

# EAST ASIA REGIONALISM AFTER THE GLOBAL FINANCIAL CRISIS

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## Abstract

Competing analyses has debated the prospect of East Asia regionalism in the post-Global Financial Crisis. After a decade of dynamic regionalism and community-building ambition, Asia economy seems to have decoupled from the global economy and formed an autonomous economic zone. It is at least indicated by the rise of intra-trade intensity in East Asia. Exploring the impact of the global financial crisis to the effort of establishing East Asia regionalism, this paper argues that although the global financial crisis presents a new opportunity for deepening the cooperation, the East Asia regionalism only achieves a slight progress. Rather than economic reasons, the origin and development of East Asia regionalism has been mostly driven by political motivation in order to balance the influence among the big powers. As the result, this regionalism has been trapped into political dilemma. Therefore, the regional policy responses to address the global financial crisis indicate the progress of East Asia regionalism has been meager.

**Keywords:** East Asia regionalism, political motivation, regional-based cooperation, ASEAN Plus Three (APT).

## Introduction

Many observers portray that the recent dynamic process of East Asia formal framework will become a stepping stone to a progressive regionalism towards a collective identity of East Asia. Richard Stubb for example, argues that the APT process is the latest expression of the evolutionary development of East Asian regional cooperation, since Mahathir Mohammad's East Asia Economic Grouping (EAEG)/ East Asia Economic Cooperation Caucus (EAEC) (Stubb, 2002). Richard Higgot and Stubb (1995; 526-36) also underline the

potential of the ASEAN Plus Three (APT) process to become the dominant identity-based regional institutions in East Asia. In a similar vein, Takashi Terada (2003) asserts that the APT is a unique regional framework in East Asia that becomes 'the main vehicle' towards achieving an East Asia Community, while the EAS is playing a complementary role for the APT.

On the other hand, skeptical assessments regarding the ongoing progress of East Asia regionalism are also prevalent. Markus Hund (2003) argues that the emergence of APT does not

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automatically leads to a distinctive pan-East Asia regionalism. For him, among APT members only Malaysia and China support the exclusive form of East Asia regionalism while the rest prefers an Asia-Pacific perspective. John Ravenhill also doubts that the East Asia regionalism will produce a sound 'regional' institution since it is still mimicking the ASEAN way. The ASEAN Way refers to a process of regional interactions and cooperation in ASEAN based on informality, consensus building and non-confrontational bargaining (Ravenhill, 2008).

After a decade of dynamic regionalism and community-building ambition, Asia economy seems to have decoupled from the global economy and formed an autonomous economic zone. It is at least indicated by the rise of intra-trade intensity in East Asia that was higher than the North America Free Trade Area (NAFTA) (Chan, 2005; 153). The East Asia region also has been undergoing rapid free trade agreements. While the negotiations on regional economic arrangement continue apace, the global financial crisis in 2008-09 created significant challenges to East Asia regionalism. The Asian economies hit hard by the crisis through trade channel. The abrupt economic downturn in the US and Europe has serious effects to export and industrial production of Asian countries. All Asian suffered with the fall of GDP growth to become less than 5% in 2009, from almost 8% in 2008 (IMF, 2009). The global financial crisis urged a call for a regional action through deepening the regional cooperation in trade and financial areas. In contrary, the crisis also showed that East Asia economies still profoundly integrated with the global economy instead of decoupling. Therefore, the global financial crisis represents a test if not a catalyst that will shape the future direction East Asia

regionalism.

This essay explores the impact of the global financial crisis to the contour of East Asia regionalism, with special reference to the APT and EAS. It argues that although the global financial crisis presents a new opportunity for deepening the cooperation, the East Asia regionalism only achieves a slight progress. Since the origins of the APT and the EAS were driven by political motivation to balancing the influence of the big power, these regional groupings are prone to trapped into political dilemma. Therefore, the regional policy responses to address the global financial crisis indicate the progress of the APT and the EAS has been meager.

#### **Origins of East Asia Regionalism: Economic or Political Driven**

The question on what has driven the fervour of Asian states to engage in a formal inter-governmental cooperation has become a lively debate between proponents of economic and political explanation. The arguments of economic (market) led-regionalism based on the functionalist logic of the growing integrated of East Asia economics through division of labor, deepening intra-regional trade and its consequence on regional institutions (Mattli, 1999). Many analysts show that East Asia integration was facilitated by traditional division of trade between South East Asia that provides raw material and North East Asia with manufacture products since the 1970s (Drysdale, 1988). The division of labor that formed 'flying geese' economic integration has increased the intra-industry trade and became the crucial component of the deepening intra-regional trade. Masahiro Kawai for example, shows that intra-regional trade in East Asia rose from around 33% in the 1980s to more than 50% in the 2000s (Chan, 2005; 153).

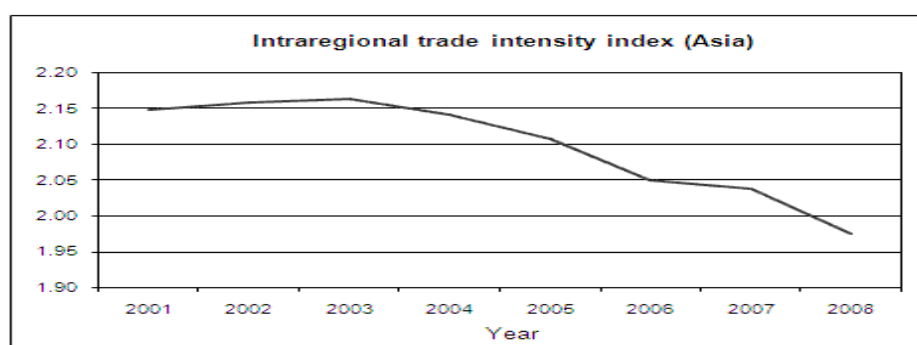
New regionalism, then driven by the necessity to respond the intensity of interdependence between regional neighbouring states. For this reason, Masahiro Kawai and Ganeshan Wignaraja (2009) assert that the deepening market integration becomes the most significant driving force for East Asia regionalism since the surge of various free trade arrangements need a policy coordination in governing trade and Foreign Direct investment. Similarly Munakata (2002) also acknowledges the desire to have an effective mechanism for regional-based cooperation is pushed by the substance and the depth of economic to reduce the transaction cost among neighbor where dense business networks are already in place.

The predominant of economic explanation has been challenged by political explanation. John Ravenhill (2010; 181-2), for example contends the notion of the increasing interdependence among East Asian economies after the Asian Financial crisis. He finds that the share of intra-regional trade between the 10 economies of the APT only rose from 37.6% in 1995 to 38.3% in 2006. Recent database of the Asian Regional Integration Center also shown the downturn of intra-regional trade intensity in East Asia in the last five years (see figure 1). The downfall of intra-regional trade has been caused by the decline of China's

import dependence from Southeast Asia from 53% in 1996 to 36% in 2007. According to Ravenhill (2008; 182), the significance of market-led East Asia regionalism is overstated since the East Asia as a whole still depends on the market outside of the region.

The origins of East Asia regionalism can be traced back from the repercussion of Asian financial crisis and political motivation that followed it. It is important to note that the idea of East Asia is relatively recent due to two significant developments. First, the effect of G7's Plaza accord in 1985 that produce the rapid linkage between Northeast and Southeast Asia through intra-regional production network driven by investment of Japan and the New Asian Industrial Countries (Korea, Taiwan, Hong Kong) in Southeast Asia. 1985 Plaza Accord is a coordination action on exchange rate of the G7 countries, by depreciate US dollar towards yen Japan and Deutsche Mark Germany. The rise of Yen has increased the cost of production and encouraged the extension of Northeast Asia production network into Southeast Asia. Second, the end of Vietnam War ceased the hostilities between Vietnam and its neighbour, and the accession of China into WTO opened the chance to construct inter-governmental institutions in East Asia. When the first inter-governmental cooperation that

**Figure 1. Intra-regional trade intensity index**



Source: Asian Regional Integration Center, Asian Development Bank, <http://www.aric.adb.org/indicator.php>, accessed 25 May 2010.

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emerged was Asia-Pacific region based (APEC), instead of East Asia, there were efforts by Mahathir Mohammad, Malaysian Prime Minister, to create an exclusive East Asian organisation. He proposed East Asia Economic Grouping (EAEG). When this idea was opposed by the US, it then watered down into East Asia Economic Caucus (EAEC) that operates within APEC instead of become a rival (Stubb, 2002). However, by the end of 1990s, the pace towards regionalism in East Asia has gone beyond Mahathir's idea, with the establishment of the APT.

At least, three incentives have paved the way to APT. First, the need to prepare the first ASEM (Asia-Europe Meeting) in 1996 that firstly articulated by Singapore Prime Minister Goh Chok Tong. The ASEM initiative was founded to encourage the share interests on FDI and market share between European Union member states and the East Asian countries as well as to curb unilateralist tendency of the US (Webber, 2001; 357). The initial ASEM became an important turning point for the emergence of the so-called Asian identity since there is recognition of East Asia as a definite economic and geographic entity from the EU. Since then the annual gathering among 10 East Asian countries well-known as the APT process.

The second incentive for the APT is the crisis within APEC over the Early Voluntary Sectoral Liberalisation (EVSL) scheme between the US supported by the 'Anglo-Saxon' member states and Japan supported by most of East Asian states (Webber, 2001; 357). Relating to Asian financial crisis, the US backed the role of the IMF in managing Asian crisis and prevented any efforts of APEC to address the crisis, for instance the Japanese proposal on Asian bail-out fund. The growing split perception between APEC members has encouraged some

of East Asian states to explore another framework for cooperation with a sense of regional identity.

The last important incentive is the backlash of bitterness against the US and its hegemony in international economic and financial organizations as the repercussion of the Asian financial crisis. Most East Asian states felt very disappointed with the US and felt being exploited by Western financial institutions, firstly, when the Western financial institutions withdrew their money from the region that caused the exacerbation of the crisis and secondly when the West through the IMF dictated the prescriptions to curb the crisis. It was clearly expressed by the Singaporean and Malaysian Leaders. Goh Chok Tong, for example, remarked that the anti US in the region rises because the US has lost some of its goodwill (Webber, 2001; 358). Likewise, former PM Mahathir became the vocal spokesperson for the East Asia regarding the domination of the Western organization and the US.

The born of the APT, then praised as a unique kind of regional framework because it excludes the US, which always the influential external actor in the East Asia. Furthermore, the centrality of ASEAN and not the big power as the driver of the collaboration is also exceptional compared to other regional cooperation (Terada, 2011). The early achievement of the APT is also striking when the Chiang Mai Initiative (CMI) as a mechanism to coordinate bilateral currency swap arrangement was agreed in 2000. The CMI was agreed followed the rejection of Japanese proposal (Miyazawa plan) for an Asian Monetary Fund (AMF) failed to be materialized because of opposition from China, the IMF and the US. The CMI rests on two pillars; ASEAN swap arrangement and a network of Bilateral Swap Arrangement (BSA) which

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all 13 countries involved. These mechanisms are objected to provide liquidity support to member countries that facing short-run balance of payment difficulties, so that it will evade from a serious currency crisis and its contagion effects towards the regional financial stability. The CMI only has US\$ 83 billion of the total bilateral swap arrangement. This amount is considered as small in comparison with the foreign exchange holdings by Chinese, Japan and Korea. Moreover the total money that available for each country is only between \$10-13 billion (Nicholas, 2008; 348). The APT financial cooperation also set up bond market initiatives (Asian Bond Market Initiative and the Asian Bond Fund) with the aim at overcoming the overdependence of bank lending which, in turn, lead to another financial crisis.

The salient development on financial cooperation however has not been followed by integration in trade sector. Even though the East Asian Vision Group (EAVG) endorsed by the East Asian Study Group (EASG) has recommended to establishing an East Asian Free Trade Area, there is still reluctance of the three big economies (China, Japan, and Korea) to negotiate agreement among themselves. EAVG and EASG are proposed by South Korean President, Kim Dae Jung in 1998. EAVG consists of eminent experts representing each member state to map out the purpose, principles and specific cooperation, while EASG composed by senior official of each member states which assigned to review the EAVG report and recommended the realistic for East Asian cooperation. As a consequence, the APT trade cooperation practically becomes a bundle of ASEAN+1 agreement instead of integration of trade under APT umbrella, which one of the plus amongst three countries becomes the initiator and the funder (such as ASEAN-

Japan Free trade area, ASEAN-China Free trade area, ASEAN-Korea Free trade area). Instead of inter-governmental collaboration as a whole, what has been emerged is bilateral network of East Asia regionalism.

The rivalry between Japan and China often mention as the main source of the reluctant to agree on trade integration under the APT. The rivalry between Japan and China, not only on trade field, has ramified into the conceptualisation of the "East Asia" region. The rivalry on the concept of the region mounted when the EAVG supported by EASG proposed a formal summitry for the ASEAN+3 grouping. Japan and Singapore supported the idea of including Australia, New Zealand and India in the East Asia Summit, while China stuck to the status quo membership. When Indonesia joined the fray and confirmed Japan and Singapore's idea, the EAS membership in the first meeting in 2005 exactly alike to Japan and Singapore's proposal. What is obvious from this case is that there are still ongoing tensions about the exclusivity of East Asian region and the rising concern about the potential for China to dominate the APT (Ravenhill, 2008; 22-3).

The emergence of the EAS then makes the East Asia region has two regional frameworks with overlapping mandates. At the same time, negotiations on preferential trade between East Asian countries with states outside the region are increasing without APT or EAS coordination. Many of the preferential trade agreements (PTA) or the free trade area agreements (FTA) are motivated by the stagnation of global trade liberalization since the failure of Seattle talk in 1999 to launch a new round of WTO trade negotiation. The PTA attracts many governments to gain advantage since the WTO has lack of requirement regarding the PTA (Ravenhill, 2010; 192-3). Despite of the establishment of APT and the EAS,



the East Asia regionalism, therefore, falls short into shallow cooperation and nascent regionalism that led to internal dilemma on how to engage with Japan-China rivalry.

As has been showed above, rather than motivated by economic variables such as increased economic interdependence and widen the market share, the current regionalism in East Asia is primarily driven by political motivation. Ravenhill argues that the enthusiasm of East Asian states to involve in regionalism has been driven by a 'political domino' effect. Political domino effect refers to how the involvement of government in many regional arrangement in East Asia, rather than motivated by economic transaction cost reduction, is more driven by political concern for apprehension of being excluded from the new dimension of economic diplomacy (Ravenhill, 2010; 199-200). With this sort of background the effectiveness of East Asia new regionalism to deal with external shock is always in doubt.

### **The Impact of Global Financial Crisis on East Asian Economy**

This financial turmoil erupted in September 2008 has created significant challenges for the East Asia economy. Although the region was not heavily involved in the toxic assets investment, the global financial crisis impacted East Asian economy through the trade channel. The global financial crisis revealed that the growth of East Asia economy is highly vulnerable to the slowdown of export towards advance economies. It is also exposed the myth of East Asia economic decoupling as an autonomous growth poles region, since the region could not evade from a significant plunge growth because of the export contraction (Akyüz, 2011; 1). The IMF states that the impact of this event on Asian economic even has been swifter and harder

compared to other region. The IMF states, "In many ways, this severe impact was unexpected. Asia is far from the epicentre of the crisis, not just geographically but also in the sense that it did not indulge in the financial practices that led to serious problems in advanced economies' banking systems" (IMF 2009).

Heavy reliance on export and external demand has made the East Asia region more vulnerable to every external crisis. One argument from financial perspective explain that since East Asian countries rely on export rather than domestic demand as the machine of economic growth, it facilitates the deficit countries to finance the unsustainable spending. Ben Bernanke, the Federal Reserve Chairman remarks that the lack of domestic demand in East Asia countries has led to a 'saving glut'. The excess of saving, rather than used for local investment, was sent abroad and lubricate the global imbalances (Bernanke, 2005).

The Global financial crisis also caused tumble of intra-regional export in East Asia. As found by Heng Swee Keat, in the period of July 2008 to February 2009 the intra-regional trade fell sharper for about 48% compared to the 29% decline of export to the US and 15 EU states (Keat, 2009). The reason behind this was that the vertical linkage structure of intra-regional trade (production network and flying geese formation) prone to external shock. Intra-regional trade in East Asia has been dominated by electronic and machinery component as intermediary goods trade cross border from developing countries in Southeast Asia destined for assembly in the G-3 in North Asia and export outside the region. Only 20% of East Asia trade has its final demand in Asia. East Asia trade, therefore, rather than decoupled from the global economy has been heavily dependence on the US and global economy

market. When the demand from outside the region fell, the intra-regional trade will follow suit.

In short the East Asian economic hit harder in terms of real economic. A forecast by the IMF at the time of crisis showed that the prospect for economic growth was murky, and expected to grow again after 2011 (see table 1 below).

2011).

### The Global Financial Crisis and the Regionalism

From the macro economics perspective the global financial crisis serves as catalyst for a closer economic cooperation in the future. Michael G. Plummer for example argues that since global financial crisis

**Table 1. APT Countries GDP Growth (%) forecast to 2011**

APT Countries	2008	2009	2010	2011
Japan	-0.6	-6.2	0.5	2.2
China	9.0	6.5	7.5	10.2
South Korea	2.2	-4.0	1.5	5.3
Brunei Darussalam	-1.5	0.2	0.6	1.3
Cambodia	6.0	-0.5	3.0	7.2
Indonesia	6.1	2.5	3.5	4.5
Lao PDR	7.2	4.4	4.7	7.5
Malaysia	4.6	-3.5	1.3	4.1
Myanmar	4.5	5.0	4.0	4.0
Philippines	4.6	-	1.0	3.8
Singapore	1.1	-10.0	-0.1	4.4
Thailand	4.9	2.6	-3.0	1.0
Vietnam	6.2	3.3	4.0	5.5

Adapted from IMF, *Regional Economic Outlook; Asia and Pacific*, May 2009, <http://www.imf.org/external/pubs/ft/reo/2009/apd/eng/areo0509.pdf>, accessed 5 June 2011

Nevertheless by the mid of 2009, the East Asia economies were recovering. South Korean and Singaporean economy grew 10% and 20% respectively at annualised rate in the second quarter. In ASEAN countries, there was a mixed result. Indonesia continued to grow at 4% followed by Malaysia and Thailand at 6% and 7% respectively, while Philippines although gained a positive grow it was still around zero (Plummer, 2009; 5-7). These indicators meant that the successful economic rebound mostly affected by the rebalancing growth through consumption-led economic recovery strategy that developed unilaterally (Park,

affected the market efficiency in the real sector, there is a strong need to promote policy coordination to achieve macro stability, national/regional protection and regional self-sufficiency (Plummer, 2009; 32-4). Nevertheless what has been shown in East Asia, policy responses to curb the impacts of global financial crisis were mainly unilateral and global rather than regional. Instead of become a catalyst or incentive to encourage a deeper economic integration in the context of APT and EAS, the immediate economic recovery unfolds the competing visions and the dilemma regarding the future East Asia regionalism.

Those competing visions and dilemma are as follows:

**(1) Policy responses: unilateral and more global rather than regional**

Although East Asia states has a central role in finding global recovery from the impact of global financial crisis, but in reality there is no coherent response to the crisis at regional level (Drysdale, 2008). One of the most important changes in global financial architecture that brought by global financial crisis is the rise of the G20 grouping as the 'steering committee' for global economic governance. Six out the twenty members of the G20 are the 'Asia 6' (Japan, China, India, Korea, Indonesia and Australia) which are also the members of EAS. With the G20 to become the centre stage of global forum to respond the crisis, reforming international financial institution and international policy coordination, this new global grouping overshadowed the East Asia regionalism. Moreover, there is no serious effort to coordinate a regional action based on the G20 recommendation or in a regional-based framework. However, major East Asia countries such as Japan, Korea, China and Indonesia issued a big economic stimulus packages unilaterally in an uncoordinated fashion (see table 2) (Searight, 2010).

The case of Korea revealed how the individual state's response to the financial crisis was taken without regional coordination. Korea which was the first

to be hit by the financial turmoil, rather than drawing on its swap arrangement through the CMI scheme under the APT framework which amounted to \$17 billion, Korea turned to US Federal Reserve to get \$30 billion (Soesastro, 2008; Searight, 2010). The liquidity of the CMI, practically never been used by the APT countries, since the Federal Reserve extended the swap lines to several countries as well as the utilization of foreign exchange reserve that East Asian countries have been built up to insulate themselves from the liquidity crisis.

Nevertheless, there were also limited efforts among the East Asia Countries to strengthen the CMI mechanism. Japan, China and Korea in a trilateral summit (a separate summit from the APT) in 2008 announced the plan to 'multilateralization' and expand the CMI into \$120 billion, with the 80% contribution from the three countries and the rest of 20% from the ASEAN countries (Soesastro, 2008). They also announced the creation of additional bilateral swap lines between China-Korea and Japan-Korea to amount \$30 billion each. At the APT Summit in February 2009, the member states agreed to the operation of the Chiang Mai Initiative Multilateralization (CMIM) which comes to effect in March 2010. The emergence of the new liquidity available, however, often been criticized because its link to the IMF remains in place. The implication is that the borrower can only access 20% of fund since borrowing more than that needs the

**Table 2. Stimulus Packages of East Asia members of G20, 2008-2010 (%GDP)**

	2008	2009	2010
<b>China</b>	0.4	3.1	2.7
<b>Japan</b>	0.3	2.4	1.8
<b>Indonesia</b>	0	1.3	0.6
<b>Korea</b>	1.1	3.9	1.2

Adapted from Michael G. Plummer (2009). The Global Economic Crisis and Its Implications for Asian Economic Cooperation. *Policy Studies* 55. East-West Center, p. 11.



authorization and conditionality from the IMF (Searight, 2010, 4). Although the CMI is a genuine financial cooperation between APT countries, the link to the IMF indicates the lack of trust between them.

## **(2) Competing vision and the unresolved dilemma of East Asia regionalism**

The economic recovery highlighted the growing importance of China as a leader on financial cooperation, to replace the traditional role of Japan. It adds a more heated battle between China and Japan over who is becoming the leader of East Asia region. It is clearly indicated in the negotiation on CMIM before both countries agreed to provide equal contributions of \$38.4 billion. China and Japan agreed to split the 80% proportion of the Plus Three countries in the CMIM. China and Japan each contribute 22% and Korea 16% (out of the 80%). The rest of 20% of the CMIM should be contributed by the 10 ASEAN countries (Terada, 2010; 15). Nevertheless, the emerging of trilateral cooperation between Japan, China and Korea that becomes the antecedence of the CMIM also could be interpreted as a doubt from the Plus Three countries about ASEAN's capability to lead the APT. With the trilateral summit holds regularly and the lion share of CMIM contribution, there always a chance to change abbreviation from ASEAN+3 into 3+ASEAN (Terada, 2010; 13).

The debate on East Asian regionalism also shows a competition of vision on how existing regional framework should be materialised. Japanese Prime Minister Yukio Hatoyama proposed an ambitious East Asia Community that would encompass economic and security realm. This idea is not considered as new, since the previous Japan's Prime Minister, Koizumi has first put forward the idea in 2002. Australia's Prime Minister, Kevin Rudd also once

proposed Asia Pacific Community that got lukewarm response from East Asia countries. Chinese and Korean leaders mostly welcome to the initiative and take it as a sign of new perspective from Japan to deal with historical understanding. Likewise ASEAN has to make sure that ASEAN would be at the centre of the project.

The US however, showed unhappy reaction with the exclusive vision of East Asia Community. The US under Obama administration pledges that the 'United States is back' in Asia. This commitment is clearly indicated by the sign of Treaty of Amity and Cooperation (TAC) in July 2009, after inaugural trips of Hillary Clinton, the US Secretary of State to East Asia Countries ('Press Release US Signs TAC' <<http://www.asean.org/PR-42AMM-US-Signed-TAC.pdf>>, accessed 5 June 2011). Not only signing the TAC, the US also wants to engage formally with the EAS to become the member of the grouping in 2011. The formal engagement of the US into the EAS summit based on the second US-ASEAN Summit in New York, 24 September 2010 ('Joint Statement of the 2<sup>nd</sup> US-ASEAN Leader Meeting', <<http://www.whitehouse.gov/the-press-office/2010/09/24/joint-statement-2nd-us-asean-leaders-meeting>>, accessed 5 June 2011). The US active engagement in the East Asia was warmly welcome by Southeast Asia countries, mainly Singapore and Indonesia since Obama in the first US-ASEAN Summit in 2009 pledged to endorse the central role of ASEAN in regional multilateralism (Brandon, 2009). The US also announces to launch a negotiation for a Transpacific Strategic Economic Partnership (TPP) as a full-fledged FTA among the US with seven Asia-Pacific countries such as Singapore, Chile, New Zealand, Brunei, Australia and Vietnam. The intention of the TPP is based from a strategic consideration than

commercial, since the US manages to involve in the debate to shape the East Asia regionalism and raising the credibility of APEC and its long term goal of Free Trade Area of the Asia Pacific (FTAAP) (Chiang, 2010).

Although the APT continued to become the most significant cooperation and institution building in East Asia, aside from tangible achievement on financial cooperation, the APT still faces a gloomy prospect on trade agenda. The progress to integrate a region-wide FTA remains in place even though the global financial crisis gave a lesson on the importance of deepening intra-trade regional. Until recently, there are at least two competing proposals on trade agenda; the East Asia Free Trade Area (EAFTA) among the APT member countries endorsed by China, and the Comprehensive Economic Partnership for East Asia (CEPEA) that would include 16 member countries of EAS, endorsed by Japan.

At this point, the progress of regionalism in East Asia has been circumscribed by unresolved political dilemma in the form of a rectangle competitive relationship among Japan, China, ASEAN and the US (Pan, 2007). For Japan, devoting in an exclusive East Asia regionalism will sacrifice its relationship with the US. That is why Japan gave up its idea on Asian Monetary Fund and welcome with the US involvement in the EAS. Japan also would not likely tolerate China to become a leader in the process of regionalization. At the same time, China proactive engagement in the East Asia regionalism also has to consider the position of Japan and the US and ASEAN to guarantee its peaceful rise. By engaging in East Asia regionalism China shows its friendly posture towards its neighbor as well as preventing Japan to become the

East Asia hegemonic power.

On the other hand, the US involvement in the EAS is motivated by the wariness of the potential of the APT to become an anti-US grouping both in economic and political sphere. By involving in the East Asia framework the US maintain its position as the important actor of East Asia stabilization. Interestingly, ASEAN as the driving force of the APT takes benefits from this rectangular relationship. ASEAN is using the triangular enmity between Japan-China and the US as hedging strategy while maintaining its position in the driving seat. All in all, this strategy limits the growth of regionalism in East Asia since ASEAN has to maintain its relative power towards the Plus Three countries and the US.

### Conclusion

More than a decade of the rising regionalism initiative in East Asia, the global financial crisis became a significant challenge to testify the viability of the regional grouping. At certain degree the crisis constitutes an important lesson since reliance to external market poses vulnerability of regional economic stability from the external shock. The global financial crisis, therefore presents an opportunity to promote a deepening regional cooperation to maintain macro-economic stability as well as market competitiveness.

Different with the Asian Financial crisis in 1997-98 that become the incentive to build East Asian regional framework, regionalism after the global financial crisis, however, shows a slow progress. The reason behind the meagerness of East Asian regionalism has been related to political structure of the regional framework. Since the inception the APT and the EAS driven by political domino effect, in which every state wants to be involved in every regional framework that being proposed and

established. From the outset, the APT and the EAS also plague with political dilemma. The competition and balancing strategies amongst the East Asian regionalism actor limits the effectiveness and the progress of cooperation. The policy responses to curb the impact of the global financial crisis clearly show those indications.

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