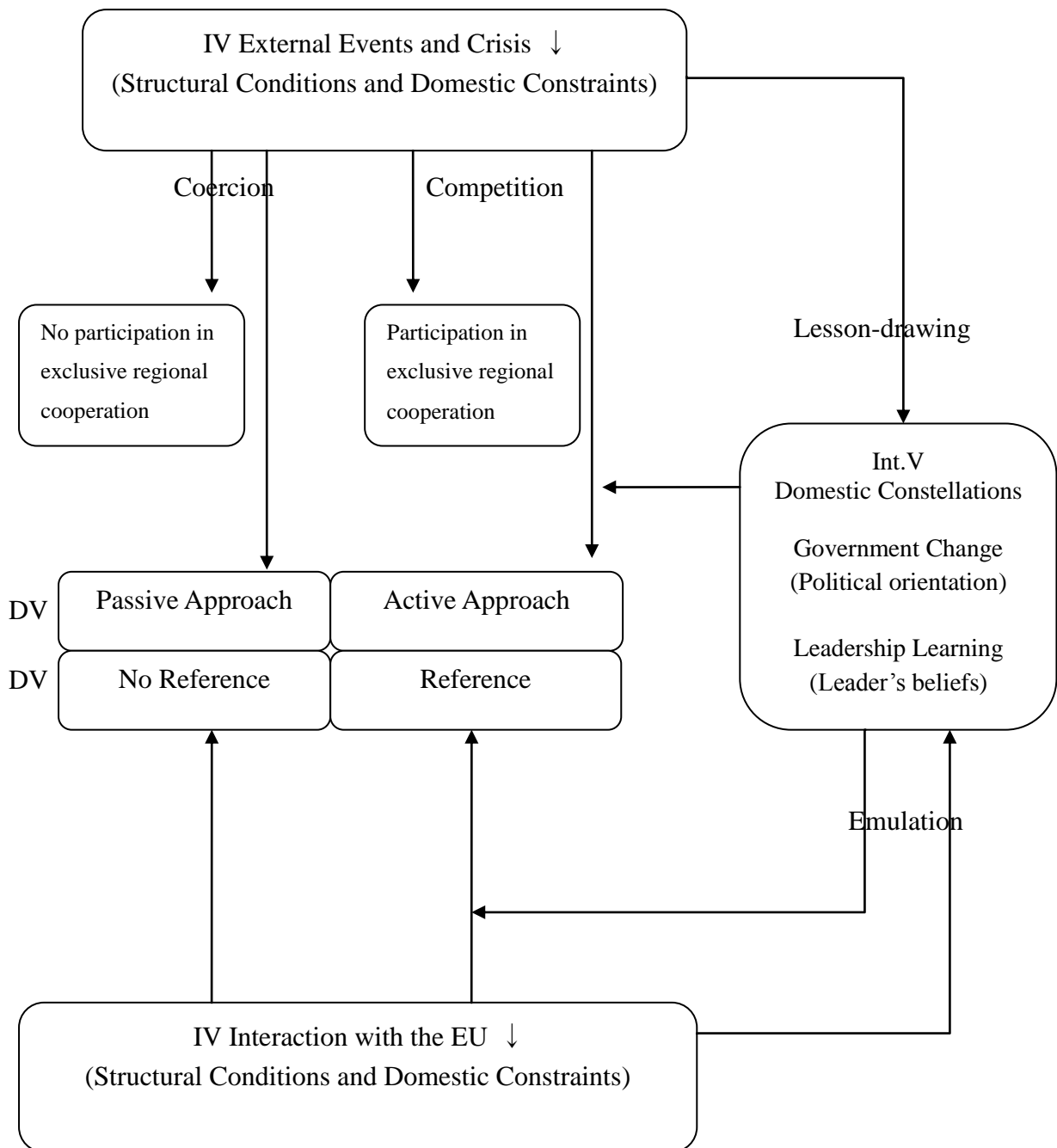
*The likelihood of one of these two countries accepting European ideas concerning regional integration decreases if the domestic constellation does not change (viz. if the government*

*does not change); thus previous ideas regarding structural conditions and domestic constraints prevail (No-Acceptance).*

*The likelihood of one of these two countries accepting European ideas concerning regional integration increases (1) when it has a greater level of interaction with the EU such that political leaders learn and emulate these ideas; (2) if the domestic constellation changes (viz. if the government changes); (3) when the government views the EU as providing evidence of successful regional integration (Lesson-drawing); (4) if the political leaders understand the structural conditions and domestic constraints differently (Lesson-drawing/Emulation); (5) when policy-makers have institutionalized relationships with epistemic communities and government officials are drawn from academia (Emulation) (Acceptance).*

The following subchapter provides research strategies for exploring the different approaches of South Korea and Japan toward East Asian regionalism.

**(Figure 3-3) Causal Mechanisms for Explaining Different Approaches Toward East Asian Regionalism**



Source: Author.

### 3.3 Research Strategy

I aim to solve a distinct empirical puzzle: why have South Korea and Japan taken such markedly different stances toward East Asian regionalism during the period 1997/8 to 2007? Considering the strong presence of the United States in Northeast Asia, and the underdeveloped regional framework that exists there, a case study of the EU's influence on East Asian regional integration might seem surprising. The cases I examine are thus characterized as 'least likely' cases, given the fact that the events they treat would rarely be predictable in theory (Bennett 2005). As a result, my research is designed to provide a y-centred analysis. I have chosen to employ this methodology for two reasons: firstly, since it is the most appropriate approach for explaining puzzling outcomes; and, secondly, because it does so without establishing preconceived ideas about the relevant causes. As such, y-centred research is "much more open-ended" as it does not presuppose any particular hypotheses at the outset (Gerring 2007: 71). However, it has to be recognised that because the hypothesis encompasses both sides of the causal equation, and so remains open-ended, Y-and X-centred analyses are difficult to pinpoint exactly (Gerring 2007: 72).

I also employ the comparative-historical method (Bennett 2005; Mahoney/Rueschemeyer 2003). By complementing methodologies of causal narrative (Mahoney 2003) and process-tracing (Goldstein 2003; Mahoney 2003), small-n intensive comparative case studies can better capture the intervening variables needed to explain the dependent variable of this thesis and so can better elucidate multiple causal paths to the same outcome (Levy 2001: 310; see George/Bennett 2005; van Evera 1997). My case studies are explained by means of both synchronic and diachronic variation. Variations between the two countries are given synchronic comparisons, while variations within each country are given diachronic comparisons (see Table 3-2).

Interviews with the relevant actors involved in formulating policies for regional integration (mostly in South Korea) enabled me to select possible explanatory factors and to access more detailed information. In addition, while primary sources and the relevant secondary literature are both used for the empirical case studies, I will also employ a form of content analysis to any relevant statements and documents (Most/Starr 2003) in order to: (1) investigate and measure the attitudes of South Korea and Japan to East Asian regional cooperation frameworks; (2) detail the dominant ideas of the political and intellectual classes of each

nation.

**(Table 3-2) The Different Approaches of South Korea and Japan Toward East Asian Regionalism (DV)**

DV		Active/Passive Responses to East Asian Regional Cooperation Frameworks				
Periods Outcomes of DV		Regional Summitry and Grand-Regional FTA			FTA	
		1 <sup>st</sup> phase 1997/8-2000	2 <sup>nd</sup> phase 2001-2003	3 <sup>rd</sup> phase 2003/4-2007	1997/8-2002	2003-2007
South Korea	Active	Participation/ Pace-setter (ASEAN+3)	Pace-setter (ASEAN+3)	Pace-setter (ASEAN+3)/EAFTA Pace-setter (NEA) Pace-setter (TC) Fence-sitter (EAS)	Pace-sitter Reactive	Pace-setter Proactive
Japan	Passive	Participation /Fence-sitter (ASEAN+3)  Pace-Setter (AMF)	Foot-dragger (ASEAN+3)	Foot-dragger (ASEAN+3) Fence-sitter (NEA) Fence-sitter (TC)  Pace-setter (EAS)/CEPEA	Pace-setter Reactive	Pace-setter Reactive
DV		Acceptance of European Ideas about Regional Integration				
Period Outcomes of DV		1997	1998-2002	2003-2007		
South Korea		No-reference	-Reference -Successful model of economic regional integration (Product) -Functional logic for formulating reunification policy (Process)	-Reference - Regionalism based on universal value; security community based on economic cooperation (Product) -Functional logic for building a Northeast Asian community (Process) -Formal adoption: establishing formal institution		
Japan		No-reference	No-reference	No-reference		

Source: Author.

Chapter 4 describes the outcome of my dependent variable by specifying the different positions of South Korea and Japan to East Asian regional cooperation frameworks and the variation in each country's acceptance of European ideas about regional integration (see Table 3-2). The two countries' active or passive approaches to regional cooperation frameworks (pace-setter/fence-sitter/foot-dragger) are measured by examining official statements given at the regional level, each country's initiatives, their policy formulations

regarding regional cooperation, and by reviewing the relevant secondary literature.

The successful acceptance of European ideas concerning regional integration depends upon the official discourses and documents of the political leaders and government bodies of a given country. Therefore, I consider political leaders (presidents in South Korea and prime ministers in Japan) as being the most important decision-making actors involved in determining regional cooperation policy in these two countries, while the ministerial actors are more responsible for the actual execution of each country's regional cooperation policy, and academics are only involved in the policy-making process.

**(Table 3-3) Explanatory Variables in Comparisons (IV/IntV)**

IV/ IntV	South Korea	Japan
Structural Conditions and Domestic Constraints	Constant/ Change	Constant
External Events and Crisis	Constant	Constant
Government Change	Yes	No
EU's Interaction with SK and J (since ASEM)	+	+
SK and J Interaction with the EU	++ Active engagement	+ Business as usual
Political Leadership Learning	Yes	No
Tradition of researching and consulting with affected actors	Constant	Constant
Institutionalized relationship between policy decision- makers and academia and/or Government officials from epistemic community or academia	Yes	No

*Source:* Author.

Comparative case studies of South Korea and Japan will be carried out by controlling, but not ignoring, potential explanatory factors. It is necessary to exclude China and the ASEAN countries and concentrate the investigation on South Korea and Japan because they share many corresponding aspects which allow one to use “most similar comparative case studies”



(George/Bennett 2005) or so-called a “controlled comparison” (Bennett 2004). However, these comparative case studies have a practical limitation in that the two cases, with the exception of one independent variable, are not controlled. Therefore, these are employed as only a very general and preliminary way to identify potentially relevant variables (Mahoney 2003).

In order to avoid the weaknesses inherent in comparative case studies, and apprehensions about case selection bias in comparative historical analysis, i.e. those resulting from “selection on the dependent variable” or “the selective use of secondary data sources”, this dissertation uses “multiple methods of causal analysis” with “various forms of within-case assessment” (Mahoney 2003: 360-367; Mahoney/Rueschemeyer 2003: 15-25).

Chapter 5 explores the explanatory factors affecting the first dimension of the dependent variable (the active and passive approaches of South Korea and Japan to East Asian regional cooperation frameworks), by uncovering the causal narrative which “combines cross-case and within-case analysis by comparing cases in terms of highly disaggregated sequences of processes and events that lead to outcomes” (Mahoney 2003: 360-361). A causal narrative is used as an “informal technique presented through stories of event processes” combined with a more formal mapping of “each step and logical connection in a narrative argument” (Mahoney 2003: 367).

The structural conditions and domestic constraints that shaped foreign policy have been subject to drastic change following the Cold War and the Asian financial crisis. The factors which influence changes in government vary between South Korea and Japan, yet it is also precisely these factors that determine the different approaches that are taken toward East Asian regionalism.

Chapter 6 introduces the issue of the intensity of interaction between Europe and East Asia (the ASEM as forum for interregional relations; the development of bilateral relations). As Gilardi (2011: 19) indicates, although correlation does not imply causation, “what matters is the perception of a causal link,” and it can be assumed that “correlations are very often taken as an indication of an underlying causal relationship.” To do this I will trace the whole process by means of which these ideas were adopted, and thereby also avoid mistaking a “spurious correlation for a causal association” (Mahoney 2003: 363). Causal mechanisms are understood as the processes and intervening variables through which an explanatory variable

has a causal effect on an outcome variable (George/Bennett 2005). The increasing level of interaction between the EU, South Korea, and Japan, will be correlated with this causal inference. Interaction could thus be one of the most important factors in facilitating the acceptance of European ideas concerning regional integration. Yet, while the intensity of the two countries' interactions with the EU is judged to be similar, nonetheless they also exhibit very different responses. This is a situation best explained by the degree to which each country is actively involved in learning and emulating these ideas (Table 3-3).

Thus, while a country's interaction with the EU can increase the possibility that new ideas will be accepted, nonetheless the recipient's learning and emulation of these ideas has to be conditioned in advance for their full acceptance to be possible. Since Japan has not accepted European ideas about regional integration, I will focus attention on the reason why South Korea became such an enthusiastic recipient by exploring how two South Korean presidents positively accepted European ideas about regional integration during the period of 1998-2007. By examining each president's articles, official documents, and speeches it is possible to show how South Korean political leaders emulated European ideas of regional integration in ways that would shape their policies on reunification and regional cooperation.

II Empirical Analysis

## 4 Mapping The Dependent Variable: The Differential Approaches of South Korea and Japan toward East Asian Regionalism

Since the 1997/8 Asian financial crisis, Japan and South Korea have changed their regional engagement policies in East Asia: from objection to participation in exclusive regional cooperation framework. However, in the evolving process of East Asian regionalism, they have responded differently. Observing both countries' responses to regional engagements and investigating the shifts in their policies, this thesis is able to elucidate the conditions under which European ideas of regional integration can be diffused to East Asian countries.

This chapter starts by mapping a newly emerged regional platform in East Asia (4.1). It follows the different reactions of South Korea and Japan with regard to this regionalism by examining two factors: (i) the active and passive approaches (pace-setter/fence-sitter/foot-dragger) taken in regional summitry, financial cooperation, and regional trade arrangements (4.2) and (ii) the degree to which European ideas about regional integration (reference/non-reference) have been accepted by national political leaders (4.3).

### 4.1 Exploring East Asian Regionalism

In light of an East Asian regionalism, this chapter provides a short introduction to the development of regional formations in East Asia. With regard to summitry, this section presents an overview of new regional movements starting from EAEC/EAEG (4.1.1), ASEAN+3 (4.1.2), and including the East Asian Summit (4.1.3). The features of East Asian regionalism considered in the following sections (4.1.4 and 4.1.5) deal with issues of financial cooperation and Free Trade Agreements (FTA).

#### 4.1.1 East Asian Economic Caucus (EAEC)/ East Asian Economic Grouping (EAEG)

The first trial of exclusive regionalism was Malaysia's Prime Minister Mahathir's proposal of an East Asian Economic Caucus (EAEC), comprised of the eleven Asian members of APEC(excluding the United States, Canada, Australia, and New Zealand), which later emerged as an East Asian Economic Grouping (EAEG) in the early 1990s (see Berger 1999). EAEC was a closed East Asian trading bloc, designed as a response to the emergence of protectionism and exclusive regionalism, as witnessed in the EU and NAFTA (Moon/Suh

2006: 139).

The attempt was also accompanied with debates about Asian values.<sup>15</sup> East Asia participated in the Asian values debate of the 1990s and this clearly intended to promote Asian ideas, in particular to determine an ‘Asian Way’ in which to view democracy, economic development, social life and diplomacy as well as the operational mechanisms of the ASEAN<sup>16</sup> (Gilson 2002; Hund 2001; Langguth 2003; Okfen 2003: 6).

The spectacular economic development and the impressively high growth rates in Southeast Asia made political and intellectual elites more self-confident (Chan 1996; Coulmas 1996; Chee 1995; Goh 1994; Mahathir/Anwar 1992; Okfen 2003; Zakaria 1994). The World Bank (1993) even used the term ‘East Asian Miracle’ to appraise the successful economic development and rapid improvement in living standards for people in the region. The report of the World Bank (1993) identifies macroeconomic stability, human resource development, export orientation, and benign government-business relationships as the causes of high performance in East Asia.

Mahathir (2006; with Anwar 1992), prime minister of Malaysia, and Lee Kuan Yew (Zakaria 1994), prime minister of Singapore, both emphasized that there was a distinctive Asian style of democracy and (economic) governance. In an interview Lee Kuan Yew (Ibid.) presented his views about the cultural differences between Western and East Asian societies and the political implications of those differences, thus confronting the West and warning it “not to foist their system indiscriminately on societies in which it will not work”. Lee believes that economic development in East Asia and Singapore has been made possible without any need for democracy, if the democracy referred to the American or German model. Thus Lee did not consider elections, conflicting views, and regularly changing parties as absolutely indispensable elements for politics (Ibid.). Mahathir has also voiced opposition to Western-style democracy by criticizing what he termed “democracy fanatics” and comparing them with “religious fanatics” (Mahathir/Anwar 1992).

Controversy and heated debate over the topics of ‘Asian Values’ and the ‘Asian Way’ has coincided with the increasing number of regional gatherings amongst Asian nations that aim

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<sup>15</sup> see Wang 2005; Oga 2004; Langguth 2003; He 2002; Freeman 1999;1996; Sen 1999; Kim 1997; Chan 1996; Aung San 1995; Buruma 1995; Chee 1995; Christie 1995; Fukuyama 1995; Goh 1994; Kim 1994; Zakaria 1994; Bayalama, 1993; Mahathir/Anwar 1992; Berger 1988

<sup>16</sup> ASEAN norms are accepted generally by Northeast Asian states. These could therefore be called an East Asian *modus operandi* for multilateral cooperation (Okfen 2003: 11; Kahler 2000).

toward coordinating their affairs in a manner similar to how the EU nations have done (Gilson 2002; 2005; Nabers 2003; Terada 2003; 2006). The ideas are reflected in the contentious disputes between the Southeast Asian and EU partners of ASEM: Southeast Asian partners have repeatedly criticized their European counterparts for forcing Western ideas of democracy and governance upon Asia. This was especially the case at the third ASEM, when issues of democracy and human rights were for the first time inserted into official documents.<sup>17</sup>

With regard to Asians value based on culture, South Korea and Japan do not share much in common with their Southeast Asian neighbours. Their official documents and the discourse of their political leaders recognize democracy and human rights as universal values (Kim 1994).<sup>18</sup> Kim Dae-jung (1994) of South Korea, responding to Lee's idea of Asian culture, opposed the anti-democratic trend against "Western-style democracy", which he considers presents a fallacious "myth" about "Asia's anti-democratic values" and thus serves as an expedient justification for certain regimes' undemocratic practices. The leaders of Malaysia and Singapore pointed out moral decline which as being characteristic of Western culture, which is actually attributable to the system of industrial society (Kim 1994). Lee also argued that the Western-style democratic system, which he considered to be an alien system, should not simply be imposed on East Asian states (Zakaria 1994). Kim (1994) further added the objection that Asia's philosophies, such as the doctrines of Confucianism, Buddhism, and Tonghak, support democracy were undeniably just as profound as those of the West. Consequently, Kim argued that there was no exclusive form of democracy built on Asian values alone, and that this shows us that "Culture is not necessarily our destiny. Democracy is" (also see Langguth 2003).

In conclusion, we should recognize that one of the primary reasons for discussing regionalism in terms of Asian values is that there has been an increasing sense of solidarity between Asians based on a perceived commonality of outlook. This sensibility, however, should not be overestimated and is in fact mainly held by ASEAN member states such as Malaysia and Singapore (Langguth 2003: 36). Therefore, value-based arguments cannot fully capture the processes responsible for the emergence of East Asian regionalism or of an East Asian collective identity.

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<sup>17</sup> Chairman's Statement of the Third Asia-Europe Meeting. Seoul, 20-21 October 2000.

<sup>18</sup> Japan-EU Relations by Ministry of Foreign Affairs, August 2011, <http://www.mofa.go.jp/region/europe/eu/index.html>. (January 11, 2013).

While some ASEAN countries were increasingly supportive of the idea, Northeast Asian countries, particularly South Korea and Japan were, reluctant to support ideas of ‘Asianness’ or ‘Asianism’ due to the haunting memory of colonial domination and the Pacific War (Moon 1999). The revival of an Asian identity can be partly attributed to the rise of anti-American sentiment with regard to the US military presence in Asia and to America’s handling of the Asian financial crisis (see chapter 6). Thus, for instance, Asian identity in Japan was especially intensified by a growth in trade disputes with the United States during the early 1990s, as well as by Japan’s frustration over the imbalance between its economic and political power in the international arena (Moon/Suh 2006; see chapter 7). The dynamic shift of the East Asian economy and the consequent growth in regional economic interdependence has both stimulated a resurgent Asian sentiment in East Asia (Evans 2005: 197-202; Moon/Suh 2006).

#### 4.1.2 ASEAN+3

The first attempt at forming an exclusive East Asian regional grouping failed, because not only the USA and Australia, but also South Korea and Japan, were reluctant to assent to its anti-western ideology. South Korea and Japan have been mainly dependent upon the support of America for security against the early Communist bloc, the recent threat from North Korea’s nuclear capability, and unsolved territorial disputes. Thus, because the “Asia-Pacific”, represented by APEC, was their definition of a regional entity (Maull 2001; Ravenhil 2001), South Korea and Japan considered the new concept of an exclusive “East Asia” unnecessary (Terada 2003). Moreover, China and South Korea were also sceptical of the proposal, fearing Japan’s economic dominance in the region (Moon/Suh 2006: 139).

Following Mahathir’s idea to form an anti-Western regional group, the EAEC first emerged within APEC, before presented itself at the first ASEM in 1996 (Gilson 2002; Terada 2003). The Asian members of ASEM have required regular gathering for coordinating their positions in the ASEM, such as the pre-ASEM Asian foreign ministers’ meeting in Phuket in February 1996 (Kwon 2002), which also played an important role in encouraging dialogue and cooperation within East Asia (Gilson 2002). Since 1997 the Asian members of ASEM decided on a regular schedule for ASEAN+3 meetings. Then, most significantly, the 1997/98 Asian financial crisis induced East Asian countries to reconsider their economic and governance systems, as well as their position in the world economy (Hall 2003; Park 2002;

Wade 2000; Yi 2008). Thus the crisis facilitated their need for regional mechanisms of collective coordination in the financial and economic fields (Aggarwal/Koo 2008; Yu 2003).

Even if for some the Asian financial crisis signalled “the end of the Asian miracle,” the crisis has at least induced East Asian countries to fundamentally reconsider the Asian model of development (Hall 2003; J.H. Park 2002: 338-340; Wade 2000: 97-99). According to Jong H. Park (2002), the debates following the crisis, created the misconception that East Asian countries share a single model of economic development. He identifies five categories for the different experiences of industrialization that each country had: (i) Japan as a case of “government-directed industrialization”; (ii) South Korea and Taiwan as cases of closely adopting the Japanese case “with state-directed production and exports for the world market”; (iii) Hong Kong and Singapore with a completely open economy to the outside world; (iv) “the second-tier NICs of Malaysia, Thailand, and Indonesia with FDI-led exports and growth”; (v) China “with its open-door policy for FDI and substantial public expenditures on infrastructure development” (J.H. Park 2002: 338-339).

Although there is no explicit definition of the East Asian model of economic development (Ibid.), Wade (2000: 97) identifies three characteristics which he argues underpinned the East Asian economic miracle: (i) banks, rather than the capital market, played the most important role as central entities; (ii) relation-based governance, namely banks, big firms, and governments have friendly and long-term connections; (iii) informal and government-led decision-making, i.e. government determines which sectors and corporations get credit, and provides only a weak role for monitoring by independent organizations and the courts. Compared with the Western model of “formal-contract-based” or “rule-based governance”, the distinguishing features of the model exemplified by Japan, and later by South Korea are characterized by “alliance capitalism” or “relationship-based governance”, which is more fully adaptable to Northeast Asia than to Southeast Asia (Wade 2000). However, one factor East Asian economies share<sup>19</sup> is that “governments undertook major responsibility” in the process of industrialization and economic development (Stiglitz 1996: 151) in spite of historical, cultural, differences and the differences in their economic and political institutions (J.H. Park 2002: 338-339).

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<sup>19</sup> According to J.H. Park (2002: 338), East Asian countries share common elements of an economic model: (i) pursuing “export-oriented development strategies”; (ii) maintaining “high rates of saving and investment”; (iii) focusing on the promotion of universal education and investments in human capital; (iv) industrial policies developed “as an important part of their growth strategies”.



In order to recover from the crisis, East Asian countries focused on improving the relations between their economic governance and economic performance, and by adjusting the East Asian development model (Hall 2003; Yi 2008). Almost every country in East Asia, including South Korea and Japan, began to re-examine the links between governance and economic performance and to recognize the need for deeper institutional reform (Hall 2003; Wade 2000). Hall (2003: 73) argues that the Asian development model that had, prior to the crisis, generated the “East Asian economic miracle” was redefined as “crony capitalism” and “corruption”, thereby normatively delegitimizing the Asian model of economic governance and normatively privileging neo-liberal ideas.

However, specific cultural characteristics embedded in economic governance, as well as an East Asian economic model, were not the conditions for emerging East Asian regionalism. Instead it was the financial crisis that produced a shared understanding among East Asian countries about the problematic character of economic governance and performance, and it was this that led to domestic institutional reforms, as well as a deeper recognition of the interdependence of East Asian countries.

The financial crisis also made many Asian countries reconsider their position in the world economy and produced fundamental changes in East Asian countries’ views about inter-regional relations and relations with the outside world (Nabers 2003; Yi 2008). As a result of export-oriented development strategies which helped the “East Asian miracle”, East Asian countries’ recognized that they were heavily dependent on major global economies outside of the region (J.H. Park 2002). The lack of diversification and low level of intra-regional financial flows produced a financial fragility susceptible to external crises (Wade 2000).

East Asian countries now have common views on what region-wide vulnerabilities they were exposed to (Yi 2008). These include recognition that there was scant provision of regional mechanisms for regulating and coordinating regional economic relations (especially in regional monetary and financial markets), for relieving international economic instability and risk, and for providing means of self-rescue during times of crisis (Stubbs 2002; Yi 2008).

Holding the common belief that closer intra-regional economic interactions can act as a cushion against external economic vacillations (Verdun 2008), East Asian countries have tried to explore their own, as well as the region’s, role to create an alternative model for the future. As a result, reflection on the crisis has led to a reassessment of the causal relations between

old economic practice, economic efficiency and growth (Hall 2003; Yi 2008). East Asian countries firstly jumped into collaboration in order to strengthen regional economic governance and to solve the problems of institutional insufficiency (Yi 2008).

As part of the effort, since 1997 a new cooperative body, ASEAN+3, was established. This consisted of the ASEAN countries, China, Japan, and South Korea, and was the first effort at providing East Asian regional economic governance – later expanding its affairs<sup>20</sup> – as arranged by state authorities. The first 1997 ASEAN+3 meeting was simply an informal gathering of heads of government during the ASEAN summit in Kuala Lumpur.

During the second ASEAN+3 Summit of 1998, however, the three Northeast Asian countries put forward their key policies. Prime Minister Obuchi renewed Japan's commitment to the New Miyazawa Initiative,<sup>21</sup> which involved \$30 billion in financial support to countries affected by the financial crisis (Ministry of Foreign Affairs of Japan 1999). Delivering a speech, the then Chinese Vice President Hu Jintao called on “the East Asian countries to exchange views on such macroeconomic issues as financial reform” and proposed to hold a conference of deputy finance ministers and vice governors of central banks to discuss financial affairs.<sup>22</sup> President Kim Dae-jung of South Korea proposed the establishment of an East Asian Vision Group (EAVG 2001: 44) “composed of eminent intellectuals charged with the task of drawing up a vision for mid-long-term cooperation in East Asia”. As Tanaka (2007: 62-65) points out, the second ASEAN+3 summit was a landmark development in its institutionalization.

After at the eighth ASEAN+3 summit in 2004,<sup>23</sup> East Asian leaders committed themselves to the establishment of an East Asian community. Consequently, at the ninth ASEAN+3 summit in 2005, the leaders reiterated their common resolve to realize an East Asian community as a long-term goal that would contribute to the maintenance of regional (and global) peace,

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<sup>20</sup> The third ASEAN+3 identified the fields for cooperation: economic and social fields (economic/monetary and financial cooperation; social and human resources development; scientific and technical development; cultural and information area; development cooperation) and Political and other fields (the political-security area; transnational issues). Source from Joint Statement on East Asia Cooperation, Manila, Philippines, 28 November 1999.

<sup>21</sup> In 1997 Japan launched an initiative to set up an Asian Monetary Fund (AMF), which was not realized due to opposition from the West, especially the United States (Dieter 2001). But it was also immediately rejected by other Asian countries, most strongly by China (Nabers 2003: 119).

<sup>22</sup> The Network of East Asian Think-tanks (NEAT):

[http://www.neat.org.cn/english/hzjzen/index.php?topic\\_id=001001](http://www.neat.org.cn/english/hzjzen/index.php?topic_id=001001). (May 10, 2011).

<sup>23</sup> Chairman's Statement of the 8<sup>th</sup> ASEAN+3 Summit, Vientiane, Laos, 29 November 2004.

security, prosperity and progress.<sup>24</sup> They also addressed the evolution of the summit into an East Asian community in the report produced by the East Asia Vision Group (EAVG 2001). Thus, in order to achieve their long-term ambitions, the leaders of ASEAN+3 were convinced that “the ASEAN+3” should continue to be “the main vehicle in achieving that goal,” with “ASEAN as the driving force”.<sup>25</sup>

The plan and concept for the East Asia Summit originated from two reports given by the EAVG (2001) and the EASG (2002). EAVG (2001) was assigned to articulate a vision for establishing an East Asia community (Bae 2006). In order to establish such an East Asia community, the EAVG (2001) recommended “the evolution of the annual summit meetings of ASEAN+3 into the East Asia Summit.” This means that EASG (2002) report originally envisioned the EAS as an evolving form of the ASEAN+3 process, one that would involve the same member states and be held when the ASEAN+3 process was sufficiently settled (Bae 2006).

From as early as 2004, Malaysia concentrated its diplomatic efforts on opening the first EAS alongside the ninth ASEAN+3 Summit to be held in Kuala Lumpur at the end of 2005. Almost at the same time, China supported Malaysia’s efforts in the early launch of the EAS and expressed a willingness to host the second EAS (Bae 2006). Along with its former initiatives of EAEC and ASEAN+3, Malaysia has a strong desire not to lose its leading role in East Asian regionalism (Ibid.). In the absence of the US, China has also wished to play a leading role in the ASEAN+3, so as to maximize its influence in the region by neutralizing US influence and Japan’s potential leadership of the region (Breslin 2008; Li 2008; Lin 2008; Tsang 2008). China has made a sequence of proposals to forward the implementation process of East Asia community building; this included a China-led feasibility study on an East Asia Free Trade Area (EAFTA) and hosting a convention of research bodies to draw up plans for regional security integration (Bae 2006).

At the tenth ASEAN+3 Summit in 2007,<sup>26</sup> the attendant states agreed on an expansion of areas of cooperation: women, poverty alleviation, disaster management and minerals. Crucially, they also welcomed the East Asia Free Trade Area (EAFTA) as a positive form of integration, while they noted that they should continue to examine other possible FTA

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<sup>24</sup> Kuala Lumpur Declaration on the ASEAN+3 Summit, Kuala Lumpur, 12 December 2005.

<sup>25</sup> Kuala Lumpur Declaration on the ASEAN+3 Summit, Kuala Lumpur, 12 December 2005.

<sup>26</sup> Chairman’s Statement of the Tenth ASEAN Plus Three Summit. Cebu, Philippines, 14 January 2007.

configurations.

#### 4.1.3 East Asia Summit

As mentioned earlier in the chapter, the original plan by the EAVG introduced the EAS as the next step of ASEAN+3 without expecting membership expansion, but with the hope that it would ultimately lead to an integrated East Asian community. So when the two reports were adopted by the ASEAN+3 leaders, many analysts and observers predicted that the EAS could be a long-term endeavour (Bae 2006). From the perspective of Northeast Asian countries, the establishment of the EAS would be preferable, because they wanted the ASEAN+3 grouping to be “less ASEAN-centred” and “more East Asian” (Bae 2006).

Since the mid-2000s, East Asian countries, particularly China and Japan, started engaging in conflicts over the membership expansion of the EAS. Although the leaders of ASEAN+3 had agreed to a gradual and incremental approach to the EAS, they assented to hold the first East Asia Summit in December 2005 in Kuala Lumpur, Malaysia.<sup>27</sup> In attendance were the Heads of State/Government of the Member Countries including the ten ASEAN members, South Korea, Japan, China, India, Australia and New Zealand. The Kuala Lumpur Declaration on the East Asia Summit confirmed that the EAS would play an important role together with ASEAN+3 meetings in community building in the region.<sup>28</sup>

While China and the majority of ASEAN members seemed to advocate keeping the existing ASEAN+3 memberships, along with Japan some ASEAN members strongly argued in favour of granting membership expansion to India, Australia, and New Zealand.<sup>29</sup> These countries demonstrated reservations over the early launch of EAS. More significantly, they were concerned about the possibility of a China-led EAS, and shared a sense of urgency to add new members in order to counterbalance Chinese influence (Bae 2006; Breslin 2008).

Initially, Russia participated at the summit as an observer.<sup>30</sup> Russia’s entry to the Summit provoked a race for membership expansion. While China, South Korea, Malaysia, and

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<sup>27</sup> Chairman’s Statement of the eighth ASEAN+3 Summit, Vientiane, Laos, 29 November 2004.

<sup>28</sup> Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, 14 December 2005.

<sup>29</sup> Most representatively, Indonesia feared that the EAS could weaken the strategic importance of ASEAN. Additionally, Singapore and Vietnam took positions of “wait and see” and thus quietly remained non-committed to the EAS. Just on the eve of the eighth ASEAN+3 Summit, Malaysia succeeded in persuading Indonesia to participate thus clearing the way for the EAS to be held. Indonesia agreed with the participation of India, Australia and New Zealand, whereas Singapore suggested that only India be included (Bae 2006: 17).

<sup>30</sup> Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, 14 December 2005.

Thailand signalled their approval of Russia's participation, Singapore made an objected on the basis of Russia's weak economic links with many ASEAN countries.<sup>31</sup> Japan even argued that not only India, Australia and New Zealand, but also the leaders of the USA, Russia, the EU and even the UN needed to be invited to the summit meeting (Bae 2006). Japan further suggested that the USA at least be invited as an observer. However, an attempted trial of this failed as a result of China's efforts to keeping the USA out of negotiations<sup>32</sup> (Dosch 2008). These dissenting views on membership expansion opened the door for applications from Russia, Mongolia, Pakistan, the EU, and later the USA (see figure 2-1). According to Mihoko (2007), from the perspective of ASEAN countries, ASEAN would most benefit by maintaining a stable balance of power among major regional powers. Furthermore, in order to be a member of the EAS, the countries are supposed to sign the ASEAN's Treaty of Amity and Cooperation (TAC). This means that without the support of ASEAN, neither Japan nor China could expand membership to governments that would support their interests (Hamanaka 2008: 69-70).

From the sceptical perspective, the EAS was considered as a mere "talk shop" heading nowhere in the process of regional integration.<sup>33</sup> The results of the EAS are anticipated to be a muddled amalgamation of different interests, contending approaches, and even antagonistic competition and rivalry (Bae 2006). Consequently, as figure 2-1 shows, EAS is becoming a global forum. This new idea of East Asia, according to Breslin (2008), implies the formation of an 'anti-region' which prevents the emergence of an East Asian regional community without the involvement of Caucasians and the Indian sub-continent. He further argues that perceptions are more significant than realities, with views on the rise of Chinese power conditioning the way that others deal with the reality of China (Breslin 2008: 149-150).

#### 4.1.4 Financial Cooperation: From Idea of AMF to Chiang Mai Initiative

For the purpose of dealing with the Asian financial crisis, Japan proposed the creation of the Asian Monetary Fund (AMF), which would support East Asian countries in reeling from the

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<sup>31</sup> The Strait Times, November 5, 2005.

<sup>32</sup> According to Dosch (2008), among ASEAN countries, it was particularly Indonesia and Vietnam that expressed concern about the USA's exclusion, but they did not seek to defy China.

<sup>33</sup> According to Bae (2006), the opening and outcome of the EAS was the result of the ways of doing business among East Asian countries. When they launch new regional cooperation frameworks, they usually fail to carry out prior consultations among themselves, coherent strategies, and blueprints for the future. They propose their plans at the first opportunity and agree without much debate, with important matters being deliberated later on.

crisis “through the provision of standby loans for current account deficits, extension of trade credits, and the facilitation of foreign exchange defence” (Moon/Suh 2006: 139).

The AMF was announced by the Japanese finance minister, Kubo Wataru, at a joint IMF/World Bank meeting held in Hong Kong in September 1997 and was initially supposed to raise \$100 billion in funds: \$50 billion from Japan, and the other \$50 billion from China, Hong Kong, South Korea, Taiwan, and Singapore (Katada 2001; Moon/Suh 2006: 139). In parallel with this proposal, Japan was also exercising its financial leadership (see Katada 2001). Since July 1997, in bilateral collaboration with the IMF, Japan has distributed over \$44 billion to the Asian countries most seriously affected by the financial crisis, thereby providing support for private investment activities, facilitating trade financing and assisting with structural reforms, social safety nets, and the development of human resources (see Radelet/Sachs 1998).<sup>34</sup> As the financial crisis deepened, the Japanese government announced the Miyazawa Initiative in October 1998 through which Japan pledged to provide a package of support that totalled \$30 billion. \$15 billion of this amount was supposed to prepare for medium- to long-term financial assistance to promote economic recovery and the remaining \$15 billion for possible short-term funding to help the process of implementing economic reforms in countries undergoing financial crisis.<sup>35</sup>

The idea of a Japan-centred AMF never materialized. The main reason was that the United States (Cohen 2000) and the IMF opposed the AMF idea on the grounds that it duplicated their own efforts, led to a waste of resources, and raised moral hazards associated with the relaxation of conditionality (Katada 2001; Narine 2003). In addition, it was also problematic for the Japanese Ministry of Finance to execute the proposal primarily owing to the massive financial burden it would incur. Initially, China and South Korea also agreed with the United States and the IMF, fearing Japan’s dominance in the region (Cumings 1999). Moon and Suh (2006: 139-140) identify the initial opposition of South Korean government as being comprised of three objections. First, South Korea could not support the idea if this meant opposing the United States and the IMF, since it was especially dependent on the IMF to rescue its own finances. Second, South Korea realized that such a regional mechanism would be desirable, but not feasible given the fact that Japan’s commitment and leadership seemed

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<sup>34</sup> See also IMF. 2005. Recovery from the Asian Crisis and the Role of the IMF. <http://www.imf.org/external/np/exr/ib/2000/062300.htm>. (May 10, 2011).

<sup>35</sup> Ministry of Foreign Affairs of Japan: [http://www.mofa.go.jp/policy/oda/summary/1999/ov2\\_2\\_01.html](http://www.mofa.go.jp/policy/oda/summary/1999/ov2_2_01.html). (January 7, 2013).

lukewarm in light of its own ailing economy. Finally, considering the complicated historical relationships between the two countries, South Korea could not tolerate Japan's hegemonic ascension in the region's economic sphere and such potential effects as the creation of a yen bloc.

After having gone through the financial crisis in late 1997, Japanese reactions to dealing with the crisis (Japan was the largest creditor nation, generously extending \$10 billion through the IMF rescue package and the rolling out of short-term loans) contributed to breeding new levels of trust and a changing attitude in South Korea (Moon/Rhyu 2010). The result of this, as Moon and Suh (2006: 140) note, was that the "salience of economic gains made South Korea converge with Japan for economic survival and prosperity, gradually defying the old fear of Japanese domination and exploitation". Although Japan's will and capability was insufficient to implement AMF in practice, this can be inferred as one of the most notable positive externalities resulting from the 1997 financial crisis (Moon/Suh 2006: 140). South Korea began to assess the AMF positively and approached the idea cautiously (Moon/Rhyu 2010). At the Keidanren (Japanese Federation of Economic Organization)<sup>36</sup> annual meeting on October 29, 1998, the FKI (Federation of Korean Industries) made a "quasi-public endorsement" of the Miyazawa Initiative and the AMF (Moon/Suh 2006). They agreed that greater efforts toward the internationalization of Japanese yen had to be made and that an official study of the AMF was necessary in order to stabilize the financial system in Asia.<sup>37</sup> Lee and Moon (2002: 157) identify the following background factors for inducing this shift: dissatisfaction with the severe IMF conditionality; a need for alternative solutions departing from excessive reliance on the American dollar that had deepened rigidity in foreign exchange operations; practical gains relieving interest rate burden; observing the increasing possibility of establishing an AMF by expanding the credit pool of East Asian countries.

After the hope for an AMF fell through, with the support of the IMF, the Manila Framework upheld the idea of an East Asian regional financial framework with added liquidity and quick disbursement of funds (Katada 2001; Katada and Solis 2008: 128-140; Thomas 2007). The third ASEAN+3 summit held in November 1999 at Manila marked a watershed in the development of financial regionalism in Asia and emphasized the significance of the enhancement of self-help and support mechanisms in East Asia through the ASEAN+3

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<sup>36</sup> The organizations representing big business in South Korea and Japan.

<sup>37</sup> Maegyung. 29 October 1998.

framework.<sup>38</sup> At the second ASEAN+3 meeting, China claimed that the institution had significantly strengthened the financial cooperation process.<sup>39</sup> All participants of ASEAN+3 agreed to support the Chinese proposal and to regularize the ASEAN+3's Finance Ministers Meeting (FMM).<sup>40</sup> The year 2000 saw rapid progress in financial cooperation within the ASEAN+3 frameworks, which agreed to explore available mechanisms for financial cooperation at a time of economic crisis (Ogawa 2008).<sup>41</sup> Based on such examination, the ASEAN+3 Finance Ministers meeting established a system of currency swaps called the Chiang Mai initiative (CMI) on May 6, 2000 (see Figure 4-1). Although order to operate the CMI a surveillance mechanism controlled by the monetary authorities is needed for preventing a possible financial crisis, the authorities in East Asia do not have any surveillance institutions. Instead, East Asian countries have regular meetings covering an "Economic Review and Policy Dialogue" during the ASEAN+3 Deputy Finance Ministers' Meeting. These meetings establish "surveillance over their macroeconomic performance" and focus only upon domestic macroeconomic variables such as "GDP, inflation, and the soundness of financial sector" (Ogawa 2008: 237-238).

The Chiang Mai initiative has been continually developing, such that, according to the joint statement of the tenth Finance Ministers Meeting on the 5 May 2007,<sup>42</sup> "the Bilateral Swap Arrangement (BSA) network has increased to US \$80 billion, consisting of 16 BSAs among 8 countries" (later increased to US \$90 billion in 2009). Subsequently they decided to "carry out further in-depth studies on the key elements of the Multilateralization of the CMI including surveillance, reserve eligibility, size of commitment, borrowing quota and activation mechanism..."<sup>43</sup>

An official of the ministry of finance and economy in South Korea estimated 2007 that previous CMI was a loose bilateral form of cooperation but it was changed legally binding form of cooperation for multilateralization and even more positive remarks were made by international financial experts: this new agreement is measured as a foundation for Asian

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<sup>38</sup> Joint Statement on East Asia Cooperation, Manila, Philippines, 28 November 1999.

<sup>39</sup> NEAT: [http://www.neat.org.cn/english/hzjzen/index.php?topic\\_id=001001](http://www.neat.org.cn/english/hzjzen/index.php?topic_id=001001). (May 10, 2011).

<sup>40</sup> Chairman's Statement of the First ASEAN+ China, Japan, Korea (ASEAN+3). Deputy Finance Ministers and Deputy General Bank Governors Meeting, Ha Noi, Vietnam, 18 March 1999.

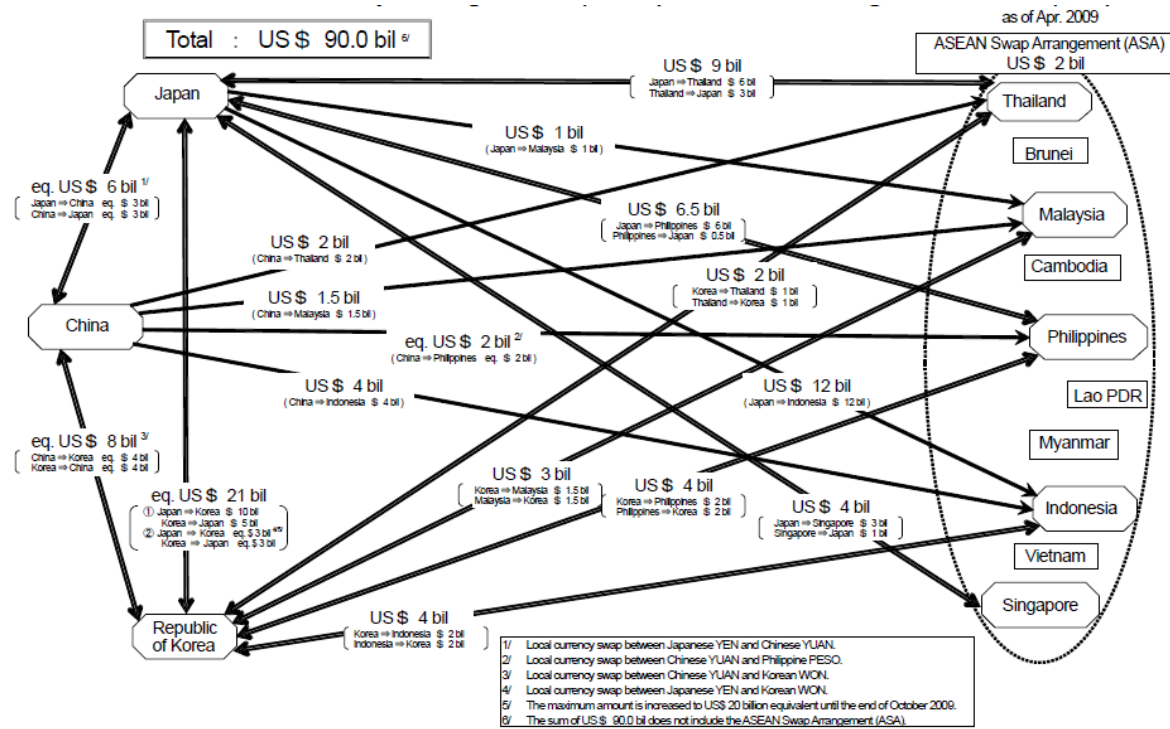
<sup>41</sup> Joint Ministerial Statement of the fourth ASEAN+3 Finance Ministers' Meeting, Bandar Seri Begawan, Brunei Darussalam, 25-26 March 2000.

<sup>42</sup> Joint Ministerial Statement of the tenth ASEAN Plus Three Finance Ministers' Meeting, Kyoto, Japan, 5 May 2007.

<sup>43</sup> Joint Ministerial Statement of the tenth ASEAN Plus Three Finance Ministers' Meeting, Kyoto, Japan, 5 May 2007.



**(Figure 4-1) Network of Bilateral Swap Arrangements (BSAs) under the Chiang Mai Initiative (CMI)<sup>45</sup>**



Observing the success of the Euro, in the year of 2006, the Asian Development Bank (ADB) revitalized a six-year-old idea of a common Asian currency called as an Asian Currency Unit (ACU).<sup>46</sup> The matter also came up at a meeting of ASEAN+3 finance ministers on the sidelines of the ADB meeting and Korean deputy prime minister Han Duck Soo gave the official briefing that the finance ministers of ASEAN+3 had agreed to launch a research study group for introduction of RMU (so-called ACU), namely to look at the possibility of having a regional currency like Euro.<sup>47</sup>

<sup>44</sup> Kyung Hyang Sin Mun, May 6, 2007.

<sup>45</sup> Ministry of Finance Japan:

[http://www.mof.go.jp/english/international\\_policy/financial\\_cooperation\\_in\\_asia/regional\\_financial\\_cooperation/CMI\\_0904.pdf](http://www.mof.go.jp/english/international_policy/financial_cooperation_in_asia/regional_financial_cooperation/CMI_0904.pdf). (January 5 2013).

<sup>46</sup> NEAT Working Group on East Asian Financial Cooperation Report, Beijing, July 10, 2006.

<sup>47</sup> Joint Message The 6<sup>th</sup> Trilateral (China, Japan and Korea) Finance Ministers' Meeting, Hyderabad, India May 6, 2006. [http://www.mof.go.jp/english/if/o6o5ojoint\\_message.pdf](http://www.mof.go.jp/english/if/o6o5ojoint_message.pdf). (May 10 2011); Joint Ministerial Statement of the 9<sup>th</sup> ASEAN Plus Three Finance Ministers' Meeting, Hyderabad, India May 6, 2006. (ASEAN 2011).

#### 4.1.5 Free Trade Agreements (FTA)

FTAs are a relatively new development in East Asia. Although the only FTA initiated in the region by the mid-1990s was the ASEAN Free Trade Area (AFTA), the situation in this region has changed significantly since the Asian financial crisis. Towards the end of 1998, three new FTAs were proposed: South Korea-Japan, South Korea-Chile, and South Korea-Thailand, which were the first bilateral FTAs initiated involving East Asian countries (Dent 2006b). A few months later, a South Korea-New Zealand FTA was announced in July 1999. Four other FTAs proposals soon followed: Singapore-New Zealand, Singapore-Mexico, Japan-Mexico, and Japan-Singapore. In November 1999, an FTA between Japan and Chile was formally proposed and the following month South Korea and Chile started their first round of FTA negotiations.<sup>48</sup>

East Asian countries' involvement in FTA activities have intensified over the years. By 2004, 15 projects had been initiated in East Asia (6 concluded), and in the Asia-Pacific region, 68 projects initiated and 31 concluded (Dent 2006b; 2010). Because not all formally proposed FTAs comes to completion, a number of FTAs have also been stopped, either through inactivity or by being superseded by other agreements (Dent 2010). South Korea's early proposal with Japan, Thailand, and New Zealand are examples of long-standing projects that never progressed beyond the feasibility study stage. FTA negotiations with Japan reached a deadlock, the FTA project with Thailand was eventually superseded by the Korea-ASEAN quasi-regional agreement, and the FTA with New Zealand has in effect been de-commissioned for many years.<sup>49</sup>

Inspired by the 2004 enlargement of the EU, many FTAs, for example those between the ASEAN and respectively China, Japan and Korea, progressed forward (Avila 2003; Chopparapu 2005). The three Northeast Asian countries have collaborated on joint studies about the impact of FTAs among the three countries, with the first research assessment coming out in 2007.<sup>50</sup> Within the business community, there was widespread support for a

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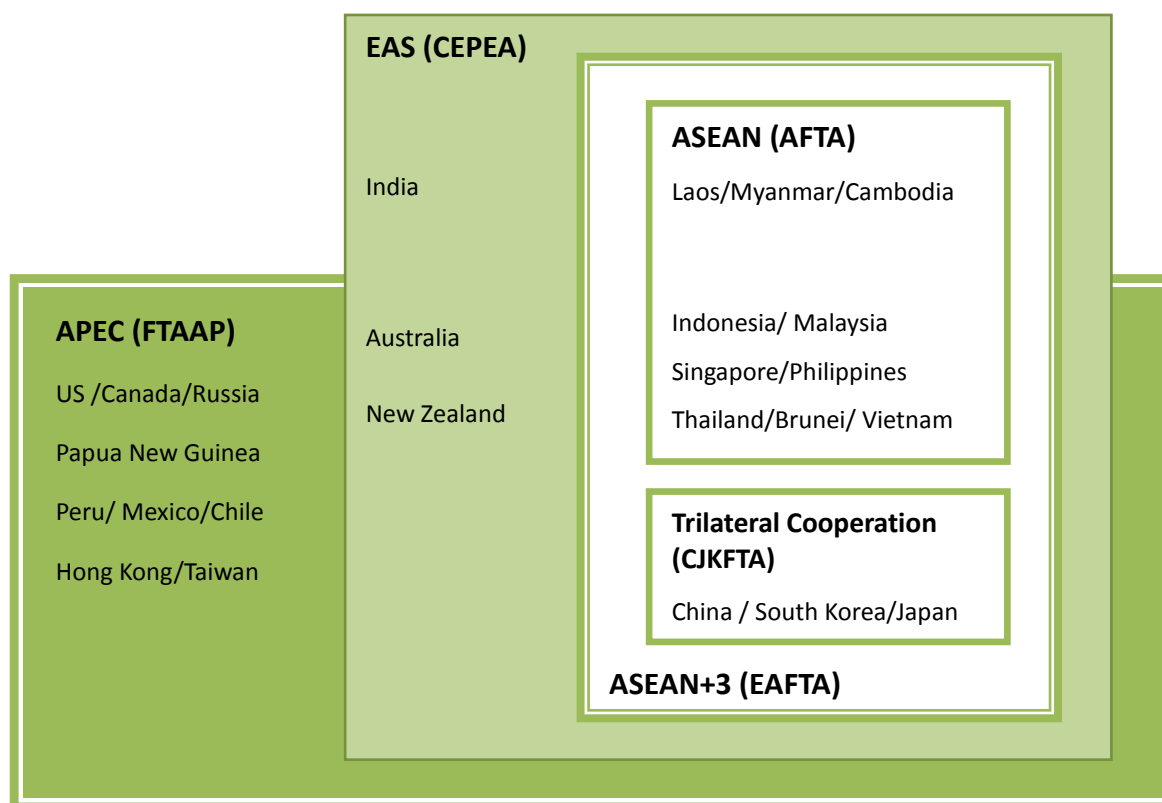
<sup>48</sup> The current status of FTAs in Japan and South Korea: Ministry of Foreign Affairs of Japan: <http://www.mofa.go.jp/policy/economy/fta/index.html>. (December 5, 2012); Ministry of Foreign Affairs and Trade: <http://www.fta.go.kr/new/index.asp>. (December 5, 2012).

<sup>49</sup> At the end of 2006, Korea started the feasibility study of FTA with New Zealand and began negotiations from 2009.

<sup>50</sup> Trilateral Joint Research conducted by Development Research Center (China), National Institute for Research Advancement (Japan) and Korea Institute for International Economic Policy (Korea), Joint Report and Policy Recommendations Concerning A Free Trade Agreement among China, Japan and Korea, December 11,

China-Japan-Korea FTA: 85% of Chinese businesses, 79% of Japanese businesses, and 71% of South Korean businesses support the idea (Cheong 2007). It is estimated that a Korea-China FTA would increase South Korea's GDP by 2.4-3.2%.<sup>51</sup> Because Japan and South Korea's economies are similar, and thus competitive, the effect of a Japan-Korea FTA on South Korea's GDP is estimated to be less beneficial (Kang 2007).

**(Figure 4-2) East Asian Regional Cooperation and Free Trade Area Concept**



Source: Author.

Notes:

ASEAN: Association of Southeast Asian Nations

AFTA: ASEAN Free Trade Area

ASEAN+3: ASEAN Plus Three

EAFTA: East Asia Free Trade Area

EAS: East Asia Summit

CEPEA: Comprehensive Economic Partnership in East Asia

APEC: Asia Pacific Economic Cooperation

FTAAP: Free Trade Area of the Asia-Pacific

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2006 and Joint Report and Policy Recommendations on the Possible Roadmaps of a Free Trade Agreement between China, Japan and Korea, December 2008. [www.nira.or.jp/pdf/0805report-E.pdf](http://www.nira.or.jp/pdf/0805report-E.pdf). (December 28, 2012).

<sup>51</sup> Trilateral Joint Research conducted by Development Research Center (China), National Institute for Research Advancement (Japan) and Korea Institute for International Economic Policy (Korea), Joint Report and Policy Recommendations on the Possible Roadmaps of a Free Trade Agreement between China, Japan and Korea, December 2008.

According to Dent (2010: 213-214), it is worth noting two characteristics of these FTA developments in East Asia: First, most FTA-active East Asian countries are now increasingly negotiating with partners inside, as well as outside, the region with whom they have political relations and shared economic/geostrategic motivations; Second, the three grand regional FTAs (EAFTA, CEPEA, and FTAAP) that have been initiated are partly motivated by the logic of coalescing various overlapping bilateral agreements into a single regional agreement. This could therefore represent the next stage of approach for developing FTAs, although the construction of such large-scale regional FTAs is unlikely to be seen in the near future (Baldwin 2005).

Two East Asia-centred regional FTA projects have been proposed, the first of these championed by China and Malaysia, the EAFTA, and the second by Japan, the CEPEA. Similar to the groupings at summitry meetings in East Asia, the EAFTA involves just the ASEAN+3 member states, while the CEPEA is based on EAS membership, and so effectively produces an ASEAN+6 by including India, New Zealand, and Australia.<sup>52</sup> Both regional FTA projects would also be studied simultaneously<sup>53</sup> (see Dent 2010; Shimizu 2009).

Japan's motivation for creating CEPEA by including what have conventionally been thought of as Southeast Asian (ASEAN) and Oceanic countries (Australia and New Zealand), and especially by including India, reflects a strategy to forestall China's growing influence in East Asia's regional affairs (see Bae 2006; Breslin 2008). Japan managed to build sufficient coalitional support for CEPEA by stressing both the wider economic benefits of a larger regional FTA than EAFTA and by showing how it could supplement the efforts of its counterpart grand regional FTA projects, the EAFTA and FTAAP (Dent 2010).

According to Dent (2010) the EAFTA supported by China and Malaysia is founded on the perhaps more persuasive argument that the ASEAN+3 group is more economically, socio-culturally, and to some extent, politically coherent than its EAS counterpart (not based on Asian values, but based on a collective understanding through shared experience of external crisis and an increasing and regularizing interaction between them). Furthermore, East Asian countries share developmental statist traditions that persist, although in transformed ways (see Hall 2003; Park 2002; Stiglitz 1996; Wade 2000), while the three new EAS members

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<sup>52</sup> At the second EAS it was agreed among participants that a study on the Comprehensive Economic Partnership in East Asia (CEPEA) would be launched.

<sup>53</sup> Chairman's Statement of the Tenth ASEAN Plus Three Summit. Cebu, Philippines, 14 January 2007.

(India, Australia, and New Zealand) have different traditions regarding economic governance (e.g. Australia and New Zealand's market-liberal capitalism). While they have developed closer economic ties with the ASEAN+3 countries, they remain largely on the periphery of East Asia's core regional economy (Beeson/Yoshimatsu 2007).

The last grand regional FTA, namely the FTAAP, is an APEC membership-based project, which was firstly proposed by the APEC Business Advisory Council's (ABAC) in 2004 and again in 2005. Nevertheless, APEC leaders made no mention about FTAAP in any of their Declaration, nor even in the APEC trade ministers' meeting in June 2006 (Sugawara 2007: 3-7). Thus it appears that by the summer of 2006, the APEC countries did not show any interest in the concept of an FTAAP. This is particularly the case with the United States which takes a very negative view of the idea (Searight 2011).

Unexpectedly, however, the United States under the Bush Administration suddenly decided to promote the FTAAP.<sup>54</sup> Three reasons for this shift in US policy can be identified: (1) the FTAAP could serve as a catalyst in advancing the dwindling Doha Round (Sugawara 2007: 8-9), as well as allowing the realization the long-term objective of harmonizing all existing forms of FTA activity into a unified Asia-Pacific agreement (Dent 2010: 238). (2) the United States perceived the FTAAP as a counter-strategy against East Asian regionalism, which reflected a series of US oppositions against exclusive East Asian institutions such as EAEG and AMF. The acceleration and expansion of East Asian regionalism, institutional competition from ASEAN+3 and EAS, as well as grand-regional FTAs including EAFTA, and at that time Japan's initiative in developing CEPEA, induced concerns on the part of the US over the weakening relevance of APEC (Dent 2010: 238; Searight 2011: 94-106; Sugawara 2007: 9-11). (3) The USA understood the FTAAP proposal as a "risk-free and cost-free option" (Sugawara 2007: 11-12). If the project did work, namely fulfilled (1) and (2), the US would take advantage of the FTAAP and if not, the United States would have nothing to lose (Ibid.).

Consequently, potential rivalry amidst the grand regional FTA projects would continue: this would occur between the Chinese-backed EAFTA, and the Japanese-backed CEPEA. Furthermore, the United States responded to these East Asian regional movements with the Asia-Pacific-based FTAAP, toward which many East Asian states have shown weak support.

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<sup>54</sup> Bush, George, W. President Bush Visits National Singapore University, November 16, 2006. <http://georgewbush-whitehouse.archives.gov/news/releases/2006/11/20061116-1.html>. (November 30, 2011).

These grand-regional FTAs serve as counter-measures against each other and are also unfeasible for the foreseeable future, largely owing to differences among member countries in the three grand-regional FTAs, as well as the serious domestic constraints from agricultural sectors (particularly in Northeast Asian countries). Although East Asian countries have been engaging in all these bilateral, sub-regional FTAs (AFTA, CJKFTA), and grand-regional FTAs toward institutionalized economic integration, these have yet to materialize into an institutional framework.

Close cooperation among the three countries of Northeast Asia would be the most significant breakthrough for realizing projects for regional integration in East Asia,<sup>55</sup> especially given the fact that Northeast Asia is already a significant global economic power, not much less than Europe and North America. The three countries of Korea, China and Japan accounted for 20.9% of the world's GDP, 23.6% of world's population, 15.2% of the world's trade and 38.1% of the world's foreign exchange reserves, as of 2003.

Section 4.1 illustrated the newly emerged East Asian regionalism and the developments that flowed from it, including regional summits (ASEAN+3/East Asia Summit/Trilateral Cooperation), financial cooperation (Chiang Mai Initiative), and bilateral, sub-regional and grand regional FTAs.

Faced with the 1997/9 Asian financial crisis, South Korea and Japan started participating in the exclusive East Asian cooperation framework of ASEAN+3. Since then, however, they have pursued different ways of dealing with this East Asian regionalism. Therefore, the next section maps the different approaches of these two countries toward the evolution of East Asian regionalism.

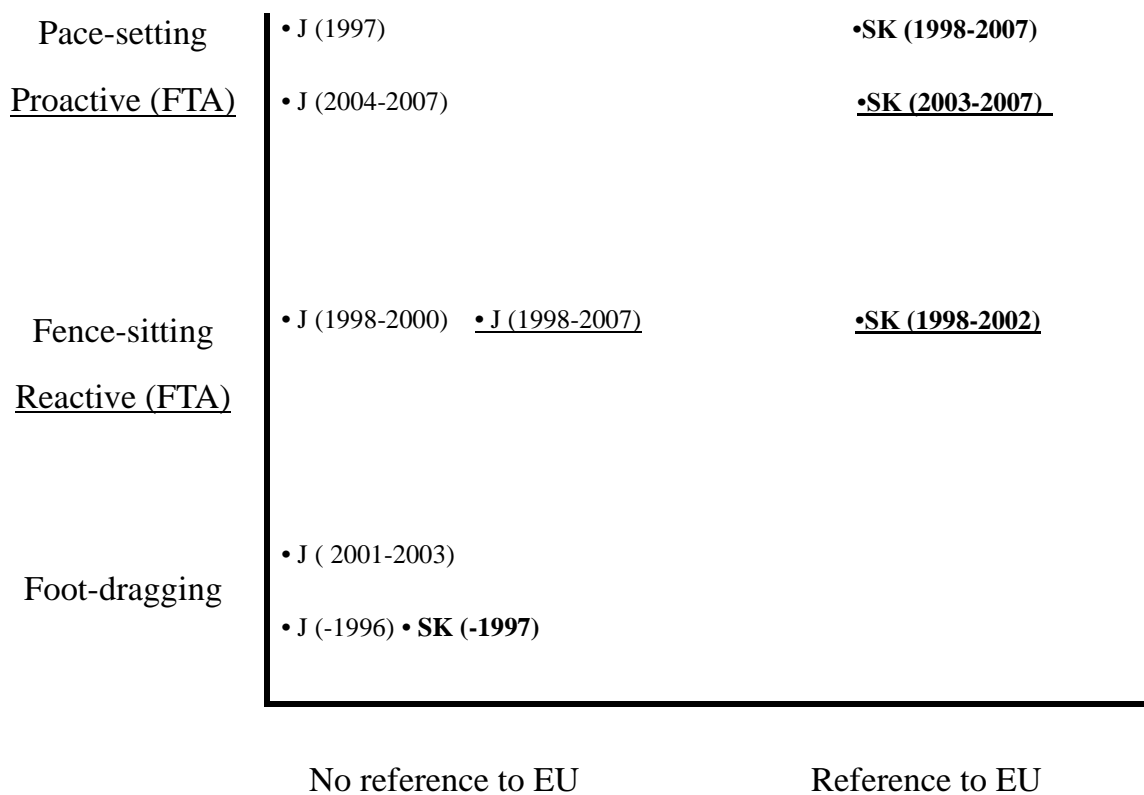
#### 4.2 Differential Approaches of South Korea and Japan toward East Asian Regionalism: Pace-Setter/Fence-Sitter/Foot-Dragger

This part maps the dependent variable of this dissertation contrasting the different approaches taken by South Korea and Japan toward the East Asian cooperation framework during 1998-2007.

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<sup>55</sup> METI. 2003. White Paper on International Trade 2003. Ministry of Economy, Trade, and Industry, Japan, May: <http://www.meti.go.jp/english/report/data/gIT03maine.html> (December 28, 2012).

**(Figure 4-3) Mapping Dependant Variables: Differential Approaches of South Korea and Japan toward East Asian Regionalism**



Source: Author.

## I. Regional Summitry and Financial Cooperation

### 4.2.1 1st phase: ASEAN Plus Three (1997-2000)

This period between 1997 and 2000 showed dramatic changes in the regional engagements of South Korea and Japan. In the wake of the Asian financial crisis, both countries began to participate in the exclusive regional framework of ASEAN +3 to which they used to be opposed.

#### **Japan: Fence-Sitter in ASEAN+3 and Pace-Setter in Financial Cooperation**

Japan floated the idea of an Asian Monetary Fund (AMF) in 1997 by expressing its willingness to propose the creation of a \$100 billion fund to respond to the regional financial crisis, with half of the money to be supplied by Japan (Katada 2001; Katada and Solis 2008: 128-140; Moon/Suh 2006: 139). Hong Kong, Taiwan, Malaysia and Singapore also indicated

their intent to participate in the AMF, and most other East Asian countries finally agreed to the idea. Even China and South Korea, who were against the idea at first, changed their attitudes. Nonetheless, due to strong opposition from the United States as well as Japan's unwillingness to take on the funding commitment (Harvie/Lee 2003: 43), the AMF did not make any tangible progress. Japan's public statements on ASEAN+3 were surprisingly neutral in tone: Government speeches and statements focused predominantly on the short- to mid-term technical and material aspects of cooperation rather than on a longer-term vision for ASEAN+3.<sup>56</sup> Talk of establishing an AMF later disappeared entirely from the official rhetoric (see Hund 2003).

When the ASEAN proposed a summit meeting among ASEAN countries including China, Japan, and South Korea, Japan was initially unwilling to hold an informal summit, but reportedly changed its position after China showed an interest in (Stubbs 2002: 443). As the Joint Statement of the East Asia Cooperation in 1999<sup>57</sup> shows, Japan's guideline did not show any desire for regional integration in East Asia (Hund 2003: 393). Japan was not interested in engaging regionalism in East Asia, but was rather more purposeful in taking sides on ASEAN's regional integration and cooperating to solve transnational problems such as piracy, drug-trafficking, the spread of HIV, as well as improving IT and HRD (such as Mekong River Basin development, the initiative for ASEAN Integration (IAI), etc)<sup>58</sup> which later could be found in all the other action plans of ASEAN-China<sup>59</sup> and ASEAN-South Korea<sup>60</sup>. In this context, Japan emphasized its role as a benefactor of ASEAN countries not as a member of a regional unit.

### **South Korea: Visionary Pace-Setter in ASEAN+3**

During the period from 1998 to 2000, South Korea's President Kim Dae-jung broadly played a visionary role for ASEAN+3. President Kim Dae Jung initiated an East Asian Vision Group (EAVG) in 1999, regarded as a significant step forward in the institutionalization of regional

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<sup>56</sup> Ministry of Foreign Affairs of Japan: [http://www.mofa.go.jp/policy/oda/summary/1999/ov2\\_2\\_01.html](http://www.mofa.go.jp/policy/oda/summary/1999/ov2_2_01.html). (November 30, 2011).

<sup>57</sup> Joint Statement on East Asia Cooperation, Manila, Philippines, 28 November 1999.

<sup>58</sup> Institute for International Cooperation and Japan International Cooperation Agency. 2007. A Report from the Study Group on Assistance to the Southeast Asian Region: Regional integration and Development Aid. General Issues. (Tokyo: Japan International Cooperation Agency).

<sup>59</sup> Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity: <http://www.asean.org/asean/asean-summit/item/plan-of-action-to-implement-the-joint-declaration-on-asean-china-strategic-partnership-for-peace-and-prosperity>. (January 7, 2013).

<sup>60</sup> ASEAN-Republic of Korea Plan of Action to Implement the joint Declaration on Comprehensive Cooperation Partnership: [www.mofat.go.kr/mofat/htm/issue/ASEAN\\_05\(2011\).pdf](http://www.mofat.go.kr/mofat/htm/issue/ASEAN_05(2011).pdf). (November 30, 2011).



cooperative efforts, and an East Asian Study Group (EASG) for the implementing the vision of the EAVG.

The EAVG and EASG set out to examine how to utilize ASEAN+3 as a mechanism to build regional cooperation and ultimately evolve it into a more stable regional institution. In particular, the EAVG played a meaningful role in guiding regional integration and cooperation in East Asia: it proposed the establishment of an East Asian Monetary Fund and a coordination mechanism for regional exchange rates which would eventually evolve a common currency area and lay the foundation for an East Asian Free Trade Area (EAVG 2001; Katada/Solis 2008; Lee/Moon 2008). The EAVG's first important proposal materialized at the finance ministers' meeting at Chiang Mai, Thailand, in 2000.<sup>61</sup> Since then, there has been much discussion about creating an Asian Monetary Fund (AMF) and common currency baskets (Harvie/Lee 2003). In November 2000, the ASEAN+3 summit gathered in Singapore and agreed to study the feasibility of forming an East Asian Free Trade Area (EAFTA), although they did not put in an official document (Terada 2004: 11-12).

#### 4.2.2 2nd Phase: Competition in Shaping Regional Groupings I (2001-2003)

##### **Japan: Foot-Dragger against Developing ASEAN+3**

While during the second phase (2001-2003), Japan was still reluctant to get involved in this exclusive regional cooperation framework, China and ASEAN formally declared their intention to negotiate the establishment of an FTA within 10 years (Stubbs 2002). As foreign minister Makiko Tanaka pointed out in 2001, the ASEAN+3 countries needed to engage in finding common ground, but cooperation among participators should be developed gradually. Japan intended the process to be open and transparent to non-member countries and coherent and complementary to the global system (Tanaka 2001). Despite Japan's necessarily major role in implementing the currency swap arrangements, neither monetary nor economic integration played a role in public Japanese statements on ASEAN+3 (see also Hund 2003)

Japan did not envision ASEAN+3 as the integrating foundation for an East Asian free trade area or economic bloc. The Koizumi government's reluctant attitude to discuss multilateral free trade agreements at the 2001 ASEAN+3 summit in Brunei clearly confirmed this

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<sup>61</sup> Joint Press Statement of the 2nd Meeting of the ASEAN Economic Ministers and the Ministers of the People's Republic of China, Japan and Republic of Korea, Chiang Mai, Thailand, 7 October 2000.

position. The government was not willing to discuss the issue of an ASEAN-Japan FTA or even an EAFTA with its ASEAN+3 partners (Hund 2003). Since the Japanese government had not shifted from its traditional multilateralist stance even in 2000, it reacted negatively to the creation of an FTA between ASEAN and China. The Japanese government nevertheless altered its position. Prime Minister Koizumi, on a tour of Southeast Asia in January 2002 delivered a speech in which he proposed to establish an East Asian community. He set forth the “Initiative for Comprehensive Economic Cooperation between Japan and ASEAN,” pointing out that the ASEAN+3 merely represented a starting point for a wider “East Asian community”, one that would include Australia and New Zealand, called the ASEAN Plus Five initiative,<sup>62</sup> and which seemed to be designed to be more open, allowing the US to also engage with the community (Taniguchi 2004: 41). At that time, Japan seemed to be very uncertain of how to adapt to the new situation (Hund 2003: 58). Apparently, Japan has been working against an exclusive East Asian regional framework. In this period, Japan’s behaviour can be characterised as foot-dragging with the regard to ASEAN+3, even when trying to shape a different regional framework.

### **South Korea: still Visionary Pace-Setter in the Framework of ASEAN+3**

At the same time, Kim Dae Jung brought forward the idea of an ASEAN+3 free-trade area that would include all the ASEAN+3 members in order to build a comprehensive East Asian Community of values and institutions equivalent to an “Asian EU” (Kim 2006; Rozman 2006: 103-107). In doing so South Korea did not lose its role of pace-setter in shaping this new kind of regional cooperation mechanism. This proposal was considered as premature by the other participants. However, in 2002, the ASEAN+3 leaders accepted his idea again and instructed their economic ministers to study the feasibility of EAFTA as a long-term project (EASG 2002; Okfen 2003: 7-9). At the same time, the trade and monetary policies of South Korea were arranged under this vision of an East Asian Community (Lee/Moon 2008; Rhyu 2011; Yu 2006: 137-140). South Korea in this period is considered as to be a pace-setter that advanced significant initiatives for the ASEAN+3.

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<sup>62</sup> “Japan and ASEAN in East Asia –A Sincere and open Partnership,” Speech by Prime Minister of Japan Junichiro Koizumi, January 14, 2002, Singapore. <http://www.mofa.go.jp/region/asia-paci/pmv0201/speech.html>. (November 30, 2011).

### 4.2.3 3rd Phase: Competition in Shaping Regional Groupings II (2003/4-2007)

In the period 2004-2007, East Asian regionalism became a challenge as a result of the mutual hostility between Japan and China, and because of an increasing tension between Japan and South Korea. The heads of ASEAN+3 had taken part in fierce discussions about holding the East Asia Summit in a way that favoured their preferred regional formation. Given the fact that ASEAN+3 is still the most important regional cooperation framework in East Asia, Japan should be considered as a foot-dragger and South Korea a fence-sitter. However, considering the complexity of regional frameworks in East Asia, and the uncertainty over what the final regional formation will be, both countries are regarded as pace-setters: Japan for promoting the EAS and South Korea for promoting the Northeast Asian community.

#### **Japan: Proponent of EAS/CEPEA (ASEAN+6)**

As indicated in the 2<sup>nd</sup> phase, Japan favoured the formation of an ASEAN+5 that would include Australia and New Zealand. When China and Malaysia tried to move ahead with an East Asian Summit that would include the same members as the ASEAN+3, Japan responded with an attempt to dilute Chinese influence by arguing that not only India, Australia and New Zealand, but also the US, Russia, the EU and even the UN needed to be present at the meeting. So even before the inauguration of the EAS, many observers in the region were critical of the fact that it had not stayed true to its original vision, as such the EAVG recommended that the name of the summit should be changed from “EAS” to “the post-ASEAN+3”, or “ASEAN+6”, or even “a global forum in East Asia” (Bae 2006: 4-5).

After the inclusion of non-ASEAN+3 countries in the EAS was decided, the diplomatic competition between Japan and China over the membership problem continued. China started to assert that the ASEAN+3 Summit, not the EAS, should be the basis of a future East Asian Community. Japan on the contrary insisted that the EAS should play an important role with regard to the establishment of an East Asian community by building a strategic alliance with India, Australia, and New Zealand.

With the inauguration of the EAS, although it did not mention the possibility of the EAS evolving into an East Asian community, Japan successfully inserted the sentence “the East Asia Summit could play a significant role in community-building in this region” into the

Summit's draft statement.<sup>63</sup>

**South Korea (2003-2007): Pace-Setting (Northeast Asian Community/ Trilateral Cooperation); from Fence-Sitting to Pace-Setting (ASEAN+3)**

China and the majority of ASEAN members seemed to advocate keeping the existing ASEAN+3 memberships. Not only because the EAVG recommended the launch of the East Asian Summit, but also because ASEAN has ownership over the ASEAN+3 process, and the three Northeast Asian countries were treated as guests (Hamanaka 2008: 68). Under these conditions, South Korea, China and Japan adopted an “ASEAN first, and Northeast Asia later” posture (Lee and Moon 2008: 55). President Kim Dae-jung (2006: 11) of South Korea commented about this as follows:

...when I proposed the EAVG in 1998, Southeast Asian countries were apprehensive. They expressed misgivings, feeling that what I was advocating was aimed at expanding the influence of Northeast Asian countries in Southeast Asia

This was the reason why China and South Korea attempted to alter the ASEAN+3 Summit into the East Asia Summit where Northeast Asian countries would participate on equal terms with ASEAN countries (Aggarwal/Koo 2008; Hamanaka 2008; Terada 2004). Consequently, the three countries were willing to share a leadership role with ASEAN by initiating agendas and setting priorities in the summit (Bae 2006). Accordingly, the natural result of this was the establishment of the Trilateral Cooperation among the three Northeast Asian countries,<sup>64</sup> where South Korea has played an active role, even hosting a trilateral summit meeting.<sup>65</sup>

In this context, inspired by his predecessor's vision and strategy, President Roh of South Korea went further by proposing the Northeast Asian Cooperation Initiative, which aims to institutionalize a specifically Northeast Asian community. However, the Roh government's Northeast Asian Cooperation was prevented from making significant progress when confronted by a stalemate at the Six-Party Talks that was a by-product of Sino-Japanese rivalry over the EAS. Relations between Japan, China and South Korea deteriorated in this period (Rozman 2006). This was in addition to a number of other thorny diplomatic issues that beset bilateral relations, such as Japan's glossing over of its record of imperialist

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<sup>63</sup> Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, 14 December 2005. <http://www.mofa.go.jp/region/asia-paci/eas/joint0512.html>. (January 7, 2013).

<sup>64</sup> Information about the Trilateral Cooperation is available at the Trilateral Cooperation Secretariat: <http://tcs-asia.org/> (January 7, 2013).

<sup>65</sup> Joint Declaration on the Promotion of Tripartite Cooperation among the Republic of Korea, the People's Republic of China and Japan. Bali, Indonesia, October 7, 2003.

aggression in history textbooks, its Prime Minister's repeated visits to the Yasukuni shrine (where a number of war criminals are buried), and the ongoing territorial dispute over the Dokdo/Takeshima islets.

The Roh government faced criticism that it was solely focused on Northeast Asian cooperation and expressed indifference toward East Asian cooperation. In response to this, President Roh addressed the tenth ASEAN+3 Summit by stressing that member states should declare their political will to achieve the foundation of an East Asian community of prosperity, progress and peace (as had been recommended by the EAVG).<sup>66</sup> In order to help establish an East Asian community, Roh proposed three measures: (1) to initiate a follow-up study on different sectors and industries of the East Asian Free Trade Area (EAFTA); (2) to further propel engagement with the EAFTA, which is considered central to regional economic integration; and (3) to establish an ASEAN+3 centre for science and technology that would identify and nurture the scientifically gifted.<sup>67</sup>

## II. Regional Trade Arrangements

### 4.2.4 FTA Strategies

The 1997/8 financial crisis urged South Korea and Japan to reconsider their negative attitudes towards FTAs. The fact that other trading competitors such as the EU and U.S. had already signed FTAs, combined with the breakdown of talks at the 1999 WTO Ministerial Meeting at Seattle also made the two countries change their views on FTAs (Igawa and Kim 2005; Corning 2007; Dent 2006a; Lee and Moon 2008: 46-48; Hamanaka 2009: 74-79; Shimizu 2009: 13-18). Since the second half of 1998, South Korea and Japan have shifted from multilateralism within WTO, to a multi-track approach to trade liberalization that would seek to organize new FTAs (see Hamanaka 2008). The first bilateral FTAs involving East Asian countries were proposed by South Korea, these would involve: South Korea and Japan, South Korea and Chile, and South Korea and Thailand (Dent 2006b). However, the majority of policymakers still considered multilateralism as the best strategy for these two countries, and regarded FTAs as essentially an insurance policy in the case of a failure in the multilateral

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<sup>66</sup> Cheong Wa Dae (Office of the President), President Roh Stresses Importance of Regional Cooperation at the 10<sup>th</sup> ASEAN+3 Summit, January 14, 2007. <http://16c wd.pa.go.kr>. (January 7, 2013).

<sup>67</sup> Cheong Wa Dae (Office of the President), President Roh Stresses Importance of Regional Cooperation at the 10<sup>th</sup> ASEAN+3 Summit, January 14, 2007. <http://16c wd.pa.go.kr>. (January 7, 2013).

trading regime (Lee/Moon 2008: 46; see Shimizu 2008: 75-77).

### **Japan (1998-2007) and South Korea (1998-2002): Pace-Setter (Reactive Strategies to FTA Policies)**

In order to protect sensitive sectors in their economies, a reactive approach towards FTAs was taken in both countries. FTA strategy in South Korea and Japan during this period focused on efforts to “minimize the negative effects of FTAs on the domestically oriented, import-competing sectors”, especially the agriculture sector, rather than to “maximize positive effects” (Lee/Moon 2008: 47). These reactive FTA strategies are reflected in the candidates both countries’ chose to be their FTA partners (Hamanaka 2008; Katada/Solis 2008; 2010; Koo 2008; Lee/Moon 2008; Rhyu 2011; Solis 2008).

The Korean government deliberately formed FTAs primarily with geographically distant countries with which South Korea had modest trade volumes: Chile was the first FTA partner (which was the thirtieth largest trading partner with a mere 0.63% of the overall share of trade); then India (which was the sixteenth largest trading partner, with a 1.23% share); and Canada (which was the twenty-first largest trading partner, with a 1.11% share) (Lee/Moon 2008: 47). While Chile has a highly competitive and export-oriented agricultural sector, South Korea estimated that the seasonal difference between the two countries would alleviate any negative effects on the Korean agricultural sector (Yu 2002). Singapore (the eleventh largest trading partner with a 2.33% share) was regarded as an ideal partner, especially since it lacked a competitive agricultural sector (Lee/Moon 2008: 47).

For the same reason Japan also chose Singapore its first FTA partner (see Desker 2004:11-12). The Japan-ASEAN FTA (called JACEP) brought Japan relatively low economic costs through its exclusion of agricultural sectors, and potentially significant economic and political gains by counter-balancing the effects of the China-ASEAN FTA. Mexico became Japan’s second FTA partner, because Japanese exporters faced disadvantages in the Mexican market vis-à-vis American and European exporters: the US and EU had both already established FTAs with Mexico (Hamanaka 2008: 75-77; Solis 2008). In addition, as Korea and Chile announced their plan to proceed with an FTA, Japan began to show an interest in entering a FTA with Korea (Cheong 2005: 38-41).

### **South Korea (2003-2007): Pace-Setter (Proactive Strategy to FTA Policy)**

In the face of deteriorating relations and regional economic policy stalemate among Northeast Asian countries, the Roh government of South Korea decided to use the FTA as a policy tool for realizing its strategic goals, including the creation of a Northeast Asian Cooperation Initiative (Lee/Moon 2006). With (North)East Asian cooperation stagnating, in February 2006 the Roh government announced that South Korea would launch FTA negotiations with the United States, becoming the first Northeast Asian country to do so (Lee and Moon 2006: 51-57). Despite heated debates about the South Korea-USA FTA relating to politically sensitive issues such as screen quotas in the film industry, government subsidies to farmers, and the restructuring of the financial sector in Korea, the President pushed forward with negotiations.

The announcement that Korea-US FTA negotiation had been launched was faced with criticism that the government had lost momentum for its Northeast Asian Cooperation Initiative, especially given the fact that the government was advancing a Korea-US FTA rather than pursuing FTAs with China, Japan, or China-Japan.<sup>68</sup> The government responded to its critics by outlining three rationales for President Roh's vision of Northeast Asian community: the Korea-U.S. FTA is (1) a plan to secure South Korea's competitiveness against globalization and boundless competition; (2) a practical solution in order to get ahead of China and Japan in the U.S. market; (3) a safety-valve as well as a stepping-stone to reinforce the Korea-U.S. relationship, it would thus promote cooperation among Northeast Asian countries.<sup>69</sup> Lee Su-Hoon, chairman of the Northeast Asian Cooperation Initiative, suggested that the Korea-U.S. FTA provided leverage for further integration in Northeast Asia, further cementing Chinese and Japanese involvement in Northeast Asian economic cooperation, principally through the South Korea-China-Japan FTA.<sup>70</sup>

#### 4.3 Differential Approaches of South Korea and Japan toward East Asian Regionalism: Acceptance of European Ideas Concerning Regional Integration

The two South Korea presidents of this research period (1997/8-2007) had mentioned the EU

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<sup>68</sup> Yon-hap news, hanmi epeuti-e-i, dongbug-a tonghab jilesdae (Korea-US FTA, a leverage for Northeast Asian Integration), May 11, 2007.

<sup>69</sup> Cheong Wa Dae (Office of the President), Why we chose Korea-U.S. FTA (Free Trade Agreement)? July 18, 2006. <http://16c wd.pa.go.kr>. (January 7, 2013).

<sup>70</sup> Yon-hap news, hanmi epeuti-e-i, dongbug-a tonghab jilesdae (Korea-US FTA, a leverage for Northeast Asian Integration), May 11, 2007.

as a model of regional integration and actively drew upon European ideas of regional integration in formulating their regional policies, unlike their neighbour counterparts in Japan. Following the example of these South Korean presidents we can see that the successful acceptance of European ideas concerning regional integration depends upon their promotion in the official discourses and documents of the political leaders of a given country.

### **Japan: No Acceptance of European Ideas Concerning Regional Integration**

Japan's prime ministers did not make any policy speeches specifically focused on Japan-EU relations (Chaban/Kauffmann 2007: 375-378) or European ideas of regional integration (such as the EU as a potential model for regional integration). Official texts presented Asia and the USA as Japan's foreign policy priorities. For example, the Basic Policies paper failed to mention any European countries in its chapter on Japan's vision of 'pro-active diplomacy'; instead it focused on Japan's relations with the U.S. and the rest of Asia. Similarly, the first press conference given by Prime Minister Shinzo Abe entirely omitted any reference to the EU.<sup>71</sup> In addition, an annual trade report from 2005, one of the major documents of the Ministry of Economy, Trade and Industry (METI), exclusively focused on East Asia as a trading partner for Japan (Chaban/Kauffmann 2007: 375-378). Japan's powerful bureaucracy, including institutions such as the MFA had traditionally been focused on individual countries when dealing with the EU. Overall it appears that Japan seems to prefer bilateral agreements with European countries, while the EU favours negotiating with Japan as a whole, rather than individually<sup>72</sup> (Chaban/Kauffmann 2007: 375).

There are signs that the significance of the EU as a collective entity and actor in the international political arena has recently been recognized in Japan (Ueta 2005: 20). In 2004, the MFA established a new European policy Division, which aims to elaborate and direct a comprehensive policy towards Europe and the EU. This clearly demonstrates that the MFA has started to pay more attention to the EU and to attach a higher value to its interactions with European institutions (Chaban/Kauffmann 2007: 376). Accordingly, the need to strengthen

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<sup>71</sup> Prime Minister of Japan and His Cabinet, Basic Policies, Sept. 26, 2006. [http://www.kantei.go.jp/foreign/abespeech/2006/09/26houshin\\_e.html](http://www.kantei.go.jp/foreign/abespeech/2006/09/26houshin_e.html). (January 7, 2013); Prime Minister of Japan and His Cabinet, Press Conference by Prime Minister Shinzo Abe, Sept. 26, 2006. [http://www.kantei.go.jp/foreign/abespeech/2006/09/26press\\_e.html](http://www.kantei.go.jp/foreign/abespeech/2006/09/26press_e.html). (January 7, 2013); Prime Minister of Japan and His Cabinet, Statement by Prime Minister Shinzo Abe. [http://www.kantei.go.jp/foreign/abespeech/2006/09/26danwa\\_e.html](http://www.kantei.go.jp/foreign/abespeech/2006/09/26danwa_e.html). (January 7, 2013).

<sup>72</sup> MOFA. 2006. Diplomatic Bluebook, 85-94, <http://www.mofa.go.jp/policy/other/bluebook/2006/06.pdf>. (May 11, 2011).



and deepen the dialogue between the two partners was repeatedly voiced: thus Yoichi Masuzoe, Member of the House of Councillors, stated that “I have a feeling that the Japanese-EU political dialogue has become somewhat superficial while our common concerns have swallowed somewhat. It is time to deepen our dialogue.”<sup>73</sup>

Japan’s official discourse often framed the EU as a partner that shares similar security priorities, democratic values and economic visions (Chaban/Kauffmann 2007): EU-Japan cooperation in promoting peace and stability worldwide, namely the EU’s proactive role in the general security situation in Asia (particularly in light of threatening developments in the North Korea and Iranian nuclear programmes); cooperation on environmental issues, primarily sustainable energy prospects and commitments to the reduction of the greenhouse effect in the post-Kyoto process; collaboration on developmental aid; the EU’s contributions to the Middle East peace process; and shared positions in the area of trade policy, such as WTO negotiations.

### **South Korea: Acceptance of European Ideas Concerning Regional Integration**

South Korean political elites have generally viewed the EU as power capable of counterbalancing the influence of the US. The EU offered South Korea a different set of diplomatic options, especially with regard to establishing a ‘soft’ approach in dealing with North Korea (Bain/Stats/Park/Kim 2008:196). Korean policy-makers described the EU-Korean relationship as a mutually respectful and pacifying one, chiefly shaped by issues of economics. Thus, unlike the policy-makers in Australia, New Zealand, and Thailand, these economic relations as being problematic—and instead served to strengthen cultural interaction between the two parties (Bain/Stats/Park/Kim 2008: 191-196). Following from this primarily positive assessment of the EU’s importance, all Korean respondents at the time of the survey found that the EU would be an important, or very important, partner for Korea in the future (Chaban/Holland 2007).

Amongst the political elite of South Korea, the EU was broadly regarded as being an international leader, although this leadership was perceived to be limited to a range of areas, with performance being better in some areas than in others. Perhaps predictably, the EU was recognized by Koreans as an international economic leader, and this was considered a particularly outstanding feature of its international persona. In international political relations,

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<sup>73</sup> LDP. Monthly News for April, 2003. <http://www.jimin.jp/english/news/102862.html>. (January 7, 2013).

many Korean elites, arguably in contrast to their Asia-Pacific counterparts, considered the EU, to some extent, to be a ‘superpower’. The EU’s strength as a normative global influence and its increasing capabilities in the military sphere were seen to contribute to this perception.<sup>74</sup>

When asked about the three images that most reminded the Korean political elite of the EU, most of the interviewees singled out the EU’s economic integration as their most salient image. In particular, they saw it as a model of economic integration, with the euro currency as a ‘symbol’ of the EU, and ‘European identity’ as being developed through such policy initiatives as the Schengen agreement and the common European passport. Additionally, they also saw Europe in terms of its ‘history and culture’ and as an example of an advanced civilization (Bain/Stats/Park/Kim 2008). While most Koreans’ spontaneous references to the EU were connected to an idea of EU unity and cohesion, a few respondents did associate the EU with images of its individual Member States (Ibid.).

Consequently, the political elite in South Korea understood the EU as a model of regional integration. This perception of the EU and of European integration came to the front with regard to both the general discourse and regional cooperation/integration policy of the two presidents during the period of this study.

President Kim Dae-jung frequently called for a future East Asian community, an “Asian EU”. Kim (2006: 11) explicitly counted the EU as a successful case of regional integration and believed that “as the example of the European Union has shown, Asia will eventually take the same course of integration.”

Kim’s successor, President Roh, also directly referred to the EU in his inaugural address of 2003 by comparing it with the region of Northeast Asia. Roh indicated that he considered the EU as the best way to ensure regional peace and prosperity.<sup>75</sup>

“...The dawn of the Age of Northeast Asia will come from the economic field. Nations of the region will first form a ‘community of prosperity,’ and through it, contribute to the prosperity of all humanity which, in time, should evolve into a ‘community of peace.’ For a long time, I had a dream of seeing a regional community of peace and co-prosperity in Northeast Asia **like the European Union**. The Age of Northeast Asia will then finally come to full fruition. I pledge to devote my whole heart and efforts to bringing about

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<sup>74</sup> However, the political elite of South Korea were not all as enthusiastic about the EU’s international leadership. Some agreed with their Australian, New Zealand and Thai equivalents when they stated that the EU could not yet be described as an international superpower. Thus it was felt that, at the current time, the EU was more suited to acting as a regional leader, and had better focus its attentions on its own regional agenda (Bain/Stats/Park/Kim 2008: 196-200).

<sup>75</sup> The 16<sup>th</sup> Inaugural address of President Roh Moo Hyun, February 25, 2003

that day at the earliest possible time...”

In order to implement his goal, he established the Presidential Committee on the Northeast Asian Cooperation Initiative, which is based on the European model of regional integration (S.H. Bae 2003; S.H. Lee 2006; 2007).<sup>76</sup> President Roh has also stated that “Commodity trade, a low [level of] economic cooperation, is not enough to help resolve trade imbalances... Thus, closer cooperation will be needed in the fields of capital and technology. Based on such advanced cooperation, the NEA countries will have to develop their relations into an EU-type economic bloc in the long term.”<sup>77</sup>

In the opening remarks of the seventh Korea-China-Japan Summit in Cebu, Philippines, president Roh paid tribute to the progress made in cooperation between the three countries and drew attention to the need to make fresh efforts to establish an order of collaboration in Northeast Asia, similar to that of the European Union.<sup>78</sup>

President Roh (2006: 11) reflected on the past of Europe and compared it to Northeast Asia’s present: “The modern history of Europe is most noted for its wars – one may even describe early modern European history as a history of war... The underlying force at work was destructive nationalism, which spawned mutual distrust and confrontation, leading to an incessant series of wars.” In addition, he suggested European experiences provided a strategy for building a Northeast Asian community: “The evolution of the European Union offers a rich lesson for the future of Northeast Asia in this regard. Europe has transformed itself, moving from a history of confrontation and destruction into a future of peace and prosperity” (Ibid.).

In this chapter, I mapped the different responses of South Korea and Japan to East Asian regionalism during 1997-2007. Since 1998, in the wake of the Asian financial crisis, South Korea and Japan have been involved in East Asian regional cooperation frameworks. South Korea has been an active pace-setter in regional summitry and East Asian community building, while Japan had been a reactive fence-sitter or foot-dragger. On the other hand, South Korean political leaders, unlike their Japanese counterparts, have been enthusiastic about European ideas concerning regional integration.

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<sup>76</sup> Interview with Moon, Chung-in, the 2<sup>nd</sup> committee president of Northeast Asian Cooperation Initiative.

<sup>77</sup> Asia Times, “Steps toward Northeast Asian FTA”, July 10, 2003, <http://www.atimes.com/atimes/Korea/EG10Dg02.html> (January 7, 2013). [author inserted part]

<sup>78</sup> Cheong Wa Dae (Office of the President), Korea-China-Japan and Korea-China summit meetings on the Sidelines, January 14, 2007, <http://16c wd.pa.go.kr> (January 7, 2013).

In the following chapters, I will elucidate why South Korea and Japan took such divergent approaches (chapter 5). And then I will turn to analyse the two countries' attitudes toward European ideas about regional integration (chapter 6).

## 5. Explaining Differential Approaches toward East Asian Regionalism: Active and Passive Engagements of South Korea and Japan

I mapped the dependent variable of this thesis in chapter 4. This chapter will now firstly enquire into why South Korea and Japan have taken such variant attitudes toward East Asian regional cooperation frameworks, by taking into consideration: explanatory factors, structural conditions and domestic constraints (historical constraints; US orientation; rise of China), and domestic constellations (regime change; political leadership learning).

### 5.1 South Korea as Active Participant in East Asian Regionalism

The first section (5.1.1) sketches an historical overview of regional policy in South Korea. Korea's strategic choices and considerations on matters relating to regionalism during the Cold War were constrained by its security alliance with the United States and the 'diplomatic handicap' resulting from its ideological rivalry with North Korea.

The next sections discuss the significant changes to South Korea's regional policies that emerged under constellations of post-Cold War and Asian financial crisis, such as its participation in the new regional cooperation framework of ASEAN+3, extensive financial cooperation and involvement in FTAs. The South Korean president Kim Dae-jung played a pivotal role in initiating and operating both the East Asia Vision Group (EAVG) and the East Asia Study Group (EASG). After the 1997/8 Asian financial crisis, East Asian countries shared a common interest in consolidating regional economic cooperation. Because financial cooperation is a non-conflict generating sector, South Korean governments faced no domestic mobilization against financial regional cooperation. Consequently, the Kim Dae-jung government was free to champion the idea of an East Asian community within the ASEAN+3. In contrast, the Roh Moo-hyun government (2003-2007) focused on Northeast Asia through setting up a presidential committee dealing with a Northeast Asian Cooperation Initiative for Peace and Prosperity.

While the first three subchapters focus on the impact of structural conditions and constraints with changes of external events and crisis on domestic conditions, the last two subchapters analyse how domestic actors respond to unexpected events and crisis and deal with the

restricted constellations and constraints. In this way I can explain why South Korea have shown the active approach toward East Asian regionalism.

### 5.1.1 South Korean Regional Cooperation during the Cold War

During the Cold War,<sup>79</sup> Korea was sceptical about participating in regional multilateral regimes, preferring instead to engage with both its neighbours and the major powers on a bilateral basis, especially given the fact that there was no Northeast Asian equivalent to NATO, CSCE (see Beeson 2005; Hemmer/Katzenstein 2002). This preference was largely related to the geopolitical situation in the regional security complex being historically determined by rivalries between great powers. Since the hegemonic rise of U.S. power prevailed over the region of Northeast Asia at the end of World War II, bilateral relations with the U.S., and an anti-communist alliance with other liberal democracies of the world, were at the centre of Korean international relations (Im 2005: 103-105). After the division of country, inter-Korean relations were counter-weighed by distrust and propaganda, increasing the fear of confrontation and military conflict between the two Koreas. Therefore, maintaining the national security guarantee from the United States, seeking recognition as the only legitimate country on the Korean Peninsula, and gaining superiority over North Korea in political, economic and social spheres were identified as the most crucial goals of Korean foreign relations. Such a bipolar Cold War structure not only fundamentally encumbered South Korea in cooperating and increasing dialogue with the North, but also limited the scope of its regional security schemes and the extent of its political and diplomatic engagements with the international/regional community (S.W. Lee 2008b: 230-233).

The Korean government demonstrated to a varying degree its interest and awareness in promoting regional cooperation and multilateral approaches to the “Korean question,” and increasing Korea’s role in these multilateral processes (S.W. Lee 2008a). Such regional aspirations were strengthened by the development imperative, especially since there was such rapid growth in Korea’s economy during the late 1970s and the early 1980s (Hong 2008). However, the country’s strategic attitude toward regionalism and regional community building remained rather restrained and distorted (Hong 2008; Lee 2008b). Consequently, South Korea did not take part in any form of dialogue or cooperation except for its dealings

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<sup>79</sup> More information about regional landscape in Northeast Asia during the Cold War, see Calder 2004; Im 2005; Rozman 2004: chapter 2.

with the United States and a small handful of multilateral bodies in Northeast Asia (Calder 2004).

Presidents during the Cold War were Park Chung-hee, Chun Du-hwan and Roh Tae-woo. All these men had backgrounds as military officers (with Park and Chun both rising to power following military coups), which had direct implications for the way they conducted foreign policy and sought to justify their exercise of power (Hong 2008: 34). They had to keep reminding people how dangerous the threat from the North was, and how keeping close ties with the United States under their leadership would bring benefits by improving economic conditions (Hong 2008: 34-35).

During the Cold War regionalism was somewhat indeterminate and inchoate since regional processes were developed exclusively through the intervention of superpowers, rather than from within the region itself. As a result, Korea's primary motivations for participation in regional multilateral processes was to win a diplomatic competition with North Korea and, following the United States' lead, to support the cooperation and coalition of non-Communist Asian Pacific states.

While for geopolitical and economic reasons the United States is still one of South Korea's major partners, the end of Cold War provided circumstances for South Korea to change the direction of its strategic policy.

### 5.1.2 Post-Cold War: Globalization and Regionalization

In the post-Cold War era, with the changing balance of power in the region, fissures in the cold war system became increasingly evident. Especially in Northeast Asia, the Sino-Soviet-American strategic triangle has now been replaced by a new triangular relationship among the US, Japan and China (B.K. Kim 1999). During the past two decades the US and Japan have witnessed China's dramatic rise, and due to the complicated balance of power in the region, the United States is not the only pace-setter anymore (Buzan 2003; Christensen 2006; Aggarwal/Koo 2008).

South Korea's search for regionalism during the initial post-cold war years was largely guided by two predominant strategies: Roh Tae-woo's (1988-1992) *Nordpolitik* (see Hong 2008) and Kim Young-sam's (1993-1997) "New Diplomacy," (see Hyun 2008) which appeared to be Korea's strategic adjustment to the dramatically changing security paradigm

and economic dynamics of the post-Cold War world (Lee 2008b: 234-136).

Although Roh Tae-woo had shared his predecessors' anti-communist stand in foreign policy, his *Nordpolitik* focused on Korean reunification and increasing Korea's position in the international community, rather than promoting Cold War security: this involved pursuing the goals of international reputation and unification more strongly, and recognizing the global trend in which the dramatic economic dynamism of the 1980s led to pragmatism and the abandonment of the ideological biases of the previous era (Hong 2008: 45-51; Lee 2008a: 98-100).

In 1991, both Koreas became the member states of the United Nations at the same time and signed the Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation between the South and North, the first historical document laying down the basic framework for inter-Korean relations (Hong 2008: 46).<sup>80</sup> South Korea believed that new relations with the Soviet Union and the People's Republic China would bring more favourable conditions for dealing with North Korea; in other words, it was hoped that the influence of the Soviet Union and China over Pyongyang would shift its aggressive attitude and isolationist policy into a more open and cooperative one (Rozman 2004: chapter 3). However, facing South Korea's successful *Nordpolitik*, North Korea decided to risk of developing its own nuclear weaponry, expecting to open the way to a long-term strategic relationship with the United States (Hong 2008: 45-51).

President Kim Young-sam's regional strategy was closely associated with Asia-Pacific security and economic cooperation based on the expectation that the 21<sup>st</sup> century would be the Asia-Pacific era. Thus, he aimed to facilitate efforts to establish an economic cooperation bloc in the region with the APEC at the centre of such efforts (Hyun 2008; S.W. Lee 2008a: 100-103; S.W. Lee 2008b: 234-236), while consolidating the Korea-U.S. alliance which was continually at the heart of Korean security concerns (Calder 2004: Im 2004).

As of the mid-1990s, the Kim Young-sam government paid little attention to regionalism. South Korea was not responsive, even when better ties with Japan and regular summits were on its agenda (S.W. Lee 2008a). Despite support from pro-Asian Korean officials, South Korea had not held up the idea of establishment of EAEC, an exclusive Asian forum, due to

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<sup>80</sup> ROK Ministry of National Defense (1995) Defense White Paper, 1994-1995, (Seoul: ROK Ministry of National Defense), p.122.



U.S. opposition (S.W. Lee 2008b: 235). When the ASEAN initiated the idea of ASEAN+3, South Korea decided to participate in the meeting as it had little expectation that this would counterbalance the APEC or later produce a foundation for the +3 group that would become the Trilateral Cooperation (Hyun 2008: 71).

### 5.1.3 Asian financial Crisis as Impetus for Regionalism

The 1997/8 Asian financial crisis hit at the end of the Kim Young Sam administration's tenure. Even though there were heated debates about IMF dependency, Japan's proposal for creating an Asian Monetary Fund as a possible alternative, and even rapidly increasing economic integration with China, the Kim Young Sam government had not yet planned to create any regional institutions (Hyun 2008: 71). To overcome the crisis, the next president, Kim Dae-jung, made great efforts to obtain assistance from the United States and the IMF. As the financial crisis wore on, however, this brought tense talks over the role of the IMF in rescuing the South Korean economy. The president realized that too much dependence on the United States gave no room for searching out an alternative solution (Moon/Rhyu 2010: 448-453). Accordingly, the crisis provided a strong impetus for East Asian countries (particularly South Korea) to strengthen regional engagements and thus it also increased the common perception that East Asia needed to institutionalize its collaboration to prevent or manage potential crises that may re-emerge in the region (Aggarwal/Koo 2008: 13-15; S.W. Lee 2008a: 100-103). The Kim government was, given the hostile relations between South Korea and Japan, unexpectedly supportive of the Japanese idea to create the AMF and to seek cooperation over currency and trade issues (Moon/Rhyu 2010: 450).

South Korea also acknowledged the economic interdependence of East Asian countries not only in terms of trade and financial exchanges, but also in inter-state policy coordination for an economic safety net at the intra-regional level. President Kim Dae-jung (2006: 11) pointed this out clearly in the following statement:

“I believed that East Asia was unable to mount an effective collective response when the 1997 financial crisis simultaneously devastated several economies, because there was not yet an organization for regional economic cooperation – despite the fact that the world was becoming more integrated with the emergence of the World Trade Organization (WTO) ... The 21<sup>st</sup> century is an age where globalization and regionalism both coexist and compete with each other. Though the tide of globalization is strong, there is also a countervailing need for regionalism ... Globalization can only succeed on the basis of healthy regionalization.”

Under these circumstances, East Asian states established the ASEAN +3 process in 1998 as

the first institutionalized East Asian regional framework. President Kim Dae Jung (2006: 11) was very enthusiastic about East Asian regional cooperation as manifested in his creation of the non-governmental East Asian Vision Group (EAVG) in 1999 and the East Asian Study Group (EASG) in 2000, which was comprised of governmental officials:

“At the ASEAN Plus Three Summit held in Vietnam in November 1998, I raised the need for an East Asian community and proposed the establishment of the East Asian Vision Group (EAVG) to pursue this goal ... In October 1999, The EAVG was launched in Seoul with the countries of the Association of Southeast Asian Nations (ASEAN), plus Korea, China and Japan, along with representatives from business and academe. The aim was to promote regional trade and investment, and strengthen cooperation in industries and national resources. The EAVG met five times between its founding and May 2001, and issued a report on the basic direction and mid- to long-term vision of cooperation in six sectors: the economy; finance; politics and security; environment and energy; society, culture and education; and institutions ... The EVAG suggested that the ASEAN Plus Three Summit be developed into the East Asia summit and that the East Asia Forum be established. There have also been various efforts by the East Asian Study Group, which replaced the EAVG, to establish the East Asia Summit and the East Asian Free Trade Area as mid- to long-term goals.”

Unlike past cases, such as the Malaysian proposal to create the EAEG, or the Japanese proposal to establish the AMF, South Korea’s active involvement in exclusive East Asian regionalism did not face U.S. opposition. Shin Wha Lee<sup>81</sup> (2008: 105) has thus argued that, “(T)he United States would prefer a close ally like Korea – which has no power that Japan has in the region, nor the possibility to increase anti-Americanism like Mahathir’s Malaysia – to play a principal role in developing a regional cooperative institution if such a process was unalterable in East Asia.” This assessment is also reflected in Kim Dae-jung’s thoughts on the matter (2006: 11).

“Enabling regionalism to take root in Asia and forming the East Asian community are, in fact, tasks that need much effort and time. The East Asian Economic Caucus (EAEC) proposed by former Prime Minister Mahathir Mohamad of Malaysia met strong opposition from the United States, which suspected it of having political intentions. As a result, it failed to progress. Also when I proposed the EAVG in 1998, Southeast Asian countries were apprehensive. They expressed misgivings, feeling that what I was advocating was aimed at expanding the influence of Northeast Asian countries in Southeast Asia... The task entrusted to us in this “Age of Asia is to expand democracy and promote peace, to contribute to the welfare of humanity and global stability. In Asia, there are still countries where democracy and human rights are under threat and where the shadows of the Cold War linger, such as on the Korean Peninsula. There are still places where poverty threatens human dignity and human security. Without strengthening democracy and eradicating poverty, we cannot expect to have peace. These tasks cannot be resolved without dialogue and cooperation within and among regions. Efforts to establish an East Asian community ... are all responses to the challenges of this new age.”

Northeast Asian countries had to give thoughtful consideration to their Southeast Asian

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<sup>81</sup> Shin Wha Lee is a professor of political science at Korea University, as well as a Chair’s Advisor of ASEAN+3 for the East Asian Vision Group.

counterparts in development of East Asian regionalism.<sup>82</sup> However, in contrast to visions of a regionalism based on Asian values or an Asian way, Kim believed that East Asian community should be founded on democracy and human right as universal values, and that only then could this community establish peace and deal with serious threats (see chapter 4.1).

### **East Asian Regionalism in South Korea**

Since the end of the Cold War, the concept of East Asia has been continually constructed and reconstructed. East Asia was usually understood as Northeast Asia. Accordingly, it could be argued that in the phase of regionalism in East Asia, few South Koreans considered Southeast Asian countries as a part of East Asia, let alone entertain some sense of shared regional community. For South Koreans, the most important foreign country was the United States. However, in the wake of the Asian financial crisis, regular interaction among South Korea, Japan, and China, as well as the ASEAN, has meant that mutual understanding has increased. Since the establishment of the ASEAN+3, Southeast Asia has been more visible in the South Korean media. Thus, largely due to repeated references to East Asian regionalism, Southeast Asia is increasingly recognized as part of the same region (Robertson 2006: 4).<sup>83</sup>

However, due to the strained South Korean-Japanese relationship and the association of Japanese aims with the extension of membership to Australia and New Zealand, the media coverage of wider East Asia was largely negative (Robertson 2006). The concept of a wider East Asia represented by the EAS reflected Japan's intention to counterbalance Chinese dominance in the region by including Australia, New Zealand, and India (see Bae 2006; H.Y. Kim. 2006). KBS reported in December 2005, "Japan has managed to include 'US-friendly' nations, like India, Australia, and New Zealand into the membership of the bloc and has even made an attempt, albeit a failed one, to bring in the US as an observer."<sup>84</sup>

According to Robertson's interviews (2006), many South Koreans simply believe Australia is not an East Asian country: a majority of respondents cited this as the primary reason why Australia should not be in an East Asian regional community; South Korean perceptions of East Asia take in commonly only China, South Korea and Japan, and only on further

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<sup>82</sup> Interview with former foreign minister, Yoon Young-kwan, currently professor of International Relations, Seoul National University. November 17, 2009.

<sup>83</sup> Quoted from Robertson's Interviews, Seoul National University (SNU), Seoul, 3 January 2006–1 February 2006.

<sup>84</sup> KBS Global, "The implications of the Kuala Lumpur decision", Issues, 15 December 2005.

consideration do they include the ASEAN states. For South Koreans, the notion that Australia is part of the East Asian region invokes laughter and bewilderment at best.

The inclusion or exclusion of Australia from East Asian regionalism would have little or no impact on the South Korean agricultural sector (Australian Embassy Seoul 2005). The impact on sensitive sectors, including fruit and dairy would not be worse and could even be ameliorated by seasonal differences and product differentiation. Despite this, the perception remains that Australia and New Zealand, as efficient agricultural producers, are a threat to South Korean farmers.

Given the fact that Australia is well-known for its strong agricultural industry, and that for South Korea agriculture is the most sensitive sector of its economy, there was very little domestic political support for the East Asian Summit process, with its addition of three new members: India, Australia, and New Zealand. Nonetheless, the perceived political threat of including Australia and New Zealand was vastly over-estimated compared to the potential economic gains (Robertson 2006: 10-13).

As a result, South Korean perceptions of which countries belong to East Asia extend at most only to China, Japan and Korea as manifested in the Trilateral Cooperation and the ASEAN+3. This excludes the East Asia Summit members. Membership of the ASEAN+3 indicates inclusion into an East Asian collective identity, an identity constructed through interaction with other regional grouping (ASEM) and among the members of ASEAN+3 themselves.

#### 5.1.4 Domestic Politics and Government Changes

As Choi and Moon (2010) argue, a leadership's perceptions and preferences, as well as the domestic dynamic, have to be elucidated in order to understand Northeast Asian countries' policy behaviour. The changes of government from Kim Young-sam (1993-1998) to Kim Dae-jung (1998-2003) and Roh Moo-hyun (2003-2008) went together with a drastic shift in policy dealing with regional cooperation: the Kim Dae-jung and Roh Moo-hyun governments assertively appeased North Korea, trying to balance diplomacy between China and the United States, and their commitment to regionalism (especially the pursuit of the East Asian community under Kim Dae-jung, and the Northeast Asian community under the Roh government).

Although during the Kim and Roh administrations (1998-2008) active involvement in East Asian regionalism had been possible (owing to changes in leadership and the widespread desire to avoid future financial crises), it was still difficult for South Korea to overcome the structural limits imposed on it by America (Moon/Rhyu 2010: 448-453). In conclusion, it is important to recognize that leadership change is an important determining factor for South Korea's foreign policy behaviour, especially for its formation of policy dealing with regional cooperation. A leader's beliefs set the direction for how they deal with external and structural parameters: policy for engaging with North Korea, diplomatic relations with China and the USA, etc.

### 5.1.5 Dealing with North Korea: Diplomatic Balancing between USA and China

Inter-Korea economic relations had made remarkable progress during the ten years studied in this thesis (1998-2007). North Korea's economy has been suffering in a persistently desperate state for decades. In 1970s North Korea had enjoyed a similar level of development with the South, but North Korea's economy as of 2003 was estimated to be sixteen times smaller in GDP terms (see Figure 5-1). As of 2009, South Korea's international trade volume was 2,019 times that of the near autarkic North Korea.<sup>85</sup>

**(Figure 5-1) Per Capita GDP, North Korea vs. South Korea, 1970-2003**



Source: the Historical Statistics for the World Economy

<sup>85</sup> North Korea Statistics: <http://kosis.kr/bukhan> (May 5, 2011).

Economic relations between both sides had improved during the 2000s, with the stronger relationship between North and South leading to the establishment of the Kaesong Industrial Complex. Though it must be noted that exchange between South and North has been far less than its capacity targets were projected to be.<sup>86</sup> While at that time South Korea was well positioned to play a leadership role in the region and to utilize such economic mechanisms to help stabilise North Korea and move toward finally reunifying, it is impossible for South Korea to reach this goal without cooperation from its neighbours and other major economic powers, e.g. China, Japan, USA, and the EU.

During the cold war, China was a regional power without a regional policy or identity, but since the dismantling of the former Soviet Union in 1991, Chinese foreign policy has increasingly laid eyes on Asia (S. Kim 1992). Since then, China has made a serious effort to engage the East Asian region, partly to deter diplomatic recognition of Taiwan and occupied islands in the East and South China Sea (Aggarwal/Koo 2008). Moreover, China showed an increasingly confident use of multilateral economic and security arenas, such as APEC and the ARF, to alleviate the region-wide anxiety about its rise to power (Buzan 2003; Aggarwal/Koo 2008).

As an emerging economy China has made important steps to become a member of the World community and thus has made considerable efforts to join the World Trade Organization (WTO). Integrating itself into the WTO, China agreed to far-reaching reforms designed in order to comply its domestic economic practices with global standards (Kang 2007: 77-79). The Chinese government has repeatedly sought membership of organizations representative of global community: the IMF, the World Bank, the UN, providing troops to peacekeeping missions, and the United Nations Educational, Scientific, and Cultural organization (UNESCO) (Kang 2007: 77-79; Breslin 2008: 137-139; Lin 2008: 70-77).

China seeks economic development under a peaceful regional security environment, and thus presents itself to the world as a responsible power. In the post-Mao era, China's Korea policy has gradually altered "from the familiar one-Korea (pro-Pyongyang) policy, through a policy of one Korea de jure and two Koreas de facto, and finally to a policy of two Koreas de facto and de jure" (S. Kim, 2006: 172). It is clear now that China's shift in diplomatic stance toward South Korea in 1992 resulted from the abrogation of ideology-led policy in favour of

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<sup>86</sup> Kaesong Industrial Complex: <http://www.kidmac.com/> (December 27, 2012); Hyundai Asan: <http://www.hyundai-asan.com/> (December 27, 2012).

the pragmatic pursuit of economic interest (S. Kim, 2006: 172).

From the mid-1980s onwards, Northeast Asia witnessed many dynamic developments – nowhere more so than in China, whose efforts to restructure its economy during this period led to an open-door policy that encouraged investment to flow into the whole region (Hong 2008: 45-51; Hyun 2008: 65-67). During the presidential race of 1987, Roh Tae Woo, one of the leading candidates, stated manifestly that the future would depend upon establishing closer ties with China (Rozman 2006: 153-154). The exponential growth in trade with China during the 1980s (from \$120 in 1983 to over \$3 billion in 1988), encouraged the South Korean government to see Chinese power as means of leverage against North Korea (Hong 2008: S. Kim, 2006: 172-175; Rozman 2006: 153-155).

In terms of economic cooperation, China has been South Korea's number one trade and investment partner since 2003, when it overtook the US to become the biggest export market for Chinese goods (a feat not achieved since before 1965) (Korea International Trade Association 2004; Snyder 2004). In 2003, South Korea invested more in China (\$4.7billion) than did the United States (\$4.2billion). Comparing statistics for 2003, we can see clearly that the volume of Korean exports to China greatly exceeded those of American exports for the same period (\$47.5 billion compared to \$36.7 billion). The percentage increase in exports is even more revealing – where American exports to China rose by just 7%, Korea's exports had risen by a staggering 35%. This unprecedented level of economic involvement in China, exceeding even that of the world's number one economy, can perhaps also be seen attested to by the 25,000 Korean business enterprises that have taken root there.<sup>87</sup>

In 2004, the South Korea-China relationship was called a “comprehensive cooperative partnership” by South Korea's National Security Council, which also called for greater military exchanges between the two countries (National Security Council 2004). South Korea has recognized China as an extremely important economic and diplomatic partner and has increasingly close relations with China along a range of security, economic, and diplomatic issues. Although the South Korean government has no desire to leave the aegis of American power, its foreign policy shows that it is taking great pains to foster ever more intimate and amicable ties with China. This shift in diplomatic stance is not out of anti-American sentiment then, but is premised instead on the realization that there are new global powers

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<sup>87</sup> The Korea International Trade Association: <http://www.kita.net> (December 28, 2012).

which out of necessity South Korea cannot ignore (Kang 2007).

Surely, the rise of China is an important factor which could influence South Korean-U.S. alliance. Indeed, it marks the essential fact to be recognized: that South Korea is no-longer dependent on the United States for its economic and foreign-policy decision-making (Snyder 2004).

**(Table 5-1) The importance of Overseas Partners for Korea and Japan**

	In the present	In the future
	1 <sup>st</sup> place	1 <sup>st</sup> place
Korea	US	China
Japan	US	US

*Source:* Chaban/Schneider/Malthus (2009: 114)

While South Korea-Chinese relations continued to move closer, and South Korea enthusiastically engaged in intensifying its multilateral and regional relations, the South Korea-U.S. alliance suffered from greater strain than ever before under the Roh Moo-hyun government. Table 5-1 reflects this situation well: Koreans consider the United States as the most important partner at present, while they nominate China as their most significant future partner. South Korea still maintains very warm ties with America, but it also recognizes the inexorable need to become less dependent and to diversify its connections with rival powers. It is in this spirit that South Korea has welcomed cooperation with China. This has been a slow process, but the events of the past few years have accelerated the trend. This process could partly be a natural evolution, but it could also reflect the fact that South Korea and the United States share different perspectives on major international issues, especially North Korea (Kang 2007; Snyder 2004). After the terrorist attack of 9/11, the Bush administration acknowledged that the United States would not shrink from a pre-emptive military strike on suspected unclear development facilities if North Korea firmly resisted any international pressure to stop the progress of its nuclear development (Aggarwal/Koo 2008; H.C. Kim 2003). In South Korea, the inter-Korean summit in June 2000 brought about deep emotional and psychological change in people’s views about North Korea. Consequently, Bush’s ‘Axis of Evil’ rhetoric about North Korea met with a very negative public response in South Korea



(Snyder 2004).

All aspects of the Korea-U.S. alliance have come under question in South Korea – from the issue of military cooperation to the administration of inter-government communication. This questioning was matched with a growing sense of mistrust towards those in office who express unreserved support for America. Indeed, a number of people have been removed from key positions due to their perceived bias in favour of pro-American policies. Needless to say this has not helped diplomatic relations with the US administration. (Snyder 2004).

Roh Moo-hyun came to power precisely by articulating a new vision of South Korea's place in a world that was no longer US-centred. At a time when mass protests were being conducted against the US military's presence on the peninsula, Roh was able to capitalize on a younger generation's desire for progressive change. (see McAdam 2006: 263-265). Roh promised that, once elected, he would demand more equal relations with the America. Thus, his election signalled a drastic departure from traditional foreign policy and strategic thinking centred on the importance of the U.S.-South Korean alliance, raising the stakes by thinking about Asia (Sheen 2008: 102). Instead of emphasizing a strong bilateral relationship with the United States, Roh proposed to build a peaceful and prosperous Northeast Asian Community as one of his three most important goals.<sup>88</sup> The concept of a Northeast Asian balancer (동북아 균형자: dongbuk'a gyunhyongja) was presented in a speech given by President Roh in February 2005 as his new doctrine for foreign policy (he also would later describe this concept several times on other occasions).<sup>89</sup> This idea was received critically especially by the United States as well as by South Korea's conservative media. Although the balancer policy was not an overt attempt to oppose America, nonetheless speculation was rife over whether or not it signalled a long-term shift of foreign policy towards favouring China. It has also been argued that Korea is too small to play such a big role in the turbulent international relations of Northeast Asia, which are still dominated by the traditional great powers (S.W. Lee 2008b).

Contrary to these critical views, both South Korea and the United States publicly continued to

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<sup>88</sup> The 16<sup>th</sup> Inaugural address of President Roh Moo Hyun, February 25, 2003

<sup>89</sup> The second anniversary speech of the inauguration by president Roh Moo-hyun, National Assembly, February 25, 2005; the 86<sup>th</sup> anniversary speech of the Samil Independence Movement by president Roh, March 1, 2005; The congratulatory address for the 53<sup>th</sup> graduate and inaugural ceremony of the Air Force Academy by president Roh, March 8, 2005; Special interview with president Roh by MBC 시사매거진 2580 (Korean broadcast MBC news magazine 2580), September 5, 2004.

support their long-standing relationship. Indeed, South Korea sought to collaborate in various areas with the United States: it sent the largest contingent troops to Iraq after the United States and the United Kingdom; the replacement of U.S. military bases outside of Seoul proceeded with minimal protest; both South Korea and the U.S. set the negotiation of an FTA between the two countries as a priority.<sup>90</sup>

Finally, the South Korea-U.S. alliance still remains strong, and China has not yet become the regional leader in Northeast Asia. However, U.S. influence has undoubtedly diminished, while Chinese weight has clearly increased. Although scholars of international relations, as well as American policy-makers, regard the United States as the most benevolent partner with which South Korea could ally, China's geographical location and massive economic size cannot but make South Korea pay attention. Far from being threatened by China, South Korea has shared similar policy orientations on the North Korean nuclear crisis, whereas in contrast South Korea and the United States do not have the same ideas about how the region should look, or who should lead it, or even where threats arise (Kang 2007). South Korea has been adjusting to China's place in Northeast Asia, and seeking to benefit from close ties with Beijing while maintaining good relations with Washington (Breslin 2008; Kang 2007; J.S. Lee 2012; Rozman 2006).

What was driving the South Korean government during this period was the realization that the final destination of a Northeast Asian community is inseparable from coping with the "Korea Problem". This is why Kim Dae-jung established inter-Korean reconciliation and cooperation jointly through both his Sunshine Policy and his promotion of East Asian community, and why Roh Moo-hyun similarly followed this with his conception of South Korea as a Northeast Asian balancer.

## 5.2. "Japan and East Asia" or "Japan in East Asia": Japan's Ambiguous Regional Policy

As shown in chapter 4, Japan's attitude toward East Asian regionalism has been reactive and ambivalent. After the Pacific-War, the Cold War, the post-Cold War era, and the Asian financial crisis, a variety of factors have served to determine Japan's foreign policy, including: debates over article 9 of the Japanese Constitution and its prohibition of acts of war, the

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<sup>90</sup> Despite a series of demonstrations, the Roh government insisted on closing the agreement.

nation's strategic dependence on the US, the challenges presented by China's rise to power, and the emergence of regionalism in East Asia.<sup>91</sup> Given the fact that there were no great shifts in leadership and that few changes were made to the government during the period of this study (1998-2007), all the factors which had previously decided Japanese foreign policy still served as the most important determinants for Japan's responses to regional cooperation/integration.

Largely seen as an anachronistic vestige of the Pacific-War, Article 9 of the Japanese Constitution was increasingly the subject of contestation. Efforts to overcome Article 9 focused on undermining its stringent stipulation of what a 'normal state' is, which, combined with a growing sense of national identity (see Rozman/Togo/Ferguson 2007), guided Japan's position on regional cooperation/integration in East Asia. With the disastrous defeat of the Pacific-War in 1945, Japan has been criticized for its aggressive imperialism under the Greater East Asia Co-Prosperity Sphere. Japan's attitude in dealing with its past conduct toward other Northeast Asian countries has continually fluctuated. As a result, both South Korea and China persist in viewing Japan through a historical lens. Japan's attempts to achieve normalisation, therefore, have faced considerable opposition from its neighbours. Recently, Japan has represented itself as a "normal state" with the same responsibilities as any other member of the international community, such as military cooperation to prevent the proliferation of weapons of mass destruction (WMD) and to fight international terrorism (Pempel 2008; Rozman/Togo/Ferguson 2007). Such moves created heated debates in Japan due to their inherent conflict with article 9 of the Constitution. Furthermore, Japan's effort to upgrade its economic power and become an international political leader in "soft" power is reflected in its desire to become a permanent member of the UN Security Council. Japan's ambitions in this regard have faced organized and vocal opposition from South Korea and China. Such opposition implies that Japan's past conduct is one of important issues that Northeast Asian countries have to resolve if they are to enhance regional cooperation.

In the light of modernization, internationalism and Asianism (Rozman 2008b), Japan has been concerned with negotiating its place between Asia and the West, a situation which has largely fixed the direction of its foreign/regional policy. Consequently, in the first section below (5.2.1), I provide a historical overview of Japan's self-identification with both the West

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<sup>91</sup> Rozman, Togo and Ferguson (2008) identify three orientations that serve as determining factors for Japan's regional cooperation/integration policy: the sense of national identity; its alliance with the United States; the geographical range of Asia.

and Asia. Under Prime Minister Koizumi, Japan reinvigorated its national identity, and in doing so gained greater confidence in tackling the complexities of its foreign policy. In particular, Japan sought to overcome the two extremes that had shaped its policies in the twentieth century: emotional nationalism and idealistic pacifism (Rozman/Togo/Ferguson 2008). While for many years Japanese leaders have put a priority on the US-Japan relationship, they have also now prepared a more solid foundation for re-entry into Asia (Rozman 2008b).

Even after the Cold War, Japan's dependence upon the United States continued to increase exponentially, this is because power relations in Asia have been in such great flux that solidifying relations with the United States has become ever more important (Rozman/Togo/Ferguson 2007). Japan's dependence on the United States has great implications for its relations with China. Because of the way in which its relationship with the U.S. conditions its policy decisions, Japan can only be assertive and sceptical toward China. Although China is Japan's most important economic partner, and conflicts between two countries bring nothing of benefit to either side, it is still the case that, as Kang (2007: 90) notes, "the closer the alliance between the United States and Japan, the more confident Japan has become in confronting China". China-Japan relations are often characterized in Japan as "*seirei keinetus* (cold politics, hot economics)."

The post-Cold War era provided Northeast Asian countries with various foreign policy options. Witnessing the deepening and widening of the EU and creation of NAFTA, Japan's elite intensified its debates over suitable strategies for Asian regionalism, both as an imperative for global competition and as a pathway to realize leadership aspirations (Rozman/Togo/Ferguson 2007). In addition, the Asian financial crisis made Japan realize the need for regional coordination in the financial and economic fields. Regarding its regional cooperation/integration policy, the rise of China has had great implications for Japan's regional engagement. Japan reacted to China's active engagement in regional institution-building in East Asia by adopting the same measures and diluting the regional cohesion of the first exclusive regional formation of ASEAN+3. I devote the following subchapters to elucidating the factors involved in both Japan's dependence on the United States and its rivalry with China in regard to regionalism in East Asia.

Similarly to South Korea, competing policy positions in Japan are divided into two main

groups: (i) the “Asia-first” approach which advocates close relations with East Asia, (particularly with China), and (ii) the nationalist approach that supports the Japan-U.S. alliance, and advocates taking a tough stance against North Korea and developing a more assertive foreign policy (Kang 2007: 88-91).

The domestic factors determining Japanese decision-making for regional cooperation /integration policy must be understood and explained according to the 14-year interval between Nakasone and Koizumi. This can be analysed into three distinct periods in which rapid changes, without any firm strategic direction, produced an inconsistent record with in which promising initiatives were mixed with many lost opportunities (Rozman/Togo/Ferguson 2007): (i) Nakasone, the short-lived Liberal Democratic Party (LDP) prime minister, was strategically overconfident in not making any major adjustments in his strategic viewpoint and was thus uncertain of how to act in response to the end of the cold war and the rapid economic and political transformation of (East)Asia; (ii) Because of its multiparty coalition, and thus decentralized authority, the LDP was confronted with a strategic weakness and could not exercise power; (iii) once the LDP returned to power, its foreign policy toward Asia shifted from the cautious assertiveness of Nakasone, to the provocative assertiveness of Koizumi. Koizumi abandoned the weakness and pragmatism of his predecessor by supporting an equilibrium that balanced the interests of the U.S. with those of Asia, but in doing so he also lost the opportunity to play a leadership role in (East) Asia (Rozman/Togo/Ferguson 2007: 3-4).

### 5.2.1 The Greater East Asia Co-Prosperity Sphere: The Failure of 'Japanese-First' Regionalism

When Commodore Perry arrived with four US gunboats in 1853, it marked a traumatic moment for the Japanese elite who almost immediately decided to end 250 years of isolation. During the Meiji Restoration (a political revolution), a nationalist faction centralized its authority in the form of a modern Japanese state and promulgated a modernizing revolution. Since then, Japan’s principal task was to transform the nation in order to adopt the modernity of Western powers, while preserving its national and cultural autonomy. In this way, Japan had redefined itself as the first in Asia to launch a full-scale project for modernization by learning from the West (Iida 1997: 413). Japan became not only the first Asian nation to

modernize, but one of only three Asian nations<sup>92</sup> not to be controlled by the Western colonial powers (Dosch 2004).

During the early years of the Meiji period, Japan's project of modernization was paralleled with an unconvincing expression of admiration at the model of internationalization as a means of nation-building and promoting economic growth. In reconciling Japan's emerging global and national identity, the Meiji leaders were successful in constructing a *kokuktai* (national essence) by comprehensively drawing from Shintoism, Confucianism, and Bushido. Thus, by combining loyalty, filial piety, and patriotism a chauvinistic nationalism emerged into prominence (Samuels 2003: 23; cited in Rozman 2008b: 212). The legacy of Meiji conservatism provided not only authoritarian stability for economic development and incorporation into the world economy, but also a prejudiced arrogance toward Asia as being backward and something from which Japan had to escape (Inoguchi 2006: 10; Rozman 2008b: 212). This attitude is clearly expressed in the article 'Datsuaron' (1885) by Fukuzawa Yukichi, the foremost thinker, educator, and writer in Meiji Japan:

“We cannot wait for our neighbour countries to become so civilized that all may combine together to make Asia progress. We must rather break out of formation and behave in the same way as the civilized countries of the West are doing ... We would do better to treat China and Korea in the same way as do the western nations .”<sup>93</sup>

Northeast Asian countries shared much cultural heritage, particularly the rich and respected tradition of China. In the modern era, however, when Japan opened itself to foreign trade and adopted Western-style modernization, the superiority of Western civilization and its military might was powerfully attractive to Japan. As a result, Japan turned away from China and instead received the West as a model for “progress” (Iida 1997). As the West forced its self-serving and unequal treaties on Japan, the Japanese government responded with a policy of *fukoku kyohei* (“the country rich and the army strong”), which aimed to quickly match the status of the Western powers (Inoguchi 2006). However, regarding its neighbours, the Meiji regime desired to assert a vision of regional order consistent with its modernizing programme. The Japanese desired, therefore, to overthrow the governments of neighbouring countries, such as Korea and China, which perpetuated obsolete ideas and institutions. Thus, the Japanese leadership tried to distinguish itself from its neighbours, so that the newly civilized and modernized Japan could not be grouped together with its “despotic and decadent

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<sup>92</sup> Including Thailand and South Korea; in the case of China, the country was only partly colonized

<sup>93</sup> This article was first published in *Jiji-shimpo*, 16 March 1885. Quoted in Blacker 1964: 136

neighbours” and would instead be included “within the club of civilized nations called [the] West” (Inoguchi 2006: 10).

Convinced that European expansionism was inevitable, and that strong leadership in the form of a modern nation-state was necessary, Fukuzawa urged Japan to support the Korean pro-modernization leaders (Iida 1997: 414-415; Inoguchi 2006: 14). However, after the Chinese defeat in the Sino-French War (1885), Fukuzawa discarded his earlier decision to support Korean modernization and instead propagated his theory of *datuaron*. Arguing that Japan was already outside Asia, and so on the side of true civilization, Fukuzawa maintained that Japan should concentrate its efforts on strengthening itself by exercising its imperial rights in Korea in the same way as Westerners treated Asians (Iida 1997). This purveyor of modernist ideas considered Asia as something inferior that had to be overcome, whereas progress toward civilization was valuable in itself. Fukuzawa’s model of modernization was not unique, but part of a widespread ideal, as demonstrated by the then-popular phrase, “Away from Asia and enter the West” (*datsua nyua*)<sup>94</sup> (Moon/Suh 2006; Iida 1997).

According to Moon and Suh (2006: 127), Fukuzawa’s *datsua* (away from Asia) also functioned as an instrument for *nyua* (enter the West). In other words, obtained through the adoption of Western civilization and the doctrine of *fukoku kyohei* (rich nation, strong army), Japan’s national power was to be utilized for the colonization of Asian countries that were weak and underdeveloped. Japan accomplished its spatial expansion under this logic, and its imperial order finally took over the Sino-centred tributary system (Moon/Suh 2006): Japan’s influence over East Asia grew significantly after the Sino-Japanese War in 1894-1895, in which Japan defeated China. Its influence similarly expanded when the Shimonoseki Treaty was signed, whereby China abandoned suzerainty over the Korean peninsula, while recognizing the complete independence and autonomy of the *Joseon* dynasty. However, Japan paved the way for the annexation of the Korean peninsula by defeating Russia in the Russo-Japanese War in 1904-1905 and by forming an alliance with Great Britain in 1910 (Moon/Suh 2006: 127).

As Japan became preoccupied with its identity as a great power, it further justified its actions by calling for a form of political unity that was tolerant of authoritarianism and imperialism

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<sup>94</sup> Concerning the translation of *datsua nyua* (脱亞入歐), it is notable that scholars translate this expression differently: “depart from Asia” vs. “away from Asia”. Because 脱 means “escape” or “away,” not “depart,” I therefore, use the translation of “away from Asia.”

(just as also occurred in the Soviet Union and Nazi Germany). . But it must always be born in mind that Japan's logic of Asianism vs. internationalism ultimately derived from its understanding of Western powers (Rozman 2008b: 215).

The formation of the League of Nations and the beginning of Taisho democracy in the early 1920s created a rise in impulsive and idealistic forms of Asianism, which ranged from Asian Monroism and New Asianism to Great Asianism (Moon/Suh 2006: 127). Fukuzawa's cold-blooded pragmatism was entirely unacceptable for these idealistic young activists. People like Oi Kentaro, Tarui Tokichi, and Nakae Chomin, promoted the principle of universal human rights, and voiced a strong concern for the freedom of peoples in other Asian countries. In particular, Oi Kentaro directly urged Japan to support the strengthening of Korea for the latter's future security and its people's happiness. This position was called *koaron* "support Asia." While Oi stressed the necessity of Korea's compliance to the "logic of civilization" as much as Fukuzawa did, he rejected the use of imperialist means against Korea out of a concern for justice beyond national boundaries (Iida 1997: 412-417). The idealists all called for the end of Japanese colonialism as well as for Asian solidarity and community, but these movements disappeared when Western powers began to restrain Japanese expansion in the name of the "Yellow Peril" (Moon/Suh 2006: 127). Although both Fukuzawa's *datsuaron* and Oi's *koaron* seemed diametrically opposed views, they shared the same desire for modernization and Japanese superiority vis-à-vis Asia (and particularly Korea) (Iida 1997: 412-417).

Both Fukuzawa's *datsuaron* and Oi's *koaron* were the products of the intrusion of the modern West, and serves to reflect "Japan's ambivalent status between the West and Asia" (Iida 1997: 412-417). Consequently, when Pan-Asianism emerged in the 1910s, it synthesized the Universalist idealism of *koaron* and the state power politics of *datsuaron* (Iida 1997: 412-417). Japan had re-entered Asia by emphasizing its Asian identity, but the re-entry took the form of an assertive military expansion (Moon/Shin 2006: 127). Japan packaged its imperial conquest under the slogan of Pan-Asianism (Lee 2009: 116-119). In the Japanese vision of Pan-Asia, all nations and peoples were not necessarily equal: only Japan, as the sole modernized and industrialized nation in the region, was allowed to lead. Central to this Pan-Asianism was the concept of a New East Asian Order, which was designed to form an East Asian economic bloc under the leadership and supervision of Japan (Moon/Shin 2006: 127; Iida 1997: 417-424).



In other words, after the Russo-Japanese War, the Japanese realized that they did not need to borrow from the West and that civilization did not automatically bring political and cultural autonomy (Iida 1997). Due to strong resentment against Western racial discrimination, Japanese intellectuals and politicians desperately struggled to free themselves from the Western perspective by calling for a “holy war” against the West under Japanese “leadership,” and by searching for an alternative world order that would, they hoped, accommodate their culture and ethnicity (Iida 1997; Selden 1997). At this critical moment, Japan raised the concept of *toyo* (Asia) as the symbol of a spiritual home and tradition, which it propagated enthusiastically (Iida 1997: 425).

In 1940, the *kihon kokusaku yoko* (Basic National Policy Outline), produced by the Konoe Fumimaro cabinet, formulated the doctrine of the Great East Asian Co-Prosperity Sphere.<sup>95</sup> Through its conceptions of Asia, (pan)Asianism and Internationalism, Japan’s formation of a Co-Prosperity Sphere had three crucial implications (Moon/Suh 2006: 128): (i) it led to imperial expansion in the form of territorial occupation based on Japanese hegemony (although official doctrine proclaimed that Japan’s role was that of a more benign guide); (ii) it represented Japan’s defensive effort to counteract Western economic penetration and domination (as evidenced in the Western rhetoric of the ‘Yellow Peril’): the sphere would be based on an intraregional division of labour (industrial production in the North and agricultural production in the South) and also characterized by exclusive regionalism under the hegemony of the Japanese yen; (iii) finally, it also motivated Japan to develop “one extended Japanese imperial family”, namely “a unified organic entity through acculturation.” In other words, cultural identity under the Co-Prosperity Sphere served as an instrument for Japanese cultural domination as much as for political and economic domination. The effects of Japan’s Co-Prosperity Sphere were especially unbearable and humiliating for Koreans; Korea’s sovereignty and wealth were taken away, and numerous Koreans lost their lives during the unwanted Pacific War. Given this legacy of exploitation, Koreans still consider any assertive Japanese regionalism as a curse on the peninsula, a sentiment similarly held in China (Moon/Suh 2006: 128). This unsolved past still serves as an obstacle to regional integration in Northeast Asia.

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<sup>95</sup> This comprised five categories of states: a guiding state (Japan), independent states (Republic of China, Manchukuo, and Thailand), independent states under Japan’s protection (Burma, the Philippines, and Java), colonial states under Japan’s direct rule (Korea and Taiwan), and colonial states outside the sphere (French Indochina and Portuguese Timor) (Koschman 1997: 83-110).

In sum, Commodore Perry's landing on Japanese shores in 1853 forced it to open to the outside world. Japanese elites set two national goals: transforming Japan into a modernized and civilized nation by emulating Western modernity and getting away from its peripheral status in the China-centred regional order. Japan believed that it could achieve its national goals by emulating Western modernity and civilization, while leaving China and Korea behind. Fukuzawa Yukichi's *datsua* thesis served as a feasible means of implementing the two national goals and guided Meiji reforms to become the orthodox ideology in Japan during the last half of the nineteenth century.

The Japanese used the word "Asia" as a flexible concept: in order to get rid of Japan's Western-given identity as an inferior "other", the Japanese transferred their "otherness" onto Asians, yet this discursive violence was also just a prelude to physical violence (Iida 1997). Pan-Asianism provided an explicit proposal for the spatial expansion of the Japanese state in the 1930s, as realized in plans for the Greater Asian Co-prosperity Sphere during World War II (Iida 1997; Koschman 1997; Moon/Suh 2006; Rozman 2008b).

According to Selden (1997), a bipolar Asia represented a break from the two previous endeavours at regional integration: a China-cantered tributary-trade system whose strength and reach had expanded and declined for a long time; the ambitious but failed Japanese attempt in the first half of the twentieth century to prevail over both Chinese primacy and Western colonial domination and create a Japan-centred Greater East Asia.

This subchapter 5.2.1 aimed to provide relevant historical background information in order to explain Japan's hesitant regional integration policy in East Asia. Japan has always exhibited an ambivalent stance toward its Asian neighbours, vacillating between "Japan in Asia" and "Japan and Asia" (Beeson 2007; Katzenstein/Shiraish 1997; Tamamoto 2002). While those with an internationalist perspective promoted the notion of "Japan and Asia" based on "*Datsua*" (away from Asia), the advocates of Asianism suggested a policy of "Japan in Asia" to be realized through "*Nyua*" (re-entering Asia) (Iida 1997; Inoguchi 2006; Rozman 2008b; Lee 2009; Moon/Suh 2006; Tamamoto 2002).

The concept of *seiyoka* (westernization) became a subject of dispute in the 1950s, followed in the 1960s by a debate on *kindaika* (modernization), while *kokusaika* (internationalization) was greeted with popular approval in the 1980s, a situation which persisted into the 1990s. The term *kokusaika* (internationalization) is characterized as the "process of drawing closer to

designated countries in the West and what they represent”. Through internationalization the terms “international community” or “globalization” came to characterize the end of Cold-War period and led to a concentration on Japan’s relations with the United States, producing a compromise in policy: “recognizing a need for some borrowing, while leaving no doubt that convergence was unacceptable” (Rozman 2008b: 211). After revitalizing East Asian regionalism, parallel debates occurred in Japan about the meaning of Asianism, and which have recently centred on discussions about forming an East Asian community. Overall, however, Japanese reaction to regionalism reflects its ambivalence toward such projects and also constitutes a failure to recognize realistic ways to reach its desired goals (Rozman 2008b).

Whenever Japan was faced with external and internal challenges, its responses have been based on an appropriate balance between internationalization and regional involvement (Iida 1997; Inoguchi 2006; Lee 2009; Moon/Suh 2006; Rozman 2008b). Namely, it has sought to balance cooperation with the United States with engagement in East Asian regionalism. Rozman (2008b) has categorized three phases of external and internal challenges that Japan has confronted: (i) from the Meiji Restoration through World War II, interspersed by the Russo-Japanese War in 1905, the principal goal of foreign policy was to overtake the modernized Western powers and to retain Japan’s own leadership position in Asia; (ii) in the forty years up to the end of the Cold War, Japan sought to overcome its disgrace as a defeated nation and to create acceptance and respect for itself in the international community. These efforts culminated in the Nakasone Takeshita years (1982-1989), when the long-restrained desire for “re-entering Asia” re-emerged; (iii) in the post-Cold War era, while it was already a global leader in internationalization, Japan was nonetheless unsettled by three factors. Firstly, it wrestled with the notion of forging a ‘normal country’. Secondly, it struggled with the concept of ‘re-entering’ an Asia that was emerging as both a world centre and an economically integrated region; and thirdly, it had to deal with the ramifications of being bound to US leadership in the process of globalization. During the Koizumi (2001-2006) – Abe (2006-2007) years, the most intense manifestations of this combination of factors were observed.

### 5.2.2 Japan’s Asian Regionalism during the Cold War

Japan’s foreign policy has been heavily determined by its defeat in 1945, since this imposed a

number of constraints and obligations upon it (Suh/Katzenstein/Carlson 2004; Inoguchi 2008). The allies' victory in the Pacific War restructured the outlines of the East Asian regional order. The beginning of the Cold War led to a bipolar structure, dividing the region into two poles: the southern pole including the United States, Japan, and South Korea, and the northern pole of the Soviet Union, China, and North Korea. This tight bipolar structure made the scope of Japan's security strategy profoundly limited. The United States provided Japan with a security umbrella and mediated its global and regional reach (Cumings 1997). This was particularly important because Japan, a defeated nation, was deprived of its military sovereignty by the Peace Constitution, and was solely devoted to an exclusive defence strategy. During 1945-60 Japanese statesmen debated about whether they should continue "with-or-without-the-United States": in other words, whether Japan should seriously pursue independent diplomacy to restore ties with Asia. This matter remained so contentious that when the Japan-United States security treaty was revised by Prime Minister Kishi Nobusuke in 1960, he was immediately met with strong resistance and was eventually even forced to resign (Inoguchi 2008: 37-38).<sup>96</sup>

The Yoshida Doctrine well characterized Japan's security posture in the 1950s and 1960s: while Japan endeavoured to maximize its economic benefits under the American security umbrella, it also gave its highest priority to the alliance with the United States and rejected the old patterns of expansionism and confrontation. In this way Japan can be considered to be a pacified state supported by the provision of American security forces (Inoguchi 2008: 39-40; Moon/Suh 2006: 128-129). Japan enjoyed the benefits of free-riding in the liberal international economic order created and sustained by the United States, thus it did not need to pursue any regional economic policy (Inoguchi 2008). Although Japan employed neo-mercantile practices in the 1950s and 1960s, its external economic behaviour was by and large governed by multilateral norms (Moon/Suh 2006: 128-129).

In the period 1960-1975, Japan concentrated on two Asian events: the Vietnam War (1965-1975) and diplomatic normalization with neighbours, markedly South Korea (1965) and China (1972) (Inoguchi 2007): negotiations for normalization with South Korea were hard work due to bitter opposition in both countries. The historical debt was paid in the form of a \$300 million grant and a \$200 million loan, while Japan did not accept any claims for war

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<sup>96</sup> While Socialists and neutralist sentiment favoured abrogation of the treaty, the conservatives supported for a continuation of the relationship.

reparations, insisting that there had been no war between it and Korea; the diplomatic normalization of relations between the United States and China in 1971-1972 forced Japan to also engage in diplomatic normalization with China. While China did not demand war reparations, instead it required Japan to expand official development assistance for China's modernization. However, when Prime Minister Miki Takeo (1974-1976) visited the Yasukuni War shrine (where a number of war criminals including the 14 Class A war criminals are memorialized) for the second time on August 15, 1976, Japan's foreign relations were greatly complicated. Since then, any Japanese Prime Minister's visit to the Yasukuni shrine has become a politically sensitive issue among Northeast Asian countries (Inoguchi 2008).

In the 1980s, many Japanese believed that it was time to revisit the issues of Japan's political and historical identity,<sup>97</sup> but their hopes were not to be realized as the ideology of Asianism was now effectively replaced by an internationalism that had regained control over regional politics in Asia (Rozman 2008b: 217-222). Four forces that constrained Japan under Prime Minister Nakasone have been identified by Rozman (2008b: 217): (i) the insistence on a more equal relationship with the United States (Hasegawa 2008: 71-72); (ii) the need to resolve injustices or historical disputes with the Soviet Union (see Hasegawa 2008: 60-65) and North Korea; (iii) the desire to normalize relations with South Korea (Hasegawa 2008: 68-70) and China (see Hasegawa 2008: 65-68); (iv) the ambition to building a proud national identity, one that would abandon the leftist preference for pacifism and self-criticism over historical and nationalist matters (see Inoguchi 2008). Anticipating the end of the Cold War, Nakasone's cabinet produced ill-defined strategies for internationalization and re-entry into Asia, these were bound up with the four factors mentioned above and also seemed to call for "a more activist state, steering relations with the great powers and the Korean peninsula in new directions (Rozman 2008b: 217).

In the aftermath of the Cold War, Japanese ambitions were not fulfilled (Hasegawa 2008: 73-77): its efforts at approaching Moscow, the Kanemaru mission to North Korea, the response to Tiananmen of playing a bridging role between China and the United States, and the various strategies to attain leadership in Asian regionalism while drawing South Korea closer "all failed to realize the much-desired breakthrough". Since the late 1990s Japan has reassessed

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<sup>97</sup> At that time, criticism of Western notions of modernity and modernization came up again containing a positive reassessment of aspects of Japan's political and social traditions, such as reliance on the state, stress on group solidarity, and resistance to some sort of individualism, in particular the East Asian economic developmental model that championed by the United States (Rozman 2008b: 218).

these strategies and jumped from over-optimism to exaggerating the threats it faces in the post- Cold War era (Rozman 2008b: 216-222).

### 5.2.3 The Post-Cold War Regional Strategy in Japan

The end of the Cold War made the Japanese government increasingly unsure of the USA's commitment to East Asian security. Moreover, an indirect outcome of the Cold War was the rise of China, which began to put pressure on the Japanese government to take an assertive leadership role in the region. Since the early 1990s, the pre-war ideology of a Greater Asia was revived, profoundly influencing the discourse on regional economic planning (Koschman 1997: 83). The resurgence of an Asian identity offers a tempting rationale for Japan's regional leadership in the economic and political arena (Inoguchi 2008; Moon/Suh 2006). One side of this Asian identity implies the rise of anti-American sentiment which increased in response to the growing trade conflict with the United States in the early 1990s and its attempt to discourage Japan's from building political power in the international arena (Moon/Suh 2006: 139). Alongside the dynamic economic transformation of the East Asian economy, another equally important factor was the increase in regional economic interdependence which, after the Asian financial crisis of 1997/8, gave much impetus to the cultivation of East Asian regionalism. Some ASEAN countries such as Malaysia increasingly supported this idea (see chapter 5).

### 5.2.4 Asian Financial Crisis as Impetus for New Regionalism

The Asian financial crisis revealed the vulnerability of the monetary and financial system[s] in East Asia and confirmed Japan's inability to act as the leading crisis manager (see Togo 2007: 87-88). Nevertheless, the crisis forced the Japanese cabinet to refocus its institutional priorities and also opened new political room for Japan to pursue more assertive trade integration strategies without triggering much distrust from its Asian neighbours, (at least initially).

While prior to the crisis, the Japanese Ministry of Foreign Affairs (MOFA) had been mostly interested in increasing Japan's influence in international financial institutions (such as the World Bank and IMF), Japan now started participating in the cooperation framework of the ASEAN+3 which had emerged from an increasing drive among the East Asian nations to

learn from the crisis and strengthen regional cooperation (Ministry of Foreign Affairs of Japan 2001). Because, at the time of crisis, the IMF could not adequately address macroeconomic problems and East Asian countries had no regional alternative, Japan and other East Asian countries found that they lacked adequate emergency plans, most notably they needed “a lender of last resort facility for a liquidity crisis” (Katada/Solis 2008: 114; Ogawa 2008). Despite Japan’s large trade presence in the world, less than 5% of world trade was invoiced in the Japanese yen, compared to almost 50% in U.S. dollars, this was disparity was also noticeable in East Asia which was constrained by a considerable structural dependence on the U.S. economy and the U.S. dollar at the time (Hartman 1998: 31; Hamilton-Hart 2006; Katada/Solis 2008: 114). Aiming to provide a regional solution to the crisis, Japan’s Ministry of Finance (MOF) proposed the idea of an AMF and suggested that the Japanese yen become its key currency (Katada/Solis 2010: 141-142).

#### 5.2.5 United States and China: Japan’s Permanent Alliance and Enemy of Long Standing?

As the preceding sections illustrated, Japan’s relations with the United States and the emerging regional power of China help us to explain Japan’s reactions to, and decisions about, East Asian regionalism. Regarding regionalism, China and the United States are challenges for Japan: it must negotiate U.S. opposition and counterbalance China’s power. As a result, Japan never found a strategy to significantly advance regionalism, in part, because of an inability to resolve the strategic dilemma of balancing the separate interests of the United States and Asian nations (Rozman 2008b: 245).

#### **The United States: Japan’s Foreign Policy Orientation**

After Japan’s attempt to construct the Greater East Asian Co-Prosperity Sphere dramatically failed with its defeat in the Pacific-War, Japan has been in a special relation with the United States which eventually became the dominant regional and global power (see section 7.1.1; 7.1.2).

Since the Cold War, the United States has opposed an Asian equivalent of the Council on Security Cooperation in Europe (CSCE). Because the Soviet Union primarily supported the idea, The United States feared that the Soviet Union would use a multilateral security forum

to cause estrangement between the US and its Asian allies. Japan followed the American lead in opposing proposals for establishing regional multilateral security cooperation in East Asia (Aggarwal/Koo 2008: 12). However, Japan became unsure about its fundamental security interests in the post-Cold War environment as reliance on the US alliance could lead to Japan's exclusion from the emerging process of institution building in the region.

“Having identified closely with the United States as part of the “West” and supported its leadership role toward China, South Korea, Russia, and other parts of Asia,” Japan had difficulties with launching an exclusive regional policy as part of the “East” (Rozman 2008b: 245). Moreover, in supporting “Asian values,” Japan could not successfully provide reassurance for universal values, in contrast to South Korean President Kim Dae-jung's active engagement in the value debate in support of universal values. Although there was much debate about Japan's Asian identity, no debate dealt with “how to accomplish the transition to Japan between East and West” (Rozman 2008b: 245).

Although several analysts have pointed out the decline of U.S. influence on East Asia, the United States is still undoubtedly the most important and powerful regional player from outside the region (see Beeson 2008). As G.C. Bae (2006) has trenchantly observed, no cooperative framework in East Asia has been successfully established that faced U.S. opposition.

Since APEC was established in 1989, U.S. policy makers have preferred to participate in regional cooperation in East Asia. The United States strongly opposed the East Asia Economic Caucus (EAEC) promoted by former Malaysian Prime Minister Mahathir in the early 1990s (see chapter 5). Moreover, the U.S. has maintained a “wait and see” approach toward the ASEAN+3 and later the East Asia Summit (EAS) (Bae 2006) for three reasons: *(i)* initially, it was not hiding its intention to be part of the EAS, because the United States was uncomfortable about being excluded from the new grouping.; *(ii)* it worried that the EAS would weaken Asia-Pacific cooperation, largely embodied in APEC; *(iii)* it was also concerned of a possible exclusive East Asia block influenced by China's dominance. At the end, after the first EAS, the U.S. continued to keep a close eye on the process, although it downplayed the summit, and thus later it became a part of EAS (see chapter 5).

Concerning regional cooperation in East Asia, Japan mostly reacted as the U.S. desired, whenever the United States strongly raised objections to “exclusive regionalism”. For



example, Japan yielded to the United States in opposing the EAEC in 1990-91 when Malaysia's Mahathir called for forming the EAEC. Similarly, Japan withdrew its call for the AMF in 1997 even though it had responded to the Asian financial crisis with a plan for establishing an AMF. Again, following U.S. interests, Japan also sought to include Australia and New Zealand into the EAS in 2004-05 (see section 4.1.3; Rozman 2007).

### **Japan's Regional Role: Becoming a Part of Asia or Counterbalancing China**

Following the Asian financial crisis, Japan initially became involved in regional financial cooperation frameworks, chiefly by proposing the AMF, which failed due to severe opposition from the USA and China (which later changed its position). Since the emergence of East Asian regionalism, however, Japan has reacted strongly to China's efforts at directing developments. For instance, Japan initiated the Japan-ASEAN regional cooperation framework one day after China announced the China-ASEAN FTA (see chapter 4).

Japan's motivation for including what have been normally thought of as South Asian and Oceanic countries into the East Asia Summit has also been widely inferred as a strategy to outmanoeuvre China's active engagement in East Asia's regional affairs (especially by the inclusion of India). As regards grand FTA formations, Japan managed to assemble sufficient coalitional support for CEPEA by stressing that a larger regional FTA could bring wider economic benefits and could supplement the efforts of its counterpart grand regional FTA projects (namely, EAFTA and FTAAP) (Dent 2010). After all, Japan favoured and strongly advocated the United States' participation in the community building process, and possibly supported Australia and New Zealand as well. Japan argues that not only India and Australia, but also the United States and Canada, should be included in the process of community building in East Asia (G.C. Bae 2006). China initially worked toward the establishment of the EAS and also sought to host the 2<sup>nd</sup> EAS. But Japan's endeavour was successful, thus ASEAN added India, Australia and New Zealand to the summit, and rejected China's proposal to host the 2<sup>nd</sup> EAS. China lost its enthusiasm for the EAS and, in the face of ASEAN, China had to pass up its position quietly and put forward its continuous support of ASEAN's leading role, renouncing any intention of taking a leadership role in regional integration (G.C. Bae 2006). Instead, China, together with Malaysia and Thailand, successfully persuaded ASEAN to ensure the central guiding role of the ASEAN+3 in the community building process in East Asia.

If Japan is interested in East Asian regional cooperation, or at least closer relations with its Asian neighbours, then it has to deal with two factors: acceptance from Asian countries and relations with its neighbours (Rozman 2007). The first challenge, related to the Japanese debates during 1988-1993, concerns how to persuade Asian people that Japan's re-entering Asia is a good thing. Some Asian states with a heavy legacy of socialist planned economies and closed societies were afraid of opening to the largest economy in Asia. Since the Asian financial crisis, increasing involvement in establishing the ASEAN+3 has weakened the countries' concerns over this matter. Other Asian nations were also reluctant to accept Japan's regionalism due to their memory of 'the Greater East Asia Co-Prosperity Sphere' and Japan's historical aggression. Japan's strategies of "economics before politics" and "building reliable networks" were not enough to persuade many Asian countries (Rozman 2007). Unresolved grievances about past crimes continue to hinder Japan's relations with its neighbours.

In recognition of the growing regional significance of China, Koizumi had been eager to promote bilateral cooperation within a regional sphere: "Some see the economic development of China as a threat. I do not. I believe that its dynamic economic development presents challenges as well as opportunity for Japan... To advance reform and mutual interdependence between Japan and China, in a manner that is harmonious with reforms of other Asian nations – that is the way to develop a wider cooperation in Asia as a whole."<sup>98</sup> Japan under Koizumi only sometimes supported regionalism, but it did not have any hesitation in approving the goal of economic integration; this kept calculations of Japan's stance toward regionalism in constant flux. In fact, there was a rough correlation between China's growing enthusiasm for regionalism and Japan's declining confidence in it (Rozman 2007: 252-255).

During 2001-2005 lots of incidents between China and Japan led to a deterioration in their relations: problems with Japanese history textbooks in 2001 and 2005; the incident at the Consulate General of Japan in Shenyang in 2002; constant disputes regarding oceanographic surveys in the East China Sea in 2005 and 2005; a Chinese nuclear-powered submarine's entering Japanese territorial waters in 2004; the Taiwan issue (which was China's greatest concern) in 2001, 2004, and 2005; China-Russia joint military drills in 2005 (see Kokubun 2007: 142-146.) Thus the competitive aspect of forming an EAS was not surprising. Historical memories continue to cast a long shadow over relations between Japan and its

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<sup>98</sup> Ministry of Foreign Affairs of Japan, "Asia in a New Century - Challenge and Opportunity," Speech by Prime Minister Koizumi Junichiro, at Boao, Hainan Island, People's Republic of China, 12 April 2002. <http://www.mofa.go.jp/region/asia-paci/china/boao0204/speech.html>. (December 28, 2012).

neighbours China and South Korea. It was Japan's relations with its neighbours which provided the most serious challenge to its efforts in directing regionalism.

After these incidents, however, the Japanese Cabinet approved the 2005 National Defense Program Guidelines, which highlighted the fact that "China, which has a major impact on regional security, continues to modernize its nuclear forces and seaborne missiles. We will have to remain attentive to its future actions."<sup>99</sup> Although the Japanese government has not explicitly stated its stance toward China, Koizumi employed hard-line approach toward China.

However, the most serious challenge complicating Japan's search for regionalism came from its relations with its neighbours. The rapid rise of China has left Japan increasingly hesitant about regionalism since the late 1990s. Fearing that China would gain a dominant place in a region centring on Northeast Asia and later extending its concerns to Southeast Asia, Japanese approved only small steps forward. Despite the rapid integration of the Japanese and Chinese economies, trust was deteriorating. Desirous of some sort of regionalism, Japan had little success in creating a combination of countries that would guide China's regional rise. Japan was still pursuing regionalism, but its approach became defensive in the face of Chinese gains in all directions, whether with Russia and Central Asia, the Korean peninsula, Southeast Asia, or South Asia (Rozman 2007: 245-246).

One of the main issues was the psychological perception that China seemed to be 'rising',<sup>100</sup> whereas Japan was at best seen as 'stagnant' (Breslin 2008; Pempel 2007: 125). In the mid-1990s, concerns over China were of the military type, but recently they focused on economic issues. In fact, China's rapid economic growth for the past two decades has convinced some analysts that China, rather than Japan, will be the dominant force in the region in the future (Wan 2001: 112).

China's decision to be a pace-setter in its pursuit of regionalism undoubtedly precipitated Japan's own responses. Consequently Sino-Japanese competition has become not only a driving factor for greater Japanese participation in regional projects but also a factor that hinders regional community building. This was because Japan sought to create a broader summit which would include nations, such as India, better able to counterbalance Chinese

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<sup>99</sup> National Defense Program Guideline, FY 2005, Approved by the Security Council and the Cabinet on December 10, 2004. [http://www.kantei.go.jp/foreign/policy/2004/1210taikou\\_e.html](http://www.kantei.go.jp/foreign/policy/2004/1210taikou_e.html). (December 28, 2012).

<sup>100</sup> Concerns about the so-called rise of China since the 1990s are expressed in a number of bestsellers, which in 2001 in particular lined Japan's bookshop shelves (Ishikawa 2001: 1; quoted in Gilson 2004: 89).

influence. Because Japan also has to be conscious about the attitudes of its close ally, the U.S., it wished to find a way to facilitate the United States' engagement in East Asian regional cooperation and integration. Nobody could recognize Japan's real intentions, but Japan's actions in the process of negotiating the EAS, and shaping grand FTA projects, imply that its primary concern was not regional cooperation and integration, but enhancing its alliance with the United States and containing and counterbalancing China.

### 5.2.6 East Asian Regionalism and Domestic Politics in Japan

Japan has been going through a fundamental regime shift (Pempel 1998). Pempel (2001; 2007: 110) defines a regime shift as "the establishment of a new equilibrium among political institutions, public policies, and the socioeconomic roots of power." The end of Japan's so-called 1955 system, and the transition to a new one, was precipitated by the bursting of Japan's asset bubble in 1990-1991<sup>101</sup> and the subsequent fissure that opened up in the Liberal Democratic Party during 1993 (Pempel 2007). Pempel (2001; 2007) identified three areas which are critical for Japan's foreign and regional policies: electoral and party system changes; bureaucratic and regulatory changes; and changes in the systems of financial and corporate governance.

#### **Electoral Reform and the Reorganization of the Party System**

The changes made to Japan's electoral and party systems in 1994<sup>102</sup> were different from those that had prevailed from 1955 to 1993. The new system was the result of a series of fundamental shifts in the political position of the Japanese elite toward security and regional policy: While the long-ruling Liberal Democratic Party was split in July 1993, the Socialists, who had once been their main opposition, had wholly vanished (Kang 2008: 88-91). Japan's two main political parties shared the same stances; namely, both saw the need to maintain the U.S.-Japan alliance, to achieve normalization, and to increase the overseas deployment of the JSDF (Hugh 2008). Consequently, due to its consistent concern with the U.S, East Asian regionalism was not a priority in Japan's foreign policy.

The Japan Socialist Party (JSP) had been an ideological standard-bearer seeking to

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<sup>101</sup> National economic performance had become substantially worse for almost the entire decade during 1990-1999, following the collapse of the asset bubble created during the late 1980s, with little prospect of this being a short setback (Pempel 2001).

<sup>102</sup> Hoping to solve the problem of policy deadlock, Japan eliminated multi-member districts and reformed its electoral system into a mixed single-member district system with proportional representation (Kang 2008: 89).

dramatically curtail ties to the United States, eliminate constraints upon Japan's own military forces, oppose what it perceived as symbols of excessive nationalism and ties to pre-war authoritarianism, and to promote a pacifist foreign policy (Pempel 2001: 29-30). In 1994, the Social Democratic Party of Japan (SDPJ) decided to enter into a socialist-led coalition government with the LDP (Pempel 2007: 110-115). This coalition allowed Murayama Tomiichi of the Socialist Party to win the position of prime minister, but only at the cost of discarding all his party's major policy positions (Hasegawa 2007; Hugh 2008). Despite these pragmatic policy shifts, the 1996 elections left the JSP with a 50% reduction in seats, down from 30 seats to just 15.<sup>103</sup> Above all, the 1993 and 1996 elections emphasized the historical frustration of Japan's leftwing parties (Pempel 2001: 29-32).

The 1996 election gave the LDP the largest party in parliament and the major party in government.<sup>104</sup> However, the party could no longer predominate like it had prior to its split and nor could it benefit any longer from being the sole party which conservative politicians would support during national elections. (Pempel 2001: 29-32). Since the mid-1990s, party and electoral politics in Japan have moved on to security debates and followed the swing of public opinion to the Centre-Right (Pempel 2001; 2007). The reduction of clear LDP support was due to a broader trend of voter shifts: in the 1960s, fewer than 10% of Japan's voters identified themselves as 'independents'; by the 1993 election that figure was up to 38%; and in January 1995, it was 50% (Tanaka/Martin 2011). The Democratic Party of Japan (DPJ) established in 1996, emerged as Japan's main opposition party and during the 2005 Diet elections, it set a new foreign policy direction which prioritized repairing relations with Japan's East Asian neighbours and reducing reliance on the United States (Kang 2008: 90).

Koizumi's premiership identified certain characteristics of major transformation which Japanese domestic politics experienced: increasing nationalism and prime ministerial power was contrasted with a decline in bureaucratic autonomy, the power of the Left, and functional specificity. At the same time the United States moved into a position of unchallenged military domination and the Bush administration pursued unilateralism and preventative wars (Pempel 2007). Consequently, within Asia, intra-regional rivalry between Japan and China rose, as did the significance of once marginal areas of potential dispute, such as Taiwan and the DPRK

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<sup>103</sup> Several minor, ideological-leftist, parties that had previously taken 7-10% of the vote merged into larger groupings, with only the exception being The Japan Communist Party.

<sup>104</sup> Three broadly conservative parties, the LDP (239 seats), the New Frontier Party (156 seats) and the Democratic Party (52) had become the principal parties and most importantly, nearly 90% of the Lower House could be categorized as conservative.

(Rozman 2007; 2008b).

### **Financial Liberalization, Corporate Internationalization, and the ‘Big Bang’**

For most of the post-war era, Japan’s approach to foreign policy was concentrated mainly on its ever-expanding economic power. Political and business leaders from lots of countries in developing Asia (especially those from Southeast Asian countries) considered Japan as the logical model for emulation in pursuing their own economic development (see MacIntyre/Naughton 2005). Japan’s position as the acknowledged leader of Asia’s region-wide development provided a model known widely in Japan as the “flying geese model” (see Kojima 2000).

Japan’s once unrivalled regional economic leadership was diluted by the country’s economic recession that occurred in parallel with the successful economic development of other Asian countries such as South Korea, Taiwan, Thailand, Malaysia, and eventually and most significantly, China. Japan’s relative inability to thwart the Asian economic crisis of 1997-98 further undercut its own national confidence, as well as demolishing the belief of many its neighbours that Japan could rely on its economic powers to shape regional events (Pempel 2001). Although Japan was still acknowledged to be the most economically and industrially advanced country in Asia, its position at the obvious centre of regional economic development was no longer safe (MacIntyre/Naughton 2005). As of April 1998, in order to improve Japan’s economic situation, the Hashimoto government initiated a massive scheme to deregulate the financial sector, generally known as the ‘Big Bang’ (Pempel 2001).

### **The Case of the Asian Monetary Fund**

The Asian financial crisis affected not just the banking industry but also many sectors of the Japanese economy: Japanese manufacturing firms had established regional production networks in Southeast Asia, Japanese foreign direct investment and trade flows in the region increased dramatically from the mid-1980s through the mid-1990s. As a result, Japanese banks expanded their operations in East Asia during the 1990s to support Japanese multinationals and to maintain their competitive business share in a growing region. Right before the Asian financial crisis more than 65% of Japanese bank claims were placed in Asia, and more than 30% of claims in Asia were owed to Japanese banks (Katada/Solis 2010: 141).

Despite growing ambivalence about Japan’s prospects for leadership and emerging fears over

China's strengthening voice, the formation of the ASEAN+3, along with the impact of the Asian financial crisis, bolstered Japan's expectations that it could direct the course of regionalism (Lincoln 2004: 154-158; 240-241). When an unprecedented financial crisis hit Asia in July 1997, Hashimoto's government (1996-1998)<sup>105</sup> was ready to play a leadership role to overcome it. Aiming to provide a regional solution to the crisis, Japan's MOF proposed the idea of an AMF at the World Bank/IMF annual meeting in Hong Kong on September 21, 1997 (Katada/Solis 2010: 141-142).

Japan's motivations for a regional financial solution are comprised of a combination of factors: firstly, the crisis occurred in Asia, to which Japan belongs, and where Japan is the greatest economic power. In Asia, Japan has tried to create longstanding relations based on economics, trade, and investment, if not political relations (Togo 2007).

Secondly, East Asian governments worried about the reliability of the U.S. and the International Financial Institutions' commitment to contain this type of financial crisis. For instance, the lack of support from the U.S.A. in contributing to the IMF's 1997 Thai rescue package, contrasted starkly with its involvement in Mexico's economic problems. Moreover, many East Asian governments worried that they had insufficient resources to deal with such crises, a worry that was only exacerbated by the fact that many of them, unlike their Latin American counterparts, did not have large quotas in the IMF. Because the amount of IMF loans that a country can access is based on its quota, low quotas meant limited IMF funds were available during a balance of payments crisis (Katada/Solis 2008; Togo 2007). The Japanese government would be forced to provide financial assistance for the regional crisis, and was unprepared to offer alternative rescue measures such as opening up its markets to exports from distressed East Asian economies or pressuring its banks to keep lending to the region (Katada/Solis 2008). The ASEAN's support for Japan's leadership made policy-makers think that a new AMF would genuinely help to resolve the crisis.

Thirdly, The Japanese government also became interested in a regional financial solution due to its sharp disagreement with the U.S. and the IMF over the causes of the Asian financial crisis. East Asian countries insisted that the crisis was a liquidity or capital account crisis, while the United States saw it as a current account crisis caused by poor economic fundamentals. East Asia keenly felt the lack of an autonomous regional mechanism to

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<sup>105</sup> He had long-time experience as minister in the MOF and MITI and confidence in understanding the logic of international economics, finance, and trade (Togo 2007: 87).

underwrite its views (Katada/Solis 2008: 116).

Fourthly, personality factors played a role. Sakakibara Eisuke, vice minister for international affairs at MOFA, powerfully led the negotiations. Given Hashimoto's confidence in such crucial matters of international finance, it is more than natural to assume that he fully supported Sakakibara's initiative (Togo 2007: 87-88).

By the end of September 1997, the prospective AMF had in effect failed. The AMF, if it had been realized, would have been a strikingly proactive initiative, not only because of the amount of financial commitments, but also because it would be an independent East Asian financial institution that excluded the United States (Y.W. Lee 2006). In the Autumn, however, when the crisis spread to Indonesia in October and South Korea in November, Hashimoto's government had no choice but to coordinate with the United States and IMF (Togo 2007: 88). Japan contributed to the IMF's international assistance package: \$10 billion to South Korea, \$5 billion to Indonesia, and \$4 billion to Thailand.<sup>106</sup> Primarily, the Hashimoto cabinet was supposed to provide assistance for a total of \$44 billion, including funds for private investment, trade financing, help to the socially vulnerable, and support for economic structural reforms.<sup>107</sup> Four reasons why the AMF proposal was so short-lived have been cited as follows: (i) international opposition from the United States, IMF (Tsunekawa 2005; Park 2007; Rozman 2007) and European governments, and initially also regional opposition from China (Togo 2007; Katada/Solis 2010) and South Korea (Moon/Suh 2006; Rozman 2007); (ii) there were some inherent problems in the idea of an AMF, including its accentuation of moral hazards (Kawashima 2003: 110-125); (iii) the weakness of Japan's fiscal and financial health; (iv) the split within the MOF over the shape of the AMF (especially its relationship with the IMF) (Katada/Solis 2010: 141-142).

Katada and Solis (2010: 142-143) highlight interest group politics as one more factor not well known to external observers. Both AMF supporters and its critics within Japan played significant roles in shaping the initiative. Being highly exposed to the outstanding debt in Asia, financially weak Japanese banks welcomed the idea of an AMF, hoping that the Japanese government would use its public funds to help them withdraw from Thailand, Hong

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<sup>106</sup> Asian Economic Crisis and Japan's Contribution, MOFA:  
<http://www.mofa.go.jp/policy/economy/asia/crisis0010.html> (December 28, 2012).

<sup>107</sup> Asian Economic Crisis and Japan's Contribution, MOFA:  
<http://www.mofa.go.jp/policy/economy/asia/crisis0010.html> (December 28, 2012).



Kong, Indonesia, and Malaysia<sup>108</sup> without significant loan losses. Despite the high hazards, Japanese banks in the late 1990s could not coordinate their efforts to put pressure on the government (Katada/Solis 2010). A sequence of liberalization and deregulation policies culminated in the financing Big Bang of 1998, which steadily dismantled Japan's extremely protected financial market (Tsunekawa 2005: 131-134). The mega-mergers eliminated the established communication channels among Japanese banks and disassembled the banking expertise community now couldn't cohere (Katada/Solis 2010). Moreover, the MOFA scandals and administration reforms of 1998 (see section 7.2.3) further strained bank-government relations (Katada/Solis 2010: 143). In the wake of the Asian financial crisis, transparency in business practice for regional cooperation has been required in Japan and South Korea, especially in the financial sector (Tsunekawa 2005: 131-134; see chapter 6 of South Korean case).

On the other hand, Japan's large export and multinational sectors were against the creation of an AMF, because they were afraid of the fact that 'easy money' without conditionality would demoralize the reforms conditioned by the IMF (Katada/Solis 2010). In other words, Japanese businesses with high stakes in Asian economies did not have any concern about 'bailing out' the crisis-ridden governments or debt-ridden banks without strict conditions for reform (Katada 2001).

Faced with international and domestic opposition, the Japanese government was forced to withdraw its AMF proposal and agree to a co-financing arrangement with the IMF in November 1997. Mutual recognition about the impact of the crisis and disappointment at the slow and ineffective responses of the IMF and the United States encouraged East Asian countries toward further regional cooperation (Rozman 2007; Tsunekawa 2005: 132).

East Asia believed that it was necessary for Japan to make painful adjustments in some of its longstanding policies in order to return financial stability and economic health (Katzenstein 2000: 360). In June 1998, Chinese President Jiang Zemin, Hong Kong Chief Executive Tung Chee-Hwa and Malaysian Deputy Prime Minister Anwar Ibrahim all criticized Japan for the weakening of the yen and pushed it to take action on behalf of the region (Wan 2001). The Japanese government also had to respond quickly because Japanese companies were

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<sup>108</sup> Japanese bank's exposure was particularly high in Thailand where the share of their claims was more than 55% of Thai bank loans and high between 30-40% in Hong Kong, Indonesia, and Malaysia (Bank for International Settlements 1998; quoted in Katada/Solis 2010: 142).

connected with business networks throughout East Asia and Japanese banks were among the victims of the crisis (Tsunekawa 2005: 132; Togo 2007: 96; Katada/Solis 2010: 143). Therefore, in October 1998 it offered further assistance with the New Miyazawa Initiative, amounting to \$30 billion. The plan consisted of \$15 billion in medium- and long-term financial support and another \$15 billion for short-term trade finance and currency swap arrangements in six crisis-hit East Asian countries.<sup>109</sup> Importantly, the New Miyazawa Initiative contained few conditions, unlike IMF interventions (Gilsion 2004) and became the focal point of Japan's involvement in trying to solve the Asian financial crisis.

By then, Japan's initially active role as an independent leader in the region had declined, and it took several years before the Japanese government would again become involved in other regional financial initiatives (such as the 2000 Chiang Mai scheme) and discussions on regional currency and bond markets (Katada/Solis 2007).

Given the fact that East Asian countries increasingly criticized the ineffectiveness of IMF-led and U.S.-supported programs, the U.S. government had to accept both the Miyazawa and Chiang Mai initiatives. The United States did not oppose either initiative because, unlike the AMF, they were not "permanent institution[s] that can routinely affect individual countries' financial and monetary policies" (Tsunekawa 2005: 133).

Concerning the Asian financial crisis, Japanese banks were confronted with the prospect of major losses and were thus eager to see their government play the leading role in crisis management. The financial crisis that befell neighbouring countries in Asia in fact affected many more Japanese economic actors. Among those actors there were deep disagreements about the best solution to pursue. Although Japanese banks wanted their government to realize its AMF proposal, the banks were so politically weak at the time (being restructured had eliminated their internal coordination mechanism) that they could not establish a solid political channel to express their demands (Katada/Solis 2010). Furthermore, a large number of non-financial business actors were rather supportive of the IMF's involvement with its goals to reform and liberalize these Asian economies, and so they opposed the government's AMF initiative. In the end, great differences in domestic demands produced a deadlock, and thus Japan's drive for foreign policy activism faded (Katada/Solis 2010).

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<sup>109</sup> Asian Economic Crisis and Japan's Contribution, MOFA:  
<http://www.mofa.go.jp/policy/economy/asia/crisis0010.html> (December 28, 2012).

The United States' interests also influenced domestic interests in Japan. The disagreement between Japan and the United States concerned the origins and solution to the crisis, but also concerned the fact that there were no private channels for communicating American financial interests to Japanese banks (Katada/Solis 2010). Ironically, at the time the United States' interests were more in agreement with Japan's real economic sectors operating in Asia, and this division created an even more fractious decision-making process in Japan (Katada/Solis 2010).

In addition to the close financial ties among East Asian banks and companies (including those from Japan), a number of other factors led to the Chiang Mai Initiative, which is so far the only ASEAN+3 agreement involving concrete commitments: Financial/monetary field has not been visible than trade area under domestic and international constraints. Given the fact that the United States' opposition is considered as a considerable obstacle for the creation of an exclusive East Asian regional framework, East Asian dependency on the United States for financing and foreign-currency reserves has not been as significant as its dependency upon it for trade. The external crisis also effectively served to weaken domestic protectionism in Asia (Tsunekawa 2005).

### **Administrative and Bureaucratic Reform**

The change in policy-making powers within Japan's ruling coalition is one of the primary factors for explaining its response to regional cooperation in East Asia. According to Pempel (2007: 111-112) policy-making under the 1955 regime had been characterized by "a high degree of functional separation": firstly, the development and implementation of specific policies through close coordination involved individual bureaucratic agencies, the interest groups they were allegedly responsible for regulating, and LDP politicians with an interest and expertise in the relevant policy areas; secondly, the agencies themselves. And the relevant functional committees of the LDP's Policy Affairs Research Council were predominantly responsible for formulating the policy; thirdly, these isolated decisions then marginalized the interests and influence of other ministries, interest groups, or opposition politicians; finally this reduced the role of the top policy-makers, such as the cabinet or the prime minister, in initiating or coordinating policies.

Crisis management became a key issue for Japanese politics due to various troubling incidents that occurred during the 1990s, including: the Korean peninsula crisis of 1994, the

Kobe earthquake, the urban terrorism of Aum Shinrikyo, and the Peru hostage crisis. All of these problems indicated that the Cabinet lacked decision-making power and that the prime minister failed to deal with crisis management (Shinoda 2005; Tanaka 2000). Based on the recommendation of the Administrative Reform Council issued in late 1997, the Diet passed the Basic Law for the Reform of Central Government Ministries and Agencies in March 1998. This law attempted to improve the leadership potential of the prime minister by establishing a system with more effective political leadership, improving the functioning of the Cabinet Secretariat, and reducing the number of ministries and agencies by restructuring the national administrative organs (Tanaka 2000). After passing the necessary implementing bills in 1999, the prime minister was given explicit legal authority to propose basic policies to the Cabinet meeting, granted greater flexibility in staffing the Cabinet Secretariat, and, most importantly, provided with a new, well-staffed Cabinet Office. In addition a reinforced Cabinet Secretariat was also now able to exert considerable influence in initiating and coordinating policies (Shinoda 2005). Compared to the end of 1999, when there were 582 members of staff based in the Prime Minister's Office and 184 at the Cabinet Secretariat, by the end of 2001, the new Cabinet Office had increased to nearly 2,200 members of staff and the Secretariat to 487 (Pempel 2007: 112). The legislation passed in 1999 gave the prime minister the explicit right to hold policy planning and to initiate legislation (see Shinoda 2005: 813-820).

Under the Koizumi premiership, bureaucratic and LDP party powers were reduced, whereas the Cabinet and the Prime Minister's Office gained greater authority to generate policies, many of which involved "sacrosanct bureaucratic" or LDP turf (Pempel 2007: 112; also see Shinoda 2005: 815-820). In January 2001, Japan's 20-odd ministries were restructured into 14, redistributing functions and powers in many of the most important.<sup>110</sup> By weakening previously firm links between agencies and constituent interest groups, changing the long-enduring system of vertical administration, checking the powers of bureaucratic officials, and extending political control over formerly autonomous agencies,<sup>111</sup> Prime Minister Koizumi took a personal "presidential" leadership role in key decisions (Pempel 2007: 112). This was most visible when Koizumi masterfully eliminated his intra-party opponents by dealing with terrorist attacks on September 11 2005 (Pempel 2007: 113).

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<sup>110</sup> Central Government Reform, MOFA: [http://www.mofa.go.jp/about/hq/central\\_gov/index.html](http://www.mofa.go.jp/about/hq/central_gov/index.html) (December 28, 2012).

<sup>111</sup> The number of political appointees in each ministry, which had previously been limited to only the top two posts, was more than tripled for most agencies.

It was also possible to weaken the foreign policy role of MOFA (Shinoda 2005: 816): through the Anti-Terrorism Legislation, the Cabinet Secretariat organized a task force under the leadership of the deputy Chief Cabinet Secretary (CCS) from the Japan Defense Agency (JDA). Thus, while MOFA had played the main role in foreign policy-making, it was now forced into a secondary role. Finally, through careful coordination between the JDA and MOFA, the Cabinet Secretariat helped Koizumi to announce his plan to actively support America's retaliation against terrorist attacks. As a result, there was a disconnect between the leading politicians of the time and the bureaucrats from MOFA, which did nothing at all to improve the strategic and policy-making influence of the Ministry (Pempel 2007: 113).

A vastly more nationalistic or revisionist leadership cadre from LDP was now visible within the party. The combination of North Korea's nuclear programme, and China's anti-Japanese sentiment and increasing influence in East Asia, enabled Japan's conservative nationalists to obtain domestic support and advance their own strategic and military ambitions while allying more closely than ever with U.S. goals across Asia (Hugh 2008; Kang 2007; Kokubun 2008; Rozman 2007; 2008b). Consequently, pragmatists of the long-standing Yoshida line<sup>112</sup> were marginalized (Samuels 2004; Pempel 2007).

Koizumi's shift toward revisionism and intensifying nationalism, materialized in his various visits to the Yasukuni shrine (Hughes 2008; Rozman 2007). Undoubtedly, much of Koizumi's ideological orientation was deeply rooted and long-standing. But, not coincidentally, according to Pempel (2007), his explicit nationalism served as a tactic for appealing to long-standing party supporters such as agricultural interests, and local financial institutions. The ideological shift and the rise of nationalism was reflected in the Japan's parliamentary discussions about constitutional revision, with a particular focus on Article 9, the role of the emperor, and the importance of spiritual education (see Selden 2008; Soeya 2005). The new domestic political conditions enabled Japan to ignore some of the long-standing taboos surrounding such issues (Pempel 2007).<sup>113</sup> Namely, unlike earlier efforts at constitutional revision, both the opposition parties and the public had supported this proposal. Moreover,

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<sup>112</sup> Yoshida line focused predominantly on the economy, limiting the role of foreign policy, and among them numerous individuals had close ties with China

<sup>113</sup> The Diet in the House of Representatives established a Research Commission on the Constitution, which put forward a progress report in November 2002. A series of revisions were proposed in June 2003, which, called for changes in Article 9 and provisions for the maintenance of the armed forces. In December 2004, the LDP submitted its proposals for revision. It made the proposals official in celebration of its fiftieth anniversary on November 22, 2005, *Nikkei Weekly*, November 28, 2005; quoted in Pempel (2007: 114).

this increasing level of nationalism culminated in 2005 with widespread approval for Japan's Ministry of Education to reduce references in middle-school textbooks to many of the nation's actions during World War II (omitting any mention of comfort women, the Nanjing Massacre, and Unit 731), thereby whitewashing the injustices of its colonial past. Furthermore, this nationalism also led to maps in the new books being redrawn in order to make Japan's territorial claims on a number of islands explicit, notably Dokdo-Takeshima (which is under Korea's territorial control) and the Senkakus (also known as the Diaoyu Island in China).

Despite risking international isolation and scorn, Koizumi and Abe pursued a hard-line nationalist foreign policy toward neighbouring countries. As Choi and Moon (2010) point out, "(s)uch policy behaviour was not a response to changes in the external environment in Northeast Asia, but a calculated move to win domestic political support by appealing to national populist sentiments." The new Hatoyama (September 2009-June 2010) cabinet employed foreign policy initiatives based on 'anything but the Liberal Democratic Party', a move which reflected "not only the perception and preferences of political leadership, but also those of domestic political constituents" (Choi/Moon 2010: 359). Thus it made efforts to resolve historical issues, seek a more balanced diplomacy between China and the United States, and renew Asian diplomacy, while hesitating to accommodate American demands on its Okinawa military base. Hatoyama championed the idea of an Asian common currency very strongly and also made the creation of an East Asian community a national goal.<sup>114</sup> However, his idea of regional integration in East Asia was not received sincerely by experts<sup>115</sup> and his term was too short to materialize his ideas into practice.

### 5.3 South Korea's FTA strategies: Toward Economic Community?

Finally, this section will examine South Korea's changing attitudes toward FTAs: during the period 1998-2002, South Korea was a fence-sitter and took a reactive stance toward FTAs, but beginning from 2003-2007 it became a pace-setter and so held a more proactive approach.

Traditionally, veto players in South Korea and Japan, especially those from the sensitive field

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<sup>114</sup> Hatoyama, Yukio. A New Path for Japan. The New York Times, August 27, 2009, [http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html?\\_r=1&pagewanted...](http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html?_r=1&pagewanted...) 14.09.2009 (January 30, 2010)

<sup>115</sup> Interview with Prof. Tanaka Akihiko, former Japanese representative of EAVG (East Asian Vision Group) and currently professor of international relations in Tokyo University, April 28, 2010

of agriculture, have great power to influence policy-making in areas such as the negotiation of FTAs. The Asian financial crisis weakened the veto players, both internal and external to the government, which had opposed FTAs (see Haggard/Kaufman 1995). The Asian financial crisis provided the Kim Dae-jung government with the circumstances to expedite reform policies whilst also effectively weakening traditional veto groups like the *Chaebol* (South Korean conglomerates) and labour unions that raised objections to the neoliberal economic reforms demanded by the IMF. The crisis also gave the new government “broad public tolerance for executive initiative” (Koo 2005: 145-148; Mo/Moon 2003). One interesting example is reflected in President Kim’s appreciative words to the Korean public at his inauguration: “To overcome the national crisis, you have undertaken a campaign to collect gold and have managed to collect US\$2 billion worth already. I am boundlessly proud of your patriotism, which is more precious than the gold itself. Thank you very much.”<sup>116</sup>

Having to face the financial crisis from the beginning, Kim Dae-jung actively talked about the inevitability of drastic reforms. Kim Dae-jung’s inaugural address<sup>117</sup> presented a neo-liberal argument<sup>118</sup> associated with his identity as the vanguard of the pro-democratic movement in South Korea. The Kim Dae-jung government delegitimized the East Asian economic developmental model as “cronyism” and “corruption” (Hall 2003), and, in order to legitimize his drastic reforms, he blamed the crisis on previous governments<sup>119</sup>:

“We must calmly look back to find out how we have arrived at this state of affairs. This unfortunate development would not have taken place if the political, economic and financial leaders of this country were not tainted by a collusive link between politics and business and by government-directed banking practices and if the large business groups did not have a large number of uncompetitive subsidiaries.”

Therefore, Kim (1994) argued that democratization and economic development could not be separated and that people needed to focus on maintaining transparency in political and economic relations. To be precise, he emphasized that political reform of participatory democracy was a necessary condition for running a transparent national administration free

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<sup>116</sup> The 15<sup>th</sup> Inaugural address by President Kim Dae-jung, February 25, 1998; Address by president Kim Dae-jung, Stanford University, June 13, 1998,

<sup>117</sup> The 15<sup>th</sup> Inaugural address by President Kim Dae-jung, February 25, 1998; Address by president Kim Dae-jung, Stanford University, June 13, 1998,

<sup>118</sup> “Democracy and the market economy are likely two sides of a coin or two wheels of a cart. If they were separated, we could never succeed. Every nation that has simultaneously accepted both democracy and a market economy had been successful.” (The 15<sup>th</sup> Inaugural address by President Kim Dae-jung, February 25, 1998)

<sup>119</sup> The 15<sup>th</sup> Inaugural address by President Kim Dae-jung, February 25, 1998

from irregularities and corruption.<sup>120</sup>

In addition, Kim Dae-jung was also actively engaged in the East Asian discussion about “Asian Values” (Kim 1994), which some ASEAN leaders pursued as a means for forming an artificial “Asian identity” (see chapter 4-1): “The latest Indonesian development represented a tragic and disastrous result of politics which advocates the so-called “Asian Values” which sacrificed democracy to gain economic development”, and he added “We believe the occasion could become a blessing in disguise, if Indonesia makes a fresh start towards a transparent market economy under a genuinely democratic structure.”<sup>121</sup>

Kim also utilized the idea of regionalism (Rhyu 2011) as a strategic means to overcome the crisis and further help improve inter-Korean relations. As I already shown in section 5.1.4, especially in regard to ASEAN+3 summit meetings, South Korea became very active in establishing financial cooperation, as well as FTA projects, immediately after Kim’s government took office in 1998.

The emergence of ideas concerning regionalism and institutional reform has brought about considerable changes to the formation of the ruling coalition in South Korea. As a result of the Asian financial crisis, the traditional U.S.-led multi-lateral coalitions like the WTO, as well as bilateral ones like the Korea-U.S alliance, were undermined. In their place the new government, in conjunction with the IMF, stressed the importance of regionalism (Hammer/Katzenstein 2002: 576). It was unexpected that the IMF, as a traditional multilateral institution, facilitated the idea of regionalism. Korean *Chaebol* adapted to this newly established policy coalition and institutional arrangement by cooperating in efforts at economic reform (Rhyu 2011: 77).

While the proliferation of FTAs made the government and private firms recognize that South Korea should follow this new trend, most policy-makers still believed multilateralism to be the most appropriate strategy and promoted FTAs only “as an insurance policy” in case of the failure of a multilateral regime (Lee/Moon 2008: 46) and out of the fear of being excluded from this trend.

Nevertheless, the Kim administration launched a concerted effort to explore the role that

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<sup>120</sup> The 15<sup>th</sup> Inaugural address by President Kim Dae-jung, February 25, 1998

<sup>121</sup> Press Release, Indonesia is the failure of “Asian values:” President Kim, May 22, 1998. [http://15c wd.pa.go.kr/english/library/press/view.php?f\\_kind=EA&f\\_nseq\\_tot=25679](http://15c wd.pa.go.kr/english/library/press/view.php?f_kind=EA&f_nseq_tot=25679). (June 30, 2012).



FTAs could play. In order to realize his initiatives at both the East Asian level and at the concrete level of domestic implementation, the Kim administration firstly restructured the existing Ministry of Foreign Affairs by incorporating trade issues into its remit, thereby forming the Ministry of Foreign Affairs and Trade (MOFAT) in March 1998 (Koo 2006: 141; Rhyu 2011: 78-81). Reforming organizations related to foreign economic policy as its first measure, the government also created the Office of the Minister for Trade (OMT) in order to systematically conduct foreign trade policy, manage foreign economic affairs and facilitate trade negotiations.<sup>122</sup> The status and capability of the OMT was empowered by gathering together the roles that used to be scattered throughout a variety of bureaus in the Ministry (Rhyu 2011: 78-71) and by being mandated to coordinate issue-related government agencies. Thus, for instance, the FTA bureau within the OMT was established as a specialised facilitator role for FTA negotiations (Lee/Moon 2008: 46).

Lee and Moon (2008: 47) identified two challenges which South Korea has to tackle in order to fully engage in FTAs with its major trading partners: South Korea firstly had to manage “the political drama of winners versus losers”, namely meaning that it had to work out how to cope with “the visible cost to certain domestic actors” expected to appear “in short- to medium term, before the long-term benefits of FTAs ultimately materialized.”; secondly, the government had to deal with the fact that sharp competition from imports will cause negative impacts on “inefficient sectors as well as even relatively competitive export-oriented sectors.”

South Korea’s first negotiation with Chile in November 1998 involved both the challenges mentioned above. At that time, the South Korean approach to FTAs was considered as defensive: the Kim administration’s strategy toward FTAs was motivated by “its efforts to minimize the negative effects of FTAs on the domestically oriented, import-competing sectors, rather than to maximize positive effects” (Lee/Moon 2008: 46-48).

The Roh government also kept in mind that regional cooperation was inevitable in order to deal with newly emerging security, economic and socio-cultural challenges. The Northeast Asian Cooperation Initiative is a proactive response to take hold of such challenges: expecting a spill-over effect from a long-term perspective and the overcoming of regional stalemates among the three countries in Northeast Asia. Oriented toward the short-term, the government focused on FTA negotiations as basic form of economic integration. This was

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<sup>122</sup> Ministry of Foreign Affairs and Trade Republic of Korea: [http://www.mofat.go.kr/ENG/ministry/organization/history/index.jsp?menu=m\\_50\\_60\\_10](http://www.mofat.go.kr/ENG/ministry/organization/history/index.jsp?menu=m_50_60_10). (January 7, 2013).

outlined by Roh Moo-hyun in the following statement (2006: 12):

“[W]e need to create a new regional order for economic cooperation and integration. Although economic interdependence among Korea, China and Japan has intensified in recent years, the countries have not been able to institutionalize economic integration, even in the most rudimentary form, namely, a Free Trade Agreement (FTA). Cooperation and integration should be further institutionalized in order to maximize the economic potential of the region while mitigating the uncertainties arising from growing competition in the region, as well as to promote a more harmonious regional division of labor. In this regard, multifaceted cooperation in such areas as foreign exchange and finance, free trade, energy, transportation and distribution of goods, and the environment is essential for the integration of markets and institutions in the region.”

Therefore, in order to support his regional vision, at that time, focusing on FTAs, Roh Moo-hyun authorized the OMT as the chief government agency for FTA policy-making and steadily empowered it to play a significant role in foreign trade. This resulted in “changes in the bureaucratic balance of power,” which the Kim Dae-jung government had lacked the ability to institute (Lee/Moon 2008: 56).

The OMT closely consulted various private business councils, and unlike its counterpart ministries in the government, such as the Ministry of Finance and Economy (MOFE), the Ministry of Commerce, Industry, and Energy (MOCIE), and the Ministry of Agriculture and Forestry (MOAF), the OMT seldom liaised with small firms and individual farmers directly (Lee 2006: 7). Instead, the OMT paid much more attention to obtaining feedback from big business and industry associations, such as the Federation of Korean Industries, the Korea International Trade Association, and the Korea Federation of Small and Medium Business (see Lee 2006: 7), as well as the National Economic Advisory Council under the President’s Office (Rhyu 2011). By establishing the presidential committee, the Roh government effectively guarded the OMT from escalating domestic opposition in August 2006, when NGOs and interest groups from sensitive sectors, such as the film industry, agriculture, and service sectors, opposed the Korea-US FTA (Lee/Moon 2008: 57). As a result, the OMT served as an agency in charge of foreign economic policy-making and effectively warded off domestic opposition, particularly pressure from special interest groups (Lee/Moon 2008: 56-57). Interestingly, there was little objection to the South Korea-EU FTA, even though it could technically have similarly negative effects on the Korean economy.

South Korea’s signing of an FTA agreement with the EU made the Obama administration reach the final conclusion, as President Obama’s remarks shows: “What is also true is that the European Union is about to sign a trade agreement with South Korea,” which means that

“when they start opening up their markets, the Europeans might get in there before we do”.<sup>123</sup>

This has created a domino effect; after concluding the South Korea-U.S FTA, negotiations are now beginning for a South Korea-China FTA and even plans for a South Korea-China-Japan FTA. Aside from any normative judgements about the proliferation of FTAs, South Korea’s active involvement in FTAs certainly demonstrates the effectiveness of a leverage strategy.

This chapter has shown the limitations inherent in the veto player approach, since it cannot explain the change in South Korea’s policy toward FTAs that occurred under the Roh administration (Lee/Moon 2008), especially when the administration still faced the re-mobilization of veto players in its negotiations for an FTA with the US.

With South Korea’s regional vision in trouble due to deteriorating relations among the three Northeast Asian countries, the Roh government believed that FTAs with major trading partners from outside the region, such as the EU and the United States, might be a more effective mechanism for achieving its strategic goals by leveraging Japan and China. I argue, therefore, that the role of presidential leadership was of intrinsic importance for implementing proactive FTA strategies because it was leadership which drove the adoption of policies based on European ideas about regional integration. The next empirical subchapter (5.4) will make this argument clear by examining Japan’s approach to FTAs and also by considering its domestic political situation.

#### 5.4 Japan’s Reactive FTA Strategy

Consequently, Japan’s stance toward FTAs, unlike the case of South Korea (which during 1998-2002 was a fence-sitter taking a reactive strategy, and during 2003-2007 became a pace-setter holding a proactive approach), has been reactive despite its active initiatives.

During the first half of the 1990s, Japan and most other Asian countries did not consider excluding the United States from the economic cooperation framework in East Asia (Hasegawa 2007). Following the Asian financial crisis, the Japanese government opposed the U.S. to make use of APEC as a platform for negotiating a regional free trade agreement (Togo 2007). Because of its resentment toward the United States, Japan tried not only to deepen its economic ties to its neighbours but also to seek a regional counterweight (Rozman 2007).

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<sup>123</sup> Obama’s remarks on the Korea-U.S. FTA at a House Republican Retreat in Baltimore on January 29, 2010.

While in 2000 Japan was keen on keeping pace with China's efforts to shape regional institutions, since 2001 it had lost confidence in regionalism. By counterbalancing China's active regional engagement, Japan supported "ASEAN's approach of voluntary, no exclusionary liberalization that came to be called open regionalism." This perfectly suited Japan's interests: Japan's opposition to any exclusion of the United States and the avoidance of an exclusive regional free trade regime (Tsunekawa 2005).

Since the end of the Cold-War, the coalition between Japan's conservative LDP and the *zaikai* (big capitalists) served to promote "regionalization, but not regionalism" (Krauss/Naoi 2011: 50-51). According to Tsunekawa (2005), because Japan feared any economic bloc in which Japanese firms and products could face discriminatory treatment, it preferred the non-discriminatory, multilateral GATT/WTO framework. Strikingly though, this position was contradicted by Japan's own domestic protection of its agricultural and fishery sectors, as throughout the 1990s, open regionalism increasingly relapsed into a justification for domestic protection (Tsunekawa 2005).

Although the APEC meeting at Bogor in 1994 proclaimed the need for free trade and investment by 2010 for the developed member states, and 2020 for the all member states, the Japanese government failed to put forward any viable measures when it hosted the Osaka conference the following year (Krauss/Naoi 2011: 51-55). The 1997 meeting at Vancouver agreed to implement the Early Voluntary Sectoral Liberalization programme in nine sectors, but that scheme proved to be a failure at the 1998 meeting, when Japan and several other countries objected to the liberalization of certain sectors in the aftermath of the economic crisis (Maull 2001; Yu 2003). APEC came to be regarded as no more than a regional framework supported by a number of jointly organized consultative meetings, thus it lost both its momentum and meaning (Yu 2003; 2006; Tsunekawa 2005).

In November 2002, MOFA announced the "Japanese Strategy for FTAs", which declared that the Japanese government would employ the FTA as a political and economic negotiation tool (Krauss/Naoi 2011: 55-57). This represented an official change in Japanese trade and investment policy "from multilateralism to a mixed bilateral-regional-multilateral policy" (Nakagawa 2005: 99).

Japan's persistently reactive FTA stance has been the natural corollary of its lack of enthusiasm for regionalism, as well as a consequence of having strong domestic veto players,

which means shows that the views on trade regionalism in Japan are significantly varied. Given the number of interested actors involved in policy matters concerning trade regionalism, the introduction of ministerial-level perspectives is helpful (see Hamanaka 2008; Krauss/Naoui 2011; Ogita 2004). In the case of financial regional cooperation, Ministry of Finance (MOF) and, less importantly, the Bank of Japan are the main agents; MOFA is responsible for the regional summit. In the case of trade, at least three ministries, namely MOFA, the Ministry of Economy, Trade and Industry (METI) and the Ministry of Agriculture, Forestry and Fisheries (MAFF) are the main actors (see Hamanaka 2008; Ogita 2004).

MAFF, which is in charge for Japan's sensitive sectors of agriculture and fishing, maintained an attentive attitude toward Japan's FTAs, known as 'Economic Partnership Agreements' (EPAs). Since the APEC liberalization issue of 1995, MAFF was alert to the pro-liberalization viewpoint of politicians dealing with agriculture and agricultural interest groups (Ogita 2004: 86-87). Since MAFF has veto rights in agriculture-related realms, it was therefore able to rule against MITI-MOFA's initial position. This is significant because MOFA does not have any competence to exercise authority over other ministries' anti-liberalization positions if they fall within the other ministries' jurisdictions (Ogita 2004). Since MAFF's veto power seems to have been stronger than any other ministry ruling, particularly following the conclusion of the GATT Uruguay Round, the MOFA had to stick to the absolute ruling regarding liberalization issues, with no further compromise possible beyond the commitments made at the Uruguay Round (Ogita 2004). The Japan-ASEAN FTA, known as JACEP (Japan-ASEAN Comprehensive Economic Partnership) was initiated as a means to counterbalance China; but owing to Japan's agricultural sectors and ASEAN's industrial sectors, the negotiations between the two parties were time-consuming. Japan's position regarding sensitive agricultural imports has been firm, and rice was consequently excluded from the JACEP agreement. Japan's FTAs or EPAs have been possible as long as MAFF was able to abide by agreements that afforded special treatment to agricultural products (Hamanaka 2008)

METI<sup>124</sup> has long been playing the leading role for policy-making and has been interested in promoting trade or economic regionalism since APEC. Subsequent to the Asian financial crisis, the Japanese government has actively engaged in developing regional trade agreements

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<sup>124</sup> The declining significance of the Ministry of International Trade and Industry (MITI) to Japanese companies made it a less powerful agency within the bureaucracy, and by the end of the 20th century, it was folded into a larger body. In 2001, it was reorganized into the Ministry of Economy, Trade, and Industry (METI).

(Katada/Solis 2008: 128; Rozman 2007). MITI's internal report reflected on the priority of making South Korea an FTA partner (Dent 2006: 78), which meant the Asia-oriented MITI considered FTAs as a chance "not only to reverse trade diversion and promote domestic economic reforms, but also to establish closer political ties with neighbouring states" (Ogita 2003: 221; 242). Because JACEP covers not only trade liberalization but also additional economic cooperation and commercial regulation matters, METI is able to spread Japan's commercial practices and standards throughout East Asia by promoting economic regionalism (Hamanaka 2008, Hatch 2004). Therefore, Japan always insists on such 'FTA plus' comprehensive partnerships in order to benefit from trade liberalization and compensate for the costs of trade liberalization (Hamanaka 2008).

MOFA collaborated with MITI in dealing with APEC (since 2001 METI) since the institution's establishment in 1989 (Ogita 2004). However, MOFA was initially not only indifferent, but also sometimes even regressive, in its response to the Japanese government's efforts on APEC issues. This reflected MOFA's stance in relation to other international concerns (Hamanaka 2008): for example trying to prevent any suspicion that they were seeking a restoration of the Great East Asia Co-Prosperty Sphere, and attempting to keep Europe from employing excessive protectionism. MOFA was also uncomfortable with MITI's concern into MOFA's competence in Asian diplomacy (see Dent 2006: 78). Since the Developing Economies Division of the Economic Affairs Bureau under MOFA took the responsibility for APEC affairs from late 1993/early 1994, this change coincided almost exactly with the ministry's positive change in attitude towards APEC (Ogita 2004).

As an advocate pro-liberalization MOFA intends to promote and maintain good relations with the United States in its advocacy of free trade. While MOFA considered the economic aspects of the Japanese FTA policy as important, its fundamental concern was geopolitical: the Ministry feared that the future formation of an ASEAN-China FTA would likely result in greater Chinese influence in Southeast Asia (Hamanaka 2008). In order to counteract the Chinese influence and to retain its own influence in the region, Japan needed to have an FTA or EPA with ASEAN countries. In addition, Japan calculated that JACEP would produce relatively low economic costs by excluding agricultural sectors, and even provide potentially significant economic benefits and political gains (Hamanaka 2008).

In sum, dealing with both external changes after the end of Cold-War and external crises in

East Asia, Japan's shift from focusing on multilateralism to bilateral FTAs that supported East Asian regionalism was a change "in means, not a change in the fundamental goals of Japanese foreign policy (Krauss/Naohi 2011: 58). Bureaucracy in Japan has performed an important role; in particular the METI/MITI has played a leading role in developing regionalism. Since the initial efforts made by METI, there has been intra-bureaucratic opposition and conflict with other ministries (Ogita 2004). While MOFA has been willing to stick to U.S.-Japan bilateral relations in initiating APEC and its adherence to regional multilateralism in the shift to FTAs, METI has been interested in taking the lead by promoting more innovative ideas to improve trade (see Dent 2006: 76-87). These conflicts reflect Japan's negotiation between Internationalism and Asianism, and between the USA and China, which has produced an undetermined and ambivalent regional stance.

In regard to regionalism, trade policy and FTAs there was a fundamental split between the international coalition (METI, MOFA, big business, LDP politicians that supported commerce and industry policies), which promoted regionalism, and the veto players who stood against it (MAF, *Nokyo*, and the *zoku* agricultural policy faction of the LDP). Consequently, the presence of strong veto players from sensitive sectors in Japan has effectively hindered political leaders who sought to use regionalism as a means of combating the Asian financial crisis and to engage in FTAs in order to keep pace with China.

### 5.5 Why has South Korea been More Active in East Asian Regionalism than Japan?

In this section, the empirical results of this chapter are presented in the light of the hypotheses given in chapter 3 (see Table 5-2 and 5-3).

- 1. If the dominant structural conditions and domestic constraints prevail and the domestic constellation does not change in one of these countries (viz. if the government does not change), then the country's approach toward East Asian regionalism is unlikely to change (passive: foot-dragging): **Japan 2<sup>nd</sup> /3<sup>rd</sup> phase/***
- 2. If the dominant structural conditions and domestic constraints prevail and the domestic constellation changes in one of these countries (viz. if the government changes), then the country's approach toward East Asian regionalism is more likely to partially change (passive: fence-sitting; partial pace-setting): **South Korea FTA***

**(1997-2002)/ Japan FTA (1997-2007)**

3. *If the dominant structural conditions and domestic constraints are altered by external events or crises and the domestic constellation does not change in one of these countries (viz. if the government does not change), then the country's approach toward East Asian regionalism is more likely to partially change (passive: fence-sitting; partial pace-setting): **Japan 1<sup>st</sup> phase***
  
4. *If the dominant structural conditions and domestic constraints are altered by external events or crises and the domestic constellation changes in one of these countries (viz. if the government changes), then the country's approach toward East Asian regionalism is more likely to change (active: pace-setting): **South Korea 1<sup>st</sup> /2<sup>nd</sup> /3<sup>rd</sup> phases/ South Korea FTA (2003-2007)***

The case studies which I have explored (Japan 1<sup>st</sup> phase and South Korea 1<sup>st</sup> /2<sup>nd</sup> /3<sup>rd</sup> phases) have produced the results anticipated by hypotheses 3 and 4. Ever since South Korea and Japan took part in the new East Asian regionalism that emerged in the wake of the Asian financial crisis, the two countries have engaged in different approaches to shaping their preferred format of regional cooperation and the formulation of policy in Northeast Asia, East Asia, and the Asia Pacific region.

Following the Pacific War and the Korean War, both Japan and South Korea have been dependent on the United States' economic and security protection. Thus trial efforts such as EAEC/EAEG establish a closed regional grouping had principally failed because faced US objection to regional formations that might exclude them. With bilateral pressure from the United States and the European Union to open markets, combined with the growth of regional integration in Europe and North America (NAFTA), as well as the challenges of globalization, both countries were forced to realign their policies on regionalism. Yet, it was in the aftermath of the Asian financial crisis that they decisively changed their stances toward the idea of an exclusive regional formation. Thus, it must be recognized that the 1997/8 Asian financial crisis highlighted the importance of regional economic cooperation and integration and induced changes in both South Korea and Japan, convincing them to participate in the exclusive regional formation of the ASEAN+3. This was the result of their dissatisfaction with present regional frameworks and their subsequent desire to search for viable alternatives.



Nevertheless, this explanation of external crisis exhibited a weak explanatory power in accounting for the diverging positions of South Korean and Japanese on regional cooperation policy in East Asia.

Instead, two other factors were needed to explain the different approaches to regional cooperation frameworks taken by South Korea and Japan: a structural explanation of their foreign policy orientation toward the U.S. and their response to the rise of China, both of which are conditioned by an intervening variable of government change. The new government in South Korea understood the limited structural situation differently from its predecessors, and so redefined its domestic constraints and sought alternative solutions, while the government in Japan remained unchanged and no new understanding about its own structural conditions and domestic constraints was developed.

However, the situation in Japan's second and third phases seem to be more complicated to explain adequately, especially given the fact that during these periods Japan also played a pace-setting role by promoting the EAS (see Table 5-2). In effect, however, Japan's strategic pace-setting role in the EAS was intended to produce a foot-dragging effect in the ASEAN+3, thereby counteracting China's efforts to take a leading role. A plausible explanatory factor in accounting for these cases can be found in the form of competition theory; thus it is possible to see that the rise of China played a significant role in spurring Japan into action. These cases correspond with sceptical views about the EAS, which is a forum that most scholars and experts do not expect to develop into an East Asian community (see chapter 4.1.3; Bae 2006; Breslin 2008). However, the South Korean government (1998-2002) elected in the middle of the 1997/8 East Asian financial crisis and the successive government (2002-2007), both took a positive political orientation toward China in order to solve the North Korea problem. Recognising the significant role of the US in the region, South Korean presidents Kim Dae-jung and Roh Moo-hyun instituted great changes to policy dealing with regional cooperation: thus they assertively appeased North Korea, attempted to balance diplomacy between China and the United States, and committed themselves to regionalism (especially the pursuit of an East Asian community under Kim Dae-jung, and a Northeast Asian community under the Roh government).

Unlike the invisible financial sector, FTAs include sensitive fields such as agriculture and fishing etc. Veto players, especially those from the sensitive agricultural sector in South

Korea and Japan, have traditionally held great power over policy-making. Consequently, the reactive and defensive attitude of these sectors toward FTAs is unsurprising. Japan showed a similar response toward FTAs in its stance on the EAS. After China's active involvement in FTAs, Japan started actively initiating FTAs as well. Although political leaders sought to use regionalism as a means of combating the Asian financial crisis and to engage in FTAs in order to keep pace with China, they failed to effectively prevent the influence of strong veto players from sensitive sectors of the Japanese economy.

In the case of South Korea (1998-2002), the Asian financial crisis served to weaken the veto players, both inside and outside the government, who had opposed such measures that the IMF imposed. South Korea turned to FTAs in the aftermath of the financial crisis because it gave the new government "broad public tolerance for executive initiative." (Koo 2005: 145-148; Mo and Moon 2003). However, the South Korean government chose FTA partners who had little impact on sensitive fields, especially the agricultural sector. In effect, the South Korean position toward FTAs in this period (1998-2002) was designed to "minimize the negative effects of FTAs on the domestically oriented, import-competing sectors, rather than to maximize positive effects" (Lee/Moon 2008: 46-48).

Therefore, hypotheses 1 and 2 regarding Japanese FTAs (1998-2007) and South Korean FTAs (1998-2002) are confirmed, even though they showed apparently similar policy outcomes.

Nonetheless, the influence of veto players cannot fully account for the policy decisions that were made: in particular, it is difficult to explain the character of South Korea's proactive approach to FTAs (South Korea FTA 2003-2007) (Lee/Moon 2008; Koo 2008). Despite the re-mobilization of veto players in negotiations over the FTAs with the USA and the EU, South Korea's stance toward FTAs changed significantly under the Roh administration (see Table 5-3).

With South Korea's regional vision in trouble due to deteriorating relations amongst the three Northeast Asian countries, the Roh government realized that FTAs, by leveraging Japan and China, might be a more effective mechanism for achieving the nation's strategic goals. Because South Korea's veto players had been mobilizing themselves since the Kim government to establish protective measures against free trade and to reform organizations related to FTA policy, I propose that the role of presidential leadership was of great significance in implementing proactive FTA strategies and adopting policy ideas from Europe.

Therefore, by accounting for the acceptance of European ideas about regional integration in South Korea, and also by identifying the possible conditions that the mechanisms of emulation suggest, we can satisfactorily explain the different approaches taken by South Korea and Japan toward East Asian regionalism.

**(Table 5-2) Different Approaches to Regional Summitry/ Grand-Regional FTA**

1 <sup>st</sup> phase	1997/1998-2000 (ASEAN+3)	
Japan	Participation / <b>Fence-sitter</b> <b>Partial Pace-Setter</b> (AMF) *SC Crisis and No change to DC	Foreign policy orientation toward the United States in both countries →objection to exclusive regional cooperation frameworks
South Korea	Participation/ <b>Pace-setter</b> *SC Crisis and Changes to DC	*Asian financial crisis →participating in exclusive regional formation
2 <sup>nd</sup> phase	2001-2003 (ASEAN+3)	
Japan	<b>Foot-dragger</b> *Previous SC prevail and No change to DC	China-Japan rivalry: containment of China U.S.: foreign policy orientation *limited constitution *no change of leadership
South Korea	<b>Pace-setter</b> *Different understanding of SC and Changes to DC	Balancing diplomatic relations between China and the United States *National division *leadership change
3 <sup>rd</sup> phase	2003/4-2007 (ASEAN+3 <EAFTA>/ NEA/ TC /EAS<CEPEA>)	
Japan	<b>Foot-dragger</b> (ASEAN+3) Fence-sitter (NEA) Fence-sitter (TC) <i>Pace-setter (EAS)/CEPEA</i> *Previous SC prevail and No change to DC	China-Japan rivalry: containment of China U.S.: foreign policy orientation *limited constitution
South Korea	<b>Pace-setter</b> (ASEAN+3)/EAFTA Pace-setter (NEA) Pace-setter (TC) <i>Fence-sitter (EAS)</i> *Different understanding of SC and Changes toDC	Balancing diplomatic relations between China and the United States * National division
IV/ IntVs	Japan	South Korea
Structural Conditions/ Domestic Constraints	<u>Structural Constraints</u> The Pacific War Peace Constitution (Article 9) US orientation <u>End of cold war</u> -(Rise of China) Containment of China -(US orientation) No change <u>Asian Financial Crisis</u> Participation in ASEAN+3	<u>Structural Constraints</u> The Korean War A divided country US orientation <u>End of cold war</u> -(Rise of China) As a partner dealing with North Korean issues -(US orientation)Disagreement over North Korean issues <u>Asian Financial Crisis</u> Participation in ASEAN+3
Domestic Constellations	No Change of Government Previous ideas/beliefs prevail	Change of Government ; Leadership Learning Change of ideas/beliefs

Source: Author. Note: SC: structural conditions; DC: domestic constellations

**(Table 5-3) Different Approaches to FTA Strategies**

	1997/8-2002	2003-2007
Japan	<b>Foot-dragger/Pace-setter</b> (reactive) *(No Change to DC-Veto P.)	<b>Foot-dragger/Pace-setter</b> (reactive) *(No Changes to DC-Veto P.)
South Korea	<b>Fence-sitter/Pace-setter</b> (reactive) *(No Changes to DC-Veto P.)	<i>Pace-setter (proactive)</i> *(No Changes to DC-Veto P.) *(DC-Leadership Learning)
	Japan	South Korea
Domestic Constraints	Veto Players (Strong/ Strong)	Veto Players (Strong/ Strong)
Domestic Constellation	No Change to Government	Change to Government 1998-2007 Constant
	-	Leadership Learning

Source: Author.

Note: SC: structural constraints; DC: domestic constellations

## 6. Explaining Differential Approach toward East Asian Regionalism: Acceptance of European Ideas about Regional Integration

This chapter explores the different approaches of South Korea and Japan toward East Asian regionalism in terms of acceptance of European ideas regarding regional integration during the period 1998-2007.

A subchapter 6.1, will survey the two countries' interactions with the EU, especially in regard to (i) the role of the ASEM as a newly established interregional arena, and (ii) bilateral relations with the EU. I then trace how, and under what conditions, South Korean Presidents drew lessons from European experiences and sought to emulate European ideas of regional integration. Finally, I will try to clearly outline the role of European ideas concerning regional integration in order to explain South Korea's activism in East Asian regionalism (6.2).

### 6.1 ASEM as a Promoting Arena for European Idea of Regional Integration

Since the 1990s, with emergence of the single market, the single currency, Schengenland, Eastern enlargement, debates about institutional reform, and the Constitutional Convention, the European Union as the most institutionalized regional organization, has become more visible in people's lives in East Asia (see Chaban/Holland 2008). The existence of the European Union as a peaceful integrationist entity became a persuasive example of how a previously antagonistic continent managed to overcome internal hostilities and mistrust to become an international reference point for successful regional construction. European institutions, in particular the European Commission, have been working at providing the European Union with an international reputation as a unified economic, political, and diplomatic actor. This had served to promote European ideas abroad (see Petiteville 2003): European democracy, welfare state standards, and the European model of regional integration (Börzel/Risse 2004).

Given the fact that the United States, the EU and Asia each constitute the point of a triangular relationship of geo-political power, the Europe-Asia relationship was a missing link (see, e.g. Ferguson 1997; Dosch 2004; Kim 2005; Rüländ 2001). The United States, a country that still maintains the strongest economic and political ties with the majority of countries in East Asia,

and the European Union, a group of developed European countries that had several colonies in East Asia, now appeared to be competing to increase their profile and presence in the region (Dosch 2004).

Beginning in 1994, the EU designed its 'New Asia Strategy' (European Commission 1994) to indirectly compensate for the dominant role of the United States in Asia. After Europe and East Asia launched ASEM as the first official summit meeting between the two regions in 1996, the EU upgraded its strategy to Asia still further. The 'New Asia Strategy' in 2001 marked an important turning point in EU's external (economic) relations with East Asia (European Commission 2001). Indeed, it could be argued that the ASEM process, as well as the Asian financial crisis, contributed to an increasing awareness in East Asia of the positive impact that regional groupings and integration initiatives can have (Nabers 2003; Terada 2003; Webber 2001).

The New Asia Strategy of the EU was revised and upgraded in 2001 (European Commission 2001). This reflected a distinctive stance taken by the EU, which categorized Asian countries into three subgroups: Northeast Asia, Southeast Asia, and South Asia (European Commission 1994; 2001). In this way the EU has shown that it prefers not to deal with third countries individually, but as an interregional group (Park 2005; Pietrangeli 2009).

The New Asia Strategy (1994) emphasized East Asian grouping, thus it is not unsurprising that the Asian ASEM would later include of Southeast Asia and Northeast Asia major partners. In addition to this approach, the EU also provided Country Strategy Papers focusing on bilateral relations with individual East Asian countries (see Table 6-1).

The EU's New Asia Strategy Paper recognized the leading role of the United States in the area of regional security in East Asia. The New Asia Strategy and the country strategy papers reflect the EU's new approach towards East Asia, focusing on economic relationships rather than political and security cooperation (see Table 6-1). However, it is noteworthy that the European Union – in almost all official agreements and documents on third countries – insisted on a raft of conditions pertaining to its political values such as democracy, rule of law, and human rights (see Börzel/Risse 2004). Given the fact that ASEM deals with a comprehensive agenda, the EU's concerns with East Asia are not limited to economic cooperation. This chapter explores how the newfound interactions between East Asia and Europe are closely related to external structural changes in East Asia. Importantly, this

movement is also deeply associated with the emergence of ASEAN+3 (see Gilson 2002; Stubbs 2002). The idea of ASEAN+3 first emerged in October 1994 when Singapore's Prime Minister Goh Chock Tong proposed to hold the inaugural meeting of the Asia-Europe Meeting (ASEM) (Stubbs 2002). Section 6.1.1 of this chapter provides an overview of the ASEM.

**(Table 6-1) Main contents of New Asia Strategy and Country Strategy Papers**

Date of Issue	Country/ Region	Main Contents
July 1994	Asia (NAS)	<ul style="list-style-type: none"> <li>- participation in market expansion in Asia that has the potential to become the growth centre of the world economy</li> <li>- specifying differentiated strategy towards the three subgroups in the region</li> <li>- promotion of EU firms and products</li> </ul>
June 1996	ASEAN	<ul style="list-style-type: none"> <li>-taking part in the dynamism of ASEAN economies</li> <li>-enhancing direct investment into ASEAN countries</li> <li>-upgrading the bilateral relationship</li> </ul>
August 1993	Korea	<ul style="list-style-type: none"> <li>-welcoming democratization and market openings</li> <li>-hopes to promote bilateral economic relations that do not matching the economic powers of the two countries</li> <li>- establishing equal partnership</li> </ul>
March 1995	Japan	<ul style="list-style-type: none"> <li>- maintaining and strengthening the existing economic and political dialogue channels</li> <li>- making efforts to dismantle barriers to market access</li> <li>-continuing Trade Assessment Mechanism and Cooperating in Respecting the WTO Rules</li> </ul>
July 1995	China	<ul style="list-style-type: none"> <li>- Strengthening the support for China transition</li> <li>- Supporting the Chinese accession to the WTO</li> <li>- Promoting EU firms market and investment access to China</li> </ul>

*Source:* Park (2005); European Commission (1993; 1994; 1995a; 1995b; 1996)

Recognizing the EU's positive experience with regional integration, the EU utilizes its interregional approach to maintain a diverse and complex relationship with other regions.<sup>125</sup> While multilateral trade liberalization and rule-making within the WTO system remains the major trade policy priority of the EU, this can be articulated with bilateral and regional agreements in order to better pursue both trade opening and development objectives (European Commission 2002).

As regards the EU's support of regional integration processes in East Asia, the EU has been giving top priority to strongly supporting South East Asia in ASEAN regional integration

<sup>125</sup> One of examples is found in Chairman's Statement of the First Asia-Europe Meeting, Bangkok, 2 March 1996.



(Regional Indicative Programme 2005-2006). However, according to Pietrangeli (2009), the EU's approach to focusing on relations between trade and development policies has progressed to the promotion of regional economic integration, while it also now adopts different forms of political dialogue with Asian countries. Though its chairmen have on occasion mentioned the development of regional cooperation frameworks in East Asia, ASEM, as an inter-regional forum that includes both South Korea and Japan, does not explicitly articulate any of the EU's efforts to promote of regional integration in Asia (see Park 2005; Pietrangeli 2009).

According to an official communication from the Commission to the Council and European Parliament on Trade and Development (European Commission 2002), the EU recognizes regional integration as a "valuable strategy" for the trade and development policy of the EU. Despite the ambivalent strategy of the EU toward East Asian integration, according to Pietrangeli (2009: 27-28), ASEM can be understood as a *South-South-North approach*, which seeks to combine the merits of North-South integration with the advantages of South-South integration (European Commission 2002: 13-14). In other words, the document understands that "North-South and South-South integration can be mutually reinforcing." If a developed market can be better accessed by developing countries, this functions as an incentive for those countries to open their own markets to each other, to encourage foreign investment, strengthen their own competitiveness, and to present themselves as credible partners when dealing with developed countries (European Commission 2002: 13-14).

Aside from interregional summitry, the bilateral relationship has complemented exchanges within ASEM by tackling specific issues. Therefore, it serves not only as an overarching framework in which to express a range of themes that are pursued simultaneously in bilateral agreements, but also as the very venue for such bilateral encounters (see H.C. Kim 2006; Yamamoto 2006). Currently, the pattern of EU-Northeast Asian relations differs from EU-Southeast Asian interactions due to the absence of an institutionalized group-to-group dialogue, strong economic incentives for cooperation are also equally lacking. Formalized dialogue mechanisms between the EU and the states of Northeast Asia are both significantly younger than EU-ASEAN links and bilateral in direction. Hence, section 6.1.2 examines the relation between Japan and the EU and section 6.1.3 deals with South Korea and the EU. These two sections show that although the relationship with Japan is certainly the most developed bilateral link, after the ASEM process, there has also been remarkably strong

development in the EU's relationship with South Korea.

### 6.1.1 Interregional Relations between East Asia and Europe (ASEM)

The EU's model has been a powerful reference point for peaceful economic and political integration in the East Asia/Asia-Pacific region (see Chaban/Holland 2008). The emerging international profile of the EU shows that, rather than being just the sum of its member states, it now has a widely recognized international role as an independent actor (Manners 2002; Petiteville 2003). Through the format of Interregionalism, the EU offers opportunities for regions and states to learn new policy ideas for advancing regionalism. As Börzel and Risse (2004; 2009) point out, while the EU and its member states promote "regional integration as normative standards" in their external relations with third countries and other regions through development policies (see 2004), it also simultaneously promote its ideas about regionalism. This dissemination of the EU's core ideas and values concerning regionalism has genuine causal impact if the recipients of these notions consider them as "the best way to ensure (regional) security, stability and prosperity" in their own region (2009: 5). The EU Commission thus had clear gains to be made in further enhancing the way it is represented in international groupings. To ensure this occurred, the EU style itself as having an independent identity in a geographical region that was largely unexplored by individual EU member states (see Petiteville 2003). At the same time ASEM offered European and Asian participants an opportunity, previously often ignored, to enhance relations with one another (Gilson 1999).

#### **The Relevance of the Interregionalism Promoted by ASEM**

The ASEM as a platform for interregionalism facilitates the interactions of one region with another (Gilson 2005). Because ASEM is not a gathering of two pre-existing regions, it could be understood "as a process of regional emulation, in which existing regions trigger the formation of new ones, with potentially positive or negative consequences" (Hettne et al. 1999: xxii). The disparities concerning regional integration between East Asia and Europe exposed a lack of solidarity on the Asian side of ASEM. During dialogues and negotiations, the representatives of the EU have been able to accurately and consistently represent the European side and act on the basis of a common position and an empowered mandate, while the representatives of Asian side have hardly been able to take up a common stance or receive a consensus agreement to do so (Kwon 2002). Noticing the problems that flowed from this

disparity, the former president of South Korea Kim Dae-jung (2006: 10-11), called upon Asian countries to develop regional solidarity on a par with that seen in the EU and NAFTA:

“It is true, however, that despite its vast potential and real capabilities, Asia currently lacks the kind of solidarity that one sees manifested in the European Union and the North American Free Trade Agreement (NAFTA). It is also true that a huge gap exists between some Asian countries in terms of development and competitiveness. Therefore, Asia should, on the one hand, work for balanced benefits and development among its countries and, on the other hand, prepare for cooperation and competition with other leading regional communities.”

The functional arrangement of ASEM requires two coordinators for each of the two regions; *scilicet*, while the European Commission and Council took the lead roles in coordinating the EU in ASEM, the East Asian countries, represented by two coordinating nations selected in rotation, have to frame an intra-regional stance before they can take part in meetings with their European counterparts (Gilson 2005). East Asian participants do not belong to any pre-existing regional group and so first meet directly at ASEM where, through their mutual interactions, they come to form a regional entity with the EU (Scholte 1996: 70). Given the fact that this interregional partnership is on maintained on an “equal basis”<sup>126</sup> or “equal partnership”,<sup>127</sup> a region may derive its own identity in part as a result of being accepted as a region by another discernible and predefined regional entity. Inter-regionalism may act as an “intra-regional mobilizing agent”, both in advancing the EU’s external regional identity and in moving forward the development of East Asian regional integration (Higgott 1994: 368).

In conclusion, according to Gilson (2005: 309-310), inter-regionalism might serve not only as a functional device for managing incongruent relations and but also as a means for defining conceptions of regional identity. While East Asia has not been solely defined through the interregional mechanisms of ASEM, this interregional arrangement has been an important facilitating factor in fostering a consciousness awareness of East Asian regional identity. Both regional discourses about the ASEAN+3 and financial initiatives were visible in inter-regional meetings (Gilson 2002; 2005; Yi 2008).

Interregionalism will likely affect the construction of an intra-regional identity (Gilson 2005; Nabers 2003; Rüländ 2001; Terada 2003); it can do also by cultivating the desire to coordinate collective positions and by highlighting the EU’s success at deepening and widening regional integration (see Börzel 2005). Given the fact that ASEM provides a interregional region-to-region set-up, South Korea and Japan took part in East Asian regional

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<sup>126</sup> Chairman’s Statement of the Asia-Europe Meeting. Bangkok, 2 March 1996.

<sup>127</sup> Chairman’s Statement of the Second Asia-Europe Meeting. London, 3-4 April 1998.

grouping of ASEAN+3 and then considering that the +3 countries meet the ASEAN as a whole, the formation of Trilateral Cooperation of Northeast Asia encompassing South Korea, China, and Japan.

### **Expanding Existing Interregional Relations: EU-ASEAN and EU-East Asia**

Prior to beginning a region-to-region engagement with the EU, ASEAN had already been fully established as a regional entity in Southeast Asia. ASEM can therefore be understood as an extension of EU-ASEAN relations to include the states of China, Japan, and South Korea. ASEM stresses the notion of equal partnership in a way that the EU-ASEAN dialogue cannot, given its colonial history (see Bridges 1999: 6-18) and the relatively low economic and political weight of its Southeast Asian grouping. The confluence of China, Japan, and South Korea gave weight to the significance of East Asia (Gilson 2002; 2005). Thus, East Asia has gradually emerged as an identifiable region and with a distinctive voice in the international arena, one that constitutes one tip of a global triangle of power relations (Ferguson 1997; Dosch 2004; Kim 2006).

In view of the various differences in group-to-group relations between the EU and East Asia, the broader ASEM structure may offer a greater potential for increasing long-term interaction between the two regions.

### **Issues of ASEM Summitry Meetings**

Despite its explicit character as an informal dialogue, the quickly growing agenda and the absence of US interests, has opened the door for East Asian countries to develop alternative views on economic and security affairs in this region (Dosch 2004).

The state leaders from ten Asian countries and fifteen European countries attended the first ASEM held in Bangkok in 1996. The Chairman's statement documented an important goal of this partnership as being the promotion of greater understanding between the peoples of both regions, which was to be achieved through closer people to people contacts between Asia and Europe.<sup>128</sup> The subjects covered by this first summit included activities in the field of trade, science and technology, environmental cooperation, anti-terrorist measures, and combating illegal trafficking of drugs (Ponjaert 2008). A variety of commissions and organizations were set up to deal with these various areas on an issue-specific basis (Kwon 2002). Through

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<sup>128</sup> Chairman's Statement of the First Asia-Europe Meeting. Bangkok, 2 March 1996.

political dialogue maintained on an equal basis between Asia and Europe, the two regions were able to cooperate and share perceptions on a wide range of issues, and thus enhance mutual understanding and benefits for both regions. The first meeting reflected a positive notion of regional integration: “The dialogue will, in view of the global implications of the major regional integrations, also help ensure that such integrations benefit the international community as a whole.”<sup>129</sup>

**(Table 6-2) ASEM Summits over the Years: the Contextual Nature of Interregional Agendas (1996-2006)**

ASEM Summit	European Interests	Asian Interests
<b>ASEM 1 (1996)</b>	Access to Asian economic miracle; UN Reform	Market Access; Fortress Europe; Mitigating U.S.influence; UN Reform
<b>ASEM 2 (1998)</b>	Managing Asian Crisis; Values (democracy, human rights)	Managing Asian Crisis
<b>ASEM 3 (2000)</b>	Cooperation Format; Values; Economy	Korean Peninsula; Cooperation Format; Economy
<b>ASEM 4 (2002)</b>	Anti-Terrorism; Multilateralism; Values; Economy; Cooperation Format	Economy; Anti-Terrorism; Multilateralism
<b>ASEM 5 (2004)</b>	Anti-Terrorism; Economy; Enlargement; Values	Economy; Enlargement
<b>ASEM 6 (2006)</b>	Non-Proliferation; Developing Format of Cooperation; Values	Economy; Non-Proliferation

Source: Ponjaert (2008:184)

The prepared agenda of the 2<sup>nd</sup> ASEM in London 1998 had to be focused on how to remedy the problems that resulted from the 1997/8 Asian financial crisis.<sup>130</sup> Some especially the ASEAN countries considered the second summit as only achieving a limited number of tangible results (Gilson 2005). Given the fact that East Asia was disappointed at the U.S. reaction and also with the limited aid the EU had offered East Asia in the aftermath of the crisis,<sup>131</sup> Asian leaders questioned the fundamental principles on which ASEM was built (Ponjaert 2008: 184).

<sup>129</sup> Chairman’s Statement of the First Asia-Europe Meeting. Bangkok, 2 March 1996.

<sup>130</sup> Chairman’s Statement of the Second Asia-Europe Meeting. London, 3-4 April 1998.

<sup>131</sup> Europe was also deeply engrossed at that time in preparation for the launch of the Euro in January 1999.

The 2<sup>nd</sup> ASEM, nevertheless, demonstrated its pledge to ensure that the ASEM process proved to have a useful role to play. A special statement on the Asian financial crisis was issued<sup>132</sup> and an ASEM Trust Fund of \$50 million was established at the initiative of the host country to help the crisis-stricken Asian countries restructure and reform their economic and financial sectors (Kwon 2002). Voluntary commitments to keep the European markets open and to maintain at least the existing level of market access also encouraged the Asian leaders.<sup>133</sup> The agreement to send high-level business missions from EU member countries to the crisis-hit region for the purpose of encouraging investment was initiated by South Korean President Kim Dae-jung and clearly demonstrated the commitment to substantial cooperation between the two regions (Kwon 2002). The Trade Facilitation Action Plan (TFAP) and the Investment Promotion Action Plan (IPAP) were also adopted and launched with the aim of stimulating and facilitating trade and investment flows.<sup>134</sup>

The EU countries, when they have initiated region-to-region cooperation, have traditionally emphasized the importance of political dialogue with other regions, including East Asia, Southeast Europe, Latin America and Maghreb (Börzel/Risse 2004). Political dialogue in the ASEM process partially shifted back to the bilateral level, most notably following the increasing importance of the EU-China and EU-India relationships (Ponjaert 2008: 184). Furthermore, the pursuit of the Common Foreign and Security Policy (CFSP) of the EU has served as an impetus for the fostering of political dialogue. The EU has constantly claimed that there has been relatively little progress in the political dialogue with East Asia compared to cooperation attained in other fields.<sup>135</sup> Because the ASEM II in London was dominated by considerations of the East Asian financial crisis, human rights issues appeared to be marginalized (Freeman 1999). As the Table 6-2 shows, while the European members of ASEM tried to set the agenda on value issues, especially human rights and democracy, they failed to insert any mention of these in the chairman's statement.

In line with the political aspirations of the ASEM partners, the adoption of the "Seoul Declaration for Peace on the Korean Peninsula",<sup>136</sup> in recognition of the significance of the first inter-Korean Summit held in June 2000 in Pyongyang, was highly opportune. After all,

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<sup>132</sup> A Special Statement on the Asian Financial Crisis: Financial and Economic Situation in Asia. London, 3 April 1998, <http://www.mofa.go.jp/policy/economy/asem/asem2/economy.html> (January 7, 2013).

<sup>133</sup> Chairman's Statement of the Second Asia-Europe Meeting. London, 3-4 April 1998.

<sup>134</sup> Chairman's Statement of the Second Asia-Europe Meeting. London, 3-4 April 1998.

<sup>135</sup> See Asian perspective by Singapore's former Prime minister Goh Chok Tong (2004)

<sup>136</sup> Source from <http://asem.theadventus.com/asem-thematic-declarations.html> (July 30, 2011).

the 3<sup>rd</sup> ASEM summit was held in Seoul only a few months after the event. Leaders welcomed and expressed their full support for the North-South Korean Summit that had laid the foundation for a renewed peace process on the Korean Peninsula.<sup>137</sup> The Korean issue had been consistently included in the agenda for political dialogue in the previous meetings<sup>138</sup> and ASEM partners had already welcomed the Korean Summit in June in their individual declarations (Kim 2001). In addition to the demonstration of the political will within the ASEM process for the process of reconciliation and cooperation, they also extended their congratulations on the awarding of the Nobel Peace Prize to Korean President Kim of South Korea, which had raised awareness within the international community of the efforts being made for peace, democracy and human rights on the Korean Peninsula. The EU tried to mention its respect for human rights in official ASEM documents, including the Chairman's Statement, while some Asian partners opposed the European demand by insisting on the principle of non-intervention in each other's internal affairs. However, Democracy and human rights were smoothly raised without repercussion and an objective reference to human rights was eventually inserted in the Chairman's Statement of the 3<sup>rd</sup> ASEM summit for the first time.<sup>139</sup>

The 4<sup>th</sup> ASEM summit issued two important declarations: the "Copenhagen Declaration on Cooperation against International Terrorism" in the wake of September 11<sup>th</sup> terrorist attacks,<sup>140</sup> and the "Copenhagen Political Declaration for Peace on the Korean Peninsula", expressing concern over the unfortunate naval clash in the Yellow Sea in June of 2002.<sup>141</sup>

The 5<sup>th</sup> ASEM summit in Hanoi in September 2004 also included representatives of ten new member states from the EU and three new states, including Myanmar belonging to ASEAN.<sup>142</sup> The meeting drew attention to the European integration process of membership enlargement, which would help promote peace, stability and development in Europe. It also highlighted trends towards closer cooperation in East Asia, particularly ASEAN's determination to build an ASEAN Community by 2020 and the enhanced cooperation established through the ASEAN+3 and Trilateral Cooperation among China, Japan and South

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<sup>137</sup> Chairman's Statement of the Second Asia-Europe Meeting. London, 3-4 April 1998.

<sup>138</sup> Chairman's Statement of the Third Asia-Europe Meeting. Seoul, 20-21 October 2000.

<sup>139</sup> Chairman's Statement of the 3<sup>rd</sup> Asia-Europe Meeting. Seoul, 20-21 October 2000.

<sup>140</sup> Copenhagen Declaration on Cooperation against International Terrorism. Copenhagen, 23-24 September 2002.

<sup>141</sup> Copenhagen Political Declaration for Peace on the Korean Peninsula. Copenhagen, 23 September 2002.

<sup>142</sup> Chairman's Statement of the 5<sup>th</sup> Asia-Europe Meeting. Hanoi, October 2004.

Korea.<sup>143</sup>

The 6<sup>th</sup> ASEM summit celebrated the 10<sup>th</sup> anniversary since Europe and East Asia established its interregional cooperation framework in 1996. The comprehensive topic of the summit was “10 Years of ASEM: Global Challenges-Joint Responses”, reflecting the common objectives and development concerns of ASEM members when dealing with globalization (Ministry for Foreign Affairs of Finland 2006). Political decision was made on which countries could join ASEM during the 2<sup>nd</sup> round of its enlargement; these countries included Bulgaria and Romania from Europe, and India, Pakistan, Mongolia and the ASEAN Secretariat from Asia. There was some difficulty in coming to a joint decision, as differences emerged between European and Asian members as to which countries should automatically be invited as the new partners (Pereira 2007). After completing internal procedures though, ASEM-45 became a reality on the occasion of the 7<sup>th</sup> ASEM summit.

The Helsinki Declaration on Climate Change serves as a watershed for the ASEM, contributing to multilateral efforts to address climate change and meet present and future commitments under the UN Framework Convention on Climate Change and its Kyoto Protocol.<sup>144</sup> The agenda of ASEM was enhanced to include a social dimension, with attention being given to labour issues on the basis of the first ASEM Labour and Employment Ministerial Meeting, and to the launch of the ASEM Virtual Secretariat as a new coordination mechanism (Ministry for Foreign Affairs of Finland 2006). In order to maintain peace and stability in Northeast Asia, the ASEM also set the denuclearization of the Korean Peninsula as a priority issue.<sup>145</sup>

### 6.1.2 EU's Relations with Japan

Europe is generally known to have played a significant role in the modernization of Japan. Before Perry's arrival (1852), which opened Japanese ports to foreign vessels, the Japanese had long established contact with the Dutch and Portuguese. Thus, even before the European colonialization of Asia in the nineteenth century, Japan had already had contact with Europe for several centuries. Consequently, in its efforts at modernization during the Meiji Restoration, Japan adopted European models for its political and social institutions and

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<sup>143</sup> Chairman's Statement of the 5<sup>th</sup> Asia-Europe Meeting. Hanoi, October 2004.

<sup>144</sup> ASEM6 Declaration on Climate Change. Helsinki, 10-11 September 2006.

<sup>145</sup> Chairman's Statement of the 6<sup>th</sup> Asia-Europe Meeting. Helsinki, 10-11 September 2006.



infrastructure (Yamamoto 2006: 41-42). Many Japanese well-appreciate and acknowledge Western Europe's contribution to Japanese art, culture, and intellectual traditions (Kawashima 2003: 128; Yamamoto 2006: 41). Despite a massive influx of American culture after World War II,<sup>146</sup> many elements of European civilization, for example, French art, English literature, and the German legal system are still embedded in Japanese society.

Post-World War II, Japan's foreign policy was primarily shaped by its dependency on a trans-Pacific relationship with the United States and its relations with allied East Asian nations (Bridges 1999: 40-48). Europeans, for their part, were more focused on internal affairs, their alliance relationship with the United States, and their Cold war confrontation with the Soviet Union (Ibid.). Under these circumstances, Europe and Japan paid meagre attention to each other and so failed to cultivate deeper relations (Bridges 1999: 40-48; Yamamoto 2006). Thus, the fact that both Europeans and Japanese concentrated on fostering ties with the United States meant that they skewed their relations with each other (Bridges 1999: 41).

In the early 1960s, Japan's economy developed exponentially and the EU (at that time the EC) opened its market, so as a result their economic relations came to dominate their interactions. Yet, many European nations had reservations about this relationship; they were troubled with disputes over trade imbalance, a protective Japanese market, and inexorable surge of Japanese goods into key European industries such as automobiles (Bridges 1999: 19-48). According to Yamamoto (2006), some government officials and public intellectuals in Japan and Europe compared the lack of European-Japanese political relations to the American-European Atlantic partnership, and sought to use the latter as a model with which to settle the disputes.

It was the events of developments in the Gulf region, such as the fall of the Shah in Iran and the emerging threat of the Iranian long-range nuclear weapons, which helped foster the beginning of a stronger political relationship between Japan and Europe (Yamamoto 2006).

With the fall of the Berlin Wall in 1989, Japan's foreign and security policy was marked by the attempt to develop Europe-Japan relations (Yamamoto 2006), but due to domestic political problems within Japan, the annual EC-Japanese ministerial meetings were

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<sup>146</sup> This largely reflected the predominant presence of the United States in every aspect of Japanese life in the immediate post-war period, including during the Occupation years when Japanese virtually lived with the American military and were exposed to American culture and lifestyle. Many Japanese students went to the United States under Fulbright scholarship and many other programs.

suspended from 1986 to 1990. With EC President Jacques Delors' visit to Japan in July 1991, the EC and Japan announced "The joint Declaration on Relations between Japan and European Community and its Member States (The Hague Declaration)"<sup>147</sup> as the platform for Japan-EC/EU structured cooperation (Bridges 1999: 42-43).

The EU-Japan bilateral relationship as advanced industrialized democracies was further enhanced in 2001 with a Joint Action Plan.<sup>148</sup> By implementing the action plan, their relationship has been recently expanded and now goes far beyond the earlier trade-focused relations of the 1970's and 1980's.<sup>149</sup> The EU-Japan annual summit meetings cover a comprehensive range of issues including foreign policy, economic and trade relations, and regional and global challenges. This has involved, firstly, close cooperation in international and multilateral fora such as the UN, WTO, and the G8. Secondly, this has involved sectoral dialogues dealing with the Environment, Information Society, Science & Technology,<sup>150</sup> Trade, Financial Services, Industrial Policy, and the Regulatory Reform Dialogue.

### **Japan-EU Trade Relations**

Japan ran a trade surplus with the EC for the first time in 1969, after which Japanese exports to the EC began to accelerate substantially (Bridges 1999: 21-23). Therefore, although trade figures have become much more balanced recently, the Japan-EU trade relationship has been assessed as comprising strong trade surpluses in favour of Japan.<sup>151</sup> The opening up of Japanese markets to foreign products, especially foreign manufactured goods, has been a subject of much debate and controversy between Europeans and Japanese (Bridges 1999: 25-33). Since the early 1990's, and especially since its "financial bubble" buckled, Japan has, to a limited extent begun to accept that it has to open its economy to international competition and carry out comprehensive structural reforms.<sup>152</sup>

In 2011, the EU exported to Japan €49 billion worth of goods, which accounted for 3.2% of total EU exports and made Japan the EU's sixth-largest export market (see figure 6-3). EU

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<sup>147</sup> European Union: [http://eeas.europa.eu/japan/docs/joint\\_pol\\_decl\\_en.pdf](http://eeas.europa.eu/japan/docs/joint_pol_decl_en.pdf). (January 7, 2013).

<sup>148</sup> European Union: [http://eeas.europa.eu/japan/docs/actionplan2001\\_en.pdf](http://eeas.europa.eu/japan/docs/actionplan2001_en.pdf). (January 7, 2013).

<sup>149</sup> European Union: [http://eeas.europa.eu/japan/index\\_en.htm](http://eeas.europa.eu/japan/index_en.htm). (January 7, 2013).

<sup>150</sup> A Science and Technology Agreement between the EU and Japan were signed on 30 November 2009.

<sup>151</sup> European Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/>(January 7, 2013).

<sup>152</sup> European Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/>(January 7, 2013).

exports to Japan are mainly in the sectors of machinery and transport equipment (31.3%), chemical products (14.1%) and agricultural products (11.0%).<sup>153</sup> The Japanese share of the EU import market amounted to €65 billion, this comprised 4.3% of total EU imports in 2011 and made Japan the six-largest source of imports into the EU (see Table 6-3). Overall Japan is the seventh-largest trade partner of the EU (see Table 6-3).

**(Table 6-3) EU's Major Trading Partners (Merchandise) 2011**<sup>154</sup>

The Major Imports Partners				The Major Exports Partners				The Major Trade Partners			
Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%
Extra EU27		1 683 931,0	100,0%	Extra EU27		1 531 122,0	100,0%	Extra EU27		3 215 053,0	100,0%
1	China	292 070,9	17,3%	1	United States	260 566,8	17,0%	1	United States	444 708,0	13,8%
2	Russia	198 178,2	11,8%	2	China	136 216,9	8,9%	2	China	428 287,8	13,3%
3	United States	184 141,2	10,9%	3	Switzerland	121 690,6	7,9%	3	Russia	306 627,1	9,5%
4	Norway	93 528,7	5,6%	4	Russia	108 448,9	7,1%	4	Switzerland	212 894,7	6,6%
5	Switzerland	91 204,1	5,4%	5	Turkey	72 587,6	4,7%	5	Norway	140 059,6	4,4%
6	Japan	67 444,8	4,0%	6	Japan	48 970,3	3,2%	6	Turkey	120 176,0	3,7%
7	Turkey	47 588,4	2,8%	7	Norway	46 531,0	3,0%	7	Japan	116 415,1	3,6%
8	India	39 256,9	2,3%	8	India	40 419,4	2,6%	8	India	79 676,2	2,5%
9	Brazil	37 751,6	2,2%	9	Brazil	35 729,7	2,3%	9	Brazil	73 481,3	2,3%
10	South Korea	36 057,0	2,1%	10	United Arab Emirat	32 614,2	2,1%	10	South Korea	68 475,6	2,1%

**(Table 6-4) Japan's Major Trading Partners (Merchandise) 2010**<sup>155</sup>

The Major Imports Partners				The Major Export Partners				The Major Trade Partners			
Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%
World (all countrie		506 825,9	100,0%	World (all countrie		541 976,1	100,0%	World (all countrie		1 048 802,0	100,0%
1	China	115 857,9	22,9%	1	China	113 031,0	20,9%	1	China	228 888,9	21,8%
2	United States	52 173,3	10,3%	2	United States	91 032,2	16,8%	2	United States	143 205,4	13,7%
3	EU27	50 217,1	9,9%	3	EU27	65 740,2	12,1%	3	EU27	115 957,2	11,1%
4	Australia	34 206,9	6,7%	4	South Korea	47 070,0	8,7%	4	South Korea	68 724,6	6,6%
5	Saudi Arabia	27 038,8	5,3%	5	Hong Kong	31 998,2	5,9%	5	Australia	46 180,5	4,4%
6	United Arab Emirat	22 100,4	4,4%	6	Thailand	25 874,9	4,8%	6	Thailand	41 780,1	4,0%
7	South Korea	21 654,6	4,3%	7	Singapore	19 011,1	3,5%	7	Indonesia	33 389,3	3,2%
8	Indonesia	21 342,0	4,2%	8	Malaysia	13 345,8	2,5%	8	Hong Kong	33 147,0	3,2%
9	Malaysia	17 148,8	3,4%	9	Indonesia	12 047,3	2,2%	9	Saudi Arabia	31 940,4	3,0%
10	Qatar	16 361,7	3,2%	10	Australia	11 973,6	2,2%	10	Malaysia	30 494,6	2,9%

Europe is equally a very important market for Japan. With exports in 2010 to Europe of €66 billion, 12.1% of total Japanese exports, making the EU Japan's third-largest export market. Japanese exports to the EU are mainly in the sector of manufactures (96.1%) including

<sup>153</sup> European Commission, Statistics: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/> (January 7, 2013).

<sup>154</sup> European Commission, Statistics: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/> (January 7, 2013).

<sup>155</sup> European Commission, Statistics: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/> (January 7, 2013).

machinery and transport equipment (66.5%) and other manufactures (12.2%).<sup>156</sup> With a 9.9% 2010 share of the Japanese import market, represented by €50 billion, the EU is the third-largest source of imports into Japan (see Table 6-4). The EU remains Japan's third-largest trade partner (see Table 6-4.).

### **The Japan-EU Political Relations**

Both partners have created a number of informal “dialogues” in a number of areas, in addition to ministerial meetings and Government level yearly Summits.<sup>157</sup> According to a report concerning “Japan-EU Relations” published by Japan's Ministry of Foreign Affairs, Japan considers the EU as, firstly, one of the main global actors involved in spreading peace and prosperity in the international community. Secondly, the Japanese Ministry of Foreign Affairs' report suggested that the EU was a “Venus”: engaging other countries with soft power by influencing how global agendas are set, the formulation of rules/standards, and the shaping of international public opinion.<sup>158</sup> Moreover, Japan underlines the fact that they share fundamental values and principles with the EU, such as democracy, the rule of law and human rights, as well as sharing a common position on a number of global issues.<sup>159</sup> Thus, Japan recognizes the EU as a significant global partner in pursuing its national interests, not only in tackling global challenges (such as climate change, energy security, world economy, fight against terrorism, reconstruction in Afghanistan etc.) with close coordination, but also by fostering a shared understanding of regional issues (such as security environment in East Asia) through multi-layered dialogues.<sup>160</sup>

Through the world trading system, bilateral cooperation between EU and Japan has developed on multilateral trade issues, notably in the context of the WTO. Bilateral consultations on specific issues prior to the opening of a new round of negotiations were launched in 1998 to achieve common positions on issues relating to WTO negotiations.<sup>161</sup> The EU and Japan also jointly sought to utilize the ASEM to encourage the participation of

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<sup>156</sup> The sources are based on statistics of 2011. European Commission, Statistics: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/> (January 7, 2013).

<sup>157</sup> European Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/> (December 30, 2012).

<sup>158</sup> Japan-EU Relations by Ministry of Foreign Affairs, August 2011. <http://www.mofa.go.jp/region/europe/eu/index.html>. (December 30, 2012).

<sup>159</sup> Japan-EU Relations by Ministry of Foreign Affairs, August 2011.

<sup>160</sup> Japan-EU Relations by Ministry of Foreign Affairs, August 2011.

<sup>161</sup> Eighth Japan-EU Ministerial Meeting. Iikura House, 12 October 1998, <http://www.mofa.go.jp/region/europe/eu/summit/meeting9810.html>. (December 30, 2012).

other Asian countries in multilateral negotiations.<sup>162</sup> Since then, close relationships between the two partners have been sustained and lessons drawn from a successful conclusion of the Doha Round in November 2001 at the Fourth WTO Ministerial Conference.<sup>163</sup> The 19<sup>th</sup> EU-Japan Summit in Brussels acknowledged that the multilateral, rule-based, trading system of the WTO remains the most effective and legitimate means to manage and expand trade relations between countries and reiterated the important achievement of the Doha Development Agenda.<sup>164</sup>

At the Japan-EU Summit held in Tokyo on 28 April 2010, a joint High-Level Group identified methods for strengthening the comprehensive EU-Japan relationship and defined the framework required for implementing it.<sup>165</sup> Along with this work, at the 20<sup>th</sup> summit on 28<sup>th</sup> May in Brussels, Japan and the EU agreed to begin parallel negotiations for a deep and comprehensive Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA): addressing all issues of shared interest to both sides including tariffs, non-tariff measures, services, investment, Intellectual Property Rights, competition and public procurement. This included a binding agreement, covering political, global and other sectoral cooperation in a comprehensive manner, underpinned by their shared commitment to fundamental values and principles.<sup>166</sup>

### 6.1.3 South Korea' Relation with the EU

Many aspects of the relations between South Korea and the EU echo those of the EU's relations with Japan, though delayed in terms of their implementation of trade controls and anti-dumping measures, and in terms of the comparatively late establishment of a broadening dialogue through a joint agreement in 1996 (Dosch 2004; Gilson 2002). The Framework Agreement on Trade and Co-operation<sup>167</sup> between South Korea and the EU entered into force on 1<sup>st</sup> April 2001. In 2007, the Council of the EU called for this Agreement to be updated as part of a wider strengthening of bilateral relations. Negotiations began in June 2008 and were

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<sup>162</sup> Eighth Japan-EU Ministerial Meeting. Iikura House, 12 October 1998.

<sup>163</sup> European Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/japan/> (December 30, 2012).

<sup>164</sup> Joint Press Statement of 19<sup>th</sup> Japan-EU Summit, Tokyo, 28 April 2010.

<sup>165</sup> Joint Press Statement of 20<sup>th</sup> EU-Japan Summit. Brussels, 28 May 2011.

<sup>166</sup> Joint Press Statement of 20<sup>th</sup> EU-Japan Summit. Brussels, 28 May 2011.

<sup>167</sup> Framework Agreement on Trade and Co-operation: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:090:0046:0058:EN:PDF>. (January 7, 2013).

completed in 2009. The Framework Agreement was signed on 10<sup>th</sup> May 2010 and is expected to enter into force in 2012 after its ratification by EU Member States. The updated Agreement is an overarching political cooperation agreement with a legal link to the FTA. It provides the basis for strengthened cooperation, including mutual assistance with major political and global issues (human rights, non-proliferation of weapons of mass-destruction, counter-terrorism, climate change, energy security, etc).

In the wake of the Asian financial crisis, as well as with its participation in ASEM, South Korea came to recognize the importance of Europe. It is notable that the largest foreign direct investment into South Korea comes from the EU, a sum which culminated in \$ 40.5 billion in 2007.<sup>168</sup> Further the EU was South Korea's second-largest trading partner and its second-largest export destination in 2006 (Cho 2007).

### **South Korea – EU Trade Relations**

South Korea and the EU are important trading partners. In 2005, South Korea was the EU's eighth-largest import partner and the EU became South Korea's second-largest export destination (see Table 6-5 and 6-6). EU exports to South Korea have amounted to an annual average growth rate of 7.5% between 2004 and 2008 (see Table 6-7).<sup>169</sup> During the same period, the total volume of traded merchandise between South Korea and EU overtook the total volume of trade between South Korea and U.S. (see Table 6-7).

While, as a result of the global financial crisis, growth slowed down in 2009, since 2010 the situation has changed significantly and trade flows have increased again. Compared to 2009, the EU's exports to South Korea in 2010 amounted to € 28 billion (a 29.5% increase), whereas South Korean exports to the EU reached € 38.5 billion (a 20% increase).<sup>170</sup>

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<sup>168</sup> The value of EU services exports to South Korea in 2009 reached € 6 billion, while EU absorbed € 3.9 billion of Korean services. European companies are also consistently the largest investors in South Korea, representing a cumulative total of close to € 30 billion since 1962.

<sup>169</sup> Delegation of the European Union to the Republic of Korea: [http://eeas.europa.eu/delegations/south\\_korea/eu\\_rok/trade\\_relation/index\\_en.htm](http://eeas.europa.eu/delegations/south_korea/eu_rok/trade_relation/index_en.htm) (December 30, 2012).

<sup>170</sup> European Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/> (December 30, 2012).

(Table 6-5) The EU's Major Trading Partners (Merchandise) 2005<sup>171</sup>

Imports			Exports		
Partner	Millions of Euro	% of total	Partner	Millions of Euro	% of total
1 USA	162.926	13,9	1 USA	251.291	23,7
2 China	158.040	13,5	2 Switzerland	81.913	7,7
3 Russia	106.729	9,1	3 Russia	56.398	5,3
4 Japan	73.039	6,2	4 China	51.746	4,9
5 Norway	67.127	5,7	5 Japan	43.655	4,1
6 Switzerland	66.080	5,6	6 Turkey	41.825	3,9
7 Turkey	33.451	2,8	7 Norway	33.810	3,2
<b>8 Korea, South</b>	<b>33.227</b>	<b>2,8</b>	8 United Arab E	25.281	2,4
9 Taiwan	23.815	2,0	9 Canada	23.672	2,2
10 Brazil	23.225	2,0	10 Romania	21.804	2,1
11 Saudi Arabia	22.060	1,9	11 India	21.101	2,0
12 Algeria	20.729	1,8	12 Australia	20.694	2,0
13 Libya	19.473	1,7	13 Hong Kong	20.438	1,9
14 India	18.904	1,6	<b>14 Korea, South</b>	<b>20.134</b>	<b>1,9</b>
15 Singapore	18.203	1,5	15 South Africa	18.071	1,7
Rest of the world	327.606	27,9	Rest of the world	329.178	31,0
<b>World total</b>	<b>1.174.633</b>	<b>100,0</b>	<b>World total</b>	<b>1.061.013</b>	<b>100,0</b>

Source: Eurostat, COMEXT database

Note: The data corresponds to trade flows in 2005.

(Table 6-6) South Korea's Major Trading Partners (Merchandise) 2005<sup>172</sup>

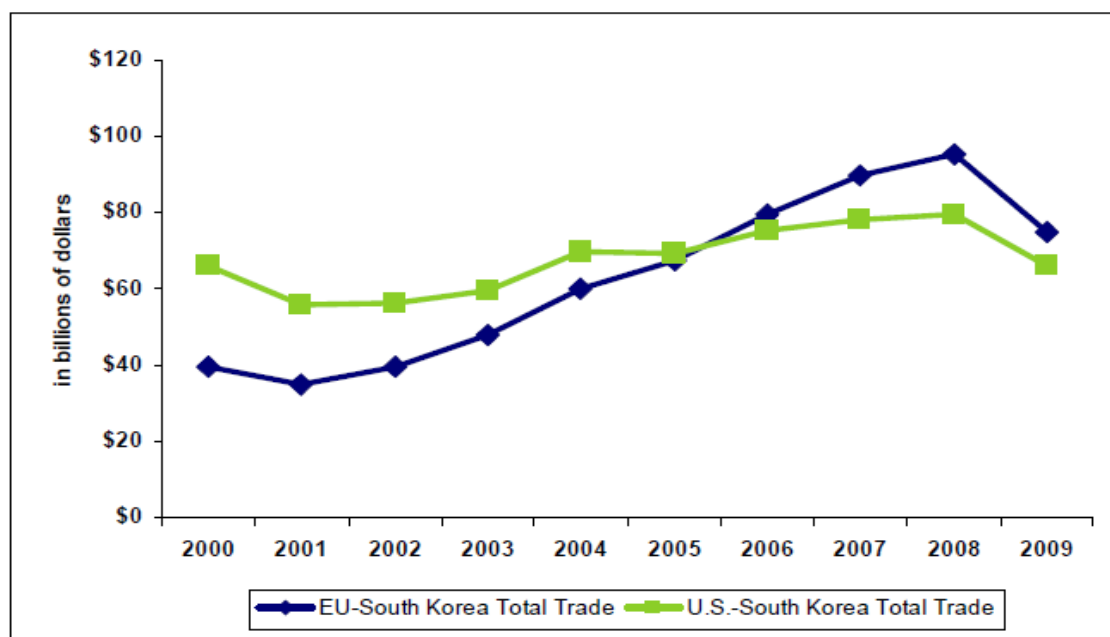
Imports			Exports		
Partner	Millions of Euro	% of total	Partner	Millions of Euro	% of total
1 Japan	38.526	18,5	1 China	49.280	21,8
2 China	30.765	14,8	<b>2 EU</b>	<b>34.753</b>	<b>15,4</b>
3 United States	24.350	11,7	3 United States	32.907	14,5
<b>4 EU</b>	<b>21.731</b>	<b>10,5</b>	4 Japan	19.128	8,4
5 Saudi Arabia	12.824	6,2	5 Hong Kong	12.362	5,5
6 United Arab E	7.976	3,8	6 Taiwan	8.645	3,8
7 Australia	7.849	3,8	7 Singapore	5.898	2,6
8 Indonesia	6.511	3,1	8 Indonesia	4.020	1,8
9 Taiwan	6.408	3,1	9 Malaysia	3.670	1,6
10 Malaysia	4.784	2,3	10 India	3.662	1,6
Rest of the world	46.222	22,2	Rest of the world	52.074	23,0
<b>World total</b>	<b>207.945</b>	<b>100,0</b>	<b>World total</b>	<b>226.398</b>	<b>100,0</b>

Source: KITA (global.kita.org) and Korea Ministry of Finance and Economy, *Major Economic Indicators*, May 18, 2006.

Note: The data corresponds to trade flows in 2005.

<sup>171</sup> Economic Impact of a Potential Free Trade Agreement (FTA) Between the European Union and South Korea, Short study by Copenhagen Economics & Prof. J.F. Francois.[http://trade.ec.europa.eu/doclib/docs/2007/march/tradoc\\_134017.pdf](http://trade.ec.europa.eu/doclib/docs/2007/march/tradoc_134017.pdf) (January 7, 2013).<sup>172</sup> Ibid.

(Figure 6-1) South Korean Total Merchandise Trade with the EU and U.S.



Source: Cooper/Jurenas/Platzer/Manyin (2011: 3)

### The EU-South Korea Free Trade Agreement (FTA)

The Free Trade Agreement (FTA) between the EU and the South Korea is the first of a new generation of FTAs to be completed since their launch by the EU in 2007. After eight rounds of talks, both sides initialled the FTA on the 15<sup>th</sup> October 2009. On the 16<sup>th</sup> September 2010, the European Council approved the FTA and it was then officially signed on 6<sup>th</sup> October during the EU-South Korea Summit in Brussels. The FTA has been provisionally applied since 1<sup>st</sup> of July 2011.<sup>173</sup> South Korea was chosen as a priority FTA partner as part of the EU's "Global Europe" initiative of 2006 (see Breuss/Francois 2011). Given the fact that South Korea-the EU FTA aims at the highest possible degree of trade liberalization (including the far-reaching liberalization of services and investment)<sup>174</sup> and extends beyond the opening up of markets that can be achieved through the WTO, the EU-South Korea FTA is the most comprehensive free trade agreement which the EU has thus far negotiated (Breuss/Francois 2011).

<sup>173</sup> Source from South Korea and EU FTA: <http://www.fta.go.kr/eu/main/index.asp> (January 7, 2013).

<sup>174</sup> Source from European Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/> (January 7, 2013).



## South Korea-EU Political Relations

Along with the EU's country strategy paper of 1993, South Korea and the EU also negotiated a framework agreement in 1995, which was initialled shortly before the first ASEM. Political relations between EU and South Korea are based on the 'Joint Declaration on Political Dialogue Links with South Korea', that entered into force much earlier than the other aspects of the agreement.<sup>175</sup>

When Korean diplomats actively pursued a stronger political relationship with the EU over its negotiation of the Korea Peninsula Energy Development Organization (KEDO) in 1994, South Korea's recognition of the EU was substantially increased.<sup>176</sup> KEDO's main objective is to forestall North Korea's nuclear ambitions by building two light-water reactors and thereby preventing Pyongyang from developing nuclear weapons. Although the ongoing crisis on the Korean Peninsula has questioned the overall effectiveness of multilateralism in Northeast Asia, KEDO and other activities on the Peninsula have provided a good opportunity for European actors to promote 'European-style cooperative approaches' to security based on multilateral institution building (Dosch 2004: 107-109). The EU particularly focused on engagement with North Korea by providing aid, worth around €400 million, in the form of food, support for agricultural rehabilitation, non-food humanitarian assistance, and technical assistance through the KEDO together with Japan, the US, and South Korea (Kan 2004: 515-518).

The EU's engagement policy in the Korean Peninsula met with some success in 2001. President Kim Dae-jung's "Sunshine policy" of engagement towards establishing peace and reconciliation with North Korea started to bear fruit: the first inter-Korean summit took place on the 15<sup>th</sup> June 2000, which was shortly followed by a number of encouraging events (family reunions, the reconstruction of transport links, governmental talks, including defence, economic cooperation and joint culture/sports events). The "Sunshine policy" received widespread international support, and was further enhanced after President Kim was awarded the Nobel Peace Prize 2000 (The GIA 2000).

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<sup>175</sup> Source from Ministry of Foreign Affairs and Trade Republic of Korea: [http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m\\_30\\_60\\_50](http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m_30_60_50). (January 7, 2013).

<sup>176</sup> Source from Ministry of Foreign Affairs and Trade Republic of Korea: [http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m\\_30\\_60\\_50](http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m_30_60_50). (January 7, 2013).

During President Kim's official visits to Norway and Sweden to attend the Nobel Peace Prize award ceremony, he asked the EU to play its role as a mediator and to help bring an amicable settlement to the Korean Peninsula.<sup>177</sup> There is a belief among South Korean policy-makers that the European approach of appeasement is more effectively inclined to produce reconciliation with North Korea than the America's hard-line policy. This was most obvious in the decision by the EU and the member states actually having established diplomatic relations with North Korea, while the US still balked at closer ties (Kim 2001). In comparison with the United States, the importance of Europe, prior to the formation of the ASEM, had been relatively underestimated in South Korea. By holding the 3<sup>rd</sup> ASEM meeting in Seoul, South Korea's efforts to enhance its relations with Europe began to take various forms. As a result, diplomatic and academic endeavours were concentrated on the preparation for the 3<sup>rd</sup> ASEM (Cho 2007), this in turn meant that Europe and the EU became increasingly visible in South Korea.

Finally, the EU decided to send a mediation team led by Swedish Prime Minister Göran Persson (the president of the Council), Javier Solana (the high representative for CFSP), and Chris Patten (commissioner for external relations of the European Commission) to Pyongyang in May 2001 (Kan 2004). As a result, the EU helped the 6 Party Talks (a forum set up to find a diplomatic solution to the crisis) and inter-Korean contacts again improved. President Kim viewed the EU as a solution to the USA's unilateral coercive approach to North Korea. In an interview, President Kim also paid attention to the role of Sweden as a middle power that played important part in the EU.

The 4<sup>th</sup> ASEM adopted the Political Declaration for Peace on the Korean Peninsula,<sup>178</sup> which reconfirmed "the importance of engaging North Korea in the international community through constructive dialogue delivering concrete progress and suggested the resumption of dialogue between the U.S. and North Korea." Behind the scenes, South Korea had actively lobbied to establish U.S.-North Korea dialogue as part the ASEM declaration.<sup>179</sup>

During the 6<sup>th</sup> ASEM summit, South Korea successfully inserted an element of its national

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<sup>177</sup> Addresses by President Kim Dae-jung at the Swedish parliament and on the South Korea-Sweden Summit, on 12 December 2000

<sup>178</sup> Copenhagen Political Declaration for Peace on the Korean Peninsula. Copenhagen, 23 September 2002.

<sup>179</sup> Source from Ministry of Foreign Affairs and Trade Republic of Korea: [http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m\\_30\\_60\\_50](http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m_30_60_50). (January 7, 2013).

interest into the Chairman's statement. Emphasizing the denuclearization of the Korean Peninsula as a essential factor in maintaining peace and stability in Northeast Asia, regional leaders held the view that, "reflecting the European experiences of successfully transforming their mistrust and confrontation into dialogue and cooperation, promoting multilateral security cooperation in Northeast Asia would enhance mutual understanding and confidence among the countries in the region and thereby lay the foundation for greater peace and common prosperity in Northeast Asia."<sup>180</sup>

In assessing the outcome of the 6<sup>th</sup> ASEM meeting, President Roh Moo Hyun voiced his appreciation of the EU's contribution to the proceedings, its provision of aid to North Korea, and its consistent support of South Korea's policies for establishing peace and denuclearization on the peninsula.<sup>181</sup> In addition, at his opening speech of the 6<sup>th</sup> ASEM meeting, the President Roh stated that European ideas of regional integration were of great inspiration to him: "Through the ASEM meetings, the Asian countries are learning from Europe's experience and achievements in integration and multilateral security cooperation. The experience of Europe is something that can serve as a very useful guide and reference for Asia, in establishing a peaceful and stable security order and seeking to build a regional community."<sup>182</sup>

Through the 10 years of ASEM meetings, South Korea was able to build up its political and diplomatic presence in the EU, thereby broadening its policy options on North Korea by dealing with major actors other than the U.S., China, and Japan.<sup>183</sup> Overall, then, South Korea has successfully pursued its political and diplomatic interests in ASEM meetings, which included an amicable peace settlement in the Korea Peninsula, and the opportunity to learn lessons from the EU for establishing a Northeast Asian community.

## 6.2 South Korea: Advocate of European Ideas Concerning Regional Integration

This section explores how and under what conditions South Korean leaders learn about and

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<sup>180</sup> Chairman's Statement of the 6<sup>th</sup> Asia-Europe Meeting. Helsinki, September 10-11, 2006,

<sup>181</sup> ROK-ASEM Relations. ASEM VI (September 10-11, 2006 Helsinki): [http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m\\_30\\_60\\_50](http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m_30_60_50). (January 7, 2013).

<sup>182</sup> Opening speech by the President of the Republic of Korea Roh Moo-hyun, as Asian Coordinator, the 6<sup>th</sup> Asia-Europe Meeting. Helsinki, September 10, 2006.

<sup>183</sup> Source from Ministry of Foreign Affairs and Trade Republic of Korea: [http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m\\_30\\_60\\_50](http://www.mofat.go.kr/ENG/countries/regional/asem/overview/index.jsp?menu=m_30_60_50). (January 7, 2013).

emulate European ideas of regional integration by reflecting on lessons from neo-functionalism, one of the most prominent theories about European integration and European experiences (cf. Kim/Schmitter 2005; Schmitter/Kim 2008).<sup>184</sup> Firstly, it is notable that a change in the regime/ government (6.2.1) provides impetus for reassessing the direction of foreign policy, in particular that pertaining to regional cooperation and integration. From this it follows that a leader's beliefs significantly determine policy preferences and directions (6.2.2).

### 6.2.1 Theory-driven Learning: Sunshine Policy, (Neo) Functionalism, and Spill-over

For the decade 1998-2008, both South Korean presidents viewed the past of Europe to be the future of Asia (Kim 2006; Roh 2006). Building on this insight, Kim Dae Jung proclaimed that “as the example of the European Union has shown, Asia will eventually take the same course of integration.”<sup>185</sup>

The two South Korean presidents apparently accepted a neo-functionalist lesson: regional integration has to begin somewhere, and the best place to do so “*under contemporary conditions is with a functional area that is of relatively low political visibility, that can apparently be dealt with separately and that can generate significant benefits for all participants*” (Kim/Schmitter 2005: 7). They started with “a concrete task that can be jointly managed with little initial controversy,” so that “it generates secondary effects upon other areas of potential cooperation” (Kim/Schmitter 2005: 8). As the case of the EU shows, sectoral integration was followed by trade liberalization and the Common Agricultural Program and, only after the event, by monetary integration. As Schmitter and Kim (2008) show, the sequence may be different, but for regional integration to proceed, it is essential to promote a collective resolution to concrete problems in a positive fashion. Cultivating regional cooperation in (North)East Asia in the wake of Asian financial crisis, East Asian

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<sup>184</sup> Schmitter and Kim (2008; Kim/Schmitter 2005) sketched out twelve lessons drawn from several prominent approaches to European integration, especially from the neo-functionalist one. The twelve lessons constitute a sort of common denominator of generalizations that can be drawn from interpreting the sinuous course followed by ECSC, EEC, EC and, most recently EU.

<sup>185</sup> This is based on the following assumption: the units for integration into larger wholes such as the ‘world’ or ‘transnational regions’ are merely “sovereign national states at various early stages in their formation and will therefore follow already established developmental trajectories”; “merely specialized instances of another political organizational type” (see Kim/Schmitter 2008: 12).

countries have started with financial cooperation, almost simultaneously with trade liberalization, and are now discussing agricultural issues.

Korea's division gave South Korean leaders the imperative to overcome the situation (see H.K.Kim/M.Kim/Acharya 2008). Kim Dae-jung gave attention to European integration in order to formulate reunification policy and investigated the processes required for sovereign national states to establish economic and political community. He focused on the conditions, or developmental levels, under which the two independent countries of North and South Korea could avoid the unnecessary conflict. Kim concluded that he should start with economic cooperation, and then move on to enlarging the tasks and expanding the authority of their common, supranational institutions, and before finally tackling the desired goal of reunification. This perspective is largely based on the logic of the neo-functionalist approach.

Kim Dae-jung, in referring to the EU in the case of East Asian regional integration, seemed to understand European integration as a process. Kim further learned about the process of European integration by drawing lessons from the experiences of the EU in formulating his 'sunshine policy': "Sunshine is more effective than strong wind." The Sunshine policy was named after Aesop's fable about the sun getting more results (appeasement policy) than the fierce wind (hard-line policy).<sup>186</sup> German 'Ostpolitik' and the process of European integration were sources for inspiration in crafting this policy. Accordingly, it can be said that Kim's formulation of the sunshine policy, together with his drive for greater East Asian community, owe their distinctive characteristics to his studied investigation of the EU as a successful model of integration (see Moravcik 2005).

### **The "Sunshine Policy" and Neo-functionalism**

President Kim Dae-Jung's (2006) active regional involvements were strongly connected to Korea's security imperatives, particularly in the context of inter-Korean reconciliation, as indeed he himself pointed out:

"... there are still many obstacles to overcome. In particular, the complicated and often tense relationships between Korea, China and Japan over historical issues have combined with domestic political interests to stir up nationalism, undermining the atmosphere of cooperation in the region. The international politics of the North Korean nuclear issue, rather than leading to the dissipation of Cold War sentiments, is strengthening those forces that aspire to revive the Cold War ... Resolution of the North Korean nuclear issue and peace on the Korean Peninsula are very important conditions for achieving an East Asian community and bringing peace to Asia ... I believe the Six-Party framework should not restrict itself to

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<sup>186</sup> Speech by President Kim Dae-jung, University of London, April 3, 1998.

being just a temporary meeting to resolve the North Korean nuclear issue. I believe it should develop into a permanent multilateral organization for the promotion of peace and democracy on the Korean Peninsula and in East Asia.”

He understood that resolving the conflict between the two Koreas, and complicated historical issues with their neighbours, were preconditions for establishing an East Asian community. Following the financial crisis, Kim Dae-jung pursued drastic reforms in various areas. In particular this involved the inter-Korean summit talks in June 2000. This was the peak of his peace-making engagement policy toward North Korea, and was responsible for generating a number of diplomatic efforts to improve Northeast Asia’s fragile peace (Aggarwal/Koo 2008), which was considered to be a prerequisite for regional integration (Snyder 2008: 80-86). During his visit to the United Kingdom in March 1998, President Kim Dae-jung presented the terms of his ‘sunshine policy’ as a means to promote greater discussion and collaboration with North Korea.<sup>187</sup> The financial crisis served to support such an approach by eliminating the dominating approach of ‘unification-by-absorption’ as a realistic possibility, and thus it also helped to produce a consensus among the South Korean public for viewing engagement as a meaningful way of reducing tensions and promoting cooperation with North Korea (Kim/Yoon 1999: 108-112).<sup>188</sup>

Kim Dae-jung enthusiastically pursued a new ordering of strategic priorities that contrasted strongly with those of former Korean presidents. For more than three decades, he had developed a vision for addressing the problem of Korea’s division and achieving national reconciliation. He had identified the vision as the core strategy facing Korea since its division into North and South in 1945. Deviating sharply from the strategies devised by his predecessors, Kim Dae-jung articulated a policy that would not be bound to Cold War logic or an inveterate need to unequivocally support American interests. Circumstances had changed and Kim Dae-jung now faced a more hospitable and receptive international environment in which to promote the nation’s interests. The Kim Dae-jung government thus pursued a more cooperative means of achieving its objectives. He pursued the method of dialogue to build a level of trust between the two Koreas which could gradually lead the North to seek reform and integration with the outside world. Kim ruled out ‘unification by absorption’ as a possible destiny, instead seeking a gradual process marked by negotiation, cooperation, and integration over the course of a long period of time through the mutually

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<sup>187</sup> Speech by President Kim Dae-jung, University of London, April 3, 1998.

<sup>188</sup> The 15<sup>th</sup> Inaugural address of President Kim Dae-jung, February 25, 1998.

negotiated establishment of a Korean federation (Kim 1998; Snyder 2008: 80-86). The former West German chancellor Willy Brandt's *Ostpolitik* inspired his initial approach, and his timeline would require decades before unification. During his stay in Cambridge of 1993 Kim Dae-jung investigated the EU, European regional integration, and security cooperation in order to identify potential policies applicable to Korean reunification. According to his remarks upon receiving an Honorary Doctorate from Cambridge University,<sup>189</sup> he expressed this clearly:

“I made my first connection with Cambridge University in 1993 when I came here as a visiting research fellow at Clare Hall. Personally, it was a time of extreme emotional difficulties, but I was able to regain peace of mind as I engaged in intellectual discourse with eminent scholars on this great campus. In particular, my research on German unification as well as European security and regional cooperation provided the basis for my Sunshine Policy for peace on the Korean Peninsula. It was indeed an important period not only for me but also for Koreans and all the people in East Asia.”

He paid attention to how previous sovereign national states in Europe could integrate peacefully and voluntarily since the early 1950s.<sup>190</sup>

The ‘Sunshine Policy’ is a policy of engagement with North Korea based on the belief that inter-Korean relations do not require antagonistic confrontation, but rather call for reconciliation and economic cooperation, which would lead to peaceful coexistence and eventually unification (Kim/Yoon 1999: 105). By involving private companies in the process of reunification the ‘Sunshine Policy’ grounded itself in the neutral territory of economics. Establishing political confidence and support for economic cooperation would pave the way for reunification (Snyder 2008: 82).

The neo-functionalist logic of the ‘Sunshine Policy’ is best reflected in the Hyundai business group’s Mt. Kumgang project.<sup>191</sup> This project has two implications for the “Sunshine Policy.” Firstly, the Mt. Kumgang cruise tour is a good example of the principle of separating economics and politics in inter-Korean relations. It was designed mainly with business interests in mind, and not political considerations; but as the project proceeds, the effect is expected to spill over to the political sector. As its catch phrase, the project has: “We would like to make Mt. Kumgang a foundation stone for unification and national economic integration”. Secondly, non-governmental actors played the main roles here, as only Hyundai

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<sup>189</sup> Speech by President Kim Dae-jung upon receiving an honorary doctorate from Cambridge University, December 5, 2001.

<sup>190</sup> Interview with Chang Sung-min, former secretary of president Kim Dae-jung

<sup>191</sup> For Mt Kumgang project, Tourism Business: <http://www.hyundai-asan.com/> (January 7, 2013).

and ordinary citizens were involved in the tours; the South Korean government is not directly engaged in this project either during the negotiation process or during its operation (Kim/Yoon 1999).

Roh Moo-hyun confirmed that he would continue his predecessor's policies by further revising and developing the proper methods for their implementation.<sup>192</sup> Accordingly, he retained Jeong Se-hyun as Unification Minister, the only member of Kim Dae-jung's cabinet to continue to hold his post. The appointment of Lee Jong-seok to an important post in the NSC and later to the position of Unification Minister was seen as another indication of Roh's drive for inter-Korean reconciliation (J.S. Lee 2010; Sheen 2008: 104). As a North Korea specialist Lee Jong-seok had been a close adviser during Roh's presidential campaign. Politically, Lee had been a true-blue advocate of engagement with the North since the Kim Dae-jung administration and he had also been a close assistant to Lim Dong-won, one of the chief architects of the Sunshine Policy and a key foreign policy advisor to Kim Dae-jung (Sheen 2008: 104).

Although the Roh government suffered from U.S pressure<sup>193</sup> and a souring of public opinion resulting from North Korea's nuclear test in October 2006,<sup>194</sup> he made sure that Mt. Kumgang tourism and the Kaesong Industrial Complex's manufacturing activity would continue. Standing his ground, President Roh Moo Hyun told President George W. Bush Jr. that his country would not participate fully in a plan to intercept possible North Korean nuclear shipments, a step that South Korean officials feared could lead to increased tensions and possibly war.<sup>195</sup>

At the historic October 2007 inter-Korea Summit talks, President Roh Moo-hyun promoted

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<sup>192</sup> The 16th inauguration speech by President Roh Moo-hyun, February 25, 2003

<sup>193</sup> At the meeting in Hanoi during the APEC summit, Bush again failed to persuade Roh to participate in the U.S.-led Proliferation Security Initiative (PSI) directed against North Korea's possible transfer of WMD and related materials. The Washington Post, November 19, 2006. <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/18/AR2006111800422.html>. (October 22, 2011).

<sup>194</sup> Under criticism for his slow reaction to international call for sanctions, Roh justified his stance by pointing out that South Korea had already effectively imposed sanctions against the North when it ceased shipments of rice and fertilizer as a penalty for Pyongyang's ballistic tests in July of 2006. Additionally, South Korea had also upheld sanctions, established by the international community in UN Security Council resolution 1718, targeted against North Korea's whole nuclear weapons programme. Finally, Roh had resolutely condemned North Korea's abject disregard for human rights, while previous South Korean administrations had attempted to evade the issue at the UN for fear of inciting the North. Nonetheless, Roh did not wish to be involved in the polarizing rhetoric and forceful sanctions sought by America (Sheen 2008: 106).

<sup>195</sup> The Washington Post, November 19, 2006. <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/18/AR2006111800422.html>. (October 22, 2011).



the idea of significantly expanding economic cooperation projects between both sides and ultimately working towards creating an Inter-Korea Economic Community.<sup>196</sup> The government indicated that the best way to establish peace on the Korean peninsula was to build a Korean Economic Community and underlined that expanding economic cooperation would allow North Korea to voluntarily decide to give up its nuclear program.<sup>197</sup>

The leaders of two Koreas focused on economic engagement to ease military tensions<sup>198</sup>: accelerating and expanding the Kaesong Industrial Complex; building a new industrial park near Haeju; starting tours to Kaesong city and Baekdu Mountain; rebuilding a highway from Kaesong to Pyongyang; and creating joint fishing areas in the troubled waters around the Northern Limit Line (NLL) in the Yellow Sea (also see Lee/Ouellette 2007; Sheen 2008: 109). Progress in these areas is likely to be slow, as the South Korean government set them as long-term goals (Office of the President 2007), yet cooperation in the economic field plays a critically important role in cultivating closer cooperative relations between the two Koreas, and in so doing will help to ameliorate the most overheated security confrontation in the East Asia region (Bluth/Dent 2008: 263).

In fact, regional reconciliation and cooperation, especially among Korea, Japan and China was prerequisites for implementing the South Korean government's engagement policy toward North Korea (Lee/Ouellette 2007). Roh moved beyond his conception of South Korea as a balancer, and sought instead to form a Northeast Asian multilateral security regime that could serve as the basis for promoting regional integration. (Sheen 2008: 116; see also Office of the President 2006). His declaration on October 4, 2007 reflected the desire of the two Koreas to reduce tensions and increase diplomatic, commercial, and cultural contact (see Office of the President 2006). The advancement of relations, peace, and prosperity between North and South Korea contribute substantially to regional stability and "the integrative processes that it must accelerate to enhance regional security and peace" (Lee/Ouellette 2007).

Su-hoon Lee, Chairman of the South Korean Presidential Committee on Northeast Asian Cooperation Initiative, believed that better South-North relations would help overcome the

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<sup>196</sup> Roh, Moo-hyun, gyeongjegongdongche giban joseong, hanbando pyeonghwa-e gajang jung-yo (Building Economic Community is most important for Peace on the Korean Peninsula), Cheong Wa Dae briefing, Office of the President, August 14, 2007, <http://16c wd.pa.go.kr/cwd/kr/archive>. (December 28, 2012).

<sup>197</sup> Office of NSC Advisor, gyeongje-wa pyeonghwaga seonsunhwan haneun saelo-un gil yeol-eo-ya (Virtuous Cycle of Economic Cooperation and Peace on the Korean Peninsula), Cheong Wa Dae briefing, Office of the President, August 10, 2007, <http://16c wd.pa.go.kr/cwd/kr/archive>. (December 28, 2012).

<sup>198</sup> Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity, October 4, 2007.

South-North division on the Korean peninsula and strengthen the basis for a broader regional integration in Northeast Asia (Lee/Ouellette 2007).

### 6.2.2 Emulating European idea of regional integration: from a Economic Community to as Community of Peace and Security

In formulating his ‘sunshine policy’ Kim Dae-jung derived lessons from European integration that could be applied to the Korean peninsula. Provoked by the Asian financial crisis he then also drew lessons from the EU and applied them to East Asian regional integration. Roh Moo-hyun further expanded the geographical focus to Northeast Asia. In order to materialize his ideas, Roh mobilized experts with a remit to investigate European ideas/experiences of regional integration.

#### **Northeast Asian Cooperation Initiative for Peace and Prosperity**

Upon its inauguration in February 25, 2003, the Roh Moo-hyun government laid out three major national policy goals: the establishment of participatory democracy, the balanced development of society, and the opening of a new era for a peaceful and prosperous Northeast Asia.<sup>199</sup> It was this third goal that provided Roh with the core of his foreign policy and which therefore guided his vision of a Northeast Asian community that would be capable of surmounting the historical divisions in the region (Roh 2006). In order to realize this third objective, the Roh government tried to accelerate the pace of institutionalization. As a part of this effort, the Northeast Asian Cooperation Initiative was established.

The Presidential Committee on Northeast Asian Cooperation Initiative published a booklet entitled “Toward a Peaceful and Prosperous Northeast Asia: Northeast Asian Cooperation Initiative”. Four key points underpin the initiative: (1) to understand how Northeast Asia has evolved since the early 1990s, (2) to investigate Northeast Asia’s growing importance in the world, (3) to harness the region’s internal dynamism and cope with its challenges, (4) and to address problems that spring from the rising power and influence of Northeast Asia (Presidential Committee on Northeast Asian Cooperation 2004; see S.H. Lee 2006; Moon 2006). The initiative outlined an assertive role for South Korea in the institutionalization of Northeast Asian integrative processes. South Korea’s three key roles for realizing the initiative are identified as being a bridging state, a hub state, and a promoter of cooperation

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<sup>199</sup> The 16th inauguration speech by President Roh Moo-hyun, February 25, 2003.

(Presidential Committee on Northeast Asian Cooperation Initiative 2004: 17-18).

The potential of Northeast Asia for taking a dynamic leading role in the formation of the global order has increased exponentially, indeed “(m)any scholars define the 19<sup>th</sup> century as the Age of Europe, the 20<sup>th</sup> century the Age of the Atlantic, and predict the 21<sup>st</sup> century will be the Age of the Pacific or Northeast Asia” (Roh 2006). While the gravity of economic and productive power has been shifting from Europe toward the Atlantic, and more recently to Northeast Asia, he underlined that “such a shift does not necessarily put Northeast Asia at the heart of world civilization” (Roh 2006). Wars, colonialism, and the Cold War have heavily affected the regional order of Northeast Asia. The Legacy of the past, especially the ongoing disputes over historical distortion among the three countries of Northeast Asia, preoccupies people living in the region. In addition, “Nationalism” is perhaps the greatest problem, with “the collective memory of the historical past and subsequent cognitive dissonance” serving as obstacles (Moon 2006: 228-229) for Northeast Asia to be qualified as “the heart of world civilization” (Roh 2006). Roh understood that “a regional community, anchored by institutionalized cooperation and integration, is urgently needed in Northeast Asia,” in order that “the destructive and tragic history of Northeast Asia should never be repeated” (Roh 2006; see also Lee 2007; Presidential Committee on Northeast Asian Cooperation 2004). President Roh was emphatic in pointing out that, “(i)n Northeast Asia, too, we must build a new order of cooperation and integration. Never again should we allow ourselves to repeat the shameful history of foreign subjugation due to internal dissension in the face of power rivalries over Korea. This is the core concept behind my vision for the age of Northeast Asia.”<sup>200</sup>

The eventual goal of the Northeast Asian Cooperation Initiative is to bring about “a peaceful, prosperous Northeast Asia” by fostering cooperation and “building a regional community of trust, reciprocity, and symbiosis” (Presidential Committee on Northeast Asian Cooperation Initiative 2004; 2007). Some critics claim that the slogans and policies of the Committee not only focus on the narrow geopolitical scope but also seem very much idealist, institutionalist, and constructivist, with weak realist considerations (S.W. Lee 2008a: 107).

To achieve the goal and to overcome existing obstacles, South Korea drew lessons from European integration and planned its strategies accordingly. Considering the formation of

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<sup>200</sup> Address by President Roh Moo-hyun on the 58th Anniversary of National Liberation, August 15, 2003.

foreign policy in South Korea (see chapter 6.2.3), it is notable that a leader's beliefs are one of the most significant factors determining policy direction on matters pertaining to regional cooperation/integration in (North)East Asia. President Roh's statement at the overseas Koreans conference in France reflected the degree to which he was inspired by European ideas of regional integration: he remarked on the major differences between the U.S. and European models. Moreover, Roh was anxious that the Korean economy had mainly been influenced by American theory. In his eyes, therefore, Korea had to import European institutions and ideas, and then balance could be brought to Korean society.<sup>201</sup> His 2006 article for *Global Asia* expresses well how he regarded European democracy and the EU:

“There are many elements which constitute world civilization. Economic power and technological prowess may be the most basic or visible mark of civilization, but the more important element, I believe, is how well individuals and nations have learned to peacefully co-exist with one another. If we were to see democracy within a country as the domestic manifestation of the wisdom of co-existence, then the EU represents the highest level of the wisdom of co-existence achieved at the international level. Thus, I believe that the EU is still at the center of world civilization because it has been shaping an order of co-existence through peaceful and cooperative means... the Europeans, befitting a people who invented democracy based on rational thought, are writing a new history based on the lessons learned from their long string of wars. They are creating a new history of peace and coexistence, providing that they are capable of reflecting on their past and re-imagining their future.”

## **Toward Northeast Asian Community I**

### **: Establishment of the Presidential Committee on Northeast Asian Business Hub**

Roh Moo-hyun's first step as president towards achieving his goal of regional integration was to found the “Presidential Committee on Northeast Asian Business Hub” in April 2003. The Committee focused on economic cooperation: establishing finance and logistics network; promoting FTAs; and enhancing cooperation in developing energy and railway sectors in Northeast Asia (S.H. Bae 2003; Presidential Committee on Northeast Asian Business Hub 2003). The Committee concentrated on economic cooperation throughout the tenure of the first Chairman of the initiative, Bae Soon-Hoon. The reports submitted to the national agenda meeting during the first Chairman's time in office reflected its focus (see Table 6-7).

The Committee hosted the first international seminar, co-hosted with the European Chamber of Commerce, in Korea on the theme of “Regional Cooperation and Business Hub: Examples and Lessons of Europe” in June 2003.<sup>202</sup> At the joint seminar in August 2003 Bae Soon-Hoon stressed that, through gradual cooperation in selected sectoral and functional areas, the

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<sup>201</sup> President Roh Moo-hyun's statement at overseas Korean conference in France, December 6, 2004.

<sup>202</sup> Source from Presidential Committee on Northeast Asian Cooperation Initiative: <http://nabh.pa.go.kr/english/about/history01.html>. (January 7, 2013).

initiative would ultimately pursue an economic community equivalent to that achieved by the EU (S.H. Bae 2003: 9).

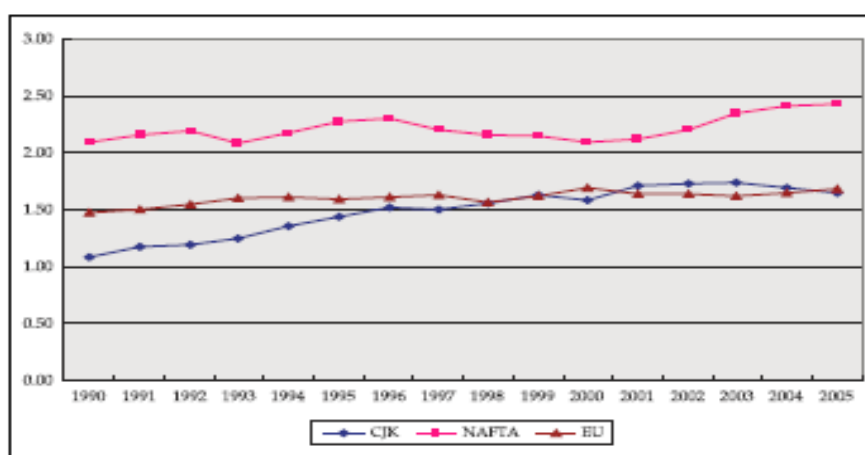
## **Toward Northeast Asian Community II**

### **: Consolidating the Presidential Committee on the Northeast Asian Cooperation Initiative**

As the early report of national agenda meeting of “Measures for fostering logistics-oriented companies” showed (see Table 6-7), the second Chairman continued by strengthening efforts to construct a Northeast Asian Economic Community, , while the committee tried to realize its goals and vision (Presidential Committee on Northeast Asian Cooperation 2004: 18-19).

Trade and investment among Northeast Asian countries is rapidly increasing. Figure 6-2 indicates the developments that have taken place in simple intra-regional trade among the three Northeast Asian countries, the EU and NAFTA.<sup>203</sup> The intra-regional trade concentration ratio of Northeast Asian countries increased from 1.13% in 1990 to 1.64% in 2005. According to the results, this region’s regional trade ratio is visibly lower than that of NAFTA. From 2001-2004, however, the ratio actually surpassed that of the EU. Interestingly, this occurred without the creation of any kind of regional trade agreement (C.J. Lee 2006; S.H. Lee 2007).

**(Figure 6-2) Simple Concentration Ratio of Intra-regional Trade in Northeast Asia, NAFTA, and the EU**



Source: IMF, 2007. Direction of Trade Statistics; C.J. Lee (2006: 270; 277)

<sup>203</sup> According to Chang-jae Lee (2006), the share of intra-regional trade is not a good measure of regional trade concentration, because a larger group results in a higher share of intra-regional trade. Therefore, I use his adjustment of intra-regional trade shares by the region’s share in world trade and the calculation of a simple intra-regional trade concentration ratio.

As a means of aiding its regional exchanges and investments, institutionalization in Northeast Asia is gradually progressing. Indeed, the institutionalization of overall economic cooperation among South Korea, China, and Japan has made significant progress through the ASEAN+3. Since November 2001, these three countries agreed to hold regular ministers' meetings in the areas of economy, trade, finance, foreign affairs, and FTAs.<sup>204</sup>

In the early stages, the Presidential Committee on the Northeast Asian Cooperation Initiative” or “Northeast Asian Cooperation Initiative was aware that building an Economic Community would bring about prosperity and peace through political breakthroughs (S.H. Bae 2003; C.I. Moon 2004). Given the ambivalent geopolitical position of South Korea, it possesses a strong motivation to transform such challenges into opportunities through cooperation (C.I. Moon 2006; S.H. Lee 2006).

However, while economic cooperation between the two Koreas and among Northeast Asian countries was accelerating, in reality, security cooperation was lagging behind. South Korea recognized the necessity for the Korean peninsula to overcome its division and establish a peaceful unified regime, in order to eliminate the source of major regional security threats (C.I. Moon 2004). Protectionism, conflicts, security instability, regime differences among regional countries, and nationalism are still obstacles to the process of institutionalization. Therefore, by advancing economic cooperation, Korea was trying to prevent such obstacles from interfering with institutionalization. Explicitly, Korea sought a two-track approach that simultaneously facilitated bilateral FTAs in many areas and multilateral cooperation in various sectors. At this point, Korea was attempting to utilize a networking approach that generated synergy by connecting sectoral cooperation and FTA facilitation (S.H. Lee 2007).

Under the direction of President Roh, who was enthusiastically interested in European ideas of regional integration, the Committee under Moon Chung-in (the second Chairman) continued investigating the European experience of regional integration.<sup>205</sup> The Northeast Asian Cooperation Initiative explicitly drew lessons from European ideas concerning regional integration.

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<sup>204</sup> Trilateral Cooperation Secretariat: <http://tcs-asia.org/> (January 7, 2013).

<sup>205</sup> Interview with Prof. Moon, Chung-in, the former Chairman of Presidential Committee of Northeast Asian Cooperation Initiative, October 14, 2010.

**(Table 6-7) Major Reports of the Presidential Committee on the Northeast Asian Cooperation Initiative**

<b>Date</b>	<b>Reports to the National Agenda Meeting and the President</b>
<b>The 1<sup>st</sup> Chairman, Bae Soon-Hoon (April 2003-Jun 2004)</b>	
May 2, 2003	Basic direction toward making Korea the business hub of Northeast Asia
June 5, 2003	New strategy for attracting foreign direct investment: direction and challenge
Aug.27,2003	Roadmap for Korea's emergence as the logistics hub of Northeast Asia
Oct.15, 2003	Status of the Incheon Free Economic Zone & Strategy for attracting foreign direct investment
<b>The 2<sup>nd</sup> Chairman, Moon Chung-in (June 2004-August 2005)</b>	
July 2004	Northeast Asia on Peace and Prosperity: Vision and Challenge
Aug.19,2004	Measures for fostering logistics-oriented companies
Sept. 2004	Plans for Northeast Asian Energy Cooperation
Jan. 2005	Mid- to Long-term Strategy for the Realization of the Northeast Asia Initiative
Jan. 2005	Jeju Island as a Centre for Northeast Asian Peace
<b>The 3<sup>rd</sup> Chairman, Lee Su-Hoon (August 2005-December 2007)</b>	
Sept.9, 2005	Implications of European Integration on the formation of a Northeast Asian Community
Oct. 2005	Follow-up for Mid- to Long-term Strategy for the Realization of the Northeast Asia Initiative
Nov. 2005	Plans for Deepening and Diffusing the Northeast Asia Initiative
Jan. 2006	Development Strategy of Inter-Korean Relations for the Realization of the Northeast Asia Initiative
April 2006	The Korean Peninsula Economic Initiative : the Formation of an Open Economic Zone on the Korean Peninsula
April 2006	The Northeast Asian Economic Cooperation Initiative : Establishment and Priorities
April 2006	Strategy for Multilateral Security Institutionalization
June 2006	Socio-cultural Cooperation Initiative for the Realization of the Northeast Asia Initiative
Sept. 2006	Improvement Measures for Korea-Japan Relations

*Source:* Authors compilation from <http://nabh.pa.go.kr> (May 30, 2011); Presidential Committee on Northeast Asian Cooperation Initiative (2007: 07)

### **Toward Northeast Asian Community III**

#### **: Elaborating Strategies from the European Experience of Regional Integration**

Recognizing the difficulty of institutionalization in this region – chiefly, the limitations of spill-over – the initiative simultaneously took multiple approaches (M.R. Park 2006). The initiative on peace and prosperity in Northeast Asia emphasized that it must be distinguished from a national development strategy. The initiative included economic concerns, but advanced a more comprehensive and bolder vision of regional integration. Given the ongoing regional integration process, the initiative adopted an approach to accelerate economic cooperation as well as simultaneously engaging in peace-building (S.H. Lee 2007; see M.R. Park 2006).

While Roh mentioned the EU as a true success story of economic integration in the early stages, as the initiative began evolving, he also gave his attention to the fact that European integration was initiated for peace and security rather than economic prosperity. Roh (2006: 12) stressed the need to forge a regime for multilateral security cooperation in Northeast Asia, and referred to “the Organization for Security and Cooperation in Europe (OSCE), which helped bring down the Cold War all of distrust and laid the foundation for an integrated Europe,” and which provided “a valuable lesson for multilateral security cooperation in this region.” While recognizing the difficulties involved in applying the European experience to Northeast Asia, he argued that “What is most important for the region in undertaking this initiative is the leadership to present a shared long-term vision to establish a multilateral security cooperation regime and the political will to realize that vision. Such an arrangement in this region needs to be founded on mutual trust and respect and to complement existing security mechanisms” (Roh 2006: 12).

It is important to recognize that the process of regional integration is evolutionary and sometimes unpredictable. Furthermore, as Lee Su-Hoon (2007: 158-159), the chairman of Northeast Asian Cooperation Initiative, has pointed out, the experience of European integration indicates that efforts to realize a Northeast Asian Community should start with a mutual interest in security and peace (see Presidential Committee on Northeast Asian Cooperation 2004).

It is worthwhile to illustrate how the third chairman, Lee Su-hoon, described the lessons that could be drawn from the European experience as a strategy for formulating regional



integration policy. This is an approach which closely follows the above mentioned neo-functional perspective of European integration (S.H. Lee 2007). Lee's understanding about regional integration articulated a way in which South Korean policy-makers could understand European ideas of regional integration and appropriately plan strategies on the basis of the European experience. Therefore, it is not surprising that the reports (which are listed in Table 6-7) at the national agenda meeting concerned the "Implications of European Integration on the formation of a Northeast Asian Community." Strategies based on the European experience made concrete connections to sectoral cooperation projects.

In order to realize a Northeast Asian Community, the initiative set three operational principles: a functional approach; simultaneous linkage; and multilayered cooperation (Presidential Committee on Northeast Asian Cooperation 2004; S.H. Lee 2007: 158):

**The Functional Approach** – Cooperation in functional areas is emphasized. Dialogue is an important instrument, which leads to commitment on cooperative projects in resource development, supply, and management. This can result in productive "spill-over" in the economic, environmental, and service sectors and, over time, help to build trust among project members. Consequently, mapping out a strategy aimed at the concrete promotion of small-scale energy-related projects can create a viable ideal, which, if it gains popular support, can lead to an expansion into larger-scale long-term projects.

This could be achieved, it was thought, through functional sectoral integration, which began with cooperation over resource management (mainly coal and steel). It was widely believed that integration in this sector would reduce the signatories' capability to use these resources for narrowly defined national interests. The history of integration in Europe provides an important model in this instance. With the formation of the European Coal and Steel Community (ECSC) in 1951 an institution was formed that would directly serve as an important example for later efforts at integration such as the European Economic Community (EEC) and the Atomic Community (ATOM).

The evolution of European institutions shows that mutual aims, flexibility in policy-making and the "spill-over" effect have afforded opportunities for ever greater levels of integration. Within just a few decades Europe has witnessed the founding of the Economic and Monetary Union (1969), the opening up of membership to former Soviet-bloc countries (1993), and perhaps most importantly the Maastricht Treaty which established the conditions for a

European Union (1992) (S.H. Lee 2007);

**Simultaneous Linkage** – The Second operational principle required for a Northeast Asian Community entails that the development of parallel linkages on simultaneous fronts, including security and economic cooperation through socio-cultural exchanges and regional cooperation, the comprehensive South Korea-U.S. alliance, and cooperation with neighbouring countries, in particular China, Japan and Russia. This also means that Northeast Asian cooperation ought to be pursued and promoted in conjunction with inter-Korean cooperation. In order to achieve successful outcomes and maximize their synergetic effects, Lee Su-hoon (2007) indicates the European experience of overcoming historical distortion:

“Europe has undertaken some of the most significant and far-reaching steps toward regional integration in the history of international relations. In the aftermath of World War II, Europe was a region in ruins. Regional leaders realized that in order to avoid a recurrence of this destruction and to put the countries within the region on a path of political, economic, and social recovery, state-centrism, for the most part, would have to be abandoned and amalgamated security community promoted”

**Multilayered Cooperation** – This principle emphasizes a multifaceted approach to building a regional community, and recommends that cooperative efforts be deployed at bilateral, sub-regional, regional and multilateral levels. This approach reflects South Korea’s policy adjustment in light of the criticism that Roh had favoured Northeast Asia at the expense of East Asia; consequently it signals a broad attempt to develop regional cooperation in the whole of East Asia.

### **The Case of Energy Cooperation**

As Schmitter and Kim (2008) suggest, Northeast Asia needs to locate a sector similar to the ‘coal and steel’ industries that in the 1950s served as a germ for the later EU. The authors point to transport (one functional area), or transport and energy (two highly interrelated functional areas), as two viable options. The fields of transport and energy satisfy many conditions by being of relatively low controversiality, separability, and interconnectedness, although, given the sensitive nature of North Korea, there is no functional area entirely without controversiality (Schmitter and Kim 2008). It is in this respect very encouraging that some of the previous projects and current plans for regional integration in Northeast Asia, such as transcontinental railroad and energy development projects, are focused on these two functional areas (C.I. Moon 2006: 237-238; see Calder 2005; M.R. Pak 2005).

In contrast to North America or Europe, Northeast Asia’s energy supply patterns are unusual

in having well-developed regional gas grids for piped natural gas that relies on liquefied natural gas (LNG) for the bulk of its gas supplies (Calder 2005). Oil must travel over 700 miles from the Persian Gulf, or from Southeast Asian oilfields, especially those in politically and economically unstable Indonesia.<sup>206</sup> Overall, the region relies on the volatile Middle East for well over two-thirds of its oil supplies – one of the highest such ratios in the world (Calder 2005). In 2001, Japan depended on the Middle East for 85.5% of its oil supplies, South Korea for 76.5%, and China for 45.9%, by contrast, the United States got only 23%, Germany 11%, and Britain only 6% from that region.<sup>207</sup> Northeast Asia's growing demand for oil alone, and its dependence on oil imports from the Persian Gulf, indicates a need to diversify the type, sources, and uses of energy. The three nations of Northeast Asia, namely China, Japan, and South Korea recognized that such diversification would be vital for their countries, not only for energy security and sustainability, but also for environmental reasons, as local, regional, and global environmental impacts would need to move to cleaner, more highly efficient fuels (Calder 2005). Terrorism in the post-9/11 environment and political instability in the key global energy suppliers has prompted the review of the energy supply-chain's sustainability (S.H. Lee 2008: 160-161).

South Korea recognized that the key to the geopolitics of energy in Northeast Asia, and ultimately to prospects for large-scale regional cooperation within the region, is clearly the Korean Peninsula. At the South Korea-China-Japan Summit, held on sidelines of the ASEAN+3 in Cebu, Philippines, President Roh pointed out the need for discussions on energy conservation among the three countries and expressed his hope that China and Japan would join in Korea's efforts to establish an intergovernmental consultative body (H. Paik 2007). South Korea has actively been engaged in energy cooperation among Northeast Asian countries. Although South Korea has been willing to take responsibility for financing the establishment of a consultative body on energy cooperation, China and Japan have shown no interest in participating in the meetings conducted by the Korea Energy Economics Institute.<sup>208</sup>

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<sup>206</sup> See Korea Energy Economics Institute. 2011. *Yearbook of Energy Statistics*.

<sup>207</sup> See United Nations. 2002. *Energy Statistics Yearbook*.

<sup>208</sup> Information: <http://www.keei.re.kr/main.nsf/index.html>; themes of meetings are as follows: Symposium on Energy Cooperation in Northeast Asia (June, 2001); Seminar on Energy Cooperation in Northeast Asia: Directions and Implementation (October, 2002); Expert Workshop 'Towards Multilateral Energy Cooperation in Northeast Asia' (September, 2003); Workshop on 'Cooperative Measures in Northeast Asian Petroleum Sector: Focusing on Asian Premium Issue' (September, 2003); The report "Plans for Northeast Asian Energy

## Reconciliation Projects

President Roh (2006: 11) pointed out that political and personal elements contributed to European integration:

“Some of the most prominent leaders are: Jean Monnet, who is called the father of European integration; Robert Schuman, who advocated the creation of the European Coal and Steel Community (ECSC), an early experiment in European integration; Konrad Adenauer and Charles de Gaulle, who laid the foundation for integration of Western Europe; and Willy Brandt, who initiated reconciliation between Eastern and Western Europe”

Europe had the good fortune of a shared political will and figures like Jean Monnet and Robert Schuman to lead the charge. A significant number of politicians, and various the citizens that supported them in the six founding states, had committed firmly to the goal of developing closer forms of economic collaboration over the long term.

In order to encourage participation in Northeast Asia, reconciliation among the three countries is a prerequisite. Roh complemented reconciliation efforts especially in Germany and France.<sup>209</sup>

“we need to confront the past and build a common ground of historical understanding. Germany thoroughly reflected on its past after World War II, and has helped heal the long-festering wounds of European history. This process laid a psychological foundation for European integration. It also produced a tangible outcome, exemplified by Germany’s initiative in co-authoring history textbooks with France and Poland that have contributed immensely to instilling in the next generation an accurate and common historical perspective. Germany’s actions also represent a strong bulwark against divisive chapters of history that might otherwise stand in the way of progress toward a united future.”

Owing to a shift in Japanese politics to the right and South Korean politics to the left, it was difficult for both countries to find common ground. In addition, concerning ways of dealing with North Korea, South Korea could not find common ground with Japan in the latter’s support for America’s tough posture. Under these circumstances, facing widely perceived Japanese arrogance, Roh showed moderation while calling for a peaceful resolution and Northeast Asian cooperation in his visit to Japan.<sup>210</sup>

Following the European experience, the Korean Government created the Northeast Asian History Foundation in 2006 which recognized that the region would substantially benefit

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Cooperation” (September, 2004); KEEI International Symposium on Northeast Asia Energy Cooperation (March, 2005).

<sup>209</sup> Address by President Roh given at the Sorbonne University, December 6, 2004; German Bundestag of Representatives HR Dinner on April 13, 2005.

<sup>210</sup> Address by President Roh Moo-hyun, Japanese Diet. June 9, 2003.

from joint history research projects involving scholars from each country. This project would provide a shared history curriculum, history textbooks and be instrumental in assisting the Northeast Asian Socio-Cultural Cooperation Initiative. Taking the lead in initiating this project, South Korea introduced East Asian history into its school curriculum as a separate subject (Presidential Committee on Northeast Asian Initiative 2007: 06). Roh (2006) believed that joint history research projects “will not only contribute to shaping a common regional identity, but also help transform parochial nationalism, a root cause of intra-regional conflicts, into an open nationalism which enables mutual trust and understanding.”

At the South Korea-China-Japan and South Korea-China summit meetings on the sidelines of the 2007 ASEAN+3, in response to deteriorating relations among the three countries that had halted meetings for two years, President Roh stressed the need to renew efforts at rapprochement so that history no longer hindered bilateral and trilateral cooperation.<sup>211</sup> At the meetings, the issue of history was explicitly raised between South Korea and China. According to chief secretary Baek, Jong-chun, in order to resolve the issue the two countries agreed that measures involving joint academic studies and joint excavations and research should be implemented. As a direct result of this cooperation, the Northeast Asian History Foundation of Korea and the Chinese Academy of Social Science held an international conference that same year.<sup>212</sup>

### 6.2.3 Implementing European Ideas of Regional Integration in South Korea

Traditionally, and even into the contemporary era, South Korea has relied upon scholars, officials, and research institutions to shape its *Weltanschauung*, plan strategies and formulate difficult policy initiatives (see de Prado Yepes 2003). The revolving door between scholars and officials became a significant feature of Korean and Chinese governance until the end of their respective dynasties in the early 1900s. During the Yi Dynasty of the *Joseon* era, officials were recruited through the *gwageo* (the highest-level state examination), thus it was hard to differentiate officials from scholars since the court's top officials were usually drawn from a pool of Confucian scholars.

South Korea's foreign policy may be characterized as an informal and clear-cut process,

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<sup>211</sup> Cheong Wa Dae (Office of the President), Korea-China-Japan and Korea-China summit meetings on the Sidelines, January 14, 2007. <http://16c wd.pa.go.kr>. (January 7, 2013).

<sup>212</sup> Baek, Jong-chun, Chief Secretary to the President for Unification, Foreign and Security Policy, Press Briefing and conference, January 14, 2007. <http://16c wd.pa.go.kr>. (January 7, 2013).

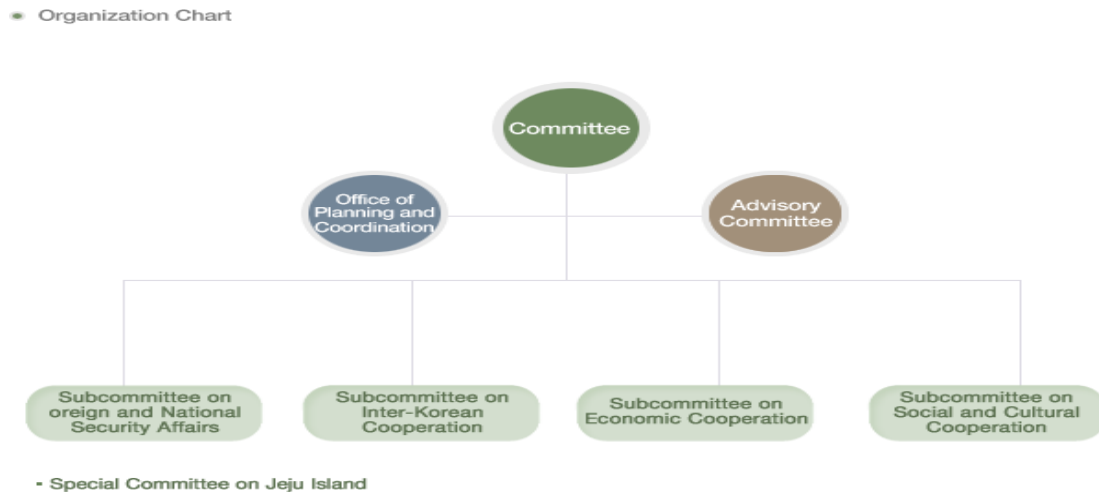
because few people are actually involved in policy formulation. From the mid-twentieth century, the intellectual and social elites of Korea based their legitimacy upon a Confucian code of *buguk kangbyong* (making their country wealthy and military strong), which Park Chung-hee first presented and which his military successors devotedly pursued (Hong 2008: 34-38).

In the 1960s-1970s, Park Chung-hee was a strong leader who made every key decision in the foreign policy decision-making process himself. This meant that there was no possibility for the bureaucracy to bargain or compromise with the president, and that only a few qualified professionals served him (Hong 2008: 34). For the past thirty years, however, South Korea's policy structure and formulation process have changed fundamentally: as democratization advanced and consolidated itself, public opinion came to play an increasingly important role in influencing domestic politics (see Choi/Moon 2010: 359-361; Hong 2008: 48-51). Opposition groups rapidly gained strength during Chun Du-hwan's dictatorship and their power was barely controllable by the time Roh Tae-woo became the president in 1987. As a consequence, Roh faced violent demands for open democracy and a more flexible policy toward North Korea. To deal with this he desperately needed new approaches to pre-empt their progressive agenda and quell their criticism (Hong 2008). Despite the fact that the bureaucracy had greatly increased in manpower and professional capability, as a former military officer, Roh preferred to conduct foreign policy in a secretive manner through his personal advisors without relying on the regular channels (Hong 2008: 48-51). According to Hong (2008: 34-38), South Korean foreign policy-making takes a highly centralized monarchical form, dominated by the head of government and his key advisors (see Kohl 1975).

While Kim Dae-jung was little different to his predecessors in foreign policy-making, Roh Moo-hyun initiated a systematic, strategic approach to national affairs. Both direct orders from the president and the employment of a handful of advisors to carry out behind-the-scenes insider politics were replaced by a transparent decision-making process within the government (Sheen 2008). In order to improve the decision-making process, Roh established committees under the presidential office comprised of experts from the government, the

private sector, and academia to conduct open discussions and to debate the policy agenda.<sup>213</sup>

**(Figure 6-3) Structure of the Presidential Committee on Northeast Asian Initiative**



Source: Presidential Committee of Northeast Asian Initiative: <http://nabh.pa.go.kr>

According to figure 6-3, the main committee of the Presidential Committee on Northeast Asian Cooperation Initiative (2004: 32-34) consist of 12 governmental members (chairman/10 ministers from each ministerial Department/ Chief Secretary to the President for national policy) and non-governmental members (mostly involved in research and academia); 13 members on a Special Committee on Jeju Island; 69 members in the advisory Committee; 15 member in the Subcommittee on foreign and security affairs; 15 members in the Subcommittee on inter-Korean cooperation; 14 members in the Subcommittee on Economic cooperation; 15 members in the Subcommittee on social and cultural cooperation (private sector/academia).<sup>214</sup>

Even the national security strategy was to be formulated through the involvement of these experts. Roh expanded and strengthened the National Security Council (NSC) Advisor's office which used to be a one-man post reporting directly to the president: now staff were added from various sectors of the government (including the foreign and defence ministers) and from academia, who were placed under a powerful director, who had daily consultations

<sup>213</sup> Presidential Archives, 16<sup>th</sup> Presidency: [http://www.pa.go.kr/WMS/16th\\_president/16th\\_president.html](http://www.pa.go.kr/WMS/16th_president/16th_president.html). (January 7, 2013).

<sup>214</sup> Presidential Committee of Northeast Asian Initiative: <http://nabh.pa.go.kr>. (January 7, 2013).

with the president (Sheen 2008: 102). In March 2004, the NSC office published a national security guideline, presenting a comprehensive strategic vision. Entitled “Peace, Prosperity and National Security: Security Policy Initiative of the Participatory Government,” this was the first ever official document on South Korea’s national security strategy by the presidential office. Most of strategy papers and policy papers have been accessible to the public.<sup>215</sup>

**(Table 6-8) The Increasing Number of Presidential Committees (2002-2006)**

	2002	2003	2004	2005	2006	2007	Variation compared to 2002
Advisory Committees	18	17	23	25	28	32	75.0%
Executive Committees	4	4	5	5	7	-	38.9%
Total	22	21	27	29	32	-	45.5%

Source: Statistics, <http://m.index.go.kr>

**(Table 6-9) Advisory/Assistance Budgets (2002-2006)**

		former	Roh Moo-hyun Government					Variation compared to 2002
		2002	2003	2004	2005	2006	Total	
Advisory/ Assistance Budget	Advisory Committees	238	297	435	510	552	1,795	131.6%
	The Blue House	958	1,017	1,127	1,180	1,207	4,531	26.0%
	Subtotal	1,196	1,314	1,562	1,690	1,759	6,326	47.0%
Government Budget		149,7	162,8	161,2	167,9	175,3	-	17.1%

Source: Ministry of Planning and Budget.

Note: unit: hundred million won, trillion won

<sup>215</sup> Presidential Achieves, 16<sup>th</sup> Presidency: [http://www.pa.go.kr/WMS/16th\\_president/16th\\_president.html](http://www.pa.go.kr/WMS/16th_president/16th_president.html). (January 7, 2013).



President Roh's approach to strategy planning and policy-making are well reflected in Table 6-8. Since his inauguration in 2003, the number of Presidential Committees continually increased in number: from just 17 advisory Committees in 2003 to 32 in 2007. Compared with the end of Kim Dae-jung's presidency, by the end of Roh's presidency advisory committees had increased in number by 75% (see Table 6-8).

In the same way, the budget for advisory committees was also on the rise year by year. In comparison with the budget for advisory committees in 2002, their 2006 budget under the Roh government had increased by 131.6% (see Table 6-9). Accordingly, the government was criticised for drastically increasing the advisory/assistance budget, and was mockingly referred to as the "Republic of Committees."<sup>216</sup> I do not discuss any negative effect of this approach, because I wish to focus upon understanding the ways in which policy-makers and the epistemic community interact.

Interestingly many Korean foreign ministers and Chairmen on the Committee of Northeast Asian Cooperation Initiative were from academia. For example, Han Sung-Joo, chairman of the EAVG, and former foreign minister of South Korea, returned to the Ilmin International Relations Institute at Korea University which he had personally established.

Table 6-10 lists the former foreign ministers during the terms of two presidencies (1998-2007) and the committee chairmen for part of the same period (2003-2007). While the ministers came from and/or went back to academia, the committee chairmen also originated from academia and, after their tenure, they have been active in producing policy ideas at various research institutes. Moreover, under the committee, there were many other sub-committees; in this way, the policy-makers have institutionalized relations with the epistemic community, indeed it could be said that the committee itself serves as an epistemic community. Accordingly, it could be argued that because the epistemic community has institutionalized relations with policy-makers in South Korea they have been able to directly facilitate the diffusion of European ideas concerning regional integration.

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<sup>216</sup>wi-wonhoe gonghwagug-eulo meongdeun jeongbu (Bruised government due to Republic of Committees), Yon-hap news, February 26, 2005.

**(Table 6-10) South Korean Foreign Ministers/Committee Chairmen during 1998-2007**

Name	The Term of office	Profession
<b>Foreign Ministers</b>		
Park Chung-soo	3 March - 4 Aug. 1998	Professor/ Politician
Hong Soon-young	4 Aug. 1998 - 14 Jan. 2000	Diplomat/ Professor
Lee Joung-binn	14 Jan. 2000 - 26 Mar. 2001	Diplomat
Han Seung-soo	26 Mar. 2001 - 4 Feb. 2002	Professor/Assemblyman/ Deputy Prime Minister, Minister of Finance and Economy
Choi Sung-hong	4 Feb. 2002 - 27 Feb. 2003	Diplomat/ Professor
Yoon Young-kwan	27 Feb. 2003 - 17 Jan. 2004	Professor
Ban Ki-moon	17 Jan. 2004 - 10 Nov. 2006	Diplomat/ U.N. Secretary General
Song Min-soon	1 Dec. 2006 - 29 Feb. 2008	Diplomat/ Assemblyman
<b>Committee Chairmen</b>		
Bae Soon-Hoon	April 16, 2003- June 21, 2004	Businessman/Professor/political advisor
Moon Chung-in	June 22, 2004 - Aug. 9, 2005	Professor
Lee Soo-Hoon	Aug. 9, 2005 - 2007	Professor

*Source:* Author's compilation from Ministry of Foreign Affairs and Trade <<http://www.mofat.go.kr>>; Presidential Committee on Northeast Asia Initiative <http://nabh.pa.go.kr>

### 6.3 Why were South Korean Political Leaders Advocates for European Ideas of Regional Integration?

In this section, the empirical results pertaining to the reception of European ideas about regional integration are demonstrated in the light of the hypotheses presented in chapter 3 (see Figure 6-5 and Table 6-11). This sub-chapter traces a causal-chain based on the analytical framework established by structural explanations of Northeast Asia-specific conditions and country-specific constraints in South Korea and Japan. To accomplish this I will combine additive explanations of lesson-drawing and emulation (see Figure 6-5) and then identify the domestic constellations of leadership learning as intervening variables which have served as the mediating factors in shaping different stances (see Table 6-11).

1. *The likelihood of one of these two countries accepting European ideas concerning*

*regional integration decreases if the domestic constellation does not change (viz. if the government does not change); thus previous ideas regarding structural conditions and domestic constraints prevail (No-Acceptance): **Japan (1998-2007)***

2. *The likelihood of one of these two countries accepting European ideas concerning regional integration increases (1) when it has a greater level of interaction with the EU such that political leaders learn and emulate these ideas; (2) if the domestic constellation changes (viz. if the government changes); (3) when the government views the EU as providing evidence of successful regional integration (Lesson-drawing); (4) if the political leaders understand the structural conditions and domestic constraints differently (Lesson-drawing/Emulation); (5) when policy-makers have institutionalized relationships with epistemic communities and government officials are drawn from academia (Emulation) (Acceptance): **South Korea (1998-2007)***

Although the EU's approach to East Asian regional integration has been ambivalent, its preference for an interregional approach seems clear, as can be observed in the EU's policy patterns with its East Asian partners since the first ASEM. ASEM meetings provide many benefits for both parties involved. For instance, ASEM affords the EU with opportunities to present itself as a united economic, political, and diplomatic actor, promoting its values and ideas. Likewise, it is clear that ASEM gives South Korea and Japan a channel through which to engage in a new type of dialogue previously unavailable to them (Gilson 2002).

Compared with the long history of Japan-Europe relations, South Korea's relations with the EU have been relatively short and recent. Nonetheless, the EU's approach to Japan and South Korea are not so different. Since the beginning of ASEM, the EU's relations with both countries have deepened economically and expanded socio-politically. While Japan has focused on economic relations with the EU in a "business as usual" approach, South Korea has pursued not only economic but also political relations with the EU by taking advantage of ASEM meetings. Political leaders seem to be more accepting of European ideas about regional integration the more they are given opportunities to interact with, and learn from, the EU.

Given the fact that the EU has taken similar approaches to both South Korea and Japan, the different responses of both these Asian countries are not attributable to the EU. Rather these

responses are determined by the particular form of reception that the EU has met with in South Korea and Japan.

As chapter 5 shows, ever since the Asian financial crisis passed, Japan's regional aspirations have meant that it responded to its structural conditions and constraints only in order to deal with changing environments. The fact that there have been no changes in its constellation of domestic actors has meant that already established ideas concerning structural conditions and constraints (US foreign policy orientation, rivalry with China, and strong veto-players) are still dominant, and that there is thus no desire for new models or ideas about regional integration. This situation corresponds to hypothesis 1.

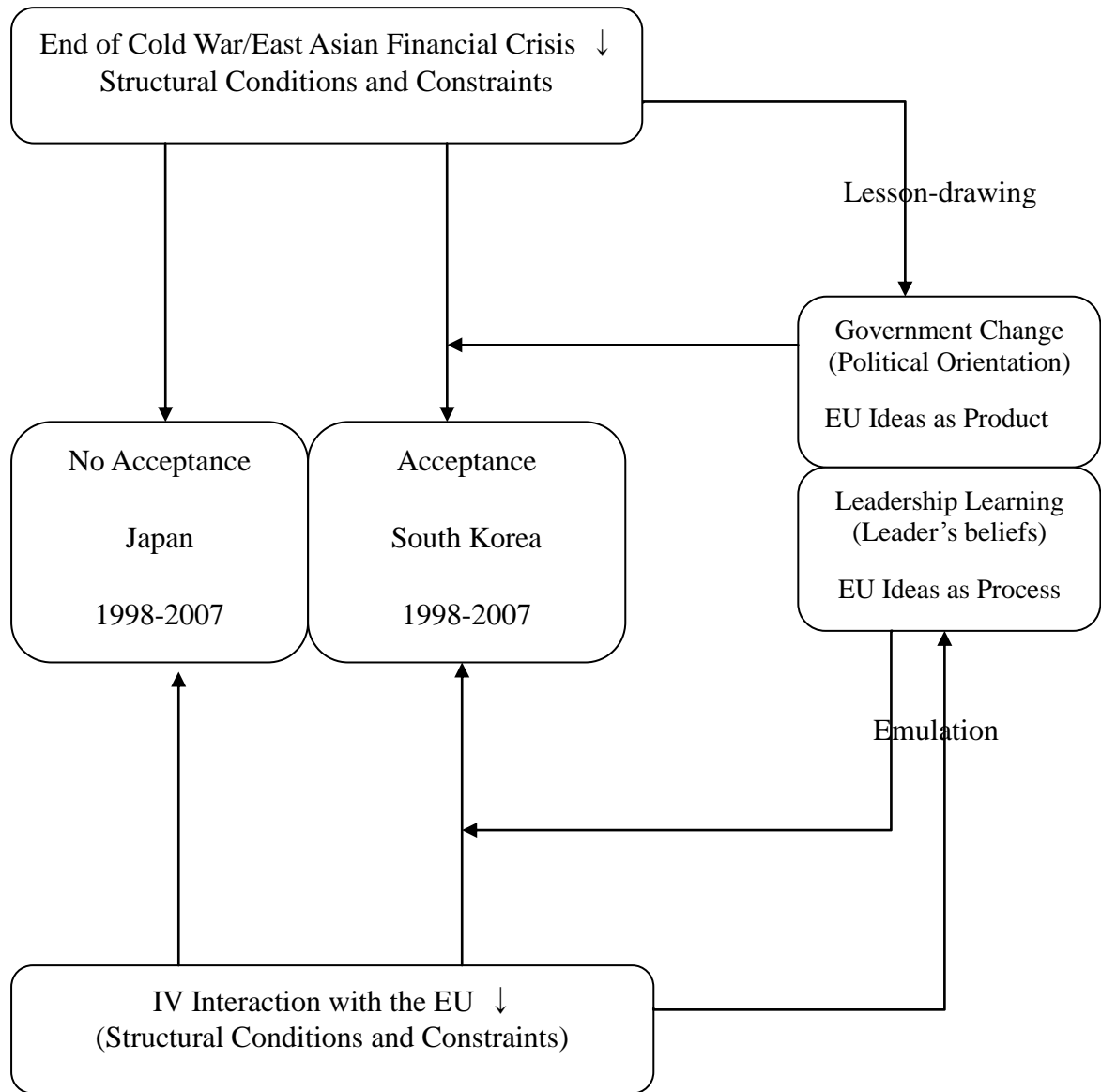
During the research period covering 1997-2008, South Korean presidents often referred to the EU as a positive model of regional integration. South Korean leaders felt it was imperative to overcome the structural constraint presented by Korea's division, thus Kim Dae-jung was interested in European integration as a process in which sovereign national states could be reunited as a single economic and political entity. He understood the EU as a successful model for the integration of independent national states. His reunification policy, the famous "sunshine policy", was largely based on the logic of neo-functionalism, which reflected his causal belief in the European experience of regional integration. In the wake of the Asian financial crisis he drew lessons from the EU and applied them to East Asian regional integration.

Kim's successor, Roh Moo-hyun further expanded and deepened the ideas borrowed from the example of European integration and he applied them to Northeast Asian regional integration by establishing the Northeast Asian Cooperation Initiative and by formulating and implementing regional integration policy. In order to learn about and realize these ideas, Roh mobilized experts from academia with a remit to investigate European experiences of regional integration. To this end he opened offices for these academics so that they could serve as government officials and facilitate the learning process. In the end, his reference to European ideas about regional integration comprehensively embraced many aspects of the European integration process.

As hypothesis 2 suggests, South Korea successfully accepted European ideas of regional integration. These European ideas provided a basis for both Korea's reunification policy and its (North)East Asian regional cooperation/integration policy. Leadership learning, driven by

the theory of neo-functionalism, finally facilitated not only the acceptance of these ideas but also the active approach of South Korea toward East Asian regionalism (see Figure 6-5 and Table 6-11). Moreover, the impact of leadership learning can be recognized as a key element in changes to the domestic constellation, and it is this which shows why South Korea made such proactive efforts to establish FTAs during the period 2003-2007 (a fact which an analysis of the veto players could not adequately explain).

**(Figure 6-5) Causal Mechanisms for Explaining Differential Acceptance of European Ideas Concerning Regional Integration**



Source: Author.

**(Table 6-11) Explaining Different Approaches Toward East Asian Regionalism in Terms of the Acceptance of European Ideas Concerning Regional Integration**

	1998-2002	2003-2007
Japan	No	No
South Korea	<p>Lesson-drawing (EU as a product)</p> <p>EU as a successful model of the integration of independent national states → Reunification policy</p> <p>Causal belief in the European experience of regional integration (neo-functionalism; “Spill-over”) → “Sunshine Policy”</p> <p>*Outcome of leadership learning: applied to East Asian regional integration</p>	<p>Emulation (EU as a process)</p> <p>EU as a successful model of regional integration → Northeast Asian regional integration</p> <p>Causal belief in the European experience of regional integration (neo-functionalism; “Spill-over”) → Northeast Asian regional integration</p> <p>*Formulating/implementing regional integration policy: Northeast Asian Cooperation Initiative</p>
IV/ IntV	South Korea	Japan
EU’s <b>Interaction</b> with SK and J (since ASEM)	+	+
SK and J <b>Interaction</b> with the EU	++ Active engagement	+ Business as usual
Political Leadership Learning	Yes	No
Tradition of researching and consulting with affected actors	Yes	Yes
Institutionalized relationship between policy decision- makers and academia and/or Government officials from the epistemic community or academia	Yes	No

Source: Author.

## 7. Conclusion

Following the Asian financial crisis, Northeast Asia, once widely considered as a least likely case for regional cooperation, nonetheless eventually joined in the trend for regionalism. While most of the literature dealing with East Asian regionalism focuses on the economic crisis, this dissertation has conducted comparative studies of the different stances taken by South Korea and Japan toward East Asian regionalism. In this concluding chapter I will summarize my research findings in the light of the analytical framework established in chapter 3. Finally, by discussing the contributions and limitations of this thesis, I will propose further research agendas to pursue in exploring both regionalism in Northeast Asia and comparative studies of regionalism more generally.

### **The Different Approaches of South Korea and Japan toward East Asian Regionalism**

In the wake of the Asian financial crisis, South Korea and Japan decided to participate in an exclusive regional cooperation framework, the ASEAN+3. However, since then, both nations have followed different paths: South Korea as a continuous pace-setter, and Japan as an ambivalent, reactive actor. In order to explain this difference, I have argued that the diffusion of European ideas about regional integration is one of the most significant factors. In exploring this issue, those conditions responsible for determining the different responses were identified by locating the contributing structural explanations and the mechanisms of lesson-drawing and emulation (see Table 6-11; Figure 7-1). These can be broken down as follows: (1) structural explanations (Northeast Asia-specific structural conditions and country-specific domestic conditions in South Korea and Japan); (2) lesson-drawing (external events/crises and changes to government/domestic constellations); (3) emulation (new forms of interaction with the EU and domestic constellations of leadership learning). By carrying out comparative case studies of the different approaches taken by South Korea and Japan toward East Asian regionalism in the period between 1998 and 2007, the empirical analyses of this study verified the hypotheses generated by the above mentioned mechanisms, and falsified, or showed the limitations of, the explanations offered by coercion and competition mechanisms.

In order to solve the central empirical puzzle, namely the different reactions of South Korea and Japan with regard to regionalism, the dependent variable of this thesis has two



dimensions: (i) the active and passive approaches (pace-setter/fence-sitter/foot-dragger) in regional summitry, financial cooperation, and regional trade arrangements and (ii) the degree to which acceptance of European ideas about regional integration (acceptance/non-acceptance) affects the likelihood of an idea's reference/adoption concerning regional integration by national political leaders.

The first dimension of the dependent variable focused on the reason why South Korea has been more active in East Asian regionalism than Japan. The empirical results of this chapter are summarized in the light of the hypotheses given in chapter 3 (see chapter 5):

*Northeast Asia-specific structural conditions and country-specific constraints in South Korea and Japan*

The Northeast Asian regional order has been heavily affected by wars, colonialism, and the Cold War. History still shapes people's everyday lives in the region. While the Pacific War generated the Peace Constitution, including Article 9 which marked the attempt to make Japan a normal state, the Korean War resulted in the nation's division into South and North Korea. Throughout the Cold War many constraints forced Japan and South Korea to be heavily dependent upon the United States, particularly with regard to their formulation of foreign policy.

*External Events: The End of the Cold War*

The end of the Cold War provided new economic opportunities, with former communist countries now open to trade and negotiation. Bilateral pressures from the United States and the European Union to open markets, regional integration in Europe and North America (NAFTA), and the challenges of globalization all forced South Korea to realign its policy ideas about regionalism. Facing the growing trend for building regional blocs, South Korea and Japan felt it important to recognize the need for regional cooperation. A close relationship with the United States led to both countries participating in APEC, which was the first regional economic arrangement South Korea and Japan took part in with the United States. At that time South Korea and Japan refused to engage in any form of regionalism that excluded the U.S.

*External Crisis: The Asian Financial Crisis*

As regards regionalism, the Asian financial crisis was the major impetus to integration for

East Asian countries (Aggarwal and Koo 2008; Nabers 2003; Terada 2003; Webber 2001), and particularly so for South Korea and Japan. Recognizing that the Asian financial crisis gave South Korea and Japan the momentum for taking part in the ASEAN+3, South Korea and Japan found out that the existing international/regional cooperation frameworks (IMF/APEC) did not work for their interests. At the same time, Asian countries were also disappointed at the inept response of APEC to the financial/economic crisis. Asian countries henceforth began searching for alternatives. Consequently, there was a consensus amongst East Asian countries that they should establish an exclusive regional gathering, despite the fact that such an idea had previously been rejected by most of those involved. While South Korea searched for alternatives by playing a pace-setter role and referring to the European model of regional integration, Japan's aspiration for regionalism faded out slowly.

#### *Domestic Constellations and their Role in Changing Government*

Considering the factor of domestic constellations, the change in government in South Korea is correlated with its different positions on East Asian regionalism. However, Japan experienced government changes through electoral reforms, resulting in the formation of the LDP and DPJ parties and the decline of Left-wing power that supported East Asian regionalism. The reform strengthened the revisionist perspective for the normalization of Japan. Therefore, while a direct comparison between South Korea and Japan regarding the factor of government change is not appropriate, it provides impetus for reassessing the direction of foreign policy, in particular that pertaining to regional cooperation and integration. However, the political elite's beliefs are one of the most significant factors for explaining the different responses of South Korea and Japan.

The changes of government from Kim Young-sam (1993-1998) to Kim Dae-jung (1998-2003) and from Roh Moo-hyun (2003-2008) to Lee Myung-bak (2008-present) went together with a drastic shift in policy dealing with regional cooperation: the Kim Dae-jung and Roh Moo-hyun governments assertively appeased North Korea, trying to balance diplomacy between China and the United States, and their commitment to regionalism (especially the pursuit of the East Asian community under Kim Dae-jung, and the Northeast Asian community under the Roh government); the Lee government discarded the precedence placed on North Korean engagement, and replaced it with a policy based on isolation and containment, instead emphasizing the South Korean-US alliance, and focusing on bilateralism in the course of establishing new Asian initiatives (Choi/Moon 2010: 360). Regarding his global diplomacy,

notice Lee's emphasis on Korea-US relations as reflected in his inaugural address<sup>217</sup>:

“The Republic of Korea will take a more positive stance with a greater vision and carry out global diplomacy under which we actively cooperate with the international community... We will work to develop and further strengthen traditional friendly relations with the United States into a future-oriented partnership. Based on the deep mutual trust that exists between the two peoples, we will also strengthen our strategic alliance with the United States. We will attach importance to our policy towards Asia. In particular, we will seek peace and mutual prosperity with our close neighbors, including Japan, China and Russia and promote further exchange and cooperation with them.”

Since his inauguration in February 2008, the Lee government has consistently taken the side of the U.S. on important issues, while seeking passively financial and monetary regionalism in East Asia (Rhyu 2011). President Lee's conservative policy preferences brought about these drastic changes not only because he sought to strengthen the ROK-U.S. alliance against North Korea, but also because he wished to politically differentiate himself from previous progressive governments (Choi/Moon 2010; Snyder 2009). Accordingly, this conditional variable of government change associated with political orientation has considerable explanatory power to explain the different approaches of South Korea and Japan toward East Asian regionalism in terms of active and passive responses.

In order to understand the different actions taken by South Korea and Japan in regard to FTAs, it is necessary to focus on how these countries dealt with veto players, especially those from sensitive fields, e.g., agriculture, fishing etc. An accurate comparison can easily be made given the fact that South Korea and Japan share many similarities in terms of their models of economic development and their industrial structures (see MacIntyre/Naughton 2005). Nonetheless, the influence of veto players cannot fully account for the policy decisions that were made: in particular, it would be difficult to elucidate the character of South Korea's proactive approach to FTAs with this approach (Lee/Moon 2008; Koo 2008).

During the Asian financial crisis, when the neoliberal reforms imposed by the IMF effectively negated the power of numerous veto players in South Korea (Lee/Moon 2008; Koo 2008), the Kim government shared many positions with Japan. Therefore, lesson-drawing and the emulation of European ideas concerning regional integration can consistently and successfully explain both South Korea's and Japan's differential approaches toward East Asian regionalism in terms of active/passive engagements in regional frameworks and the acceptance/non-acceptance of European ideas about regional integration.

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<sup>217</sup> The 17<sup>th</sup> Inaugural address of President Lee Myung-bak, February 25, 2008

The second dimension of the dependent variable focused on the reason why South Korean political leaders were enthusiastic recipients of European ideas concerning regional integration. The empirical findings of this chapter are summarized in the light of the hypotheses presented in chapter 3 (see chapter 6):

#### *New Forms of Interactions With the EU*

Despite the EU's ambivalent approach to East Asian regional integration, the ASEM meetings reflected the EU's preference for an interregional approach that would monitor the adoption of European policy patterns by its East Asian partners. This new kind of interaction with the EU gave South Korea and Japan a new perspective on the EU as a united economic, political, and diplomatic actor, promoting important values and ideas. A new type of dialogue with Europe, one previously unavailable to East Asian nations, thereby came into being (Gilson 2002). As introduced in chapter 6, despite the long history of EU-Japan relations, South Korea has been the country to most effectively utilize the process of ASEM. Given the fact that the EU has taken similar approaches to both South Korea and Japan, the different responses of both these Asian countries are not attributable to the EU. Rather these responses are determined by the particular form of reception that the EU has met with in South Korea and Japan.

#### *Domestic Constellations: Leadership Learning*

Although the Asian financial crisis awoke Japan's regional aspirations, the external shock did not make Japan redefine its structural conditions and domestic constraints. Moreover, Japan has experienced no changes in its domestic constellations, e.g., because there have been no changes to cabinet and leadership learning, no opportunity to change was likely. This has meant that already established ideas concerning Northeast Asia-specific conditions and country-specific constraints (US foreign policy orientation, rivalry with China, and strong veto-players) have prevailed, and that the actors involved believe there is thus no need for new models or ideas about regional integration. This confirms hypothesis 1.

South Korean leaders learned about and then emulated European ideas of regional integration by reflecting on lessons drawn from neo-functionalism (one of the most prominent theories about European integration and European experiences), and so these ideas have come to significantly determine the nation's policy preferences and directions. The two South Korean

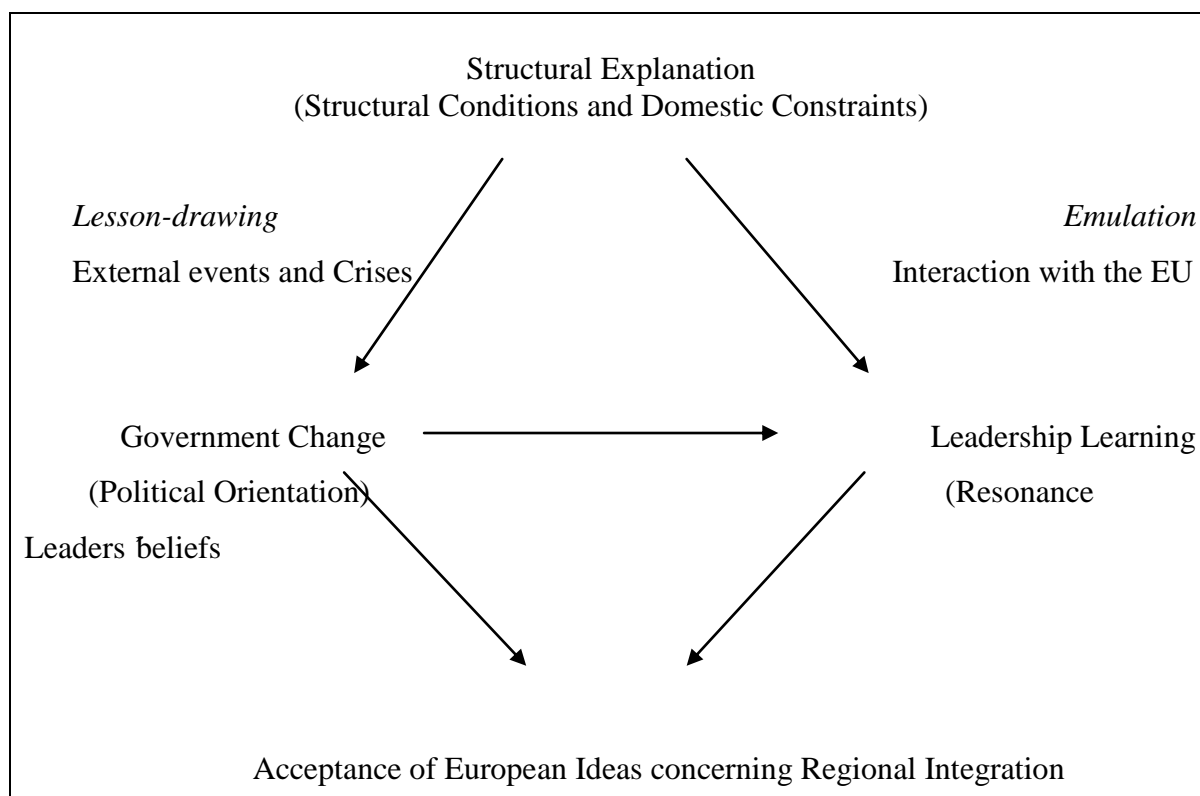
Presidents' discourses (their official addresses, documents, and articles) reflect their enthusiasm for European ideas in general and in particular those concerning regional integration. Indeed, the Korean leaders were familiar with the neo-functionalist logic of regional integration which was embodied in the 'sunshine policy'. Indeed, learning about the causal conditions for European integration, president Roh Moo-hyun further expanded and deepened these ideas by establishing the Northeast Asian Cooperation Initiative and by formulating and implementing regional integration policy.

Traditionally, and even into the contemporary era, South Korea and Japan have depended upon scholars, officials, and research institutions to shape their *Weltanschauung*, plan strategies and formulate difficult policy initiatives. But a feature which distinguishes South Korea is the institutionalized relationship that pertains between policy-makers and epistemic communities, whereas Japan shares only the tradition of having an epistemic community (see Table 6-11).

South Korea was inspired to form policy ideas concerning regionalism by drawing lessons from the European experience and emulating European ideas concerning regional integration. It is this which explains South Korea's active participation as a pace-setter in regional cooperation arrangements as well as FTAs (see Figure 7-1). Japan, however, has taken an ambivalent and unstable stance toward East Asian regionalism. It has lacked policy ideas, followed the dictates of U.S. interests in the region, and only became involved in regionalism as a means to oppose China's rise to prominence. Whilst, South Korean leaders developed policy ideas for regionalism and attempted to overcome national division by balancing its relations with the United States and China, the Japanese, under Koizumi, reinforced the U.S.-Japan alliance and displayed indifference or ignorance toward their neighbours.

This summary of empirical findings provides not only explanations for the two countries' different approaches, but also advances a plausible account of how European ideas about regional integration were transmitted to South Korea's political leaders. Since this research did not systematically analyse the diffusion process of these ideas, further X-centred research needs to be conducted. Accordingly, researchers should ask how these ideas can spread to far-eastern countries; that is, the diffusion process needs to be accurately investigated by discovering the mechanisms at work which are responsible for building causal relationships between the ideas themselves and their acceptance/adoption.

**(Figure 7-1) Diffusion Mechanisms of European Ideas Concerning Regional Integration**



### **Comparative Regionalism and Northeast Asia**

The general trend of International Relations literature on East Asia, especially that dealing with Northeast Asia, follows a (neo)realist perspective in accounting for regional dynamics, and so consequently overstresses “structural parameters resulting from new power configurations” (Choi/Moon 2010: 364; see Kim/Choi 2007; H.K.Kim 2007a; 2008; Laursen 2003; Ravenhill 2002). There seems to be an undue level of focus upon regional leadership: the United States as a regional hegemony vs. a rising China (see Hurrell 1995: 339-344).

As a consequence of this the perceptions and domestic political processes of individual states tend to be disregarded. Thus, in order to understand Northeast Asian countries’ foreign policy behaviour, namely their formulation of regional integration policy via the emulation of ideas about regionalism, it is important that “leadership perception and preference as well as domestic political dynamics” should be elucidated (Choi/Moon 2010: 359-363). Thus Choi and Moon (2010: 358) argue that “the goals and preferences of Northeast Asian states profoundly affect patterns of regional interactions”. In a similar vein, the differential

approach of South Korea and Japan, as well as the diffusion of European ideas concerning regional integration, both depend on leadership ideas/beliefs (Aggarwal/Koo 2008), domestic formal/informal institutions (Börzel/Risse 2003), and domestic political dynamics (Choi/Moon 2010).

Although the theories of coercion and competition which share explanatory variables with neorealism have difficulties in elucidating the divergent approaches of South Korea and Japan toward East Asian regionalism, structural explanatory factors (especially the role of ‘outside-in’ pressures and the effect of political hegemony) still have great explanatory power in research about Northeast Asia (Hurrell 1995: 344). Moreover, these structural factors have causal relationships with the two countries’ structural constraints that the domestic actors have to deal with. I have therefore tried to incorporate potential explanatory factors into the causal mechanisms that I identified (see Figure 7-1). Thus, this thesis provides an empirical analysis of the underlying domestic political dynamics pretermitted by the fields of international relations and comparative regionalism (see Breslin/Higgott 2000; Hurrell 1995; Mansfield/Milner 1999).

A substantial proportion of the current theories about regionalism deal with exclusively with European integration (see Börzel 2012a; 2012b; Breslin/Higgott 2000; Hurrell 1995). Therefore, research on the EU’s significance as a model of regional integration should neither exaggerate its institutional/legal achievements, nor ignore them altogether, simply because Europe lacks the global power of the US.

This dissertation aims to provide the fields of comparative regional integration and international relations with greater insight into the impact of European Integration, especially as regards the proliferation of its ideas in third countries. Since there is currently a dearth of empirical studies dealing with this subject, this thesis will be able to make a contribution to the existing literature on international relations, comparative regionalism, and even European studies. This is especially true given the fact that this study’s findings, namely the achievement of East Asian regional cooperation and the impact of European ideas about regionalism on South Korea, are both unexpected developments. In addition, this thesis considers European integration as an important influence on international actors in two further regards: firstly, because it provides an arena for interaction; and, secondly, because it serves as a historical and methodological model for regional integration.

Because European literature about regionalism in Asia is focused mainly on the ASEAN, and not on Northeast Asian countries, this dissertation will also contribute to the empirical study of (comparative) regional integration. This over-emphasis on the ASEAN, as manifested in the existing scholarship, is mostly the result of an excessive focus on institutionalization. In this respect, this dissertation has contributed to the diversification of the dependent variables investigated in comparative regionalism. The “ASEAN way”, characterized as the ASEAN’s institutionalization, is not compatible with an Asian way and ASEAN+3 is not understood as a membership enlargement of the ASEAN. Though I don’t deny the role of the ASEAN members in East Asian regionalism, the political and economic influence of the three Northeast Asian countries is much more significant in building and deepening regional cooperation in East Asia. By introducing various dependent variables, the exclusion of the Northeast Asia region from the field of research is certainly avoidable.

Under volatile domestic circumstances (largely stemming from changes in leadership) the three Northeast Asian countries quietly announced the launch of trilateral FTA negotiations on 20 November 2012,<sup>218</sup> just a year after they had officially inaugurated the low-key Trilateral Cooperation Secretariat in Seoul, September 2011. This trading bloc accounted for 19.6% of the world’s total GDP in 2010<sup>219</sup> and would position it as the third largest economic bloc. Observing this regional development, it becomes readily apparent that more research on Northeast Asia needs to be conducted, especially as it has been so unduly marginalized in the existing literature on comparative regionalism.

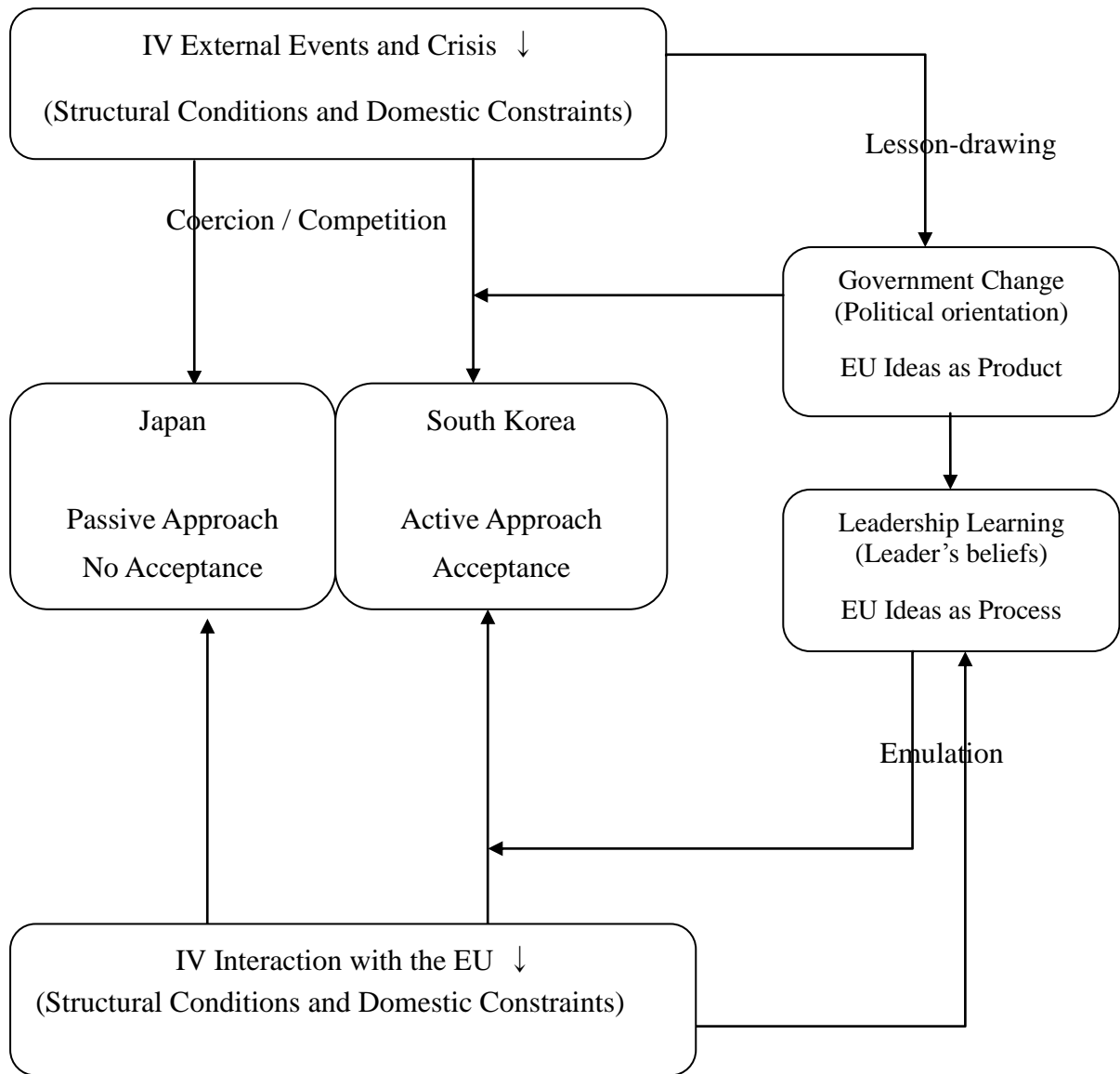
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<sup>218</sup> Trilateral Cooperation Secretariat, Recent News on 20 November 2012. [http://tcs-asia.org/dnb/board/view.php?board\\_name=2\\_1\\_news&view\\_id=77](http://tcs-asia.org/dnb/board/view.php?board_name=2_1_news&view_id=77). (January 7, 2013).

<sup>219</sup> Joint Study Report for an FTA among China, Japan and Korea, 16 December, 2011. [http://file.tcs-asia.org/file\\_manager/files/tcs/4.Economics/English/FTA/Joint%20Study%20Report%20for%20CJK%20FTA%20\(2012.03.30\).pdf](http://file.tcs-asia.org/file_manager/files/tcs/4.Economics/English/FTA/Joint%20Study%20Report%20for%20CJK%20FTA%20(2012.03.30).pdf). (January 7, 2013).



**(Figure 7-2) Causal Mechanisms for Explaining the Different Approaches of South Korea and Japan Toward East Asian Regionalism**



Source: Author.

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